

David Beckett  
Office for National Statistics  
Government Buildings  
Cardiff Road  
Newport  
NP10 8XG

Room: 1.264  
Tel: 01633 456980  
Email: David.Beckett@ons.gsi.gov.uk  
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Mr. Steve Davies  
Head of Innovative Finance  
Welsh Treasury  
Cathays Park, CP2  
Cardiff, CF10 3NQ

Dear Mr. Davies,

#### **Notification of Reclassification of Registered Social Landlords (RSLs) in Wales**

The Welsh Government invited ONS to consider the statistical classification of RSLs in Wales, after the passage of The Regulation of Registered Social Landlords (Wales) Act 2018 (the Act) through the Welsh Assembly.

ONS assessed the legislation against the internationally-agreed rules in the European System of Accounts 2010 and the accompanying Manual on Government Deficit and Debt 2016. Having completed this assessment, ONS has concluded that the local authority and central government influence in combination with the existence of allocations partnerships does not constitute public sector control. Therefore, Welsh RSLs have been re-classified from the Public Non-Financial Corporations sub sector (S.11001) to the Private Non-Financial Corporations sub sector (S.11002). The effective date for this re-classification is 13 June 2018, the date the Act received Royal Assent.

This classification decision has been made on the basis of our current understanding of the role of the public sector in RSLs. However, so that ONS can continue to ensure the correct classification we would request that ONS is notified if there are any changes in circumstances that could affect this classification decision.

This would include instances where the Welsh Government makes use of its continuing power to appoint managers or officers to RSLs in Wales, if the Welsh Government becomes aware of any RSL where public sector board membership (or share-holding) is above 25 per cent, or if material additional information comes to light that suggests the sample of allocations partnerships provided to ONS is not representative. As such, ONS retains the right to review the classification of RSLs confirmed in this letter or the classification status of individual RSLs.

The above conclusions have been approved by the Director of National Accounts (Nick Vaughan) to whom the National Statistician has delegated decision-making on classifications.

As you know, the European statistical agency, Eurostat, has the right to review any ONS classification decision. This means Eurostat could decide to undertake its own assessment of RSLs, and might reach a different conclusion.

I trust this provides sufficient explanation of the assessment. Please do get in touch if you have any questions or comments.

Yours sincerely,

David Beckett