



Minutes of the meeting of 10.30 am, Tuesday 21 March 2017

- Location:** Room 4, ACC, King's Dock, Liverpool, L3 4FP
- Chair:** Rob Griffiths (national housing federations)
- Present:** Amerjit Barrett (national housing federations)
Andrew Newberry (national housing federations)
Andy Speer (national housing federations)
Anna McOwen (national housing federations)
Anne O'Meara (national housing federations) – by phone
Harry Mears (professional advisor)
Jenny Brown (professional advisor)
Jonathan Clarke (professional advisor)
Lindsey Dryden (national housing federations)
Maria Hallows (professional advisor)
Mark Potter (national housing federations)
Nigel Perryman (professional advisor)
Phil Cliftlands (professional advisor)
Sarah Sheen (professional advisor) – by phone
Sarah Smith (national housing federations)
- Observers:** Allister Parkinson (Welsh Government)
Jennifer McBride (Governance and Inspection Unit, Department for Social Development, Northern Ireland) – by phone
Mei Ashelford (FRC) – by phone
Nigel Gregory (Scottish Housing Regulator)
Philip Winter (Homes and Communities Agency) – by phone
- Guests:** Jonathan Livesey (PwC)
Steven R Blackmore (PwC)
- Secretariat:** Guy Flynn (PwC)
John Butler (National Housing Federation)
- In attendance:** Andy O'Regan (TPT Retirement Solutions)

Minute no		Action
1.	Apologies <ul style="list-style-type: none">Jack Marshall and Andrew Malcolm sent their apologies.	
2.	Minutes of the meeting of 30 January 2017 <ul style="list-style-type: none">The minutes of the meeting of 30 January 2017 were agreed as an accurate record of the meeting.	
3.	Matters arising <ul style="list-style-type: none">There were no matters arising.	

4. Accounting for multiple employer pension schemes

The methodology

- PwC introduced the paper that sets out the draft methodology that could enable housing associations to account for their portion of the Social Housing Pension Scheme (SHPS) deficit under the defined benefit (DB) approach. The main principles behind the methodology, which also applies to the Scottish Housing Associations' Pension Scheme (SHAPS), are to ensure that the information can be generated in a timely and cost efficient manner and that it will be sufficiently robust to withstand audit procedures.
- The asset estimation will be based upon the existing calculation that is applied to those housing associations that have bulk transferred out of SHPS:
Entity A Liabilities/Total Liabilities x Total Assets =
Transfer Value for Entity A.
- There are two key issues with this methodology:
 - 1) Some entities have non-31 March accounting year end dates
 - 2) Member level data will be required to enable the systems to be updated on a regular basis and this could be difficult to achieve within potentially tight timescales.
- The main proposal is to value the liabilities on the technical provisions (total SHPS liability split by employer) and not the FRS 102 assumptions basis.
- A discussion on the approach in the methodology that proposed that the share of fund assets and accounting liabilities should be produced at 30 September each year for all employers was held. It was suggested that a more approximate measure, that valued assets and liabilities every 3 years, could be developed but this was determined to lack the required level of accuracy.
- It was suggested that annual full valuations and audit of all SHPS assets would be required at each 30 September to obtain assurance comfort on the figures.
- Accounting assumptions rather than funding (technical provisions) assumptions will be adopted to determine the liabilities. In addition, two of SHPS' four deficit repayment schedules are based upon organisations' payroll at a given historic date, not a share of liabilities basis. As a result, the DB figures, once calculated, will not reflect the actual funding requirements of the scheme.
- The Local Government Pension Scheme (LGPS) uses a base point date as year zero for each employer's asset valuations and since this time has rolled forward the figures. However, this is not comparable to SHPS because the LGPS is sectionalised.

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- TPT would be able to support a valuation at 30 September every year. It was agreed that the 6 month gap to 31 March is unlikely to be problematic because of the level of estimation required for the calculation.

The audit approach

- The auditors on the WP requested to share the methodology with their technical teams. The methodology paper would be refined and updated and circulated to all SHPS employer auditors. This would be followed by a conference call between all the firms.
- The assurance work that is undertaken centrally is the most important element in achieving audit comfort on the numbers. More information on this approach is required, in particular on the numbers and evidence. There is precedence from the audit of LGPS that could assist in providing guidance on this approach.
- The central auditor would provide a shared comfort report for all the other auditors, as occurs with shared service centres. The report will include details on the processes and controls at TPT.
- It is proposed, subject to time available, that individual employers could generate their own assumptions, such as different discount rates and future price inflation.
- Members of the WP and PwC agreed to meet TPT shortly after the meeting to further update the methodology.
- It was suggested that some housing associations may move into negative reserves if they DB account. This is, in part, because the discount rate is higher for multi-employer schemes that account under the defined contribution approach.
- The methodology paper did not include the reasoning behind the WP seeking to establish DB numbers for each employer and why this has changed since the SORP 2014 was finalised.
- This approach has only been possible in the last 12 months because of technological improvements.

Prior period adjustment

- It was agreed that disclosing comparatives would be beneficial for users of housing associations' accounts. Transition rules will be needed to avoid housing associations with 30 September 2017 accounting year ends attempting to obtain DB numbers. It was suggested that this would need to be sanctioned by the FRC and that a target date for the first set of DB accounts to be produced for 31 March 2018 will be required, subject to the method receiving audit sign off.
- Housing associations that were seeking to estimate DB numbers for the 31 March 2017 year end are comfortable with

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not obtaining the numbers until 31 March 2018 as long as the information would definitely be available for March 2018. There is otherwise a risk that those associations will progress their own work to obtain the accounting data.

- At the next meeting of the WP on 9 May 2017 the double entry accounting required to remove DC figures and introduce DB figures in employers' accounts will be presented. **PwC**
- TPT will approach non-housing association SHPS employers to inform them of developments with DB accounting. **TPT**
- TPT need to recruit more employees, in particular IT experts, but it is a not for profit organisation so extra funds will be required. TPT should develop a model to charge the costs to individual employers. **TPT**
- Guidance related to the transition rules would require consultation. This could start after the SORP meeting on 19 September 2017, last for 6/8 weeks, and be then taken to the FRC meetings in December 2017. **Fed FRC**
- The methodology paper should be refined in time for the next meetings of FRC's Technical Advisory Group (25 April 2017) and ICAEW's social housing committee (28 April 2017). **PwC**

5. **Beevers & Struthers 2017 Annual Review**

- Maria Hallows introduced the main points of interest from Beevers & Struthers 2017 Annual Review of the top 100 housing associations' financial statements.
- The Value for Money (VfM) statements in housing associations accounts have improved markedly in the year. This is partly attributable to less information being published.
- In 2015 79% of housing associations paid their board members, this increased to 90% in 2016.
- The most common reason for housing associations regulatory downgrades was organisations missing deadlines for filing their financial statements with the HCA.
- In 2016 impairment increased from £31 million to £60 million. £50 million of this was a result of write downs to housing properties, the social housing rent cut being the main factor behind these impairments.

6. **Subsequent meetings of the SORP Working Party:**

- 10:30-14:30 Tuesday 9 May 2017 (Lion Court, London)
- 10:30-14:30 Tuesday 19 September 2017 (Lion Court)
- 10:30-14:30 Tuesday 5 December 2017 (Lion Court)
- 11:00-13:00 Tuesday 13 March 2018, ACC, Liverpool