



THE INSTITUTE
OF CHARTERED
ACCOUNTANTS
IN ENGLAND AND WALES

24 March 2009

Our ref: ICAEW Rep 35/09

By email ONLY

Dear Ms Fielding

**THE ACCOUNTING REQUIREMENTS FOR REGISTERED SOCIAL LANDLORDS (WALES)
GENERAL DETERMINATION 2009**

The Institute of Chartered Accountants in England and Wales (the Institute) welcomes the opportunity to comment on the consultation paper *Consultation on revised "accounting requirements for registered social landlords (Wales) general determination 2009* published by The Welsh Assembly Government in December 2008.

The Institute operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, the Institute provides leadership and practical support to over 132,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. The Institute is a founding member of the Global Accounting Alliance with over 750,000 members worldwide.

The Institute's Social Housing Committee (the committee) is responsible for co-ordinating the technical considerations of the social housing sector with respect to Chartered Accountants working in or for registered social landlords, the interests of practitioners, their clients and Chartered Accountants employed in financial roles within the housing association sector.

The committee welcomes the consultation as bringing the Welsh position more up to date. However we note that it is likely that there will be changes to the financial reporting requirements of the Tenant Services Authority for English housing associations coming into effect in the next 12 to 24 months. It may be helpful if these changes are considered by the Welsh authorities and either a joint approach is taken or that those changes considered appropriate for Wales are introduced shortly afterwards.

We question whether all of the information sought from RSLs is necessary for regulatory purposes to be stated expressly within audited financial statements. We would urge disclosures to be restricted to that information which cannot be obtained from other sources, such as direct inquiry of the housing association, where it being audited is necessary for regulatory purposes and where the purpose of the disclosure is clear.

The Determination specifies that service charge income and expenditure should be included within turnover and operating costs respectively.

There are two areas where this could be argued to be problematic. The first is the more technical point that with variable service charges, most of the charge involves the landlord acting as agent and simply

passing the costs to the service charge payer. Under these circumstances, normal accounting would be to not record the transactions through the landlord's income and expenditure account but only record the net balance as a debtor or creditor. Any part of the service charge relating to a service provided directly by the landlord (for example, administration fees or direct labour force costs) would still be shown gross, as would any fixed service charges.

The second problem area from the present treatment arises for practical reasons. Some housing associations are not disciplined about matching the costs incurred to the amounts chargeable to service charge payers. Instead, they take income in the period in which they demand payment by the service charge payer, not taking into account the fact that if this amount is different from the relevant costs incurred, then the difference will be refundable or chargeable. This difference should be recognised in the accounts in the year the costs are recognised, rather than in subsequent periods. In practice, this is rarely material.

Please contact me should you wish to discuss any of the points raised in this response.

Yours sincerely

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