

# **THE HOUSING REVENUE ACCOUNT SUBSIDY DETERMINATION 2005-2006**

The First Secretary of State as respects all local housing authorities in England, in exercise of the powers conferred on him by sections 80 and 87 of the Local Government and Housing Act 1989, and of all other powers enabling him in that behalf, after consulting such representatives of local government and relevant professional bodies as appear to him to be appropriate, hereby makes the following determination:-

## **Citation and commencement**

1.1 This determination may be cited as the Housing Revenue Account Subsidy Determination 2005-2006 and has effect for the year beginning 1 April 2005

1.2 Subject to paragraph 1.3 the Housing Revenue Account Subsidy Determination 2004-2005 is hereby revoked.

1.3 The Housing Revenue Account Subsidy Determination 2004-2005 shall continue to have effect for the purpose of the determination of Housing Revenue Account subsidy for the year beginning 1 April 2004 and in so far as may be necessary for the purposes of any calculation to be made under this or any other determination relating to the calculation of Housing Revenue Account subsidy

## **Interpretation**

2.1 In this determination, unless the context otherwise requires:

"1985 Act" means the Housing Act 1985;

"1989 Act" means the Local Government and Housing Act 1989;

"2003 Regulations" means the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003;

"authority" means a local housing authority in England;

"cluster" means a group of rooms in a house in multiple occupation serving as separate accommodation for 2 or more persons but sharing a common kitchen, bathroom and lavatory; where such a house accommodates 6 or less than 6 persons, this shall count as one cluster; where such a house accommodates more than 6 persons the number of clusters shall be calculated by dividing the number of persons by 6, with any balance counting as one cluster;

subject to sub-paragraphs (2) and (3) of this definition, a "dwelling" means:

- (1) (a) a building or part of a building which is provided for occupation by a single family unit (that is to say an individual or a family, in either case together with any lodger), or

(b) a cluster or a group of 3 bed spaces in a hostel (for this purpose the number of groups of bed spaces shall be calculated by dividing the number of bed spaces by 3, with any balance counting as one dwelling),

to which section 74(1) of the 1989 Act for the time being applies, together with any yard, garden, outhouses and appurtenances belonging to or usually enjoyed with that building or part, and irrespective of whether or not the dwelling is occupied on 1 April;

- (2) a dwelling which is put to another use which is not a permanent change of use shall continue to be treated as a dwelling for the purposes of this determination; however
- (3) a dwelling falling within the description in paragraph (1)(a) or (b) of this definition shall not be treated as a dwelling for the purposes of this determination if it is either:
- (a) a dwelling which is occupied by a tenant to whom section 100(2) of the Housing Act 1988 applies; or
  - (b) an unoccupied dwelling which the authority has formally resolved should be demolished or disposed of and which is no longer available for letting; or
  - (c) a dwelling of which a lease has been granted under the rent to mortgage scheme;

"HRA" means the Housing Revenue Account of the authority whose entitlement to Housing Revenue Account subsidy is under consideration;

"Arms Length Management Organisation (ALMO)" means a body set up by a local authority as a housing management company to exercise management functions as an agent of the local authority under an arrangement approved by the Secretary of State under section 27 of the Housing Act 1985 (management agreements)(c);

"PFI scheme" has the same meaning as 'private finance transaction' had immediately before 1 April 2004, in regulation 16 of the Local Authorities (Capital Finance) Regulations 1997;

"shared ownership dwelling" means a dwelling which is subject to a shared ownership lease;

"shared ownership lease" shall have the meaning given in section 622 of the 1985 Act;

"year" means the period of 12 months beginning on 1 April;

"2004-2005" means the year beginning on 1 April 2004

"2005-2006" means the year beginning on 1 April 2005.

2.2 References to another determination are to be read as references to that

determination as amended or as revoked and replaced as the case may be.

## GENERAL FORMULA

- 3.1 The amount of Housing Revenue Account subsidy payable to an authority for 2005-2006 shall be calculated as follows:

amount of subsidy = (allowance for management + allowance for maintenance + allowance for major repairs + ALMO allowance + PFI allowance + Admissible allowance + charges for capital + other items of reckonable expenditure) - (rent + interest on receipts),

provided that where the calculation results in a negative figure, that amount of negative subsidy is payable by an authority to the Secretary of State.

- 3.2. In the calculation above:

the allowance for management, the allowance for maintenance and the allowance for major repairs is calculated in accordance with paragraph 4;

the ALMO allowance is listed for each eligible authority in column 1 of Schedule 6;

the PFI allowance is an allowance for authorities undertaking an HRA PFI scheme, and is listed for each eligible authority in column 2 of Schedule 6;

the Admissible allowance is calculated in accordance with paragraph 5;

charges for capital is calculated in accordance with paragraph 6;

other items of reckonable expenditure is calculated in accordance with paragraph 7;

rent is calculated in accordance with paragraph 8; and

interest on receipts is calculated in accordance with paragraph 9.

- 3.3 Expressions are used in paragraph 3.1 and 3.2 for convenience and not to define the items.
- 3.4 Where an authority change their accounting practices or change any other practice with the predominant purpose of affecting the calculations under this determination, then those calculations shall be made as if such changes had not taken place.
- 3.5 Any amount in this determination which is based on an assumption is calculated on the basis of information received by the Secretary of State on or before 3 December 2004.

## **ALLOWANCES FOR MANAGEMENT, MAINTENANCE AND MAJOR REPAIRS**

4.1 The allowance for management shall be calculated by applying the formula -

$$A \times B$$

where -

- A is the management allowance per dwelling for the authority for 2005-2006 specified in column 1 of Part I of Schedule 1;
- B is, subject to paragraph 4.4, the number of dwellings, including the authority's share of each shared ownership dwelling, assumed by the Secretary of State to be within the authority's HRA on 1 April 2004, specified in column 2 of Part I of Schedule 1.

4.2 The allowance for maintenance shall be calculated by applying the formula -

$$C \times D$$

where -

- C is the maintenance allowance per dwelling for the authority for 2005-2006 specified in column 1 of Part II of Schedule 1;
- D is, subject to paragraph 4.4, the number of dwellings, excluding the authority's share of each shared ownership dwelling, assumed by the Secretary of State to be within the authority's HRA on 1 April 2004, specified in column 2 of Part II of Schedule 1.

4.3 The allowance for major repairs shall be calculated by applying the formula

$$E \times F$$

where:

- E is, subject to paragraph 4.4, the number of dwellings, excluding the authority's share of each shared ownership dwelling, and excluding also any dwelling that is included in a PFI scheme assumed by the Secretary of State to be within the authority's HRA on 1 April 2004, specified in column 2 of Part III of Schedule 1.
- F is the major repairs allowance per dwelling for the authority for 2005-2006 specified in column 1 of Part III of Schedule 1;

4.4 Where the number of dwellings within the authority's HRA on 31 March 2006 is greater than or less than the number of dwellings assumed to be within the authority's HRA on 1 April 2004 specified in column 2 of Part I of Schedule 1

by more than 10 per cent or 3000 (whichever is less), -

- B is the number of dwellings, including the authority's share of each shared ownership dwelling, and including also any dwelling that is included in an HRA PFI scheme within the authority's HRA throughout the period beginning on 1 April 2005 and ending on 31 March 2006, together with, where any such dwelling is within that HRA for only a proportion of that period, a proportion for any such dwelling calculated by dividing the number of days the dwelling is within the HRA by 365;
- D is the number of dwellings, excluding the authority's share of each shared ownership dwelling, within the authority's HRA throughout the period beginning on 1 April 2005 and ending on 31 March 2006, together with, where any such dwelling is within that HRA for only a proportion of that period, a proportion for any such dwelling calculated by dividing the number of days the dwelling is within the HRA by 365;
- E is the number of dwellings, excluding the authority's share of each shared ownership dwelling and excluding also any dwelling that is included in an HRA PFI scheme except where that HRA PFI scheme is for the provision of heating services, within the authority's HRA throughout the period beginning on 1 April 2005 and ending on 31 March 2006, together with, where any such dwelling is within that HRA for only a proportion of that period, a proportion for any such dwelling calculated by dividing the number of days the dwelling is within the HRA by 365;

## 5 **ADMISSIBLE ALLOWANCE**

- 5.1 Subject to paragraph 5.2, the admissible allowance shall be calculated by applying the formula –

$$(R - S) \times 50\%$$

where-

- R is Admissible Set Aside for 2002-2003 as specified for each authority in column 1 of Schedule 2 to the Housing Revenue Account Subsidy Determination 2002-2003
- S is 2% of the Opening HRA Credit Ceiling for 2002-2003 as calculated in para 7 of the Item 8 Credit and Item 8 Debit (General) Determination 2002-2003 except where the Opening HRA Credit Ceiling for 2002-2003 is a negative amount, when 2% of the Opening HRA Credit Ceiling for the purposes of calculating the admissible allowance shall be zero.

- 5.2 Where the calculation at paragraph 5.1 results in a negative amount, then the

Admissible allowance shall be zero.

## **CHARGES FOR CAPITAL**

6.1 Charges for capital shall be calculated by applying the formula -

$$(G \times H) + I + Z$$

where -

- G is, subject to paragraph 6.2, the subsidy capital financing requirement for 2005-2006, except that where the amount specified is zero or a negative amount G shall be zero;
- H is the consolidated rate of interest for the authority calculated in accordance with paragraphs 6.3.1 and 6.3.2;
- I is the Secretary of State's assumption of the authority's debt management expenses for 2005-2006 specified in column 2 of Schedule 2;
- Z is an allowance for premiums and discounts calculated in accordance with paragraph 6.4.

where the subsidy capital financing requirement for 2005-2006 is, subject to paragraph 6.2, the amount specified at column 1, schedule 2 .

6.2 Where the number of dwellings within the authority's HRA on 31 March 2006 is greater than or less than the number of dwellings assumed to be within the authority's HRA on 1 April 2004 specified in column 3 of Schedule 2 by more than 10 per cent or 3000 (whichever is less), the subsidy capital financing requirement for 2005-2006 is -

- (1) Item G,
- (2) less the aggregate of -

(a) a proportion of the capital receipt which arises from a qualifying disposal received during the period beginning on 1 April 2004 and ending on 31 March 2005 in respect of land, houses or other property within the authority's HRA;

where –

'capital receipt' is defined in section 9 of the Local Government Act 2003, and

'the proportion of the capital receipt' is as defined at item J below;

(b) a proportion of the capital receipt from qualifying disposals received during the period beginning on 1 April 2005 and ending on 31 March 2006 in respect of land, houses or other property within the authority's

HRA, where the proportion, in each case, is calculated by applying the formula -

$$J \times \frac{K}{365}$$

where -

J is 75%, or such other proportion as specified by the Secretary of State, of any capital receipt received from a qualifying disposal, less the administrative costs of and incidental to any such disposal and the amount of the disposals levy.

K is the number of days remaining in the period beginning on 1 April 2005 and ending on 31 March 2006 after the date of that receipt.

save that where the above calculation reduces the subsidy capital financing requirement to a negative figure and where the authority has less than 50 dwellings, or such number as the Secretary of State may direct, on 31 March 2006, it shall be zero.

“qualifying disposal” means a disposal of an interest in housing land which is a qualifying disposal for the purposes of section 135 or 136 of the Leasehold Reform, Housing and Urban Development Act 1993 (disposals of dwelling-houses by local authorities).

“the disposals levy” means the levy on a qualifying disposal as provided under s136 of the Leasehold Reform, Housing and Urban Development Act 1993.

### **Consolidated Rate of Interest**

6.3.1 For the purpose of paragraph 6.1, H is a percentage amount calculated to two decimal places in accordance with the following formula –

$$\frac{((M \times N) + ((P - M) \times Q))}{P}$$

except that where M is equal to or greater than P, H shall be N;

6.3.2 For the purposes of paragraph 6.3.1 -

M = the amount outstanding during 2005-2006 by way of money borrowed by the authority (calculated on a weighted average basis which takes into account fluctuations in such amounts outstanding during the year);

N = the average rate of interest (calculated on an accruals basis to two decimal places) payable during 2005-2006 on the amount represented by M as defined above;

P = the higher of -

(a) the sum of the authority's capital financing requirement at the beginning of 1 April 2005 and their capital financing requirement at the end of 31 March 2006, divided by 2, minus Adjustment A, and

(b) the authority's mid year HRA capital financing requirement for 2005-2006;

where -

“Adjustment A” is the adjustment identified as ‘A’ in regulation 28 of the 2003 Regulations

Q = the average 3-month London Interbank Bid Rate for 2005-2006 calculated by aggregating the rates published on the same day in 52 weeks throughout 2005-2006 and dividing the total by 52;

“capital financing requirement” is defined in regulation 28(4) of the 2003 Regulations;

“mid-year HRA capital financing requirement” is defined in paragraph 6 of the Item 8 Credit and Item 8 Debit (General) Determination 2005-2006.

## Premiums and Discounts

6.4 For the purpose of paragraph 6.1, Z is calculated in accordance with the following formula -

$$V - W$$

where -

V is the aggregate amount of HRA premium payments, where each HRA premium payment is calculated in accordance with paragraphs (a) to (d) below-

- (a) multiply the amount of any premium payable by the authority on or after 1 April 1995 on the early redemption of any loan or any part thereof by the appropriate amount to give the HRA premium share;
- (b) from the result of (a), subtract, where applicable, any amount set aside by the authority as provision to meet credit liabilities which the authority determined was used to meet the HRA premium share together with any amount of the useable part of a capital receipt which the authority determined was used to meet the HRA premium share,
- (c) divide the result of (b) by, in each case, the unexpired period of the loan from the date of the redemption (in

years and days, with any days expressed as a proportion of a year) or 10 years, whichever is less, and then

- ((d) multiply the result of (c) by, in each case, the unexpired period of the loan from the date of the redemption which falls within 2005-2006 (expressed in days), divided by 365;

W is the aggregate amount -

- (a) of any discount receivable by the authority on or after 1 April 1995 on the early redemption of a fixed rate loan or any part thereof;
- (b) multiplied by, in each case, the appropriate amount; and then
- (c) divided by, in each case, the unexpired period of the loan from the date of the redemption (in years and days, with any days expressed as a proportion of a year) or 10 years, whichever is less, and then
- (d) multiplied by, in each case, the unexpired period of the loan from the date of the redemption which falls within 2005-2006 (expressed in days), divided by 365.

“appropriate amount” in paragraph (a) of the definition of V and in paragraph (b) of the definition of W above means -

- (i) where the opening HRA capital financing requirement, or opening HRA credit ceiling, as appropriate, is nil or a negative amount, nil;
- (ii) where the opening HRA capital financing requirement, or opening HRA credit ceiling (as appropriate), exceeds the capital financing requirement minus Adjustment A, or credit ceiling (as appropriate) and is positive, 1; and
- (iii) in any other case, the opening HRA capital financing requirement or opening HRA credit ceiling (as appropriate), divided by the capital financing requirement minus Adjustment A, or credit ceiling (as appropriate) ;

“opening HRA capital financing requirement” has the meaning given in regulation 28(4)(b) of the 2003 Regulations;

“opening HRA credit ceiling” is as calculated in paragraph 7 of the Item 8 Credit and Item 8 Debit (General) Determination for the relevant year;

“capital financing requirement” is defined as in paragraph 6.3.2 above;

“Adjustment A” is defined as in paragraph 6.3.2 above;

“credit ceiling” means the credit ceiling, as defined in Part III of Schedule 3 to the 1989 Act, at 1 April of the relevant year;

“provision to meet credit liabilities” means any amount for the time being set aside by a local authority (whether voluntarily or pursuant to a requirement, prior to 1 April 2004, under Part 4 of the 1989 Act, at that time in force) as provision to meet credit liabilities; and

“relevant year” means the year in which the premium is payable or discount receivable, as appropriate.

## OTHER ITEMS OF RECKONABLE EXPENDITURE

- 7.1 The amount for other items of reckonable expenditure is the aggregate of the amounts assumed by the Secretary of State to arise in relation to 2005-2006 under Heads 1-6 in Table A below in relation to property within the HRA, specified in Schedule 3.

**TABLE A**

<b><u>Head</u></b>	<b><u>Type of Expenditure</u></b>	<b><u>Amount of Reckonable Expenditure</u></b>
	<u>Rent of leasehold property</u>	
1	Rent for an interest in land, houses and other property acquired before 1 April 1981.	The amount specified in column 1 of Schedule 3.
2	Rent for an interest in dwellings acquired between 1 April 1981 and 16 August 1989 for which a premium is payable.	The amount specified in column 2 of Schedule 3.
3	Rent for an interest in dwellings acquired between 1 April 1981 and 16 August 1989 for which no premium is payable, where the rent has not changed since 16 August 1989.	The amount specified in column 3 of Schedule 3.
4	Rent for an interest in dwellings acquired between 17 August 1989 and 22 October 1990 (whether or not a premium is payable) together with rent for an interest in dwellings acquired between 1 April 1981 and 16 August 1989 for which no premium is payable, where that rent has changed since 16 August 1989.	The amount specified in column 4 of Schedule 3

## Leased equipment

- 5 Annual payments for leased equipment (whether or not the contract includes a provision for purchase) but excluding any payments for purchase, in new build or renovation schemes where the authority became the lessee on or before 21 December 1989, and the terms of the lease have not been varied since that date: and for this purpose, where the work of installation of equipment was started, or (where it is earlier) the contract for the installation was let, on or before 21 December 1989, and where there was in existence on that day an agreement under which the authority would become the lessee of the equipment, then the authority shall be deemed to have become the lessee on 21 December 1989, provided that the authority did in fact become the lessee of the equipment on or before 30 September 1990.
- The amount specified in column 5 of Schedule 3.

### Interest payments not covered by paragraph 5 or Head 5

- 6 Interest payments to which the authority is committed under arrangements which would have been credit arrangements under section 48 of the 1989 Act if they had been entered into on or after 1 April 1990, provided that the following conditions apply -
- (i) the payments are not reckonable expenditure under Head 5 above;
- (ii) the arrangements were used to meet expenditure on property, works or equipment which would otherwise have
- The amount specified in column 6 of Schedule 3.

been debited to the HRA;

(iii) the terms of the arrangements have not been varied since 21 December 1989; and

(iv) except in the case of arrangements to which section 52(2)(d) of the 1989 Act applies, the authority entered into the contract for the property, works or equipment before 7 July 1988.

- 7.2. The amount specified for Head 6 includes payments of interest under restitution or other compromise agreements reached by the authority with the financing body when the authority has decided that the original arrangements were or may be ultra vires; but an amount included for such payments shall be the lower of the amount which would have been eligible under that Head if payments under the arrangements had continued, and payments which are of interest under the restitution or compromise agreement.

## RENT

8.1 Rent shall be calculated by applying the formula -

$$(X \times Y) - Z$$

where -

- X is, subject to paragraph 8.2, the number of dwellings assumed by the Secretary of State to be within the authority's HRA on 1 April 2004 specified in column 1 of Schedule 4;
- Y is the guideline rent per dwelling for the authority for 2005-2006 specified in column 2 of Schedule 4;
- Z is the allowance for unoccupied dwellings, calculated by applying the formula

$$(X \times Y) \times 0.02$$

where X and Y have the same meaning as in X and Y above.

8.2 Where the number of dwellings within the authority's HRA on 31 March 2006 is greater than or less than the number of dwellings assumed to be within the authority's HRA on 1 April 2004 specified in column 1 of Schedule 4 by more than 10 per cent or 3000 (whichever is less), -

- X has the same meaning as B in paragraph 4.4

## INTEREST ON RECEIPTS

9.1 Interest on receipts shall be the amount calculated by applying the formula -

$$(AA \times 4.82\%) + BB$$

where -

- AA is zero if Item G as calculated in paragraph 6.1 is zero or a positive amount, or the equivalent positive amount if Item G is a negative amount;
- BB is the Secretary of State's assumption in respect of 2005-2006 of the amount of interest receivable by the authority on any loan made by the authority to enable a borrower to acquire a dwelling within the authority's HRA, specified for the authority in column 2 of Schedule 5.

Carol Sweetenham  
for and on behalf of the Secretary of State

16 December 2004