

CHAPTER FOUR

Non-current assets

4.1 PROPERTY, PLANT AND EQUIPMENT

4.1.3 Statutory Accounting Requirements

Housing Revenue Account – depreciation

- 4.1.33 The Housing Revenue Account Income and Expenditure Statement shall be charged with depreciation.
- 4.1.34 On a revalued asset, a transfer between the Revaluation Reserve and Capital Adjustment Account shall be carried out which represents the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's historical cost.
- 4.1.35 **England:** Depreciation is not a proper charge to the General Fund. However, for HRA non-dwellings, depreciation charged to the Surplus or Deficit on the Provision of Services in the Housing Revenue Account in England shall be charged in accordance with the requirements of *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April ~~2012~~2017*.
- 4.1.36 To ensure compliance with the Accounts and Audit Regulations and *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012*¹ requirements for the Major Repairs Reserve, depreciation for HRA dwellings charged to the Housing Revenue Account is subject to statutory provisions designed to specify the impact on the HRA (see part 2 of Appendix B for the legislative basis). The following entries are required or permitted in respect of the Major Repairs Reserve:
- The Major Repairs Reserve shall be credited, and Housing Revenue Account balances debited, with an amount equal to the depreciation charged to the HRA in accordance with this Code. This transfer is required to meet the requirements of the Accounts and Audit Regulations 2015 (Regulation 7(5)(a)). In order to neutralise the impact on the HRA of this entry, a corresponding transfer is also required where Housing Revenue Account balances are

¹ Note that at the time of drafting the 2017/18 Code *The Item 8 Credit and Item 8 Debit (General) Determination from April 2017* had not been issued so the statutory provisions in this paragraph may be subject to change.

ED 3 – Amendments for The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2017

credited and the Capital Adjustment Account is debited. Both these transfers shall be reported in the Movement in Reserves Statement.

- ~~▪ Where depreciation charges for HRA dwellings are greater than the notional Major Repairs Allowance (MRA), an amount equal to the difference is permitted to be transferred to the Housing Revenue Account from the Major Repairs Reserve and reported in the Movement in Reserves Statement. (Note that this transfer is permitted on a transitional basis as specified by *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012.*)~~
- Where relevant, the HRA shall be debited with an amount equal to that which has been credited to the HRA for decent homes backlog funding and a corresponding credit to the Major Repairs Reserve in accordance with the requirements of *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April ~~2012~~2017*.
- Where an authority funds capital expenditure on dwellings from the Major Repairs Reserve, this shall be accounted for by debiting the Major Repairs Reserve and crediting the Capital Adjustment Account, this transfer to be reported in the Movement in Reserves Statement.
- Where repayments of principal of any amounts borrowed, or repayments to meet any liability in respect of credit arrangements (other than any liability which, in accordance with proper practices, must be charged to a revenue account), are to be funded from the Major Repairs Reserve, this shall be accounted for by debiting the Major Repairs Reserve and crediting the Capital Adjustment Account, this transfer to be reported in the Movement in Reserves Statement.
- An authority is permitted by *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April ~~2012~~2017* to make an additional voluntary credit transfer to the Major Repairs Reserve for an amount “*in excess of any charge for depreciation to its Major Repairs Reserve*”.

4.1.6 Changes since the 201~~6~~/1~~7~~~~8~~ Code

- 4.1.6.1 ~~There have been no changes to the~~ Property, Plant and Equipment section of the Code ~~since the 2016/17 Code has been updated to reflect changes as a result of~~ *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2017.*