

## The House Sales Scheme

**GUIDANCE NOTES:**  
Effective From 2 June 2008

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### Appendix: 1 to Part 7

## CONTENTS

	<b>Page</b>
<b>1.00 Introduction</b>	<b>1</b>
<b>2.00 Exemptions</b>	<b>1</b>
<b>3.00 Applications to Purchase</b>	<b>2</b>
<b>4.00 Purchase Price</b>	<b>2</b>
<b>5.00 Calculation of Discount</b>	<b>2</b>
<b>6.00 Conditions on Resale/ Buy Back Options for Housing Associations</b>	<b>3</b>
<b>7.00 Objective Timescales for the House Sales process</b>	<b>3</b>
<b>8.00 Calculation of Historic cost</b>	<b>3</b>
<b>9.00 Improvements and Adaptations</b>	<b>4</b>
<b>10.00 Verifiable Calculations</b>	<b>4</b>
<b>11.00 Allowable Costs</b>	<b>5</b>
<b>12.00 Departmental Procedures</b>	<b>5</b>
<b>13.00 Voluntary Purchase Grant (VPG)</b>	<b>5</b>
<b>Annex A Scheme for the Sale of Dwelling-Houses by Registered Housing Associations (including accompanying Appendix 1)</b>	<b>6</b>
<b>Annex B Historic Cost Calculation</b>	<b>14</b>
<b>Annex C Flow Chart – Calculation of Actual Selling Price</b>	<b>15</b>
<b>Annex D Form CIP1 – Application for Consent to Dispose of a Property.</b>	<b>16</b>

## 1.00 INTRODUCTION

**NB This is the guidance that originally issued to Housing Associations in June 2005. Further guidance will be issued following consultation on the review of the House Sales Scheme.**

1.01 The Statutory House Sales Scheme - the Housing (Northern Ireland) Order 2003, includes provisions which give the Department for Social Development (DSD) the power to draw up a House Sales Scheme, for Associations to offer for sale or lease to their secure tenants the dwelling houses occupied by those tenants; and places a statutory obligation on Associations to operate the sales scheme.

1.02 A copy of the Statutory Scheme - which Associations must apply with effect from 12 October 2004, is attached at Annex A. The Statutory Scheme sets out clearly the provisions which apply and this guidance is intended to supplement the scheme by providing some additional clarification on issues where there may be some scope for ambiguity.

1.03 Eligibility to Purchase – the Statutory Scheme sets out clearly the category of tenants eligible to purchase and the type of dwellings which are eligible to be purchased. Tenants wishing to purchase must:

- Have a minimum of 5 years as a secure tenant of the Association, Northern Ireland Housing Executive (NIHE) or one of the bodies mentioned in the Appendix to Annex A.

[Notes:

(1) *For the purposes of the scheme time spent as an introductory tenant counts in this regard.*

(2) *Squatters and those under investigation as regards anti-social behaviour are exempted. Tenants who are in rent arrears will not be excluded on these grounds but their application will be allowed to proceed to completion stage. However no sale will be completed until all arrears whether rent or any other payment due from them as a secure tenant have been paid. For the purposes of the scheme, rent arrears is defined as two weeks or more for non payment of rent or rates, heating charge (if any) or any other rent account debit.]*

1.04 Disposals Proceeds Fund and Replacement Properties – in operating the House Sales Scheme Associations must transfer the net surplus on sales together with the VPG received to an account - Disposals Proceeds Fund (DPF - which can only be used for the purposes of providing replacement properties (as defined)). The proceeds of the House Sales Scheme must not be used to reduce the Association's private finance requirements for new schemes funded through HAG and may only be used for the purposes of providing replacement properties.

*[Note: Details of the operation of the DPF and the definition of and requirements for replacement properties are contained in Appendix: 2 to Part 7.]*

## 2.00 EXEMPTIONS

2.01 Sheltered Accommodation - in recognition of the fact that Associations have a wide variety of sheltered accommodation properties, the scheme includes a more general exemption for group housing schemes for persons with particular needs, than that contained in the NIHE scheme. To qualify for this exemption, any individual house must be part of a group of houses which have been designed for persons with particular needs where either:

- The houses are provided with, or situated near, special facilities for use by their tenants; and/or
- The tenants of the houses are provided with housing support services, i.e., services which provide support, assistance, advice or counselling to an individual with particular needs which are necessary for them to live independently in their house.

2.02 Group Housing Schemes - the practical effect of this is to exempt all group housing schemes for persons with particular needs including, but going beyond simply sheltered housing. The view of the DSD is that houses in group housing schemes do not necessarily need to be physically contiguous, providing the other tests are met but that the houses in question would need to have facilities and services which go beyond the inclusion of a simple call system to qualify for the exemption.

2.03 Bungalows - the scheme also makes it clear that all bungalows with 2-bedrooms or less are exempted from the scheme. This is a significant change from the Voluntary Sales Scheme and it should be noted that the rules about the age of tenants and the commencement dates of their tenancies are no longer relevant.

### 3.00 APPLICATIONS TO PURCHASE

3.01 Those Tenants wishing to purchase their homes - must apply in writing to the Association. The Association, in considering the application, will make the necessary checks to ensure that the tenant is eligible to purchase (see also Para 5.02 below). The tenant will be notified of the purchase price within 12 weeks of making the application. Tentative enquiries such as telephone calls do not constitute an application. The Association should point this out to the tenant and make them aware of the correct application procedure.

### 4.00 PURCHASE PRICE

4.01 The Scheme states - that the purchase price shall be the market value less any available discount (see also Para 5.01 below). Market value must be assessed by an independent qualified Valuer (see Appendix: 1 to Part 4, Para 2.04) as at the date of the application to purchase. The valuation will take into account and make appropriate deductions for any improvements carried out by the tenant. Tenants will be responsible for paying the valuation fee and also, if requested, an assessment fee (see Para 4.02 below). On completion of the sale of the property, the Association will reimburse to the tenant the fee for the valuation and, if applicable, the fee for the reassessment used in the transaction. Associations can reclaim, as an allowable cost, the fee for the valuation used in the completed sale which will be deducted from the overall VPG figure to create a net surplus for the purposes of the Disposals Proceeds Fund (see Para 13.01 below).

4.02 The Applicant - should be given 6 weeks to confirm that they wish to purchase the property. If they are not satisfied with the valuation they can request an assessment of the valuation by the District Valuer of the Land & Property Services (formerly Valuation and Lands Agency (VLA)). Any request for an assessment should be made within 4 weeks of an offer being made. The District Valuer's determination on the valuation is binding on both parties.

4.03 The Market Valuation - for all valued properties is only valid for six months after the date the letter has been issued by the valuing agent. If the sale has not been progressed within this time period a new valuation will be required, with all calculations being based on the new valuation. Where there is a new valuation Associations should seek new consent in principle. In view of this requirement:

- Associations are asked to note that if legal documentation has not been received by the DSD within 6 months following the date of issue of the DSD's "consent in principle", that consent will automatically expire.
- If the Association considers there to be extenuating reasons why the sale could not be progressed during this period, an application for extension of the consent period should be made in writing to the DSD, with a full explanation of the steps taken to progress the sale. Extensions will normally only be granted in cases where the tenant cannot be held responsible for the delay.
- Where no application for extension is made, or an extension is refused, the application to purchase lapses.

*[Note: The DSD should be notified in writing as soon as possible of all applications to purchase which lapse or do not proceed for any other reason.]*

### 5.00 CALCULATION OF DISCOUNT

5.01 The scheme - sets out clearly the methodology for calculating discount. After a minimum of 5 years as a secure tenant initial discount is 20% of the market value and this increases by 2% per year to a maximum of 60% or £24,000 whichever is lower. The discount should not, however reduce the price below the historic cost. The historic cost is the amount, which is to be taken as representing so

much of the costs incurred in the provision, improvement or acquisition of the dwelling as is to be treated as incurred in the relevant period (the financial year in which the application to purchase is made and in the 10 previous financial years). If the market value price before discount is below the historic cost figure there shall be no discount and the purchase price shall be the market value price.

[Notes:

- (1) Details of how to how to calculate the historic cost can be found at 9.00 below and at Annex B.
- (2) A flow chart is provided at Annex C to help calculate the actual selling price.]

5.02 **Associations should not assume** - that tenancies with any Registered Housing Association/ Registered Social Landlord in Britain should be counted for discount purposes but should take account of the important distinction which must be drawn between those Registered Housing Associations/ Registered Social Landlords in Great Britain which have charitable status and those which have non-charitable status. The tenant will be required to provide sufficient proof of having lived at a property. Relevant documents would include old Rent Books, phone, electricity or gas bills which would include the name and address of the applicant.

## 6.00 CONDITIONS ON RESALE/BUY BACK OPTIONS FOR HOUSING ASSOCIATIONS

6.01 **Repayment of Discount** - the scheme sets out the arrangements for repayment of discount in the event of a resale and the buy back option for Housing Associations. Tenants or their successors must pay back the entire discount should they sell within 5 years of purchase (see Para 6.0 of Annex A). Associations shall place any repayment of discount received in the Disposals Proceeds Fund.

6.02 **Should a tenant or their successor decide to sell within 10 years** - the property must be offered to the original landlord. Where the original Association does not wish to repurchase a property, but there is an acknowledged housing need, that Association should engage with other Associations, within 3 weeks, to determine whether they wish to purchase the property. Associations should ensure that this process does not unduly delay the sale of the property. The vendor is responsible for the payment of the valuation fee but if the Association is not satisfied with the valuation they will be liable for the payment of the assessment fee charged by the District Valuer of the Valuation and Lands Agency.

[Note: Associations must ensure - that leases and other relevant documents allow for these conditions of repurchase.]

## 7.00 Objective Timescales For The House Sales Process

7.01 **The DSD expects Associations** - to process all applications to purchase within a reasonable timeframe. The following timetable is indicative of what is required:

Application to Offer	12 weeks
Tenant Acceptance Period	6 weeks (4 weeks to request the determination of the market value by District Valuer, if the valuation is disputed)
Acceptance of Offer to Issue of Contract	8 weeks
Tenant Acceptance of Contract	8 weeks to return
Legal Documentation to DSD for Endorsement	2 weeks

## 8.00 CALCULATION OF HISTORIC COST

8.01 **Historic Cost** - is calculated by totalling all the costs that have been expended on the property which is being applied for under the House Sales Scheme. In determining the historic cost, account must be taken of the provision and acquisition costs associated with the property – i.e., the total costs incurred to build the particular property or, alternatively, the total costs incurred to purchase and make the property habitable for tenants. Total costs are based on the Total Qualifying Costs and Non-Qualifying Costs of the Scheme as a whole. These amounts should be based on the initial Scheme Application forms (such as the SN1/TA1 Form) detailing Qualifying Costs.

[Note: see Annex B for typical examples of historic cost calculation.]

**8.02 Costs pertaining to the provision of a property** - are only relevant if the property was built or purchased and made habitable, or substantially improved with the practical completion date being within the relevant period (the financial year in which the application to purchase is made and in the 10 previous financial years). These overall Scheme costs should be apportioned based on the Initial NAV of the individual property as a percentage of the Total Initial NAV of the scheme. NAV values should be based on the Initial NAV of the property and scheme respectively when it was built or purchased. This is to ensure an accurate percentage can always be recorded against each scheme and will save time compiling the current overall scheme costs.

**Example:**

Initial NAV of Property: £80  
Initial NAV of Scheme: £2500  
Total Cost of Scheme: £1,200,000  
(Qualifying and Non Qualifying costs)

$80/2500 \times 1,200,000 = £38,400$  Provision and Acquisition Historic Cost.

## 9.00 IMPROVEMENTS AND ADAPTATIONS

**9.01 Development and Enhancements** - to any properties should be considered when calculating historic cost. A list of example improvements, that might be considered include:

- Adaptations;
- Installation of heating system;
- Upgrading of windows to double glazing

**9.02 Improvements** - only improvements which have been made to the property in the financial year in which the application was made and the previous 10 years should be considered as a cost, such as Adaptation Grants payments (excluding all On-Costs) and improvements made at the Association's expense. All such costs should be aggregated in order to calculate an overall subtotal for Historical Improvement Costs. Only costs incurred up until the date of the application should be considered. If an individual cost cannot be applied to a property, costs associated with improvements made to a number of properties at the one time can be averaged to calculate an estimated cost for the property being purchased.

**Example:**

*A contractor is installing Double Glazing within 20 houses and has charged a total of £108,000. An average costing for the property in question should be calculated by simply dividing the total by the number of units being modified i.e.  $£108,000/20 = £5,400$ .*

**9.03 Planned Improvement Schemes** - The Association should, when making a formal offer to the tenant of a property, give details of any improvement works proposed to be carried out in the next year (e.g., window replacement, heating upgrade). The tenant should be given the opportunity to opt out of any works which are due to be carried out before the property is sold. In the event that improvement works are carried out to the property after it has been valued, a new valuation must be undertaken and the purchase price recalculated from the date of valuation.

**9.04 Maintenance** - figures relating to maintenance costs should not be included within this figure as maintenance refers to the upkeep of the property and is not therefore an improvement.

## 10.00 VERIFIABLE CALCULATIONS

**10.01 Once figures have been calculated for both areas of Historic Cost (Provision/Acquisition and Improvements)** - they should be totalled to give a final Historic Cost figure. The house sales scheme makes it clear that all calculations must be completed in a manner which is verifiable. The methodology and calculations will be subject to scrutiny by the Housing Inspection Team to ensure compliance with the above guidelines. Any unsupported figures may result in further audit work being carried out to ensure suitable evidence is maintained. A number of worked examples are set out at Annex B.

## 11.00 ALLOWABLE COSTS

11.01 Associations can claim allowable costs - which are deducted from the overall VPG figure to create a net surplus (see Annex C). The expenses which constitute Allowable Costs are as follows:

- Valuation Fees
- Legal Fees
- Survey Fees (sale of flats only)
- VPG Administrative Allowance (see Appendix: 3 to Part 7 of the Guide)

11.02 Valuation Fees, Legal Fees and Survey Fees - must be accompanied by an invoice. Fees which are listed as allowable expenses and which are not accompanied by an invoice will not be considered as an allowable cost.

## 12.00 DEPARTMENTAL PROCEDURES

12.01 Consent to Dispose - When an application to purchase has been processed the Association must apply to the DSD for consent to dispose the property before informing the tenant of the purchasing price. The application for consent to dispose of the property should be made by the Association on Form CIP1 (see Annex D).

## 13.00 VOLUNTARY PURCHASE GRANT (VPG)

13.01 Under the Voluntary Purchase Grant Scheme (VPG) - Associations are permitted to claim from the DSD an amount commensurate with the discount awarded to the purchaser. Associations have 20 working days from the date of sale/contract to claim VPG (see Appendix: 2 to Part 7 for Disposals Proceeds Fund guidance). Applications for VPG must be made on the form VPG1. Form VPG1 will be forwarded by the DSD to Associations upon notification of date of sale completed and receipt of an ACE map highlighting the said property.

**SCHEME FOR THE SALE OF DWELLING-HOUSES BY REGISTERED HOUSING ASSOCIATIONS**

**1.0 Introduction**

**1.1** This is the Scheme for the sale of dwelling houses (“dwellings”) by Registered Housing Associations (“Housing Associations”) prepared under the provisions of Article 3 of the Housing (NI) Order 1983 as inserted by Article 96 of the Housing (NI) Order 1992, and amended by Article 131 of the Housing (Northern Ireland) Order 2003. The object of the Scheme is to place a statutory responsibility on Housing Associations to sell their dwellings to secure tenants and succeeds the Voluntary Sales Schemes.

**2.0 Entitlement to Buy**

**2.1** The right to buy only arises after the tenant has been a secure tenant (of the Housing Executive, a Registered Housing Association or of one of the bodies mentioned in the attached Appendix) for a period of not less than five years or for periods amounting together to not less than five years, but neither the dwelling nor the landlord need have been the same during the whole of that period. For the purposes of the scheme time spent as an introductory tenant will be taken into account. If the secure tenancy is a joint tenancy, the time-qualification condition only has to be satisfied with respect to one of the joint tenants.

**2.2** The following shall be treated as included in the dwelling:

- (1) Any land used for the purposes of the dwelling which the Housing Association and secure tenant agree to include.
- (2) Any land let with the dwelling other than land to which both of the following two conditions apply:
  - (a) The land is additional to the minimum amount of land which, in the Housing Association’s reasonable opinion, is necessary for the purpose of the reasonable enjoyment of the dwelling as a residence, and
  - (b) The excess land has, in the reasonable opinion of the Housing Association, significant development potential (whether immediately or potentially).

**2.3** (1) A secure tenant may purchase jointly with up to three other persons. Each of the other persons must satisfy one or both of the following conditions:

- (a) He/she is the spouse of the secure tenant.
  - (b) He/she is occupying the dwelling as his/her only or principal home and has been residing with the secure tenant throughout the period of twelve months ending with the date of application to purchase.
- (2) A secure tenant may only acquire a dwelling as a "tenant in common" where his/her interest or share in the dwelling upon completion is at least 25%.

**3.0 Exceptions to the Entitlement to Buy**

**3.1** Under the Scheme, any dwelling may be sold with the exception of:

- (1) sheltered dwelling units;
- (2) dwellings which are part of a group housing scheme; and
- (3) any single storey or ground floor dwelling (other than a flat) with no more than two bedrooms.

**3.2** In the present context the term ‘group housing’ refers to any individual house which is part of a group of houses which have been designed for persons with special needs where either:

- (1) The houses are provided with, or situated near, special facilities for use by their tenants; and/or

## *The House Sales Scheme*

- (2) The tenants of the houses are provided with housing support services, i.e. services which provide support, assistance, advice or counselling to an individual with particular needs which are necessary for them to live independently in their house.

3.2B A secure tenant cannot exercise the right to buy at any time when any of the following circumstances apply to him:

- (1) The Housing Association has served a relevant statutory notice seeking possession at any time within the previous three months.
- (2) Proceedings for possession of the dwelling pursuant to a relevant statutory notice are pending.
- (3) The tenant is obliged to give up possession of the dwelling in pursuance of an Order of the Court which has been granted pursuant to a relevant statutory notice or will be so obliged at a date specified in the Order.
- (4) The Housing Association is actively considering whether it would be appropriate to serve – at some time within the next three months – a relevant statutory notice seeking possession.

3.2C A "relevant statutory notice" means a Notice Seeking Possession on one or both of the following grounds:

- (1) Ground 2 of Part I of Schedule 3 to the Housing (Northern Ireland) Order 1983;
- (2) The allegation that the secure tenant has been guilty of "nuisance to neighbours" within the meaning of the Housing Associations standard Tenancy Agreement.

3.3 Applications to purchase made by secure tenants who are in rent arrears shall not be rejected on those grounds but shall be allowed to proceed to completion stage. However, no sale shall be completed until all arrears whether for rent or any other payment due from them as a secure tenant has been paid.

### 4.0 Purchase Price

4.1 Subject to the provisions of Section 5.0 below, the purchase price shall be the market value less any available discount.

4.2 The market value shall be that assessed by an independent qualified valuer, as at the date of the completed application to purchase (i.e., date of receipt of all required information). The valuation will be adjusted to take account of any improvements which were carried out to the property by the tenant. Market Valuation for all valued properties is only valid for six months after the date the letter has been issued by the valuer.

4.3 The secure tenant shall be notified of the purchase price within 12 weeks of making the application to purchase.

4.4 The secure tenant shall also be advised of any structural defects known to the Housing Association which affect the dwelling or the building in which it is situated.

4.5 The purchaser if not satisfied with the assessment of market value, shall be entitled to request an assessment of the purchase price. Such assessments shall be carried out by the District Valuer of the Valuation and Lands Agency or by some other official of the VLA nominated by him/her. Any request for an assessment must be made in writing within 4 weeks of the offer being made.

4.6 In the case of the sale of flats/maisonettes the purchaser shall be required to pay an annual rent of £10 and an annual service charge. (The annual service charge shall include the relevant proportion of the estimated cost of repairs, maintenance and improvements programmed to be carried out in that year to the block in which the flat is located). The Housing Association shall, when making a formal offer to the secure tenant of a flat, give details of any works proposed to be carried out in the next 5 years together with estimated costs and service charges for those years.

## *The House Sales Scheme*

### **5.0 Discount**

- 5.1 Discount shall be offered to secure tenants in relation to the total number of years which they have spent as secure tenants of relevant accommodation (i.e., of the authorities or bodies listed in Appendix 1).
- 5.2 The discount shall not reduce the price below the Historic Cost. The Historic Cost is the amount, which is to be taken as representing so much of the costs incurred in the provision, improvement or acquisition of the dwelling as is to be treated as incurred in the relevant period (the financial year in which the application to purchase is made and in the 10 previous financial years). Housing Associations must be able to demonstrate, in such a way as is verifiable, the method used to calculate the historic cost. If the price before discount is below the historic cost amount there shall be no discount and the purchase price shall be the market value price. Where the aggregate of the costs incurred in respect of improvement works is less than £5,000 throughout the relevant period, those costs can be disregarded. For the purposes of this paragraph, the Housing Association can estimate the costs incurred, however, any such estimate must be a reasonable and verifiable estimate.
- 5.3 Tenancy periods with former Public Sector bodies which have now been privatised shall be eligible for discount only in respect of the period up to the date of privatisation.
- 5.4 Time spent in any accommodation provided for Regular Armed Forces of the Crown shall also count for discount.
- 5.5 Subject to paragraph 5.6 below, secure tenants of a dwelling (house, flat or maisonette) with 5 years completed tenancy shall be allowed discount of 20% with an increase of 2% for each additional completed years tenancy up to an overall maximum of 60% subject to the Historic Cost proviso contained in paragraph 5.2.
- 5.6 The discount shall not in any event reduce the price of the dwelling by more than £24,000.
- 5.7 Where a spouse succeeds to the tenancy on the death of his/her spouse he or she may take the benefit of the discount rights of the deceased spouse provided that both were occupying the dwelling as their principal home at the time of the death of the deceased spouse.
- 5.8 In cases of joint purchase (i.e. a purchase by a secure tenant along with an eligible co-purchaser) it is only the periods spent by the secure tenant in relevant accommodation that will count in the calculation of discount. Where joint tenants purchase a dwelling jointly discount shall be based on the tenancy period(s) of the secure tenant who has spent the longer period as a secure tenant of relevant accommodation.
- 5.9 Periods during which the secure tenant's spouse was a secure tenant or was previously the spouse of another secure tenant shall be taken into account provided both the secure tenant applying to purchase and his spouse occupied the dwelling as their only or principal home at the time of the completed application to purchase.
- 5.10 A spouse of a secure tenant who is separated or divorced may take the benefit of the tenancy periods of the former spouse in the original dwelling when purchasing the dwelling he/she now occupies provided that during those periods they were occupying the original dwelling as their only or principal home.
- 5.11 Discounts will be calculated as at the date of a completed application to purchase.
- 5.12 Where a secure tenant of a dwelling dies or otherwise ceases to be a secure tenant ("the former tenant"), and subsequently, a child of the former tenant who occupies the dwelling as his/her only or principal home succeeds to the tenancy of the dwelling ("the new tenant"), and the new tenant applies to purchase, discount shall be granted to the new tenant based on the number of years during which the new tenant resided in the dwelling after his/her 16th birthday (whether under the same tenancy or under another secure tenancy). A break in that residence qualification is permitted where that break has been for two years or less, and in such cases full discount rights back to the 16th birthday shall be allowed. If the break is for more than two years, discount rights shall only be allowed from the date of the new tenant's return to the dwelling after the break.

## *The House Sales Scheme*

- 5.13 Where an application to purchase has been lodged by a secure tenant and where a child of that secure tenant succeeds to the tenancy of the dwelling before the completion of the purchase by the secure tenant, the child shall be entitled to receive the full discount rights of the parent if that child wishes to continue with the purchase of the dwelling.
- 5.14 A son-in-law or daughter-in-law who occupies the dwelling and succeeds to the tenancy shall be treated as a 'natural' son or daughter.
- 5.15 A child will not be treated as a successor for discount purposes unless one of the following sets of circumstances apply to him/her:
- (1) the child is the immediate successor of one or both of his/her parents; or
  - (2) the child is not the immediate successor of one or both of his/her parents, but a brother/sister of the child is the only intermediate successor.
- 5.16 Where a person, or one of the persons, applying to purchase a dwelling was a previous purchaser, all previous tenancy periods shall be taken into account in assessing discount allowable. However, the discount entitlement on a second or subsequent purchase shall be reduced by the cash value of any discount allowed previously less the amount repaid to the Housing Association on previous disposals (if any). Where a previous discount was given to two or more persons jointly, this paragraph has effect as if each of them had been given an equal proportion of the discount.

### **6.0 Circumstances in Which Discounts are Repayable**

6.1 The legal documentation shall contain a covenant binding on the secure tenant and his/her successors in title to repay to the Housing Association the full discount received if within a period of 5 years there is a disposal falling within paragraph 6.2, but if there is more than one such disposal, then only on the first of them.

6.2 A disposal is:

- (1) a further conveyance of the fee simple or an assignment of the lease; or
- (2) the grant of a lease or sub-lease for a term of more than 21 years otherwise than at rack rent, whether the disposal is of the whole or part of the dwelling;

but the following categories of disposal do not attract repayment of discount:

- (a) disposal between joint purchasers or spouses;
- (b) disposals between members of the same family who have lived together throughout the six month period ending with the disposal;
- (c) disposals where the dwelling has been compulsory purchased or where compulsory powers would have been used if the dwelling had not been acquired voluntarily;
- (d) disposals not involving the residential part of a dwelling;
- (e) disposals in pursuance of an order under Article 26 of the Matrimonial Causes (Northern Ireland) Order 1978;
- (f) disposals under Article 4 of the Inheritance (Provision for Family and Dependents) (Northern Ireland) Order 1979.
- (g) disposals vesting in a person taking under a will or an intestacy.

### **7.0 Conveyance of Fee Simple and Grant of Lease**

- 7.1
- (1) The Housing Association may include in a conveyance or lease such conditions as the Department for Social Development may approve.
  - (2) The Housing Association shall include in a conveyance or lease any conditions or covenants which the Department for Social Development may specify; and
  - (3) The Housing Association shall include in a contract and in a conveyance or lease a clause whereby the purchaser must agree that if he/she wishes to dispose of the dwelling within 10 years from the date of purchase the Housing Association or any other registered Housing Association will be given the option to re-purchase.

7.2 Without prejudice to the generality of paragraph 7.1, the conditions and covenants-

### ***The House Sales Scheme***

- (1) shall have the effect of ensuring that the tenant has as full enjoyment and use of the dwelling as owner as he/she has had as tenant;**
- (2) shall secure to the tenant such additional rights as are necessary for his/her reasonable enjoyment and use of the dwelling as owner (including, without prejudice to the foregoing generality, common rights in any part of the building of which the dwelling forms part) and shall impose on the tenant any necessary duties relative to rights so secured;**
- (3) shall include such terms as are necessary to entitle the tenant to receive a good and marketable title to the dwelling;**
- (4) shall, where a new charge for the provision of a service in relation to the dwelling is imposed or where an existing charge for such provision is increased, provide for the charge to be in reasonable proportion to the cost to the Housing Association of providing the service.**

## *The House Sales Scheme*

### Appendix 1 - to the Scheme for the Sale of Dwelling-Houses by Registered Housing Associations TENANCIES TO BE RECOGNISED FOR QUALIFICATION AND DISCOUNT PURPOSES

1 Any of the following:

The Northern Ireland Housing Executive

A district council within the meaning of the Local Government Act (NI) 1972

A registered housing association within the meaning of Chapter II of Part II of the Housing (NI) Order 1983

2 One of the following bodies in England and Wales:

A district council

A county council

A London borough council

The common council of the City of London

The Council of the Isles of Scilly

Any of the following bodies set up as a result of the abolition of the Greater London Council and the metropolitan county councils:

A metropolitan county police authority

The Northumbria Police Authority

A metropolitan county fire and civil defence authority

The London Fire and Civil Defence Authority

A metropolitan county passenger transport authority

The London Waste Regulation Authority

The West London, North London, East London and Western Riverside Waste Disposal Authorities

The Merseyside and Greater Manchester Waste Disposal Authorities

The London Residuary Body

A Metropolitan county residuary body

A new town or urban development corporation

The Commission for the New Towns

The Development Board for Rural Wales

A housing action trust

A housing association if it is registered with the Housing Corporation or Housing for Wales and if it is not:

a charity

an association which has not received public subsidy

a co-operative association

The Housing Corporation

Housing for Wales

3 Corresponding authorities and bodies in Scotland are:

A regional islands or district council

a. A joint board or joint committee of such a council

b. The common good of such a council or a trust under its control

c. A development corporation (including an Urban development corporation)

d. Scottish Homes

e. A housing association which falls within paragraph (a) of section 6(2) of the Housing (Scotland) Act 1987

4 Additional tenancies to be recognised for qualification and discount purposes:

An Education and Library Board established under the Education and Libraries (NI) Order 1986

The Fire Authority for Northern Ireland established under the Fire Services (NI) order 1984

The Northern Ireland Electricity Service established under the Electricity Supply (NI) order 1972

The Northern Ireland Transport Holding Company established under the Transport Act (NI) 1967

## *The House Sales Scheme*

The Police Authority for Northern Ireland  
The Sports Council for Northern Ireland  
An area board established by Section 1(2) of the Electricity Act 1947  
A community council  
A fire authority for the purposes of the Fire Services Acts 1947 to 1959  
A government department (including National Health Service Properties)  
An internal drainage board within the meaning of Section 6 of the Land Drainage Act 1976  
A Minister of the Crown  
A parish council and the trustees of a parish without a parish council  
A passenger transport executive established under Part II of the Transport Act 1968  
A water authority established in accordance with Section 2 of the Water Act 1973, and a water authority in Scotland as constituted under Section 3 of the Water (Scotland) Act 1980  
The Agricultural and Food Research Council  
The AFRC Institute for Grassland and Animal Production  
The British Airports Authority  
The British Broadcasting Corporation  
The British Coal Corporation  
The British Gas Corporation  
The British Railways Board  
The British Steel Corporation  
The British Waterways Board  
The Central Electricity Generating Board  
The Church Commissioners  
The Civil Aviation Authority  
The Commissioners of Northern Lighthouses  
The Countryside Commission for Scotland  
The Electricity Council  
The Highlands and Islands Development Board  
The Historic Buildings and Monuments Commission for England  
The Lake District Special Planning Board  
The Lee Valley Regional Park Authority  
London Regional Transport  
Inner London Education Authority  
The Medical Research Council  
The National Bus Company  
The National Library of Wales  
The National Museum of Wales  
The Natural Environment Research Council  
The Nature Conservancy Council  
The North of Scotland Hydro-Electric Board  
The Peak Park Joint Planning Board  
Police Authorities  
The Post Office  
The Prison Service  
The Science and Engineering Research Council  
The Secretary of State, where the dwelling-house was at the material time used for the purposes of Her Majesty's Coastguard  
The Secretary of State, where the dwelling-house was at the material time used for the purposes of any function transferred to him under Section 1(2) of the Defence (Transfer of Functions) Act 1964 or any function relating to defence conferred on him by or under any subsequent enactment, or such other person as the Secretary of State may by order prescribe.  
The South of Scotland Electricity Board  
The Sports Council  
The Scottish Sports Council  
The Sports Council for Wales  
The Trinity House  
The United Kingdom Atomic Energy Authority  
The Welsh Development Agency  
Community Councils in Wales  
Tenancy periods with former Public Sector bodies which have now been privatised will be eligible for discount only in respect of the period up until date of Privatisation.

5 The landlord condition is not satisfied if the interest of the landlord belonged to the Trinity

### ***The House Sales Scheme***

**House, where the dwelling-house was held otherwise than in connection with its functions as a general lighthouse authority within the meaning of section 634 of the Merchant Shipping Act 1894.**

HISTORIC COST CALCULATION

Worked Examples

**EXAMPLE 1 - Provision and Acquisition**

Scheme completed	1998
Total Costs of Scheme	£905,000
Initial NAV of Property	£133
Total Initial NAV of Scheme	£10,211

Provided within last 10 years therefore,  $133/10,211 \times 905,000 = £11,788$

**Improvements**

Double Glazing	£6,500	14/08/02
TOTAL	£6,500	

Total Historic Cost =  $11,788 + 6,500 = £18,288$

The Double Glazing “improvement” is included in Total Historic Cost as the Total is greater than £5,000.

*Where the total of the costs incurred in respect of improvement works is less than £5,000 (Annex A, Para 5.2 refers) throughout the relevant period, those costs can be disregarded.*

**Calculation**

No. of years applicant has been a tenant:	5 years
Market Valuation:	£80,000
Discount Amount:	£16,000 (20+0=20%)
Discounted Selling Price:	£64,000
Actual Selling Price:	£64,000

*Actual Selling Price is unaffected by the Historic Cost, as the discounted selling price is greater than the Historic Cost.*

**EXAMPLE 2 - Provision and Acquisition**

Scheme completed:	2002
Total Cost of Scheme:	£140,000
Initial NAV of Property:	£140
Total Initial NAV of Scheme:	£260

Provided within last 10 years therefore,  $140/260 \times 140,000 = £75,385$

**Improvements**

Shower Adaptation:	£350	17/05/03
TOTAL:	£350	

Total Historic Cost = £75,385

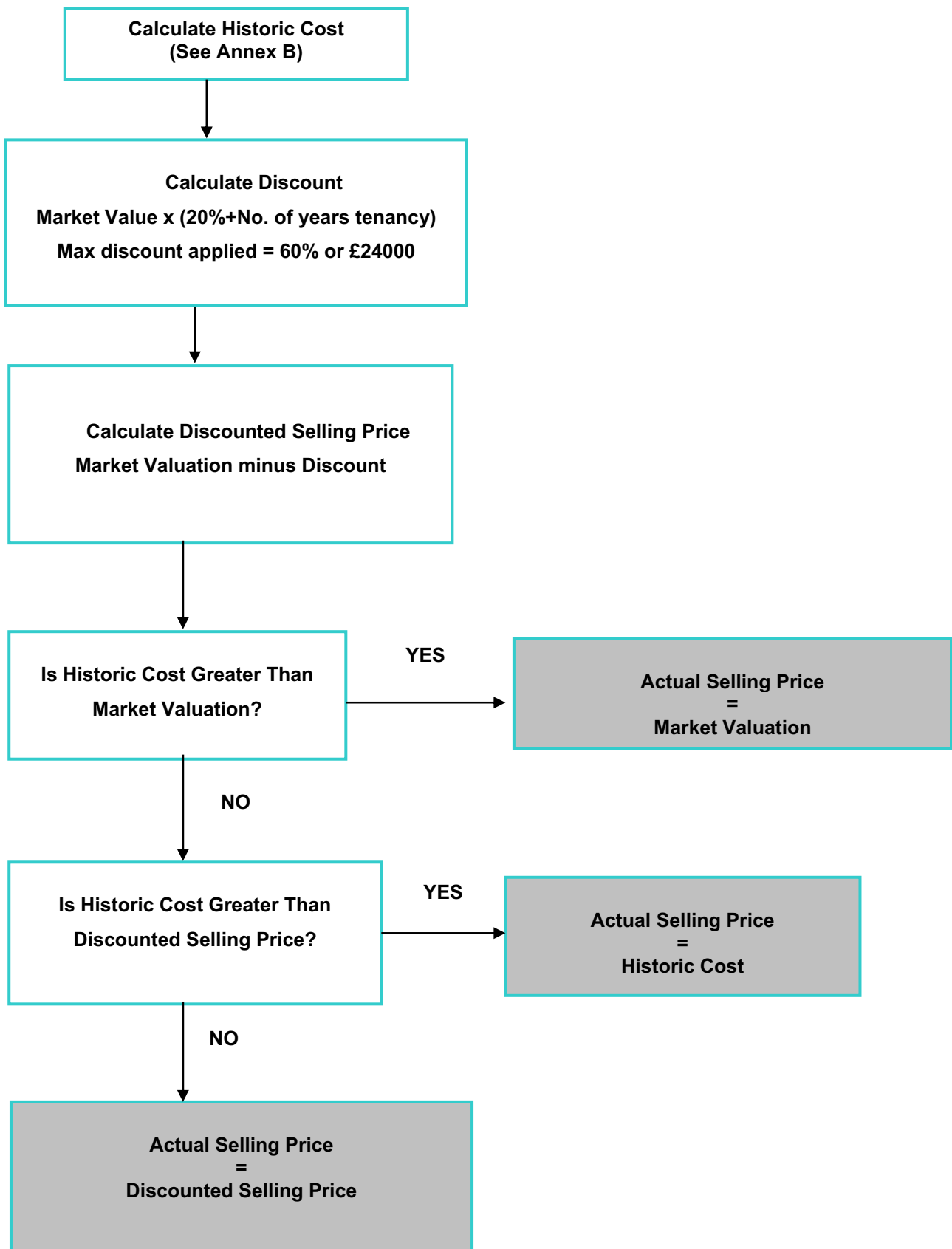
“Improvements” are ignored from the Total Historic Cost figure as the total figure is less than £5,000

**Calculation**

No. of years applicant has been a tenant	18 years
Market Valuation	£95,000
Discount Amount	£24,000 (20+26% = 46%) but capped
Discounted Selling Price	£71,000
Actual Selling Price	£75,385

*Actual Selling Price is affected by the Historic Cost, as the discounted selling (limited to the cap of £24,000) price would be less than the Historic Cost. Therefore, the actual selling price is limited to the Historic Cost figure. The actual discount given to the tenant will then be calculated based on these figures i.e.,  $£95,000 - £75,385 = £19,615$  discount to tenant.*

ACTUAL SELLING PRICE





Housing Association: \_\_\_\_\_

Tenant & Property Details		DSD Use
1. Name of tenant		
2. Address of property		
3. Date of application to purchase		
4. Date present tenancy commenced		
5. Dates of previous relevant tenancies		
6. Number of completed years tenancy at date of application		
7. Percentage discount applicable		

Sale Price		DSD Use
8. Market valuation (please enclose a copy of the valuation report)		
9. Monetary value of discount		
10. Is discount affected by the historic cost of the property?		
11. Sale price		

Historic Cost Calculation		DSD Use
<i>Only costs incurred in the current financial year and the previous 10 should be taken into account. If not applicable insert N/A. Please see paragraphs 16-23 of House Sales Scheme for guidance on completion.</i>		
12. Date property completed or purchased		
13. DSD Scheme Reference Number (SRN)		
14. (a) Initial Net Annual Valuation (NAV) of Scheme		
(b) Initial NAV of property		
(c) Total Overall Cost of Scheme		
(d) Cost of initial provision of this property <i>(divide b by a then multiply by c)</i>		
(e) Cost of improvements (including adaptations) – ignore if less than £5000		
15. Total historic cost of provision <i>(d plus e)</i>		

Signed \_\_\_\_\_ Date \_\_\_\_\_

Officer or member of Association authorised by the Management Committee

DSD USE ONLY – Application Checked	
AO Signature: _____	Date: _____
EO2 Signature: _____	Date: _____
EO1 Signature: _____	Date: _____

## **Disposals Proceeds Fund (DPF) Guidance**

**GUIDANCE NOTES:**  
Effective From **31 Oct 2008**

## ***Disposals Proceeds Fund (DPF)***

### **CONTENTS**

	<b>Page</b>
<b>1.00 Introduction</b>	<b>1</b>
<b>2.00 Disposals Proceeds Fund</b>	<b>1</b>
<b>3.00 Date of Legal Completion</b>	<b>2</b>
<b>4.00 Net Surplus</b>	<b>2</b>
<b>5.00 Allowable Costs</b>	<b>2</b>
<b>6.00 Attributable Loan Debt</b>	<b>2</b>
<b>7.00 Repayment of VPG in the event of Resale or Buy Back</b>	<b>3</b>
<b>8.00 Vesting Order Compensation from NIHE</b>	<b>3</b>
<b>9.00 Notional Interest</b>	<b>4</b>
<b>10.00 Order of Expenditure</b>	<b>4</b>
<b>11.00 Internal Accounting and Administration</b>	<b>4</b>
<b>12.00 Statutory Accounting Requirement</b>	<b>5</b>
<b>13.00 Recovery of Funds Not Utilised Within 3 years</b>	<b>5</b>
<b>14.00 Associations Suspended from the Development Programme</b>	<b>5</b>
<b>15.00 Implementation Date</b>	<b>5</b>
<b>16.00 Replacement Properties</b>	<b>6</b>
<b>17.00 Accounting Treatment of Qualifying Expenditure</b>	<b>7</b>
<b>18.00 Disposal of Properties Funded by DPF Monies</b>	<b>7</b>
<b>19.00 Regulation and Inspection</b>	<b>8</b>
<b>Annex A Worked Example of Recorded DPF Movements and Calculation of Notional Interest.</b>	<b>9</b>
<b>Annex B Example of Form DPF1 (Completed Using Example from Annex A)</b>	
<b>Annex C Form DPF1 (Annual DPF Return)</b>	
<b>Annex D Form DPF2 (Period DPF Statement as at 31 March 20__)</b>	

## Disposals Proceeds Fund (DPF)

### 1.00 INTRODUCTION

1.01 **Background** - this Appendix of the Guide covers the background and operation of the Disposals Proceeds Fund (DPF), including guidance on replacement properties provided from the fund. This Appendix requires to be read in conjunction with the House Sales Scheme (HSS) - see Appendix: 1 to Part 7 of the Guide.

1.02 **Associations in operating the HSS** - must transfer the net surplus on sales together with the VPG received to an account - Disposals Proceeds Fund - which can only be used for the purposes of providing replacement properties (as defined at Para 16.00).

[Note: the proceeds must not be used to reduce the private finance requirements for new schemes funded through HAG and can only be used for the purposes of providing replacement properties – see Para 16.00 below.]

1.03 **Implementation Date** – details are included at Para 15.00 below.

### 2.00 DISPOSALS PROCEEDS FUND (DPF)

2.01 **The Disposals Proceeds Fund (DPF)** - is a 'ring-fenced' account, which is made up of the cumulative balance of the following:

a. **All** monies received and receivable arising from the House Sales Scheme (see Appendix: 1 to Part 7 of the Guide). That is, sales proceeds received and receivable from the purchaser and VPG received and receivable from the Northern Ireland Housing Executive (Development Programme Group) (NIHE (DPG));

**Plus**

b. Repayments of VPG discount (see Appendix: 1 to Part 7, Para 6.01);

**Plus**

c. Vesting Order Compensation (including interest) received from the NIHE in respect of vested properties;

**Plus**

d. Notional interest (see Para's 9.01 & 9.02 below)

**Less**

e. Transfers out of the fund arising from qualifying expenditure spent on replacement housing within 3 years of DPF monies being transferred into the DPF (see Para's 16.01 – 16.02 below); and

**Less**

f. DPF monies repayable to the NIHE (DPG) due to being unspent within 3 years of the date of completion which gave rise to said funds.

2.02 **The table below** – provides an illustration of the constituent elements of the DPF.

Illustrative Example of the Elements which make up the Disposals Proceeds Fund	
Disposals Proceeds Fund	£'000
Add Cumulative sales proceeds and VPG (i.e., Net Surplus for each property sold under House Sales Scheme as per Para's 4.01 & 4.02 below) received over the last 3 years.	300
Add repayment of VPG discount by purchasers (see Para 7.01 below).	3
Add Vesting Order Compensation (including interest) received from NIHE	40
Add Notional Interest (refer to Para's 9.01 & 9.02 below)	20
Less Qualifying Expenditure incurred in the last 3 years as per Para's 16.01 & 16.02 below	(150)
Less amounts not spent within 3 years and repaid/repayable to the NIHE (DPG), (being sales proceeds, VPG and notional interest as per Para's 13.01 and 13.02 below).	(30)
Balance of DPF	183

## *Disposals Proceeds Fund (DPF)*

### **3.00 DATE OF LEGAL COMPLETION**

3.01 Date of Legal Completion - The key date with respect to accounting for transfers into DPF is the date of legal completion of the property sale which gives rise to DPF monies. Therefore, the full Net Surplus (see Para 4.00 below) on a property sale under the House Sales Scheme will be transferred to the DPF from the date of legal completion of the property sold.

### **4.00 NET SURPLUS**

4.01 Net Surplus - The Net Surplus under the House Sales Scheme is the sum of:

a. Consideration paid or payable by the purchaser to the Association;

Plus

b. VPG paid or payable by the NIHE (DPG);

Less

c. Allowable costs (as outlined in Appendix: 1 to Part 7, Para 11.01); and

Less

d. Attributable Loan Debt (see Para's 6.01 & 6.02 below).

4.02 Under the Legislation - upon the sale of a property to a sitting tenant, who meets the conditions set out in the HSS, the NIHE (DPG) has an obligation to meet any valid VPG claim. For this reason, the NIHE (DPG) determines that both VPG received and receivable by an Association will be transferred into the DPF from the date of legal completion of sale of the relevant property which gave rise to the VPG payment/claim.

### **5.00 ALLOWABLE COSTS**

5.01 Allowable Costs - details of the Allowable Costs which can be deducted from the Net Surplus transferred to the DPF are contained in Appendix: 1 to Part 7, Para 11.02.

### **6.00 ATTRIBUTABLE LOAN DEBT**

6.01 Attributable Loan Debt - is the amount the Association theoretically borrowed to meet the difference between the unit historic cost of development and the unit public subsidy received as defined in Appendix 3: to Part 2, Annex R of the Housing Association Guide.

6.02 Unit Historic Cost - should be calculated in accordance with guidance set out in Appendix: 1 to Part 7, Para 8.00 of the Guide. The calculation of the unit HAG or any other public funding which contributed to the provision of the house being sold, should mirror the calculation of unit Historic Cost. That is, the unit HAG received should be matched to the unit historic cost incurred in providing the house that has been sold.

*[Note: As can be seen from Para's 4.01 & 4.02 above and the three illustrative examples below, depreciation does not factor into the calculation of Attributable Debt nor does it factor into calculating any other element of the Net Surplus to be credited to the DPF.]*

## Disposals Proceeds Fund (DPF)

### Example 1 – Property Provided with Housing Association Grant (HAG) or other public subsidy

	£	£
a. Purchaser's Consideration	56,000	
b. Add overall VPG (if applicable)	24,000	
c. Market Value		80,000
Less		
d. Historic Cost	50,000	
e. Less HAG/Other Public Subsidy	30,000	
f. Attributable loan debt		20,000
g. Allowable Expenses (survey fees, etc)		2,000
h. Administration allowance		700
i. Net Surplus Transferred to Disposals Proceeds Fund on date of legal completion of sale [being, c-(f+g+h)]		57,300

### Example 2 – Property Provided without Housing Association Grant (HAG) or other public subsidy

	£	£
a. Purchaser's Consideration	56,000	
b. Add overall VPG (if applicable)	24,000	
c. Market Value		80,000
Less		
d. Historic Cost	40,000	
e. Less HAG/Other Public Subsidy	nil	
f. Attributable loan debt		40,000
g. Allowable Expenses (survey fees, etc)		2,000
h. Administration allowance		700
i. Net Surplus Transferred to Disposals Proceeds Fund on date of legal completion of sale [being, c-(f+g+h)]		37,300

### Example 3 – On Sale of Property under HSS, Historic Cost is determined to be £nil

	£	£
a. Purchaser's Consideration	56,000	
b. Add overall VPG (if applicable)	24,000	
c. Market Value		80,000
Less		
d. Historic Cost	nil	
e. Less HAG/Other Public Subsidy	nil	
f. Attributable loan debt		Nil
g. Allowable Expenses (survey fees, etc)		2,000
h. Administration allowance		700
i. Net Surplus Transferred to Disposals Proceeds Fund on date of legal completion of sale [being, c-(f+g+h)]		77,300

## 7.00 REPAYMENT OF VPG IN THE EVENT OF RESALE OR BUY BACK

7.01 Repayment of VPG in the event of Resale or Buy Back - any VPG discount repaid to the Association arising from a former tenant selling the property within the period outlined in Para 13 of the HSS (see Appendix: 1 to Part 7), will be credited to the DPF. The monies will be deemed to transfer into the DPF on the date of legal completion of the sale or buy back which gave rise to the repayment. The Association will have 3 years from the date monies are transferred into the DPF to spend the repayment of VPG discount.

## 8.00 VESTING ORDER COMPENSATION RECEIVED FROM NIHE

8.01 Any Vesting Order Compensation plus interest – paid by the NIHE to the Association arising from a property vesting will be credited to the DPF less any Long Term Loan due back to the DSD. The monies will be deemed to transfer to the DPF on the date the NIHE pays the Vesting Order

## ***Disposals Proceeds Fund (DPF)***

compensation. The Association will have 3 years from the date monies are transferred into the DPF to spend the Vesting Order compensation on replacement stock.

### **9.00 NOTIONAL INTEREST**

9.01 **Notional Interest** - the DPF will accrue notional interest to be used for the same purposes as the DPF itself. The rate of notional interest will be the Treasury Cost of Capital (which at the time of issuing this guidance is 3.5%). Notional interest will accrue on the full Net Surplus from the date of legal completion of the house sale which gave rise to said Net Surplus until said Net Surplus is either spent on qualifying replacement property or repaid to NIHE (DPG) (as per Para's 16.01 & 16.02 below). In respect of Notional Interest this is to be calculated on a daily basis according to a 365-day per year convention (one additional day will be added in a leap year; that is, for a year with 29 February, the day count will total 366 days). Therefore for an ordinary "non-leap" year:

DPF Balance x Rate (currently 3.5%) x (number of days / 365 days).

9.02 **When calculating the number of days Notional Interest is charged** - the convention is to count the number of midnights that the DPF monies are in the DPF (i.e., include the day it arrives but not the day it leaves);

- a. The DSD will adjust the rate of Notional Interest to ensure that it is in line with the Treasury Cost of Capital. Associations will be notified by the DSD of any changes to the rate of notional interest.
- b. Notional Interest will be deemed to compound on an annual basis. That is, on the Association's accounting year end (for the purpose of statutory accounts), the Association will account for a transfer from the Association's revenue reserve to the DPF equal to the amount of Notional Interest accruing throughout the year on its DPF. See Annex A for a detailed example.
- c. Each annual transfer of Notional Interest will be treated as a discrete element of the DPF, separate from each Net Surplus. The annual transfer of Notional Interest must be spent within 3 years of the year end on which the amount was transferred to the DPF. Annex A provides a detailed example of how Notional Interest should be calculated within the DPF.
- d. Notional Interest will cease to accrue on balances which become repayable to the NIHE (DPG) (see Para's 13.01 & 13.02 below).

[Note: see Para's 15.01 & 15.02 below for details of transitional arrangements for Notional Interest.]

### **10.00 ORDER OF EXPENDITURE**

10.01 **Order of Expenditure** - on incurring qualifying expenditure, discrete balances within DPF (i.e., each net surplus, each annual transfer of Notional Interest, and each repayment of VPG as per Para 7.01 above) will be deemed to be spent on a First In First Out ('FIFO') basis. Annex A provides a detailed example of how to account for movements in DPF balances.

### **11.00 INTERNAL ACCOUNTING AND ADMINISTRATION**

11.01 **Internal Accounting and Administration** - a clear audit trail must be maintained, documenting all transactions involving the DPF. The DPF need not be cash backed, but monies must be available when needed to provide replacement properties or when DPF monies are repayable to the NIHE (DPG).

11.02 **For the Purposes of Auditing and Monitoring Requirements** - Associations are required to provide the DSD with monitoring information on DPF/VPG transactions. Associations will be responsible for certifying that the correct amount has been paid into the DPF and this will be confirmed on an annual basis by means of a regulatory report signed off by the Association's external auditor, Form DPF1 (see Annex C). The annual return should be completed and returned to

## ***Disposals Proceeds Fund (DPF)***

the DSD's Regulation & Inspection Branch no later than 3 calendar months after the end of the Association's financial year to which it applies.

**11.03 To assist the NIHE (DPG) in preparing its Period Accounts (for the periods ending 30 June, 30 September, 31 December, and 31 March)** - Associations will be required to submit a period statement (Form DPF2 - see Annex D) confirming whether any of its DPF balance is repayable to NIHE (DPG) as at the relevant period end. This form will be issued to Associations before each period end with a deadline by which to return to the NIHE (DPG) after the period end, which will be subject to Departmental accounting deadlines. The annual return requires Associations to record all income and expenditure data concerning the DPF together with details of replacement properties.

### **12.00 STATUTORY ACCOUNTING REQUIREMENTS**

**12.01 Statutory Accounting Requirement** - Associations must include the DPF within creditors and separately disclose the balance within the note to the statutory accounts, in accordance with the *Statement of Recommended Practices Accounting by Registered Social Landlords (Update 2005)*.

### **13.00 RECOVERY OF FUNDS NOT UTILISED WITHIN 3 YEARS**

**13.01 Recovery of Funds Not Utilised within 3 Years** - any Net Surplus, repayment of VPG and/or annual transfer of Notional Interest not used in accordance with Para's 16.01 & 16.02 below within the 3 years of transferring to the DPF will be recovered by the NIHE (DPG). It is the Association's responsibility to notify the NIHE (DPG) of any Net Surplus, VPG repayment and/or Notional Interest not spent within the 3-year time limit.

**13.02 Any amount (as per Para 13.01 above) repayable to the NIHE (DPG)** - will be deemed to transfer out of the DPF and Notional Interest will cease to accrue on said amount. The amount repayable should be accounted for as a creditor payable to the NIHE (DPG) and late payment interest will accrue on said amount from the date it is repayable until the date it is remitted to the NIHE (DPG) at a rate which is in line with the Notional Interest rate. Refer to Para 3 of Annex A for an example of how to calculate late payment interest.

### **14.00 ASSOCIATIONS SUSPENDED FROM THE DEVELOPMENT PROGRAMME**

**14.01 Registered Associations** – which have their access to scheme approvals suspended or restricted due to the Association's failure to comply with DSD's published procedures will not be permitted to use their DPF monies for any purpose until the suspension has been lifted. Such Associations may, subject to obtaining the prior approval of the NIHE (DPG), arrange for a non-suspended/ restricted developing Association to act as a Developing Agent on its behalf, but must obtain the approval of the NIHE (DPG) before entering into any arrangement. Notional Interest will continue to accrue on any DPF monies held. The period of suspension will have no impact on the 3-year period with which an Association has to utilise DPF monies. For these reasons, suspended Associations will have the following options with respect to DPF:

- a. Repay DPF balances (including Notional Interest accrued to date) to the NIHE (DPG) immediately on suspension; or
- b. Retain DPF monies for use after the suspension/ restriction has been lifted, if within a 3-year period.

### **15.00 IMPLEMENTATION DATE**

**15.01 Date from which Guidance is Effective** - the Guidance contained within this document is effective from **1 April 2007**. As of 1 April 2007, the guidance set out in this document supersedes previous advice that issued with effect from 1 October 2006 and also that included in the HSS (Dear Director Letter, 2<sup>nd</sup> revision, June 2005).

**16.00 REPLACEMENT PROPERTIES**

**17.00 ACCOUNTING TREATMENT OF QUALIFYING EXPENDITURE**

**17.01 DPF expenditure on replacement properties** - should mirror the Association’s recognition of capital expenditure in its financial accounts. The DSD expects that an Association’s accounting treatment of capital expenditure will follow UK Generally Accepted Accounting Practice (GAAP), in particular (at the time of issuing guidance) FRS 15 and “SORP Accounting by Registered Social Landlords Update 2005.”

**17.02 DPF monies spent on replacement properties** - will be subject to the same rules as Housing Association Grant.

**17.03 The accounting entries for qualifying expenditure** - of DPF monies on replacement properties is as follows:

Example – Purchase of replacement properties costing £250,000 in accordance with the conditions set in section 16 above in order to utilise DPF.

	£	£
Increase in Fixed Assets		
Dr      Cost of Replacement Stock	250,000	
Cr      Cash		250,000
Transfer of DPF monies to HAG		
Dr      DPF with cost of Replacement Stock	250,000	
Cr      HAG Balance		250,000

**18.00 DISPOSAL OF PROPERTIES FUNDED BY DPF MONIES**

## ***Disposals Proceeds Fund (DPF)***

**18.01 Disposal of properties funded by DPF monies under the House Sales Scheme** – this will be treated as any other House Sales Scheme disposal, the exception being that attributable loan debt will be calculated as the difference between the Historic Cost of the property less the DPF funding.

**18.02 Disposal of properties funded by DPF monies on the open market** – Associations should add the full sales proceeds to the DPF balance, less attributable loan debt as calculated in Para 18.01 above, and the costs of selling the property.

### **19.00 REGULATION AND INSPECTION**

**19.01 Regulation and Inspection** – in accordance with its regulatory function the DSD's inspectors will seek to satisfy themselves that Associations are complying with the DPF process and with the requirements of the Guide.

**WORKED EXAMPLE OF DPF MOVEMENTS AND CALCULATION OF NOTIONAL INTEREST**

**Scenario:** Acme Housing Association has a financial year end of 31 December. For the purposes of this example, it is assumed that the Notional Interest rate remains at 3.5% throughout the year. During 2007, the movements on the DPF balance result from the following transactions:

1. As at 1 January 2007, Acme Housing Association has a balance in its Disposals Proceeds Fund of £202,333.
2. The Balance of DPF at 1 January 2007 can be analysed by Net Surpluses as follows:

Address	Date from which 3 year period commences	Net Surplus £	Date by which Funds must be spent
1 Coronation Street	8 Jul 04	70,000	8 Jul 07
2 Coronation Street	9 Sept 04	62,000	9 Sept 07
3 Coronation Street	10 Nov 05	68,000	10 Nov 08
Notional Interest	31 Dec 06	2,333	31 Dec 09
<b>Total balance at 1 Jan 07</b>		<b>202,333</b>	

3. Repayment of DPF: The Net Surplus in respect of 1 Coronation Street (sold on 8 July 04) is not spent on qualifying expenditure within 3 years. On 8 July 07, £70,000 is repayable to the NIHE (DPG). On 28 July 07, the £70,134 is remitted to the NIHE (DPG) NB: £134 represents late payment interest accrued from 8 July to 28 July 07 at 3.5% (i.e. £70,000 x 3.5% x 20 days / 365 days) as per Para 9.01 of DPF Guidance. See Para 9 below for additional information relating to late payment interest.
4. Utilisation of DPF during financial year: 11 August 07 is the date of legal completion for the purchase of 4 Coronation Street, by Acme Housing Association for a purchase price of £90,000. This represents the purchase of an existing satisfactory dwelling for DPF purposes.
5. Sale of property to sitting tenant under HSS during financial year: On 25 Oct 07, Acme Housing Association sells 5 Coronation Street to a sitting tenant under the Department's HSS as follows:

Description	£	£
Purchase Price	60,000	
VPG Receivable from the Department	20,000	
Market Value		80,000
Less		
Historic Cost	30,000	
Less HAG	20,000	
Attributable Loan Debt		10,000
Sum of Allowable Costs		1,500
VPG Admin Allowance		700
<b>Amount transferred to Disposals Proceeds Fund</b>		<b>67,800</b>

6. Repayment of VPG discount: On 1 November 2007, 6 Coronation Street was sold. The property was originally bought from Acme Housing Association under the House Sales Scheme by a sitting tenant on 8 July 2006. The sitting tenant at the time received a VPG discount of £15,000.
7. Vesting Order Compensation received from NIHE: On 14 April 2005 an NIHE Vesting Order in respect of 7 Coronation Street became effective. The NIHE and Acme Housing Association eventually agreed on a compensation payment of £28,000 plus interest. On 24 November 2007, £30,524 (being £28,000 compensation plus £2,524 interest) is paid by NIHE to Acme Housing Association and transferred to the latter's DPF on the same day.
8. Summary of DPF movements during the year to 31 December 2007: In light of the details set out in 1 - 4 above, the Disposals Proceeds Fund should be calculated as follows:

**Disposals Proceeds Fund (DPF)**

<b>Date</b>	<b>Transaction</b>	<b>£</b>	<b>Paragraph Ref. DPF Guidance</b>
1 Jan 07	Balance Brought Forward	202,333	
1 Jan 07	In accordance with DPF Guidance, Notional Interest begins to accrue on DPF balance of £202,333.		Para 9.01
8 Jul 07	Net Surplus from sale of 1 Coronation Street has not been spent within 3 yrs and is repayable to the NIHE (DPG).	(70,000)	Para 13.01
	<b>Subtotal</b>	<b>132,333</b>	
11 Aug 07	DPF Funds utilised on purchase of 4 Coronation Street (Being £62,000 from 2 Coronation Street; and £28,000 from 3 Coronation Street).	(90,000)	Para 10.01
	<b>Subtotal</b>	<b>42,333</b>	
25 Oct 07	Transfer into DPF of Net Surplus from Sale of 5 Coronation Street.	67,800	Para 2.00 – 6.02
	<b>Subtotal</b>	<b>110,133</b>	
1 Nov 07	Repayment of VPG discount by vendor of 6 Coronation Street	15,000	Para 7.01
	<b>Subtotal</b>	<b>125,133</b>	
24 Nov 07	Vesting Order Compensation received from NIHE in respect of 7 Coronation Street	30,524	Para 8.01
	<b>Subtotal</b>	<b>155,657</b>	
31 Dec 07	Transfer in of Notional Interest accrued in the year and not utilised on qualifying expenditure [See 11 below].	5,300	Para 9.01 & 9.02
31 Dec 07	Balance Carried Forward	160,957	

**Disposals Proceeds Fund (DPF)**

9. The Balance of DPF at 31 December 2007 can be analysed by Net Surplus and Notional Interest as follows:

Address	Date from which 3-year period commences	Net Surplus £	Date by which funds must be spent
3 Coronation Street	10 Nov 05	40,000	10 Nov 08
Notional Interest	31 Dec 06	2,333	31 Dec 09
5 Coronation Street	25 Oct 07	67,800	25 Oct 10
6 Coronation Street	1 Nov 07	15,000	1 Nov 10
(repayment of VPG discount)			
7 Coronation Street (Vesting Order Compensation received from NIHE)	24 Nov 07	30,524	24 Nov 10
Notional Interest for y/e 31 Dec 07 (see 11 below)	31 Dec 07	5,300	31 Dec 10
<b>Total balance at 1 Jan 08</b>		<b><u>160,957</u></b>	

10. Accounting Entries in respect of Interest Costs can be summarised as follows:

Notional Interest should be included as part of the current year transfer to the Disposals Proceeds Fund disclosed on the face of the Association's Income and Expenditure account, as a transfer of the Surplus on Ordinary Activities After Taxation to the Disposals Proceeds Fund. Therefore, the required journal entry relating to the Notional Interest for the year ended 31 December 2007 in the current example would be:

		£	£
Dr	Surplus on Ordinary Activities after Taxation	5,300	
	Cr Disposals Proceeds Fund		5,300

Late payment interest attributable to DPF monies recoverable by the NIHE (DPG) should be accounted for in the same manner as any other form of interest payable. As such, the required journal entry relating to the late payment interest from Para 3 above would be:

		£	£
Dr	Interest Payable (Income and Expenditure a/c)	134	
	Cr Current Liabilities (Amounts payable to NIHE (DPG) in the Balance Sheet)		134

**Disposals Proceeds Fund (DPF)**

**11. Working showing calculation of Notional Interest during the year ended 31 December 2007.**

Date From	Date To	Number of Days	DPF Balance b/f £	Notional Interest £	Adjustment £	DPF Balance c/f £	Narrative
1 Jan 07	7 Jul 07	188	202,333	3,648	(70,000)	132,333	Net Surplus repaid to NIHE (DPG) in respect of 1 Coronation Street (due to monies not spent within 3-year period)
8 Jul 07	10 Aug 07	34	132,333	431	(90,000)	42,333	DPF utilised in purchase of 4 Coronation Street on 11 August 2007
11 Aug 07	24 Oct 07	75	42,333	304	67,800	110,133	Net Surplus transferred into DPF, from the sale of 5 Coronation Street on 25 October 2007
25 Oct 07	31 Oct 07	7	110,133	74	15,000	125,133	VPG Discount repaid / repayable in respect of 6 Coronation Street credited to DPF
1 Nov 07	23 Nov 07	23	125,133	276	30,524	155,657	Vesting Order Compensation payment received from NIHE in respect of 7 Coronation Street credit to DPF
24 Nov 07	31 Dec 07	38	155,657	567	5,300	160,957	Notional Interest accrued during the y/e 31 Dec 07 transferred to DPF (see 8 above for analysis of balance)
<b>Totals</b>		<b>365</b>		<b>5,300</b>			

**NB: Notional Interest accruing in respect of 1 Coronation Street is credited to DPF up until DPF monies are repayable to the NIHE (DPG). Late payment interest accruing from date monies are repayable until monies are remitted to the NIHE (DPG) is calculated separately and included in the remittance of DPF balance (see paragraph 3 above).**



Department for

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**DISPOSALS PROCEEDS FUND**

**ANNEX B  
Form DPF1**

**Annual Return**

*[Sample Return Completed for  
Example Provided in Annex A  
Above.]*

Year ended

**Part A General Details (please complete in CAPITAL LETTERS)**

<u>Assoc Name and Correspondence Address</u>		<u>Contact Name (for enquiries)</u>	
Acme Housing Association 123 High Road Belfast		Joseph Bloggs	
		<u>Telephone Number (for enquiries)</u>	
		02890 000 000	
		<u>Department Registration Number</u>	
		99	

**Part B Income and Expenditure**

a) Return for the Financial Year / Period Ending (DD/MM/YYYY) NB: If the period of account is other than 12 months, please specify.	31/12/2007
b) Opening Balance at start of period of account	£ 202,333
c) Additions to fund in year from HSS sales*	£ 67,800
d) Additions to fund in year from repayment of VPG discount by HSS purchasers and receipt of Vesting Order Compensation from NIHE	£ 45,524
e) Notional Interest on Disposals Proceeds accrued during current period of account	£ 5,300
f) Drawdown from fund for replacement properties	£ 90,000
g) Amounts repayable / repaid to the NIHE (DPG) since last return	£ 70,000
h) DPF balance at end of period of account (Amount from Box 7 of Form DPF2)	£ 160,957
i) Current DPF creditor to the NIHE (DPG) (that is, amount from Box g above which remains outstanding at period end).	£ Nil

\*actual amount to fund in accordance with DPF Guidance

**Part C Certification**

I certify that this Association in operating the House Sales Scheme has:

- 1) Complied with the DSD requirements for VPG and DPF as set out in its House Sale Scheme Guidance and DPF Guidance, respectively.
- 2) Informed the NIHE (DPG) in writing of all sales and consulted the NIHE (DPG) on the location, type and nomination arrangements for replacement property.
- 3) Provided information in this annual return which is a true and accurate account of income and expenditure, scheme starts and completions and further certify that all properties funded from the HSS Disposals Proceeds Fund will be subject to the provisions of the House Sales Scheme (HSS Guidance and DPF Guidance)

<u>Name of Authorised Signatory</u>	<u>Signature</u>	<u>Date</u>
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(Officer or Member of Staff authorised by Association's Governing Body)

Auditors Certification: We have examined the information contained in Part B of the above annual return together with the related accounts and records of the Association and have carried out such tests and obtained such explanations as we considered necessary. In our opinion, the information properly reflects the income and expenditure of the Association in relation to the operation in accordance with the terms and conditions of the House Sales Scheme.

<u>Auditors Name</u>	<u>Signature</u>	<u>Auditors Address</u>
<u>Telephone Number</u>	<u>Date</u>	



Department for

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# DISPOSALS PROCEEDS FUND

## Annual Return

ANNEX C  
Form DPF1

Year ended

### Part A General Details (please complete in CAPITAL LETTERS)

<b>Assoc Name and Correspondence Address</b>     	<b>Contact Name (for enquiries)</b>  
	<b>Telephone Number (for enquiries)</b>  
	<b>Department Registration Number</b>  

### Part B Income and Expenditure

j) Return for the Financial Year / Period Ending (DD/MM/YYYY) NB: If the period of account is other than 12 months, please specify.	_____
k) Opening Balance at start of period of account	£ _____
l) Additions to fund in year from HSS sales*	£ _____
m) Additions to fund in year from repayment of VPG discount by HSS purchasers and receipt of Vesting Order Compensation from NIHE	£ _____
n) Notional Interest on Disposals Proceeds accrued during current period of account	£ _____
o) Drawdown from fund for replacement properties	£ _____
p) Amounts repayable / repaid to the NIHE (DPG) since last return	£ _____
q) DPF balance at end of period of account (Amount from Box 7 of Form DPF2)	£ _____
r) Current DPF creditor to the NIHE (DPG) (that is, amount from Box g above which remains outstanding at period end).	£ _____

\*actual amount to fund in accordance with DPF Guidance

### Part C Certification

I certify that this Association in operating the House Sales Scheme has:

- Complied with the DSD requirements for VPG and DPF as set out in its House Sale Scheme Guidance and DPF Guidance, respectively.
- Informed the NIHE (DPG) in writing of all sales and consulted the NIHE (DPG) on the location, type and nomination arrangements for replacement property.
- Provided information in this annual return which is a true and accurate account of income and expenditure, scheme starts and completions and further certify that all properties funded from the HSS Disposals Proceeds Fund will be subject to the provisions of the House Sales Scheme (HSS Guidance and DPF Guidance)

<u>Name of Authorised Signatory</u>	<u>Signature</u>	<u>Date</u>
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(Officer or Member of Staff authorised by Association's Governing Body)

**Auditors Certification:** We have examined the information contained in Part B of the above annual return together with the related accounts and records of the Association and have carried out such tests and obtained such explanations as we considered necessary. In our opinion, the information properly reflects the income and expenditure of the Association in relation to the operation in accordance with the terms and conditions of the House Sales Scheme.

<u>Auditors Name</u>	<u>Signature</u>	<u>Auditors Address</u>
<u>Telephone Number</u>	<u>Date</u>	



**DISPOSALS PROCEEDS  
FUND  
Period Statement for the  
Period Ended**

ANNEX D  
Form DPF2

\_\_\_\_\_  
(DD/MM/YYYY)

ASSOCIATION NAME	DEPARTMENT REGISTRATION NUMBER	
Date of Last Period Statement Submitted (Form DPF 2) _____ (DD/MM/YYYY)		Box 1
Closing Balance of DPF as per above mentioned Period Statement	£	Box 2
Additions to DPF from date in Box 1 above current period end _____ (DD/MM/YYYY), arising from property disposals under the House Sales Scheme*	£	Box 3
Additions to DPF from date in Box 1 above to the current period end _____ (DD/MM/YYYY), arising from repayment of VPG discount to Association.*	£	Box 4
Less DPF monies utilised on Qualifying Expenditure during the current period ending _____ (DD/MM/YYYY) (i.e. amounts debited from the DPF).	(£                    )	Box 5
Less DPF monies not utilised within 3 years of transfer into DPF and thereby repaid / repayable to the NIHE (DPG) since the date of the last Period Statement (Form DPF2) submitted	(£                    )	Box 6
Closing Balance of DPF as at current period ending _____ (DD/MM/YYYY) - excluding Notional Interest accrued/transferred to DPF since date of last DPF2 (Box 2 + Box 3 + Box 4 – Box 5 – Box 6)	£	Box 7
<b><u>Analysis of Box 6</u></b>		
Total amount of DPF repaid to the NIHE (DPG) since the date of the last Period Statement (Form DPF2) submitted	£	Box 8
Total Amount of DPF (including any amount from Box 6) which remains outstanding and repayable to the Department as at the current period end _____ (DD/MM/YYYY).	£	Box 9

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

(Officer or Member of Staff authorised by Association's Governing Body)

\*DPF Balance at date of last Period Statement (Form DPF2) and additions to DPF from date in Box 1 to the current period end \_\_\_\_\_(DD/MM/YYYY) should be calculated in accordance with DPF Guidance. That is, the DPF balances should treat both VPG received and receivable as transferring into the DPF from the date of legal completion of relevant House Sales.