

Draft HRA Subsidy Determination 2011/12: Consultation

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1 Introduction

CIPFA welcomes the opportunity to comment on the Draft Housing Revenue Account Subsidy and the Draft Item 8 Credit and Item 8 Debit (General) Determinations 2011-2012.

CIPFA has the following specific comments. Please notice that it is not always appropriate for CIPFA, as a professional body with members in a large range of organisations, to comment on all the issues in the consultation paper.

2 Overall

With a 6.8% increase in guideline rents and minimal or no increases in expenditure allowances there will obviously be a significant increase in the amount of negative subsidy. The current and increasing overall negative subsidy has already and rightly been identified in the HRA Subsidy Reform discussions as one of the arguments for replacement of the system by the Self-Financing system. Yet this draft HRA subsidy determination will clearly substantially further increase negative subsidy, meaning effectively that the "tax" on tenants not only remains for at least one more year but also now rises by some several hundreds of millions of pounds overall.

3 Impact on Self-financing

Because guideline rent increases are – it is currently proposed - to be built into the calculation of the self-financing settlement, there is an additional pressure on authorities to set rent increases in line with Guideline increases. The impact of a decision in April 2011 could impact on the next 30 years. An alternative approach, lessening this additional pressure on authorities, would be for the Government to agree that the settlement should take account of actual rent increases in April 2011, rather than increases in the guideline rent.

The large increase in guideline rents coupled with modest increases in management, maintenance and major repairs allowances and no increases in capital financing allowances means that negative subsidy will increase significantly. This means that the tenanted market values used to calculate the opening debt for self-financing will also increase significantly.

We consider that local authority housing debt should not be increased above the levels included in the March 2010 consultation paper.

4 Rents

While CIPFA understands that the details of how the proposals to reform housing benefits will operate are still evolving, any significant increase in rents will clearly impact upon the total housing benefit bill overall. In some areas, the effect of a significant rent increase will be to increase the number of tenants who qualify for housing benefit entitlement. Increases in rent above the rate of inflation will feed into further increases in RPI.

An average guideline rent increase for 2011-12 of 6.8% seems likely to have an inflationary impact. For those tenants in work, actual rent rises are very unlikely to be matched by pay increases, a situation which contrasts with the benefits of low mortgage interest rates which some homeowners are currently experiencing.

5 Management and maintenance allowances

CIPFA welcomes the fact that there is some increase in management allowances overall and we fully recognise the context of the current financial deficit. Nevertheless, the low level of both management and maintenance allowances will cause difficulties for some housing authorities. The proposals for allowances are in stark contrast to the proposals originally in the HRA Reform consultation of a minimum 10% increase across management, maintenance and major repairs.

6 Energy certificate payment

It seems inconsistent that there is no uplift for inflation on the £4 energy certificate payment.