



Ministry of Housing,
Communities &
Local Government

The Rt Hon James Brokenshire MP
*Secretary of State for Housing, Communities and
Local Government*

**Ministry of Housing, Communities and Local
Government**
Fry Building
2 Marsham Street
London
SW1P 4DF

Chief Executives
Stock owning local housing authorities

Tel: 0303 444 3450
Email: james.brokenshire@communities.gsi.gov.uk

www.gov.uk/mhclg

18 October 2018

Removing the Housing Revenue Account borrowing cap

Dear colleague

Following the recent announcement by the Prime Minister that we are removing the Housing Revenue Account borrowing cap to enable councils to build more homes, I am writing to all stock owning local authorities about the next steps in delivering this commitment.

In my conversations with local authorities the borrowing cap was mentioned as the biggest barrier to councils building new homes. Recognising this, in June I launched a £1bn programme for local authorities in areas of high affordability pressure areas to bid for additional borrowing. I am pleased that so many councils took the opportunity to bid for a share of the available additional borrowing. This was very helpful in demonstrating the scale of local authority ambitions ahead of the Prime Minister's announcement.

I was also very pleased that the Prime Minister's announcement received such a positive reaction from local authorities. This reaffirms local authorities' appetite to deliver a new generation of council homes.

We intend to remove the borrowing cap by issuing a determination revoking previous determinations that specified a local authority's limits on indebtedness. We must consult local authorities, representative of local government, and relevant professional bodies before issuing this determination. Accordingly, I attach a draft of the determination that we are intending to make. If you, or a member of your team, identifies any issues with the wording of the attached draft determination it would be helpful if my officials could be alerted as soon as possible, and no later than 24th October, by emailing: HRABorrowing@communities.gov.uk.

Following consultation, our aim is to remove the borrowing cap as soon as possible, with further details confirmed in the Budget.

If you require any further information or have any questions I would be grateful if they could be emailed to: HRABorrowing@communities.gov.uk.

A handwritten signature in blue ink, appearing to read 'James Brokenshire', written in a cursive style.

RT HON JAMES BROKENSHERE MP



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The Limits on Indebtedness (Revocation) Determination 2018 – draft



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Ministry of Housing, Communities and Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF
Telephone: 030 3444 0000

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The Limits on Indebtedness (Revocation) Determination 2018 - draft

The Secretary of State, as respects all local housing authorities in England, in exercise of the powers conferred by section 87 of, and item 8 of Part I and item 8 of Part II of Schedule 4 to, the Local Government and Housing Act 1989 and sections 171 and 173 of the Localism Act 2011, after consulting such representatives of local government and relevant professional bodies as appear to the Secretary of State to be appropriate, makes the following determination—

1. Citation, commencement, revocation and interpretation

This determination may be cited as the Limits on Indebtedness (Revocation) Determination 2018 and comes into force on 30 October 2018.

2. Revocation of the Limits on Indebtedness Determinations

The determinations specified in the Schedule are revoked.

3. Amendment of the Housing Revenue Account Self-Financing Determinations

3.1 The Housing Revenue Account Self-Financing Determinations is amended as follows.

3.2 In paragraph 1.1 omit the second sub-paragraph which begins “The Limits on Indebtedness Determination”.

4. Amendment of the Item 8 Credit and Item 8 Debit (General) Determination

4.1 The Item 8 Credit and Item 8 Debit (General) Determination dated January 2017 is amended as follows.

4.2 In paragraph 1.2, omit the sub-paragraph “The Limits on Indebtedness Determination”.

4.3 In paragraph 2, after the definition of financial year, insert—

“housing land” means any land, house or other building in relation to which the local authority is, or has been, subject to the duty under section 74 of the Local Government and Housing Act 1989 (c. 42) (duty to keep Housing Revenue Account).”

4.4 After paragraph 2 insert—

“3. Calculation of the Housing Revenue Account Capital Financing Requirement

The Housing Revenue Account Capital Financing Requirement (“HRA CFR”) is calculated in accordance with the Schedule.”

4.5 After the signatory text insert—

“Schedule

1. Calculation of the Housing Revenue Account Capital Financing Requirement

The Housing Revenue Account Capital Financing Requirement (“HRA CFR”) is calculated in accordance with paragraphs 2 to 4.

2. Opening HRA CFR for the financial year beginning on 1 April 2018

The opening HRA CFR for the financial year beginning on 1 April 2018 is equal to the closing HRA CFR for the financial year beginning on 1 April 2017, calculated in accordance with Annex A of the Limits on Indebtedness Determination 2012.

3. The opening HRA CFR for a financial year beginning on or after 1 April 2019

The opening HRA CFR for a financial year beginning on or after 1 April 2019 is equal to the closing HRA CFR for the previous financial year, calculated in accordance with paragraph 4.

4. The closing HRA CFR for a financial year beginning on or after 1 April 2018

The closing HRA CFR for a financial year beginning on or after 1 April 2018 is calculated in accordance with the following formula:

$$\text{Closing HRA CFR} = A + B + C - D$$

Where—

A = the opening HRA CFR on 1 April of that financial year

B = the capital expenditure of the local authority financed by borrowing or credit arrangements which was incurred during the current financial year on any interest in housing land; and

C = the certified value of any interest in a housing land which commenced or recommenced to be accounted for in the Housing Revenue Account during the current financial year for a reason other than acquisition by the local authority;

$$D = E + F + G + H + I + J$$

Where—

E = such part of any capital receipt from the disposal of an interest in housing land which was used during the current financial year to repay the principal of any amount borrowed by the local authority or to meet any liability in respect of credit arrangements;

F = such part of any capital receipt from the disposal of an interest in housing land which was used during the current financial year to meet capital expenditure on:

- any asset for which it does not have a duty to account in the Housing Revenue Account as required by Part VI of the Local Government and Housing Act 1989 except where the capital expenditure is used to provide affordable housing or regeneration projects; or
- the purposes set out in regulations 23(h), 23(i) or 23(j) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended), except where the obligation under regulation 23(i) relates to an asset for which it has a duty to account for in the Housing Revenue Account as required by Part VI of the Local Government Act 1989,

other than a receipt to which the Schedule to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 applies or a qualifying disposal;

G = the amount of any payment made by the Secretary of State to the Public Works Loan Board as a result of the disposal of housing land less the part used to pay premiums on the early redemption of loans;

H = the certified value of any interest in housing land, that ceased to be accounted for in the Housing Revenue Account during the current financial year other than by virtue of disposal by the local authority;

I = the amount of the provision for the repayment of the principal of any amount borrowed by the local authority or the meeting of any liability in respect of credit arrangements which the local authority determined during the current financial year to make from the Housing Revenue Account; and

J = the amount of the provision for the repayment of the principal of any amount borrowed by the local authority or the meeting of any liability in

respect of credit arrangements which the local authority determined during the current financial year to make from the major repairs reserve.

5. Interpretation

In this Schedule—

“credit arrangements” means credit arrangements other than those made in connection with an HRA PFI scheme approved by the Secretary of State for Housing, Communities and Local Government or the Secretary of State for Communities and Local Government.

“provision of affordable housing” means the provision of dwellings to meet the housing needs, as identified by the local housing authority, of persons on low incomes, whether provided by the authority or a private registered provider of social housing;

“qualifying disposal” means a disposal of an interest in housing land where the Secretary of State has given consent to the disposal under section 32 or 43 of the Housing Act 1985 and to which Schedule 3A to Housing Act 1985 (Consultation before disposal to private sector landlord) applies;

“regeneration project” means any project for the carrying out of works or activities on any land where—

- the land or building on the land is vacant, unused, ineffectively used, contaminated or derelict; and
- the works or activities are carried out in order to secure that the land or the building will be brought into effective use.”

Signed by authority of the Secretary of State for Housing, Communities and Local Government

Ministry of Housing, Communities and Local Government

Schedule

The Limits on Indebtedness Determination 2012

The Limits on Indebtedness Determination 2013

The Limits on Indebtedness Determination 2012 – Amending Determination 2013
(No. 2)

The Limits on Indebtedness Determination 2015

The Limits on Indebtedness (Amendment) Determination 2018

The Ashford Borough Council (Limits on Indebtedness) Determination 2015

The Babergh District Council (Limits on Indebtedness) Determination 2015 date March 2015

The Babergh District Council (Limits on Indebtedness) Determination 2015 dated February 2016

The Basildon District Council (Limits on Indebtedness) Determination 2015

The Birmingham City Council (Limits on Indebtedness) Determination 2016

The Cannock Chase District Council (Limits on Indebtedness) Determination 2015

The Cheshire West and Chester Council (Limits on Indebtedness) (No. 2) Determination 2015

The City of Westminster (Limits on Indebtedness) Determination 2018
The Dudley Metropolitan Borough Council (Limits on Indebtedness) (No.3) Determination 2015

The Eastbourne Borough Council (Limits on Indebtedness) Determination 2015

The Exeter City Council Limits on Indebtedness (Amendment) Determination 2018

The Guildford Borough Council (Limits on Indebtedness) (No. 2) Determination 2015

The Hartlepool District Council (Limits on Indebtedness) Determination 2016

The Leeds City Council (Limits on Indebtedness) (No. 2) Determination 2015

The Lewes District Council (Limits on Indebtedness) (No. 2) Determination 2015

The London Borough of Barking and Dagenham (Limits on Indebtedness) Determination 2015

The London Borough of Camden (Limits on Indebtedness) Determination 2015

The London Borough of Ealing (Limits on Indebtedness) Determination 2017

The London Borough of Ealing (Limits on Indebtedness) Determination 2018

The London Borough of Hackney (Limits on Indebtedness) Determination (No. 2) 2018

The London Borough of Harrow (Limits on Indebtedness) Determination 2015

The London Borough of Harrow (Limits on Indebtedness) Determination 2018 (No. 2) dated August 2018

The London Borough of Lambeth (Limits on Indebtedness) Determination 2015

The London Borough of Lambeth (Limits on Indebtedness) Determination (No. 2) 2015

The London Borough of Sutton (Limits on Indebtedness) Determination 2015

The London Borough of Sutton (Limits on Indebtedness) Determination 2016

The London Borough of Sutton (Limits on Indebtedness) Determination (No. 2) 2018

The London Borough of Tower Hamlets (Limits on Indebtedness) Determination 2015

The London Borough of Tower Hamlets (Limits on Indebtedness) Determination (No. 2) 2015

The London Borough of Waltham Forest (Limits on Indebtedness) Determination 2015

The London Borough of Westminster (Limits on Indebtedness) Determination 2018

The Luton Borough Council (Limits on Indebtedness) Determination 2018

The Mid Suffolk District Council (Limits on Indebtedness) Determination 2015 dated March 2015

The Mid Suffolk District Council (Limits on Indebtedness) Determination 2015 dated March 2016

The Milton Keynes Council (Limits on Indebtedness) (No. 2) Determination 2015

The North Kesteven District Council (Limits on Indebtedness) (No. 2) Determination 2015

The Northampton Borough Council (Limits on Indebtedness) Determination 2015

The Northumberland County Council (Limits on Indebtedness) (No. 2) Determination 2015

The Norwich City Council (Limits on Indebtedness) Determination 2014/15

The Portsmouth City Council (Limits on Indebtedness) Determination (No.2) 2015

The Portsmouth City Council (Limits on Indebtedness) Determination 2016

The Royal Borough of Kensington and Chelsea (Limits on Indebtedness) Determination 2018

The Sedgemoor District Council (Limits on Indebtedness) Determination 2017

The Sheffield City Council (Limits on Indebtedness) (No. 2) Determination 2015 dated 8 June 2015

The Sheffield City Council (Limits on Indebtedness) (No. 2) Determination 2015 dated March 2016

The Sheffield City Council (Limits on Indebtedness) Determination 2016

The Thanet District Council (Limits on Indebtedness) Determination 2015

The Thurrock Council (Limits on Indebtedness) (No. 2) Determination 2015

The West Lancashire Borough Council (Limits on Indebtedness) Determination 2015

The Wiltshire Council (Limits on Indebtedness) (No. 2) Determination

The Winchester City Council (Limits on Indebtedness) Determination 2015