

## Housing Corporation Circular

<b>Number: 04/04</b>	<b>Date Issued: May 2004</b>
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*Note: 'Housing association' is used as a generic term for registered social landlords.  
'Corporation' means Housing Corporation.*

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**Title:**                    **Regulating a diversified sector**

**Summary:**            **This circular and the accompanying good practice note 9 aims to help clarify our expectations of how associations will achieve compliance with the Corporation's Regulatory Code and our policy on diversification.**

**This Circular Is For The Attention Of:**

*(tick to indicate which)*

- v        Registered Social Landlords; more than 250 properties
  - v        Registered Social Landlords; less than 250 properties
  - Co-ownership Societies
  - Co-ownership Equity Sharing Societies
  - Almshouse Charities
  - Abbeyfield Societies
  - Co-operatives
  - Local Authorities
  - Registered Social Landlords' Auditors
  - Registered Social Landlords' Solicitors
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- **Relevant Legislation:** N/A
  - **Regulation and/or Policy Requirements:**  
          Housing Corporation Regulatory Code and Guidance
  - **This circular replaces circular number:** Circular 15/00

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### 1 Corporation Expectations and/or Policy

The attached Good Practice Note (GPN) 9 updates our interpretation of the Regulatory Code and in particular paragraph 2.4.

The elements of the GPN that are mandatory are:

- we only expect associations to proceed with diversification where there is a clear and robust business case, if we receive evidence that this is not the case we would regard this as a breach of the Regulatory Code and take appropriate regulatory action;
- we expect a majority of a housing association's business activities to be in social housing, we interpret 'majority' as meaning 51% or more of an association's turnover or capital;
- our requirement that an association (or a group) that derives at least 5% of its turnover or employs at least 5% of its capital in diverse activities meets the accounting disclosure requirements currently set out in *The accounting requirements for registered social landlords: General determination 2000*;
- the hierarchy of funding diverse activities as set out in paragraph 5.6 of the GPN, namely, first recourse to secure the borrowing for diverse activities on non-social housing assets, second to utilise any available surpluses and finally borrowings may be secured on social housing assets subject to the criteria set out in paragraph 5.6;
- we expect an association which is seeking any new borrowings to do so in a way that minimises the risk to social housing assets and tenancies whether the new borrowings are being used to fund social or non-social housing activities.

### 2 Assessing Compliance

Associations are expected to make their own assessment of compliance with our regulatory requirements. We expect that this assessment will take account of:-

- a) any relevant issues identified in reviews or other work on which governing boards base their annual Statement on Internal Controls Assurance; and

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- b) any relevant issues identified by an association's external auditor during the preparation and audit of annual accounts.

### **3 Enquiries about this circular should be directed to:**

- a member of the Regulation team at your local field office
- [FAEnquiries@housingcorp.gsx.gov.uk](mailto:FAEnquiries@housingcorp.gsx.gov.uk)