



The Housing Revenue Account and Self-Financing Determinations



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These determinations are concerned with the exercise of the Secretary of State's powers conferred by sections [145 to 151 of the Localism Bill] and 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.

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July 2011

ISBN: 978-1-4098-3062-7

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The Housing Revenue Account Self-Financing Determinations

The Secretary of State as respects all local housing authorities in England, in exercise of the powers conferred by sections [145 to 151 of the Localism Act 2011], after consulting such representatives of local government and relevant professional bodies as appear to be appropriate, hereby makes the following determination:-

Citation and Commencement

- 1.1 This document may be cited as the Housing Revenue Account Self-Financing Determinations. It includes:
 - The Settlement Payments Determination, which includes the calculation of the self-financing valuation and the settlement payments that are required to implement self-financing of council housing
 - The Limits on Indebtedness Determination, which includes the limit on the amount of housing debt that each local housing authority can hold and the formula by which this will be calculated
 - The Housing Revenue Account Subsidy (Amendment) Determination 2011-2012
 - Item 8 Credit and Item 8 Debit Determination 2011-12 Amending Determination; and,
 - The Item 8 Credit and Debit Determination from 2012.
- 1.2 Subject to paragraph 1.3 the Housing Revenue Account Subsidy Determination 2011-2012 is hereby revoked.
- 1.3 The Housing Revenue Account Subsidy Determination 2011-2012 as amended by the Housing Revenue Account Subsidy (Amendment) Determination 2011-2012 shall continue to have effect for the purpose of the determination of Housing Revenue Account subsidy for the year beginning 1 April 2011.

Interpretation

In these determinations, unless the context otherwise requires:

“1989 Act” means the Local Government and Housing Act 1989;

“authority” means a local housing authority in England;

“cluster” means a group of rooms in a house in multiple occupation serving as separate accommodation for 2 or more persons but sharing a common kitchen, bathroom and lavatory; where such a house accommodates 6 or less than 6 persons, this shall count as one cluster; where such a house accommodates more than 6 persons the number of clusters shall be calculated by dividing the number of persons by 6, with any balance counting as one cluster;

subject to sub-paragraphs (2) and (3) of this definition, a **“dwelling”** means:

- (1) (a) a building or part of a building which is provided for occupation by a single family unit (that is to say an individual or a family, in either case together with any lodger), or
 - (b) a cluster or a group of 3 bed spaces in a hostel (for this purpose the number of groups of bed spaces shall be calculated by dividing the number of bed spaces by 3, with any balance counting as one dwelling), to which section 74(1) of the 1989 Act for the time being applies, together with any yard, garden, outhouses and appurtenances belonging to or usually enjoyed with that building or part, and irrespective of whether or not the dwelling is occupied on 1 April
- (2) a dwelling which is put to another use which is not a permanent change of use shall continue to be treated as a dwelling for the purposes of this determination; however
- (3) a dwelling falling within the description in paragraph (1)(a) or (b) of this definition shall not be treated as a dwelling for the purposes of this determination if it is either:
 - (a) an unoccupied dwelling which the authority has formally resolved should be demolished or disposed of and which is no longer available for letting; or
 - (b) a dwelling of which a lease has been granted under the rent to mortgage scheme.

“HRA” means the Housing Revenue Account of the authority whose settlement payments and limit on indebtedness is under consideration

“local housing authority” – has the same meaning as in the Housing Act 1985, and the Localism Act 2011[1]

“self-financing” is a system for financing council housing that will replace the Housing Revenue Account subsidy system

“shared ownership lease” has the meaning given in section 622 of the Housing Act 1985

“financial year” means the period of 12 months beginning on 1 April.

References to another determination are to be read as references to that determination as amended or as revoked and replaced as the case may be.

In these determinations, unless the contrary intention appears, reference to an Act or Statutory Instrument is a reference to the Act or Statutory Instrument as amended.

The Settlement Payments Determination 2012

The Secretary of State as respects all local housing authorities in England, in exercise of the powers conferred by sections [146, 148 and 151 of the Localism Act 2011], after consulting such representatives of local government and relevant professional bodies as appear to be appropriate, makes the following determination:-

Citation and Commencement

This determination may be cited as the Settlement Payments Determination 2012. It has effect from 28 March 2012.

1. The self-financing valuation

- 1.1 A self-financing valuation of each local housing authority's council housing stock has been made using a discounted cash flow model of each authority's social housing business.
- 1.2 This model is based on assumptions made by Government about the rental income and expenditure required to maintain each council's council housing stock over 30 years.
- 1.3 [Documents not included with draft determination as financial model cannot be finalized until later in the year.] More detail on the methodology and the assumptions used in the self financing valuation are available in the following four documents which are published alongside this determination:
 - A financial model used to calculate the self-financing valuation;
 - A commentary on the financial model;
 - A report on the financial model inputs and assumptions; and,
 - A user guide to accompany the financial model

2. Notional housing borrowing (SCFR)

- 2.1 The Subsidy Capital Financing Requirement (SCFR) for each local housing authority is the SCFR calculated in the Housing Revenue Account Subsidy Determination 2011-2012 adjusted to take account of the following –
 - a. any special determinations issued since the Housing Revenue Account Subsidy Determination 2011-2012 was published;

- b. information provided by local authorities in the 2011-12 subsidy claim forms;
 - c. the 2012-13 base data forms; and,
 - d. adjustments for transfers and appropriations not already captured.
- 2.2 The SCFR for each local housing authority is shown on the [sheet] of the financial model which is attached at appendix X.

3. Settlement payments

Payments to the Secretary of State

- 3.1 Where the self-financing valuation for a local housing authority is greater than the SCFR for that authority, the authority must pay to the Secretary of State the amount by which the self financing valuation exceeds the SCFR. Where the SCFR is a negative amount it has been treated as nil for the purposes of this calculation.
- 3.2 Payments must be made as cleared funds via electronic banking transfers on or before 28 March 2012.
- 3.3 The local housing authorities required to make a payment to the Secretary of State on or before 28 March 2012 and the amounts payable are set out at Annex A to this determination.

Payments to local housing authorities

- 3.4 Where the self-financing valuation for a local housing authority is less than the SCFR for that authority, the Secretary of State will make a payment to the authority equal to the amount by which the SCFR exceeds the self financing valuation.
- 3.5 Payments will be made on 28 March 2012 as follows and in this priority until the full payment has been made:

PWLB Loans

- 3.6 The Secretary of State will redeem an equal percentage of all Public Works Loans Board (PWLB) loans held by the authority. The percentage for each authority will be calculated according to the value of PWLB loans held by the authority on the date of the transaction. Annex B to this determination lists the local authorities to which this applies and the amounts for payment by the Secretary of State.
- 3.7 Any charges for the early repayment of these loans will be met by the Secretary of State. The Secretary of State will set any discounts for early repayment of loans against these charges.

Authorities where the settlement payment is greater than the value of loans held with PWLB

- 3.8 Where an authority's PWLB debt is less than the settlement payment, the Secretary of State will redeem all the loans held with the PWLB and pay the balance of the settlement payment to the local authority.

- 3.9 Local authorities will be required to use this payment in accordance with conditions stipulated by the Secretary of State.

The Settlement Payments Determination 2012 – Annex A

Settlement Payments to Secretary of State

This annex will list the local authorities required to make payments to the Secretary of State and the amount of these payments.

The Settlement Payments Determination 2012 – Annex B

Settlement Payments made by Secretary of State

This annex will list the local authorities that will be receiving payments from the Secretary of State and the amount of these payments.

Limits on Indebtedness Determination 2012

The Secretary of State as respects all local housing authorities in England, in exercise of the powers conferred by section [149 and 151 of the Localism Act 2011], after consulting such representatives of local government and relevant professional bodies as appear to be appropriate, makes the following determination:-

1. Formula for the calculation of the amount of housing debt held by the authority

1.1 The amount of housing debt held by an authority is defined as the HRA Capital Financing Requirement (HRA CFR). It is calculated in accordance with the formula at Annex A to this Determination.

2. The limit on the amount of housing debt that each authority can hold

2.1 The maximum amount of housing debt that each authority may hold, calculated in accordance with the definition at paragraph 1.1 above, is the highest of the amounts set out in paragraphs 2.1.1 to 2.1.3:

2.1.1 The self-financing valuation for the authority plus any capital financing provided by the local authority before 1 April 2012 to support a new build scheme under a contract with the Homes and Communities Agency (this is defined at paragraph 2.4 below);

2.1.2 Where the authority is making a settlement payment to the Secretary of State, the end-year HRA CFR for 2011-2012 plus the value of the payment;

2.1.3 Where the authority is receiving a settlement payment from the Secretary of State the end-year HRA CFR for 2011-2012 less the value of the payment.

2.2 Following the approach described in paragraph 2.1 the maximum amount of housing debt that can be held by each authority is listed at Annex B to this determination.

2.3 An authority will be in breach of the limit if its housing debt exceeds the amount specified in annex B on the final day of 2012-2013. In subsequent years, an authority will be in breach of the limit if its housing debt exceeds the amount specified in annex B on the final day of the year.

- 2.4 Capital financing to support new build is defined as the capital contribution agreed in contracts with the Homes and Communities Agency for new build schemes and which has been provided to those schemes prior to 1 April 2012. It does not include the value of any land that the local authority has put into a scheme.

Limits on Indebtedness Determination 2012 – Annex A

Calculation of the Housing Revenue Account Capital Financing Requirement (HRA CFR)

Opening Housing Revenue Account CFR 1 April 2012

The opening HRA CFR on 1 April 2012 is calculated as follows:

The opening Housing Revenue Account CFR on 1 April 2011 plus

the capital expenditure of the local authority financed by borrowing or credit arrangements which was incurred during the 2011-2012 financial year on any interest in housing land; and

the certified value of any interest in a dwelling or housing land which commenced or recommenced to be accounted for in the Housing Revenue Account in the 2011-2012 financial year for a reason other than acquisition by the local authority; and

where the local authority has made a self-financing settlement payment to the Secretary of State in accordance with the Settlement Payments Determination 2012, the amount of that payment.

Less

such part of any capital receipt from the disposal of an interest in housing land which was used during the 2011-2012 financial year to repay the principal of any amount borrowed by the local authority or to meet any liability in respect of credit arrangements;

the certified value of any interest in a dwelling or housing land, that ceased to be accounted for in the Housing Revenue Account during the 2011-2012 financial year other than by virtue of disposal by the local authority;

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 2011-2012 financial year to make from the Housing Revenue Account;

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 2011-2012 financial year to make from the major repairs reserve; and

where the local authority has received a self-financing settlement payment from the Secretary of State in accordance with the Settlement Payments Determination 2012, the amount of that payment.

Closing Housing Revenue Account CFR 31 March 2013

The closing Housing Revenue Account CFR for 31 March 2013 will be calculated as follows:

Opening Housing Revenue Account CFR on 1 April 2012 plus

the capital expenditure of the local authority financed by borrowing or credit arrangements which was incurred during the 2012-2013 financial year on any interest in housing land; and

the certified value of any interest in a dwelling or housing land which commenced or recommenced to be accounted for in the Housing Revenue Account during the 2012-2013 financial year for a reason other than acquisition by the local authority;

Less

such part of any capital receipt from the disposal of an interest in housing land which was used during the 2012-2013 financial year to repay the principal of any amount borrowed by the local authority or to meet any liability in respect of credit arrangements;

the certified value of any interest in a dwelling or housing land, that ceased to be accounted for in the Housing Revenue Account in the 2012-2013 financial year other than by virtue of disposal by the local authority;

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 2012-2013 financial year to make from the Housing Revenue Account; and

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 2012-2013 financial year to make from the major repairs reserve.

The opening Housing Revenue Account CFR in subsequent years

The opening Housing Revenue Account CFR on 1 April for subsequent years is the closing Housing Revenue Account CFR on the previous day, that is 31 March of the previous financial year.

The closing Housing Revenue Account CFR in subsequent years

The closing Housing Revenue Account CFR for subsequent years will be calculated as follows:

The opening Housing Revenue Account CFR on 1 April of that financial year plus

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

the certified value of any interest in a dwelling or 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;

Less

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;

the certified value of any interest in a dwelling or 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;

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

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.

Limits on Indebtedness Determination 2012 – Annex B

Maximum amount of housing debt that can be held by each local authority

This annex will show the limit on housing debt for each local authority. The determination in November will include indicative amounts based on the methodology described in paragraph 2.1 of this determination.

The Housing Revenue Account Subsidy (Amendment) Determination 2011-2012

The Secretary of State as respects all local housing authorities in England, in exercise of the powers conferred by sections 80 and 87 of the Local Government and Housing Act 1989, after consulting such representatives of local government and relevant professional bodies as appear to be appropriate, hereby makes the following determination.

Citation and Commencement

This determination may be cited as the Housing Revenue Account Subsidy (Amendment) Determination 2011-2012 and has effect for the year beginning 1 April 2011.

The Housing Revenue Account Subsidy Determination 2011-2012 shall be amended as follows:-

Paragraph 3.1 shall be deleted and replaced with

3.1 The amount of Housing Revenue Account subsidy payable to an authority for 2011-2012 shall be calculated as follows:

amount of subsidy = (allowance for management + allowance for maintenance + allowance for major repairs + support for decent homes borrowing + PFI allowance + charges for capital + other items of reckonable expenditure) – (rent + interest on receipts),

plus interest payable between 28 March 2012 and 31 March 2012 on any loans taken out to pay the Secretary of State for the self-financing settlement; or,

less interest reduction between 28 March 2012 and 31 March 2012 due to loan repayments made by the Secretary of State for the self-financing settlement

provided that where the calculation results in a negative figure, that amount of negative subsidy is payable by an authority to the Secretary of State.

The Item 8 Credit and Item 8 Debit (General) Determination 2011-2012 Amending Determination 201[1]

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 after consulting such representatives of local government and relevant professional bodies as appear to be appropriate, hereby amends the Item 8 Credit and Item 8 Debit (General) Determination 2011-2012 as follows:-

Citation and Commencement

This determination may be cited as the Item 8 Credit and Item 8 Debit (General) Determination 2011-2012 Amending Determination 201[1]. It amends the Item 8 Credit and Item 8 Debit (General) Determination 2011-2012 for the year beginning 1 April 2011.

The Item 8 Credit and Item 8 Debit (General) Determination 2011-12 shall be amended as follows:-

Paragraph 4.1 shall be deleted and replaced with

'4.1 The sum to be debited to the Housing Revenue Account under item 8 of Part II of Schedule 4 to the 1989 Act shall be calculated as follows:

item 8 debit = capital asset charges + debt repayment and management costs
+ capital asset charges accounting adjustment + transfer to Major Repairs Reserve + PFI scheme payments

plus the interest payable on any loans taken out to make the payment where the local authority is required to make a self-financing settlement payment to the Secretary of State; or

less the reduction in interest due to loans repayments made by the Secretary of State for the self-financing settlement where the local authority is receiving a self-financing settlement payment from the Secretary of State.

where an amount for:

capital asset charges is calculated in accordance with paragraph 4.3;

debt repayment and management costs is calculated in accordance with paragraph 4.4;

the capital asset charges accounting adjustment is calculated in accordance with paragraph 4.5; and

the transfer to Major Repairs Reserve is calculated in accordance with paragraph 4.6;

PFI scheme payments are calculated in accordance with paragraph 4.7; and

the interest payable on any loans for the self-financing settlement is as set out in paragraph 4.9'

After paragraph 4.8 the following paragraph shall be inserted

'4.9 The interest on any loans taken out to pay the Secretary of State for the self-financing settlement shall be the actual interest charged on the loan between the later of the date the loan is taken out or [date of Royal Assent] and 31 March 2012.'

In paragraph 5.1 the following paragraph shall be deleted

'M = the amount outstanding during 2011-2012 by way of money borrowed by the authority (calculated on a weighted average basis which takes into account fluctuations in such amounts outstanding during the year);'

and replaced with

'M = the amount outstanding during 2011-2012 by way of money borrowed by the authority (calculated on a weighted average basis which takes into account fluctuations in such amounts outstanding during the year). This figure is to exclude both the amount of any loans taken out to pay the settlement payment to the Secretary of State and the repayments of loans made by the Secretary of State as part of the self-financing settlement;'

In paragraph 5.1 the following paragraph shall be deleted

“capital financing requirement” will mean the amount determined as the capital financing requirement in the “Prudential Code for Capital Finance in Local Authorities” published by CIPFA, as amended or reissued from time to time, minus any elements arising from PFI schemes’

and replaced with

‘capital financing requirement’ will mean the amount determined as the capital financing requirement in the “Prudential Code for Capital Finance in Local Authorities” published by CIPFA, as amended or reissued from time to time, minus any elements arising from PFI schemes, as adjusted to exclude the amounts of any loans taken out to pay the settlement payment to the Secretary of State or any loan repayments made by the Secretary of State as part of the self-financing settlement.

The Item 8 Credit and Item 8 Debit (General) Determination From 1 April 2012

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 after consulting such representatives of local government and relevant professional bodies as appear to be appropriate, hereby makes the following determination:-

Citation and Commencement

- 1.1 This determination may be cited as the Item 8 Credit and Item 8 Debit (General) Determination. It has effect from 1 April 2012 for the year 2012-2013 and subsequent years.
- 1.2 Save for the purpose of the determination of the Item 8 credit and Item 8 debit for the year beginning 1 April 2011 the Item 8 Credit and Item 8 Debit (General) Determination 2011-2012 is hereby revoked.

Item 8 of Part I – Credit to the Account

The sum to be credited to the Housing Revenue Account under item 8 of Part I of Schedule 4 to the 1989 Act shall be calculated as follows for the year 2012-2013 and the four subsequent years -

Item 8 Credit = interest on Housing Revenue Account Capital Financing Requirement
+ Interest on notional cash balance + Interest on loans for purchase of Housing Revenue Account properties + discounts for early repayment of debt + Public Finance Initiative subsidy payments + transfer from major repairs reserve + impairments adjustment

From the year 2017-2018 the sum to be credited to the Housing Revenue Account under item 8 of Part I of Schedule 4 to the 1989 Act shall be calculated as follows –

Item 8 Credit = Interest on Housing Revenue Account Capital Financing Requirement
+ Interest on notional cash balance + Interest on loans for purchase of Housing Revenue Account properties + discounts for early repayment of debt + Private Finance Initiative subsidy payments

where –

Interest on the Housing Revenue Account Capital Financing Requirement is calculated in accordance with proper practices. It is nil where the calculation results in a positive amount.

Interest on notional cash balance means the notional cash balance attributed to the Housing Revenue Account, the Housing Revenue Account Repairs Account and the Major Repairs Reserve and is calculated in accordance with proper practices. It is nil where the calculation results in a positive amount.

Interest on loans for purchase of Housing Revenue Account properties is the interest receivable by the authority during the year in respect of any loan (including a part of the purchase price left outstanding) made to enable the borrower to acquire a dwelling within the Housing Revenue Account;

PFI subsidy payments are payments made to an authority by DCLG for Housing Revenue Account Private Finance Initiative (PFI) schemes approved by the Secretary of State that are a service concession within the meaning of IFRIC 12^[1], such that in accordance with proper practices the provisions of IFRIC 12 need to be considered.

¹ International Financial Reporting Interpretations Committee 12 (IFRIC 12), published by the International Accounting Standards Board (IASB), provides guidance on how service concession arrangements should be accounted for under International Financial Reporting Standards.

Transfer from Major Repairs Reserve is a transfer from the Major Repairs Reserve. Where depreciation for dwellings within the authority's Housing Revenue Account, excluding the authority's share of any dwelling subject to a shared ownership lease, calculated in accordance with proper practices, is greater than the Major Repairs Allowance it is equal to the difference between depreciation and the Major Repairs Allowance;

The Major Repairs Allowance is equal to the assumption about the need to spend on major repairs for each authority used in the self-financing valuation for 2012-2013 and each of the next four years.

Transfer from Major Repairs Reserve has been included on a transitional basis to allow local authorities time to develop a component-based approach to depreciation.

Impairments Adjustment allows local authorities to reverse impairment charges out of the Housing Revenue Account in the Statement of Movement on the Housing Revenue Account balance sheet where the Housing Revenue Account revaluation reserve cannot meet the impairment charge. This applies for a transitional period for the year 2012-2013 and the four subsequent years.

Discounts for early repayment of debt are calculated in accordance with proper practices.

Item 8 of Part II – Debit to the Account

The sum to be debited to the Housing Revenue Account under item 8 of Part II of Schedule 4 to the 1989 Act shall be calculated as follows:

Item 8 debit = interest on loans + depreciation of dwellings + depreciation of non dwellings + debt repayments + charges under credit arrangements + interest on notional cash balance + debt management expenses + premiums for early repayment of debt + transfer to Major Repairs Reserve + impairment charges

where:

Interest on loans means the interest on loans that are included within the Housing Revenue Account Capital Financing Requirement. It is calculated in accordance with proper practices.

Depreciation on both council dwellings and other assets within the Housing Revenue Account should be calculated in accordance with proper practices.

Debt repayments are where authorities choose to repay debt from the Housing Revenue Account.

Charges under credit arrangements mean charges related to the financing of capital expenditure on any interest in housing land where authorities make payments in accordance with sections 7 and 8 of the Local Government Act 2003. Private Finance Initiative scheme payments which are “on balance sheet” are included here. However where such payments are “off balance sheet” they are properly debited under item 1 or Item 3 of Part II of Schedule 4 to the 1989 Act. Private Finance Initiative scheme payments made to contractors under an Housing Revenue Account Private Finance Initiative scheme in respect of housing land which is no longer in the authority’s Housing Revenue Account are not Private Finance Initiative scheme payments for the purposes of this determination.

Interest on notional cash balance means the interest charged on the debits and liabilities of the Housing Revenue Account. It is calculated in accordance with proper practices and is nil where the authority has a credit balance.

Debt management expenses are a proportion of the authority’s debt management expenses for the year calculated in accordance with proper practices to reflect the proportion which the Housing Revenue Account should bear.

Premium charges for early repayment of debt are calculated in accordance with proper practices.

Transfer to Major Repairs Reserve. Where decent homes backlog funding has been credited to the Housing Revenue Account in accordance with a direction made by the Secretary of State under item 9 of Part I of Schedule 4 to the 1989 Act, then a debit equal to this amount must be made to the Housing Revenue Account under item 8 and transferred to the credit of the Major Repairs Reserve.

In addition an authority may wish to transfer an amount in excess of any charge for depreciation to its Major Repairs Reserve.

Impairment charges means any impairment charges in respect of land, houses or other property within the authority's Housing Revenue Account calculated in accordance with proper practices where the Housing Revenue Account Revaluation Reserve cannot meet the impairment charge.

ISBN: 978-1-4098-3062-7

ISBN 978-1-4098-3062-7



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