

HOUSING CORPORATION

CIRCULAR

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# Abolition of Rent Surplus Fund

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SPRING 2005



## THIS CIRCULAR IS FOR THE ATTENTION OF:

- Registered Social Landlords; more than 250 properties
- Registered Social Landlords; less than 250 properties
- Co-ownership Societies
- Co-ownership Equity Sharing Societies
- Almshouse Charities
- Abbeyfield Societies
- Co-operatives
- Local Authorities
- Registered Social Landlords' Auditors
- Registered Social Landlords' Solicitors

## SUMMARY

Announces the end of the Rent Surplus Fund

### 1 LEGISLATION, REGULATION AND POLICY REQUIREMENTS

Housing Act 1988, Housing Act 2004  
This circular replaces circular numbers 02/98 and 20/98

### 2 DEFINITIONS

**Background**  
Section 55 of The Housing Act 1988 introduced the requirement that surpluses arising from registered housing associations' increased rental income on pre-1988 grant funded stock should be shown separately in their accounts, in a fund to be known as the Rent Surplus Fund (RSF), and that the balances in that fund might be repayable on demand.

Under powers delegated to it, the Corporation determined the method for calculating RSF, and that it should be restricted to being used to fund certain types of major repair work to that stock on which the rental surplus had arisen.

Over the years, the method of calculation of RSF has changed and the Corporation recognised that it had become increasingly divorced from the actual surpluses being made by associations.

In order to remove the statutory requirement for RSF, it was necessary for primary legislation to be passed and Schedule 11 of the Housing Act 2004 does this.

### 3 CORPORATION EXPECTATIONS

Rent Surplus Fund ceases to be a statutory requirement on 18 January 2005.

With effect from that date, calculation of RSF and submission of the RSF return to the Corporation is no longer a regulatory requirement.

The RSF restricted reserve should not be retained and associations should:

- Transfer any balance held in this reserve to their unrestricted reserves. Whilst we expect most associations will want to transfer the RSF balance to their accumulated surplus, we accept that some may prefer to transfer all or part of it to a designated reserve. Either option is acceptable.
- Show the transfer from reserves in their financial statements in the same way that they would normally show a transfer to or from reserves.
- Provide sufficient description in the financial statements allow readers of the accounts to understand what has happened within the reserves.

### 4 ASSESSING COMPLIANCE

Compliance with this circular will be assessed through the review of associations' statutory accounts.

### 5 ENQUIRIES ABOUT THIS CIRCULAR SHOULD BE DIRECTED TO:

A member of the Financial Appraisal team at the association's local Housing Corporation field office.

Note: **Housing association** is used as a generic term for registered social landlords.  
**Corporation** means Housing Corporation.

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