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STATUTORY INSTRUMENTS

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**1988 No. 395**

**HOUSING, ENGLAND AND WALES**  
**HOUSING, SCOTLAND**

**The Registered Housing Associations**  
**(Accounting Requirements) Order 1988**

<i>Made</i>	- - - -	<i>4th March 1988</i>
<i>Laid before Parliament</i>		<i>11th March 1988</i>
<i>Coming into force</i>	- -	<i>1st April 1988</i>

The Secretary of State for the Environment as respects England, the Secretary of State for Wales as respects Wales, and the Secretary of State for Scotland as respects Scotland, in exercise of the powers conferred upon them by section 24(1), (2) and (5) of the Housing Associations Act 1985<sup>(1)</sup>, and of all other powers enabling them in that behalf, hereby make the following Order:

**Citation, commencement and revocation**

1.—(1) This Order may be cited as the Registered Housing Associations (Accounting Requirements) Order 1988, and shall come into force on 1st April 1988.

(2) Subject to article 3 of this Order, the Registered Housing Associations (Accounting Requirements) Order 1982<sup>(2)</sup>, the Registered Housing Associations (Accounting Requirements for Almshouses) Order 1983<sup>(3)</sup> and the Registered Housing Associations (Limited Accounting Requirements) Order 1984<sup>(4)</sup> are hereby revoked.

**Interpretation**

2. In this Order, unless the context otherwise requires—

“the 1965 Act” means the Industrial and Provident Societies Act 1965<sup>(5)</sup>;

“the 1968 Act” means the Friendly and Industrial and Provident Societies Act 1968<sup>(6)</sup>;

“the 1985 Act” means the Housing Associations Act 1985;

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(1) 1985 c. 69.  
(2) S.I. 1982/828.  
(3) S.I. 1983/207.  
(4) S.I. 1984/1833.  
(5) 1965 c. 12.  
(6) 1968 c. 55.

“accounts” means the balance sheet, the income and expenditure account, the statement of source and application of funds and additional financial statements required by this Order, and notes to the accounts;

“almshouse” means a corporation or body of persons which is a charity and which is prevented by its rules or constituent instrument from granting tenancies of dwellings occupied for the purposes of the charity;

“association” means a registered housing association within the meaning of the 1985 Act;

“1965 Act society” means an association which is registered under the 1965 Act;

“balance sheet” means the balance sheet required for the purposes of section 39(1) of the 1965 Act<sup>(7)</sup> or, as the case may be, paragraph 2(1) of Schedule 3 to the 1985 Act;

“balance sheet date” means the date on which the period of account ends;

“co-ownership society” means a 1965 Act society in the case of which—

- (i) the rules of the society restrict membership to persons who are tenants or prospective tenants of the association and preclude the granting or assignment (or, in Scotland, assignation) of tenancies to persons other than members, and
- (ii) each tenant (or his personal representatives) will, under the terms of the tenancy agreement or of the agreement under which he became a member of the society, be entitled, on his ceasing to be a member and subject to any conditions stated in either agreement, to a sum calculated by reference directly or indirectly to the value of his housing accommodation;

“grant for rent phasing” means as much of the housing association grant for a project as does not exceed the amount, taken into account in the calculation of that grant, which relates to the inability of the association to recover the full amount of the fair rent registered under Part VI of the Rent Act 1977<sup>(8)</sup> or, in Scotland, Part VI of the Rent (Scotland) Act 1984<sup>(9)</sup> by reason of the provisions thereof;

“housing cost and finance statement” means the statement required by article 8(c) of this Order;

“housing land” means land and buildings held by an association for the purpose of providing housing accommodation (including accommodation to be provided by disposal on sale or on lease);

“income and expenditure account” means the revenue account required for the purposes of section 3(2) of the 1968 Act or, as the case may be, paragraph 2(1) of Schedule 3 to the 1985 Act;

“large association” means, in relation to a period of account, an association which on the day when that period begins, is providing more than 250 units of accommodation;

“long lease” means a lease the unexpired term of which at the balance sheet date is not less than 50 years and, in Scotland, includes a lease which is the subject of a decree under Section 9(4) of the Land Tenure Reform (Scotland) Act 1974<sup>(10)</sup>;

“managing body” means—

- (a) in relation to a 1965 Act society, the committee of management or other directing body of the society;
- (b) in relation to a charity which is a company within the meaning of the Companies Act 1985<sup>(11)</sup>, the board of directors of the company;

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(7) Section 39(1) was amended by section 11(1) of the 1968 Act.

(8) 1977 c. 42.

(9) 1984 c. 58.

(10) 1974 c. 38.

(11) 1985 c. 6.

- (c) in relation to any other charity, the trustees of the charity;
- “notes to the accounts” means notes to the balance sheet, the income and expenditure account, the statement of source and application of funds and the additional financial statements required by this Order;
- “period of account” means the period to which the income and expenditure account relates;
- “property equity account” means an account showing the extent to which the association’s capital expenditure on its property has been financed from its own resources;
- “property revenue account” means the account required by article 8(a) of this Order;
- “public authority” means any body of persons authorised by or under any Act to carry on a railway, dock, water or other public undertaking;
- “rent”, in relation to housing accommodation, includes any sum payable for or in consideration of the use or occupation of that accommodation;
- “small association” means, in relation to a period of account, an association which, on the day when that period begins, is providing 250 or less units of accommodation;
- “unit of accommodation” means, in the case of a hostel, the accommodation provided for one individual, and in any other case, a dwelling; and
- “vacant accommodation” means housing accommodation available for occupation which has been vacant at any time during the period of account.

## **Application**

**3.** This Order applies in relation to the accounts of every association in respect of any period of account commencing on or after the date when this Order comes into force; and in respect of any earlier period of account, the Orders revoked by this Order shall apply as if those Orders had not been revoked.

## **General accounting requirements**

- 4.—(1)** The accounts of every large association and every co-ownership society shall comply—
- (a) if the association is not an almshouse, with the requirements contained in this Order except Schedule 7 hereto;
  - (b) if the association is an almshouse, with the requirements contained in this Order except articles 6, 7 and 8 and Schedules 2 to 7 hereto.
- (2) The accounts of every small association which is not a co-ownership society shall comply either with the requirements specified in paragraph (1)(a) or (b) of this article (as appropriate) or with those requirements amended by Schedule 7 to this Order.
- (3) Nothing in this Order shall prejudice or affect the duties imposed by section 3(1) of the 1968 Act or, as the case may be, paragraph 2 of Schedule 3 to the 1985 Act insofar as they require a true and fair view to be given of the state of affairs of an association and of its income and expenditure; and accordingly where it is necessary to depart from the requirements of this Order so as to give such a true and fair view—
- (a) nothing in this Order shall prevent such a departure from those requirements, but
  - (b) the fact of any such departure, the reasons for it and its effect shall be recorded in the notes to the accounts of the association.
- (4) Nothing in this Order shall prevent the accounts of an association from giving more information than is required by this Order.

(5) Save for the information required to be shown in accordance with Part I of Schedule 1 to this Order, paragraph 12 of Part II of Schedule 1 to this Order and paragraph 14(f) to (i) of Part III of Schedule 1 to this Order, amounts which in the particular context of any provision of this Order are not material may be disregarded for the purposes of that provision.

(6) Any requirement in this Order to prepare information in a specified form shall be satisfied if it is prepared in a form substantially to the like effect. erial may be disregarded for the purposes of that provision.

(6) Any requirement in this Order to prepare information in a specified form shall be satisfied if it is prepared in a form substantially to the like effect.

### **Balance sheet and notes to the accounts**

5.—(1) The information referred to in Part I of Schedule 1 to this Order shall be shown, in the manner thereby required, in the balance sheet.

(2) The information referred to in Part II of Schedule 1 to this Order shall be shown, in the manner thereby required, in the balance sheet or in notes to the accounts.

(3) The information referred to in Part III of Schedule 1 to this Order shall be shown, in the manner thereby required, in notes to the accounts.

### **Income and expenditure account**

6. The income and expenditure account of an association—

- (a) which is not a co-ownership society, shall be in the form set out in Schedule 2 to this Order;
- (b) which is a co-ownership society, shall be in the form set out in Schedule 3 to this Order.

### **Preparation of statement of source and application of funds**

7. An association shall prepare a statement of source and application of funds which shall show the disposition during the period of account and the previous period of account of all funds received or receivable by the association in each period, and the sources thereof.

### **Preparation of additional financial statements**

8. In addition to the balance sheet, income and expenditure account, statement of source and application of funds, notes to the accounts and any other accounts which it is required to prepare apart from this Order, an association shall prepare the following additional financial statements—

- (a) unless it is a co-ownership society, a property revenue account in the form set out in Schedule 4 to this Order;
- (b) unless it is a co-ownership society, a statement of housing administration costs in the form set out in Schedule 5 to this Order; and
- (c) if it is a co-ownership society, a statement showing the cost of the housing accommodation of the society and the finance thereof (“the housing cost and finance statement”) in the form set out in Schedule 6 to this Order.

### **Method of distinguishing housing activities in the accounts**

9.—(1) Where an association undertakes any activities which are not housing activities the method by which that association shall distinguish in its accounts between its housing activities and other activities shall be as set out in paragraph (2) of this article.

(2) The method shall be—

- (a) to identify those items which relate solely to housing activities; and
- (b) to apportion those items which relate to housing and other activities.

### **Constitution of the Grant Redemption Fund**

**10.**—(1) The Grant Redemption Fund of an association shall be constituted and shown in the accounts according to the method set out in this article, and in this article “Fund” means Grant Redemption Fund.

(2) The surpluses calculated in the manner determined by the Secretary of State under section 53(3) of the 1985 Act shall be shown as such in the property revenue account or, in the case of a co-ownership society or almshouse, in the income and expenditure account of the association.

(3) The Fund shall be shown in the balance sheet, and the sums shown under paragraph (2) of this article shall be transferred to that Fund.

(4) Where sums stand in the Fund in respect of previous periods, they shall be accumulated with any sums transferred to the Fund in respect of the period of account.

1st March 1988

*Nicholas Ridley*  
Secretary of State for the Environment

2nd March 1988

*Peter Walker*  
Secretary of State for Wales

4th March 1988

*Malcolm Rifkind*  
Secretary of State for Scotland

## SCHEDULE 1

Article 5

### BALANCE SHEET AND NOTES TO THE ACCOUNTS

#### PART I

##### information to be shown in the balance sheet

1. All amounts shown in the balance sheet for the balance sheet date shall be accompanied by the corresponding amounts for the preceding balance sheet date (if any).
2. The various items shown in the balance sheet shall be sufficiently particularised to disclose their nature and the distinction where applicable between different activities of the association.
3. Housing land shall be distinguished from other assets.
- 4.—(1) Fixed assets shall be entered in the balance sheet at their net book value, calculated in accordance with this paragraph.
  - (2) The net book value of the fixed assets which comprise housing land of an association which is not a co-ownership society shall be accompanied in the balance sheet by the elements in that calculation.
  - (3) The net book value of any fixed asset other than housing land is the difference between the cost of that asset and the amount provided for depreciation thereof.
  - (4) The net book value of any housing land belonging to a co-ownership society shall be calculated in accordance with the housing cost and finance statement of that society.
  - (5) The net book value of any other housing land shall be calculated according to the difference between its cost and the sum of—
    - (a) the total amount provided for depreciation;
    - (b) all housing association grant received in respect thereof; and
    - (c) the total amount transferred to the property equity account (if any) in respect of that land.
  - (6) The cost to be entered under this paragraph for any asset is the cost of its acquisition and the cost of any works carried out thereupon.
5. There shall be itemised the aggregate amount (where applicable) for each of the following—
  - (a) reserves;
  - (b) provision for future cyclical repairs and maintenance to housing accommodation;
  - (c) any other provision (not being in respect of depreciation of assets or bad debts);
  - (d) the Grant Redemption Fund; and
  - (e) investments.
6. The balance sheet shall distinguish between loans to the association which—
  - (a) were incurred for the purposes of the acquisition of, or works upon, housing land; or
  - (b) were incurred for other purposes.
7. The balance sheet shall show the amount included with current assets in respect of revenue deficit grant and hostel deficit grant receivable.

## PART II

information to be shown in the balance sheet or in notes to the accounts

**8.—**(1) Where during the period of account any of the following events have occurred—

- (a) fixed assets have been acquired or disposed of;
- (b) amounts provided for depreciation have been increased or adjusted;
- (c) housing association grant has been received in relation to fixed assets; or
- (d) amounts have been transferred to or from the property equity account (if any) of the association,

the resulting variations in the cost, the total amount provided for depreciation, the total housing association grant received, the balance on the property equity account, and the net book value of or in relation to the fixed assets of the association shall be stated in accordance with this paragraph.

(2) The variations referred to above shall be set out in sufficient detail to show their nature and cause, together with the relevant opening and closing amounts.

(3) Where the amount of the reserves or the provisions for the balance sheet date differs from the corresponding amount for the previous balance sheet date, or where amounts have been transferred to or from the reserves or the provisions during the period of account the following shall be stated—

- (a) the amounts transferred to or from the reserves or the provisions as the case may require;
- (b) the source of all amounts transferred to the reserves or, as the case may be, provisions; and
- (c) in the case of a transfer occasioned otherwise than by applying a provision to the purpose for which it was established, how the amounts transferred have been applied.

**9.** Housing land belonging to the association shall be itemised according to the amounts attributable to—

- (a) land held by it under a long lease;
- (b) land held by it under other leases;
- (c) all other land held by it.

**10.** The method used to arrive at the provision for future cyclical repairs and maintenance to housing accommodation shall be stated.

**11.—**(1) There shall be itemised the total amounts of all loans advanced to the association by each of the following—

- (a) the Public Works Loan Commissioners;
- (b) local authorities;
- (c) the Housing Corporation;
- (d) building societies (within the meaning of the Building Societies Act 1986<sup>(12)</sup>) and banks;
- (e) present or former members of the association; and
- (f) any other persons.

(2) In relation to each loan referred to in this paragraph the names of the guarantors (if any) shall be stated.

(3) In relation to secured loans, there shall be itemised the total amounts of—

- (a) all loans secured by a charge on the assets of the association;

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(12) 1986 c. 53.

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- (b) all loans secured by a charge on the assets of other persons, together with the names of such persons.e itemised the total amounts of–
- (a) all loans secured by a charge on the assets of the association;
- (b) all loans secured by a charge on the assets of other persons, together with the names of such persons.

**12.**—(1) Where a 1965 Act society has made a loan to a member of its managing body or to an officer of the society, there shall be stated–

- (a) the date on which the loan was made;
- (b) the name of the borrower;
- (c) whether the loan, if made to an officer, was made under his contract of employment with the association (if any);
- (d) the total amount outstanding in respect of the loan; and
- (e) the terms; including the rate of interest, on which the loan is, or purports to be, repayable.

(2) Where a 1965 Act society has made a loan to an employee other than an officer of the society, there shall be stated–

- (a) the aggregate number of loans to such employees;
- (b) the aggregate amount of such loans outstanding;
- (c) the purposes of the loans; and
- (d) the terms, including the rates of interest, on which the loans are, or purport to be, repayable.

**13.** The following items shall be stated where applicable, namely–

- (a) the amount included with current assets in respect of arrears of rent, together with the amount deducted therefrom for bad or doubtful debts;
- (b) so much of any grant for rent phasing received as is not shown in the property revenue account (if any);
- (c) particulars of any charge on the assets of the association to secure the liabilities of another person;
- (d) the basis on which the amount set aside for tax is calculated;
- (e) the total amount or estimated amount of any material capital expenditure not provided for, distinguishing the amount contracted for and the amount not contracted for but decided upon by the association;
- (f) the means by which and the persons by whom the expenditure referred to in the foregoing sub-paragraph is intended to be financed;
- (g) the general nature and the total estimated amount of any other material contingent liabilities not provided for.

## PART III

information to be shown in notes to the accounts

**14.** There shall be stated–

- (a) the average number of employees of the association, as ascertained from the average number of persons employed in each week of the period of account;
- (b) the total remuneration of the employees of the association in the period of account;



- (c) the total of the social security costs incurred by the association on behalf of such employees;
  - (d) the total of other pension costs so incurred;
  - (e) the total remuneration, including expenses, of the auditors of the association;
  - (f) any payments by way of fees or other remuneration or by way of expenses to a member of the association, being neither a member of the managing body nor an officer nor an employee thereof;
  - (g) any payments by way of fees or other remuneration or by way of expenses to a member of the managing body, being neither an officer nor an employee of the association;
  - (h) any payments by way of fees or other remuneration or by way of expenses to an officer of the association, not being an employee;
  - (i) any other payments or benefits granted, to the persons referred to in section 15(1)(a) to (d) of the 1985 Act.
15. Any material amount withdrawn from a provision otherwise than for the purpose for which that provision was established shall be stated.

## SCHEDULE 2

Article 6(a)

### INCOME AND EXPENDITURE ACCOUNT OF AN ASSOCIATION WHICH IS NOT A CO-OWNERSHIP SOCIETY

#### Notes

1. *Grant receivable for acquisition and development* means so much of the housing association grant payable as relates to the administrative cost of acquiring and developing housing accommodation.
2. *Abortive development costs* means costs incurred on projects abandoned prior to completion.
3. *Fees for architects' and surveyors' services* means fees payable to the association in respect of the services of architects and surveyors employed by the association.
4. *Managed associations* means associations whose affairs are managed by the association to which the account relates in consideration of a fee.
5. *Sales of housing accommodation* includes leases granted in consideration of a premium.
6. *Houses held for disposal* means houses disposed of by the association after it has exercised the powers referred to in section 4(3)(c), (d) and, in Scotland, (h) of the 1985 Act(13).

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(13) Paragraph (h) was added to section 4(3) by section 13(1) of the Housing (Scotland) Act 1986 (c. 65).

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### SCHEDULE 3

Article 6(b)

#### INCOME AND EXPENDITURE ACCOUNT OF A CO-OWNERSHIP SOCIETY

##### Notes

1. *Current repairs and maintenance* means works of repair or maintenance undertaken from time to time as the occasion requires.
2. *Cyclical repairs and maintenance* means works of repair or maintenance undertaken at intervals in accordance with a programme of works.
2. *Cyclical repairs and maintenance* means works of repair or maintenance undertaken at intervals in accordance with a programme of works.

### SCHEDULE 4

Article 8(a)

#### PROPERTY REVENUE ACCOUNT OF AN ASSOCIATION WHICH IS NOT A CO-OWNERSHIP SOCIETY

##### Notes

1. *Current repairs and maintenance* means works of repair or maintenance undertaken from time to time as the occasion requires.
2. *Cyclical repairs and maintenance* means works of repair or maintenance undertaken at intervals in accordance with a programme of works.
3. *Shared ownership schemes* means housing accommodation the subject of a shared ownership lease or, in Scotland, a shared ownership agreement.

### SCHEDULE 5

Article 8(b)

#### STATEMENT OF HOUSING ADMINISTRATION COSTS OF AN ASSOCIATION WHICH IS NOT A CO-OWNERSHIP SOCIETY

##### Notes

1. *Management costs* means management expenses taken from the property revenue account and *maintenance costs* means the repairs and maintenance costs from the same account.
2. *Maintenance allowances* and *management allowances* are the allowances determined by the Secretary of State for the purposes of calculating expenditure under sections 54(3) and 55(3) of the 1985 Act.
3. *Averages* in Part A are calculated by dividing the total by—
  - (i) for Table 1, the number of units of accommodation occupied or available for occupation excluding any unit occupied by a warden or caretaker;
  - (ii) for Table 2, the number of such units so occupied or available but including any unit occupied by a warden or caretaker,

where the number of units is the arithmetical average of those at the beginning and end of the period of account.nance allowancesMaximum cyclical maintenance allowancesJ Total maximum maintenance allowancesJ Total costs over/(under) total maximum allowancesJ

## SCHEDULE 6

Article 8(c)

### HOUSING COST AND FINANCE STATEMENT OF A CO-OWNERSHIP SOCIETYahalXy

#### Notes

1. *Sales*, in relation to housing accommodation, includes leases granted in consideration of a premium.
2. *Revaluation on re-lettings* means the valuation made when vacant housing accommodation is re-let.

## SCHEDULE 7

Article 4(2)

### MODIFIED ACCOUNTING REQUIREMENTS FOR APPLICATION TO SMALL ASSOCIATIONS IN ACCORDANCE WITH ARTICLE 4(2)

1. In article 2 (interpretation), there shall be substituted for the definition of “accounts” and “notes to the accounts” the following—

““accounts” means the balance sheet, income and expenditure account, and notes to the accounts;

“notes to the accounts” means notes to the balance sheet, income and expenditure account and the additional financial statement required by this Order;”.

2. For article 6 (income and expenditure account), there shall be substituted—

#### “Income and expenditure account

- 6.—(1) The income and expenditure account shall show the following information—

- (a) as income—

- (i) rents (excluding service charges) receivable after deducting rates (including domestic water rates) recoverable from tenants and losses arising from vacant accommodation and bad debts;
- (ii) service charges receivable;
- (iii) grants and subsidies receivable from the Secretary of State or a public authority (distinguishing between payments for acquisition and development of housing accommodation and those for projects where completion has become impossible but excluding grant receivable under section 62 of the 1985 Act);
- (iv) interest and dividends from investments;
- (v) net surpluses from sales of property (including leases granted at a premium);
- (vi) all other income;

- (b) as expenditure—

- (i) management expenses;

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- (ii) the costs of repairs and maintenance, including provision for future works;
- (iii) service costs, showing separately those relating to hostels and those relating to other housing accommodation;
- (iv) interest on loans attributable to housing land;
- (v) depreciation equal to repayment of loan principal;
- (vi) other depreciation;
- (vii) amounts transferred to the Grant Redemption Fund;
- (viii) administrative costs of acquiring and developing housing accommodation;
- (ix) cost of housing projects where completion has become impossible;
- (x) all other expenditure.

(2) The income and expenditure account shall also show—

- (a) the gross surplus or deficit for the period of account, ascertained by deducting expenditure from income, but before deducting the tax or crediting the grant referred to below;
- (b) the amount charged to revenue for corporation tax and income tax, together with grant receivable under section 62 of the 1985 Act;
- (c) the overall surplus or deficit for the period of account, after deducting the tax and crediting the grant referred to in (b) above;
- (d) amounts transferred to or withdrawn from reserves.

(3) All amounts shown in the income and expenditure account for the period of account shall be accompanied by the corresponding amounts for the preceding period (if any)."

3. Article 7 (statement of source and application of funds) shall be omitted.

4. For article 8 (preparation of additional financial statements) there shall be substituted—

**"Preparation of additional financial statement**

8. In addition to any other accounts which it is required to prepare apart from those required by virtue of this Order, the association shall prepare a statement of housing administration costs which shall be in the form set out in Schedule 5 to this Order."

5. For article 10(2) there shall be substituted—

"(2) The surpluses calculated in the manner determined by the Secretary of State under section 53(3) of the 1985 Act shall be shown as such in the income and expenditure account."

6. In paragraph 4 of Part I of Schedule 1 (value of fixed assets in the balance sheet), the words "which is not a co-ownership society" in sub-paragraph (2), and sub-paragraph (4), shall be omitted.

7. Schedules 2, 3, 4 and 6 shall be omitted.

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## EXPLANATORY NOTE

*(This note is not part of the Order)*

This Order consolidates with amendments the Registered Housing Associations (Accounting Requirements) Order 1982 (S.I. [1982/828](#)), the Registered Housing Associations (Accounting Requirements for Almshouses) Order 1983 (S.I. [1983/207](#)) and the Registered Housing Associations (Limited Accounting Requirements) Order 1984 (S.I. [1984/1833](#)). The amendments made are as follows—

- (1) limited accounting requirements are applied to associations providing 250 or less units of accommodation (formerly 100 under the 1984 Order) (article 4(2));
- (2) the requirement, where it applied, for a summary income and expenditure account is removed;
- (3) provision is made for disregarding amounts which are immaterial (article 4(5));
- (4) some items required by Schedule 1 to the 1982 Order to be shown in the balance sheet or notes to the accounts are omitted;
- (5) further items are required to be shown in the income and expenditure account of an association which is not a co-ownership society (Schedule 2);
- (6) the requirement to show in relation to hostels the housing administration costs for each bedspace is omitted (Schedule 5).

In addition there are drafting amendments.