

## Briefing Paper

### Circular 8/95

**December 2013**

#### Introduction

Circular 8/95 was issued by the then Department of the Environment on 1<sup>st</sup> May 1995 to provide guidance on the operation of the housing revenue account ring-fence. It followed some controversy and some legal cases regarding the interpretation of the ring-fence legislation that is contained in the 1989 Local Government and Housing Act. Both the Act and the guidance are based on the concept that the housing revenue account should contain only income and expenditure that is related to the council's role as a landlord and that housing revenue account resources should not be used to fund any of the council's other activities.

In 2008 the Department for Communities & Local Government established a working party to consider reform of the finance of the housing revenue account. I was one of the members. Its focus was on the proposal to introduce self-financing. However, it also considered the operation of the ring-fence and recommended that the rules be strengthened to protect tenants from costs being charged to the housing revenue account that were outside the spirit of the legislation. The former government accepted this recommendation but the current government decided that no change was necessary to the guidance as the principle of 'localism' meant that local authorities should be free to interpret the legislation as they wished.

During recent years there have been many instances where local authorities have been criticised for charging costs to the housing revenue account that many would consider to be the costs of general fund services such as libraries, community centres and street cleaning. In 2013 five local authorities took advantage of a loophole in the legislation to transfer millions of pounds from their housing revenue accounts to their housing general funds in a move that has been questioned – even by the Department for Communities & Local Government.

Much to my surprise we had difficulty in locating a copy of Circular 8/95. The purpose of this briefing paper is to reproduce the circular and to provide some commentary. It should be noted, however, that while the circular is still in force, it is over eighteen years old and so some references may be out of date. Please also note that the comments reflect my personal interpretation of the guidance and anyone seeking definitive legal guidance should seek their own legal advice.

## The Circular

The Circular states that:

### Introduction

*“This Circular, which has been prepared in consultation with the Departments of Social Security and Health, the local authority associations, the Chartered Institute of Public Finance & Accountancy, the Chartered Institute of Housing and the Audit Commission, gives advice to local housing authorities in England on certain aspects of the Housing Revenue Account (‘the housing revenue account’). Authorities are also advised to consult the publications listed at Annex A to this Circular.*

*“Since the ring-fencing of the housing revenue account in 1990, a number of authorities and auditors have sought clarification of whether various items of expenditure and income should be accounted for inside or outside the housing revenue account. This Circular is a response to those enquiries.*

*“The Circular restates Ministers’ established policy for the housing revenue account and introduces no new issues of principle. It is intended to be a helpful reference document for authorities, tenants and auditors. It is not intended as an authoritative statement of the law on the keeping of the housing revenue account, and authorities should take their own legal and accounting advice, as necessary, and will need to satisfy their auditors about their decisions.”*

### Statutory background

*“Expenditure and income relating to property listed in section 74 of the Local Government and Housing Act 1989 (‘the 1989 Act’) must be accounted for in the housing revenue account. This comprises mostly housing and other property provided by authorities under Part II of the Housing Act 1985 (‘the 1985 Act’). Schedule 4 to the 1989 Act (as amended by section 127 of the Leasehold Reform, Housing and Urban Development Act 1993) specifies the debit and credit items to be recorded in the housing revenue account. The Housing (Welfare Services) Order 1994 specifies the welfare services which must be accounted for outside the housing revenue account.”*

### General principles

*“The statutory provisions referred to in paragraph 4 reflect the Government’s policy that the housing revenue account should be primarily a landlord account, containing the income and expenditure arising from a housing authority’s landlord functions. This principle is central to the guidance in this Circular.*

*“Section 74 of the 1989 Act requires authorities to keep the housing revenue account in accordance with proper practices. Section 88(1)(d) defines these as set out at section 66(4), where they are described as practices which an authority is required to follow by virtue of any enactment; or which, whether by reference to any generally recognised published code or otherwise, are regarded as proper accounting practices (with the requirements of any enactment taking precedence). The Secretary of State has not as yet used his powers under section 78 of the 1989 Act to give directions to secure proper accounting practices.*

*“Accounting correctly for the great majority of income and expenditure to be recorded in the housing revenue account gives rise to little difficulty or doubt. Revenue expenditure on the maintenance of the housing stock, the cost of managing lettings, and rent rebates granted to housing revenue account tenants are, for example, all clearly to be debited to the housing revenue account. Income from rents and service charges of tenants in housing provided under Part II of the 1985 Act is unquestionably housing revenue account income. But there are other items of expenditure and income, where it may be less clear, and which are the subject of this Circular.*

*“References to the General Fund in this Circular mean any revenue account within the General Fund other than the housing revenue account.”*

Comment: Since 2004 the cost of rent rebates have no longer been debited to the housing revenue account as the Local Government Act 2003 provided that all housing benefit expenditure should be accounted for in the general fund.

#### Property in the housing revenue account

*“The main consideration when deciding whether the costs and income associated with a particular property should be accounted for in the housing revenue account is the powers under which the authority are currently providing that property. Section 74 of the 1989 Act sets out the property which must be accounted for in the housing revenue account, by reference to the powers under which it is held.*

*“A property has to be accounted for within the housing revenue account if it is currently provided under Part II of the 1985 Act or any of the other powers specified in section 74 of the 1989 Act (‘Part II housing’); the account also extends to any outstanding debts or receipts which arose when a property was so provided and which are still outstanding following its disposal. If a property is not provided under the powers listed in section 74, or in directions under that section, the authority must not account for it in the housing revenue account. The housing revenue account (Exclusion of Short Term Leases) Direction 1991, made under section 74(3)(d) of the 1989 Act, requires that all leases for dwellings for a period of 3 years or less, which were acquired or varied on or after 1 April 1992, must not be included in the housing revenue account.*

*“If an authority wishes to include in the housing revenue account property which is ancillary to Part II housing but not up to now provided under Part II, it will be necessary to obtain consent from the Secretary of State under section 12 of the 1985 Act (see also section 15 of the 1985 Act for London authorities). Such applications will be considered on their individual merits. Section 12 applications fall into two categories:*

- *Shops and recreation grounds, where there has to be a connection with housing accommodation provided under Part II of the 1985 Act (section 12(1)(a) and (b)); and*
- *Other buildings or land which, in the Secretary of State’s opinion, serve a beneficial purpose for the authority’s tenants of Part II accommodation (section 12(1)(c)). In considering applications for consent, the Secretary of State is likely to view ‘beneficial purpose’ as established if the property in question relates to the authority’s role as landlord of the associated housing stock.*

*“Conversely, certain powers which may originally have been provided under one of the powers in section 74 of the 1989 Act (or their predecessor powers) may no longer fulfil their original purpose. In these circumstances, the authority should consider their removal from the housing revenue account. Examples of properties which might fall into this category are estate shops and other commercial premises, such as banks, post offices, workshops, public houses, industrial estates and surgeries, where there is no longer any connection with the local authority’s housing. The decision is for the authority to take, though they should be able to explain the basis of the decision to the external auditor and tenants, if called upon to do so.*

*“Authorities should have regard to the powers available to them to hold property when they are considering whether to appropriate it out of the housing revenue account. Furthermore, section 19(2) of the 1985 Act requires authorities to obtain the Secretary of State’s consent before a house or part of a house can be appropriated for any other purpose. If a property is transferred between the housing revenue account and any other revenue account within the General Fund, this will involve adjustments to housing revenue account and subsidy credit ceilings, in accordance with the relevant determinations under Part VI of the 1989 Act.”*

#### Garages (and garage sites) let to non-housing revenue account tenants

*“Where an authority has a policy of letting, on a long-term basis, blocks of housing revenue account garages to people who are not housing revenue account tenants, the authority should consider appropriating the garages from Part II of the 1985 Act and accounting for them in the General Fund. The Department considers that, where tenants do not have the opportunity to rent the garages in a block, the provision of those garages does not form part of an authority’s housing function.”*

#### Amenities

*“These include play and other recreational areas, grassed areas and gardens and community centres. In each case it is for the authority to form their own judgement about whether provision is proper under Part II of the 1985 Act and the extent to which the costs should be charged to the housing revenue account. Much will depend upon local circumstances. Among the issues to be considered are the purpose of provision and the use made of the facilities by tenants and other people. There can only be a charge to the housing revenue account where the amenities are provided and maintained in connection with Part II housing accommodation.*

*“Where an amenity is shared by the community as a whole, the authority must have regard to paragraph 3 of Part III of Schedule 4 to the 1989 Act. This requires a contribution to be made from the General Fund to the housing revenue account reflecting the general community’s share of the amenity.”*

Comment: The guidance refers to the purpose and use of the amenities. I would interpret this to mean that the purpose of the amenities must be related to the council’s functions as a landlord and that they are used by the council’s tenants. The guidance also states that where an amenity is used by the community as a whole the general fund should make a contribution towards its costs. It appears to me that in calculating this contribution it should be borne in mind that tenants are also members of the community. Consequently if they are using an amenity as members of the community (for example using a community centre) rather than as tenants the general fund should meet the costs rather than the housing revenue account.

### Council offices

*“Where an authority has an office which is used solely to accommodate staff responsible for managing housing revenue account properties and services, the housing revenue account should be debited with the running costs of the office. This applies even where the office is not provided under Part II of the 1989 Act; it is a management cost within the terms of item 1 of Part II of Schedule 4 with an appropriate proportion of the running costs. On the other hand, if a block of offices is charged to the housing revenue account, and is also used for purposes not related to Part II housing, then appropriate proportions of the rent and any service charges should be credited to the housing revenue account under items 1 and 2 of Part I of Schedule 4.”*

### Hostels

*“If a hostel is provided under Part II of the 1985 Act it should be accounted for in the housing revenue account. If it is not provided under any other power specified in section 74 of the 1989 Act, it must be accounted for outside the housing revenue account. When deciding where expenditure and income should fall, authorities should review the nature of the services being provided to their tenants. For example, essential care services, of the kind set out in the Housing (Welfare Services) Order 1994 (‘the 1994 Order’), should be accounted for in the General Fund (see below).”*

### Housing Welfare Services

*“Sections 126 and 127 of the Leasehold Reform, Housing and Urban Development Act 1993 empower housing authorities to provide welfare services and to account for them in the housing revenue account, if they wish. However, authorities’ discretion is not unlimited. The 1994 Order stipulates that certain welfare services cannot be charged to the housing revenue account.”*

### Essential care services

*“Under the terms of the 1994 Order, the following services must be accounted for outside the housing revenue account, with effect from 1 April 1994:*

- *Assistance with personal mobility*
- *Assistance at meal times*
- *Assistance with personal appearance or hygiene*
- *Administration of medication*
- *Nursing care*

*“Authorities are referred to the Department’s guidance note, sent to housing authorities on 27 January 1994, which contains advice on interpretation of the 1994 Order.”*

### Other welfare services

*“The Department has indicated that other housing welfare services provided by wardens should be able to be charged to the housing revenue account, but that authorities will need to consider this carefully in each case. Listed in Annex B are examples of the services which the Department considers have sufficient connection with authorities’ landlord functions to justify the costs being charged to the housing revenue account, if authorities decide that it is appropriate to do so.*

*“There can be circumstances where it is appropriate for other housing staff to be able to undertake such ancillary and incidental housing welfare services. The primary role of professional council housing management is to ensure that the housing is properly utilised, is kept in good repair and that rents are collected. But in cases of special needs, and the most difficult and challenging housing estates, the responsibility of managers covers a wide range of functions, alongside the efficient and effective delivery of the normal estate management duties. In some instances, managers may need to provide these services themselves, but often they can better act as coordinators and facilitators of services provided by other agencies.*

*“It does not necessarily follow that all the costs of these additional services should be paid for from rents or from the subsidy provided by central government to Housing Revenue Accounts. Rents are paid by tenants essentially towards housing costs, and the housing revenue account is primarily an account for the costs of meeting landlord functions. Authorities should, therefore, consider carefully which costs should be charged to their housing revenue accounts and which should be funded from elsewhere.*

*“Among the factors which should be taken into account is the extent to which the duties of housing staff contribute to an authority’s primary landlord functions, as opposed to the types of services listed in Annex B. It will be a question of examining the responsibilities of the staff concerned and assessing the time spent on the different elements. The Department takes the view that, as a general rule, authorities may charge to the housing revenue account the cost of providing housing welfare services (other than essential care services), where these are not the dominant function of the housing staff concerned. However, it is recognised that there may occasionally be circumstances which warrant a member of staff spending most or all of his or her time on associated welfare services for a particular group of tenants, as part of the more general housing service for that group. Where an authority is satisfied that this is the most cost effective option, they may choose to charge the cost to the housing revenue account.*

*“The Secretary of State is concerned that section 127 of the 1993 Act should not be used as a basis to debit the housing revenue account with the costs of services which go beyond the supplementary nature of the items in Annex B. Examples of services it is considered should not be met from the housing revenue account include estate-based employment advisory services and drug rehabilitation centres.*

*“Section 128 of the 1993 Act enables the Secretary of State to withdraw the powers in section 127. He has no plans to apply this beyond essential care services, as he expects authorities will act reasonably. If, however, the Secretary of State felt section 127 was being used in a way in which it was not intended, he would reconsider whether its scope should be narrowed further. This could be applied generally or to an individual authority.”*

Comment: The list of welfare services in annex B (below) is quite specific and the guidance makes clear that authorities should not go beyond this list.

### Non-Welfare Services and Functions

*“Where services benefit housing revenue account tenants and other people, there should be a fair apportionment of the associated costs and income between the housing revenue account and the General Fund. If the expenditure is accounted for within the housing revenue account, consideration should be given to making a pro-rata contribution to the housing revenue account from the General Fund under paragraph 3 of Part III of Schedule 4 to the 1989 Act. Authorities should also have regard to the section of the Chartered Institute of Public Finance & Accountancy’s ‘Accounting for Housing’ which deals with the treatment of service strategy and regulation costs.”*

Comment: It should be remembered that tenants can access services as tenants or as citizens and where the latter is the case it appears to me that such services should be funded by the general fund.

### Large Scale Voluntary Transfer costs

*“In working up Large Scale Voluntary Transfer proposals and balloting tenants an authority will incur various items of expenditure. The Department has reviewed previous guidance about the elements which may be charged to the housing revenue account. As a result, the Department now takes the view that the only expenditure which should be a debit to the housing revenue account (under item 1 of Part II of Schedule 4 to the 1989 Act) is that directly incurred by an authority in discharging their statutory duty to consult under section 106A of, and Schedule 3A to the 1985 Act. These consultation costs must be a debit to the housing revenue account whether or not the transfer proceeds and whether or not there is a capital receipt. No other Large Scale Voluntary Transfer related expenditure can be charged to the housing revenue account under item 1, as it is not considered to be expenditure in respect of management of property within that account.*

*“It is recognised that some authorities which have incurred expenditure on the basis of previous guidance may face difficulties in the light of the Department’s advice above. In such cases the Secretary of State will consider sympathetically applications for a special determination under item 8 of Part II of Schedule 4 to the 1989 Act (‘item 8 determinations’) to enable such authorities to debit to the housing revenue account all or some of their Large Scale Voluntary Transfer related expenditure, additional to the statutory consultation costs.*

*“All other authorities considering the Large Scale Voluntary Transfer option are expected to plan and budget on the basis of the advice set out in paragraph 28 of this Circular and such further guidance as the Department may issue. The Department is preparing additional guidance for local authorities on the treatment of Large Scale Voluntary Transfer related expenditure, which will be issued as soon as possible.”*

### Homelessness administration

*“Authorities should consult the decision of the Court of Appeal in R. v. London Borough of Ealing, ex parte Lewis, (1992) 24 HLR 484, when deciding how to account for these costs. The case decided that not all the costs associated with homelessness administration by Ealing Borough Council should be charged to the housing revenue account.”*

### Housing advisory service

*“The Court of Appeal’s decision also covered Ealing Borough Council’s costs on housing advisory services. Authorities should have regard to this aspect of the decision when considering the apportionment of costs relating to the provision of housing advice.”*

### Long leaseholders and services to common parts

*“The Department’s view is that, where a flat in a block is disposed of by an authority on a lease of more than 21 years, any income and expenditure arising in respect of that flat only, without reference to the common parts of the block or any other flat, should be accounted for outside the housing revenue account (see section 74(3)(a) and (5)(b) of the 1989 Act and section 115 of the 1985 Act). Where the lease is less than 21 years, all income and expenditure relating to the flat remains in the housing revenue account.”*

*“The common parts of a block (and any other parts of the building not disposed of by an authority) will normally continue to be accounted for in the housing revenue account. Any revenue expenditure on the parts of the building not disposed of, including for example the roof, and any income from tenants and long leaseholders towards this expenditure should therefore be accounted for within the housing revenue account (revenue expenditure includes loan charges arising from the use of borrowing or credit arrangements to finance capital works on housing revenue account property, as specified in item 8 determinations). Among the debits to the housing revenue account will be any provision for bad debts in the event of non-payment by tenants or leaseholders. While the freehold is still required to be accounted for in the housing revenue account any income and expenditure related to the freehold will still have to be credited and debited to the housing revenue account even if all the flats within the block have been disposed of on long tenancies and are not themselves properties within the account.”*

*“Special arrangements apply where long leaseholders enfranchise (see below).”*

### Leasehold enfranchisement

*“Upon enfranchisement the freehold of the block will go out of the housing revenue account, and the ensuing capital receipt will be treated as a housing revenue account capital receipt and the housing revenue account credit ceilings will be adjusted in the normal way. Where a group of long leaseholders exercise their right of collective enfranchisement under Part I of the 1993 Act the property may still contain some tenants of the authority. A local authority is obliged to lease back the flats occupied by tenants who choose not to be party to the enfranchisement. The accounting entries for the authority will be a debit to the housing revenue account in respect of any service charges payable to the new freeholder for leased back flats (such flats will be at a 999 year peppercorn rent only); and a credit in respect of rent and any service charges due to the authority from the tenants of leased back flats.”*

### Road sweeping and cleaning

*“Road sweeping and cleaning, and the clearing away of snow, are services provided for the community generally, and are not considered by the Department to be part of the housing function. Therefore, the expectation normally is that such costs should fall to the General Fund. However, it is recognised that, exceptionally, an authority may wish to charge to the housing revenue account costs incurred on estate roads provided under Part II of the 1985 Act and used almost exclusively by housing revenue account tenants and their visitors.”*

Comment: There is a clear presumption against the charging of the costs of road sweeping and cleaning to the housing revenue account.



### Dog wardens

*“The costs of employing dog wardens are also considered by the Department to be more appropriate to the General Fund, this being a service to the community as a whole. In exceptional cases, where a dog warden’s time is devoted exclusively to problems on housing revenue account estates, then the costs may be proper to the housing revenue account.”*

Comment: There is a clear presumption against the charging of the costs of dog wardens to the housing revenue account.

### Community alarm schemes

*“It is common practice for a community alarm scheme operated primarily for tenants in housing revenue account properties to be extended to provide links into the homes of private tenants and owner occupiers, given the large capacity of software systems. Where this happens the costs and any income should go to the housing revenue account and the General Fund pro-rata to the size of the user groups. The relevant powers are set out in sections 126 and 127 of the 1993 Act.”*

### Play schemes

*“The provision of play schemes for the children of housing revenue account tenants might be regarded as a reasonable application of section 127 of the 1993 Act (item (d) at Annex B reflects this), though the Department would not expect full-time play supervisors to be funded from the housing revenue account. Where the full costs were debited to the housing revenue account, and the scheme was used by the children of other people as well, a proportionate contribution should be made to the housing revenue account, in accordance with paragraph 3 of Part III of Schedule 4 to the 1989 Act.”*

### Housing Benefit

*“Housing benefit can be in the form of either rent rebates or rent allowances. Rent rebates which are granted to housing revenue account tenants, are debits to the housing revenue account, while rent allowances, which are paid to private tenants, are debits to the General Fund. Not all rent rebates are accounted for in the housing revenue account. For example those granted to tenants of board and lodging, licensed or short term non-housing revenue account leased accommodation are accounted for in the General Fund.*

*“Where another organisation, such as a housing association, manages housing owned by an authority, there is the question of which account should carry the cost of any housing benefit. If the local authority remains the landlord of the housing and the rent is therefore due to the authority (even if collected by the housing association) the housing benefit will take the form of rent rebates. This also applies under housing management compulsory competitive tendering and where tenant management organisations are formed.*

*“If a housing association or other organisation leases or acquires the property and the rent is due to that body as the landlord, the tenants will be private tenants eligible for rent allowances and the costs will appear in the General Fund. This is so even if the properties in question remain in the housing revenue account on a lease of less than 21 years. Under the Social Security Administration Act 1992 rent rebates can only relate to rent due to a housing authority where the authority has a landlord interest. Where the rent is not due to a housing authority rent allowances apply.*

*“The cost of administering rent rebates (whether for housing revenue account tenants or others) and rent allowances falls to the General Fund in all circumstances.*

Comment: Since 2004 the cost of rent rebates have no longer been debited to the housing revenue account as the Local Government Act 2003 provided that all housing benefit expenditure should be accounted for in the general fund.

#### Housing management compulsory competitive tendering

*“Article 2 of the Local Government Act 1988 (Competition) (Defined Activities) (Housing Management) Order 1994 (S.I. 1994/1671) sets out the tasks and properties which are subject to housing management compulsory competitive tendering. The property which is subject to housing management compulsory competitive tendering is housing accommodation (except hostels) provided by an authority under Part II of the 1985 Act, including garages, parking spaces and outhouses. Therefore, housing management compulsory competitive tendering expenditure and income should usually be accounted for in the housing revenue account, including start-up and monitoring costs. An exception is income and expenditure in connection with accommodation held under short term leases of less than three years, where the lease has been acquired, renewed or varied since April 1992. This has to be accounted for outside the housing revenue account.*

*“If an authority appropriates property out of the housing revenue account, in most cases such property would also no longer be subject to housing management compulsory competitive tendering.*

*“Where housing management compulsory competitive tendering work includes non-housing revenue account property or activities then there should be an appropriate apportionment of expenditure and income between the housing revenue account and the General Fund. This applies to start up costs, the work itself, and the costs of monitoring.”*

Comment: The Compulsory Competitive Tendering legislation referred to in these paragraphs has since been repealed.

#### Surpluses made by Direct Service Organisations

*“Where surpluses are earned by Direct Service Organisations on housing revenue account-related work (ie work to or in connection with property accounted for within the housing revenue account) in 1993–94 onwards, housing authorities have the opportunity to credit all or part of the surpluses to the housing revenue account. Authorities wishing to do so must first apply to the Secretary of State for a direction under item 9 of Part I of Schedule 4 to the 1989 Act. Each application will be considered on its merits. But the Secretary of State will be looking for clear evidence that the authority’s external auditor is satisfied that the amount concerned does not exceed what is reasonably attributable to housing revenue account-related surpluses earned by the Direct Service Organisation across all the work undertaken in the year. The sum would need to be net of any deficits incurred by the Direct Service Organisation on housing revenue account-related work.*

*“The basis of attribution will, to an extent, depend upon an authority’s financial systems. It should be based on the historic cost surplus and, as a minimum requirement, an authority will be expected to identify the amount of the Direct Service Organisation’s annual turnover (as defined in section 9 of the Local Government Act 1988) attributable to housing revenue account-related work and to apportion surpluses by the same ratio. Where an authority’s financial information system enables more precise attribution this should be used.*

*“Any application to transfer housing revenue account-related deficits to the housing revenue account will be considered on its merits, but there is a strong presumption against granting such requests.”*

Comment: Direct Service Organisations were originally established under compulsory competitive tendering legislation that has now been repealed. However, where a local authority opts to use an internal trading unit to provide services such as grounds maintenance this guidance still appears to apply.

### The Right to Manage

*“A management and maintenance allowance paid to a tenant management organisation is usually a debit to the housing revenue account, under item 1 of Part II of Schedule 4 to the 1989 Act, as is expenditure on the development, start-up and monitoring of Right to Manage and the costs of liaison with tenant management organisations. Rents and service charges due to an authority from the tenants of a tenant management organisation are credits under items 1 and 2 of Part I of Schedule 4. In the event that the management and maintenance allowance paid to the tenant management organisation covers functions not accounted for in the housing revenue account, the cost would need to be apportioned between the housing revenue account and the General Fund.”*

### Statutorily Permitted Transfers Across the Ring-Fence

*“Although, as a general principle, authorities do not have discretion to transfer expenditure and income between the housing revenue account and the General Fund, there is a limited number of specific instances where this can or sometimes must occur. The relevant statutory provision is Schedule 4 to the 1989 Act and authorities should have particular regard to paragraph 3 of Part III of that Schedule. This Circular refers to several examples where transfers are appropriate or required, and further details are set out in the Housing Revenue Manual published by the Department.”*

Comment: These provisions have recently been used by five local authorities to transfer balances from the housing revenue account to the general fund.

### Financial Considerations

*“This Circular reaffirms the extant principles in legislation, and those of proper accounting practices, on the keeping of the housing revenue account. It introduces no new principles and it does not impose any new burden on local authorities’ general funds in respect of costs which should not already be there. Consequently, there is no intention to make any adjustments to public expenditure provision between housing revenue account Subsidy and Revenue Support Grant.”*

### Annex A: Other Sources of Information

This annex provides a list of other sources of information as follows:

- The Department of the Environment’s Housing Revenue Manual.
- the Chartered Institute of Public Finance & Accountancy’s ‘Accounting for Housing’.
- the Chartered Institute of Public Finance & Accountancy/LASACC Code of Practice on Local Authority Accounting in Great Britain; a statement of Recommended Practice (published September 1993). Authorities are required to adhere to this code of accounting practice under the Local Government and Housing Act 1989.
- Local Authority Accounting Panel (LAAP) Bulletin No 2/June 1992; The Management of Overheads in Local Authorities. This is a guidance note which authorities are expected to follow, as good practice.

- The Chartered Institute for Housing's 'Housing Management Standards Manual'.

### Annex B: Welfare Services

This annex provides a list of welfare services as follows:

- Counselling, monitoring and support in connection with tenants' well being, health and personal needs
- Monitoring and alarm schemes, in place to reflect increased personal dependency/frailty of tenants
- Cleaning tenants' rooms and windows, and their laundry services, reflecting their reduced ability to do so themselves
- Organising social/leisure activities and functions
- Liaising with medical/social services staff/GPs about tenants' needs
- Providing and supervising restaurants/meals and ancillary services
- Counselling and liaising with relatives
- Running regular errands because tenants are unable to do so themselves
- Administering first aid
- Responding to out of hours calls by tenants

### **Conclusions**

The principle behind the ring-fence is that where an authority is acting as a landlord its income and expenditure should be accounted for in the housing revenue account whereas where it is acting as a multi-purpose local authority its income and expenditure should be accounted for in the general fund.

It appears to me that a good test to use in determining where to charge expenditure is whether the authority would continue to incur the expenditure should it transfer its housing stock to a housing association. If it would continue to incur the expenditure then it should be charged to the general fund. If responsibility for the expenditure would transfer to the housing association then the expenditure should be charged to the housing revenue account.

Another relevant question would appear to be whether the service in question is available only to tenants or if tenants receive a higher standard of service than other citizens. If this is the case then all or part of the expenditure should be charged to the housing revenue account, if not then the expenditure should be charged to the general fund.

Unfortunately, we appear to be living in an age of 'creative accounting' where local authorities are making full use of the flexibilities provided by 'localism' rather than by considering the principles behind the legislation and the guidance. I hope that this briefing paper will help to highlight these principles to the advantage of local authorities and their tenants.

**Adrian Waite**  
**December 2013**

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## **All You Want to Know about Local Authority Housing Finance 2014**

**February / November 2014**

We are running our 2014 series of 'All You Want to Know about Local Authority Housing Finance' at venues in all parts of England from February to November. This seminar and workshop is designed to give an introduction and overview to this important subject and is fully up to date with all developments.

This seminar and workshop is designed for people who are not experts in housing finance, but who need to understand the basics and achieve an overview of what is going on. It is suitable for councillors, housing managers, tenant representatives and finance staff who have limited experience of local authority housing finance and others who realise that an understanding of housing finance can place them at an advantage – especially when considering the financial opportunities that exist for local authority housing!

Do you think that a working knowledge of local authority housing finance would put you and your colleagues in a position of advantage?

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The session will answer the following questions:

- How does the Housing Revenue Account work?
- How does the Housing General Fund work?
- What are the Implications of Self-Financing?
- What are the Financial Opportunities for Local Authority Housing?

The session includes a participatory case study and is accompanied by a very useful 100 page book that is designed for reference after the session entitled:

**“All You Want To Know About Local Authority Housing Finance 2014”**

### **Venues and Dates:**

**London:** Novotel Hotel, Waterloo – 26<sup>th</sup> February 2014.

**North:** Cedar Court Hotel, Huddersfield – 10<sup>th</sup> June 2014.

**London:** Novotel Hotel, Waterloo – 11<sup>th</sup> November 2014.

The seminar is also available in-house.

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Services that we offer include:

- Management Consultancy – <http://www.awics.co.uk/ManagementConsultancy.asp>
- Interim Management – <http://www.awics.co.uk/interimmanagement.asp>
- Regional Seminars - <http://www.awics.co.uk/seminars2014.asp>
- In-House Training - <http://www.awics.co.uk/inHouseCourses.asp>
- Independent Residents' Advice – <http://www.awics.co.uk/IndependentTenantAdvice.asp>
- Technical Books - <http://www.awics.co.uk/TechnicalBooks.asp>
- Information Service - <http://www.awics.co.uk/informationsservice.asp>