

## **The (Wales) General Determination of the Item 8 Credit and Item 8 Debit 2005-2006**

The National Assembly for Wales as respects all local housing authorities in Wales, in exercise of the powers conferred on the Secretary of State 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 of all other powers enabling him in that behalf and which are now vested in it, after consulting such representatives of local government and relevant professional bodies as appear to it to be appropriate, hereby makes the following determination:-

### **Citation and Commencement**

1.1 This determination may be cited as the (Wales) General Determination of the Item 8 Credit and Item 8 Debit 2005-2006 and has effect for the year beginning 1 April 2005.

1.2 Save for the purposes of the determination of the Item 8 Credit and Item 8 Debit for the year beginning 1 April 2004, the (Wales) General Determination of the Item 8 Credit and Item 8 Debit 2004-2005 is hereby revoked.

### **Interpretation**

2.1 In this Determination, unless the context otherwise requires -

"2003 Act" means the Local Government Act 2003;

"1985 Act" means the Housing Act 1985;

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

"1997 Regulations" means the Local Authorities (Capital Finance) Regulations 1997, as amended;

"2003 Regulations" means the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003, as amended,

"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;

"authority" means a local housing authority in Wales;

"dwelling" has the same meaning as in the Housing Revenue Account Subsidy (Wales) Determination for 2005-2006;

"HRA" means the Housing Revenue Account of the authority making the Item 8 entries in 2005-2006;

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

aggregate of:

(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 2005 less

(A) the outstanding amount of any restricted advances not repaid at the beginning of 1 April in the relevant year; and

A. 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 debt outstanding on 1 April in the relevant year;

and

(ii) the outstanding amount of any restricted advances not repaid by the beginning of 1 April in the relevant year divided by the remaining period (in years with any proportion of a year being rounded up) of the period specified in the approval (as described in the definition of restricted advances).

"restricted advances" means advances used for any purposes related to dwellings or other

property in the HRA in respect of which an approval has been used which was:

- i. an approval given under paragraph 1(b) of Schedule 13 to the Local Government Act 1972 where the approval was given subject to a condition that any money borrowed by virtue of the approval was to be repaid by a particular date, and that date was earlier than a date 10 years from the date on which the approval was given; or
- i. a supplementary credit approval falling within section 54(5) of the 1989 Act;

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

"2004-2005" means the year beginning on 1 April 2004;

"2005-2006" means the year beginning on 1 April 2005.

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.

3. References to another Determination or to any Regulations are to be read as

references to that Determination or those Regulations 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-

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

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 2005-06 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 2005-2006, except that where that is a debit balance C shall be nil;

E is the interest payable to the authority relating to 2005-2006 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 2005-2006.

### **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:

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

where -

F is the HRA Minimum Revenue Provision for 2005-2006;

$G_1$  is the mid-year HRA capital financing requirement (as defined in paragraph 6 of this Determination), except that where that is a negative amount  $G_1$  shall be nil;

$G_2$  is the sum of the authority's total capital financing requirement at the beginning of 1 April 2005 and the total capital financing requirement at the end of 31 March 2006, 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 2005-2006, except that, where that is a

credit balance, "I" shall be nil;

J is the payments made in 2005-2006 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 2005-2006 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 2005-2006

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 excluded from the obligation in section 41(1) of the 1989 Act (expenditure to be charged to a revenue account);

(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; and

a. 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 2005-2006.

### **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:-

$$\frac{[(M \times N) + \{(P - M) \times Q\}]}{100}$$

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 2005-2006 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 is the average rate of interest (calculated on an accruals basis to two decimal places) payable during 2005-2006 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 the CIPFA Prudential Code for Capital Finance in Local Authorities 2003 as may be amended from time to time) at the beginning of 1 April 2005 and their capital financing requirement at the end of 31 March 2006, divided by 2,

minus

Adjustment A;

or

- b. the authority's mid-year HRA capital financing requirement for 2005-2006 (as defined in paragraph 6 of this Determination);

where "Adjustment A" is the adjustment identified as "A" in regulation 22 of the 2003 Regulations.

Q is the average 3-month sterling London Interbank Bid Rate for 2005-2006 calculated by aggregating the rates published on the same day in 52 weeks throughout 2005-2006 and dividing the total by 52.

### **Mid-year HRA Capital Financing Requirement**

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.**

- i. one half of the capital expenditure financed by borrowing or credit arrangements that is incurred during 2005-2006 on land, dwellings or other property in the HRA; and
- i. one half of the certified value of land, dwellings or other property which commences or recommences to be accounted for in the HRA in 2005-2006 for a reason other than acquisition (whether by appropriation for the purposes of Part II of the 1985 Act or otherwise).

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 2005-2006 to repay debt or qualifying credit arrangements;

(ii) one half of the HRA Minimum Revenue Provision for 2005-2006;

(iii) one half of the certified value of land, dwellings or other property which cease to be accounted for in the HRA in 2005-2006 for a reason other than disposal (whether by appropriation from the purposes of Part II of the 1985 Act or otherwise).

### **Opening HRA Capital Financing Requirement**

1. "Opening HRA Capital Financing Requirement" means the opening HRA Capital financing requirement for 2004-2005 calculated under the (Wales) General Determination of the Item 8 Credit and Item 8 Debit 2004-2005, together with the items in paragraph 7.2 and minus the items in paragraph 7.3.

2.

### **Items to be aggregated with the opening HRA capital financing requirement for 2004-2005**

(i) the amount of capital expenditure financed by borrowing or credit arrangements that is incurred during 2004-2005 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 2004-2005 for a reason other than acquisition (whether by appropriation for the purposes of Part II of the 1985 Act or otherwise).

3.

**Items to be deducted from the aggregate of the opening HRA capital financing requirement for 2004-2005 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 2004 and which have been applied in 2004-2005 to repay debt or qualifying credit arrangements;

(ii) the HRA minimum revenue provision for 2004-2005;

(iii) in respect of the value of dwellings or other property which ceased to be accounted for in the HRA in 2004-2005 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.