



The Draft Item 8 Credit and Item 8 Debit (General) Determination 2011-2012

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 2011-2012 and has effect for the year beginning 1 April 2011.
- 1.2 Save for the purpose of the determination of the Item 8 credit and Item 8 debit for the year beginning 1 April 2010 the Item 8 Credit and Item 8 Debit Determination 2010-2011 is hereby revoked.

Interpretation

2.1 In this determination, unless the context otherwise requires -

"1985 Act" means the Housing Act 1985;

"1989 Act" means the Local Government and Housing Act 1989;

"HRA" means the Housing Revenue Account of the authority making the Item 8 entries in 2011-2012;

"average notional cash balance" means the average amount representing the excess (in the case of a credit balance) or deficit (in the case of a debit balance) of cash receipts in respect of amounts credited to the HRA, the Housing Repairs Account, and the Major Repairs Reserve (MRR) (referred to in paragraph (5) of regulation 7 of the Accounts and Audit Regulations 2003), over cash payments in respect of amounts debited to the HRA, Housing Repairs Account and the MRR, by reference to any cash account kept by the authority;

"authority" means a local housing authority in England;

“credit arrangement” has the meaning given in section 7 of the Local Government Act 2003;

"dwelling" has the same meaning as in the Housing Revenue Account Subsidy Determination 2011-2012;

“Housing land” has the same meaning as in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, and means ‘any land, house or other building in relation to which the local authority is, or has been immediately before disposal of it, subject to the duty in section 74 of the Local Government and Housing Act 1989’;

“HRA operational assets” means fixed assets within the authority’s HRA held and occupied, used or consumed by the authority in the direct delivery of the authority’s services as a local housing authority;

"year" means the period of 12 months beginning on 1 April;

“2009-2010” means the year beginning on 1 April 2009

“2010-2011” means the year beginning on 1 April 2010

- 2.2 In this determination references to the "certified value" of land, houses or other buildings means the market value certified by the District Valuer or by a qualified valuer employed by the authority.
- 2.3 In this determination, unless the contrary intention appears, reference to an Act or Statutory Instrument is a reference to the Act or Statutory Instrument as amended.

Item 8 of Part 1 – Credit to the Account

3.1 The sum to be credited to the HRA under item 8 of Part 1 of Schedule 4 to the 1989 Act shall be calculated as follows -

$$(A \times B) + (C \times B) + E + T + W$$

where –

A = nil if the mid-year HRA capital financing requirement (as defined in paragraph 6 of this determination) is a positive amount or nil, or is the equivalent positive amount if the mid-year HRA capital financing requirement is a negative amount;

B = the average rate of interest, in respect of interest receivable by the authority in 2011-2012 from investments other than investments held for the purposes of operational services, or held for the purposes of a pension fund;

C = the average notional cash balance for 2011-2012 except that where that is a debit balance C shall be nil;

E = the interest receivable by the authority relating to 2011-2012 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 HRA;

T is a transfer from the Major Repairs Reserve calculated as the aggregate of:

- (i) SB; and
- (ii) $(SA - \text{the Major Repairs Allowance (MRA)})$, where SA is greater than the MRA;

where –

SA = a charge for depreciation, calculated in accordance with proper practices, for dwellings within the authority's HRA excluding the authority's share of any dwelling subject to a shared ownership lease;

SB = a charge for depreciation, calculated in accordance with proper practices, for all other land, houses and property within the authority's HRA; and

the MRA is calculated in accordance with paragraph 4.3 of the Housing Revenue Account Subsidy Determination 2011-2012;

W has the same meaning as in paragraph 5.4 of the Housing Revenue Account Subsidy Determination 2011-2012.

Item 8 of Part II – Debit to the Account

4.1 The sum to be debited to the HRA 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.

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; and

PFI scheme payments are calculated in accordance with paragraph 4.7.

4.2 Expressions are used in paragraph 4.1 for convenience and not to define the items.

Capital Asset Charges

4.3 Capital asset charges shall be calculated as follows:

$$R + SA + SB$$

where -

R is the aggregate amount of:

- (i) any impairment charges in respect of land, houses or other property within the authority's HRA calculated in accordance with proper practices; and
- (ii) any charge calculated in accordance with proper practices in respect of Revenue Expenditure Funded From Capital Under Statute attributable to the HRA.

SA and SB have the same meanings as in paragraph 3.1.

Debt Repayment and Management Costs

4.4 Debt repayment and management costs shall be calculated as follows:

$$F + K + V$$

where –

- F = any amount charged to the HRA in respect of the financing of capital expenditure on any interest in housing land incurred by the local authority in any previous financial year
- K = a proportion of the authority's debt management expenses for 2011-2012, calculated in accordance with proper practices to reflect the proportion which the HRA should bear; and
- V has the same meaning as in paragraph 5.4 of the Housing Revenue Account Subsidy Determination 2011-2012.

Capital Asset Charges Accounting Adjustment

4.5 The capital asset charges accounting adjustment shall be calculated as follows:

$$J - R$$

where -

- R has the same meaning as in paragraph 4.3;
- J is an amount in respect of interest and shall be calculated in accordance with the following formula:

$$(G \times H) + (I \times H) + L$$

where –

- G = the mid-year HRA capital financing requirement (as defined in paragraph 6 of this determination), except that where that is a negative amount G shall be nil;
- H = the consolidated rate of interest, determined in accordance with paragraph 5 of this determination;
- I = the average notional cash balance for 2011-2012, except that where that is a credit balance, I shall be nil;
- L = the aggregate of expenditure of the authority on interest payments in 2011-2012

- (a) under arrangements which would have been credit arrangements under section 48 of the 1989 Act, prior to its repeal by the Local Government Act 2003, if they had been entered into on or after 1 April 1990, where all the following conditions apply -
 - (i) the cost of the property, works or equipment obtained under the arrangements would have been debited to the HRA;
 - (ii) the expenditure is not capital expenditure within the meaning of section 16 of the Local Government Act 2003;
 - (iii) the authority entered into the contract for the works, property or equipment before 1 April 1990; and
 - (iv) the arrangements are not transitional credit arrangements under section 52 of the 1989 Act, prior to its repeal by the Local Government Act 2003; and
- (b) under restitution or other compromise agreements reached by the authority with the financing body when the authority has decided that the original arrangements, which were within the description in sub-paragraph (a), were or may be ultra vires.

Transfer to Major Repairs Reserve

4.6 U is a transfer to the Major Repairs Reserve, and is

- (a) nil where SA is equal to or greater than the MRA
- (b) where SA is less than the MRA, $U = MRA - SA$;

PFI Scheme Payments

4.7 PFI Scheme Payments are, subject to paragraph 4.8, agreed payments to contractors under a HRA private finance initiative scheme (that is, a service concession within the meaning of IFRIC 12, such that in accordance with proper practices the provisions of IFRIC 12 need to be considered), except where such payments are properly debited under item 1 or Item 3 of Part II of Schedule 4 to the 1989 Act.

4.8 Payments made to contractors under a HRA private finance initiative scheme in respect of housing land which is no longer in the authority's HRA are not PFI Scheme Payments for the purposes of this determination.

Consolidated Rate of Interest

5.1 For the purposes of paragraph 4.5, H is a percentage amount calculated to two decimal places as follows:

$$\frac{(M \times N) + ((P - M) \times Q)}{P}$$

except that where M is equal to or greater than P, H shall be N.

For the purpose of this paragraph -

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);

N = the average rate of interest (calculated on an accruals basis to two decimal places) payable during 2011-2012 on the amount represented by M as defined above;

P = whichever is the higher of -

(a) the sum of the authority's capital financing requirement (as defined in paragraph 5 of this determination) at the beginning of 1 April 2011 and their capital financing requirement at the end of 31 March 2012, divided by 2, minus Adjustment A, and

(b) the authority's mid-year HRA capital financing requirement for 2011-2012 (as defined in paragraph 6 of this determination);

where -

“Adjustment A” is an amount to be calculated in accordance with Regulation 28(1) of SI 2003/3146 as worded prior to its amendment by SI 2007/573.1

Q = the average 3-month London Interbank Bid Rate for 2011-2012 calculated by aggregating the rates published on the same day in 52 weeks throughout 2011-2012 and dividing the total by 52.

“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

Mid-year HRA Capital Financing Requirement

- 6.1 “mid-year HRA capital financing requirement” means the opening HRA capital financing requirement (as defined in paragraph 7 of this determination) together with the items in paragraph 6.2 and minus the items in paragraph 6.3.
- 6.2 Items to be aggregated with the opening HRA capital financing requirement, excluding changes arising from a PFI scheme:
- (i) one half of the capital expenditure financed by borrowing or credit arrangements which was incurred during 2011-2012 on any interest in housing land; and
 - (ii) one half of the certified value of land, houses or other buildings which commences or recommences to be accounted for in the HRA in 2011-2012 for a reason other than acquisition (whether by appropriation for the purposes of Part II of the 1985 Act or otherwise).
- 6.3 **Items to be deducted from the aggregate of the opening HRA capital financing requirement (excluding changes arising from a PFI scheme, as above) and the items in paragraph 6.2:**
- (i) in respect of the value of any land, house or other buildings which ceases to be accounted for in the HRA in 2011-2012 for a reason other than disposal (whether by appropriation from the purposes of Part II of the 1985 Act or otherwise):
 - 37.5% of the certified value of any such dwellings; and
 - 25% of the certified value of any such land or other property other than dwellings;
 - (ii) where applicable, an authority may also deduct:
 - one half of the capital receipt from the disposal of any interest in housing land which the authority has determined to use in 2011-2012 to repay the principal of any amount borrowed or to meet liabilities under credit arrangements;

1 Regulation 28(1) as originally worded is replicated at Annex A

- one half of any amount set aside under 'F', or from the MRR, in 2011-2012
- (iii) one half of the total of the amount of any payment made by the Secretary of State in 2011 – 2012 to the Public Works Loan Board as a result of disposal of housing land by the authority less the part used to pay premiums on the early redemption of loans

Opening HRA Capital Financing Requirement

7.1 "Opening HRA capital financing requirement" means the opening HRA capital financing requirement for 2010 – 2011 (calculated in accordance with paragraph (i) below) together with the items in paragraph 7.2 and minus the items in paragraph 7.3, but excluding changes arising from a PFI scheme

(i) The "opening HRA capital financing requirement" is the amount calculated in accordance with the following formula—

$$\text{OCFR} + \text{TIA} - \text{TID}$$

where—

OCFR means the opening HRA capital financing requirement for the preceding financial year;

TIA means the total items to be aggregated, being the total of the following—

- (a) the capital expenditure of the local authority financed by borrowing or credit arrangements which was incurred during the preceding financial year on any interest in housing land; and
- (b) the certified value of any interest in housing land which commenced or recommenced to be accounted for in the Housing Revenue Account in the preceding financial year for a reason other than acquisition by the local authority;

TID means the total items to be deducted, being the total of the following—

- (a) such part of any capital receipt from the disposal of an interest in housing land which was used during the preceding financial year to repay the principal of any amount borrowed by the local authority or to meet any liability in respect of credit arrangements;
- (b) 75 per cent. of the certified value of any interest in a dwelling, and 50 per cent. of the certified value of any interest in other housing land, that ceased to be accounted for in the Housing Revenue Account in the preceding financial year other than by virtue of disposal by the local authority;
- (c) 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 preceding financial year to make from the Housing Revenue Account; and
- (d) 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 preceding financial year to make from the major repairs reserve;

7.2 Items to be aggregated with the opening HRA capital financing requirement for 2010-2011, but excluding changes arising from a PFI scheme

- (i) the capital expenditure of the authority financed by borrowing or credit arrangements which was incurred during 2010-2011 on any interest in housing land; and
- (ii) the certified value of any interest in housing land which commenced or recommenced to be accounted for in the Housing Revenue Account in 2010-2011 for a reason other than acquisition by the authority.

7.3 Items to be deducted from the opening HRA capital financing requirement for 2010-2011, but excluding changes arising from a PFI scheme

- (i) such part of any capital receipt from the disposal of an interest in housing land which was used during 2010 -2011 to repay the principal of any amount borrowed by the authority or to meet any liability in respect of credit arrangements;
- (ii) 75 per cent of the certified value of any interest in a dwelling, and 50 per cent of the certified value of any interest in other housing land, that ceased to be accounted for in the Housing Revenue Account in 2010 - 2011 other than by virtue of disposal by the authority;
- (iii) the amount of the provision for the repayment of the principal of any amount borrowed by the authority or the meeting of any liability in respect of credit arrangements which the authority determined during 2010 - 2011 to make from the Housing Revenue Account;
- (iv) the amount of the provision for the repayment of the principal of any amount borrowed by the authority or the meeting of any liability in respect of credit arrangements which the authority determined during 2010 - 2011 to make from the major repairs reserve; and
- (v) the amount of any payment made by the Secretary of State in 2010 – 2011 to the Public Works Loan Board as a result of disposal of housing land by the authority less the part used to pay premiums on the early redemption of loans;

Peter Ruback
for and on behalf of the Secretary of State

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Annex A

Regulation 28 of SI 2003/3146 – Original Wording

Calculation of minimum revenue provision

28. (1) Subject to paragraphs (2) and (3) and regulation 29, the minimum revenue provision for the current financial year shall be calculated by the local authority in accordance with the following formula –

$$\frac{4[\text{CFR} - (\text{A} + \text{HC})]}{100}$$

Where –

CFR is the capital financing requirement at the end of the preceding financial year;

A is an adjustment (which may be a positive, nil or negative amount) to be calculated in accordance with the following formula –

Where –

$$[\text{CFRM} - (\text{HA} + \text{NHA}) + \frac{(\text{HA} - \text{HB})}{2}]$$

CFRM is the capital financing requirement on 31 March 2004;

HA is the opening housing amount on 31 March 2004;

HB is the opening HRA capital financing requirement for the financial year beginning on 1 April 2004, except that if the opening HRA capital financing requirement is a negative amount, HB is nil; and

NHA is the non-housing amount on 31 March 2004; and

HC is the opening HRA capital financing requirement for the current financial year, except that if that opening HRA capital financing requirement is a negative amount, HC is nil.