



Department for
Communities and
Local Government

The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2017

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 2017 for the year 2017-2018 and subsequent years.

1.2 Subject to paragraph 1.3 the Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2013 is hereby revoked.

1.3 The following Determinations will continue to have effect for the purpose of the determination of Housing Revenue Account self financing for the year beginning 1 April 2012:

- The Settlement Payments Determination
- The Limits on Indebtedness Determination
- The Housing Revenue Account Subsidy (Amendment) Determination 2011-2012
- Item 8 Credit and Item 8 Debit (General) Determination 2011-2012 Amending Determination

and in so far as may be necessary for the purposes of any calculation to be made under this or any other determination relating to the calculation of Housing Revenue Account self financing.

Interpretation

2.1 In this determination, 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 group of 3 bed spaces in a hostel (for this purpose the number of groups of bed spaces shall be calculated by dividing the total 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.

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

"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

"non-dwelling" means a building or part of a building that does not fall into the definition of dwelling above

"proper accounting practices" in relation to the accounts of a local authority are defined in accordance with section 21 of the Local Government Act 2003

"self-financing" is the system for financing council housing that replaced the Housing Revenue Account subsidy system

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

2.2 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 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 2017- 2018 financial year and subsequent financial years:

Item 8 Credit = interest on HRA Capital Financing Requirement + interest on notional cash balance + interest on loans for purchase of HRA properties + discounts for early repayment of debt + PFI subsidy payments + impairments adjustment for dwellings + impairments adjustment for non-dwellings + revaluation gains adjustment for dwellings + revaluation gains adjustment for non-dwellings.

where:

Interest on the HRA Capital Financing Requirement is credited to the Housing Revenue Account on investments by the Housing Revenue Account where there is a negative Housing Revenue Account Capital Financing Requirement.

Interest on notional cash balance means the interest credited to the Housing Revenue Account on notional credit balances attributed to the Housing Revenue Account, the Housing Revenue Account Repairs Account and the Major Repairs Reserve.

Interest on loans for purchase of HRA 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 the Department for Communities and Local Government for Housing Revenue Account Private Finance Initiative (PFI) schemes approved by the Secretary of State which are service concession arrangements as defined within the Code of Practice on Local Authority Accounting in the United Kingdom.

Impairments Adjustment allows local authorities to reverse revaluation and impairment decreases, on dwellings and non-dwellings out of the Housing Revenue Account. Revaluation and impairment decreases, or increases are calculated in accordance with proper accounting practices.

Revaluation Gains Adjustment allows local authorities to reverse revaluation gains increases, on dwellings and non-dwellings out of the Housing Revenue Account. Revaluation gains increases are calculated in accordance with proper accounting practices.

Discounts for early repayment of debt are calculated in accordance with proper accounting 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 + revenue charged to capital under statute + transfer to Major Repairs Reserve + impairment charges for dwellings + impairment charges for non-dwellings + revaluation gains charge for dwellings + revaluation gains charge for non-dwellings.

where:

Interest on loans means the interest on loans, both external and internal, in relation to the Housing Revenue Account Capital Financing Requirement.

Depreciation on both council dwellings and other assets within the Housing Revenue Account should be calculated in accordance with proper accounting 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. PFI 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. PFI scheme payments made to contractors under a Housing Revenue Account PFI scheme in respect of housing land which is no longer in the authority’s Housing Revenue Account are not PFI scheme payments for the purposes of this determination.

Interest on notional cash balance means the interest charged to the Housing Revenue Account where it has notional debits and liabilities.

Debt management expenses are a proportion of the authority's debt management expenses for the financial year calculated in accordance with proper accounting 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 accounting practices.

Revenue charged to capital under statute is any charge attributable to the Housing Revenue Account that is calculated in accordance with proper accounting practices in respect of Revenue Expenditure Funded From Capital Under Statute.

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 revaluation and impairment decreases, or increases in respect of land, houses or other property within the authority's Housing Revenue Account calculated in accordance with proper accounting practices.

Revaluation Gains Charges means any revaluation increases in respect of land, houses or other property within the authority's Housing Revenue Account calculated in accordance with proper accounting practices.

Rebecca Shrubsole
for and on behalf of the Secretary of State