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The re-classification of Housing Associations in England – implications for Northern Ireland

Summary Points:

- This paper provides an overview of the **ONS decision to reclassify housing associations in England** and its potential implications for Northern Ireland. It is not intended to be fully comprehensive rather it is an overview of some of the key issues.
- In October 2015, the **Office for National Statistics** announced that registered housing associations in England would be reclassified from Private Non-Financial Corporations to **Public Non-Financial Corporations** for the purposes of the UK National Accounts.
- This reclassification means that the debt of registered Housing Associations in England will now appear in **UK public sector net debt**.
- The classification of a body as public or private for accounting purposes is largely dependent upon the **extent of government regulation and control** of the corporate policy of that body.
- The ONS concluded that registered housing associations in England should be reclassified given that **legislation provided HM Government with significant influence** over matters such as the disposal of a housing association's social housing assets.
- The UK Government has taken steps, via the introduction of new legislation, to **de-regulate aspects of the housing association regulatory framework** to ensure that they are 're-reclassified' as private sector bodies.

- Currently, registered housing associations in the devolved jurisdictions **retain the classification of being private sector** entities for the purposes of the UK National Accounts meaning that their borrowing is not reflected in the national balance sheet.
- However, the ONS are currently **conducting a review of the classification of registered housing associations in Northern Ireland**, Scotland and Wales. The findings of the review are imminent.
- The **Scottish Government** recently announced that, should housing associations in Scotland be reclassified as public sector bodies, there are plans in place to legislate for de-regulation to ensure that they return to their private sector status.
- The reclassification issue is **currently under the consideration** of the Northern Ireland Department for Communities.
- Some of the main concerns around reclassification relate to the impact on the ability of housing associations to **access private finance**; the extent to which it could impact upon the **independence of housing associations** in the form of **increased financial regulation**; and the impact on **public finances in Northern Ireland**.
- The Northern Ireland Executive **Minister of Finance** has stated that he anticipates that Registered Housing Associations in Northern Ireland will be reclassified.
- He further stated that any new borrowing by Registered Housing Associations would “require capital **Departmental Expenditure Limit** budget cover” and that this would add significant pressure on already constrained resources.

1 Background

On 30 October 2015, the Office for National Statistics (ONS) announced that the classification for ‘Private Registered Providers’ (PRPs) of social housing in England (which include registered housing associations[1]) would change from *Private* Non-Financial Corporations to *Public* Non-Financial Corporations for the purposes of the UK National Accounts and other economic statistics[2]. This reclassification will mean that the debt of PRPs in England will now be counted in public sector net debt[3]. ONS preliminary estimates reveal that the reclassification will lead to an added £60 billion in public sector net debt (although this figure will be revised as further data becomes

[1] In order to receive public subsidy (e.g. in the form of grant funding), social housing providers in England must ‘register’ with the social housing regulator (i.e. the Homes and Communities Agency) and comply with its regulatory framework. Non-registered housing providers are not affected by the reclassification. In Northern Ireland, this regulatory role is undertaken by the Department for Communities. The vast majority of housing associations in Northern Ireland are Registered Housing Associations (RHAs).

[2] Non-Financial Corporations produce goods and services for the market and do not, as a primary activity, deal in financial assets and liabilities. The Bank of England defines a Private Non-Financial Corporation as a company that produce goods and/or provide non-financial services. They are mainly public limited companies, private companies and partnerships which are not owned by Government.

[3] In addition to debt, the expenditure and asset base of registered housing association and other private registered providers will also be factored into the UK National Accounts.

available)[4]. An estimated 1,500 social housing providers in England will be affected by the reclassification.

2 Are Housing Associations 'public bodies'?

This issue has been the discussion of much debate and there is no straightforward answer. The issue of whether housing associations should be considered public bodies has been the subject of a number of court cases in Great Britain and is a quite a complex area of law[5]. In legal terms, most housing associations, including those in Northern Ireland, are Industrial and Provident Societies. This means that they are owned by their members, are controlled by their boards, are subject to legal constraints (e.g. charity law) and are non-profit[6]. However, they also (a) receive considerable public grant funding and (b) exercise significant public duties (e.g. they accept nominations from the Northern Ireland Housing Executive's social housing waiting list).

A crucial issue in considering whether housing associations are public bodies for the purposes of the UK national accounts is **the degree to which government controls and regulates the corporate policy** of such organisations. This is the issue that is at the very heart of the reclassification process. As outlined in Section 4 of this paper, having considered this particular issue in the case of housing associations in England, the Office for National Statistics concluded that there was sufficient evidence of government control to reclassify them public bodies for the purposes of the UK National Accounts.

3 Why is the Office for National Statistics involved in the classification of Housing Associations?

The UK's National Accounts provide a description of all economic activity within the economic territory of the United Kingdom. These accounts are produced in line with European and international standards (e.g. the *European System of Accounts*[7]; and the United Nations System of National Accounts 2008). This is to ensure that there is a consistent approach to recording public sector expenditure and borrowing across different countries and regions within the EU and across the world.

It is the responsibility of the Office for National Statistics (ONS) to assess, for the purposes of the UK National Accounts and other economic statistics, whether a body should be recorded as a public body. Although national accounts classification decisions have wide relevance within government, government influence over the

[4] Office for National Statistics. 'Classification announcement: 'Private registered providers' of social housing in England'. 30 October 2015.
[5] Housing Rights. 'High court considers whether housing association is public body'. 27 May 2015. http://housingrights.org.uk/news/legal/peabody-public-body
[6] Chartered Institute of Housing. 'Is there a risk that housing associations could become 'public bodies' and be privatised? 30 September 2015.
[7] It is a legal requirement for EU countries to compile their national accounts' statistics in accordance with the European system of accounts.

classification process is arguably very limited. The European System of Accounts does not allow for consideration of political or commercial significance when making classification decisions and as an independent statistics office, it is the role of ONS to ensure that classification decisions are robust and fully consistent with the rules of the European System of Accounts and additional relevant statistical guidance[8].

The restricted role of government in the classification, assessment and outcome process is evident in the case of the reclassification of housing associations in England. The UK Government was not content with the reclassification of housing associations in England. The Secretary of State for Communities and Local Government, in a speech on the 5 November 2015 stated that the ONS decision was *"a technical matter – and we will not allow it to be over-interpreted*". He further stated that the UK Government was committed to *a package of de-regulatory measures* to restore the *Private* Non-Financial Corporation status to housing associations in England[9]. As section 7 of this paper outlines, the UK Government has since introduced legislation to deregulate aspects of housing association regulation in order to return it to its private sector status.

4 Why did the ONS conclude housing associations in England are Public Non-Financial Corporations?

The European System of Accounts introduced considerable new guidance on establishing the delineation between public and private sectors when classifying institutional units. The ONS states that in deciding whether something is public or private the fundamental question it asks is *does government exercise significant control over the general corporate policy of the unit?*[10]

The ONS use a set of "indicators of government control" to determine the answer to this question. The indicators are as follows[11]:

European System of Accounts – Indicators of Government Control

- **Government rights to appoint, remove, approve or veto a majority of officers, board of directors etc.**
- **Government rights to appoint, remove, approve or veto a majority of appointments for key committees that have a decisive role in determining key factors of the unit's general policy, board of directors etc.**

[8] Office for National Statistics. 'UK economic statistics sector and transition classifications: the classifications process. www.ons.gov.uk/methodology/classificationsandstandards/economicstatisticsclassifications/ukeconomicstatisticssectorandtransactionclassificationstheclassificationprocess

[9] Department for Communities and Local Government. "Housing associations and housebuilding' speech. Secretary of State for Communities and Local Government speech. Placeshapers Conference, London. 5 November 2015 (speech published 6 November 2016). www.gov.uk/government/speeches/housing-associations-and-housebuilding

[10] ONS must also test whether an institutional unit is a "market" or "non-market" producer. Further information on this is available at http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/guide-method/classifications/na-classifications/the-ons-classification-process/index.html

[11] Office for National Statistics. 'UK economic statistics sector and transaction classifications: the classification process". http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/guide-method/classifications/na-classifications/the-ons-classification-process/index.html

- **Government ownership of the majority of the voting interest.**
- **Government rights to appoint or removal key personnel.**
- **Government rights under special shares and options (e.g. entitlement to a 'golden share').**
- **Government rights to control via contractual agreements.**
- **Government rights relating to borrowing/financing e.g. if the government has a predominant role in setting the conditions of borrowing by the unit.**
- **Government control via regulation e.g. government right to restrict a unit from ceasing activities (such as exiting markets) or from diversifying activities.**
- **Other relevant aspects, i.e. ONS can consider other ways in which the government may exercise control over a unit.**

Additionally, where the unit is a Non-Profit Institution (NPI), ONS must examine other factors such as the degree of government financing of the unit and the degree of financial risk to government in respect of the unit and its activities (e.g. through the provision of debt guarantees or guarantees in cause of disruption for income streams other than government).

In considering these issues, the ONS National Accounts Classification Committee concluded that "private registered providers" of social housing in England (including registered housing associations) were public institutional units and therefore would be reclassified from Private Non-Financial Corporation to Public Non-Financial Institutions.

Its reasoning for this decision was that under the Housing and Regeneration Act 2008, HM Government exercises (through the social housing regulator for England – the Homes and Communities Agency) certain controls. That is HM Government has[12]:

- consent powers over, and power to set conditions on, disposals of social housing assets;
- powers to direct the use of disposal proceeds;
- consent powers over disposals of housing association stock following a registered provider's de-registration with the HCA;
- consent powers over the voluntary winding-up, dissolution and restructuring of a registered provider; and
- powers over the management of a registered provider, in particular the power of the Homes and Communities Agency (HCA) to appoint managers and officers.

Whilst the ONS have indicated that its reclassification review was a result of the revised European Guidance. There are suggestions that the danger of reclassification was already being considered by the UK Government. In July 2015 (pre-reclassification), the Office of Budget Responsibility stated that government proposals for a mandatory **'Right to Buy'[13]** scheme for housing associations could prompt ONS

[12] The Office for National Statistics. 'Classification announcement: "Private Registered Providers" of social housing in England.

[13] The 'Right to Buy' Scheme allows eligible local authority tenants in England buy their home at a discount.

to consider reclassification[14][15]. The concern was that a compulsory scheme would further demonstrate government's control over, for example, the disposal of a housing associations assets (which is one of the 'indicators of government control').

In order to maintain the status of housing associations as private bodies the Government agreed that "Right to Buy" would become a *voluntary* rather than compulsory scheme for housing associations in an attempt to maintain the independence of the sector and to ensure that this would not be a factor that would lead to reclassification. As explored further in the next section of this paper, this will be an important consideration for housing associations in Northern Ireland as they have statutory obligation to operate a "Right to Buy" scheme (i.e. the House Sales Scheme).

5 Why is the ONS decision to reclassify housing associations in England relevant to Registered Housing Associations in Northern Ireland?

The Office for National Statistics is **currently conducting a review** considering whether registered housing providers in Northern Ireland, Scotland and Wales should similarly be reclassified from private to public corporations. If Registered Housing Associations in the devolved administrations are reclassified this would mean that their debt would also be included in the UK public sector finance accounts.

In order to obtain access to government funding, Housing Associations in Northern Ireland must be registered with the Department for Communities. These are known as "Registered Housing Associations". The regulation of Registered Housing Associations in Northern Ireland is currently exercised by the Northern Ireland Department for Communities. In England, regulation is exercised by the Homes and Communities Agency (HCA). The Department for Communities, has many comparable legislative regulatory powers to that of the HCA under the Housing (Northern Ireland) Order 1992. This issue, amongst others, that will be relevant to the ONS consideration of the reclassification of Northern Ireland Registered Housing Associations as public entities.

The Northern Ireland Federation of Housing Associations commissioned Campbell Tickell to look at the issue of the reclassification of housing associations. Its final report was published in February 2016. The review provides an overview of the aspects of English legislation that formed the basis of the ONS reclassification of associations in England and the comparable sections of the Northern Ireland housing legislation. It also identifies additional aspects of the Housing (Northern Ireland) Order 1992 which could be viewed as additional Indicators of Government Control. A summary is provided in the table overleaf of some of the factors that could impact on the ONS decision on reclassification.

[14] The Office for Budget Responsibility. Economic and Fiscal Outlook. July 2015.
[15] It was thought that other factors such as the UK Governments 'Pay to Stay' policy and control of rent setting could also be relevant to the reclassification.

ONS decision to reclassify was based on the Homes and Communities Agency (HCA) regulatory powers:	Comparable regulatory powers of the Department for Communities under the Housing (NI) Order 1992	Additional elements of NI housing legislation which could potentially be viewed as an 'indicator of government control'
• Of consent to disposals of social housing assets. • Over disposals of housing stock following an association's deregistration. • Over an association's voluntary winding-up, dissolution and restructuring. • Over the management of an association, in particular its powers to appoint managers and officers. • To direct the use of disposal proceedings.	• Article 13 – the need for associations to obtain the Department's consent before they dispose of land (including taking out a loan on security of land). • Article 29 – the need for associations to obtain the Department's consent for amalgamation, transfer of engagements, dissolution or winding-up. • Article 28 – on the dissolution or winding up of an association. • Article 25 – the Department's general power to remove a committee member of a registered housing association and power to appoint a committee member.	• Article 25 – Where there is evidence of misconduct or mismanagement in the administration of an association, the Department has the power to suspend a committee member; order that a bank that holds money or security on behalf of an association does not release that money without Department approval; and power to restrict the transactions that an association may enter into (or the nature or amount of payment) without the Department's approval. • Article 26 – the Department's power to direct the transfer of land from one registered housing association to another. • Article 27 – the Department's power to petition for the winding-up of a registered housing association. • Article 6 – a provision that the Department may guarantee the repayment of a loan made to a housing association. • Article 4 – the Department's power (with consent from Department of Finance) to make contributions towards the administrative and other expenses of registered housing associations. In addition to this legislation: • The requirement on housing associations in Northern Ireland to participation in the House Sales scheme might be viewed as Government exercising significant control of the general corporate policy of the unit. • The 'Housing Association Guide' includes a requirement that associations adhere to guidance set out in the 'Governance' section of the Guide[16].

[16] The Housing Association Guide(HAG) is compiled by the Department for Communities and provides guidance for housing associations on development, finance, procurement, governance and housing management functions. www.communities-ni.gov.uk/articles/housing-association-guide

The Campbell Tickell review concluded that *"the comparison suggests that all the characteristics of the English housing association sector that led to its classification as public sector are present in the Northern Ireland sector".*

There are indications that the likelihood of a reclassification is also a concern for registered social landlords (RSLs) in Scotland. The Scottish Programme for Government states that:

> *"That classification is at risk because some of the powers of the Scottish Housing Regulator are likely to cause the Office for National Statistics (ONS), in its current review of the classification of RSLs, to classified RSLs to the public sector as public corporations".*[17]

As previously highlighted, a significant area for concern in Northern Ireland, is the influence that the Northern Ireland House Sales Scheme could have on the decision to reclassify local housing associations. The Housing (Northern Ireland) Order 2003 includes provisions that places a statutory obligation on housing associations in Northern Ireland to operate the House Sales Scheme. The House Sales Scheme gives eligible tenants of the Northern Ireland Housing Executive (NIHE) or registered housing associations the right to buy their property from their landlord at a discount.

The Campbell Tickell report outlines the potential for the 'House Sales Scheme' to be a ground for reclassification from private to public bodies[18]:

> *"As one of the reasons for the English reclassification was the regulator's power to direct the use of disposal proceeds, we note that the House Sales Scheme [HSS] includes a requirement that on associations to 'transfer the net surplus on [HSS] sales together with the Voluntary Purchase Grant received to a fund – Disposal of Proceedings Fund*[19] *– which can generally only be used for the purposes of providing replacement properties'. DSD procedures require associations to provide a detailed plan of expenditure from the Disposal Proceeds Fund, with any net surplus not used on qualifying expenditure within two years being repayable to the Northern Ireland Housing Executive."*

Put simply, (amongst other factors) both the requirement of the regulator's (i.e. Department for Communities) consent to 'dispose' of properties through the House Sales Scheme and the Department's control of the use of disposal

[17] Scottish Government. A Plan for Scotland: The Government's Programme for Scotland 2016-17. www.gov.scot/Publications/2016/09/2860/downloads

[18] Campbell Tickell. The statistical classification of housing associations: Final Report. February 2016.

[19] When an application to purchase a property has been processed by the Housing Association it must apply to the Department for Communities for consent to dispose of the property. Tenants must pay back the entire discount they receive off the purchase price if they sell their property within five years of its purchase and associations must place any such discount received in the Disposals Proceeds Fund. Further information on the Disposals Proceeds Fund is available at www.communities-ni.gov.uk/disposals-proceeds-fund

proceeds (i.e. the Disposal Proceeds Fund) could potentially be justification for ONS to reclassify housing associations in Northern Ireland as public bodies.

Cameron Watt, Chief Executive of the Northern Ireland Federation of Housing Associations is reported to have stated that *"we expect the House Sales Scheme will need to be repealed for housing associations"*[20].

6 What implications could the ONS decision have for Registered Housing Associations in Northern Ireland?

With regards to the impact of reclassification on Registered Housing Associations in Northern Ireland, the Campbell Tickell report states that:

> *"We can only speculate as to the impact of reclassification on the sector in Northern Ireland were it to occur. At one level it would simply create a headache for the statisticians charged with determining which elements of economic activity need to be counted in the different sectors of the economy.*

And,

> *…the potential implications of reclassification are difficult to anticipate and much would depend on the objectives of DSD and the specific nature of the new classification. However, a degree of the loss of freedom and increased government control and direction would follow from any reclassification scenario."*[21]

It is too early to conclude with any certainty what impact reclassification could have in Northern Ireland. One potential scenario is that it may lead deregulation in some areas and a revision of the 'House Sales Scheme' in Northern Ireland.

However, there are a number of other important questions with respect to reclassification should it occur in Northern Ireland including:

- Will it have an impact on the ability of housing associations to access private finance?
- Will there be a loss of independence and increased regulation for registered housing associations? and
- Will there be a need for the Northern Ireland Assembly to legislate to deregulate aspects of the current regulatory framework in order to ensure that housing associations return to their private sector status?

[20] Inside Housing. 'RTB for NI associations could be scrapped'. 31 August 2016.
[21] Campbell Tickell. The statistical classification of housing associations: Final Report. February 2016.

- What impact will it have on Northern Ireland public finance?

Ability to access private finance

The construction of new build social and affordable housing across the UK has become heavily reliant on private finance given the contraction of public subsidy in the form of grants and loans. Housing associations across the UK have historically been very successful in accessing private finance for social and affordable housing in the form of bonds and loans (e.g. from commercial banks, The Housing Finance Corporation and the European Investment Bank).

There are some suggestions that increased regulation and the fact that housing association debt will now become part of the UK national debt could restrict access to the private finance market. The Northern Ireland Federation of Housing Associations states that[22]:

> *"Potentially it could lead to more government oversight of all housing association borrowing. Housing associations would no longer be able to act independently and have control over financial decision-making. They could become subject to borrowing limits and a reluctance to add to the public debt.*
>
> *The ability to borrow private finance is integral to housing associations' success as developers and enables government to deliver twice as many houses as it could through public investment alone. Any limits on that borrowing capacity could constrain the continued delivery of new homes.*

Savills have also raised a number of important issues in relation to the impact of reclassification on housing finance[23]:

- Will controls on new housing association debt be introduced now that it will become part of the UK national debt for the purposes of the UK National Accounts?
- Will the Government introduce new controls over association income and expenditure because of Government's determination to reduce the public sector deficit?
- Will lenders seek to assess whether loans can be re-priced if the reclassification leads to a material change in the markets?
- What impact could classification have on public sector finances in Northern Ireland?

[22] Northern Ireland Federation of Housing Associations. News Release. 'Northern Ireland housing supply could be affected by reclassifying housing associations'. 1 March 2016. www.nifha.org/nifhanews/northern-ireland-housing-supply-could-be-affected-by-reclassifying-housing-associations/

[23] Savills. The reclassification of English Housing Associations. 30 October 2015. www.savills.co.uk/_news/article/72418/193418-0/10/2015/the-reclassification-of-english-housing-associations

Independence and regulation of the sector

Commenting on the reclassifications of housing associations in England, the Chief Executive of the Northern Ireland Federation of Housing Associations highlights the importance of independence to the sector:

> *"Housing associations are independent organisations. Across the UK, we are the most successful partnership of public, private and third sectors. Our independence allows us to draw in millions of pounds in private finance to provide thousands of affordable homes in the UK, create jobs and stimulate the economy".*[24]

The regulation and independence of the sector has been one of the key strands of the Department for Communities Social Housing Reform Programme (SHDP) which has been tasked with devising a new regulatory framework for registered Housing Associations in Northern Ireland. This element of the SHDP seeks to change the way social housing providers are regulated with a new regulatory framework that[25]:

- protects and empowers tenants;
- makes sure good quality housing services are delivered;
- supports social housing providers in the delivery of these services;
- allows social housing providers to be more innovative; and
- offers assurance to tenants and investors as well as government.

The new framework is still under consideration and has yet to be published. But questions must be asked as to the impact of reclassification on this vision and the timetabling of the new framework's implementation.

As highlighted in the next section of this paper, the UK Government has already legislated to deregulate those aspects of government control over housing associations that led ONS to reclassify them. This Scottish Government proposes to do the same should its registered housing providers be reclassified. Whilst aspects of deregulation will generally be welcomed by housing associations, a recent House of Commons Committee report also acknowledges that there may also be negative implications in terms of its impact on the confidence of private lenders[26]:

> *"Deregulation must balance the priorities of giving enough freedoms to secure a non-public classification from the ONS with sufficient regulation to give lenders the confidence to fund continued development…*

[24] Northern Ireland Federation of Housing Associations. News release. 'NIFHA responds to ONS re-classification of English housing associations'. 30 October 2015.
[25] Department for Communities. What is the social housing reform programme? www.communities-ni.gov.uk/articles/what-social-housing-reform-programme
[26] Communities and Local Government Committee. Housing Associations and the Right to Buy. www.publications.parliament.uk/pa/cm201516/cmselect/cmcomloc/370/37002.htm

However, after the ONS announcement and the Government commitment to deregulate, there were some reports of concerns. For example, the credit agency Moody's warned that any deregulation would likely reduce lender confidence."

Moody's stated that[27]:

"The government is now signalling that it will respond to the reclassification by diluting the regulatory controls…Moody's would view a weakening of these controls, if they diminish the strength of the regulatory oversight, as credit negative…[the reclassification] provides further evidence that the previously stable relationship between the HA sector and the government is becoming less predictable…which underpins Moody's current negative outlook".

It may be too early to ascertain how this would impact on the confidence of private lenders to provide finance to Registered Housing Associations in Northern Ireland should local registered housing associations be reclassified.

7 What are the UK administrations doing to address the reclassification issue?

The Chartered Institute of Housing (Northern Ireland) highlights that UK Government had a number of options in relation to how it dealt with the reclassification issue[28]:

- It could decide to relax its influence on the sector so as to persuade the Office for National Statistics to reverse its decision.
- It could recognise that reclassification is a long-term change by tightening the regulation of the sector to gain more oversight of its debt.
- It could move to 'nationalise' the housing association sector so that it could then be 'privatised' (a more drastic option).
- It could review its fiscal rules so that the ONS reclassification decision stands but it no longer results in higher public sector debt.

It would appear that both the **UK Government** and **Scottish Government** have chosen the first option i.e. to relax regulation in order that housing associations can be 're-reclassified' as private bodies.

In **England**, the Secretary of State for Communities and Local Government has already stated that UK Government is committed to a package of de-regulatory measures to restore the Private Non-Financial Corporation status to housing

[27] As cited in Communities and Local Government Committee. Housing Associations and the Right to Buy.
[28] CIH opinion: Is there a risk that housing associations could become 'public bodies' and be 'privatised'.

associations in England[29]. Chapter 4 and Schedule 4 of the Housing and Planning Act 2016 contains a package of those deregulatory measures. This includes, for example, the removal of the requirement for housing associations to seek the social housing regulator's permission to dispose of social housing stock; and restricting the circumstances in which the regulator can appoint a new manager (this can now only be done where the regulator has concluded that the provider has breached a legal condition)[30].

In **Scotland**, the First Minister has recently announced that the Scottish Programme for Government includes plans for a Housing (Amendment) Bill that, should the ONS reclassify registered social landlords in Scotland, there will be provisions to ensure that they will continue to be classified as private sector bodies. The proposed Bill will[31]:

- Remove the need for the Scottish Housing Regulator's consent for the disposal of assets by Registered Social Landlords.
- Limit the Regulator's ability to appoint members and managers to RSLs.
- Remove the need for the Regulator's consent to the restructuring, winding-up and dissolution of RSLs.

In **Wales**, an article 'Inside Housing' reported that the Welsh Government was considering introducing similar deregulation to that introduced in England[32].

8 What impact could reclassification have on Public Finances in Northern Ireland?

In **Northern Ireland**, the Minister of Finance, in response to an Assembly Question from Mr Stephen Agnew, MLA on the impact of reclassification on public finances has stated[33]:

> *"The outcome of the Office for National Statistics (ONS) review is expected shortly. While the result may be anticipated, we must await the formal notification and the detail of the ONS rationale before responding.*
>
> *Any reclassification from the private to the public sector will affect how the bodies are treated in departmental budgets. Any new borrowing by them would require capital DEL budget cover and would therefore place a significant pressure on already constrained resources. I am working alongside the Communities Minister — in fact we met at 10.30 am today*

[29] Department for Communities and Local Government. "Housing associations and housebuilding' speech. Secretary of State for Communities and Local Government speech. Placeshapers Conference, London. 5 November 2015 (speech published 6 November 2016). www.gov.uk/government/speeches/housing-associations-and-housebuilding

[30] For further information see the Explanatory Notes for the Housing and Planning Act 2016 www.legislation.gov.uk/ukpga/2016/22/resources

[31] Scottish Government. A Plan for Scotland: The Government's Programme for Scotland 2016-17. www.gov.scot/Publications/2016/09/2860/downloads

[32] Inside Housing. 'Wales mulls deregulation to head off ONs. 28 January 2016.

[33] Assembly Question for Oral Answer (AQO 208/16-21) Northern Ireland Assembly Official Report. 13 September 2016.

and this issue was very high on the agenda — and our officials are ensuring that we are ready to respond to the ONS decision.
I would add that we expect the reclassification decision to, as it were, go against us and to rule that housing associations are public-sector bodies. We expect that decision before the end of the month.

…*I am content that we are on the right path. When the decision is issued, I will seek a derogation and the Treasury will decide how to respond to that based on the work we have done. I am content that that work will have the desired effect and that we will get a derogation to allow us to put the proper regulations or legislation in order. Therefore, while Mr Agnew is right to stress the issue and be vigilant on it, I hope and trust that we are on the right path. Mr Givan gave me much confidence in that regard this morning."*

In answer to a question from Alex Maskey, MLA as to whether the Minister of Finance will give an assurance that he will continue to engage with the Minister for Communities to ensure that the potential ramifications of the decision are minimum or reduced, the Minister of Finance has stated[34]:

"The Member is right to stress how grave it will be if we do not get it right. Needs must in that case, and if we were to lose the ability for housing associations to borrow off balance book it would cost the Executive up to £100 million a year. We do not have that type of money, yet we are resolved to hitting very ambitious social housing targets. For that reason, I take on board Members' concerns and am heartened by the response of Minister Givan and his team this morning."

The ONS decision on the review of the reclassification of Registered Housing Association in Northern Ireland is said to be imminent. The reclassification issue may, for the foreseeable future, present significant challenges and the potential ramifications on the supply of social housing is yet to be determined.

[34] Northern Ireland Assembly Official Report. 13 September 2016.