



You matter | Ti'n cyfri

New Welsh Government Guidance on Housing Association Group Structures & Mergers:

What does it mean for Tenants?

Thursday 7th March 2024

**WE READ IT,
SO YOU
DON'T HAVE
TO!**



Riverside boss admits ‘financial challenges’ from One Housing merger remain

NEWS 03.10.23 4.00 PM **BY JAMES WILMORE**

The outgoing chief executive of Riverside has admitted it is still working through “short-term financial challenges” related to it taking on One Housing as a subsidiary, as the expanded group’s operating surplus fell 38%.

Do housing associations need to review their intragroup arrangements?

X ▶ Swan recorded a £130.8m deficit in its last full-year as an independent business, after it booked huge impairment losses caused by problems on six major development schemes #UKhousing

In the accounts, Swan said it had encountered “significant challenges” during the year in its commercial operations, “largely as the result of investment decisions implemented by the previous management of the business”.

Following an In-depth assessment and reactive engagement, the regulator has concluded that it lacks assurance that Heylo RP has adequate control of its social homes, leaving their future subject to decisions driven by the interests of unregistered connected companies. The regulator does not have confidence in Heylo RP’s ability to manage its risks adequately and ensure its own long-term viability.



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GUIDANCE, DOCUMENT

Registered Social Landlords group structures: RSL 01/24

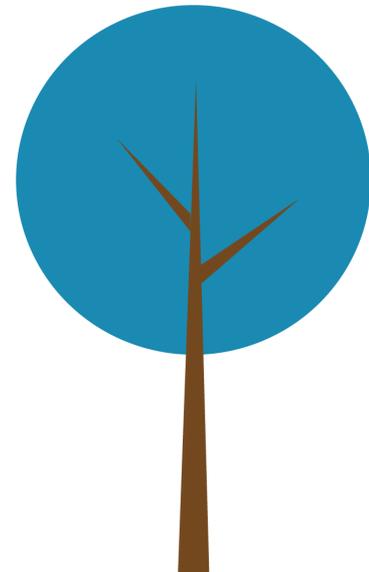
Guidance for housing associations on mergers, group structures and partnerships.

First published: 12 February 2024 Last updated: 12 February 2024

 [Download document: 103 KB, PDF](#)

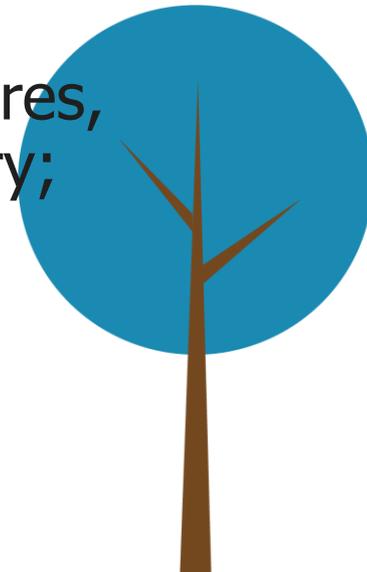
Background

- Welsh Government Regulators do not have to give consent for group structures/mergers and partnerships – it is a board decision
- However, WG Regulators will regulate using the Regulatory Framework and this Guidance
- Publish an 'interim regulatory judgement; shortly after merger - including compliance with this guidance.
- All merger/group structures and partnerships are different! – background, context and purpose

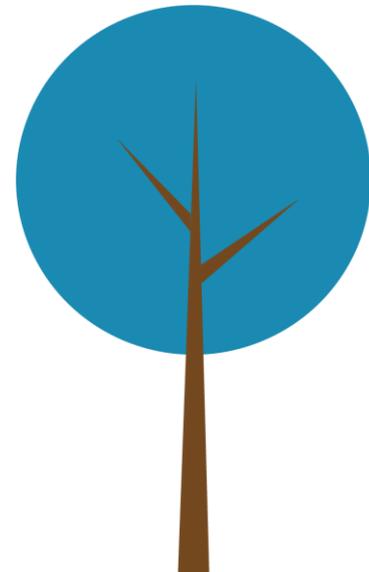


Background

- New statutory guidance published by WG on 12 Feb 2024
- This new statutory guidance, which replaces outdated guidance, sets clear **principles** for housing associations seeking mergers, group structures and partnerships.
- It relates to:
 - Registered Social Landlords (RSLs) group structures, whether they are the group parent or a subsidiary; and
 - RSLs considering creating or joining a group structure.

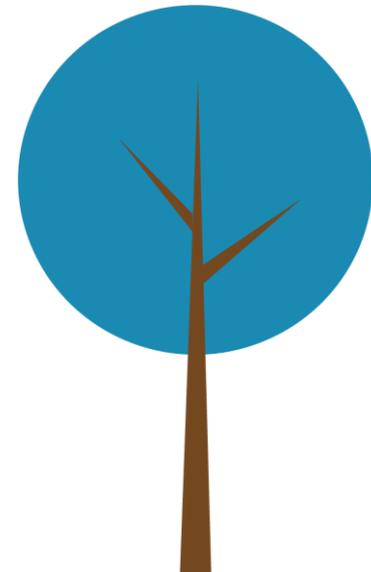


¹partnerships for the purposes of this guidance are limited to formal partnerships which may have financial implications for the RSL.



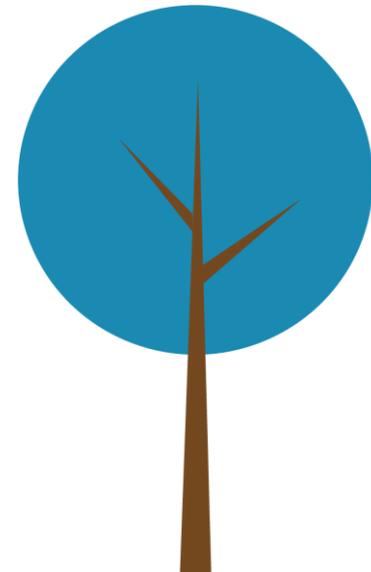
Policy Objectives of the Guidance

- Protect tenants and service users.
- Protect public investment in social housing.
- Protect the reputation of the sector and maintain the confidence of lenders and funders.
- Ensure the core business of RSLs in Wales remains the provision of social housing for rent.



Key Policy Objectives of the Guidance

- Ensure that surpluses generated by RSLs are used only to support their permitted objects/other housing related social purposes.
- Allow RSLs to structure their operations effectively to achieve their objectives and ensuring any risks from operating in a group structure are effectively managed.



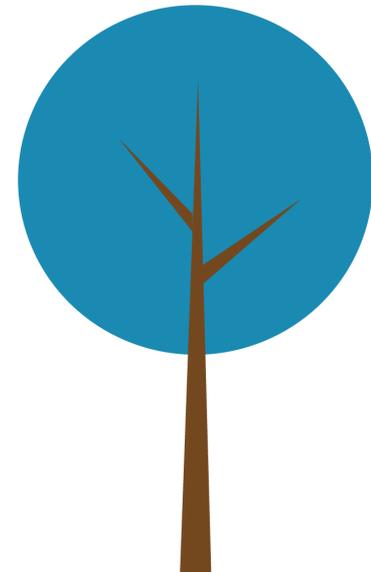
A photograph of a row of colorful terraced houses in a residential street. The houses are painted in various colors including blue, yellow, and white. The scene is set against a clear blue sky. A semi-transparent red overlay covers the top half of the image, containing white text. Another semi-transparent red overlay covers the bottom left portion of the image, also containing white text.

The Regulatory Principles

**What RSLs are expected
to observe when assessing
group structures/mergers**

**key expectations
relating to
tenants**

An RSL that is part of a group either as parent or subsidiary, must ensure they comply with the 'Regulatory Standards' set out in **The Regulatory Framework for Housing Associations Registered in Wales.**





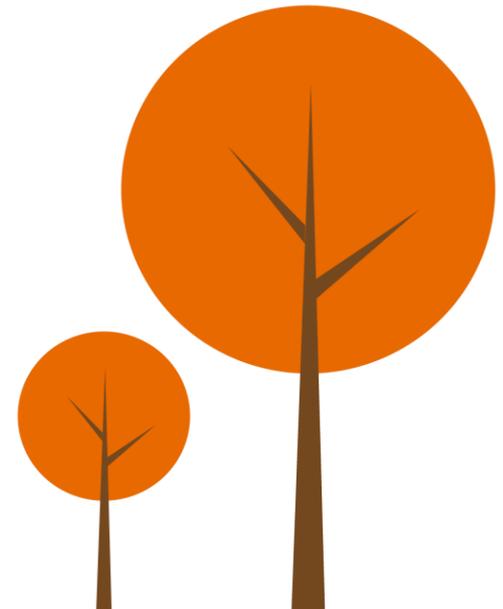
Llywodraeth Cymru
Welsh Government

The Regulatory Framework for Housing Associations Registered in Wales

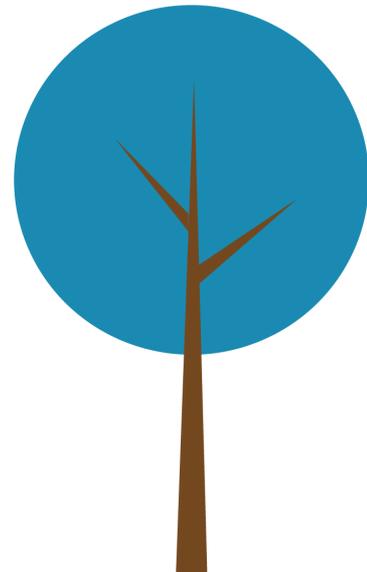


Date: January 2022

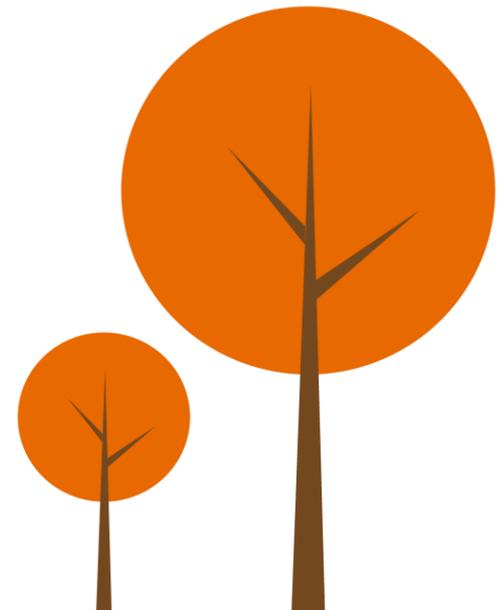
The parent of any group structure must be a Welsh RSL.



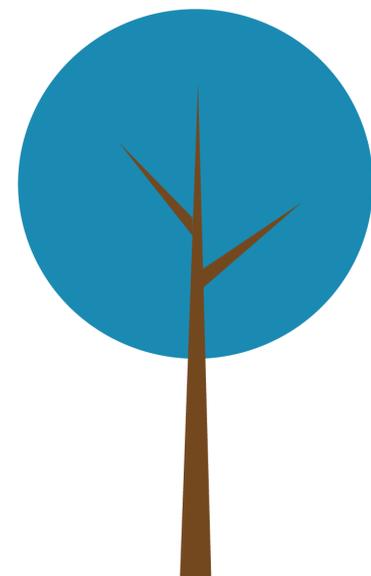
Tenants must be safe, services must be high quality and homes must be well managed.



Group structure proposals should be communicated clearly to tenants **and** their views taken into account in decision-making.

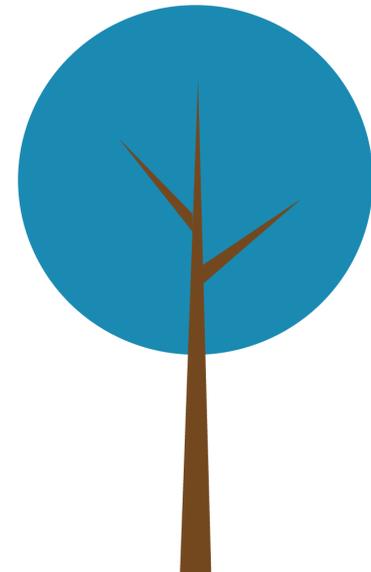


- An RSL considering setting up a group structure or an RSL considering joining a group structure must ensure that the proposed structure:
 - is consistent with, and contributes to, the RSL's purpose and objectives.
 - allows the RSL to meet all regulatory requirements.
 - is sustainable financially
 - **is in the best interests of its tenants and service users.**



Can't use funding/stock for other ventures

- Funding provided to support RSL objectives and surpluses generated by RSLs are **used only** to support their permitted objectives/other housing related social purposes.
- Social housing stock should **not be used** as direct security to fund activities which would not support the delivery of the housing associations social/ core purpose.

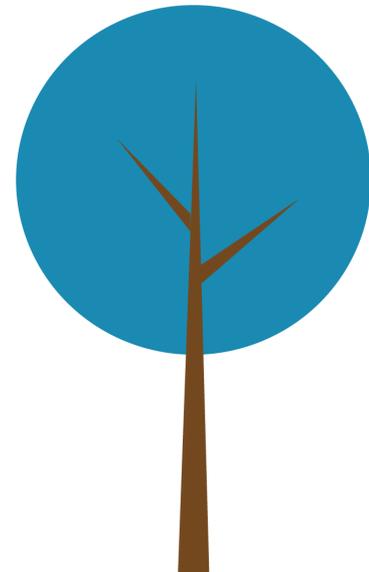


Tracking going forward

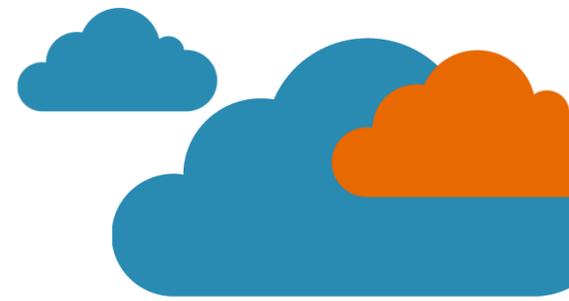
Annual accounts must make clear group structures

and ensure that all relationships and transactions, **including funding,**

between group members are described in individual and group financial statements.



Key themes in the guidance for discussion



1. Tenants must be safe, services must be high quality and homes must be well managed
2. The proposals should be communicated clearly to tenants **and** their views taken into account in decision-making
3. Funding provided to support RSL objectives and surpluses generated by RSLs are **used only** to support their permitted objectives/other housing related social purposes
4. The proposed structure: is **in the best interests of its tenants and service users.**