

2014 (No.5)
HOUSING, WALES

**The (Wales) General Determination of the Item 8
Credit and Item 8 Debit 2014-2015**

Made: 30 January 2014
Coming into force: 31 January 2014

The Welsh Ministers make the following Determination as respects all local housing authorities in Wales. The Determination is made 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, and which are now vested in the Welsh Ministers¹.

The Welsh Ministers have consulted such representatives of local government and relevant professional bodies as appear to them to be appropriate in accordance with section 87(2):

1 Title, application and commencement

- 1.1 The title of this Determination is the (Wales) General Determination of the Item 8 Credit and Item 8 Debit) 2014-2015 and has effect for the year beginning 1 April 2014.
- 1.2 Subject to paragraph 1.3, the (Wales) General Determination of the Item 8 Credit and Item 8 Debit 2013-2014 (2012 No.2) is hereby revoked.
- 1.3 The (Wales) General Determination of the Item 8 Credit and Item 8 Debit 2013-2014 shall continue to have effect for the year beginning 1 April 2013 in so far as may be necessary for the purposes of any transactions to be made under this or any other determination relating to the Housing Revenue Account.

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;

¹ The functions of the Secretary of State under section 87 of, and Item 8 of Part I and Item 8 of Part II of Schedule 4 to, the Act, so far as exercisable in relation to Wales, were transferred to the National Assembly for Wales by the National Assembly for Wales (Transfer of Functions) Order 1999 and were subsequently transferred to the Welsh Ministers by section 162 of, and paragraph 30 of Schedule 11 to, the Government of Wales Act 2006.

“authority” means a local housing authority in Wales;

“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 and the Housing Repairs Account over cash payments in respect of amounts debited to the HRA and Housing Repairs Account, calculated in accordance with proper practices and by reference to any cash account kept by the authority;

“capital financing requirement” means the amount determined as the capital financing requirement in accordance with the proper practices contained in the “Prudential Code for Capital Finance in Local Authorities” published by CIPFA (as amended or reissued from time to time) and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – a Statement of Recommended Practice published by the CIPFA/LASAAC SoRP Board.

For the avoidance of doubt, the capital financing requirement, for the purpose of this Determination, **excludes** the effect of the recognition of PFI schemes (whether HRA or Council Fund) on a local authority balance sheet arising from the amended requirements of the Code of Practice on Local Authority (based on International Financial Reporting Standards) as published by CIPFA (‘the Code’). The Code makes provision for PFI assets to be treated as ‘on-balance sheet’. Authorities should note that for the purpose of calculating HRAS and HRA Capital Finance Requirement, PFI assets should still be treated as ‘off-balance sheet’, in line with the **2008 SORP**.

"dwelling" has the same meaning as in The Housing Revenue Account Subsidy (Wales) Determination 2014-2015²;

"HRA" means the Housing Revenue Account of the authority making the Item 8 entries in 2014-2015;

"HRA minimum revenue provision" means an amount determined by the authority which is:

- (i) 2 per cent, or such other higher percentage as the authority may determine, of the adjusted opening HRA Capital financing requirement if that is positive, and for this purpose "adjusted opening HRA capital financing requirement" means the closing HRA Capital financing requirement as at 31 March 2014; less
- (ii) where dwellings or other property which were in the HRA and have been transferred to another local housing authority in circumstances where the authority retains debt in relation to such dwellings or other property, the principal element of such

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debt outstanding on 1 April in the relevant year;

“year” means a period of 12 months beginning on 1 April;

“2013-2014” means the year beginning on 1 April 2013;

“2014-2015” means the year beginning on 1 April 2014.

- 2.2 In this Determination references to the "certified value" of dwellings or other property means the market value certified by the District Valuer or by a qualified valuer employed by the authority.
- 2.3 References to another Determination or to an Act or Statutory Instrument are to be read as references to that Determination or the Act or Statutory Instrument as amended or revoked and replaced as the case may be.

Item 8 of Part I - Credit to the Account

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

$$(A \times B) + (C \times B) + E + (W \times G_1 \div G_2)$$

where- G_1 and G_2 have the same meaning as in paragraph 4 and

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

B is the average rate of interest, calculated in accordance with proper practices, in respect of interest receivable by the authority in 2014-15 from investments other than investments held in the course of provisions and for the purposes of operational services, or held for the purposes of a pension fund;

C is the average notional cash balance for 2014-2015, except that where that is a debit balance C shall be nil;

E is the interest payable to the authority relating to 2014-2015 in respect of any loan (including a part of the purchase price left outstanding) made to enable the borrower to acquire a dwelling in the HRA;

W has the same meaning as in paragraph 5.5 of The Housing Revenue Account Subsidy (Wales) Determination 2014-2015.

Item 8 of Part II - Debit to the Account

4. 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:

$$F + (G_1 \times H) + (I \times H) + J + K + L + (V \times G_1 \div G_2)$$

where -

F is the HRA Minimum Revenue Provision for 2014-2015;

G₁ is the mid-year HRA capital financing requirement (as defined in paragraph 6 of this Determination), except that where that is a negative amount **G₁** shall be nil;

G₂ is the sum of the authority's total capital financing requirement (as defined in paragraph 2.1 of this Determination) at the beginning of 1 April 2014 and the total capital financing requirement (as defined in paragraph 2.1 of this Determination) at the end of 31 March 2015, divided by 2, **less** adjustment A (as defined in paragraph 5 of this Determination)

H is the consolidated rate of interest, determined in accordance with paragraph 5 of this Determination;

I is the average notional cash balance for 2014-2015, except that, where that is a credit balance, "I" shall be nil;

J is the payments made in 2014-2015 by the authority to another authority in respect of dwellings or other property transferred to the authority and in the HRA;

K is a proportion of the authority's debt management expenses for 2014-2015 calculated in accordance with proper practices to reflect the proportion which the HRA should bear;

L is the aggregate of expenditure of the authority in 2014-2015

- (a) under arrangements which would have been credit arrangements under section 48 of the 1989 Act 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 otherwise have been debited to the HRA;
 - (ii) the expenditure is not expenditure which would have been excluded from the obligation in section 41(1) of the 1989 Act (expenditure to be charged to a revenue account) prior to 1 April 2004;

- (iii) the authority entered into the contract for the works, property or equipment before 1 April 1990; and
 - (iv) the arrangements were not transitional credit arrangements under section 52 of the 1989 Act prior to 31 March 2004; 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;

V has the same meaning as in paragraph 5.5 of The Housing Revenue Account Subsidy (Wales) Determination 2014-2015 (2014 No.?).

Consolidated Rate of Interest

5. For the purposes of paragraphs 3 and 4, 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 is the amount outstanding during 2014-2015 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). For the avoidance of doubt, finance leases and the effect of the changes relating to PFI schemes (see paragraph 2.1 of this Determination) should be excluded from the calculation of M.

N is the average rate of interest (calculated on an accruals basis to two decimal places) payable during 2014-2015 on the amount represented by M as defined above;

P is whichever is the higher of –

- (a) the sum of the authority's capital financing requirement (as defined in paragraph 2.1 of this Determination) at the beginning of 1 April 2014 and their capital financing requirement (as defined in paragraph 2.1 of this Determination) at the end of 31 March 2015, divided by 2,

minus Adjustment A;

- or**
- (b) the authority's mid-year HRA capital financing requirement for 2014-2015 (as defined in paragraph 6 of this Determination);

where "Adjustment A" is the adjustment "A" figure that was used in the preparation of the authority's 2004-05 Audited Financial Statements.

Q is the average Daily Sterling interbank lending rate, 3 month, (mean LIBID/LIBOR) calculated by aggregating the rates published on the last working day of each week throughout 2014-2015 and dividing the total number of weeks in the year.

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. For the avoidance of doubt, finance leases and the effect of the changes relating to PFI schemes should be excluded (see paragraph 2.1 of this Determination).
- 6.2 **Items to be aggregated with the opening HRA capital financing requirement:**
- (i) one half of the capital expenditure financed by borrowing or credit arrangements that is incurred during 2014-2015 on land, dwellings or other property in the HRA; and
 - (ii) one half of the certified value of land, dwellings or other property which commences or recommences to be accounted for in the HRA in 2014-2015 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 and the items in paragraph 6.2**
- (i) 50% of the HRA capital receipts which become payable to the authority on or after 1 April 2004 and which have been applied in 2014-2015 to repay debt or qualifying credit arrangements;
 - (ii) one half of the HRA Minimum Revenue Provision for 2014-2015;

(iii) in respect of the value of dwellings or other property which ceased to be accounted for in the HRA in 2014-2015 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 other property other than dwellings.

Opening HRA Capital Financing Requirement

7.1 "Opening HRA Capital Financing Requirement" means the opening HRA Capital financing requirement for 2013-2014 calculated under The (Wales) General Determination of the Item 8 Credit and Item 8 Debit 2013-2014 (2013 No.2), together with the items in paragraph 7.2 and minus the items in paragraph 7.3. For the avoidance of doubt, the effect of the changes relating to PFI schemes should be excluded (see paragraph 2.1 of this Determination).

7.2 Items to be aggregated with the opening HRA capital financing requirement for 2013-2014

- (i) the amount of capital expenditure financed by borrowing or credit arrangements that is incurred during 2013-2014 on land, dwellings or other property in the HRA;
- (ii) the certified value of dwellings or other property which commenced or recommenced to be accounted for in the HRA in 2013-2014 for a reason other than acquisition (whether by appropriation for the purposes of Part II of the 1985 Act or otherwise).

7.3 Items to be deducted from the aggregate of the opening HRA capital financing requirement for 2013-2014 and the items in paragraph 7.2

- (i) the amount of the HRA capital receipts which became payable to the authority on or after 1 April 2013 and which have been applied in 2013-2014 to repay debt or qualifying credit arrangements;
- (ii) the HRA minimum revenue provision for 2013-2014;

(iii) in respect of the value of dwellings or other property which ceased to be accounted for in the HRA in 2013-2014 for a reason other than disposal (whether by appropriation from the purposes of Part II of the 1985 Act or otherwise):

- 75% of the certified value of any such dwellings; and

- 50% of the certified value of any other property other than dwellings.

Signed: C Sargeant

**The Minister for Housing and Regeneration
One of the Welsh Ministers**

Date: 30 Jan 14