



Accounts Policy

POLICY NUMBER

POL 28

Purpose of Policy

The Association aims to set out clear accounting policies for preparation of its annual accounts that comply fully with accounting standards, legal and regulatory requirements.

Policy Statement

- The Board, Chief Executive and Director of Finance and Corporate Services of Derwentside Homes are responsible for ensuring that this policy is implemented;
- This policy will comply with all relevant Financial Reporting Standards ("FRS") and with the Statement of Recommended Practice ("SORP"), "Accounting by Registered Social Landlords", issued by the National Housing Federation ("NHF");
- Establish robust accounting systems and procedures;
- Produce annual accounts for Board scrutiny and audit according to a published timetable;

The Association will

- Prepare annual accounts which will be subject to external audit;
- Accounting arrangements and systems will be subject to internal audit;
- Will provide financial information to the Housing Corporation.

Measures of success will be:

- Audit certification of the accounts by the external auditors without qualification;
- No adverse internal audit reports;
- No adverse feedback from the Housing Corporation.

Performance Measures

Measures of success will be:

- Audit certification of the accounts by the external auditors without qualification;
- No adverse internal audit reports;
- No adverse feedback from the Housing Corporation.

Responsible Officer:	Francis Boyle
Policy Author:	Keith Finch
Date Approved by the Shadow Board:	
Frequency of Review:	Annually or as dictated by legislation/guidance
Review Date:	Annually
File Reference:	
Consultees:	Tenants Forum; Staff; Management Team Derwentside Homes Shadow Board

Accounts Policy

1 Statement of Intent

- 1.1 This policy sets out the accounting policies and conventions to be adopted by the Association for the preparation of its annual accounts.
- 1.2 This policy relates to a number of other policies of the Association to establish the financial and management controls within the organisation.
- 1.3 While the Board retains overall responsibility for the financial policies and control systems, the Finance Committee will deal with accounting policy issues on an ongoing basis and the Audit Committee will recommend approval of the financial statements to the Board prior to publication
- 1.4 The policies outlined below comply with all relevant Financial Reporting Standards ("FRS") and with the Statement of Recommended Practice ("SORP"), "Accounting by Registered Social Landlords", issued by the National Housing Federation ("NHF").

2 Implementation

- 2.1 The main accounting policies required by Derwentside Homes are set out in the following paragraphs.
- 2.2 Accounting convention - 'The financial statements will be prepared in accordance with applicable Accounting Standards in the United Kingdom, the Accounting Requirements for Registered Social Landlords General Determination 1997 and 1998 and the Statement of Recommended Practice - Accounting by Registered Housing Associations ('SORP'), published in March 1999.'
- 2.3 Turnover – 'Turnover represents rental income receivable, revenue grants from local authorities and the Housing Corporation and other income.'
- 2.4 Depreciation – 'Fixed assets will be depreciated in accordance with Financial Reporting Standard ('FRS') 15 at rates calculated to write off the cost less estimated residual value of the asset over its expected remaining useful life at the following rates on a straight-line basis:
 - (a) Housing properties Over 50 years
(based on cost of the property, excluding land, less grants received)
 - (b) Office premises Over 20 years
 - (c) Computer equipment Over 3 years
 - (d) Furniture, equipment and motor vehicles Over 4 years'

- 2.5 Housing properties – ‘Completed housing properties are stated at cost less accumulated depreciation. Housing properties under construction are stated at cost less social housing and other grants and are transferred into completed housing properties at practical completion.’
- 2.6 Impairment – ‘For all properties impairment reviews will be carried out on an annual basis in accordance with FRS 11, ‘Impairment of fixed assets and goodwill’.’
- 2.7 Capitalisation of major repair costs – ‘The Association will capitalise expenditure on housing properties which is either capable of generating increased future rents, extends its useful life, or otherwise adds to the value of the property. All other expenditure incurred in respect of general repairs to its housing stock will be charged to the income and expenditure account in the year in which it is incurred.’
- 2.8 Social Housing Grant – ‘Where developments have been financed wholly or partly by social housing grant, the cost of those developments will be reduced by the amount of the grant received. Where social housing grant becomes repayable on the sale of the properties it will be shown as a current liability.’

Social housing grant in respect of housing properties under construction, received in advance of expenditure, will be shown as a current liability.

Social housing grant received for items treated as revenue expenditure will be credited to the income and expenditure account.

Social Housing Grant on properties sold will immediately be transferred to current liabilities.’

- 2.9 Other grants – ‘Where developments have been financed wholly or partly by other grants, the cost of those developments will be reduced by the amount of grant received. Other grants received for items treated as revenue expenditure will be credited to the income and expenditure account.’
- 2.10 Stocks – ‘Stocks are stated at the lower of cost and net realisable value.’
- 2.11 Leasing commitments – ‘Assets held under finance leases will be capitalised in the balance sheet and depreciated over their useful lives. The interest element of the rental obligation is charged to the income and expenditure account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.
- Rentals paid under operating leases will be charged to income on a straight-line basis over the term of the lease.’
- 2.12 Designated reserve for major repairs – ‘The Association will designate those reserves that have been set aside for specific uses which prevent them, in the judgement of the Board, from being regarded as part of the free reserves of the Company. As major repair social housing grant is not available to the Company

for schemes developed with social housing grant after the Housing Act 1988 or funded by private finance, a reserve will be designated to meet the future major repair costs of these schemes. A proportion of the construction cost will be designated each year.'

- 2.13 Pensions – 'Derwentside Homes will pay pension contributions into an authorised pension scheme(s). The scheme(s) is/are a defined benefit funded scheme(s). Contributions will be charged at the current funding rate on an accruals basis.'
- 2.14 Property managed by agents – 'Where the Association carries the financial risk on property managed by agents, all the income and expenditure arising from the property will be included in the Income and Expenditure Account. Where the agency carries the financial risk, the Income and Expenditure Account includes only that income and expenditure that relates solely to Derwentside Homes.'
- 2.15 Bad debts and Write-offs – 'Bad debts will be charged to the Income and Expenditure Account in the year in which they are incurred. A provision for bad and doubtful debts will be made on an estimation of those debts that will not be recovered at the balance sheet date.'

In respect of rental debtors provision is made on the following basis:

- | | |
|---------------------|---|
| (a) Current tenants | At varying %ages on the size or age of the debt |
| (b) Former tenants | At 100% of the debt |

Other debtors provision is made at varying %ages based on the size or age of the debt.'

3 Consultation

- 3.1 The Association will consult with the Housing Corporation, all relevant staff and its auditors on this policy.

4 Monitoring

- 4.1 The Board, Chief Executive and Director of Finance and Corporate Services of the Association are responsible for ensuring that this policy is implemented.
- 4.2 It is the responsibility of all employees to ensure that their work is carried out in line with this policy and any related procedures.
- 4.3 The Board of Derwentside Homes will receive regular monitoring reports to evaluate the effectiveness of this policy in meeting agreed performance targets and the needs of the service and will make changes where necessary.

5 Links to the Housing Corporation Regulatory Code and Guidance

- 5.1 This policy has been written to comply with the following elements of the Regulatory Code and incorporates the identified legislation / guidance:

Regulatory Code:

Viable: Section 1.1

Properly Governed: Section 2.1, 2.3, 2.4 and 2.8

Properly Managed: Sections 3.2 and 3.3

Legislation / guidance:

Companies Acts and Industrial and Provident Societies Acts

Financial Reporting Standards

Statement of Recommended Practice ("SORP"), "Accounting by Registered Social Landlords"

Housing Corporation Performance Standards

Housing Corporation Circulars on accounting, audit and risk

6. Links to Other Policies

- Standing Orders;
- Financial Regulations;
- Bad Debts and Arrears Write Off;
- Risk Management Policy and Procedures;
- The Business Plan;
- Rent Policy;
- Audit Policy;
- Insurance Policy;
- Business Continuity/Disaster Recovery Policy;
- Treasury Policy.

7. Responsibility

The Board, Chief Executive and the Director of Finance and Corporate Services have overall responsibility for the implementation and monitoring of this policy.

8. Review date

- 8.1 There will be an automatic review of this policy whenever there is a change of policy or legislation from the Government or the Housing Corporation.

- 8.2 The policy will also be reviewed when other information becomes available that will impact on the policy, such as the outcome of a Best Value review, otherwise the review period will be no greater than one year.

- 8.3 Procedures relating to this policy will also be periodically reviewed, taking into account any operational issues that arise.
- 8.4 The Board will be responsible for ensuring that reviews of this policy are carried out.
- 8.5 Review date – June 2007