



OFFICE OF THE
DEPUTY PRIME MINISTER

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**Chief Finance Officers/Chief Accountants,
Local Housing Authorities in England**

I should be grateful if you would pass a copy of these papers to your Chief Housing Officer/Director of Housing as soon as possible please.

Dear Chief Finance Officer/ Chief Accountant,

HOUSING REVENUE ACCOUNT (ITEM 8) AND HOUSING REVENUE ACCOUNT SUBSIDY 2005-2006

Subroto Duttaroy's letter of 9 November enclosed drafts of, among other things,

- the Housing Revenue Account Subsidy Determination 2005-2006, and
- the Item 8 Credit and Item 8 Debit (General) Determination 2005-2006

for consultation. Ministers have now considered the comments and representations received, and, subject to taking account of later information where necessary, they have decided to confirm the majority of the proposals in that consultation. Please note, however, that there have been changes to the crime measures for management and maintenance allowances, and these are discussed in detail in the Commentary to the HRA Subsidy Determination 2005-2006.

The attached Appendix gives details of the determinations and accompanying material which are today being sent to your authority by e-mail and placed on the ODPM's website.

Inflation factors

You are reminded that in calculating formula rents and setting actual rents for their tenants, authorities should note that caps on formula rents will increase by RPI + 1% where RPI is the *all-items* increase as at September of the preceding year. For 2005-2006, the September 2003 figure of 3.1% should be used for RPI.

The same rate of 3.1% also applies for 2005-2006 to the limit on individual rent changes of RPI + 1/2% +/- £2.

As a result of the Chancellor's Pre Budget Report, you will also wish to note that the GDP deflator which has been used in calculating Guideline and Limit rents, Management and Maintenance allowances, the Major Repairs Allowance and debt management expenses has been changed from the 2.52% used in the consultation material to **2.53%** in the final Determinations etc as made.

Transitional Arrangements for Former Negative Subsidy Authorities

Transitional Measures for those authorities which made transfers under section 80(2) of the Local Government and Housing Act 1989 which have been in place since the introduction of the MRA in April 2001 will continue.

The scheme will not run beyond the previously specified maximum timescale of ten years. ODPM plan to review the continued uptake of the scheme in 2006, and will examine whether there is scope to bring the final year forward to 2007-2008. Many of the 13 authorities will only have the transitional measures available for a shorter period.

In light of the additional pressure on some of the eligible authorities as a result of the repeal of s80(2), ODPM will continue to recycle some of this new money to be captured from surplus authorities towards the cost of the transitional scheme. Those authorities who choose to make a transfer under the Transitional Measures scheme from the Housing Revenue Account to the General Fund must pay one third of the amount themselves - from their MRA if they so wish. The remaining two-thirds will be met by way of a reduction in the amount they would be otherwise due to pay to the Exchequer. The amounts available for transfer will continue to decline in accordance with the original scheme.

Transitional Arrangements To Phase In Potential Impacts On The General Fund

Following the transfer of rent rebates from the HRA to the General Fund from April 2004, unsubsidised 'incentive area' costs are no longer a charge to the HRA but instead fall to be met from the General Fund.

The transitional measures introduced with the Housing Revenue Account Subsidy Determination 2004-2005 will continue for 2005-2006, to allow authorities the opportunity if they so wish to adjust to the impact of the new arrangements. Authorities shall be permitted to make transfers between their HRA and their general fund.

In order to allow authorities to plan their 2005-2006 budgets with some certainty, 2001-2002 audited HRA subsidy data will be used to calculate the unsubsidised incentive area costs – the potential General Fund costs - as the basis for this transitional scheme. The 2001-2002 audited unsubsidised incentive area costs for each authority are listed in the **appendix 2** to this letter.

In 2005-2006, authorities will be able to apply to transfer a maximum of **half the 'HRA gain'**. By 2006-2007, all authorities are expected to have adjusted to the new arrangements, and transitional arrangements will not apply after 31 March 2006.

For the sake of equity, the handful of authorities who will face a loss to the HRA and gain to the General Fund following the transfer will also continue to be eligible to make reverse transfers in the same way. These are authorities which currently do better in terms of administration of overpayments etc than we assume for subsidy purposes.

The Local Government Act 2003 introduced a new debit item in the keeping of the Housing Revenue Account, "Sums directed by the Secretary of State or National Assembly for Wales". The new Item 10, which parallels the Item 9 credit in Part I of Schedule 4, allows the Secretary of State to direct an English authority to carry an amount from the HRA to the credit of the General Fund.

Authorities can now write to ODPM specifying how much they wish to transfer. So long as this amount falls within the maximum amount permissible to them under the rules of the scheme, a direction will be issued to that effect. An authority can apply for a direction for a year at any time before the accounts for that year are closed.

Item 8 Credit and Item 8 Debit (General) Determination 2005-2006

The Item 8 Credit and Debit (General) Determination 2005-2006 is largely unchanged from that issued for 2004-2005. We have, therefore, not felt it necessary to issue a separate commentary as authorities should already be aware of the arrangements.

Authorities are reminded that the definition of 'P' in paragraph 5 of the Determination has been amended to make it consistent with that in the draft HRA Subsidy Determination.

Authorities should note also that the formula for the calculation of the Mid-year HRA Capital Financing Requirement has been modified to clarify the treatment of capital receipts following a qualifying disposal. For HRA Subsidy purposes ODPM assume that following a qualifying disposal a proportion of the capital receipt is used to repay HRA debt. However, the regulations governing the determination of the Opening HRA Capital Financing Requirement do not require the local authority to use the qualifying disposal receipt to repay debt and, to ensure consistency, the calculation of the Mid-year HRA Capital Financing Requirement no longer contains the assumption that a proportion of the capital receipt arising from a qualifying disposal will be used to repay debt.

Distribution Procedures

Apart from this letter, paper copies of the Determinations, accompanying documents, and detailed authority annexes are **not** being routinely issued (unless your authority specifically requested them). Instead, the documents referred to in this letter are being made available on the ODPM's web site, in accordance with the provisions of section 87(5) of the 1989 Act, at the following address:

<http://www.odpm.gov.uk/housingfinance> .

Documents will be available either in *Adobe Acrobat* format or, in the case of numeric information, as Excel files, which can be freely downloaded from the web-site. The documents will also be e-mailed (along with this letter) to authorities which have notified us of a suitable e-mail address. In case of difficulty accessing the material on the web site or with e-mail, please contact Noor Taha, Zone 2/J3, (e-mail: noor.taha@odpm.gsi.gov.uk).

If your authority decides that it is no longer willing to accept electronic communication of Part VI determinations and s80A decisions, it may withdraw its notification of an e-mail address, or revoke its agreement at any time, provided that the withdrawal or revocation shall take effect on a date specified by your authority being a date no less than one month after the date on which your authority informs the ODPM that it wants to withdraw the notification or revoke the agreement. Any withdrawal of notification of your authority's e-mail address or revocation of an agreement relating to electronic communications should again be addressed to Dennis Herbert, Zone 2/J2 at the address shown in this letter (or e-mailed to dennis.herbert@odpm.gsi.gov.uk).

General enquiries about the HRA and about HRA subsidy should be directed to housing.subsidy@odpm.gsi.gov.uk .

Queries and advice

If you have any queries you wish to discuss with the ODPM, or are seeking advice on any aspects of the above, please contact:

Ray Kershaw, Zone 2/H3, Eland House (tel: 020 7944 3588; e-mail ray.kershaw@odpm.gsi.gov.uk) or **Tom Adams**, Zone 2/H3, Eland House (tel: 020 7944 5562; e-mail thomas.adams@odpm.gsi.gov.uk) on the Management and Maintenance allowances, the MRA, and rents (paragraphs 4 and 8 of the Subsidy determination);

Steve McAllister, Zone 2/J3, Eland House (tel: 020 7944 3582; e-mail stephen.mcallister@odpm.gsi.gov.uk) or **Subby Duttaroy**, Zone 2/J2 (tel: 020 7944 3586; e-mail subroto.duttaroy@odpm.gsi.gov.uk) on Charges for Capital, Other Items of Reckonable Expenditure and Interest On Receipts, and the Item 8 determination for 2005-2006;

Bryan Lea, Zone 2/J4, Eland House, (tel: 020 7944 3585; e-mail bryan.lea@odpm.gsi.gov.uk) on policy relating to management and maintenance allowances, or transitional arrangements for former negative subsidy authorities;

Copies of any of the papers mentioned here can be obtained by telephoning Bryan Lea.

Yours faithfully,

Carol Sweetenham

APPENDIX 1

The following documents are available on the ODPM's web site at

<http://www.odpm.gov.uk/housingfinance>

- a. The **Housing Revenue Account Subsidy Determination 2005-2006**, including various Schedules showing, among other things, specified amounts for 2005-2006;
You are advised to bear in mind the ODPM's policy on specified amounts set out in the enclosed commentary on the determinations.
- b. A **commentary on the HRA Subsidy Determination**, explaining the operation of the system in 2005-2006;
- c. The **Item 8 Credit and Item 8 Debit (General) Determination 2005-2006**;
- d. A note setting out the policy on and arrangements for making **applications for derogations** from rent rebate subsidy limitation;
- e. A spreadsheet (in Excel) showing the data used in making the calculations for each authority in respect of the 2005-2006
 - formula rent,
 - guideline rent,
 - limit rent,
 - management and maintenance allowances,
 - major repairs allowance,
 - Subsidy Capital Financing Requirement,
 - interest on receipts,

Authorities will be able to use that spreadsheet to produce Annexes specific to their authority.

APPENDIX 2

Local Authority Name	Total gain/ loss to the HRA if non-limitation deductions were met from the GF based on 2001-02 audited data
Adur District Council	£161,252
Alnwick District Council	£26,000
Amber Valley Borough Council	£22,135
Arun District Council	£209,527
Ashfield District Council	£187,249
Ashford Borough Council	£160,379
Aylesbury Vale District Council	£195,117
Babergh District Council	£127,434
Barking and Dagenham London Borough	-£321,219
Barnet London Borough	£217,240
Barnsley Metropolitan Borough Council	£661,703
Barrow-in-Furness District Council	£178,165
Basildon District Council	£517,784
Bassetlaw District Council	£150,486
Berwick-upon-Tweed Borough Council	£63,618
Birmingham City Council	-£1,148,376
Blaby District Council	£94,604
Blackpool Borough Council	£150,375
Blyth Valley Borough Council	£229,860
Bolsover District Council	£77,730
Bolton Metropolitan Borough Council	£423,300
Borough of Poole	£74,456
Bournemouth Borough Council	£349,797
Bracknell Forest Borough Council	£111,260
Braintree District Council	£340,668
Brent London Borough	£617,560
Brentwood Borough Council	£80,067
Bridgnorth District Council	£53,668
Brighton and Hove Council	£379,005
Bristol Council	£516,587
Bromsgrove District Council	£116,639
Broxbourne Borough Council	£177,876
Broxtowe Borough Council	£145,854
Bury Metropolitan Borough Council	£156,330
Cambridge City Council	£374,662
Camden London Borough	£482,787
Cannock Chase District Council	£199,962
Canterbury City Council	£245,169
Caradon District Council	£148,390
Carlisle City Council	£206,351
Carrick District Council	£106,010
Castle Morpeth Borough Council	£105,280
Castle Point Borough Council	£71,549
Charnwood Borough Council	£139,103
Chelmsford Borough Council	£434,517
Cheltenham Borough Council	£282,009
Cherwell District Council	£170,872

Chesterfield Borough Council	£277,108
Chester-le-Street District Council	£90,059
Chorley Borough Council	£81,408
City of Bradford Metropolitan District Council	£380,433
City of London Corporation	£26,009
City of York Council	£152,890
Colchester Borough Council	£368,601
Copeland Borough Council	£41,019
Corby Borough Council	£185,805
County of Herefordshire District Council	£244,055
Craven District Council	£41,203
Crawley Borough Council	£471,678
Crewe and Nantwich Borough Council	£141,937
Croydon London Borough	£913,576
Dacorum Borough Council	£54,245
Darlington Borough Council	£119,725
Dartford Borough Council	£93,438
Daventry District Council	£120,967
Derby City Council	£632,643
Derbyshire Dales District Council	£26,785
Derwentside District Council	£242,273
Doncaster Metropolitan Borough Council	£374,286
Dover District Council	£300,675
Dudley Metropolitan Borough Council	£684,099
Durham City Council	£99,155
Ealing London Borough	£887,732
Easington District Council	£353,805
East Devon District Council	£125,803
East Hertfordshire District Council	£103,802
East Riding of Yorkshire Council	£518,509
Eastbourne Borough Council	£192,357
Ellesmere Port and Neston Borough Council	£115,365
Enfield London Borough	£1,056,711
Epping Forest District Council	£110,096
Erewash Borough Council	£94,028
Exeter City Council	£165,882
Fareham Borough Council	£96,479
Fenland District Council	£212,185
Forest Heath District Council	£37,578
Forest of Dean District Council	£209,673
Gateshead Metropolitan Borough Council	£258,912
Gedling Borough Council	£63,029
Gloucester City Council	£247,194
Gosport Borough Council	£105,398
Gravesham Borough Council	£135,244
Great Yarmouth Borough Council	£323,087
Greenwich London Borough	£725,367
Guildford Borough Council	£148,121
Hackney London Borough	£2,230,748
Halton Borough Council	£181,836
Hammersmith and Fulham London Borough	£378,702
Harborough District Council	£71,965
Haringey London Borough	£870,964
Harlow District Council	£282,231
Harrogate Borough Council	£153,123
Harrow London Borough	£187,305
Hartlepool Council	£258,272

Havering London Borough	£28,489
High Peak Borough Council	£26,751
Hillingdon London Borough	£426,603
Hinckley and Bosworth Borough Council	£34,101
Hounslow London Borough	£403,761
Hyndburn Borough Council	£70,115
Ipswich Borough Council	£223,893
Isles of Scilly Council	£201
Islington London Borough	£1,470,293
Kensington and Chelsea Royal Borough	£86,494
Kettering Borough Council	£142,820
Kings Lynn and West Norfolk Borough Council	£253,111
Kingston Upon Hull City Council	£913,084
Kingston upon Thames Royal Borough	£309,735
Kirklees Metropolitan Borough Council	£706,769
Knowsley Metropolitan Borough Council	£407,320
Lambeth London Borough	£2,202,191
Lancaster City Council	£58,199
Leeds City Council	£818,062
Leicester City Council	£574,421
Lewes District Council	£127,306
Lewisham London Borough	£924,031
Lichfield District Council	£5,715
Lincoln City Council	£226,056
Liverpool City Council	£1,392,777
Luton Borough Council	£194,433
Macclesfield Borough Council	£91,744
Maidstone Borough Council	£216,108
Manchester City Council	£3,802,813
Mansfield District Council	£268,866
Medway Borough Council	£126,768
Melton Borough Council	£24,518
Merton London Borough	£226,105
Mid Bedfordshire District Council	£40,281
Mid Devon District Council	£15,089
Mid Suffolk District Council	£253,604
Middlesbrough Borough	£117,427
Milton Keynes Council	£683,544
Mole Valley District Council	£43,945
New Forest District Council	£140,468
Newark and Sherwood District Council	£94,076
Newcastle upon Tyne Metropolitan District Council	£492,206
Newham London Borough	£1,579,939
North Cornwall District Council	£131,318
North East Derbyshire District Council	£94,191
North East Lincolnshire Council	£635,594
North Hertfordshire District Council	£143,219
North Kesteven District Council	£55,532
North Lincolnshire Council	£355,034
North Norfolk District Council	£213,221
North Shropshire District Council	£45,792
North Somerset Council	£356,625
North Tyneside Metropolitan Borough Council	£477,599
North Warwickshire Borough Council	£104,855
North West Leicestershire District Council	£156,425
Northampton Borough Council	£427,161

Norwich City Council	£430,396
Nottingham City Council	£609,418
Nuneaton and Bedworth Borough Council	£303,270
Oadby and Wigston Borough Council	£19,450
Oldham Metropolitan Borough Council	£438,635
Oswestry Borough Council	£49,878
Oxford City Council	£797,770
Pendle Borough Council	£92,009
Peterborough City Council	£86,245
Plymouth City Council	£475,660
Portsmouth City Council	£563,076
Preston Borough Council	£427,579
Purbeck District Council	£51,751
Reading Borough Council	£203,841
Redbridge London Borough	£111,072
Redcar and Cleveland Borough Council	£368,367
Redditch Borough Council	£338,073
Reigate and Banstead Borough Council	£100,763
Ribble Valley Borough Council	£12,288
Richmondshire District Council	£76,419
Rochdale Metropolitan Borough Council	£350,911
Rochford District Council	-£9,792
Rossendale Borough Council	£56,912
Rotherham Metropolitan Borough Council	£232,014
Rugby Borough Council	£93,189
Runnymede Borough Council	£36,858
Rushcliffe Borough Council	£125,535
Rutland County Council District Council	£9,891
Salford Metropolitan District Council	£919,345
Salisbury District Council	£161,597
Sandwell Metropolitan Borough Council	£249,966
Scarborough Borough Council	£83,599
Sedgefield Borough Council	£369,219
Sedgemoor District Council	£26,177
Sefton Metropolitan Borough Council	£199,035
Selby District Council	£129,898
Sheffield City Council	£2,061,052
Shepway District Council	£175,623
Shrewsbury and Atcham Borough Council	£99,384
Slough Borough Council	£282,966
Solihull Metropolitan Borough Council	£142,723
South Bedfordshire District Council	£281,979
South Cambridgeshire District Council	£176,815
South Derbyshire District Council	£78,977
South Gloucestershire Council	£150,801
South Holland District Council	£40,663
South Kesteven District Council	£102,130
South Lakeland District Council	£127,567
South Norfolk Council	£221,828
South Northamptonshire Council	£85,188
South Tyneside Metropolitan Borough Council	£121,322
Southampton City Council	£638,390
Southend-on-Sea Borough Council	£369,746
Southwark London Borough	£2,188,872
St Albans District Council	£139,428
St Edmundsbury Borough Council	£235,048
St Helens Metropolitan Borough Council	£553,892

Stafford Borough Council	£43,685
Stevenage Borough Council	£197,922
Stockport Metropolitan Borough Council	£208,176
Stockton-on-Tees Borough Council	£252,322
Stoke-on-Trent City Council	£545,612
Stroud District Council	£163,174
Sutton London Borough	£390,019
Swindon Borough Council	£780,598
Tamworth Borough Council	£223,899
Tandridge District Council	£56,917
Taunton Deane Borough Council	£163,715
Teesdale District Council	£12,985
Teignbridge District Council	£72,311
Tendring District Council	£96,892
Thanet District Council	£160,121
Three Rivers District Council	£113,213
Thurrock Council	£209,514
Torridge District Council	£66,224
Tower Hamlets London Borough	£344,715
Trafford Metropolitan Borough Council	£336,888
Uttlesford District Council	£78,744
Vale Royal Borough Council	£283,606
Wakefield Metropolitan District Council	£465,413
Walsall Metropolitan Borough Council	£615,647
Waltham Forest London Borough	£529,494
Wandsworth London Borough	£1,346,979
Wansbeck District Council	£83,908
Warrington Borough Council	£442,475
Warwick District Council	£123,151
Watford Borough Council	£231,658
Waveney District Council	£134,975
Waverley Borough Council	£160,481
Wealden District Council	£159,852
Wear Valley District Council	£36,687
Wellingborough Borough Council	£63,321
Welwyn Hatfield District Council	£128,629
West Berkshire District Council	£5,476
West Lancashire District Council	£382,077
Westminster City Council	£1,635,832
Wigan Metropolitan Borough Council	£437,633
Winchester City Council	£46,316
Wirral Metropolitan Borough Council	£762,534
Woking Borough Council	£217,587
Wokingham District Council	£100,879
Wolverhampton Metropolitan Borough Council	£918,295
Worcester City Council	£154,810
Wycombe District Council	£291,494