The Proposed Revised Accounting Direction for Social Housing in England from April 2012

A Statutory Consultation
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December 2011
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# Consultation statement

## The regulator of social housing in England consultation statement

This sets out key information about the issues being consulted on, what effects we think any proposals or changes could have, who we are asking for views, and when and how to respond.

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| Please respond to | Philip Winter  
The Social Housing Regulator  
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Email: accountingdirection@tsa.gsi.gov.uk |
| **Why we are asking for views** | The consultation is about proposed changes to the accounting requirements for private registered providers of social housing. Once finalised this will be known as the Accounting Direction. |
| **What it means for you** | Our experience as the social housing regulator indicates that this consultation will mainly be of interest to private registered providers (both current and potential registrants) and their auditors. It may also be of interest to tenants, lenders and other stakeholders who have an interest in the social housing sector and the information that is disclosed in the annual financial accounts of private registered providers. This consultation is an opportunity to influence how the regulator's revised direction is implemented from April 2012. |
| **Context for this consultation** | Section 127 of the Housing and Regeneration Act (H&RA) 2008 permits the regulator to give directions to private regulated providers about the preparation of their accounts and to profit-making private registered providers in so far as their accounts relate to social housing activities. |
| **Who is being consulted** | The regulator is required to consult one or more bodies which appear to represent the interests of private registered providers. In this regard the bodies that we will be consulting are listed in Annex B. |
| **How we are** | Alongside the publication of this consultation document |
| **Consulting** | the regulator will continue to engage in discussions with stakeholders. |
| **Taking account of your views and what happens next** | The regulator will publish a decision statement in March 2012 before the new direction comes into force on 1 April 2012. |
| **Publication of responses** | All formal written responses will be published shortly after the closing date of this consultation (unless you specifically ask us not to and subject to provisions within the Freedom of Information Act (FOIA) 2000). |
| **Freedom of Information** | The information provided in response to this consultation (including personal information) may be published in accordance with the FOIA and the Environmental Information Regulations 2004. If you want the information that you provide in response to this consultation to be treated as confidential, please tell us (marking written responses accordingly) but be aware that, under FOIA, we cannot guarantee confidentiality. There is a statutory Code of Practice on consultation that public authorities must follow and this sets out how confidential information must be dealt with. If you are replying as an individual, the TSA will process your personal data in accordance with the Data Protection Act 1998 and this means that if you request confidentiality your personal information will not be disclosed to third parties. An automatic confidentiality disclaimer generated by your IT system will not, in itself, be binding on the regulator for social housing. |
1. Introduction

1.1 Section 127 of the Housing & Regeneration Act 2008 (the H&RA 2008) permits the regulator to make directions to private registered providers (not local authorities) about the preparation of their accounts\(^1\), and to profit-making PRPs in respect of social housing activities\(^2\).

1.2 Section 127(3) of the H&RA 2008 states that:

“The power must be exercised with a view to ensuring that accounts—

(a) are prepared in proper form, and
(b) present a true and fair view of—
   (i) the state of affairs of each registered provider in relation to its social housing activities, and
   (ii) the disposition of funds and assets which are, or have been, in its hands in connection with those activities.”

1.3 Since commencement of its powers on 1 April 2008, the Social Housing Regulator has continued to use the 2006 Accounting Determination. This does not fully reflect the impact of the H&RA 2008 and therefore requires updating of accounting requirements, the details of which are set out in this consultation.

2. The accounting requirements for private registered providers of social housing

2.1 The accounting requirements for private registered providers of social housing (the Accounting Direction) are intended to provide a common baseline of disclosures within the accounts of private registered providers, relating to social housing activities. This covers organisations which have a wide range of constitutional structures – whether they are registered under the Companies Act, as charities or as Industrial and Friendly Societies, both as for-profit or not-for-profit.

2.2 The current Accounting Determination was designed for providers registered under the Housing Act 1996. These are all non profit making entities which are expected to comply with the Statement of Recommended Practice (SORP) ‘Accounting by registered social housing providers’. This SORP remains in place for such bodies. However, the revised Accounting Direction must reflect the diversity of all organisations (with the exception of local authorities) that may be registered under the H&RA 2008.

2.3 The new direction will need to concentrate on the accounting treatment of social housing activities. It should be aimed at ensuring that the funds and assets associated with social housing are reported in a consistent, open and transparent form.

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\(^1\) Paragraph 127(1) Housing and Regeneration Act 2008

\(^2\) Paragraph 127(2) Housing and Regeneration Act 2008
3. Proposals

3.1 The proposals for the new Accounting Direction build upon the current determination. The proposed direction is attached at Annex A. The key changes are:

- A requirement for those providers who undertake non-regulated activity or are controlled by a non-regulated entity to report the results of their social housing activities by way of segmental reporting in the notes to the accounts. This will allow disclosures and comparisons to be made by for-profit PRPs as well as traditional non profit PRPs on a similar basis. Disclosures will be subject to materiality considerations.

- A focus on transparency of transactions between regulated and non-regulated elements, covering apportionment and allocation of costs, distribution of profits and volume and nature of transactions.

- Enhanced remuneration disclosures which will increase requirements for openness. This will mean more detail on senior staff remuneration, including pension contributions and payments upon termination of contract, plus details (where available) of those pension deficits which are currently not disclosed under Financial Reporting Standard 17. The additional disclosures focus on the chief executive, senior management team and higher paid staff.

- Updating and aligning with the (proposed) revised standards\(^3\) to include reference to the statement of compliance with the requirements of the Value for Money standard and code of governance in use.

- Reduction in areas where detail has been prescribed in the past (whilst still aiming for consistency across providers). We will no longer specify detailed income and expenditure nor balance sheet layouts. We propose to consolidate much of the detail currently required about different types of social housing.

- General updates to reflect accounting and legislative changes.

3.2 It is proposed that the new direction will take effect for accounting periods commencing on or after 1 April 2012, although earlier adoption will be permitted. This means that it will take effect for annual accounts relating to the period 1 April 2012 – 31 March 2013, and all subsequent periods until the Direction is amended or replaced.

4. Consultation questions

4.1 In the context of the powers available to the social housing regulator under the Housing and Regeneration Act 2008, is the approach taken in the draft accounting direction appropriate?

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\(^3\) www.tenantservicesauthority.org/server/show/nav.15065
4.2 Does the proposed accounting direction at Annex A and the additional disclosures relating to social housing activities adequately ensure the clarity and transparency of those activities? If not, please suggest how this might be met.

4.3 Are there any areas of the proposed accounting direction that should be clarified, expanded or removed?

4.4 Does the proposed implementation date provide an adequate timescale for the introduction of any new requirements?
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This consultation document sets out proposals for changes to the accounting requirements for private registered providers of social housing to take effect from 1 April 2012.

It sets out key information about the issues and questions being consulted on, what effects we think new proposals could have, who we are asking for views and when and how to respond.