To: Chief Finance Officer

26 November 2013

Dear Sir/Madam

TRANSFER OF FUNDS FROM THE HOUSING REVENUE ACCOUNT TO THE GENERAL FUND

It has been brought to the Department’s attention that a number of authorities may have sought to transfer funds from their ring-fenced Housing Revenue Account to the General Fund using the power in Schedule 4, Part 3 (2) of the Local Government and Housing Act 1989, ahead of the repeal of that power (in relation to England) on 1 October 2013. This letter seeks to remind local authorities of the purpose of the Housing Revenue Account ring-fence and requests information from authorities about the possible transfer of funds.

As you are aware the Housing Revenue Account is a ring-fenced account within the authority’s General Fund, which means that local authorities have no general discretion to transfer sums into or out of it. The items to be credited and debited to your Housing Revenue Account are prescribed by statute. These include expenditure and income relating to property listed in section 74 of the Local Government and Housing Act 1989 and Schedule 4 to the 1989 Act (as amended) which specifies the debit and credit items to be recorded in the Housing Revenue Account. Permissible debit items include expenditure on repairs, maintenance and management, capital expenditure and rents, rates, taxes and other charges. Permissible credit items include rents, charges for services and facilities and contributions towards expenditure. The Secretary of State has powers to determine or direct that other items may be credited and debited to the Housing Revenue Account.

One of the main purposes of the ring-fence continues to be to ensure that rents paid by local authority tenants accurately and realistically reflect the cost of providing the housing service. Funds held within the Housing Revenue Account should not be used to cover the costs of other council services.

The Department is therefore concerned that authorities may have sought to use the provision in Schedule 4 Part 3 (2) of the 1989 Act to transfer funds to the General Fund. The Department is considering whether it would be appropriate, where funds have been transferred, to determine or direct that such funds should be returned to the Housing Revenue Account. The Department recognises that an authority may have had legitimate reasons for the transfer of such funds and therefore requests the following information in order to ascertain what, if any, further action should be taken:
i. Whether funds have been transferred to the General Fund from the Housing Revenue Account and, if so, the amounts that have been transferred;

ii. Whether any transfer of funds has been reflected in your audited accounts for 2012-13; and

iii. What powers the authority has relied upon for any transfer of funds from the Housing Revenue Account to the General Fund and the reasons for the transfer.

I would be grateful if you could respond to this letter by the 10th of December. In view of the Department’s consideration of transfers of funds from the Housing Revenue Account to the General Fund on reliance of Schedule 4, Part 3 (2) of the Local Government and Housing Act 1989, authorities may wish to consider the appropriateness of using such funds until the Department’s considerations are complete.

Yours faithfully,

Jane Todorovic