

CIRCULAR

ACCOUNTING REQUIREMENTS FOR REGISTERED SOCIAL LANDLORDS

APRIL 2006

01/06

THIS CIRCULAR IS FOR THE ATTENTION OF:

- Registered Social Landlords; more than 250 properties
- Registered Social Landlords; less than 250 properties
- Co-ownership Societies
- Co-ownership Equity Sharing Societies
- Almshouse Charities
- Abbeyfield Societies
- Co-operatives
- Registered Social Landlords' Auditors

1 LEGISLATION, REGULATION AND POLICY REQUIREMENTS

Section 218 and Paragraph 22 of Schedule 11 to the Housing Act 2004 and Section 7 and Part III of Schedule 1 to the Housing Act 1996.

This circular replaces circulars number R2-04/01 – Accounting requirements for registered social landlords, R2-13/02 – Disclosure of directors' emoluments in the audited financial statements, and the Data Protection Act 1998 and 12/02 – Recognition of Social Housing Grant in the income and expenditure account.

2 DEFINITIONS

The Accounting Requirements for Registered Social Landlords General Determination 2006 (the Determination) specifies such disclosures that the Corporation, as the Regulator, considers necessary to monitor a Registered Social Landlord (RSL), or for users of the accounts to obtain a true and fair view of the financial position and performance of an RSL.

These requirements do not conflict with those of the Financial Services Authority or the Charity Commission. The Charities Act, together with the Charities Statement of Recommended Practice, recognises the different accounting requirements for charities which are registered with the Corporation.

In some cases an RSL may have to supply further additional information to satisfy the requirements of another body with which it is registered. Nothing in this Determination prevents such additional information being supplied.

Financial statements prepared in accordance with this Determination are intended to show a true and fair view, and in doing so should follow generally accepted accounting practice, as interpreted in applicable financial reporting standards and the Statement of Recommended Practice (SORP), 'Accounting by registered social landlords'. Particulars of any departure from the requirements of such financial reporting standards or the SORP must be disclosed in the financial statements together with the reason(s) for the departure(s).

3 CORPORATION EXPECTATIONS

The 2006 Determination applies to all social landlords who are registered with the Corporation and takes effect for accounting periods beginning on or after 1 January 2006, although earlier adoption is permitted.

Following a consultation period in 2005 there have been a number of additions, deletions and other changes which are included within this Determination:

In order to maintain consistency with the SORP, other policies and definitions:

- Part 1, para 5 – interpretation – updated re revised Corporation policies on diversification, supported housing and housing for older people.
- Part 1, para 20 – clarification of approval required for income and expenditure account of a Registered Charity.
- Part 1 – paras 22 and 23 - example balance sheet and income and expenditure account now match the SORP.
- Note C – revision of “Rent receivable” to comply with FRS5 Application Note G.
- Part 2, para 3 – SORP disclosure references updated.
- Part 2, para 9 – payment to directors should include board members (where remunerated), and amounts paid to executive staff members and those who are not, should be differentiated.

- Part 2, para 37 – treatment of rent arrears clarified.
- Part 2, para 45 – accommodation in management updated to reflect the Care Standards Act 2000.

A number of disclosure requirements included in the Accounting requirements for registered social landlords – General determination 2000 have been removed:

- The average number of employees.
- Separate disclosure of the abolished Rent Surplus Fund.
- Particulars of special circumstances affecting the liability to tax.
- Supported Housing Management Grant payable to bodies managing accommodation of behalf of the association.
- The average number of days taken to pay purchase invoices.
- Detailed reference to reserves transfers on the face of the income and expenditure account.

Other changes:

- Notes A, B and C – analysis of “other costs” required where material (defined as greater than 5% of operating costs) in order to improve the understanding of operating costs.
- Part 2, para 25 – additional analysis of expenditure to completed properties which will provide greater understanding of the extent to which additions to completed fixed

assets represent new properties or works to existing properties.

- Part 2, paras 35 and 36 – detailed analysis of the movements on the Disposal Proceeds Fund and Recycled Capital Grant Fund and disclosure of any amounts repayable to the Corporation, in order to provide greater transparency of the uses of these funds.
- Part 2, para 41 – capital commitments to show details of financing proposals to give greater transparency of capital commitments and how they will be funded.

SUPPORTING PEOPLE

In consultation with the National Housing Federation, changes have been introduced within the Determination, and to the Notes within Schedule 1, in order to provide improved and simplified guidance on accounting for Supporting People income and expenditure.

DATA PROTECTION

The Determination requires disclosure of emoluments to the highest paid director and the aggregate amount of any compensation paid to directors or past directors in respect of loss of office.

The Data Protection Act 1998 requires associations to obtain individuals' consent to disclose personal data about them in their accounts.

Except where required by statute, an individual may have the right under the Data Protection Act 1998 to withhold consent for such personal data to be published.

RECOGNITION OF SOCIAL HOUSING GRANT IN THE INCOME AND EXPENDITURE ACCOUNT

The SORP states that “only costs that are directly attributable to bringing the properties into working condition for their intended use” should be capitalised. Circular 12/02 – Recognition of Social Housing Grant in the income and expenditure account stated that a proportion of SHG should be apportioned to recognise that an element of the grant was funding revenue costs.

We now believe that it is a matter for associations to decide whether it is appropriate for them to apportion a proportion of grant to fund revenue costs, with reference to financial reporting standards, capital funding conditions and any other relevant documents. The amount and basis of the apportionment should be agreed with associations' auditors.

4 ASSESSING COMPLIANCE

Compliance will be assessed as a part of our appraisal of association's annual audited financial statements.

5 ENQUIRIES ABOUT THIS CIRCULAR SHOULD BE DIRECTED TO:

- The Head of Operations and Financial Appraisal at your local field office
- FAEnquiries@housingcorp.gsx.gov.uk

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