



Llywodraeth Cymru
Welsh Government

The Accounting Requirements for Registered Social Landlords

General Determination (Wales) 2015

December 2015

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PREAMBLE

1. This Determination as to the general requirements for the financial statements of Registered Social Landlords is made by the Welsh Ministers under paragraph 16 of Schedule 1 to the Housing Act 1996. Consultation has taken place in accordance with section 53 of that Act.
2. This General Determination is made without prejudice to the Welsh Ministers' power to make specific Determinations under the provisions of the Housing Act 1996. Where reference is made to any legislation, circular or guidance which is subsequently amended or replaced, then the later publication should be taken to apply to this Determination until such time it is revised.

CITATION AND COMMENCEMENT

3. This Determination is called the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015 and has effect in relation to periods of account beginning on or after 1 April 2015. This Determination supersedes the Accounting Requirements for Registered Social Landlords General Determination 2009. The 2009 Determination continues to apply to accounts for periods of account beginning prior to 1 April 2015 unless a Registered Social Landlord chooses to apply this 2015 Determination for periods of account prior to that date.

INFORMATION IN SPECIFIED FORM

4. Any requirement in this Determination to prepare information in a specified form shall be satisfied if it is prepared in a form substantially to the same effect.
5. The Statement of Recommended Practice for registered social housing providers ("SORP") and Financial Reporting Standards refer to the main financial statements as the Statement of Financial Position and the Statement of Comprehensive income. This Determination retains the financial statement headings of Balance Sheet and Income and Expenditure. Registered Social Landlords may continue to use these original headings or the revised headings contained in the SORP and Financial Reporting Standards.

MATERIALITY

6. Unless stated otherwise, amounts which in a particular context of any provision of this Determination are not material may be disregarded.

GROUP STRUCTURES

7. Where the Registered Social Landlord is the parent organisation within a group structure that Registered Social Landlord shall prepare in addition to the parents' financial statements, group financial statements in accordance with the requirements of the relevant Financial Reporting Standard.
8. Where there is a group structure, all Registered Social Landlords within the group, including the subsidiaries shall prepare a cashflow statement. Requirements for additional disclosure of cashflows are found in paragraphs 15-18 and in ANNEX 1.

GENERAL ACCOUNTING REQUIREMENTS

9. The financial statements shall comply with the requirements of this Determination, the SORP and UK Generally Accepted Accounting Practice. ("UK GAAP") (as far as applicable) with respect to the form and content of the balance sheet, income and expenditure account and cash flow statement and any additional information to be provided by way of notes to the accounts.
10. Accounting policies used by a Registered Social Landlord shall be those which are most appropriate to its particular circumstances for the purpose of giving a true and fair view following the requirements of the SORP.

FINANCIAL STATEMENTS

11. Subject to paragraphs 12 and 13 the format of the balance sheet and the income and expenditure account shall be shown as set out in the SORP extant for the relevant accounting period.
12. Items listed in the format adopted in preparing the balance sheet and the income and expenditure account shall not be included if there was no amount to be shown in respect of both the period of account and the previous period of account.
13. In preparing the balance sheet and the income and expenditure account the headings and sub-headings otherwise required under paragraphs 11 and 12 may be adapted, and additional lines may be included, in line with the requirement of the SORP, where in the opinion of the Registered Social Landlord this would be beneficial to the reader of the financial statements.
14. This Determination requires that every Registered Social Landlord at subsidiary and group level shall include in the financial statements a cashflow statement in accordance with the format set out in the relevant Financial Reporting Standards, and SORP.

15. In addition, The Registered Social Landlord must, either; provide a statement of free cash as detailed in Annex 1 to this determination, or provide sufficient detail in the body of the cashflow statement to enable free cash to be determined.
16. The purpose of the additional free cash flow disclosure is to ascertain the level of cash generated or consumed by the existing portfolio of properties.
17. Where, in the opinion of the Registered Social Landlord, the reporting of free cash flow creates an anomaly, such as expenditure on properties for sale, this should be disclosed separately and an explanation provided by way of a note.

NARRATIVE REPORTING

18. Attention is drawn to section 4 of the SORP which sets out the requirement for Narrative reporting. The SORP requires the boards of social landlords to publish a strategic report as part of the report from the board. This Determination requires all Registered Social Landlords with a stock over 250 units to provide a strategic report with the financial statements.

NOTES TO THE ACCOUNTS

19. The notes to the accounts of every Registered Social Landlord with more than 250 units shall show the information specified in Part 1 and Part 2 of the Schedule.

SOCIAL HOUSING AND NON SOCIAL HOUSING ACTIVITIES

20. Note A in Part 1 of the Schedule should separately disclose income from social housing lettings from income from other social housing activities and income derived from non-social housing activities.
21. Examples of non social housing letting activity include market rented, student accommodation and registered nursing homes.
22. In providing the information required by Note A, lines with a nil value can be omitted and lines where the value is not material can be aggregated. The corresponding amount, if any, for the previous period of account shall be shown.
23. General needs including sheltered housing, and supported housing should be shown separately within Note B of Part 1 of the Schedule. 'Other social housing letting' in Note B relates to the balance of any other social housing letting activities which is not general needs, sheltered or supported housing. Examples of 'other' social housing activities are, key worker accommodation, residential care homes and shared ownership.

24. Note B shows the minimum split of activities required. Registered Social Landlords can show further analysis should they feel it would be beneficial to the reader of the accounts.
25. Income for support services funded from Supporting People Programme Grant should be shown under 'Supported housing' within Note B if it relates to tenant contracts and within Note A in 'Other social housing activities' if it relates to non tenant contracts. In exceptional cases Supporting People Programme Grant may be provided in non-social housing in which case it should be disclosed under 'Non social housing activities' in Note A.

Signed by

Lesley Griffiths AM

Minister of Communities and Tackling Poverty

THE SCHEDULE

PART 1 – TURNOVER, OPERATING COSTS AND SURPLUS

To the Accounting Requirements for Registered Social Landlords General Determination (Wales) 15

Note A – Particulars of turnover, operating costs and operating surplus

	XXX1 Turnover £	XXX1 Operating Costs £	XXX1 Operating Surplus £	XXX0 Turnover £	XXX0 Operating Costs £	XXX0 Operating Surplus £
Social housing lettings (Note B) ¹						
Other social housing activities ² :						
1st tranche property sales ³						
Revenue Grants						
Other						
Non Social Housing Activities ⁴ :						
Lettings						
Other						

¹. Registered Social Landlords completing Note A must also complete Note B.

². Where it is necessary, in the opinion of the Board, in order for the financial statements to show a true and fair view, additional lines analysing 'other social housing activities' and 'non-social housing activities' should be included in this note. In this context it is suggested that a materiality level of 5% of turnover or costs should be applied.

³. 1st tranche sales relates to properties intended for resale.

⁴. For examples of Non Social Housing please refer to Part 2 paragraph 29 of this schedule.

Note B – Particulars of income and expenditure from social housing lettings

	XXX1	XXX1	XXX1	XXX1	XXX0
	General needs and sheltered housing £	Supported housing £	Other social housing letting income ⁷ £	Total £	Total £
Income					
Rent receivable ¹					
Service charge income					
Income for support services					
Government Grants taken to Income ²					
Amortised Government Grant ³					
Turnover from social housing lettings					
Cost					
Management costs ⁴					
Service charge costs ⁵					
Maintenance ⁶					
Bad debts					
Depreciation of housing properties					
Impairment of housing properties					
Other costs					
Operating costs on social housing activities					
Operating surplus (deficit) on social housing lettings					
Rent loss due to voids (memorandum note)					

^{1.} Rent receivable should be calculated net of any voids, which are disclosed as a separate memorandum item in Note B.

^{2.} Government grant taken to income as required under the performance model as defined in FRS 102

^{3.} Amortised government grant as required under the accrual model as defined in FRS 102

^{4.} Service charge costs are directly attributable costs of providing those services including overheads relating to those activities.

^{5.} Maintenance includes all revenue repairs expenditure and overheads relating to those activities.

^{6.} Management costs covers tenancy management costs but also includes costs relating to policy and general management and relevant overheads associated with these costs.

⁷. Shared Ownership income and costs should be included within other social housing letting unless material, whereupon it should be shown separately.

The method for allocating overheads should be disclosed as a note to the table.

PART 2 - OTHER INFORMATION TO BE SHOWN IN THE FINANCIAL STATEMENTS

Unless otherwise stated the terms and expressions used in this Part have the same meaning as those used in UK GAAP and the SORP.

Establishment of Registered Social Landlord

1. A statement of the legislative provisions under which the Registered Social Landlord is established.

Financial Reporting Standards

2. The financial statements must state whether they have been prepared in accordance with applicable financial reporting standards, the Statement of Recommended Practice (SORP), and this Determination. Particulars of any material departures from these standards, SORP or Determination and the reasons for any such departure should be disclosed in the notes to the accounts. "Financial Reporting Standards" in this paragraph has the same meaning as "Accounting Standards" in Section 464 (1) of the Companies Act 2006. "Applicable" has the same meaning as in Section 464 (2) of the Companies Act 2006.

Statement of Recommended Practice (SORP)

3. Where appropriate, disclosure should be made in accordance with the requirements of the SORP and relevant Financial Reporting Standards.

Accounting policies

4. Registered Social Landlords should disclose in a summary the measurement basis and each accounting policy that is relevant to the understanding of the financial statements.

Analysis of intra group transactions between RSLs and non RSLs

5. Every Registered Social Landlord shall demonstrate a transparency in the flow of funds, allocation of overheads and transactions between registered and unregistered entities within the Group.
6. Where a Registered Social Landlord transacts with any associate, subsidiary or other Group member which is not an Registered Social Landlord or is an unregistered entity, the Registered Social Landlord's financial statements shall:
 - (a) describe the basis of any significant apportionment, recharge or allocation of turnover, costs, assets and liabilities between the Registered Social Landlord and the other party;

- (b) specify in aggregate the turnover, costs, assets or liabilities which have been so apportioned or allocated;
- (c) specify which associates, subsidiaries and Group members have been involved in the apportionment and allocation.

Narrative Reporting

7. As stated in paragraph 18 on page 6 of the Determination all Registered Social Landlords with more than 250 units are required to prepare a narrative report. Registered Social Landlords should publish a report commensurate with the size of the business. The report should provide a balanced view on the performance during the financial year. RSLs should refer to Financial Reporting Standards and the SORP for further guidance.

Extension of definition of director

8. In paragraphs 9 to 18 below "director" also includes the chief executive and any other person who is a member of the Executive Management Team of the Registered Social Landlord. In this paragraph "chief executive" means the person who has overall responsibility for the running of the day to day affairs of the Registered Social Landlord.

Key management personnel

9. Key management personnel are defined as non executive Board members and members of the Executive Management Team defined in paragraph 8 above.
10. The aggregate amount of remuneration payable to key management personnel during the period of account or, where no such remuneration is payable, a statement to that effect. The aggregate amount should separately identify any amounts paid to non-executive Board members.
11. The remuneration payable to the highest paid director during the period of account, excluding pension contributions.
12. The full time equivalent number of key management personnel whose remuneration payable in relation to the period of account fell within each band of £10,000 from £50,000 upwards. This should also include compensation for loss of office.
13. Details of the nature of the Chief Executive's pension arrangements stating:
 - (a) the nature of the pension scheme and how it is funded;
 - (b) whether he or she is an ordinary member of the pension scheme;
 - (c) whether any enhanced or special term apply; and

(d) whether he or she has an individual pension arrangement (including a personal pension) to which the Registered Social Landlord or any of its subsidiaries makes a contribution, and if so, the aggregate amount of contribution made by the Registered Social Landlord and its subsidiaries.

14. In paragraphs 10 to 12 above "remuneration" includes remuneration in respect of a director's services as a director of the Registered Social Landlord or the director's services (while a director of the Registered Social Landlord) in connection with the management of its affairs or the affairs of any subsidiary undertaking of the Registered Social Landlord, whether those amounts are payable by the Registered Social Landlord or any of its subsidiaries, and includes:

(a) wages and salaries, including performance related pay, payable for the period;

(b) fees;

(c) sums payable by way of expense allowance (so far as chargeable to United Kingdom tax);

(d) contributions payable in respect of pensions except where otherwise stated; and

(e) the estimated money value of any other benefits otherwise than in cash. Remuneration in respect of a person accepting office as director shall be treated as remuneration in respect of his or her service as director.

15. The aggregate amount of any compensation payable to directors or past directors during the period of account in respect of loss of office (whether by retirement or otherwise) shall be recorded in the notes and distinguish between compensation in respect of the office of director, whether of the Registered Social Landlord or any subsidiary, and compensation in respect of other offices.

16. In paragraph 15 above "compensation" means compensation received or receivable for:

(a) loss of office as a director of the Registered Social Landlord; or

(b) loss, while a director of the Registered Social Landlord or in connection with ceasing to be a director of that body or:

(i) any other office in connection with the Registered Social Landlord's affairs; or

(ii) any office as director or otherwise in connection with the management of the affairs of any subsidiary undertaking of the Registered Social Landlord.

(c) the aggregate amount of directors' or past directors' pensions. This amount does not include any pension payable or receivable under a pension scheme if the scheme is such that the contributions under it are substantially adequate for maintenance of the scheme, but, subject to this, it includes any pension payable or receivable in respect of any such services of a director or past director as are mentioned in paragraph 15 above whether to that person or by that person or, on that person's nomination or by virtue of dependence or other connection with that person, to or by any other person. The amount shown shall distinguish between pensions in respect of services as director, whether of the Registered Social Landlord or any of its subsidiary undertakings, and other pensions.

Consideration for directors' services

17. The aggregate amount of any consideration payable to or receivable by third parties for making available the services of any person to perform in the role of director of the Registered Social Landlord, or (while a director of the Registered Social Landlord) in connection with the management of the affairs of the Registered Social Landlord or the affairs of any subsidiary undertaking of the Registered Social Landlord. "Third parties" means persons other than a director or a person connected with the director or a body corporate controlled (within the meaning of Section 255 of the Companies Act 2006) by that director and the Registered Social Landlord or any of its subsidiary undertakings.
18. In paragraph 17 above, amounts to be disclosed include benefits otherwise than in cash and, in relation to such amounts, reference to the amounts are to be the estimated money value of the benefit. The nature of such benefits should be disclosed.

Employees

19. In relation to employees and the members of the board of the Registered Social Landlord the aggregate amount of:
- (a) wages and salaries including performance related pay, payable for the period
 - (b) social security costs incurred by the Registered Social Landlord; and
 - (c) any other pension costs incurred.
 - (d) the estimated money value of any other benefits otherwise than in cash
20. Remuneration in respect of a person accepting office as director shall be treated as remuneration in respect of his or her service as director. The average number of employees expressed in full time equivalents during the year and the actual number of employees at the year end.

21. In paragraph 18(b) "social security costs" means any contributions by the Registered Social Landlord to any social security or state pension scheme, fund or arrangement. "Other pension costs" in paragraph 18(c) above includes any costs incurred by the Registered Social Landlord in respect of any pension scheme established for the purpose of providing pensions for persons currently or formerly employed by the Registered Social Landlord, any sums set aside for the future payment of pensions directly by the Registered Social Landlord to current or former employees and any pensions paid directly to such persons without having first been set aside.

Fixed assets

22. A reconciliation between the balance at the beginning of the period of account and the balance at the end of the period of account, for all classes of asset, and in aggregate separately for housing properties and other fixed assets, in respect of gross cost or valuation, accumulated depreciation, accumulated impairments and net book value.

23. Properties held for the purpose of social housing letting shall be disclosed separately from other housing properties; and if material, each business stream shall be included as a separate class of asset. If properties held for non-social housing lettings are only material in aggregate, and not for each business stream, then they may be disclosed as a separate class, in aggregate.

24. In respect of housing properties, the information in paragraph 22 above shall be separately disclosed for completed properties and properties under construction.

25. In respect of housing properties the amount of capitalised major repairs and component replacement spending during the year should be separately disclosed as part of the fixed asset note.

26. In respect of housing properties under development, the amount of capitalised interest should be disclosed.

27. Shared ownership properties classified as fixed assets shall be included in the housing properties note and if material shall be included as a separate class of asset.

Amortised Grant

28. Where a Registered Social Landlord holds grant in its balance sheet as a deferred income liability, this is amortised over the useful life of the asset. A note should be prepared which reconciles the opening and closing balance of the deferred income liability. The original value of the grant should also be disclosed.

Properties in management

29. The Registered Social Landlord should disclose the number of units of different types of social housing accommodation managed by the Registered Social Landlord at both the start and the end of the period of account. "Types" in this paragraph includes general needs housing, intermediate rentals, supported housing, low cost home ownership accommodation, temporary social housing, keyworker accommodation and care homes which are registered under the Care Standards Act 2000. This list is not exhaustive and Registered Social Landlords must provide full analysis appropriate to their operating circumstances.
30. The number of units of different types of non-social properties managed by the Registered Social Landlord at both the start and the end of the period of account. "Types" in this paragraph includes student accommodation, care homes which are registered under the Care Standards Act 2000 and which provide nursing care, market rented accommodation and any other material classes of asset.

Properties managed by others

31. Where accommodation owned by a Registered Social Landlord is being managed on its behalf by another body, the number of units of accommodation managed by other entities at the start and the end of the period of account should be disclosed.

Properties managed for others

32. Where accommodation owned by another body is being managed on its behalf by a Registered Social Landlord, the number of units of accommodation managed at the start and the end of the period of account should be disclosed.

Rent arrears and rent

33. The aggregate amount of rent arrears and the amount of any provisions for bad and doubtful debts should be disclosed. Rents received in advance should be shown as a creditor, not netted off against arrears.

Creditors

34. In respect of each item shown under creditors in the Registered Social Landlord's balance sheet there shall be stated:
- (a) the aggregate amounts of any debts included under that item in respect of which any security has been given by the Registered Social Landlord together with an indication of the nature of the security given;

(b) where the nature of the liability is debt, in respect of each debt, the terms of payment or repayment, and the rate of interest payable on the debt; and

(c) the aggregate amount of adjustments made to the carrying value of debt in respect of finance costs, discounts and premiums.

35. In respect of the recycled capital grant fund creditor there shall be shown:

(a) a reconciliation between the balances held at the beginning of the period of account and the balance at the end of the period of account, showing amounts added into and taken out of the fund. The reasons for amounts taken out should be disclosed; and

(b) the amount which is due for repayment to the Welsh Government within 12 months and after 12 months of the year end.

36. In respect of the disposal proceeds fund, this should be disclosed in the same format as the recycled capital grant, as set out in 35 above.

Capital funding and commitments

37. There shall be stated:

(a) the aggregate amount of contracts for capital expenditure, so far as not provided for;

(b) the aggregated amount of capital expenditure approved by the board which has not been contracted for; and

(c) Details of the proposed financing of such expenditure, for example the amount of grant, agreed loans, loans under negotiation or property sales.

Other commitments

38. Particulars shall also be given of any other financial commitments which have not been provided for and are relevant to assessing the Registered Social Landlord's state of affairs.

Housing Finance Grant

39. Housing Finance Grant (HFG) is a grant paid by the Welsh Government towards the costs of housing assets. The grant will be paid over a period of 30 years but delivery of the housing will take place in the first few years of the 30 year period.

40. The primary purpose of HFG is to subsidise the capital and interest costs for the provision of affordable housing.

41. Upon confirmation of the HFG, the net present value of the HFG receivable over the agreed payment term must be shown as a capital grant. This should be shown, on the balance sheet, in a similar manner to Social Housing Grant (SHG).

42. A deferred debtor for the net present value of the HFG grant receivable should be shown under assets. This will need to be split between current and long term debtors.

43. Upon receipt of the grant, the debtor will decrease by the capital element of a conventional repayment loan. The difference between this and the amount of grant received should be credited to the Income and Expenditure Account as a contribution towards the financing cost of that scheme.

The discount rate to be used for all such net present value calculations should be the same rate that applies to the associated borrowing to fund the housing assets.

44. Worked examples are included within Circular RSL 03/13.

Disposal of housing assets supported by HFG

45. The capital grant element of HFG previously received is deemed to be repayable upon disposal of the housing asset. However, it is permissible for this to be treated as Recycled Capital Grant in the Recycled Capital Grant Fund and included in the balance sheet as a creditor, in a similar manner as applies to SHG.

Dowry Grant

46. Where the Registered Social Landlord is a Large Scale Voluntary Transfer (LSVT) and is in receipt of Dowry Grant, this is to be separately disclosed in the Income & Expenditure or Balance sheet as appropriate. Where the grant is recognised in the balance sheet and is amortised then it must be disclosed as per the requirements of paragraph 27.

Related Parties

47. Relationships between parents and subsidiaries and registered and unregistered Group or associated bodies shall be disclosed irrespective of whether there have been transactions between those related parties. Other related party transactions should be disclosed in accordance with FRS 102, unless otherwise required to satisfy the requirements of paragraphs 5 and 6 of the Schedule.

Group structures

48. There shall be stated in addition to the disclosure requirements of the SORP:

(a) whether the Registered Social Landlord is required by statute to prepare group accounts; and

(b) the name of the undertaking which is regarded by the board as the ultimate parent undertaking of the Registered Social Landlord.

(c) details of all entities within the group or to which the Registered Social Landlord is associated, along with details as to which are registered social landlords. If this is disclosed within the group account of a parent that is a Registered Social landlord, then this need not be repeated by every subsidiary.

ANNEX 1

Cash Flow Statement - Additional Disclosure

Free cash flow		
for the year ended 31 March	XXX1	XXX0
	£	£
Net cash generated from operating activities		
Interest paid		
Interest received		
Taxation paid		
Adjustments for reinvestment in existing properties		
Component replacements		
Purchase of other replacement fixed assets		
Component replacement grant received		
Free cash generated / (consumed) before loan repayments	<hr/>	<hr/>
Loans repaid (excluding revolving credit and overdrafts)	<hr/>	<hr/>
Free cash generated / (consumed) after loan repayments	<hr/> <hr/>	<hr/> <hr/>

ANNEX 2

Glossary of Terms

Words and expressions used in this Determination shall, unless the context requires otherwise, have the following meanings.

“accounts” means the Registered Social Landlord's financial statements which consist of the balance sheet, the income and expenditure account, and cashflow statements, notes to the accounts and any other such statements required to conform to generally accepted accounting practice;

“associate” is an entity over which the investor has significant influence but is neither a subsidiary nor joint venture;

“board” means the governing body of a Registered Social Landlord;

“disposal proceeds fund” means the fund described in section 24(4) of the Housing Act 1996;

“director” means a member of the senior management team;

“general needs housing” means any rented social housing, including sheltered housing, where residents do not receive intensive or supportive housing management. Residents receiving floating or move-on support should be categorised as living in general needs housing;

“housing finance grant” means a grant introduced by the Welsh Government in 2013/14. It is paid by the Welsh Government to RSLs as contribution towards the costs of new housing assets. The grant will be paid over a period of 30 years but delivery of the housing will take place in the first few years of the 30 year period;

“recycled capital grant fund” means the cumulative amount, less amounts used or repaid, of recoverable capital grant retained by a Registered Social Landlord within its own finances to be used (in accordance with a determination under section 27(2) of the Housing Act 1996) in place of Capital Grant for eligible uses;

“Registered Social Landlord” (“RSL”) means a body registered with the Welsh Ministers under Part 1 of the Housing Act 1996;

“Executive Management Team” means a team of individuals at the highest level of organisational management who have the primary responsibility of managing an RSL and are sometimes referred to as executive directors and would commonly be present during board meetings;

“social housing” means homes for letting at below market rent or low-cost home ownership and associated amenities and services, for people whose personal circumstances make it difficult for them to meet their housing needs in the open market;

“supported housing” means accommodation where an individual holds a Registered Social Landlord tenancy at the same time as receiving support provided by the Registered Social Landlord or another organisation under the terms of a formal arrangement. The term ‘supported housing’ applies to purpose designed or designated supported housing. The delivery of support under the Supporting People framework does not necessarily result in the categorisation of housing as supported if the property is not purpose designed or designated for a particular client group.

“UK GAAP” includes all Acts of Parliament, Statutory Instruments, Financial Reporting Standards issued by the Financial Reporting Council (“FRC”) and FRC Abstracts, regulating the preparation of financial statements in the UK;

“undertaking” has the same meaning as in section 1161(1) of the Companies Act 2006;

“unit” means, in the case of supported accommodation or a hostel, one bedspace, and in any other case, a dwelling;

“void losses” means income lost as a result of a unit which is available for letting but which has not been let;

For any terms which are not defined above refer to SORP and Financial Reporting Standards.

Further copies of this document can be obtained from:

housingregulation@wales.gsi.gov.uk

or

Regulation Branch
Housing Policy
Welsh Government
Rhydycar
Merthyr Tydfil
CF48 1UZ