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Councils to face harsh subsidy settlement

The recently announced housing subsidy draft determination appears to be leading to an even more severe position than last years' final settlement.

Research undertaken by the Northern Housing Consortium shows that the amount of net resources withdrawn from the Housing Revenue Account is greater than last year. Richard Bramley, the policy adviser to the Consortium who undertook the research, commented, "It is not surprising really, bearing in mind that the then ODPM significantly increased the guideline rent last year following the change to the Housing Association rent data. They calculated the guideline increase by a different method to how the actual increases were made and the result meant that more of the tenant's rent money was paid across to the ODPM; some of which was then recycled as additional management and maintenance (M & M) allowances. For 2007-08, the proposals state that only 1% of additional M & M resources can be redistributed, compared to 6.6% in 2006-07, due to the guideline rent increase now being lower. However, it would seem that DCLG has used a different level of average actual rent income for 2006-07 than they did last year in their calculations, and this is totally unacceptable. The result is that some additional £70m of resources should be redistributed. Furthermore, the methodology of how they are calculating the Rent Constraint Allowance means that they are not keeping their promise that authorities would not lose out due to their constraint policy. This could easily be amount to another £80m".

Allan Kelly, Northern Housing Consortium's Director of Resources, added, "It is vital that all resources available for distribution are allocated. Most, if not all, authorities in the Northern Regions will benefit from the M & M re-basing exercise, as they suffered for many years because of the previous formulae, with most still not even receiving their calculated entitlement, due to inadequate total resources".

"Last year we published our report entitled 'Robin Hood or Robbin' the HRA', which made the assertion that some £100m of resources were being lost to the housing service. ODPM disputed this finding, stating that £207m total subsidy would be paid out - only £18m less than in 2005-06. The data drawn from the latest subsidy claims show that authorities are only due to £100m in 2006-07. This is £125m less than paid out in 2005-06. Whilst it is satisfying to be proved correct, it is unfair on the tenants who are suffering high rent rises averaging 5%, only to see most of it being paid over to the Treasury."

Richard Bramley added "The tenants who have opted to remain with their Councils are in effect picking up the cost of subsidy lost to the DCLG due to Right to Buy sales, transfers and other disposals. The subsidy system ought to be there to assist existing tenants and protect the housing service, rather than making tenants pay ever higher rents in order to protect and even subsidise the Treasury."

For further information, contact enquiries@northern-consortium.org.uk

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