

# SHPS and SHAPS accounting changes

## What to expect



**29 June 2018**

**Dear .....,**

You may recall our previous email and face-to-face updates on the proposed changes to accounting for the Social Housing Pension Scheme (SHPS) and the Scottish Housing Associations' Pension Scheme (SHAPS).

I am writing to update you on the changes being considered, and what you can expect to happen next.

### **This email provides you with:**

- background on the proposed changes and an update on progress to date;
- an anticipated timeline for implementing the proposed accounting changes; and
- a list of Frequently Asked Questions (FAQs) that aims to answer any questions you may have.

You don't need to do anything as a result of this communication, however, a response will be required after our next update in July.

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### **Background**

Here's a reminder of what's been discussed to date for SHPS (employer forums and the NHF Finance Conference, both in March 2018) and SHAPS (employer forums in April 2017 and the SFHA Finance and IT Conference in November 2017):

- The accounting standard FRS102 requires employers in a defined

benefit (DB) pension scheme to carry details of those obligations on their balance sheet;

- Employers within multi-employer schemes are currently exempt from doing this if 'sufficient information' is not available for full defined benefit disclosure – this is the current approach for both SHPS and SHAPS;
- TPT has been asked by some employers and the Housing SORP Working Party to provide 'sufficient information'. A method of calculation has been proposed by the Housing SORP Working Party's advisers and is under development.

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## Timeline

No change will be required to accounting practice for year-end dates before 31 March 2019 as the information will not be available (the existing approach of including the present value of agreed future deficit contributions remains appropriate).

Implementation of an online accounting modeller, which will produce the documents required for full defined benefit disclosure for each employer, is expected to be available from May 2019 for financial years ending 31 March 2019 onwards.

To help your planning, the attached 'Accounting changes' timeline (also on our [website](#)) provides details of the communications you can expect to receive over the next 12 months. Please note that the timings shown are approximate and subject to change as the implementation of the solution develops.

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## Defined benefit accounting FAQs

The attached FAQ document aims to help your understanding of the accounting changes that are being considered. The FAQ covers:

- the current and proposed accounting approaches;
- the difference between 'accounting' and 'triennial valuation' numbers;
- the impact for organisations with non-March accounting year ends; and
- the involvement of other stakeholders (i.e. auditors, lenders and credit rating agencies).

TPT has been engaging with leading auditors in the sector regarding the proposed changes. Please feel free to share this email and the FAQs with your auditor. TPT has also been working with the Housing SORP Working

Party in order to ensure sufficient information is provided to employers and auditors in relation to the accounting treatment. More clarity will be provided in the Autumn, setting out the impact on disclosures for the first year.

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### **Next communication**

As set out in the attached 'Accounting changes' timeline (also on our [website](#)), you can expect to receive the next communication from us in July. In this, we hope to provide you with the costs of the DB accounting approach for [company name], together with details of additional support options you may wish to consider (for example, earlier indication of the potential impact for your organisation together with ongoing forecasting).

I hope this update has been helpful. Should you have any questions about the proposed accounting changes, please contact [frs102@tpt.org.uk](mailto:frs102@tpt.org.uk) in the first instance.

Yours sincerely,

**Andy O'Regan**

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