



COMMENTARY ON THE HOUSING REVENUE ACCOUNT SUBSIDY DETERMINATION 2008-2009

CITATION AND COMMENCEMENT (paragraph 1 of the Determination)

1. The determination will apply for 2008-2009 only. A new determination will be issued for 2009-2010. References to various dates and years in the determination have been updated where appropriate.
2. The 2008-2009 HRA subsidy determination is for one year only and a new determination will be issued for 2009-2010. Stakeholders may have been expecting that the current determination would be the first in a two-year settlement under the provisions introduced in 2006-2007. The recent Green Paper, *Homes for the Future: More Affordable, More Sustainable* suggested the need to explore the possibilities for wider reform of the HRA subsidy regime. Ministers have announced that they will be taking this route; hence it is not possible to set formulae for more than one financial year at this stage.

GENERAL FORMULA (paragraph 3.1 of the Determination)

3. The general formula for calculating the amount of Housing Revenue Account (HRA) subsidy payable to an authority for 2008-2009 is essentially unchanged from that used in 2007-2008 with the exception that the Rental Constraint Allowance has been removed.

DATA (Paragraphs 3.2 and 3.5 of the Determination)

4. The specified amounts included in the Schedules to the Determination are calculated in all but a few cases using auditor-certified data received in a manner specified by Communities and Local Government up to **5:00 pm on 20 December 2007**. For those authorities that completed whole stock transfers before 20 December 2007 all data on stock and rents have been pre-set to zero.
5. Communities and Local Government has calculated the final specified amounts for 2008-2009 (and DWP proposes to specify limit rents for 2008-2009) on the basis of such auditor-certified data as received by that date, but may not have used data which was subject to comment by the auditor raising substantive concerns. Communities and Local Government (and DWP) has made assumptions which protect the Exchequer about the information to be used in the determinations if acceptable auditor-certified data is not available to it by the due date. Where those assumptions relate to pre-set specified

amounts, those amounts only be changed in very limited circumstances. This is explained further below. Individual authorities will have been advised separately where this applies.

Specified Amounts

6. In completing form 08B2, or otherwise, some authorities may have discovered that data in forms 00B2, 01B2, 02B2, 03B2, 04B2, 05B2, 06B2 or 07B2 used to calculate specified amounts for earlier years require amendment. Specified amounts are amounts that are pre-calculated by Communities and Local Government and which, once agreed during the consultation period are pre-set in the final Determination and not generally subject to change during the year for which they have effect.

Communities and Local Government's policy is that once pre-set in the subsidy determination for the year, i.e. the determination for that year has been made, the specified amounts for that particular year will not be recalculated, except as provided for in the relevant determination or in other exceptional circumstances, such as where Communities and Local Government itself has made a mistake.

In addition, once the Secretary of State has made a final decision as to the amount of HRA subsidy under section 80A of the Local Government and Housing Act 1989 in respect of a year (as has now been done for years from 1997-1998 to 2006-2007 (inclusive)) there will be no opportunity to recalculate subsidy for those years.

On that basis Communities and Local Government will not permit amendments to the specified amounts in the 2007 -2008 determination made using form 07B2, except in exceptional circumstances.

Communities and Local Government may in some cases require auditor-certified amendments to data in those forms for the purposes of calculating specified amounts for 2008-2009, in which case the authorities will be notified accordingly.

Management Allowances And Maintenance Allowances (Paragraphs 4.1 and 4.2 of the Determination)

- 7 Management and maintenance allowances are a key expenditure assumption within the HRA subsidy system. The calculation of each authority's management and maintenance allowances is described in worksheets 'Man Com' and 'Mnt Com' respectively, which are annexes to this commentary. The following text summarises the formulae for 2008-2009.

Management Allowances

Calculation of management allowances per dwelling before transitional arrangements

- 8 There are seven steps in the calculation of management allowances per dwelling before transitional arrangements.

Step 1: Initial estimate of costs

- 9 There are no changes from 2007-2008.
- 10 Initial estimate of costs for a local authority (LA) is:
- (i) if dwellings (including shared ownership and including PFI dwellings) are $\leq 1,400$ then fixed costs = $\pounds 11,268 + \pounds 247 \times \text{dwellings}$;
 - (ii) if dwellings (including shared ownership and including PFI dwellings) are $> 1,400$ then fixed costs = $\pounds 357,000 + (\pounds 233 \times (\text{dwellings} - 1400))$.
- 11 Dwellings include:
- (i) the authority's share of dwellings in shared ownership;
 - (ii) the dwellings equivalent of bed-spaces in hostels and houses in multiple occupation; and
 - (iii) PFI dwellings.
- 12 This formula provides a good explanation of the relationship between the number of dwellings of an authority and its relative need to spend on management assuming that:
- (i) its proportion of flats is the stock-weighted average for all authorities with stock;
 - (ii) its proportion of houses is the stock-weighted average for all authorities with stock;
 - (iii) it has the level of rent arrears and tenant management costs which would arise if all its stock were either houses or low rise flats;
 - (iv) the level of crime in its area is at the national average for all authorities whether or not with HRAs;
 - (v) its level of re-let and termination costs is at the stock-weighted average for all authorities with stock;
 - (vi) it has no pro-active management costs to tackle deprivation; and
 - (vii) costs per unit of management are the same in each geographical area.
- 13 Steps 2 to 6 allow for the fact that the above features do of course vary between authorities.

Step 2: Increase or decrease initial estimate of costs according to proportions of flats and houses

14 The estimated proportion of an authority's stock with common facilities is calculated as:

(89% of its flats + 13% of its houses) / stock

15 An authority with an average proportion of flats and an average proportion of houses would spend 14.2% of its initial costs on the management of dwellings with common facilities. This part of Step 1 costs is either increased or decreased.

16 Each authority's Step 2 costs =

85.8% of Step 1 costs

plus

14.2% of Step 1 costs x (estimated proportion of individual LAs' dwellings with common facilities) / (average estimated proportion of all LAs' dwellings with common facilities).

The average estimated proportion of all LAs' dwellings with common facilities is the stock weighted average of the estimated proportion of individual LAs' dwellings with common facilities. This is 47.9%.

Step 3: Increase Step 2 costs according to proportion of medium and high rise flats

17 Step 2 costs assume that each authority has the level of rent arrears and tenant management costs which would arise if all its stock were either houses or low-rise flats. Step 3 corrects this assumption and **adds** to the Step 2 costs of each authority. The greater is an authority's proportion of medium and high rise flats, the greater is the addition to its costs.

18 An authority with an average proportion of medium and high rise flats would spend 20.0% of management costs on such rent arrears and tenancy management activities. Therefore, each authority's Step 2 costs are partitioned as follows:

(i) 80.0% of Step 2 costs is not related to medium and high rise flats and is unchanged; and

(ii) 20.0% of Step 2 costs is related to medium and high rise flats and is increased.

19 Each authority's Step 3 costs =

80.0% of its Step 2 costs

plus

20.0% of its Step 2 costs x (factor for medium rise and high rise flats)

where factor for medium and high rise flats =

individual LA's proportion of houses, bungalows and low rise flats x 1.0

plus

individual LA's proportion of medium and high rise flats x 2.3

- 20 The table illustrates that the 20.0% of the Step 2 costs which is related to medium and high rise flats is increased according to an authority's medium and high rise proportion:

Proportion of medium and high rise	Multiply 20.0% of Step 2 costs by
0%	1.00
25%	1.325
50%	1.65
75%	1.975
100%	2.3

Step 4: Increase or decrease Step 3 costs according to crime factor and re-lets and terminations percentage

- 21 An authority with an average level of crime and re-lets and terminations would spend 22.8% of management costs on crime-driven activities, and 9.6% of costs on re-lets and terminations-driven activities. Therefore, each authority's Step 3 costs are partitioned as follows:

(i) 67.6% of its Step 3 costs are related neither to crime nor to re-lets and terminations - these are unchanged;

(ii) 22.8% of its Step 3 costs are increased or decreased according to its *crime factor*; and

(iii) 9.6% of its Step 3 costs are increased or decreased according to its *re-lets and terminations percentage*.

Crime Factor

- 22 This is based on violence against the person per 1,000 population - average rate for 2004-2005 and 2005-2006. These series have been obtained from the Home Office and can be seen for all authorities in row 104 of the 'Man Com' excel worksheet in the annexes, which can be accessed via Communities and Local Government's website. (The violence against the person data for the City of London continues to be adjusted to take account of bias caused by the proportionally large number of non-residents who work there. Without this adjustment, the reported crime rate would overstate the incidence of violence against the person affecting local residents. A population weighted average of Camden, Westminster and the City of London is used instead for each of 2004-2005 and 2005-2006.)

- 23 We have adopted a rolling average of three years in order to smooth changes from one year's Determination to the next.
- 24 For each authority, 22.8% of its Step 3 costs is multiplied by its crime factor.
- 25 Crime factor for each authority =
- $$\frac{\text{(crime rate for that authority)}}{\text{(national average crime rate per 1,000 population for all authorities in England, whether or not with HRAs)}}.$$
- 26 An authority with a crime rate greater (less) than the national average will have an increase (decrease) in 22.8% of its Step 3 costs.

Re-lets and terminations percentage

- 27 For each authority, 9.6% of its Step 3 costs is multiplied by its re-lets and terminations percentage, relative to the stock-weighted average re-lets and terminations percentage for all authorities with stock.
- 28 The re-lets and terminations percentage is calculated as
- $$\frac{\text{(average of re-lets and terminations)}}{\text{stock}}.$$
- 29 An authority with a re-lets and terminations percentage greater (less) than the stock-weighted average will have an increase (decrease) in 9.6% of its Step 3 costs.
- 30 The HRA housing management costs to which the re-lets and terminations percentage is applied are costs associated with re-letting and terminations activities.

Step 5: Increase Step 4 costs of some authorities to allow for extra management costs for tackling deprivation

- 31 Authorities with housing stock have been divided into five categories.

These categories are based on the ranks of all LAs (whether or not with HRAs) on the following six measures of deprivation listed in Annex L of *The English Indices of Deprivation 2004* (ODPM June 2004), ID2004:

- Average score
- Average rank
- Extent
- Local concentration
- Income scale
- Employment scale

The Chart in **Annex 1** describes how Step 5 adds to the relative need to spend of some LAs, according to their categorisation.

Step 6: Geographical cost adjustment

- 32 The total costs from Step 5 for each authority are multiplied by its Area Cost Adjustment (ACA) for Personal Social Services for Older People used for the calculation of Revenue Support Grant for 2007-2008. (The 2008-2009 Determination uses the same values as in 2007-2008 as the numbers have not changed since then.) ACA Values can be found in a table included in the worksheet 'BCIS-ACA' in the annexes to this commentary.

Step 7: Adjust all Step 6 costs so that their aggregate equals the amount of management allowances made available by the Spending Review

- 33 Step 7 allowance per dwelling before transitional arrangements =
Step 6 costs x national scaling factor

where, national scaling factor = Y / Z

Y = the sum over all authorities in the 2008-2008 HRA Subsidy Determination of (each authority's dwellings in 2008-2009 HRA Subsidy Determination) x (its management allowance per dwelling in the 2007-2008 HRA Subsidy Determination) x *uplift*

uplift = $(1 + \text{real increase} + \text{re-basing} + \text{inflation})$

real increase = 0.00

re-basing is 0.002

inflation (Treasury forecast of GDP deflator) is 0.0275

Hence, *uplift* is 1.0295 that is a cash increase of 2.95% per dwelling.

Z = the sum over all authorities in the 2007-2008 HRA Subsidy Determination of their Step 6 costs.

- 34 Step 7 produces the final management allowance before transitional arrangements for each local authority.
- 35 The national scaling factor is given in row 189 of the 'Man Com' worksheet in the annexes.

See the '**Rebasing**' worksheet in the annexes for the calculation of the re-basing percentage.

Calculation of management allowances per dwelling after transitional arrangements

- 36 Ministers have decided that an authority's 2008-2009 management allowance per dwelling after transitional arrangements will be at least equal in cash terms to its 2007-2008 management allowance per dwelling.
- 37 For some authorities the management allowance per dwelling is greater after than before transitional arrangements. For other authorities, the reverse is the case. In aggregate the gains to the former authorities equal the losses to the latter authorities.
- 38 An authority's management allowance for 2008-2009 will be the higher of:
- (a) 100% of its management allowance for 2007-2008,
 - (b) a certain % (given in row 226 of the 'Man Com' worksheet in the annexes) of its management allowance for 2008-2009 before transitional arrangements, as calculated at Step 7 above.
- 39 Add £4 per dwelling for Energy Performance Certificate production.
- 40 The management allowance per dwelling for 2008-2009 after transitional arrangements for each authority, including £4 for energy performance certificates, is specified in Schedule 4 to the HRA Subsidy Determination 2008-2009. The full calculation in the 'Man Com' worksheet in the annexes for any authority is presented in the 'Man Com' worksheet in the annexes.

Maintenance Allowances

Calculation of maintenance allowances per dwelling before transitional arrangements

- 41 There are seven steps in the calculation of maintenance allowances per dwelling before transitional arrangements.

Step 1: Calculate each authority's relative need to spend on responsive repairs for all archetypes

- 42 Each archetype's responsive repair base weight (see Table after Step 7 below) is multiplied by its relevant backlog factor and then rounded to an integer to give adjusted responsive repairs per dwelling.
- 43 Adjusted responsive repairs per dwelling for each archetype are multiplied by an authority's stock of that archetype and then summed across all archetypes. For each part of the maintenance calculations, stock excludes the authority's share of dwellings in shared ownership but includes:
- (i) the dwellings equivalent of bed-spaces in hostels and houses in multiple occupation; and
 - (ii) PFI dwellings.

- 44 This total of adjusted responsive repairs for each authority excludes any expenditure related to crime. To allow for expenditure related to crime, the total of adjusted responsive repairs for each authority is increased by multiplying by crime factor #1 to give an authority's final relative need to spend on adjusted responsive repairs.
- 45 Crime factor #1 is based on:
- criminal damage per 1,000 households - average rate for 2004-2005 and 2005-2006
 - burglary per 1,000 households - average rate for 2004-2005 and 2005-2006
 - with the weight given to criminal damage being twice that given to burglary.
- 46 Both criminal damage and burglary are expressed per 1,000 households rather than per 1,000 population. The former is a better indicator of the likelihood of a dwelling requiring maintenance expenditure because of actual or potential crime.
- 47 We have adopted a rolling average of three years' series in order to smooth changes from one year's Determination to the next.
- 48 The formula for Crime factor #1 is shown at row 49 of the 'Mnt Com' worksheet in the annexes. Its theoretical minimum value is 1.00. In practice its value for each authority is greater than 1.00, thus serving to increase its relative need to spend on responsive repairs. The greater is its weighted crime rate and the greater is the proportion of medium and high rise dwellings in its stock, then the greater is its Crime factor #1.

Step 2: Calculate each authority's relative need to spend on planned works for all archetypes

- 49 Each archetype's planned works base weight (see table after Step 7 below) is multiplied by an authority's stock of that archetype and then summed across all archetypes.

Step 3: Calculate each authority's relative need to spend on basic works for re-lets and terminations for all archetypes

- 50 Each archetype's base weight for basic works for re-lets and terminations (see Table after 7 below) is multiplied by an authority's stock of that archetype and then summed across all archetypes.
- 51 This total of basic works for re-lets and terminations for each authority is then multiplied by that authority's re-lets and terminations percentage. This percentage is a proxy for dwellings whose tenancy is either re-let or terminated during the year.
- 52 The re-lets and terminations percentage is calculated as (average of re-lets and terminations) / stock. The HRA maintenance costs to which the re-lets

and terminations percentage is applied are costs associated with re-letting and terminations activities.

Step 4: Calculate each authority's relative need to spend on crime related works to voids for all archetypes

53 Each archetype's base weight for crime related works to voids (see Table after Step 7 below) is multiplied by an authority's stock of that archetype and then summed across all archetypes.

54 This total of crime related works to voids for each authority is then multiplied by that authority's 2006-2007 voids percentage. This has been approximated as:

$$\frac{\text{(rent loss on void dwellings in the period 1 April 2006 to 31 March 2007)}}{\text{(total value of rent roll in the period 1 April 2006 to 31 March 2007)}}$$

55 This measure of average voids percentage throughout the year is considered more relevant than an end year voids percentage.

56 There is then a further multiplication by crime factor #2, based on the same weighted crime series as for responsive repairs. This ensures that an authority's relative need to spend on crime related works to voids reflects the relative incidence of crime in that authority.

57 Crime factor #2 (see row 148 in the 'Mnt Com' worksheet) ranges from zero for a hypothetical authority with no crime to 1.00 for the authority with the highest crime rate.

Step 5: Total relative need to spend, prior to consideration of geographical variation in the cost of maintenance activities

58 Step 5 is the sum of the relative needs to spend calculated in Steps 1 to 4.

Step 6: Total relative need to spend, after consideration of geographical variation in the cost of maintenance activities

59 The location adjustment factor for the BCIS All-in Tender Price Index is available by county. It is published quarterly by BCIS in *Surveys of Tender Prices*. The location adjustment factor for each county has been calculated from the May 2007, issue of *Surveys of Tender Prices*. The UK value is 1.00.

60 Each authority's relative need to spend on maintenance from Step 5 is multiplied by the location adjustment factor for its county. The table in worksheet (BCIS-ACA) gives these factors.

Step 7: Adjust all Step 6 totals of relative need to spend so that their aggregate equals the amount of maintenance allowances made available by the Spending Review

61 Step 7 allowance before transitional arrangements =

Step 6 total x national scaling factor

where:

national scaling factor = Y / Z

Y = the sum over all authorities in the 2008-2009 HRA Subsidy Determination of (each authority's dwellings in the 2008-2009 HRA Subsidy Determination) x (its maintenance allowance per dwelling in the 2007-2008 HRA Subsidy Determination) x *uplift*

uplift = $(1 + \text{real increase} + \text{re-basing} + \text{inflation})$

real increase = 0.00

re-basing is 0.002

inflation (Treasury forecast of GDP deflator) is 0.0275

Hence, *uplift* is 1.0295, that is a cash increase of 2.95% per dwelling.

Z = the sum over all authorities in the 2008-2009 HRA Subsidy Determination of their Step 6 totals.

62 The national scaling factor is given in row 170 of the 'Mnt Com' worksheet. See the '**Rebasing**' worksheet for the calculation of the re-basing percentage.

Maintenance: base weights per archetype per dwelling

Archetype	Base weights				
	Responsive repairs £	Backlog Factor	Planned repairs £	Basic works for re-lets and terminations £	Crime related works to voids £
Traditional dwellings					
Pre-1945 small terrace houses	168	1.14	1,014	1,545	530
Pre-1945 semi-detached houses	190	1.64	1,042	1,606	530
All other pre-1956 houses	214	1.15	1,255	1,655	530
1945-64 small terrace houses	155	1.16	917	1,545	530
1945-64 large terrace, semi-detached and detached houses	186	1.28	970	1,632	530

1965-1974 houses	141	1.21	968	1,621	530
Post 1974 houses	207	1.23	995	1,621	530
Non-traditional dwellings					
All houses	173	1.30	1,190	1,606	530
Traditional and non-traditional dwellings					
Pre-1945 low rise (1-2 storey) flats	82	1.44	692	1,127	530
Post 1944 low rise (1-2 storey) flats	89	1.44	1,002	1,125	530
Medium rise (3-5 storey) flats	111	1.72	1,386	1,186	530
High rise (6 or more storey) flats	84	1.72	1,296	1,414	530
Bungalows	135	1.71	898	1,078	530
Multi-occupied dwellings					
Pre 1945 multi-occ dwellings	82	1.44	692	1,127	530
Post 1944 multi-occ dwellings	89	1.44	1,002	1,125	530

Calculation of maintenance allowances per dwelling after transitional arrangements

- 63 Ministers have decided that an authority's 2008-2009 maintenance allowance per dwelling after transitional arrangements will be at least equal in cash terms to its 2007-2008 maintenance allowance per dwelling.
- 64 For some authorities the maintenance allowance per dwelling is greater after than before transitional arrangements. For other authorities, the reverse is the case. In aggregate the gains to the former authorities equal the losses to the latter authorities.
- 65 An authority's maintenance allowance for 2008-2009 will be the higher of:
- (a) 100.00% of its maintenance allowance for 2007-2008; and
 - (b) a certain % (given in row 207 of the 'Mnt Com' worksheet) of its maintenance allowance for 2008-2009 before transitional arrangements, as calculated at Step 7 above.
- 66 The maintenance allowance per dwelling for 2008-2009 after transitional arrangements for each authority is specified in schedule 5 to the HRA Subsidy Determination 2008-2009. The full calculation for any authority is presented in the 'Mnt Com' worksheet.

Major Repairs Allowance (Paragraph 4.3 Of the Determination)

- 67 The Major Repairs Allowance (MRA) represents the estimated long-term average amount of capital spending required to maintain a local authority's housing stock in its current condition.
- 68 The 2008-2009 MRA is based on a set of national average unit costs for each of 13 property types (or 'archetypes'). These are given in the 'MRA Com' worksheet: The sample data set is unchanged from 2007-2008.
- 69 These national unit costs were calculated by estimating the annual cost of replacing individual building elements (e.g. windows, kitchen, bathroom, roof) as they reach the end of their useful life. Data from the English House Condition Survey and the Valuation Office Agency were then used to establish, at the national level, the likely timings and costs of replacement of building elements for each archetype. These amounts were summed to estimate the total expenditure needed for each archetype to replace these building elements over the next 30 years. Finally, these totals were converted into annual average MRA costs per archetype.
- 70 The 2008-2009 MRA per dwelling for each authority is calculated as follows:
- (i) Multiply the number of dwellings at 1 April 2007 (including non-permanent dwellings, but excluding shared ownership dwellings and excluding PFI dwellings) in each of the 13 MRA archetypes by the national average MRA per dwelling appropriate to each archetype;
 - (ii) Summing across all archetypes, the resulting total is the *unadjusted MRA* for an authority;
 - (iii) An authority's MRA equals its *unadjusted MRA* times its *geographical cost factor* times the *geographical adjustment*;
 - (a) The *geographical cost factor* for an authority is the same BCIS measure as described above at maintenance Step 6. It is listed in **the 'BCIS-ACA' worksheet**.
 - (b) The *geographical adjustment* is given in row 55 of the 'MRA Com' worksheet. It is the *sum over all authorities of their unadjusted MRAs* divided by the *sum over all authorities of their unadjusted MRAs times their geographical cost factors*. The *geographical adjustment* ensures that application of the geographical cost factors does **not** change the total spending on MRA. The *geographical adjustment* is less than one because the *geographical cost factor* is centred on UK = 1.00 and, on average, English HRAs have a *geographical cost factor* greater than one.
 - (iv) An authority's MRA is divided by its total number of relevant dwellings as at 1 April 2007 to produce its MRA per dwelling. This is shown in Schedule 6 of the 2008-2009 HRA Subsidy Determination. The full calculation for any authority is presented in *Annex F to the HRA Subsidy Determination*.

Charges For Capital (Paragraph 5 of the Determination)

Debt management expenses

71 For 2007-2008, the allowance was calculated on the basis of a fixed sum of £35,646 plus £430 for each £1 million of an authority's SCFR, where this was positive. For 2008-2009, the allowance will be calculated on the same basis, with the amounts in the formula up-rated to take account of inflation - a fixed sum of £36,640 plus £442 for each £1 million of SCFR where this is positive. The amounts at Schedule 9 will be calculated on this basis. Authorities with a negative or nil SCFR will be assumed to be free of HRA debt and will therefore receive no allowance in subsidy for debt management expenses.

Consolidated rate of interest –item H (paragraph 5.3.1 & 2 of the Determination)

72 There are no changes from the arrangements that applied in 2007-2008.

Other Items Of Reckonable Expenditure (Paragraph 6 of the Determination)

73 There are no changes from the arrangements that applied in 2007-2008, and the definitions in Heads 1-6 in paragraph 6.1 of the determination are unchanged. The specified amounts under these Heads (Schedules 13-18 to the determination) are based upon data provided by authorities in form 08B2 (cells F001oe –F006oe).

Guideline Rents (Paragraph 7 of the Determination).

Calculation of Formula Rent

74 There are no changes in the methodology for calculating formula rents.

75 The Table below gives weightings for the calculation of a dwelling's formula rent on the rent restructuring rules introduced following the three-year review of rent restructuring in 2004.

Calculate the formula rent at 2000-2001:

2000-2001 formula rent =

(70% x bedroom weight x national average rent in April 2000 x relative county manual earnings)

+

(30% x national average rent in April 2000 x property value relative to national average property value in January 1999)

	Bed weights
1	0.90
2	1.00
3	1.10
4	1.20

5	1.30
6+	1.40
Bedsits	0.80
HMOs	1.00
National average property value, Jan 1999	
	£49,750
National average rent, April 2000	
	£54.62

New rules from 2006-07			
Uplifts			
Uplifts to	infl (a)	real	Total
01-02	3.3%	1.0%	4.3%
02-03	1.7%	0.5%	2.2%
03-04	1.7%	0.5%	2.2%
04-05	2.8%	0.5%	3.3%
05-06	3.1%	0.5%	3.6%
06-07	2.7%	0.5%	3.2%
07-08	3.6%	0.5%	4.1%
08-09	3.9%	0.5%	4.4%
09-10 (b)	2.9%	0.5%	3.4%
10-11 (b)	2.8%	0.5%	3.3%
11-12 (b)	2.8%	0.5%	3.3%

- (a) RPI All Items at September of previous year.
(b) inflation from 2009-2010 onwards given for illustrative purposes.

76 The worksheet 'Rent Com' shows the calculation of an authority's 2008-09 average formula rent using the "new" rent restructuring rules:

- Rows 26 to 44 calculate the *average LA bedroom weighting* (Row 44). Note that, as shown in the above table, there are new weights for dwellings with 3 bedrooms, 4 bedrooms, 5 bedrooms and 6 or more bedrooms (Rows 33 to 40).
- Rows 47 to 65 calculate *relative county manual earnings* (Line 16) and *relative property value* (Row 61). Note that, as shown in the above table, there is a new *national average property value in January 1999* (Row 65) and a new *national average rent in April 2000* (Row 47).
- Lines 79 to 86 calculate the *2008-2009 formula rent per dwelling*.

Calculation of Guideline Rent

77 Rows 104 to 126 calculate the *2008-2009 pre-set annual Guideline Rent per dwelling*:

- Row 117 is the *pre-set 2001-2002 Guideline Rent per dwelling per week*.
- Row 117 to 124 calculate the *2008-2009 Guideline Rent per dwelling per week*.
- Line 124 is the *2008-2009 pre-set weekly Guideline Rent per dwelling per week*. Line 126 gives the annual equivalent, It is shown Schedule 7 to the determination. The underlying data and

calculations as set out above are also shown in the 'Rent Com' worksheet in the annexes which have been sent to each authority and placed on Communities and Local Government's web-site.

Calculation of Average Limit Rent

- 78 Although not part of the Determination, rows 141 to 161 calculate the *2008-2009 pre-set Average Limit Rent per dwelling per week*. The methodology is the same as that used for Guideline Rent.

Interest On Receipts (Paragraph 8 of the Determination)

- 79 The 3 month LIBID rate used to calculate assumed interest on capital resources for authorities with a negative SCFR is that at **28 September 2007** 6.23%. Specified amounts for mortgage interest receipts are set out in Schedule 10 to the determination, and the Interest on Receipts calculation for your authority is set out in the 'Debt Com' worksheet (subject, of course, to any change in the SCFR under paragraph 6.2 of the determination, as a result of significant changes in stock levels).

DCLG/DHHFCD

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**MANAGEMENT ALLOWANCES
CALCULATION OF STEP 5 COSTS (DEPRIVATION ADD-ON)**

[A] = £85 x 10% of stock
plus
£85 x 90% of stock x *extent* for individual LA / maximum *extent* for all LAs

