

Appendix 1

26th March 2009

Chief Finance Officers/Chief Accountants, Our Ref:
Local Housing Authorities in England Your Ref:

I should be grateful if you would pass a copy of these papers to your Chief Housing Officer/Director of Housing as soon as possible please.

THE DRAFT HOUSING REVENUE ACCOUNT SUBSIDY DETERMINATION 2009-2010 AMENDING DETERMINATION 2009

COMMENTS ARE REQUIRED BY NO LATER THAN 10am 24th APRIL 2009, PLEASE. COMMENTS MAY BE RETURNED BY E-MAIL OR IN HARD COPY AND SHOULD BE SENT TO: victoria.akeredolu@communities.gsi.gov.uk OR MARKED FOR THE ATTENTION OF VICTORIA AKEREDOLU AT THE ABOVE ADDRESS

Under Section 87(2) of the Local Government and Housing Act 1989, the Secretary of State is required to consult representatives of local government and relevant professional bodies before making new directions and determinations, or before varying existing determinations.

The purpose of this letter is to notify you of the start of consultation on the amending determination mentioned above. **Consultation ends at 10am on 24th April 2009.**

The attached Appendix gives details of the draft determination and accompanying material.

Revision of Guideline Rents

My letter of 11th March to Chief Financial Officers outlined the way Communities and Local Government intends to take forward proposals for implementing the reduction in the national average guideline rent increase for local authority tenants announced by the Minister for Housing on 6th March.

The original average increase in guideline rent published on 18th December 2009 in the Housing Revenue Account Subsidy Determination 2009-10 was 6.2%. This comprised a general inflator term (term A1) plus a term due to convergence toward formula rent (term B1).

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The proposed new average guideline rent increase for 2009-10 is 3.1%.

This has been calculated by changing only term A1 in the guideline rents formula to bring about the proposed reduction. Details of changes to the formula are given below and in the attached draft ***Housing Revenue Account Subsidy Determination 2009-2010 Amending Determination 2009 (“the Amending Determination”)***. It is intended that those councils that accept our offer and reduce their actual rent increases will be compensated on the following basis:-

if the Council’s 2009-10 average actual rent increase is less than or equal to the **lower of**:-

- 3.1% of the authority’s average guideline rent in 2008-09; **or**
- 3.1% of the authority’s actual average rent in 2008-09;

then Communities and Local Government will give each participating council the increase in subsidy that a change to the national average guideline increase of 3.1% would result in for that council.

Details of the revised formulae are given in **Annex A**.

Caps and Limits

The recalculated guideline rents for each authority take into account caps and limits adjustments from 2008-09.

Take up of offer

It is Communities and Local Government’s intention to issue the Amending Determination to all authorities very quickly after the conclusion of the current consultation process. *The default position on guideline rents remains that published in the Subsidy Determination issued on 18th December 2008 and individual authorities must indicate that they wish to take advantage of the proposals to reduce the increases in guideline rents as outlined in the attached draft Amending Determination. Where an authority does not wish to accept the offer or fails to indicate a wish to pass on reduced increases to tenants that authority’s guideline rent will remain unaltered from that notified in December.*

It is important that every council that wishes to take up this offer indicates clearly that it wishes to do so by completing the attached proforma at Annex B and returning it to Communities and Local Government by 10am on 24th April 2009.

The Schedule to the draft Amending Determination shows both the original and revised guideline and limit rents for 2009-10 for each authority. The formula rent will remain unchanged from the 18th December determination. The rent details in the schedule that accompanies the final Amending Determination will reflect the decision indicated by the council in its response to this consultation exercise.

Costs

Local authorities’ spending allowances were set in the subsidy determination issued in December 2008, with inflation factors incorporated in the calculations appropriate at the time. We do not propose to revisit and reduce these assumptions in the same way that we are looking to reduce rent increases for 2009-10. We would expect,

therefore, that local housing authorities will have the resources necessary to cover any such additional cost where it falls to the HRA.

There may be an issue of additional one-off costs that fall to the General Fund, particularly in the administration of housing benefit arising from the proposed changes. The level of cost will inevitably be different from authority to authority. Communities and Local Government would appreciate an indication of the amount of such costs from responding authorities to help ascertain whether they are likely to have an unreasonable impact on finances or constitute a potential unreasonable additional burden.

Again, any such information should be included with the authority's response to this consultation and returned to the Department by 10am on 24th April 2009 –see Annex B to this letter.

Local Government Reorganisation

A number of local housing authorities are involved in the formation of new Unitary Authorities that will come into existence on 1st April 2009. As stated in the Determination issued on 18th December, for 2009-10 only, the Determinations for these authorities have been calculated with data that reflects the pre-existing authorities' base data as supplied over the summer of 2008. There have been no attempts to combine data to produce average allowances and guideline rents for the new authority.

Communities and Local Government have followed that same principle in calculating the Amending Determination. However, at Unitary Authorities' request, we have issued a single limit rent in the amending Determination. Therefore, the decision on whether or not to take up the offer in the draft amending determination must be consistent across the single consolidated HRA held by each Unitary Authority.

Timing of introduction

We intend that, for those authorities that accept this offer, the new reduced rent increase will apply from 1st April 2009. Communities and Local Government will then adjust the preset guideline rents where necessary in each authority's first advance claim form as soon as is practicable to ensure that authorities' subsidy position is adjusted as soon as possible.

Distribution Procedures

A copy of the Housing Revenue Account Subsidy Determination 2009-2010 Amending Determination 2009 will be e-mailed (along with this letter) to authorities which have notified us of a suitable e-mail address. Paper copies of the Amending Determination document are not being routinely issued (unless your authority specifically requests them). Instead, the Amending Determination will be made available on the Department's web site at the following address:

<http://www.housing.communities.gov.uk>. In case of difficulty accessing the material on the web site or with e-mail, please contact Noor Taha, Zone 1/B1, (e-mail: noor.taha@communities.gsi.gov.uk).

If your authority decides that it is no longer willing to accept electronic communication of Part VI determinations and s80A decisions, it may withdraw its notification of an e-mail address, or revoke its agreement at any time, provided that

the withdrawal or revocation shall take effect on a date specified by your authority being a date no less than one month after the date on which your authority informs Communities and Local Government that it wants to withdraw the notification or revoke the agreement. Any withdrawal of notification of your authority's e-mail address or revocation of an agreement relating to electronic communications should again be addressed to Dennis Herbert, Zone 1/B1 at the address shown in this letter (or e-mailed to dennis.herbert@communities.gsi.gov.uk).

I would, however, draw your attention to the significant advantages that electronic communications can bring in terms of earlier receipt of consultation material and final determinations, particularly at this time of the year. **Authorities which have indicated that they do not wish to receive correspondence by e-mail may wish to reconsider, particularly in the light of the timetable for making the Amending Determination.** Notification of e-mail addresses should be to Dennis Herbert.

General enquiries about the HRA and about HRA subsidy and consultation responses should be directed to housing.subsidy@communities.gsi.gov.uk.

Queries and advice

If you have any queries you wish to discuss with the Department, or are seeking advice on any aspects of the above, please contact:

For advice on calculations and formulae: **Anne Mahon**, Zone 1/A3, Eland House, (tel: 020 7944 3588; e-mail anne.mahon@communities.gsi.gov.uk) or **Apurva Shah**, Zone 1/A3, Eland House, (tel: 020 7944 5562; e-mail Apurva.shah@communities.gsi.gov.uk). For advice on policy aspects: **Ann Williams**, Zone 1/A3, Eland House, (tel: 020 7944 3582; email ann.williams@communities.gsi.gov.uk) or **Bryan Lea**, Zone 1/A3, Eland House, (tel: 020 7944 3585, email bryan.lea@communities.gsi.gov.uk).

Yours faithfully,

Ann Williams

Appendix

The following consultation documents are available on the Department's web site at

<http://www.communities.gov.uk/housing/consult>

- a. The draft **Housing Revenue Account Subsidy Determination 2009-2010 Amending Determination 2009**;
- b. A **Schedule** showing, among other things, the revised assumptions underlying the guideline rents calculation for 2009-10. Information on allowances etc is already available to authorities in the Housing Revenue Account Subsidy Determination 2009-10 issued on 18th December 2008, but is presented here in one place for ease of reference;

You are advised to check carefully the figures used in the calculations against the information provided by your authority.

Amended Guideline rent formula 2009-10

The formula outlined below will apply to those authorities which confirm that they are taking up the new offer on guideline rents for 2009-10. Where an authority indicates that it does not wish to change, the formula used in the housing revenue account subsidy determination 2009-10 issued on 18th December 2008 will continue to apply:

$$K^*(1+2.4\%) + (FR - K^*(1+RPI+0.5\%)) / n$$

- where K is the previous year's imputed Guideline rent
- where FR is the Formula Rent for that year
- where n is the number of years to convergence with Formula rents

[Note this compares to the original guideline rent formula of:

$$K^*(1+RPI+0.5\%) + (FR - K^*(1+RPI+0.5\%)) / n \quad]$$

Amended Limit rent formula (for those taking up the new offer):

$$L^*(1+2.4\%) + (FR - L^*(1+RPI+0.5\%)) / n$$

- where L is the previous years imputed Limit rent
- where n is the number of years to convergence
- where FR is the Formula Rent

[note this compares to the original limit rent formula of:

$$L^*(1+RPI+0.5\%) + (FR - L^*(1+RPI+0.5\%)) / n]$$

Preferred option, and additional information

Guideline rent offer – 2009-10		
Local authority name:-		
Preferred option	6.2%	3.1%
	Yes/No	Yes/No
Actual rent levels	Actual average rent 2008-09 per dwelling	Planned actual average rent 2009-10 per dwelling under preferred option
	£ (per week, 52 week basis)	£ (per week, 52 week basis)
General Fund admin costs	N/A	£