



THE SCOTTISH
HOUSING
REGULATOR

GUIDANCE NOTE

To: All Registered Social Landlords (RSLs)
Subject: Repeal of Section 55 of the Housing Act 1988 Rent Surplus Fund
Issued by: The Scottish Housing Regulator
Ref no: SHR 11
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Summary

This guidance note advises registered social landlords of the repeal of Section 55 of the Housing Act 1988 and the requirement to carry a Rent Surplus Fund restricted reserve on the balance sheet.

The repeal allows for the abolition of the Rent Surplus Fund and this guidance sets out the changes in accounting practice and presentation for RSLs and their auditors.

For any references to Communities Scotland (or Scottish Homes) please read the Scottish Housing Regulator.

If you have any questions about this guidance, you should direct them to:

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LEGISLATIVE PROVISIONS

1. The repeal of section 55 was set out at 15(5) of schedule 10 to the Housing (Scotland) Act 2001 and was commenced on 30 September 2002 by virtue of Commencement Order No. 5 SSI 2002 No. 321.
2. Relevant extracts from Section 55 of the Housing Act 1988 are noted below, for reference:

“A Registered Housing Association which has at any time received a payment in respect of a grant under section 2(2) of the Housing (Scotland) Act 1988 shall show separately in its accounts the surpluses arising from increased rental income from such housing activities to which the grant relates as the Secretary of State may from time to time determine.

The surpluses shall be shown by each association in a fund to be known as its rent surplus fund;

The Secretary of State may from time to time give notice to an association requiring it to pay to him, with interest if demanded, or to apply or appropriate for purposes he specifies, any sums standing in its rent surplus fund at the end of a period of account.”

ACCOUNTING TREATMENT FOLLOWING REPEAL OF SECTION 55

3. In accordance with the requirements of Section 55, rent surplus fund was shown as a restricted reserve.
4. By virtue of the repeal of Section 55 by Commencement Order No. 5 SSI 2002 No. 321, the requirement for RSLs to show these surpluses as a restricted reserve known as the rent surplus fund ceases **with immediate effect**. The funds may be transferred to **un-restricted** reserves being designated reserves for future investment in stock.
5. Where an RSL can demonstrate, to the satisfaction of their auditor, that a fully funded whole life replacement programme is in place and sufficient sums are set aside for designated repair, then an RSL can transfer the whole of, or any excess, rent surplus fund to revenue reserve.

ACCOUNTING REFERENCES & GUIDANCE FOR RSLs

6. Statement of Recommended Practice (SORP) Update 2002 – Accounting by Registered Social Landlords
Paras 150 to 157 explain the characteristics and differences between restricted, un-restricted and designated reserves and **should be used for reference**.
Para 125 is no longer relevant.
7. The Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999
Paras 28 to 30 **no longer apply** in relation to the rent surplus fund.
8. Scottish Homes Guidance Note 2001/10 – Annual Accounts
Para 2 is **no longer relevant** as refers to rent surplus fund.
9. Scottish Homes Guidance Note 96/14 – The RSF Determination (Scotland) 1996
This guidance is **superseded** as it is no longer relevant.
10. Accounting Policies
RSLs **may wish to review** their accounting policies to ensure that the change in accounting practice is properly reflected.