



# 2023 ANNUAL REVIEW OF SOCIAL HOUSING

BEEVER  
AND  
STRUTHERS

CHARTERED ACCOUNTANTS  
AND BUSINESS ADVISORS



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# EXECUTIVE SUMMARY

## Introduction

Welcome to the Beever and Struthers annual review of social housing 2023. We have reviewed the 2022 accounts and annual reports of the largest 100 housing associations (the Top 100) to identify and comment on the hot topics and emerging risks.



## Emerging risks

Like all businesses, housing associations are operating in an environment of increasing labour and material costs, commitment to 'net zero' expenditure, inflation, higher interest costs and cyber-crime. Alongside that, landlords are dealing with further increased regulation around resident and building safety and hearing the customer voice, following the tragic death of a child living in social housing in December 2020, and the publication of the Consumer Standards in July 2022. Together with changes to government policy on regulated rents, and the increase in issues getting rent setting right, the business models of housing associations are getting more and more expensive. Many are already making some tough decisions especially around development, with more expected to follow.

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## Principal sector risks

Building safety compliance has now risen to be the top identified risk as housing associations are taking action to ensure readiness for compliance with building and fire safety regulations with the Regulator of Social Housing (RSH) seeking assurances on how damp, mould and condensation cases are being managed. Staff recruitment, retention and succession, and customer service are amongst the biggest movers from the previous year in light of new regulations and ongoing effects of the pandemic and Brexit. Net zero carbon/sustainability risk is a new entrant to the Top 10 principal risks identified in 2022.

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## Narrative Reporting – Governance and ESG

The average length of narrative reporting has increased from 46 to 48 pages, as organisations respond to an increasingly complex set of regulatory requirements. Good practice noted this year included more use of digital and interactive Annual Reports, which included videos and animated infographics. There are many examples of transparent good governance in Board reports and all those within the Top 100 adopted either the NHF Code of Governance 2015, the NHF Code of Governance 2020 or the UK Corporate Governance Code 2018.

S172 statements are required in those associations constituted under the Companies Act. A small number of Co-operative and Community Benefit Society (CCBS) housing associations are voluntarily making S172 statements in their financial statements and the majority include some form of







Environmental, Social and Governance (ESG) reporting in their 2022 financial statements. Reporting requirements are such that there is no consistent approach to ESG reporting in the financial statements in the sector. Many associations do not use the financial statements as their primary ESG reporting tool, especially on the environmental aspects where a separate report is produced.

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## Key management judgements and estimates and accounting policies

The most commonly identified judgements and estimates include, as in previous years, defined benefit pension schemes, impairment, housing property “component accounting” and useful economic lives, capitalisation of development costs, classification of properties as either Investment Properties or Property, Plant & Equipment and classification of financial liabilities.

We are seeing less ‘boiler plate’ accounting policies which are including more bespoke commentary in the judgements, estimates and accounting treatment, especially in those areas with significant spend and impact on the financial results.



# EMERGING RISKS





The pace of change in the risk environment facing the social housing sector has showed no signs of slowing down since the Top 100 housing associations published their 2022 financial statements. It is noteworthy that a number of housing associations did not publish their financial statements by the regulatory deadline of 30 September 2022, with difficulties in the audit market being commonly cited as the driver of this emerging issue. **Inability to procure external auditors and failure to publish financial statements on time** have thus entered numerous housing association risk registers for the first time in the latter months of 2022.

The Regulator of Social Housing (RSH) Sector Risk Profile 2022\* (published in October 2022) provides us with a stark reminder of just how quickly the risk landscape changes in the sector: the document makes no reference to **damp and mould**, an issue that has been front and centre in the minds of housing associations since the tragic death of a child living in social housing in December 2020. Failure to identify and manage damp and mould cases entered the risk registers of many housing associations for the first time in early 2023, and for some has become the top scoring risk.



*\*This document is essential reading for all those involved in the governance and management of housing associations, and comprehensively sets out the Regulator's view of the risk environment in which housing associations operate. There is an expectation that all housing associations have cross referenced their own risk registers to the Sector Risk Profile and explained any relevant gaps.*

In many instances, the 2022 financial statements of housing associations already referred to the significant risks around **changes to government policy on regulated rents**. The government launched a consultation in August 2022 on maximum rent increases to be applied from 1 April 2023. The consultation outlined three possible caps on rent increases (3%, 5% and 7%), and the sector breathed a huge sigh of relief in late November 2022 when the Autumn Statement confirmed a 7% cap would be applied. Whilst this was a good outcome relatively speaking, this risk has not gone away and may indeed rise further up the risk registers of housing associations in 2023 as uncertainty around rent increases from 1 April 2024 moves into sharper focus. The rent increase in April 2023 represents a movement of "CPI minus 3%", and measured on this basis represents the least favourable outcome in living memory for the social housing sector, and there appears to be little sign of the already significant risk of **failure to maintain financial viability** reducing in the near future.



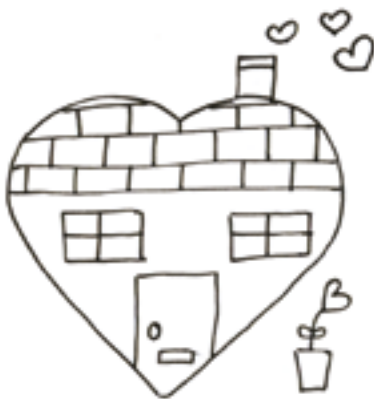
Whilst on the subject of rent, a related risk that has continued to increase in recent months is that of **errors in setting regulated rents**, with a growing number of housing associations being named by the Regulator for failing to charge tenants the correct level of rent.

On 23 September 2022, the then Chancellor, Kwasi Kwarteng, presented his ill-fated "mini budget" to Parliament and launched the Government's Growth Plan 2022. Whilst most housing associations had already recognised **increased borrowing** costs as a significant risk, the impact of this budget





on the financial markets threw into sharp focus the risks relating to the volatility in borrowing costs. Whilst much of the sector is protected, at least in the short to medium term, from this risk through fixed rate borrowings, in the latter months of 2022 it became apparent that the sector could not assume that “cheap money” for housing associations was the gold-plated certainty that many had come to assume. The long-term impact of increased borrowing costs has upped the risk level of **failure to deliver the development programme** considerably in 2023.



In the context of delivering the development programme, other pressures have presented themselves through the latter part of 2022 and into 2023. With costs increasing across the board, including utilities and staff costs, and with the need to commit vast future sums on money to remedying defects in existing stock and working towards “net zero carbon,” many housing associations are re-evaluating the extent of their roles as developers of new homes, as they re-focus their strategic priorities towards their existing housing stock. This is further compounded by the Social Housing White Paper and subsequent announcements from government and the RSH on the need for housing associations to “get the basics right” – leading to a significant increase in risks such as **failure to provide effective customer services and failure to provide safe, decent homes to customers.**

As financial headwinds continued to blow across the sector, the RSH reviewed the Viability gradings apace, resulting in many housing associations being “re-graded” from V1 to V2 by the Regulator in the latter months of 2022. In late October 2022, the social housing press quoted a senior representative of the RSH as saying that they “wouldn’t be surprised if between 60 per cent and two-thirds of landlords were V2 by the end of process.” This is a worrying development, especially coupled with the constant stream of warnings to the sector, from various sources, on the quality of its housing stock. Housing associations are elevating the risk of **adverse assessment by credit ratings agencies** – because if all of this bad news results in the capital markets getting nervous, it could be unhelpful for housing associations looking to refinance or obtain new funding.

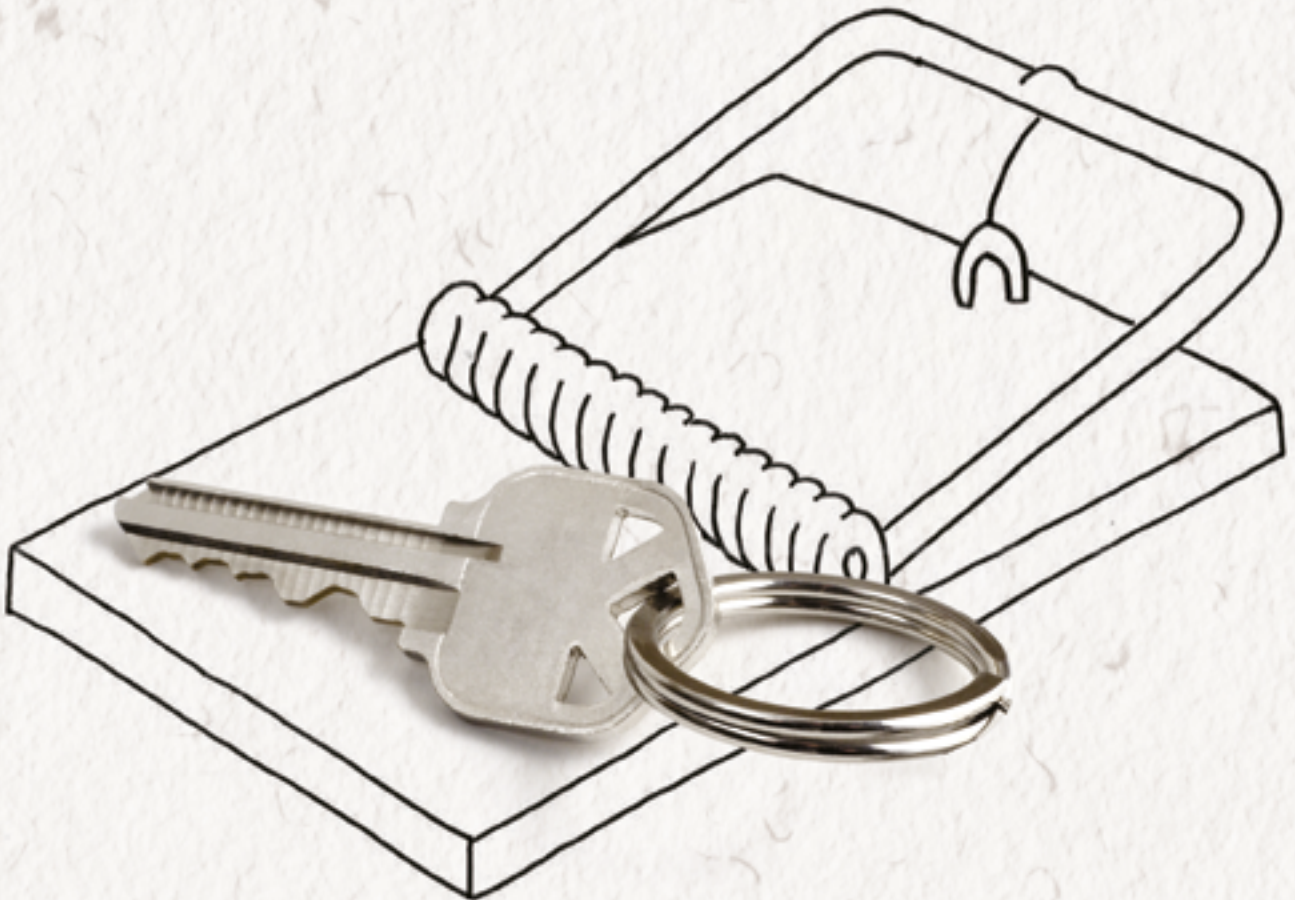
And finally, it would be remiss not to mention the risks relating to **cyber security** – with more big names impacted in 2022, and the impact on victims of cyber-attacks becoming increasingly apparent, this already significant risk is on the rise across the sector. Organisations are recognising the need to shift their focus to how they would mitigate the damage caused by a successful attack, rather than merely on prevention.







# PRINCIPAL SECTOR RISKS





## PRINCIPAL SECTOR RISKS

### Key points

- Building safety compliance has risen to the top risk as housing associations are taking action to ensure readiness for compliance with building and fire safety regulations.

- Staff recruitment, retention and succession, and customer service were amongst the biggest movers from the previous year in light of new regulations and ongoing effects of the pandemic and Brexit.

- The net zero carbon/sustainability risk is a new entrant to the Top 10 identified risks in 2022.



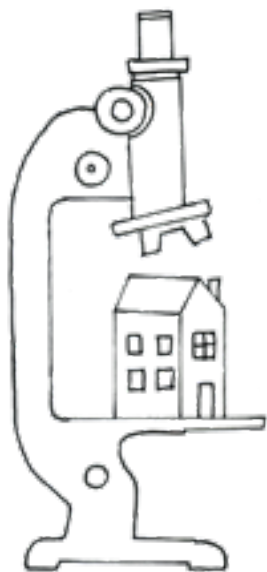
The RSH, through its Governance and Financial Viability Standard, requires Private Registered Providers (PRPs) to establish an effective risk management framework – a process which starts with identifying what the key risks are.

We undertook an assessment of the Top 100's key risks as reported in their 2022 financial statements. Although we noted very little change in the description of risk in comparison to last year, there had been some movement in risk exposure/scoring and a new entrant to the Top 10 risks.

#### Top 10 Principal Risks in order of frequency of occurrence in the Top 100 housing associations:

	2022	2021
↑	1 Building safety compliance (2)	1 Financial viability risks arising from economic shock including sales risks and treasury/financing risks
↑	2 Customer service – including hearing customer voice and delivering service improvements (6)	2 Building safety compliance
↑	3 Staff recruitment, retention, and succession (7)	3 Government policy and legislation including Welfare Reform
↓	4 Financial viability risks arising from economic shock including sales risks and treasury/financing risks (7)	4 Data security and cyber-related risks
↓	5 Government policy and legislation including Welfare Reform (3)	5 Investment in existing homes
↓	6 Data security and cyber-related risks (4)	6 Customer service – including hearing customer voice and delivering service improvements
↑	7 Failure to deliver development programme including risks relating to Joint Ventures (8)	7 Staff recruitment, retention and succession
↓	8 Investment in existing homes (5)	8 Failure to deliver development programme including risks relating to Joint Ventures
↑	9 Sustainability programme, net zero achievement and Corporate Social Responsibility (CSR) (New)	9 Covid-19
↔	10 Data quality and governance (10)	10 Data quality and governance





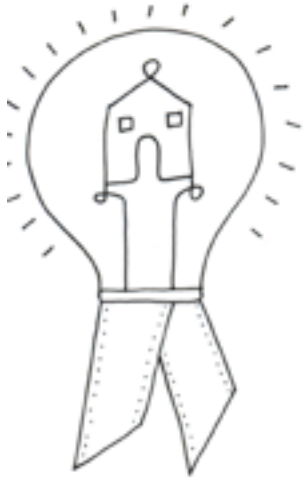
In April 2022, following Royal Assent, the Building Safety Act 2022 became legislation, and forms part of the Government's new safety regime affecting all aspects of building safety. The Act will result in significant implications for the social housing sector and is key to improving the safety standards in buildings and ensuring there is adequate protection of lives and property. However, this puts new responsibilities on landlords and the grant availability from the UK government, with resultant effects on their financial resources. As such, the position of the building safety compliance risk has risen to number one (from number two in 2021) in the Top 10 principal risks table.

The Charter for Social Housing Residents (social housing white paper) published by the UK government, which places more emphasis on customer voice and influence, has resulted in the customer service risk rising from number six to number two in 2022. To ensure compliance with these new expectations, the white paper outlines the plan for new regulations and a strengthened Housing Ombudsman, including regular inspections for landlords with more than 1,000 homes, and new powers for the Ombudsman to issue complaint handling failure orders. Furthermore, the white paper committed the RSH to introducing a set of tenant satisfaction measures (TSMs) which are intended to provide tenants with information that can be used to hold their landlords to account and to inform the RSH's regulation of landlords, increasing the level of responsibility and risk exposure the sector has.

One of the biggest movements in the Top 10 risks was seen in staff recruitment, retention, and succession, with a rise to number three from number seven in the previous year. This was mainly attributed to post-Brexit and pandemic related impacts, as these have been key drivers of labour and supply shortages in all sectors, including social housing. Generally, in a post Brexit world the UK public sector faces retention challenges – the wage gap between public and private sector workers is increasing and housing associations find themselves without the levels of funding required to provide competitive salaries. Therefore, this exacerbates the already acute staffing pressures in social housing, local authority services and schools.

The financial viability risk is a common risk in the sector currently, although its scoring fell from number one to number four in the year. Due to the significant changes in the economic environment, such as the war in Ukraine, the 7% rent cap and high inflation, the UK is facing the worst cost-of-living crisis in decades. As a result of this, the financial viability risks and supporting treasury golden rules and agreed covenants with lenders are seeing increasing pressure and impact. This has caused many PRPs to reassess their current and future financial position and ensure frequent monitoring is in place. The RSH is also increasing its focus on PRPs' financial viability within their assessments of viability gradings through In-Depth Assessments and stability checks.





There was a new entrant to the key risks reported in 2022 financial statements – sustainability and net zero achievement. For the UK to meet its legally binding target of net zero emissions by 2050, social housing providers need to reduce the carbon emissions of the homes they manage. Therefore, decarbonisation of social housing stock has become a key strategic challenge for all social housing providers. Without funding support from other sources, social landlords may have to consider disposing of some hard-to-decarbonise homes to meet their energy performance targets. However, this brings a risk of causing further emissions, either from a failure of decarbonising homes in the private market or from high construction emissions.

With the pandemic accelerating digital ambitions and PRPs exploring more automation, data security and cyber-related risks remains a top risk in the sector. The costs associated with cyber-attacks can be crippling if not managed well and given there is an increased incidence of reported cyber-attacks (mainly ransomware) across the sector, PRPs are incorporating the risk of cyber-attacks into their stress testing in order to develop mitigating actions to combat this threat.

Looking ahead, in light of new regulations and changes to the economic environment, most of the key risks above will remain in the Top 10 risks in the coming year. More recently there has been an increased focus on health and safety, particularly relating to damp, mould and condensation. The RSH is seeking assurances from social landlords on how such cases are being managed. As organisations continue to feel the squeeze on their financial health, the regulatory focus will not shift away from customer safety and customer voice.





# NARRATIVE REPORTING - GOVERNANCE AND ESG





## Key points

- Average length of narrative reporting has increased from 46 to 48 pages, as housing associations respond to an increasingly complex set of regulatory requirements.
- Good practice noted this year included use of digital, interactive Annual Reports, which included videos and animated infographics.
- A small number of CCBS housing associations are voluntarily making S172 statements in their financial statements.
- All housing associations within the Top 100 adopted either the NHF Code of Governance 2015, the NHF Code of Governance 2020 or the UK Corporate Governance Code 2018.
- Most housing associations include some form of ESG reporting in their 2022 financial statements although many do not use the financial statements as their primary ESG reporting tool, especially on the environmental aspects.
- The reporting requirements are such that there is no consistent approach to ESG reporting in the financial statements in the sector.

## Introduction

Housing associations continue to develop their narrative reporting to ensure compliance with regulatory requirements as well as telling the story of how the organisation is performing and achieving its strategic objectives in a clear, concise and balanced way.

## Requirements

Regulatory requirements in relation to narrative reporting are mainly set out in the Statement of Recommended Practice (SORP) for social housing providers 2018, which requires housing associations with more than 5,000 units (and is recommended for those under 5,000 units) to include a strategic report in the financial statements which comments on:

- Objectives and strategy for achieving those objectives.
- Business model.
- Development and performance throughout the financial year and position at the end of the financial year.
- Future prospects.
- The principal risks and uncertainties being faced.
- Financial and non-financial key performance indicators.
- Governance.

The SORP requires the following principles to be followed in producing the strategic report:

- It should be fair, balanced and understandable.
- It should be comprehensive and concise.
- Where appropriate, information in the report should have a forward-looking orientation.
- It should provide information that is entity-specific.
- It should highlight relationships and interdependencies between information presented in different parts of the financial statements.

It is also a SORP requirement that the structure and presentation of the report should be reviewed annually to ensure it continues to meet its objectives in an efficient and effective manner. This is also highlighted by a useful Financial Reporting Council (FRC) publication on this subject ([www.frc.org.uk/accountants/accounting-and-reporting-policy/clear-and-concise-and-wider-corporate-reporting/narrative-reporting/guidance-on-the-strategic-report](http://www.frc.org.uk/accountants/accounting-and-reporting-policy/clear-and-concise-and-wider-corporate-reporting/narrative-reporting/guidance-on-the-strategic-report)).



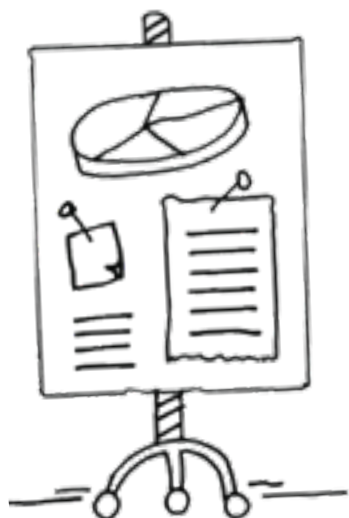


Other requirements derive from legislation (CCBS Act or Companies Act), the Accounting Direction for private registered providers of social housing, the Accounting Requirements for Registered Social Landlords General Determination (Wales), Code of Governance and Charities SORP (for registered charities). Reporting requirements have increased in recent years as a result of Value for Money (VFM) reporting, and, for relevant entities, S172 reporting, Streamlined Energy and Carbon Reporting (SECR), and ESG reporting.

## Length

Housing associations face the challenge of balancing ever-increasing regulatory requirements with keeping the narrative report engaging and readable. So how are housing associations responding?

Our review identified that the average length of the narrative reports for the Top 100 this year was 48 pages, up two pages on last year, and an increase of 14 compared to 2015. There were two organisations with reports over 100 pages in length.



## Good Practice

Our review highlighted increasing use of maps, graphics, photographs, case studies and personal statements to bring narrative reporting to life. The better reports included a clear contents page, signposting the reader to key information, even including hyperlinks in some instances.

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Reproduced from source: Bromford Housing Group Annual Report and Accounts for the year ended 31 March 2022 page 2.





## Digital annual reports

Longhurst Group provided a great example of a revised approach for the 2022 narrative report. The narrative report in the published financial statements amounted to only two pages. It was supported by a digital, interactive annual report, which included a wide range of videos and animated infographics that showcased the numbers and the people behind them. Is this the future of reporting in the sector?



## Case studies

We note that case studies are increasingly popular, and a good way to illustrate some of the numbers and narrative in the financial statements.

### CASE STUDY 1 – DEVELOPMENT ACTIVITY

#### Naval Heritage

Barne Barton, in the St Budeaux area of Plymouth, was once Britain's biggest naval estate. We're investing £22 million in demolishing the deteriorating 1960s estate and replacing it with a modern community. The new development will contain 204 new homes, accessible green spaces and infrastructure, and a diagonal green street across the estate which will open up views to the River Tamar.

Barne Barton was one of the winning projects at the Housing Design Awards last September. The new development will be a mix of flats and houses for social rent, affordable rent and shared ownership, with the first homes due to be completed in early 2023.

*Reproduced from source: Clarion Housing Group page 21.*







## CASE STUDY 2 – PEOPLE

### Sanctuary Care kickstarts new careers

Last year, Sanctuary offered work experience placements to 140 young people at risk of long-term unemployment, as part of the Government funded Kickstart scheme.

With under 25s among those most affected by unemployment, Kickstart enabled young people to make paths into the world of work.

Participants gained valuable work experience, developed transferable skills, and improved their employability. They were offered CV writing support, interview coaching and training.

As a result of the scheme, 38 people have so far been offered employment with Sanctuary, including Luke Harrison.

Luke secured the role after thriving during a six-month placement at The Laurels Residential and Nursing Home in Spondon, Derby.

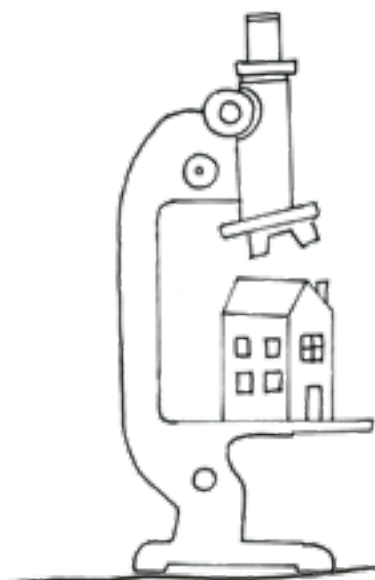
Having cared for his elderly grandparents, Luke was naturally drawn to a career in care. He loved the placement and impressed so much, he has moved into a permanent position as a Care Assistant.

He said: *"I really enjoy looking after the residents. Seeing smiles on their faces is really rewarding and it makes me feel very happy knowing I have helped them."*

**Neil Quinn, Director of HR – Sanctuary Care, said:**

***"We are extremely proud to be able to play our part in creating opportunities which really can be life-changing for young people, bringing fresh skills and new ideas which will no doubt enrich the lives of residents, staff and our organisation."***

*Reproduced from source: Sanctuary Group, page 15.*





### CASE STUDY 3 – CUSTOMERS

#### How Rose changed her career and life for the better

Rose owns a shared ownership home with her partner in East London. They were both keen to increase their incomes so they could make their mortgage repayments more comfortably and hopefully to staircase and increase their share of the property.

After getting in touch with her local employment caseworker, everything changed. Rose worked closely with her caseworker to improve her CV and interview skills and was able to quickly find a new role that was better paid and that aligned much more to her career ambitions:

“ I can’t thank my caseworker enough, I made the best decision to contact her after seeing the service in our local newsletter. ”



*Pictured: Tina, Peabody, Employment Caseworker, and Rose, Peabody customer.*

*Reproduced from source: Peabody, page 19.*





## Section 172 ('S172') Statements

S172 reporting became applicable for the first time for 31 March 2020 year ends for housing associations qualifying as large companies under the Companies Act, introducing a requirement that Boards should include a statement in the strategic report on how they had regard to the matters set out in S172 of the Companies Act, these being:

### Section 172 Duty to promote the success of the company

(1) A director of a company must act in a way that considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) The likely consequences of any decision in the long term,
- (b) The interests of the company's employees,
- (c) The need to foster the company's business relationships with suppliers, customers and others,
- (d) The impact of the company's operations on the community and the environment,
- (e) The desirability of the company maintaining a reputation for high standards of business conduct, and
- (f) The need to act fairly as between members of the company.



In line with last year, we noted ten housing associations that included a Section 172 statement in their financial statements. That number included four housing associations that were incorporated under the CCBS Act, and so included the Section 172 statement on a voluntary basis.

Bromford Housing Group was one which included a voluntary Section 172 statement in the narrative report.

“ Provision 5 within the code requires the board to demonstrate how it has taken into account the factors set out in section 172 of the Companies Act 2006. As an organisation governed by the Co-Operative and Community Benefit Societies Act 2014, this requirement does not apply. However, the board does have responsibilities which, amongst other things, require it to act in good faith and in the best interests of Bromford. ”

Source: Bromford Housing Group Annual Report and Accounts for the year ended 31 March 2022 page 41.

Section 172 style reports can offer a template to provide a powerful insight into the ethos and culture of the organisation. It will be interesting to note whether voluntary inclusion of a Section 172 statement becomes more





widespread in the sector in the future, as housing associations look to demonstrate compliance with their codes of governance, and their commitments to making sure the needs and views of residents and other customers are at the heart of strategic decision making.

## Governance

The Accounting Direction for Private Registered Providers of Social Housing 2022 states the following with regard to Governance:

“All PRPs must undertake an assessment of their compliance with the Governance and Financial Viability Standard at least once a year and PRPs must certify compliance with the Standard during the course of the year and up to the signing of the accounts within the narrative report or explain why it has not been possible to comply with the Standard. Any non-compliance identified since the previous report should be explained. The code of governance that has been adopted by the PRP should also be disclosed.”

All housing associations within the Top 100 adopted either the NHF Code of Governance 2015, the NHF Code of Governance 2020 or the UK Corporate Governance Code 2018. The majority (91) adopted the NHF Code of Governance 2020, an increase from 15 housing associations in the previous year. The NHF recommended the 2020 Code be adopted by all housing associations from 31 March 2021.

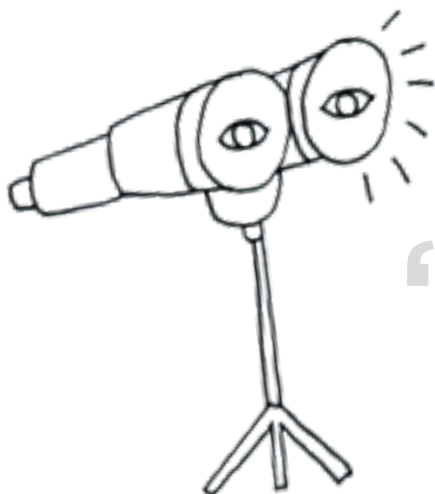
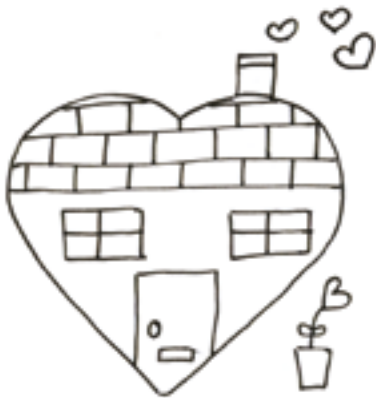
Three housing associations chose to adopt the NHF Code of Governance 2015 for the year ended 31 March 2022; being Karbon Homes, Lincolnshire Housing Partnership and Freebridge Community Housing. All organisations are expected to report compliance with the 2020 Code in their 2023 accounts.

There was one change to the housing associations choosing to adopt the UK Corporate Governance Code 2018, with Abri Group instead choosing to adopt the NHF Code of Governance 2020 for the year ended 31 March 2022, leaving 6 housing associations choosing to adopt the UK Corporate Governance Code 2018; Places for People Group, Bromford Housing Group, Anchor Hanover Group, Aster Group and Moat Homes.

24 of the Top 100 housing associations reported areas of non-compliance with their chosen Code. Clarion Housing Group was one such housing association which stated the following:

**Code of Governance**

“For 2021/22, the Group adopted the new NHF Code of Governance 2020, based on clear requirements and commitments, which enable the Board to demonstrate compliance with best practice in the housing sector. The Group





*routinely self-examines performance against the main requirements of the Code and regularly reviews its effectiveness. We are working on a path to compliance with the new Code.*

*The Group expects to comply fully with the NHF Code of Governance 2020 with the exception of Principle 3.1(4). Our Group Investment Committee is chaired by, Mark Hattersley, the Chief Financial Officer. The Board believes that Mark is best placed to chair the Committee given his detailed knowledge and experience of the business. There are four non-executive members on the Committee who provide appropriate independent scrutiny.*

*Source: Clarion Housing Group Annual Report and Financial Statements page 33.*

The Peabody Trust also reported non-compliance with the NHF Code of Governance 2020 as follows:

### “ **Board size and diversity**

*The Board's size (14 members) is currently above the NHF Code maximum guidance of 12 members. Peabody will seek to achieve compliance with this requirement over time, but following the joining together with Catalyst, the Board values the experience and skills provided by members from both legacy Boards whilst also welcoming fresh thinking and perspectives. The Board's first priority is to maintain good governance through ensuring the right skill set and aptitudes are in place on the Board and Committees, whilst also meeting its goals for Board diversity outlined in the description of Board membership on page 47. Opportunities to reduce the Board size to comply through natural departures are being balanced against ensuring the Board commitment to having two resident Board members is always met and making sure adequate skills coverage is in place, with appropriate strength in depth for subsidiary Board and Group Committee chair succession.*

*Whilst the Board and NRC consider skills and relevant experience to be the primary factors for recruitment, succession planning and good governance, another very important dimension is board diversity, and ensuring our Boards and Committees are more representative of the people we serve. Diversity goals are described in pages 24 to 27. Peabody has committed to 30% of the Board being Black, Asian or Minority Ethnic (BAME) by December 2025. Currently, the Board of 14 is 21% BAME. To achieve this (in line with the equality, diversity and inclusion focus of the Group's Inaugural Business Plan) the Board is willing to accept that full NHF Code compliance in terms of Board size may not be achievable until 2025.*

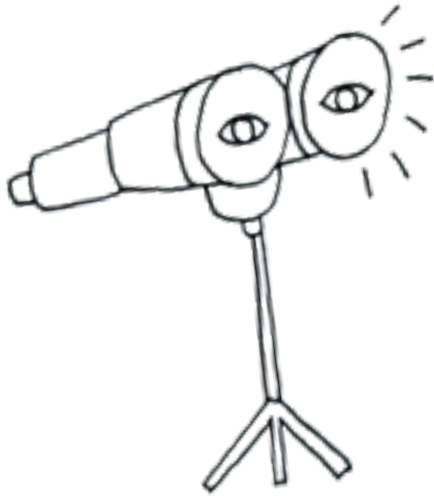
*Source: Peabody Annual Report and Accounts 2022, page 45.*

Housing associations continue to reference compliance with the Governance and Financial Viability Standard including those where regrades occur. Sovereign Housing Association disclosed the following as a result of a Governance regrade:





## “ Compliance with the Regulator for Social Housing Governance and Financial Viability Standard



The Board of Sovereign has carefully considered the requirements of the regulatory standards and has robustly assessed and taken assurance of Sovereign’s compliance with them during the year. On this basis, the Board certifies that Sovereign Housing Association has complied in all material aspects with the Regulator of Social Housing’s (RSH) regulatory standards during the reporting period ended 31 March 2022. We review our performance with our shareholders each year at the Annual General Meeting. This year the meeting will be held at online at 4:00pm on 28 July 2022.

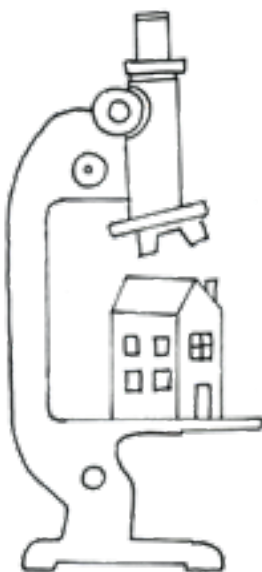
### Regulatory performance

On 29 June 2022 the RSH confirmed that we comply with its Governance and Financial Viability Standard, but re-graded us at G2 in light of areas we are improving in relation to our management of data and risk. We anticipate a return to G1 in the coming financial year. The current grades and straplines are: G2 The provider meets our governance requirements but needs to improve some aspects of its governance arrangements to support continued compliance. V1 The provider meets our viability requirements and has the financial capacity to deal with a wide range of adverse scenarios.

Source: Sovereign Housing Association Annual Report 2022, page 60.

Additionally the Chair’s report referenced the regrade as follows:

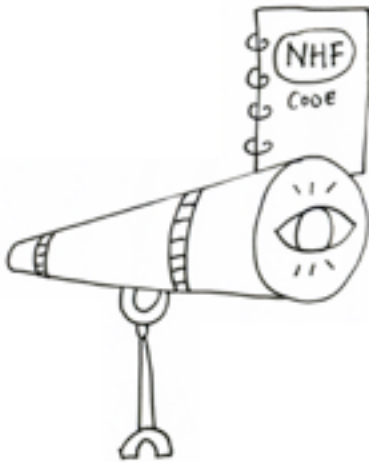
“ But this year has not all been good news and the Regulatory Notice issued on us and the governance downgrade that followed, was deeply disappointing and showed we need to improve further. Change cannot come too soon. In dealing with this difficult situation, I was impressed to see up close the commitment of the senior team in addressing the building safety data issue. Just as the team were transparent with the Regulator of Social Housing from the very start, the Board and representatives from the Resident and Board Partnership, were kept closely informed as the property services team worked round the clock to address those compliance issues with the communal areas in some of our blocks. Over the coming months and ahead of next year’s scheduled In-Depth Assessment, I know that the Executive Board are determined to restore Sovereign’s G1 governance rating as soon as practicable.



Although those errors should never have happened, the calm, methodical and focused way in which the team worked to put things right was exemplary. I am very confident that the new processes now in place mean we will regain our governance ratings next year. But lessons must be learnt, and the commitment to safety enshrined in our values.

Source: Sovereign Housing Association Annual Report 2022, page 5.





A number of housing associations added additional good narrative around Governance. One such housing association was Lincolnshire Housing Partnership which stated the following:

### “ **LHP Rule Amendments**

*LHP rules presented for approval, following a review by Anthony Collins Solicitors (ACS) to affect the following governance changes: Closed membership (where only Shareholders are Board Members); Removal of the AGM requirement; Virtual meeting provisions; and Board member terms of office amended to reflect the NHF Code of Governance 2020.*

*Progress: Considered and approved the proposed changes to the Rules including the removal of the previous Rules C3, C7 and C8.* ”

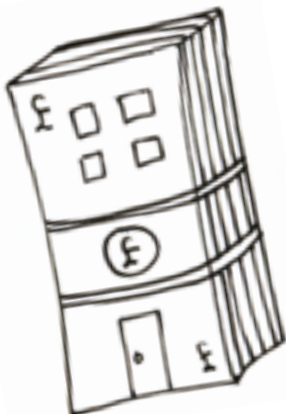
*Source: Lincolnshire Housing Partnership Financial Statements page 46.*

## ESG reporting in financial statements – background

ESG reporting is now common in the sector, with lenders and investors in particular driving the expectations on reporting to make environmentally conscious investments. Whilst social and governance aspects of ESG disclosures have been common in the sector for some time (various requirements such as Companies Act legislation for some, the SORP, the Accounting Direction or Determination, VFM requirements, Codes of Governance etc), the requirements around environmental disclosures continue to cause confusion about what is required to be disclosed and where, probably not helped by a plethora of different sources of guidance for different types and sizes of entities. There is also the issue of what level and volume of disclosure is appropriate and relevant for the financial statements.

Outside of the financial statements, many associations have adopted the voluntary (and evolving) Sustainability Reporting Standard for Social Housing (SRS) which is increasingly being accepted as the best practice standard for the housing sector. It was launched in November 2020 in response to concerns that ESG investment in social housing was being hindered by the absence of a common reporting standard. Several associations now publish a report alongside their financial statements, for example:

- **Sovereign** – “now publish a companion report on ESG alongside our annual report.”
- **Metropolitan Thames Valley Housing Group** – “issued our first ESG report, in line with the Social Housing Sustainable Reporting Standards.”



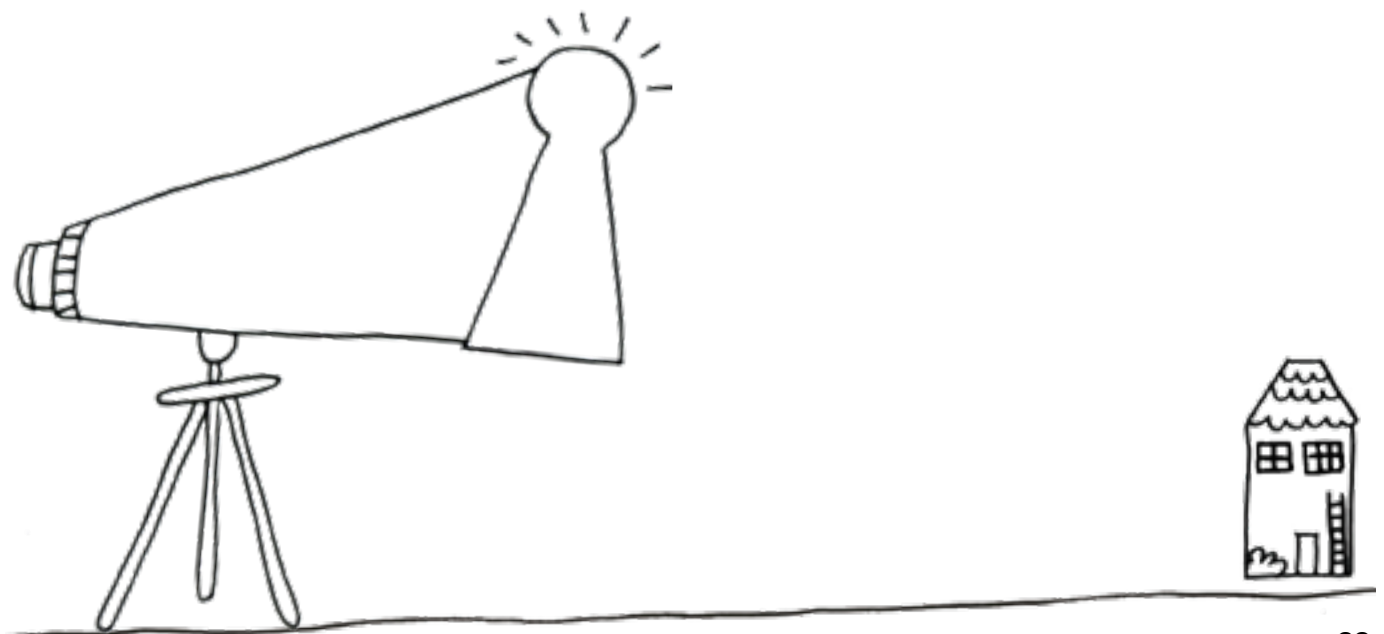


- **Hyde Housing Association** – “Our framework uses many of the metrics of the Sustainability Reporting Standard for Social Housing (SRS). However... it’s equally important for us to continue to use a ‘bespoke’ framework that reflects our priorities and focus areas.”

Whilst this report is not specifically relevant to the financial statements disclosures, elements of it enable reporting within the financial statements along the lines of the FRC’s quest for relevant disclosures which provide cohesive decision-useful information to investors rather than ever longer reports.

Within the financial statements, widespread support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations led the government to adopt them as the basis for implementing climate-related financial disclosures within a Non-Financial and Sustainability Information Statement. It remains the case that the FRC’s Guidance on the Strategic Report encourages a consideration of the importance of linking disclosures with other information disclosed in an Annual Report so that readers understand climate disclosures in a broader context.

In December 2022, the FRC issued its document [‘What Makes a Good Annual Report and Accounts’](#) which stressed that, where information presented in narrative reporting is not derived from the accounting system, it should be evidence based and encouraged disclosure of the sources of significant facts and claims made in the narrative reporting, where they are important for a user’s understanding. There was also stress on the need for language used in narrative reporting to be specific and not open to misinterpretation by users, and to be balanced. We will illustrate some of the examples of reporting on the following pages.





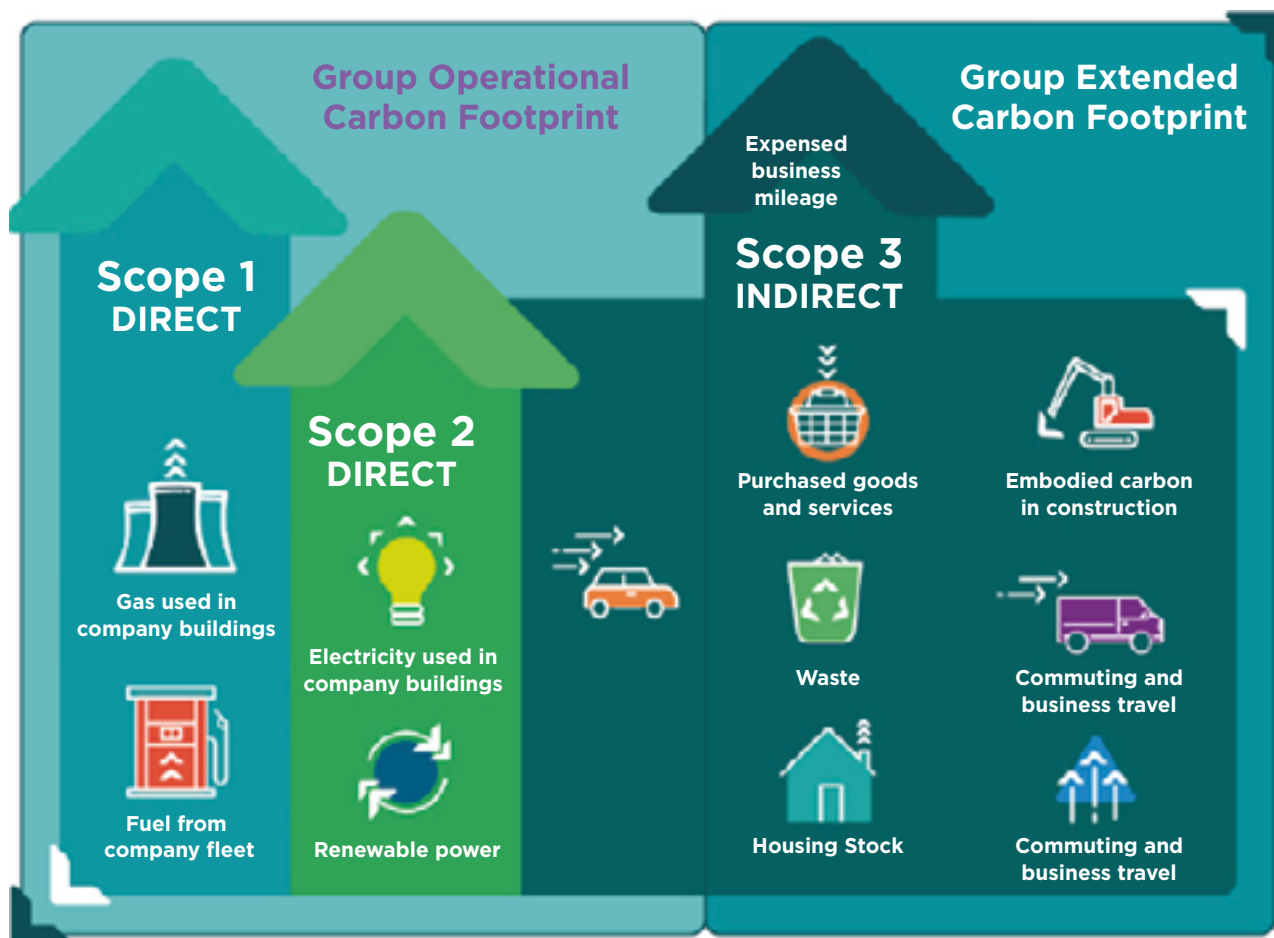
## Environmental reporting in financial statements – examples

The volume and comparability of the disclosures we have found varies greatly. However, there are various strands to the disclosures many associations include which broadly follow the SRS guidance.



### Emissions

The Greenhouse Gas Protocol Corporate Standard categorizes greenhouse gas emissions associated with an entity's Corporate Carbon Footprint as Scope 1, Scope 2, and Scope 3 emissions. Sanctuary Group include an Environment and Sustainability section in the Strategic Report which states that its 'Operational Carbon Footprint' comprises the emissions sources that are central to operations which it says are the emissions over which they have the most control and the most power to change (Scopes 1 and 2) but the total Carbon Footprint also includes the wider Scope 3 emissions. It includes a graphical summary to illustrate this point:



Source: Sanctuary Annual Report and Financial Statements 2021/2022 – Page 23.





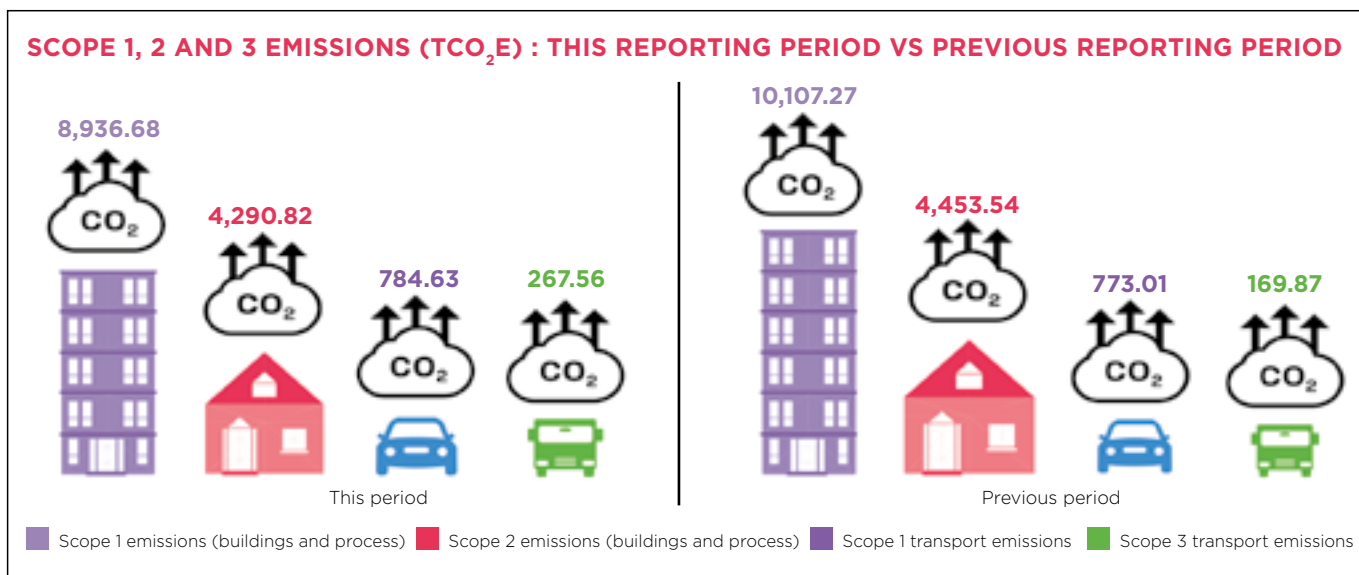
It reports the Group's operational energy consumption and associated carbon emissions and includes footnotes to the calculations which identify some complexity of using reported data to compare with peers on a consistent basis.

Sanctuary Group	2022	2019/20	Baseline
<b>UK energy use</b>			
Electricity (kWh)	68,630,967	66,113,102	70,310,337
Gas (kWh)	155,946,039	154,653,856	158,557,248
Transport (kWh)	29,446,781	26,737,625	34,417,046
<b>Associated greenhouse gas emissions (GHG)</b>			
Electricity (Tonnes of CO <sub>2</sub> e)	6,201	15,413	19,497
Gas (Tonnes of CO <sub>2</sub> e)	28,563	28,436	29,151
Transport (Tonnes of CO <sub>2</sub> e)	7,371	6,508	8,930
<b>Intensity ratios</b>			
Tonnes of CO <sub>2</sub> e per home in management	0.40	0.48	0.56
Tonnes of CO <sub>2</sub> e per employee	3.35	3.64	4.17

Sanctuary Group Targets	2023
Tonnes of CO <sub>2</sub> e per home in management	0.38
Tonnes of CO <sub>2</sub> e per employee	3.19

Reproduced from source: Sanctuary Annual Report and Financial Statements 2021/2022 – Page 22.

Metropolitan Thames Valley Housing Group includes an Environment and Social Value statement which graphically summarises its carbon emissions against the previous period:-



Source: Metropolitan Thames Valley Housing Association Ltd Annual Report 2021/22 – Page 57.



It also includes a table on intensity metrics as follows:-

### “ **Intensity Metric**

*An intensity metric of tCO<sub>2</sub>e per £m turnover has been applied for the annual total emissions of MTVH. MTVH have also decided to report on a variety of intensity metrics, and as such have also included metrics of tCO<sub>2</sub>e per £m EBITDA and tCO<sub>2</sub>e per FTE. The methodology of the intensity metric calculations are detailed in the appendix, and results of this analysis is as follows:*

Intensity Metric	2021/22 Value	2020/21 Value
tCO <sub>2</sub> e/£m turnover	35.17	34.76
tCO <sub>2</sub> e/£m EBITDA	92.73	90.66
tCO <sub>2</sub> e/FTE	7.37	8.24

*Reproduced from source: Metropolitan Thames Valley Housing Association Ltd Annual Report 2021/22 – Page 59.*

### **Energy Performance Certificate (EPC) ratings**

Social housing providers are aiming to reach the required target to attain a C rating on EPCs and report progress in a variety of ways. Midland Heart shows the following in a Sustainability and Climate Change section:-

“ Our corporate plan commits to achieving net zero carbon by 2050, focusing on three key areas:

- the homes we rent;
- the homes we build; and
- in the way we work.

*We have specifically commissioned work to define and set a pathway to net zero carbon by 2050. The pathway aligns our Corporate Plan with strategic milestones along the road to net zero, including EPC D by 2025 and EPC C by 2030 on the homes we rent.*





**Within the year:**

- we have undertaken pioneering research into net zero homes through the Project 80 new homes and the Havendale Close pilot study. Combining well established approaches with technologies such as Air Source Heat Pumps, mixer cylinders, Solar PV and the one of the UK's first HIVE combined demand response systems
- we were highly recommended for our unique and holistic approach to retrofit delivery for Housing Association of the Year at the West Midlands Region Energy Efficiency Awards 2022
- we have been successful in securing c.£2 million in grant from the Social Housing Decarbonisation Fund (SHDF), working through the West Midlands Combined Authority and Leicester City Council consortium bids
- since April 2021, we have made great strides in upgrading our EPCs in existing stock, eradicating all Gs, and reducing our EPC rated F properties by almost 90% and E properties by over 30%. Through a combination of increased intensity of assessments and retrofit interventions we now have almost 90% of our properties at EPC D or above compared to approximately 77% in June 21
- we have signed up as an early adopter of the Sustainability Reporting Standard for Social Housing and have published our first ESG report.

Source: Midland Heart Financial Statements Page 29.

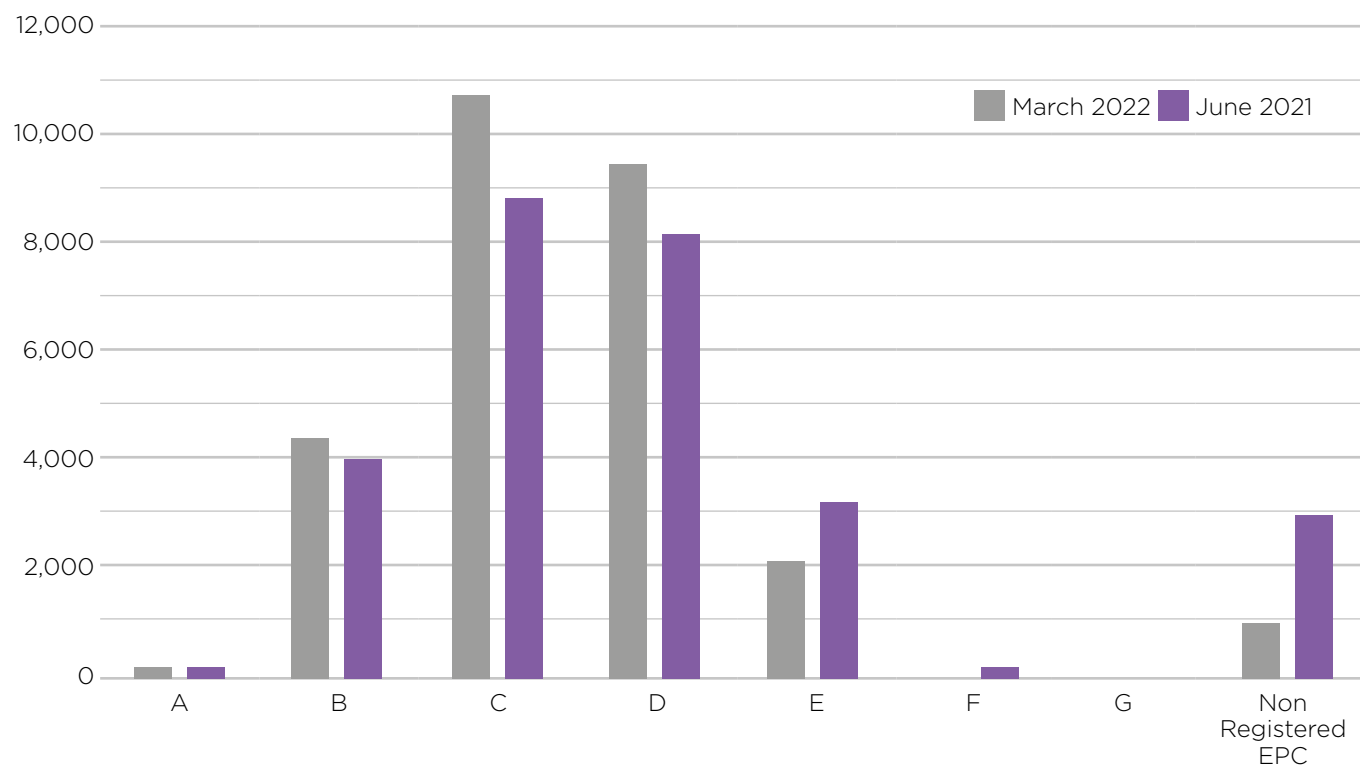
”







## Registered EPCs



Reproduced from source: Midland Heart Financial Statements 2021-22 – Page 29.

LiveWest provides the same information in a different format:-



Source: LiveWest Homes Limited Annual report and financial statements year ended 31 March 2022 – Page 14.





## Social reporting in financial statements – examples

This is an area which lends itself well to graphical summaries of information.

### Building safety and quality

Hyde Housing provides a graphical summary of certain KPIs as follows:-

#### Managing our homes

Maintenance  
and major repair  
cost per home  
**£2,037**

(2020/21: £1,642)

Improvements to  
**7,344**  
homes

(new kitchens, bathrooms,  
doors and windows and roofs)

(2020/21: 4,355)

**48,062**  
homes  
managed

(2020/21: 48,721)

**99.2%**  
Decent Homes  
Compliance

(2020/21: 100%)

**£19.8m**  
invested in  
improving our homes

(2020/21: 12m)

**81%**  
satisfaction with  
responsive repairs

(2020/21: 83%)

**86%**  
satisfaction with  
gas repairs

(2020/21: 89%)

Reproduced from source: Hyde Housing Association Limited Annual report and financial statements 31 March 2022 – Page 53.








## NARRATIVE REPORTING - GOVERNANCE AND ESG

### Resident satisfaction

Sanctuary summarises KPIs in resident satisfaction and Care Quality Commission/Care Inspectorate ratings as follows:-

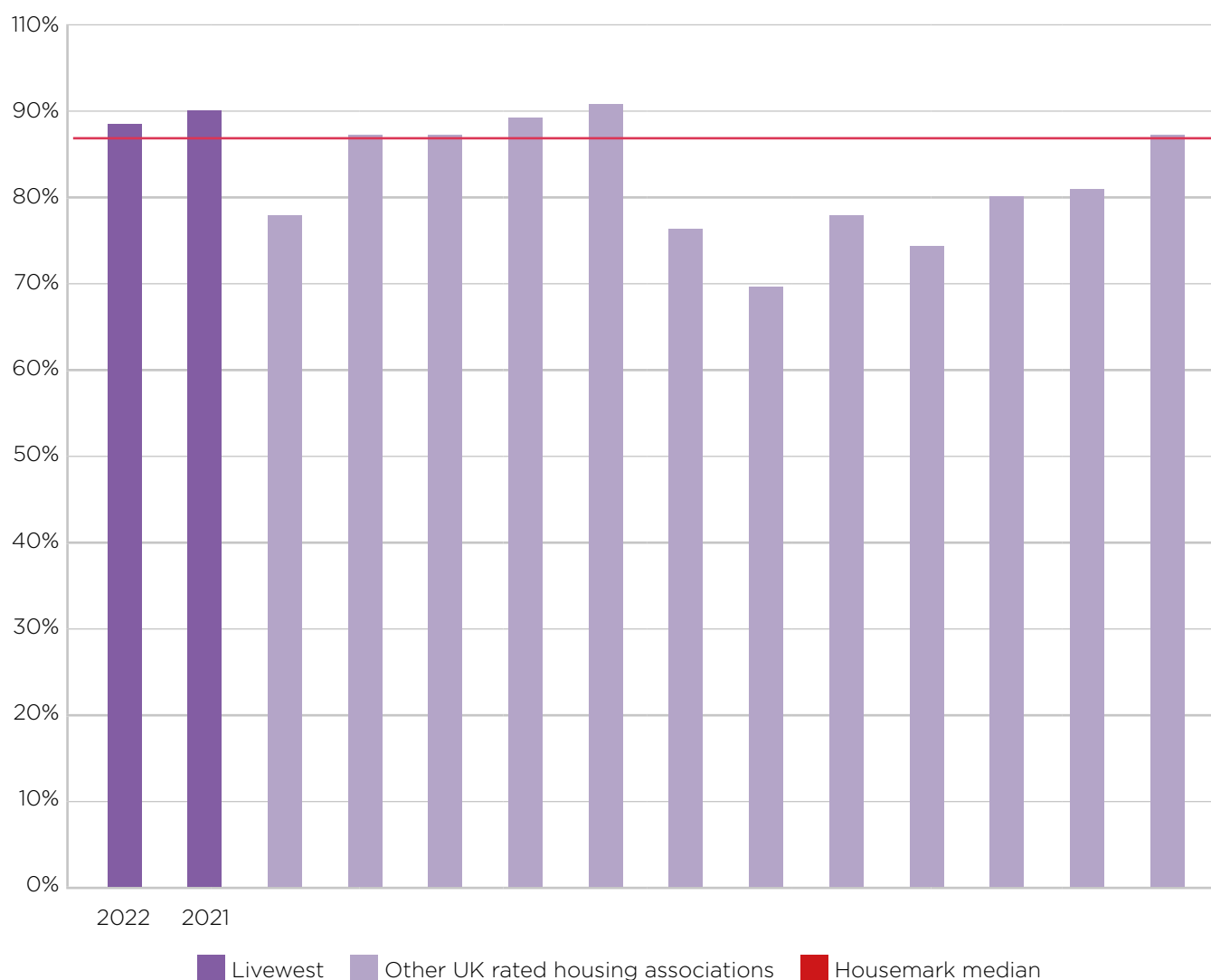
#### Value for Money Key Performance Indicators: Customers

	Sanctuary Group 2022 Actual	Sanctuary Group 2022 Target	Sanctuary Group 2021 Actual	Peer Group Average 2021 Actual	Sanctuary Group 2023 Target
Resident satisfaction - overall (%)	78.9	80	79.8	n/a	80
Sanctuary Care CQC rating (% good or better)	 90	100	86	n/a	100
Sanctuary Supported CQC rating (% good or better)	 100	100	98	n/a	100
Care Inspectorate Scotland rating (% good or better)	 50	100	75	n/a	100

Reproduced from source: Sanctuary Annual Report and Financial Statements 2021/2022 - Page 76.

In its strategic report, LiveWest benchmarks against other providers on customer satisfaction:-

#### Customer satisfaction



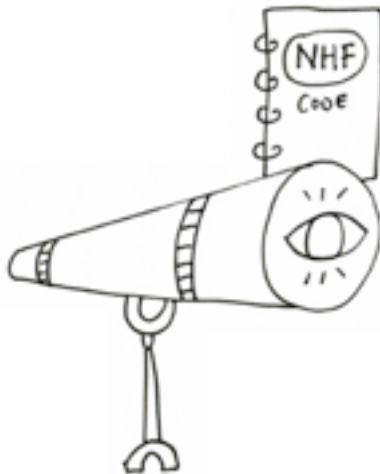


Our customer satisfaction outcome of 87% has reduced from 90% in 2020/21, but is higher than the HouseMark median of 86% and the majority of the Moody's peer group.

We aim to improve this metric in 2022/23 and have set a target of 89% where easing of Covid-19 restrictions will allow us to clear a backlog of repairs and return to improving customers services consistently.



Reproduced from source: LiveWest Homes Limited Annual report and financial statements year ended 31 March 2022 – Page 39.



## Governance in financial statements – examples

There is a lot of guidance and requirements which are followed extensively throughout the sector on Governance, usually following the NHF Code of Governance or UK Corporate Governance Code, but there are some interesting differences in the detail presented.

### Structure and Governance

Places for People sets out details of its Committee activities throughout the year with an example being the Treasury Committee:-

Topic/area of focus	Discussions held/decisions taken and/or recommendations made for approval by Places for People Treasury plc or Places for People Finance plc
<b>Strategic management</b>	<p>Quarterly Treasury Management updates received throughout 2021/22</p> <p>Corporate finance updates received throughout 2021/22 concerning proposed transfers/disposals</p> <p>Commenced transition from LIBOR to SONIA agreed, <b>April 2021</b></p> <p>Funding overview presented, <b>April 2021</b></p> <p>Operational banking facilities reviewed and agreed to remain with incumbent, <b>April 2021</b></p> <p>Revisions made to the Treasury Policy and Treasury Strategy, <b>April 2021</b></p> <p>Feedback received on virtual roadshows held with investors, <b>April 2021</b></p> <p>Consideration given to sterling public issuance later in the 2021/22 financial year, <b>August 2021</b></p> <p>Annual update to the Euro Medium Term Note Programme, <b>November to December 2021</b></p> <p>Review undertaken by credit rating agencies, <b>October to December 2021</b></p> <p>Discussion with lenders in respect of proposed strategy to consolidate the English registered providers, commenced <b>Autumn 2021</b></p> <p>Update on strategy concerning non-regulated entities, <b>November 2021</b></p> <p>Sterling Bond Issuance approved and transacted, <b>January 2021</b></p> <p>Report received confirming guarantor compliance with Deed of Covenant, <b>February 2022</b></p>
<b>Corporate transactions</b>	<p>A number of corporate transactions were considered and recommended for approval by the respective treasury vehicles, Places for People Treasury plc and Places for People Finance plc throughout the 2021/22 financial year.</p>

Reproduced from source: Places for People Annual report 2022 – Page 78.





## NARRATIVE REPORTING – GOVERNANCE AND ESG

The clarity of disclosures vary in style. For example Paradigm sets out its Committee structure as follows:-

AMALGAMATED BOARD				
AUDIT AND RISK COMMITTEE	INVESTMENT COMMITTEE	GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEE	TREASURY COMMITTEE	FOUNDATION COMMITTEE
<p>Overseeing Paradigm's risk management strategy; financial management; standards of probity; and internal and external audit.</p> <p><b>Members:</b>  <b>Philippa Lowe</b>  Chair  <b>Liz Bailey,</b>  <b>Mathew Bishop</b>  <b>John Simpson</b>  Non-executive members</p>	<p>Delegated authority to approve larger development projects and oversees the implementation of the development strategy and the asset management strategy.</p> <p><b>Members:</b>  <b>John Cross</b>  Chair  <b>Phil Shepley</b>  <b>Peter Quinn</b>  <b>Julian Ashby</b>  <b>Eleanor Southwood</b>  <b>Richard Osborne</b>  Non-executive members</p>	<p>Responsible for executive and non-executive remuneration; Board recruitment and effectiveness; governance and conduct; and committee effectiveness.</p> <p><b>Members:</b>  <b>Pat Brandum</b>  Chair  <b>Julian Ashby</b>  <b>Eva Cullen</b>  <b>Eleanor Southwood</b>  Non-executive members</p>	<p>Responsible for overseeing the implementation of Treasury Strategy; approving Treasury Management Policy; monitoring treasury performance, compliance and risk; and has delegated authority to approve smaller treasury transactions.</p> <p><b>Members:</b>  <b>John Simpson</b>  Chair  <b>Julian Ashby</b>  <b>John Cross</b>  Non-executive members  <b>Nicola Ewen</b>  Executive member</p>	<p>Responsible for making grants to further defined charitable purposes within the geographical areas in which Paradigm operates.</p> <p><b>Members:</b>  <b>Pat Brandum</b>  Chair  <b>John Simpson</b>  Non-executive members  <b>Patricia Buckland</b>  <b>Tim Yates</b>  Independent members  <b>Ewan Wallace</b>  Staff member</p>
<b>PROJECT ASSESSMENT GROUP</b>		Delegated authority to approve smaller development projects and implements the development portfolio and asset management programme.		

## EXECUTIVE TEAM

Reproduced from source: Paradigm Housing Group Limited Annual Report and Financial Statements 2021/22 – Page 25.

### Diversity

Some associations set out detailed statistics on diversity. For example, The Guinness Partnership sets out the following for various group members:-

Information on diversity statistics across the Group is provided in the table below:

2021/22							
Group				TGPL			
Total ee's	% BME	% Female	% Disabled	Total ee's	% BME	% Female	% Disabled
2,501	10.6%	54.6%	10.8%	1,375	13.6%	55.3%	10.8%
GP				GC			
Total ee's	% BME	% Female	% Disabled	Total ee's	% BME	% Female	% Disabled
502	7.2%	11%	8.6%	624	6.7%	88.3%	12.7%



It also includes an ethnicity pay gap table:-

### Ethnicity pay gap

In 2021 TGPL had a median ethnicity pay gap of 1.8% (in favour of white employees) compared to the 2019 national median gap of 2.3%. The table below sets out the ethnicity pay gap by ethnic minority groups with most prevalent representation in our workforce.

	Mean	Median		Mean	Median
TGPL	10.7%	1.8%	Asian	-4.0%	1.0%
Guinness Property	-6.1%	-7.5%	Black	2.0%	10.0%
Guinness Care	6.8%	7.6%	Mixed and multiple ethnicity	11.0%	-0.1%

\*Positive values indicate a gap in favour of white employees. This is based on disclosed diversity data for 90% of employees at March 2022.

Reproduced from source: The Guinness Partnership Financial Statements 2021/22 – Pages 28 and 29.

Stonewater sets out different diversity statistics:-

When looking at our Board, Executive and Operational Delivery Group combined, our diversity is as follows:

Gender	54% Male, 46% Female
Ethnicity	87% White, 13% BAME
Sexuality	88% identify as heterosexual, 12% identify as LGBTQ+
Disability	96% non-disabled, 4% disabled
Age span	19 - 60+

Reproduced from source: Stonewater Annual report and accounts 2022 – Page 37.

### Gender pay gap

The Riverside Group sets out the gender pay gap statistics by quartiles of pay:-

Our gender pay gap is not because of different rates of pay, but a high proportion of females across our workforce in lower quartile roles in Care & Support and an under-representation within our upper quartile.

Pay quartile split by sex	Female	Male
Q1 - Lower Quartile	64%	36%
Q2 - Lower Middle	67%	33%
Q3 - Upper Middle	69%	31%
Q4 - Upper Quartile	54%	46%

Reproduced from source: The Riverside Group Limited Financial Statements Year ended 31 March 2022 – Pages 40 and 41.



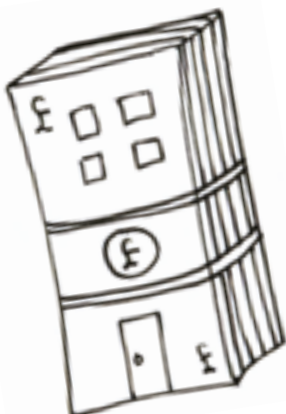


## Sustainability-linked loans

There are increasing numbers of sustainability-linked loans and sustainability bonds which typically require funds to be spent on relevant projects or are linked to KPIs relating to sustainability. In the Sustainability section of the Strategic Report, Anchor Hanover Group reports its actual results and targets for sustainability linked loans in graphical form:

SUSTAINABILITY-LINKED LOAN KPIs										
	<b>Additional Homes (More and Better Homes)</b> Number of new units reaching practical completion (any tenure)		<b>Affordability of Homes (More and Better Homes)</b> Proportion of rented units with affordable rent defined as being below Local Housing Allowance		<b>Energy Efficiency of Homes (More Efficient)</b> Average Energy Efficiency Certificate (EPC) score for all new units reaching practical completion in the relevant year		<b>Wellbeing Services (More Efficient)</b> Number of residents lives impacted positively through our wellbeing projects (number of interactions)		<b>Colleague Diversity (More Opportunities for Colleagues)</b> Number of colleagues' lives impacted positively through our diversity projects (number of interactions)	
	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
2019 -20 baseline		107*		87%		84		5,235		246
2021-22	49	49	93%	87%	86	85	9,828	6,824	335	330
2022-23		479		87%		85		8,412		415
2023-24		480		87%		85		10,000		500
2024-25		379^		87%		87		11,588		585
2025-26		613^		87%		87		13,176		670

Reproduced from source: Anchor Hanover Group Annual Report & Financial Statements 2022 – Page 15.



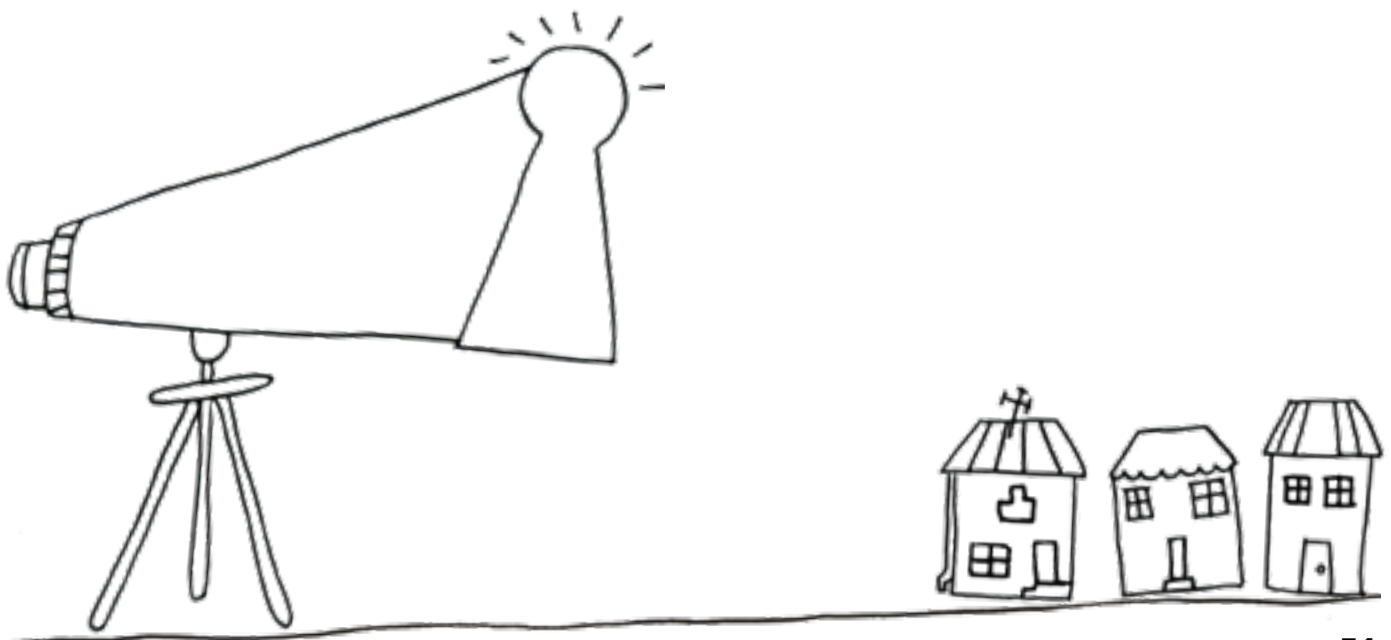


## Looking ahead

Whilst the social and governance aspects of ESG reporting have been quite common in the sector for some time and there is already established guidance and practice, the environmental reporting is still being developed in financial statements and there remains a variety of inconsistent disclosures.

The government has strongly backed the International Sustainability Standards Board (ISSB) which will issue disclosure standards on a range of environmental, social and governance topics, with the first standards expected to be substantially based on the TCFD recommendations, and issued this summer (2023), following which the government is expected to adopt these standards for use in the UK and to require certain entities to report against them.

Separately, the International Auditing and Assurance Standards Board (IAASB) is developing an assurance Standard with an exposure draft expected this year. Assurance of ESG disclosures both within and outside of the financial statements is becoming an increasingly important issue.







# KEY MANAGEMENT JUDGEMENTS AND ESTIMATES, AND ACCOUNTING POLICIES





## Key points

- The most commonly identified judgements and estimates are, as in previous years:
  - Defined benefit pension schemes
  - Impairment (which often involves both a judgement and an estimate)
  - Housing property component accounting and useful economic lives
  - Capitalisation of development costs
  - Classification of properties as either Investment Properties or Property, Plant & Equipment

## Significant Judgements and Key sources of estimation uncertainty

By way of background, FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland) requires disclosure of the judgements that have **the most significant effect** on the amounts recognised in the financial statements and the key assumptions and other key sources of estimation uncertainty that have a significant risk of **causing a material adjustment** to the carrying amounts of assets and liabilities **within the next financial year**.

## Financial Reporting Exposure Draft (FRED) 82 – Draft amendments to FRS 102

The second periodic review of FRS 102 is in progress and this FRED proposes a number of amendments focused on updating accounting requirements to reflect changes in International Financial Reporting Standards (IFRS), particularly with respect to revenue and leases, and making other incremental improvements and clarifications which make it interesting to view some of the nuances of the disclosures of existing accounting policies, significant judgements and key estimates in the context of that current thinking.

## FRC view

For a number of years, in its annual reviews of corporate reporting, the FRC has highlighted:-

- the lack of separation of the two different types of disclosure (judgements and estimates);
- inadequate disclosures (e.g. the reasons why the judgement was necessary, the factors considered; and the outcomes not explained); and
- inconsistencies between significant accounting judgement or estimation uncertainty disclosure.





Interestingly, the FRC identified improvement in the quality of judgement and estimate disclosures in its most recent annual review. It identified that good practice included:-

- detailed, granular explanations of judgements and uncertainties;
- quantification of assumptions and/or the amount at risk of material adjustment; and
- sensitivity analysis.

However, it stressed that a clear distinction was required between estimation uncertainty disclosed because there was a significant risk of a material adjustment in the following year, or for some other reason which may be useful, but can be confusing for the users of the financial statements.

## Social housing sector significant judgements

The disclosure of judgements in the sector can be split between those relating to certain themes that are observed in many or most associations' financial statements and those representing specific entity activities or minority views or approaches.

### Common themes

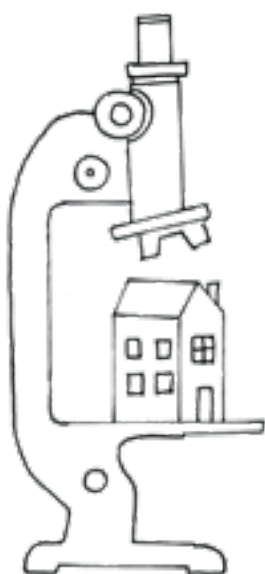
It is not surprising that the most frequently identified judgements in 2022 financial statements reflect a certain number of themes which remain common to many housing associations, namely:

- Impairment;
- Capitalisation of development costs; and
- Classification of properties as either Investment Properties or Property, Plant & Equipment (PPE).

The area of judgements is an "either/or" decision (as opposed to estimates which relate to "how much") and the above areas are, therefore perhaps unsurprisingly, fairly similar between associations and from year to year.

Slightly less commonly occurring judgements disclosed include:

- Classification of financial liabilities as either basic or "other";
- Classification of costs with mixed tenure schemes; and
- Classification of leases between operating leases and finance leases.





Again, there are few variations from typical wording for the commentary in these areas. The latter item is likely to disappear eventually should the proposals under FRED 82 on accounting for leases be agreed for adoption in FRS 102.

### Classification of financial liabilities

One example of a more bespoke commentary in the judgement on classification of financial liabilities is included in the Abri Group financial statements.



#### **Classification of Loans with Embedded Interest Rate Swaps**

*We hold loans which carry a variable rate of interest. In some cases, our interest charges have been fixed by the inclusion of embedded interest rate swaps in these agreements for part or the full term of the loan. These loans could be repaid early, and fixes could be broken. This would involve paying a premium to lenders or the lenders paying a discount to us depending on the prevailing interest rate as there are two-way break clauses in our loan agreements.*

*Considering the requirements and criteria set out in FRS 102, and given our intention and forecasted ability to hold all of these loans to maturity, we consider classification of the loans as 'basic' to be appropriate and recognition at amortised cost to be a fair representation of our liabilities.*

*Source: Abri Group Financial Statements 2022 – Page 77.*



## Other judgements

### Modification of financial instruments

Given the amount of refinancing activities in the sector it has perhaps been surprising that there are not more disclosures of significant judgements in this area. Stonewater includes details in its accounting policy covering its approach and also commentary on the estimation of accounting for financial liabilities.



#### **Loans, investments and short term deposits**

*All loans, investments and short term deposits held by the Group, are classified as basic financial instruments in accordance with FRS 102. These instruments are initially accounted for at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the statement of financial position at historical cost. Loans and*







investments that are payable or receivable within one year are not discounted.

Bonds and bond on lending are accounted for using the effective interest rate method.



Under FRS102 a substantial modification of the terms of an existing financial liability or a part of is treated as an extinguishment of the original financial liability and the recognition of a new financial liability The Group assesses whether Debt has been substantially modified by comparing a number of subjective factors pre and postrefinancing, including changes to the contractually loan cash flows. If determined that the loan has not been substantially modified the amortisation period for issue costs is adjusted to the new loan maturity and no gain or loss on modification is recognised. If the modification is substantial the remaining unamortised issue costs associated with the loan are written off and the costs associated with the new loan are amortised over the life of the new loan.

Source: Stonewater Annual report and accounts 2022 – Page 60.

Capitalisation of building safety and energy costs

Whilst the sector continues to face significant challenges in incurring relatively large amounts of expenditure in cutting carbon emissions and delivering major programmes of remediation work, it appears to be rare to find significant judgements stated in these specific areas and those that are disclosed appear to have generally concentrated on whether a provision should be made for such sums in individual cases. One exception is Optivo in its key judgements:



Determining the appropriate accounting treatment of fire remediation works. We’ve determined the costs we incur will not meet the recognition criteria set out in the SORP which requires there to be incremental future benefits (increase in the rental income over the life of the housing property, a reduction in future maintenance costs or a significant extension of the life of the property). The costs incurred are charged as expenditure in the Statement of Comprehensive Income.

Source: Optivo Financial Statements 2021-2022 – Page 96.





### Provisions

Abri set out a judgement for provisions for fire safety works:



#### **Provisions for Fire Safety works**

*A provision for the replacement of cladding and/or insulation in high rise blocks has been included in accounts where the following criteria has been met.*

- tests have confirmed the materials used in construction were defective; and
- our intention to remedy the situation has been clearly communicated to affected residents; and
- The value of remedial works is reliable and informed by quotes from independent third parties.

*In aggregate, these factors give rise to a constructive obligation, the value of which can be reliably measured, at the reporting date.*



Source: Abri Group Financial Statements 2022 – Page 76.

Hyde Housing includes a judgement which sets out the rationale for the inclusion of a provision for building safety costs.



**Building safety provisions:** *The building provision requires judgement to be made as to whether a constructive or legal obligation exists in recognising a provision. Management makes judgements on a scheme by scheme basis taking into consideration the specific facts and circumstances of each scheme. The key judgements applied are as follows:*

- *Construction obligation: Where the Group have made specific communications to residents that raises a valid expectation that certain works will be undertaken, a provision will be recognised*
- *Legal obligation: A provision will be recognised where it is judged not to be reasonably practical or possible to avoid undertaking certain works.*

*During the year, provisions are based on constructive obligations as a result of resident forums and/or direct correspondence to residents, where the Group communicated specific remedial works required and the timelines that such works would be undertaken. Aside from those schemes and properties where a constructive obligation exists and the Group is responsible to undertake any works, no legal obligations were triggered for any additional schemes or properties. No new building safety provisions were triggered during 2022.*

*Additions to provisions in the current year related to remeasures of existing provisions.*

*Provisions are calculated based on the cost of remedial works to be undertaken. During the year, the provisions were calculated using contracts*





in place, survey reports from employers' agents, and active tender documents. There are no significant estimation techniques used in calculating the value of provisions.

In accordance with FRS 102 paragraph 21.9, any pending claims from contractors or government grants are excluded from the calculation of provisions. These are only recognised when reimbursement is virtually certain. There are no such assets recognised at the year-end. Building safety provisions are shown in note 28.

Source: Hyde Housing Association Limited Annual report and financial statements 31 March 2022 – Page 137.

Wakefield and District Housing does not include a specific significant judgement or estimate in relation to works to high-rise properties, but the accounting policy notes include a description of the detail relating to certain works in the context of a whether or not a provision is appropriate.



### “ High rise

WDH has five existing residential buildings which have External Wall Systems (EWS) that contains material which at the time of installation met all requirements. However, since the year end these would not now meet the current standards of insulation.

The Board have approved works for the sum of £12.8m to remove the EWS from the five high rise blocks, this sum also includes additional works relating to the improvement of the buildings. There is no legal requirement for WDH to complete this work.

Consideration has also been given surrounding the potential of a constructive obligation to leaseholders. Although the leaseholders have been informed of the works, there is no obligation for WDH to complete the work. As a result, no provision has been recognised for this.

Source: Wakefield and District Housing Limited Annual Report and Financial Statements for the year ended 31 March 2022 – Page 74.





# Social housing sector key sources of estimation uncertainty

We observed consistent themes year on year.

## Common themes

The most commonly identified sources of estimation uncertainty in 2022's financial statements relate to themes applicable to many associations, namely:

1. Defined benefit pension schemes.
2. Housing property component accounting – useful economic lives etc.

Most associations included the above, which reflect the nature and importance of those estimates in financial statements in the sector.

It is uncommon to find sensitivity analysis for areas of key sources of estimation uncertainty other than for defined benefit pension schemes. There must be evidence to support the assertion that the items included have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and so, theoretically, it must be possible to provide such analysis.

## Defined benefit pension schemes

It is becoming common to now see sensitivity analysis provided to aid the understanding of the impact of changes to the assumptions underlying the calculation of the net defined benefit pension scheme balance. However, it is rare to find commentary on the estimation uncertainty which is explicit in setting out that the pension assets and liabilities need to be considered separately.

The volatility in this area likely to be experienced in March 2023 financial statements will reflect in part those disclosures provided last year and may highlight further how important they are in understanding that aspect of the accounting for defined benefit pension schemes.

The Metropolitan Thames Valley Housing Association Ltd financial statements disclosure includes a frank summary of the estimation uncertainty inherent in the approach to the defined benefit pension scheme valuation, which is unusual in financial statements (but common in actuarial reports).







“ THE MTVH SCHEME

The liabilities in respect of the Scheme at 31 March 2022 have been calculated using the projected unit method and by rolling forward the results of the 28 February 2020 technical provisions using actuarial techniques, allowing for cashflows and interest over the period, and differences between the assumptions used to set the technical provisions and those selected for accounting under FRS 102.

It is important to note that the estimated liability will not reflect all differences in demographic experience since the triennial valuation date from that assumed. However, we are satisfied that this approach should not introduce any material distortions provided that the actual experience has been broadly in line with the assumptions, and that the structure of the liabilities is not materially different from the triennial valuation date.

This method will not produce identical results to those which would be obtained by performing a full valuation at 31 March 2022. However, FRS 102 allows the use of estimates and actuarial techniques to make a reliable estimate of the liabilities recorded under FRS 102. As a result, we believe this to be an acceptable approach.”

Source: Thames Valley Housing Association Ltd Annual Report 2021/22 – Page 57.

Impairment

One common theme disclosed is impairment of housing and other properties, the estimation of which relates to the quantification of the charge rather than the initial judgement. This is one of the examples of an accounting area which can require both a significant judgement and then, following on from that, also be a key source of estimation uncertainty. Another such area might be provisions but, perhaps surprisingly, there are fewer examples. Stonewater provides a summary of impairment in the notes, the level of detail of which is rarely found in the sector’s financial statements.

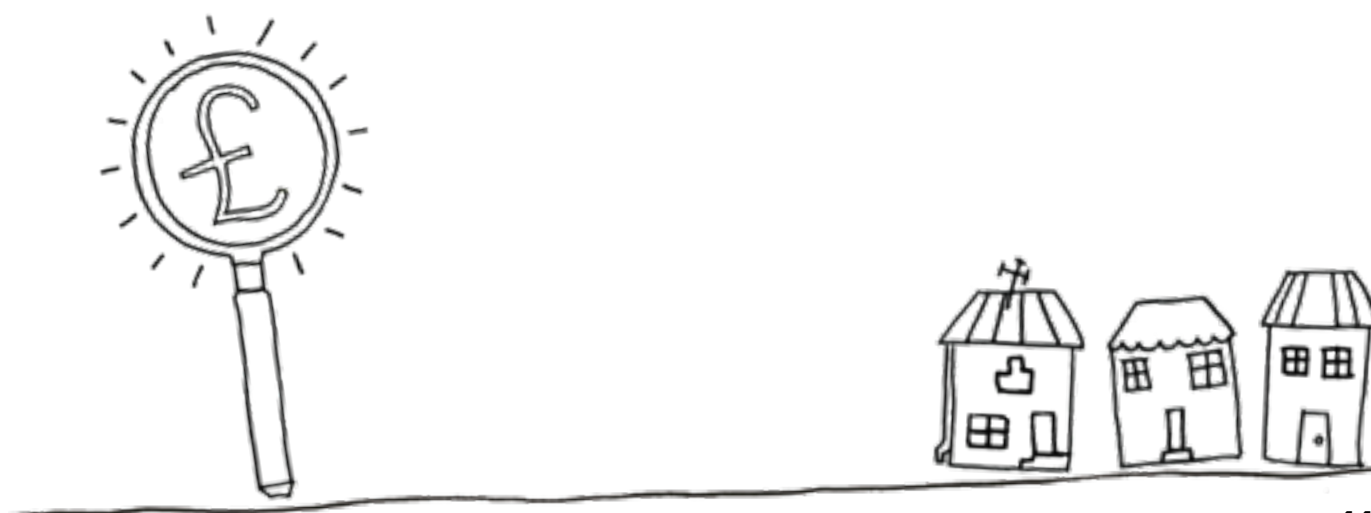




Group			
Scheme	Charge/(Reversal) £,000	No. of units affected	Carrying value prior to impairment
Affordable scheme 1	(6)	1	420
Active Development scheme 1	124	10	2,513
Active Development scheme 2	(135)	10	2,484
Active Development scheme 3	19	5	1,092
Active Development scheme 4	35	9	2,314
Active Development scheme 5	229	10	2,480
Active Development scheme 6	10	2 538	
General needs scheme 1	(38)	33	3,075
Sewage treatment plant	(236)	-	-
High rise block	66	32	66
<b>Total</b>	<b>68</b>	<b>112</b>	<b>14,982</b>

Group		
Scheme	Brought forward £,000	Reason for impairment
Active Development scheme 1	68	Variance to outturn exceeded 4% of original value
Active Development scheme 2	274	Cost to value exceeds 100%
Active Development scheme 3	16	Cost to value exceeds 100%
Active Development scheme 4	2	Cost to value exceeds 100%
General needs scheme 1	405	Recoverable amount exceeded Net Book Value (NBV)
Supported housing scheme 1	145	Dilapidation costs on lease surrender
High rise block	3,423	Cost of remedial works
Sewage treatment plant	236	Cost of works
<b>Total</b>	<b>4,569</b>	

Reproduced from source: Stonewater Annual report and accounts 2022 – Page 75.





### Fair value

Fair value measurements are responsible in one form or another for a large number of key estimations where assumptions also play a key role. Fair value as a source of estimation uncertainty can apply to various accounting areas such as investment property valuations, standalone interest rate swaps and acquisitions.

Most examples of the disclosure specify the areas where the fair value issue is relevant but some are less specific. Less than half of the financial statements reviewed include investment property valuations which reflects the occurrence of such properties in the financial statements. Some examples of fair value disclosures include business combinations where acquisition accounting is applied.

### Business combinations

With many entities coming together in the sector along with intra group reorganisations, it is perhaps surprising how few significant judgements are disclosed. Catalyst (acquisition) and Abri Group (merger) are two examples.

Catalyst discloses the estimation uncertainty relating to the fair value measurements and subsequently elaborates on the acquisition approach in the notes to the financial statements.

“ At the date of acquisition on 1 May 2019 for Aldwyck Housing Group and 1 April 2021 for Rosebery Housing Association Limited, completed housing property units, along with the retained equity in shared ownership units acquired, were fair valued to their existing use value for social housing. Jones Lang LaSalle (JLL), carried out valuation using a discounted cash flow model on the entire housing portfolio. The key inputs into the valuations were the passing rent and the relevant cost bases associated, the discount rate, rent and expenditure growth rates. There are ongoing implications from the valuation for carrying value, depreciation, disposals, grants and amortisation.

- The Aldwyck Housing Group and Rosebery Housing Association Limited, fixed rate loans were measured using a fair value method at acquisition on 1 May 2019 and 1 April 2021 respectively. The specialist treasury firm, Centrus carried out the valuation using underlying assumptions based on market price where available or based on recent transactions using similar financial instruments. There are ongoing implications from the valuation for carrying value and its release in future year's amortisation.

“ **Business combination**

### Consolidated

On 1 April 2021 Catalyst Housing Group combined with Rosebery Housing Association Limited. The business combination established Catalyst Housing Limited as the Group parent.





Acquisition accounting has been applied to the business combination and a fair value assessment was completed for the assets, liabilities and activities of Rosebery Housing Association Limited. The key areas impacted by the fair valuation were housing properties (and the release of the associated grants to reserves) and fixed rate loans.

Acquisition accounting requires the recognition of fixed rate loans with an embedded derivative as variable rate loans and standalone derivatives, with the effective market value of the embedded derivatives at market value. This increased the loan value recognised in the books by £21.6 million but does not affect the cash payments required to repay the loan.

The business was transferred to Catalyst Housing Limited as a gift to the value of £125.4 million, being the fair value less any associated costs of the business combination (see section c of this note). This is shown as a 'Gain arising from Gift of Net Assets' within the Consolidated Statement of Comprehensive Income.

Source: Catalyst Housing Report and Accounts 31 March 2022 – Pages 79 & 123.

Abri Group discloses a group reorganisation involving a Transfer of Engagements from Yarlington Housing Group to Abri Group Limited and explains how the judgement was made.

### “ Merger Accounting



The Society adopted merger accounting as the most appropriate basis of reflecting the Transfer of Engagements from Yarlington Housing Group in June 2021.

Whilst prior to the transfer, the Society was a dormant parent company of the Abri Group, the nature of both entities was the same, being registered providers with charitable tax status and Community Benefit Societies under the regulation of the Financial Conduct Authority. The entities also shared a common set of Directors under the Group Board structure in the Group.

The results and cash flows of the combining entities have been presented in these financial statements from the beginning of the financial year. The comparative amounts from the previous financial year within the financial statements and supporting notes have been aggregated and denoted as “combined” accordingly.

The Board exercised judgement in determining that the criteria for merger accounting had been met. Had the Board concluded that those criteria had not been met, the purchase method of accounting would have applied, resulting in the need to identify an acquirer in the combination and for the assets and liabilities of the acquiree to have been recognised at fair value with any gain or loss being recognised through the statement of comprehensive income.



*In making this key judgement, the Board considered the accounting treatment which more closely reflected the nature of the combination and was consistent with the approach adopted during previous rounds of Group Optimisation, reducing the number of registered providers in the Group.*

Source: Abri Group Financial Statements 2022 – Page 75.

The Riverside Group includes commentary on key estimates relating to the use of fair values on the acquisition of One Housing Group, including the measurement of loans at the acquisition date.



#### Other areas of estimation uncertainty

- At the date of acquisition on 1 December 2021, all completed housing properties units owned by One Housing Group were valued to their existing use value for social housing (EUV-SH) by Jones Lang LaSalle Limited (JLL). JLL carried out the valuation using a discounted cash flow model on the entire housing portfolio. The key inputs into the valuations were the passing rent on the relevant cost bases associated; the discount rate, and; rent and expenditure growth rates.
- The One Housing Group loan and capital markets portfolio was measured using a fair value methodology at the acquisition date of 1 December 2021. The specialist treasury firm, Centrus Advisors Limited, carried out the valuation using underlying assumptions based on market prices where available or based on recent transactions using similar financial instruments.

Source: The Riverside Group Annual Report and Accounts 2022 – Page 64.



#### Hedge accounting

Hedge accounting is common in the sector where standalone interest rate swaps are held. One example of detailed disclosure in the notes to the financial statements which enables the reader's understanding is:

<b>Description of the hedge</b>	The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Lloyds £75m FI loan 2043 loan, a floating rate loan entered into by Midland Heart against unfavourable movements in the three-month LIBOR/SONIA rate.
<b>Description of the financial instruments designated as hedging instruments</b>	The interest rate swap, Barclays swap £20m 4.815% 2038. The counterparty to the swap is Lloyds and the credit risk associated with this counterparty is considered to be low. The credit risk is reflected in the credit valuation adjustment amount to the risk-free fair value of the derivative instrument.
<b>Nature of the risks being hedged including a description of the hedged item</b>	The variability of cash flows stemming from the interest payments of the Lloyds £75m FI loan 2043 due to movements in the three-month LIBOR/SONIA rate.
<b>Fair values of financial instruments designated as hedging instruments £'000</b>	8,829

Reproduced from source: Midland Heart Financial Statements year ended 31 March 2022 – Page 103.





### Remediation works

Together Housing Group illustrates disclosures of an estimation uncertainty and the consequent provision in relation to remedial works on certain tower blocks in the notes to the financial statements. No significant judgement is disclosed which implies that the judgement to include a provision did not meet the criteria for disclosure as such, but the estimate required more judgement of the quantum of the provision.



#### **Estimate uncertainty – Remediation work in Pendleton Together Operating Limited**

Management have assessed and recognised a liability in relation to the remediation works in Pendleton Together Operating Limited. This is based on managements' calculation of the cost of the remediation works to be carried out having used experts to assess the scope and likely cost.

Amounts have been recognised in creditors: amounts falling due within one year in relation to works already contracted for at year-end. Amounts have been recognised in provisions in relation to works not yet contracted for at year-end.

#### **Provision for remedial works**

	Group	
	2022 £'000	2021 £'000
At 1 April	-	-
Additions during the year	27,200	-
<b>At 31 March</b>	<b>27,200</b>	<b>-</b>

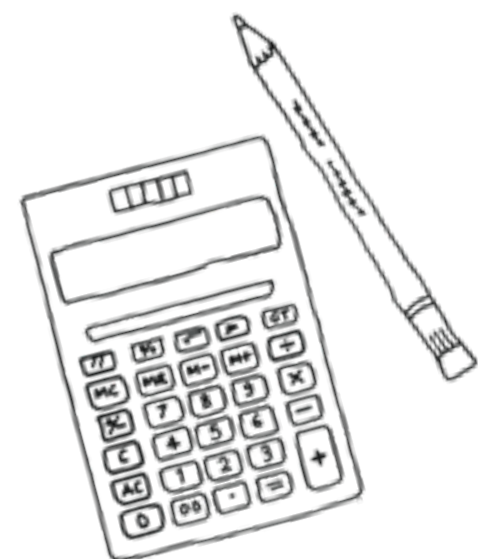
Provision recognised during the year relates to the remediation works in Pendleton Together Operating Limited. Amounts relates to non-contracted amounts which have been based on management's calculation of the cost of works to be carried out having used experts to assess the scope and likely cost.

*Reproduced from source: Together Housing Group – Report and Financial Statements for the year ended 31 March 2022 – Pages 59 and 103.*

### Contingent liabilities

FRS 102 requires that, unless the possibility of any outflow of resources in settlement is remote, an entity shall disclose a brief description of the nature of a contingent liability and, when practicable, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

The distinction between a provision and a contingent liability is highlighted by Clarion Group with more detailed disclosure than is often found in such cases.





### “ Contingent assets/liabilities Group



As per note 1, the original amount of social housing property grants may become repayable. In addition to the amounts disclosed in creditors, £398.6 million of grant has been credited to reserves to date through amortisation (2021: £377.5 million).



The timing of any future repayment, if any, is uncertain. The Group has a contingent liability in relation to defects found at 1,447 other properties (2021: 1,328 properties). For 76 of these properties, a formal liability assessment has been made, totalling £0.5 million (2021: 141 properties, £1.0 million).

Source: Clarion Housing Group Annual report and accounts 31 March 2022 – Page 98.

Onward Group also discloses details of a contingent liability, again with detail.

### “ Contingent liabilities



In March 2022 the Board approved the demolition and regeneration of the Preston Tower Blocks. As at the 31st March 2022 there were 155 current tenancies. There is a possible but uncertain obligation that these tenants may be rehoused in the future and would therefore be entitled to homelessness compensation. A liability has not been recognised in the accounts as the amount of obligation cannot be estimated reliably. The timing of these payments is also uncertain and therefore no provision has been recognised in these financial statements. The association had no other contingent liabilities at 31st March 2022 (2021: £nil).

Source: Onward Group Annual Report and Financial Statements 31 March 2022 – Page 74.

## The definition of operating surplus

The Housing SORP suggests that the definition of operating surplus may be a critical judgement and requires disclosure as such, but this is rarely seen in practice. FRS 102 states that operating surplus should be representative of activities that would normally be regarded as ‘operating’ and that it would be inappropriate to exclude items clearly related to operations (such as inventory write-downs, profits or losses on the sale of property, plant and equipment, investment property and intangible assets, and restructuring and relocation expenses) because they occur irregularly or infrequently or are unusual in amount.





Any gains reported due to combinations of entities that are “in substance a gift” (as described in the SORP) appear to be universally reported below operating surplus.

It is interesting to observe how some of the other more commonly occurring disclosure items that require such judgement appear in the sector’s accounts:

- Disposal of housing properties is almost always included within operating surplus although a few housing associations disclose disposal of other PPE items below operating surplus.
- The element of any movements in fair value of financial instruments which appear in surplus appear to be universally reported below operating surplus as part of financing activities, which appears logical.
- The movements in fair value of investment properties appears to be almost equally split between those that report it above operating surplus and those that report it below.
- The share of profit in joint ventures appears to be reported above the operating surplus line in about a third of housing associations and below operating surplus in two thirds of cases.

There may of course be individual considerations of the nature of these investment properties or joint venture operations but we rarely see disclosures of the judgements in these areas. One example where it is disclosed is found in Clarion Housing Group.

### “ Significant judgements

*The following significant judgement has been made in applying the Group’s accounting policies:*

#### *Gain/(loss) on revaluation of investment properties*

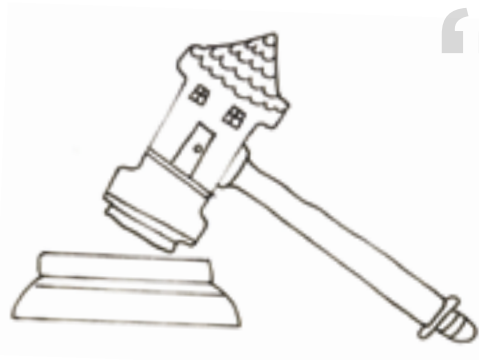
*The Group considers that any gains and/or losses made as a result of the revaluation of investment properties is incidental to its operating activities, which is renting out the properties in order to generate revenue. As a result, these gains and/or losses are not included in determining the operating result.*”

*Source: Clarion Housing Group Annual Report and Financial Statements 2022 – Page 74.*





Flagship Housing Group is one of the few housing associations who explain their judgments of all possibilities in this area in more detail:



“ *Critical judgements in applying the entity's accounting policies*

#### *Operating surplus*

*Operating surplus is shown including the following as these are part of our usual operating activity*

- *Gain on disposal of housing properties and other property, plant and equipment; and*
- *Share of operating profit/(loss) in joint ventures.*

*Management have made a judgement that the movement in fair value of investment properties does not form part of our usual operating cycle based on the existing use of the assets.*

*Source: Flagship Housing Group Annual Report and Accounts 2022 – Page 98.*

”

## Prior period adjustments

Prior period misstatements in an entity's financial statements arising from a failure to use, or misuse of, reliable information that: was available and could reasonably be expected to have been obtained and taken into account, require disclosure of the nature of the error and the amount of the correction for each financial statement line item affected. A2Dominion's disclosure of their prior year adjustment satisfies those requirements as follows:

“ *Prior year adjustment*

*The table is a summary of the impact of the prior year adjustment recognised in the Group financial statements. Where the accounting policies of jointly controlled entities are not consistent with that of the Group adjustments are made on consolidation to align those policies to that of the Group. In the year ended 31 March 2021 the Group changed its accounting policy in relation to capitalising interest on properties developed for sale. In preparing the financial statements for the year ended 31 March 2022 an error was noted in relation to past consolidation adjustments where entries were made to align accounting policies in relation to capitalised interest which were not needed following the change in Group policy. The comparative numbers have been amended to reverse the entries made. The reversal does not affect the results for the year ended 31 March 2021. The prior year adjustment did not have any impact on the Association.*





Group	Investment in jointly controlled entities for the year ended 31 March 2020 £	Reserves as at 31 March 2020 £
As previously stated	92.7	946.4
Prior year adjustment	13.3	13.3
As restated	106.0	959.7

Reproduced from source: A2Dominion Group Annual Report & Accounts 2022 – Page 176.



## Other disclosures: Alternative performance measures

Home Group provide an explanation and detailed figures at the end of their annual report covering the derivation of several performance measures. For example:-



### Gearing (RSH)

*This is a key risk measure which shows whether the level of borrowing we have entered into to fund new development is appropriate for the size of our business and risk appetite.*

	2022 £000	2021 £000	
Housing loans from third parties	<b>18,402</b>	17,760	Note 18
Add: Housing loans from third parties	<b>618,519</b>	627,834	Note 19
Add: Discounted bonds	<b>510,542</b>	505,305	Note 19
Less: Cash and cash equivalents	<b>(47,931)</b>	(54,641)	SOFP
Subtotal: Net debt	<b>1,099,532</b>	1,096,258	
Divided by: Housing properties – Net book value	<b>2,629,350</b>	2,539,561	Note 11
<b>Gearing</b>	<b>41.8%</b>	43.2%	







### Social housing cost per unit (RSH)

This is a high-level measure of the amount it costs us on average to provide each social home that we manage.

	2022 £000	2021 £000	
Social housing lettings – Operating expenditure	229,274	219,484	Note 2a
Less: Depreciation of housing properties	(49,884)	(43,859)	Note 2b
Less: Impairment of housing properties	0,157)	(5,070)	Note 2b
Less: Rent losses from bad debts	(2,580)	(2,603)	Note 2b
Add: Other social housing activities – Operating expenditure	57,371	44,888	Note 2a
Less: Shared ownership first tranche sales – Operating expenditure	(2,852)	(2,392)	Note 2a
Add: Capitalised works	26,368	16,234	Note II
Subtotal: Social housing costs	256,540	226,682	
Divided by: Total social housing units	50,908	50,551	Note 4
<b>Social housing cost per unit</b>	<b>5,039</b>	<b>4,484</b>	

Reproduced from source: Home Group Reports and Financial Statements 2022 – Pages 85 and 87.

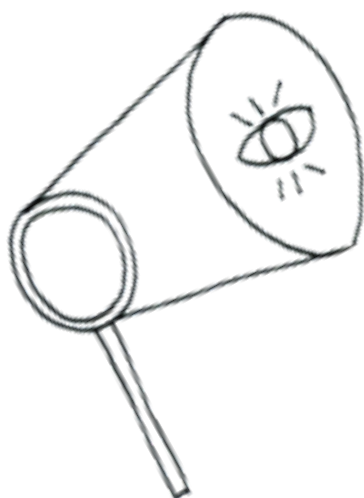
### Other disclosures: Explanation of movements year-on-year

Home Group provides a detailed explanation of some of the movements in 'Creditors: Amounts falling due within one year' under the note detailing those figures, which is unusual but no doubt helpful to the reader of the financial statements.



The reduction in trade creditors and increase in other taxation creditors and leasehold creditors are all driven by the timing of payments around year-end. The increase in other creditors is due to a £6.6 million balance in HGD L relating to a flexi scheme (Hughes House, London Road) that hasn't hit golden brick (the point HMRC designates that a building has become 'residential' for tax purposes). Once it does, the income and cost will be released to the SOCI (no margin).

Source: Home Group Reports and Financial, Statements 2022 – Page 66.





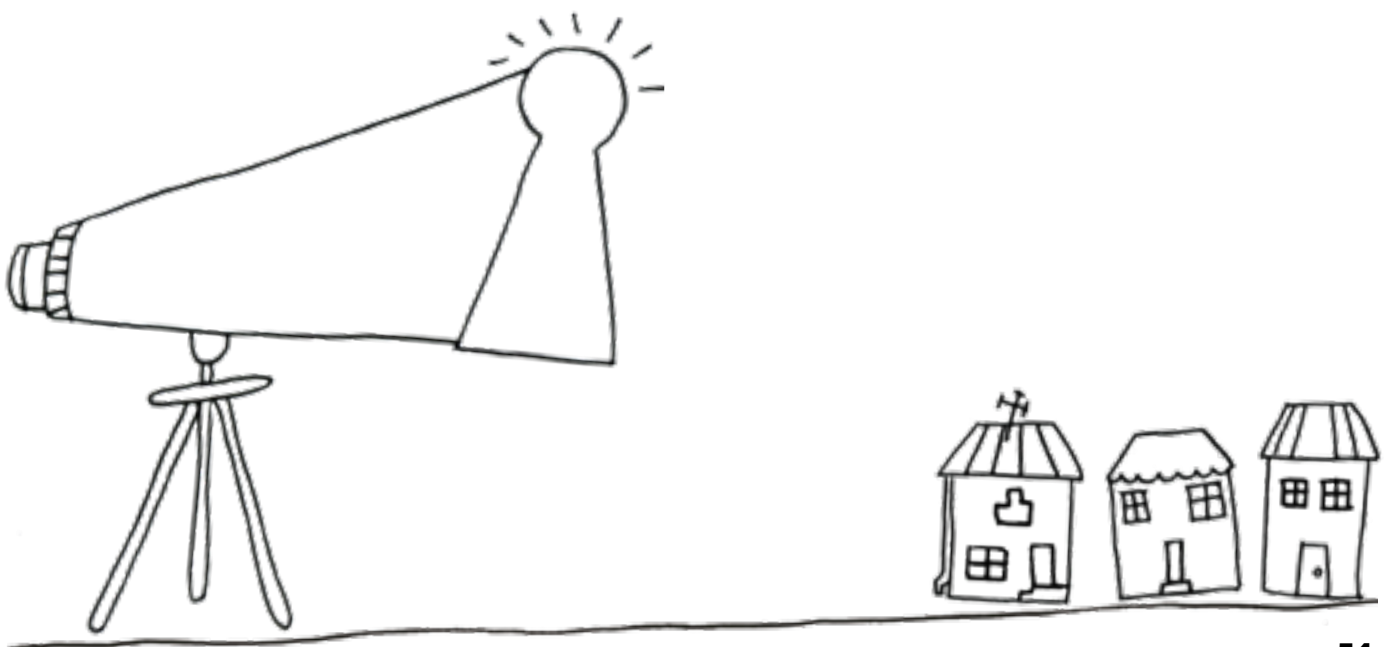
## Looking ahead – FRED 82

There is a great variety of disclosures in the sector in this area, but it is important to review the items included for both continued relevance and to reflect changing circumstances.

FRED 82 talks about disclosing “material accounting policy information” (compared with the existing requirement for disclosure of “significant accounting policies”) which it describes as “when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the users of general purpose financial statements make on the basis of those financial statements.”

It goes on to say that accounting policy information that relates to immaterial transactions, events or conditions need not be disclosed. Examples of material items in this context are suggested as being those involving options, significant judgements or assumptions and where the accounting is complex. It also highlights the good practice of providing entity-specific information.

There appears to be a clear steer towards a “punchier” set of disclosures and maybe that is a good theme for the sector to have in mind when reviewing these disclosure areas.





# GLOSSARY

Term	Definition
CCBS	Co-operative and Community Benefit Society
CPI	Consumer Price Index
CSR	Corporate Social Responsibility
EPC	Energy Performance Certificate
ESG	Environmental, Social and Governance
FRC	Financial Reporting Council
FRED	Financial Reporting Exposure Draft
FRS 102	The Financial Reporting Standard applicable in the UK and Republic of Ireland
IAASB	International Auditing and Assurance Standards Board
IFRS	International Financial Reporting Standards
ISSB	International Sustainability Standards Board
KPIs	Key Performance Indicators
NHF	National Housing Federation
PPE	Property, Plant and Equipment
PRPs	Private Registered Providers
RSH	Regulator of Social Housing
S172	Section 172 of the Companies Act 2006
SECR	Streamlined Energy and Carbon Reporting
SORP	Statement of Recommended Practice
SRS	Sustainability Reporting Standard for Social Housing
TCFD	Task Force on Climate-related Financial Disclosures
TSMs	Tenant Satisfaction Measures
VFM	Value for Money



Formed more than 100 years ago, accountants and business advisors Beever and Struthers has a strong not-for-profit reputation based on the provision of high quality, tailored services to the social housing sector. The firm is one of the UK's leading independent accountancy practices with offices in Manchester, Blackburn, Birmingham and London.

Among our core strengths is a substantial not-for-profit division that ranks among the Top 2 providers of audit and assurance services with many of the leading UK Private Registered Providers amongst its clients.

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If you need any advice or assistance please contact us at any of the addresses below:



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