HRA Draft Housing Subsidy Determination 2010/11

The Draft Subsidy Determination proposes changes resulting in revenue subsidy payable of £12.827 million compared to £11.083 million payable last year. The overall subsidy position (taking into account the capital element) is an increase in the transfer of resources to the Government of £1.590 million to £3.321 million. The following table summarises the determination and the notional elements included:

Housing Subsidy	**2009/10 £'000**	**2010/11 £'000**	**Change £'000**
'Notional' Revenue Items			
Management Allowance	(8,041)	(8,235)	(194)
Maintenance Allowance	(14,869)	(15,237)	(368)
Contingency for Draft Subsidy		100	100
Capital Charges	(6,240)	(5,169)	1071
	(29,150)	(28,541)	609
Less Guideline Rent	40,233	41,368	1,135
Net revenue subsidy payable to the Government (exc. MRA)	**11,083**	**12,827**	**1,744**
Capital Items			
Major Repairs Allowance	(9,352)	(9,506)	(154)
Overall subsidy position – net payment to the Government	**1,731**	**3,321**	**1,590**

Note: credits represent income

Management

The Management Allowance has been calculated on the same formulae basis as last year and will increase by 2.5% to £668.67 per dwelling, compared to a national average increase of 3.7% at £676.46 per dwelling.

Maintenance

The Maintenance Allowance has been calculated on the same basis as last year and will increase by 2.5% to £1,237.26 per dwelling, compared to a national average increase of 3.2% at £1,173.40, per dwelling.

Contingency for Draft Determination

The notional expenditure items within draft determination have been calculated using an estimated GDP deflator of 2.25%. CLG have advised that the final determination will use the GDP deflator set in the pre budget report. A contingency of £0.100 million has been included in the base budget in case the final GDF deflator is lower than 2.25%, which would result in an increase in subsidy payable.

Capital Charges

The HRA receives subsidy based on the cost of financing historical borrowing allocations. The amount of subsidy allowance for the cost of financing has reduced over the last year due to reduced interest rates and debt repayments. This reduced subsidy is partially offset by reduced capital financing costs of £0.527 million.

Guideline Rent

The subsidy system assumes a notional guideline rent per dwelling which increases annually in line with the government's Rent Restructuring Policy. The guideline rent for 2010/11 is £65.92 per property per week, an increase of 2.22%.

Major Repairs Allowance (MRA)

In addition to the revenue subsidy the HRA also receives a Major Repairs Allowance for each property, which is used to partly fund the Capital Programme. The MRA represents the estimated long term average amount of capital spending required to maintain the stock in its current condition.

The MRA will increase by 1.7% (compared to 3.7% last year), increasing average MRA to £771.93 per dwelling compared to a national increase of £702.61. The total MRA, including the loss of stock from Right to Buy sales, has increased by £0.154 million to £9.506 million.