

NORTHERN HOUSING CONSORTIUM



ROBIN HOOD OR ROBBIN' THE HOUSING REVENUE ACCOUNT??

A Report into the Outcome of the 2006-2007 Housing Revenue Account Subsidy Settlement

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9th February 2006

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Introduction

At a seminar, organised by the Northern Housing Consortium in October 2005, a senior official from the ODPM stated that the Housing Revenue Account subsidy system adopted the "Robin Hood approach," that is taking resources from the richest authorities and giving them to the poorest authorities. However, the 2006/07 subsidy settlement appears to have adopted the Sheriff of Nottingham's approach, that is taking resources off all authorities to pay to the Treasury.

The rent restructuring arrangements, which from April 2006, uses the national Registered Social Landlord (RSL) data rather than Local Authority (LA) data resulting in;

- a) Very large rent increases to LA tenants, with effect from April 2006 onwards, as LA rents levels converge with RSL rent levels.
- b) Even larger increases in guideline rents, which results in the withdrawal of subsidy to the Housing Revenue Accounts (HRA) of local authorities.

In 2005/06, according to the data returned on the latest subsidy claims, the ODPM will pay out some £207m in HRA subsidy, including ALMO and PFI funding and the Major Repairs Allowances.

In 2006/07 indications are that a substantial amount of subsidy will be withdrawn from the Housing Revenue Accounts of authorities, some of which will be re-cycled as extra Major Repairs Allowance, ALMO and PFI funding.

The covering letter with the subsidy determinations did not specify what the national total subsidy would be, but did state, "...the Office expects that payments to deficit authorities will continue to exceed surpluses redistributed from negative subsidy authorities throughout this period."

Following the initial assessment of the outcome of the final subsidy determinations, this showed that Local Authorities in the northern regions had suffered even further withdrawal of resources than at draft stage, due to the management & maintenance (M & M) allowances being significantly reduced from the original proposals. Many authorities in the Northern regions felt aggrieved both by the process and the outcome of the final determinations.

The Northern Housing Consortium therefore commissioned further research into the financial effects of the 2006 – 2007 settlement. This report acknowledges that projections for future years' subsidy payments cannot be totally precise, due to varying stock numbers, rates of interest, uncertainty relating to some policy initiatives such as transfers, ALMO and PFI funding. Therefore it concentrates on the changes in year on a weighted average unit cost per dwelling basis. The information regarding the current position re stock numbers and national average amounts of rents and allowances has been extracted from the 2006/07 HRA Subsidy determinations issued by the ODPM, on 20 December 2005.

Summary of Findings

The findings of the analysis of the outcome of the 2006/2007 HRA Subsidy settlement shows that

Final to Draft Determination

- In the three Northern Regions all but 4 of the 54 authorities lost resources from draft to final determination stage, some £12.5m in total.
- The London Region gained £27.16m additional resources from draft to final stage.
- In the North East Region every one of the 18 authorities lost resources from draft to final determination stage, some £2.86m in total.
- In the North West Region all of the 23 authorities (other than Hyndburn, Oldham and Pendle) lost resources from draft to final determination stage, some £4.65m in total.
- In the Yorkshire and Humberside Region every one of the 13 authorities (other than Harrogate) lost resources from draft to final determination stage, some £5.06m in total.
- Some £4.2m fewer resources were allocated nationally as M & M allowances, at final stage, compared to draft stage.

Overall position at Final Determination stage

- In 2005/06, according to the data returned on the latest subsidy claims, the ODPM will pay out some £207m in HRA subsidy, including ALMO and PFI funding and the Major Repairs Allowances.
- In 2006/07 indications are that most of this subsidy will be withdrawn and paid over to the ODPM. When comparing the changes at unit cost level i.e. per dwelling level it would appear that some £200m is being withdrawn from the HRA revenue, via the subsidy system. Additional subsidies of £108m for MRA, ALMO and PFI schemes are then funded from this general subsidy claw-back.
- The vast majority of Authorities in England appear to be receiving net resources, below the level of inflation, despite the increases in actual rents far exceeding inflation.
- The three Northern Regions suffer general subsidy withdrawal from the HRA totalling some £65m in 2006/07 alone.
- ODPM are using the mechanism of reducing the guideline rent increase by the equivalent of the actual rent increase, prior to re-distributing the remainder as M & M allowances. However in total the guideline and allowances generally use the 1 April 2005 dwelling numbers, but the actual rent income receivable by the HRA will be generated by the average number of tenants in 2006/07. Therefore actual resources generated from tenants will be significantly lower than that assumed in the ODPM's calculation of available resources.

- The tenants are paying rent increases much higher than the level of inflation, solely due to the impact of rent restructuring in 2006/07, yet the net resources available to spend, at each individual authority level, are less than amount required to meet the cost of inflation. Average weekly rent increase £2.59 (4.7%); resources retained 74p (1.3%).
- Stock reductions due to other Government policies, such as Right to Buy and transfers, will cost ODPM some £38m in lost negative housing subsidy, therefore should increase the cost from £207m in 2005/06 to £245m in 2006/07, all other things being unchanged.
- There is a cost to the HRA of Local Authorities, due to Right to Buys, as a unit cost of housing element subsidy is paid to ODPM in the year of sale and in the following year, despite losing actual rent income from the date of sale. Demolitions also have a similar practical impact.

Comparison of Draft to Final Determinations

The draft determinations issued for consultation showed that whilst Authorities in the three Northern Regions benefited from additional increases in Management and Maintenance (M & M) Allowances, they were still suffering from an overall reduction in subsidy resources, as the ODPM had deducted the equivalent actual rent increase percentage, 5.4%, prior to re-basing the M & M allowances, - Appendix C.

The Consortium responded to the consultation proposals by highlighting the fact that DPM were intending to withdraw significant resources from the system which would leave authorities with less resources than generated by the actual rent increases due to be paid by tenants. If all the resources generated by the rent increases were to be retained in the system the M & M allowances could have been further increased by some 5%.

The London authorities were particularly hit by the draft proposals, and following representations, the ODPM responded by amending the methodology of re-distributing the M & M allowances without any further consultation. These changes were implemented to ensure that the London authorities did not suffer the extreme withdrawal of resources, as originally proposed. There was no chance for anyone to make further representation, as the revised distribution was presented as a fait accompli. The Northern regions details at authority level are shown in Appendix C.

- The final determinations resulted in ODPM withdrawing even more resources from the Northern authorities than originally proposed, in order to take less from the London region. The outcome was that some authorities in the London region who were already receiving M & M allowances above the amount deemed to represent their determined share for 2006/07, were now due to receive even higher allowances.

It should be noted that ODPM acknowledge that all M & M allowances are set below the true “need to spend” level and even below what authorities are currently spending, as the allowances are used merely as a mechanism for re-distributing resources generated by the guideline rent income.

- Data extrapolated from the schedules / tables show that the aggregate of M & M allowances in the final determinations total some £4m less than at draft stage.

Examples of the ODPM calculated position prior to transitional arrangements compared to the allowances per dwelling and the total position are shown below.

Table1 Sample Comparison of 2006/07 M & M allowances from draft to final determinations

	Allowances before protection	Allowances per draft determinations		Allowances per final determinations	
	<u>Per dwelling</u>	<u>Per dwelling</u>	<u>Total</u>	<u>Per dwelling</u>	<u>Total</u>
Hammersmith	£2172	£221 above	£2.962m	£351 above	£4.704m
Kensington	£2038	£296 above	£2.064m	£419 above	£2.922m
Wandsworth	£2039	£246 above	£4.300m	£369 above	£6.450m
Leeds	£1503	£15 below	£0.942m	£35 below	£2.198m
Sheffield	£1507	£15 below	£0.787m	£34 below	£1.785m

Overall financial position

- Research shows that significant withdrawal of subsidy will occur due to levels of guideline rent increases, due directly to the re-calculation of the rent restructuring arrangements, being well above increases in Management and Maintenance allowances.

However ODPM state, in their letter attached to the subsidy determinations - "ODPM policy has been and remains that the effects of the implementation of rent restructuring should be *cash neutral* for authorities in aggregate. Re-basing is intended to protect, at a national aggregate basis, authorities' housing revenue accounts from the effects of the policy". They also state "ODPM's policy remains that rent restructuring will have no effect on the aggregate level of resources available to councils nationally. This is explicit in the policy statement - ***Concerns have been expressed that the effect of moving the assumptions made about rents up to the formula rent might be to reduce the aggregate level of resources available to local authorities. There is no intention that these technical changes should be used either to reduce or increase the aggregate level of resources available to councils nationally***". Strong Local Leadership - Quality Public Services (DTLR Dec 2001 paragraph 5.15)".

However it appears that the assurance given above relates to the "Notional housing revenue account", i.e. the ODPM's account with Treasury, not the actual Housing Revenue Account which funds the running costs of the service to tenants. Therefore the cost of Government policy initiatives, such as PFI and ALMOS, that benefit only a few authorities, is being funded from the rent increases paid by all tenants. The HRA of the ALMO/PFI authorities are also suffering from resource withdrawal, as the ALMO/PFI funding is intended to reimburse the additional revenue costs of the additional capital spending.

The concerns were that the restructuring arrangements would increase guideline rents by more than previous amounts, as they converged over the ten-year restructuring period with Registered Social Landlord (RSL) rent levels, and therefore result in significant subsidy withdrawal. However because the policy statement

states that no reduction or increase in resources should occur this is being implemented to mean that no additional resources will be allowed to remain in the national notional HRA, despite tenants paying rent increases well above double inflation. Stock reductions from one year to another result in a reduced contribution to ODPM from the reduced number of remaining council tenants. However by applying the Ministers assurance to the ODPM's housing account then in effect all such losses are being recouped from the remaining tenants. As stock numbers reduce the contribution per dwelling increases, via subsidy withdrawal (exactly in line with the original concerns expressed at the commencement of rent restructuring). The position at local authority actual HRA level shows reduced resources, which is contrary to the intentions as stated in the ODPM explanation as to why further guideline rent could not be redistributed to actual HRAs. Anyone who had the expectation that the additional rent increases would generate more resources to be retained for running the actual housing service at local level is likely to feel rather aggrieved that the assurances given do not apply to the actual HRA.

Once national average guideline rents converge with national average actual rents then applying the current interpretation of the Minister's assurance from 2001 will mean that there are no extra resources at all available for the HRA each year, despite tenants having annual increases to their rents. In fact there will be cuts required to the spending levels.

In effect the ODPM implementation of the above Ministerial statement means that all resources from actual rents are paid to Treasury and ODPM have to ask for inflationary uplift to the M & M allowances, which are set at a much lower level than the average rents (2005-06 average M & M = £1,462 per dwelling; actual average rent = £2,724 per dwelling per annum). The fact is that as the M & M allowances are set at a level lower than the actual cost of management and maintenance the inflationary increase in allowances does not cover the full cost of inflation in reality.

An alternative interpretation of the assurance given could be that there would be no cost to Treasury or the national subsidy position on a unit cost basis but that all rent increases paid by remaining tenants would be re-cycled to the actual housing service nationally. This would be similar what has been happening since 2002/03 up to 2005/06. That is that the ODPM would not withdraw the actual rent increase from the guideline rents, but would use these resources to fund inflation and then use the excess to re-base the M % M allowances more correctly in line with the apportioned need to spend, therefore being able to remove the current transitional protection. The actual rent paid by tenants could be recycled as additional M & M allowances (or other subsidy initiatives / elements such as the rent compensation package) and would therefore pay for inflationary requirements, plus increases in HRA resources to improve the service delivery, comparable to the rent levels payable. In other words tenants are paying RSL rent levels and should be entitled to receive RSL level of services. This would have no impact upon the Treasury as tenants are paying (in line with Government policy) for such increases. A similar position should then continue, once rent restructuring is fully implemented. Once the guideline rent and allowances were at similar levels there would be no cost to Treasury due to stock numbers declining as the whole system would be at a break even position.

- Following the 2006/07 subsidy determinations, most if not all authorities are suffering from having net additional resources far below that paid over by tenants as actual rent increases. This has been compounded by the fact that ODPM have had to resort to redistributing M & M allowances, from Authority A to Authority B, in order that Authority B did not suffer a financial disaster.
- The withdrawal of subsidy does not appear to comply with the Ministers statement relating to protecting the aggregate HRAs at local authority level from the impact of rent restructuring; see below.

The concerns raised at the outset of the rent restructuring was that if guideline rents increased faster than actual rents, then the receipt of actual rent would be inadequate to offset subsidy withdrawal unless the short-fall was redistributed via M & M allowances. Prior to rent restructuring, M & M allowances increased to offset guideline rent increases. Councils usually increased their actual rents in line with guideline increases in order to receive adequate resources to meet inflation plus any slight planned growth, and to offset the additional costs due to stock reductions, of sales and demolitions.

Simple example with inflation at say 2.5%

Guideline rent increase @ say 3% = £75 per annum per dwelling

M & M allowances increase
(including other items of subsidy) = £75 per annum per dwelling

Subsidy change (call on Treasury) = NIL

Actual rent increase @ 3% = £75 per annum per dwelling to pay
for inflation plus slight growth

- By increasing M & M by the full amount of additional resources generated from guideline rent increases the under-taking of the Minister would be complied with. The tenants pay actual rent increases and the HRA receive equivalent increases in resources to pay for the service.
- However, in 2006/07 the tenants are paying a much higher level of rent increase (more than double inflation), solely due to the impact of rent restructuring in 2006/07, yet the net resources available to spend are less than half the level of inflation.
- As actual rents are now being set at RSL levels, then the large additional increases in rents should generate equivalent increases in resources for the Local Authority Housing Revenue Accounts. Individual tenants will suffer a similar size of rent increase as in 2006/07 for each year of the next six years.
- Authorities are suffering resources losses for a variety of reasons which compounded means their actual Housing revenue Account will face severe financing issues in 2006/07 – see Appendix A.

The 2005/06 position per dwelling, based on the ODPM data, and allowing for 2% void loss is as follows

	2005/06	2006/07
Annual guideline rent	£2,665 @ 98%=£2,612	£2,918 @ 98%= £2,860
Annual actual rent	£2,867 @ 98%=£2,810	£3,002 @ 98%= £2,942
Annual M & M allowances	£1,466	£1,599

The increase per dwelling in 2006/07 as per the final determinations is as follows

98% of guideline rent increase @ 9.48%	=	£247.66
Less:-		
M & M allowance increase @ 9.06%	=	£132.43
Other net subsidy changes	=	<u>£ 21.57</u>
Net subsidy withdrawal paid to ODPM from the HRA revenue account	=	£ 93.66

This amounts to some £200 million transferred to the Government from the HRA, based upon the stock numbers in the determinations

98% of actual rent increase @ 4.7%	=	£132.17
Available net resources to the HRA	=	£ 38.51

£38.51 per dwelling is equivalent to only 1.3% of actual net rent, to pay for increased costs of service delivery, despite average actual rent increases due of 4.7% (limited to a maximum authority average of 5%). The above calculations assume that the rent compensation package will be paid as other subsidy.

£38.51 is equivalent to 2.4% of the 2006/07 management and maintenance allowances, however as these are below the actual spend level on management and maintenance then it is well below true inflationary requirement.

The £200 million transferred out of the HRA is being used as follows;

£32m additional major repairs allowances (this is a net nil impact on the revenue account as it is transferred to capital reserves).

£13m additional ALMO funding to reimburse the cost of additional approved capital spend plus £11.3m included in the supported capital revenue subsidy.

£6m additional PFI costs on approved schemes to-date.

£53m held in reserve for additional PFI costs on schemes not yet approved.

£106m to offset loss of resources to Government due to reducing stock numbers, or transferred to the Treasury.

Less savings of £7m on miscellaneous changes

The detailed settlement for all the three Northern Regions for 2006/07 is shown at Appendix C, and analysis of the data, on a unit cost per dwelling basis highlights the position of some authorities in the three northern regions as per table 2 below.

Table 2

	Local Authority	2006/07 M & M Allowances per dwelling	M & M increase per dwelling	2006/07 Guideline Rent increase per dwelling	Net loss of resources p.d. (rent - M &M) in 2006/07
North East Region					
Highest total M&M	Newcastle	£1555	£124 (8.7%)	£238 (10.4%)	£114
Lowest total M&M	Teesdale	£1190	£115 (10.7%)	£198 (8.7%)	£83
Largest M&M increase	Alnwick	£1224	£144 (13.3%)	£212 (9.2%)	£68
Smallest M&M increase	Gateshead	£1416	£87 (6.6%)	£239 (10.3%)	£151
Largest loss of resources	Gateshead	£1416	£87 (6.6%)	£239 (10.3%)	£151
Smallest loss of resources	Blyth Valley	£1324	£139 (11.7%)	£200 (9.5%)	£61
North West / Mersey Region					
Highest total M&M	Liverpool	£1629	£196 (13.6%)	£276 (12.0%)	£80
Lowest total M&M	Ribble Valley	£1185	£117 (10.9%)	£119 (4.8%)	£2
Largest M&M increase	Liverpool	£1629	£196 (13.6%)	£276 (12.0%)	£80
Smallest M&M increase	Hyndburn	£1408	£85 (6.4%)	£204 (8.9%)	£119
Largest loss of resources	Oldham	£1598	£99 (6.6%)	£241 (10.6%)	£142
Smallest loss of resources	Ribble Valley	£1185	£117 (10.9%)	£119 (4.8%)	£2
Yorks & Humber Region					
Highest total M&M	Hull	£1620	£183 (12.7%)	£250 (11.0%)	£67
Lowest total M&M	Selby	£1200	£155 (14.8%)	£226 (9.2%)	£71
Largest M&M increase	Hull	£1620	£183 (12.7%)	£250 (11.0%)	£67
Smallest M&M increase	Rotherham	£1271	£110 (9.5%)	£257 (11.7%)	£147
Largest loss of resources	Rotherham	£1271	£110 (9.5%)	£257 (11.7%)	£147
Smallest loss of resources	Sheffield	£1473	£172 (13.2%)	£219 (9.8%)	£47

The Authority in the North East Region with the largest loss of M & M Allowances per dwelling, from draft to final determination stage, was Newcastle with a loss of £20.68 per dwelling, some £650,000 in total. Gateshead suffered the largest overall loss of resources per dwelling

The Authority in the North West / Merseyside Region with the largest loss of M & M Allowances per dwelling, from draft to final determination stage, was Liverpool with a loss of £25.18 per dwelling, some £1,130,000 in total.

The Authority in the Yorkshire and Humberside Region with the largest loss of M & M Allowances per dwelling, from draft to final determination stage, was Hull with a loss of £21.64 per dwelling, some £638,000 in total.

Leeds was the biggest loser in total, with an aggregate loss of £1.28m.

Rotherham received the smallest increase in M & M allowances and also had the largest increase in guideline rent.

The Future Prospects

Projections for the national average guideline rent for 2007/08, assuming inflation at 2.5%, shows an increase of some £3.35 per week per dwelling, equivalent to some 5.97% and for the next 5 years will be at a similar level if inflation remains constant.

Projections for the national average actual rent for 2007/08, assuming inflation at 2.5%, shows an increase of some £3.07 per week per dwelling, equivalent to some 5.31%, if inflation remains constant. This is also assuming that actual rents are restricted to authority average increases of 5% in 2006/07 and is the gross amount prior to any restriction in 2007/08.

The amount available for re-basing would only be some £14.56 per dwelling per annum ($£3.35\text{p.w.} - £3.07\text{p.w.} \times 52$) equivalent to 0.9% increase on the 2006/07 management and maintenance allowances.

- The result in 2007/08 is that IF ODPM replicate deducting the actual rent increase prior to distribution and providing that they can secure an inflationary uplift from Treasury to the M & M allowances, there would be an increase in allowances of only some 3.4% (0.9% re-basing plus 2.5% inflationary uplift) an increase of £54 per dwelling. The overall actual subsidy withdrawal would be £120 per dwelling (guideline increase less M & M increase i.e. $£3.35 \times 52 - £54$). Therefore tenants will be each paying some £3.08 per week extra, but only retaining 77p of extra resources, with Treasury receiving £2.31 per dwelling.
- The amount paid to Treasury, on say 1,900,000 council dwellings in 2007/08, would total some £228 million, less MRA, and other initiatives and rent compensation (similar to 2006/07) say a net total in excess of £130million.

Conclusion

- Actual rents are now being set at RSL levels, and a large proportion of the 2006/07 rent increase is being paid out of the HRA, via the subsidy system.
- The additional rent paid by tenants is not generating an equivalent increases in resources for the HRA, to provide for a better standard of service or even to meet full inflation. Only 74p of the 2006/07 average actual weekly rent increase of £2.59 is retained within the HRA to fund running costs.

Reasons for the financial difficulties in the HRA

- Whilst actual rents are increasing by an average of 4.7% and authorities will receive rent compensation subsidy of 0.7% average, in 2006/07, the withdrawal of revenue related housing element subsidy is being at the equivalent of 10.2% relating to the relevant dwellings in local authority ownership as at 1 April 2005. (£2,832m in 2006/07 compared to £2,569m in 2005/06).
- The average annual guideline rent increase in the commentary accompanying the 2006/07 final subsidy determinations stated that the increase for 2006/07 would be 9.48%, which is an average £247.66 per dwelling, and this was used to determine the amount of resources available for re-basing the M & M allowances. However the schedules accompanying the subsidy determination, and therefore relating to the relevant dwellings in local authority ownership as at 1 April 2005, shows that the weighted average increase in guideline rents per dwelling will be 9.59%, that is an average £254.90 per dwelling. The increase of £7.24 per dwelling means that in reality authorities are suffering a larger subsidy withdrawal than estimated by the ODPM. Management and maintenance allowances should therefore have been increased by a further 0.48%, if the guideline rent increase as per the schedules had been applied. This amounts to some **£15.3m nationally which could have been distributed** as additional M & M allowances (£7.24 x 98% x 2,156,183 dwellings).
- The ODPM deduct the actual rent increase per dwelling from the guideline rent increase per dwelling x stock numbers as at previous April, prior to redistributing the remaining guideline rent as M & M allowances. However, the actual rent is collected only from the actual properties owned in the coming year.
The subsidy settlement in 2006/07 assumes the stock numbers as at the 1/04/05 position. The actual income receivable in the actual HRA is from the stock (average) in year i.e. as at around October 2006. Recent trends show a reduction of 140,000 dwelling per annum, therefore 18 months equates to 210,000 dwellings x £2.98 per week x 98% = **£31.9million could have been distributed** via additional management and maintenance allowances had a fairer methodology been used to assess the net resource position.
- The arrangements for calculating subsidy due assumes stock numbers at 1st April of the previous year, but the actual average position is some 18 months later.
The ODPM deduct total guideline rent per dwelling x stock as at the previous April. Whilst M & M allowances are also paid out on the previous April stock numbers, the net HRA revenue position is more than £1,250 negative, for the majority of Authorities. Therefore the HRA loses over £1,250 in subsidy for every disposal compared to the actual position, offset by a gain in capital

resources i.e. the Major Repairs Allowance of some £630. Recent trends show a reduction of some 1.5% or 30,000 dwellings per annum, excluding LSVT, therefore $30,000 \times £1,250 = \text{£}37.5\text{million loss to the revenue account}$ of the HRA due to the “cash-flow” arrangements of the subsidy system.

- M & M allowances are set below the true need to spend and even below the actual amount being spent by the HRAs. Therefore the inflation allowed in the subsidy settlement is well below that needed to even achieve a standstill position. There is no data available in the subsidy details, on which the amount of under allowance for practical inflation can be calculated.
- Increases for inflation in Management & Maintenance allowances are allowed for at 2.46%, but actual inflation incurred is likely to be above this level. The amount involved could be significant. As exemplification, if inflation on management was say 3% the cost to the HRA would be **£7m** ($1,249\text{m} \times 0.54\%$) and on maintenance if say 4%, the cost to the HRA would be **£32m**.
- The financial consequences of Right to Buy disposals cost the HRA for up to 2 years before any saving on negative subsidy occurs.
Example: a dwelling is sold on the 10th April 2005.
The loss of rent income in 2005/06 and 2006/07, will be partially offset by savings on maintenance, but there is unlikely to be any savings on management and no savings on subsidy. The average net cost per dwelling sold is therefore on average around £2,000 in 2006/07, ($£2,867$ rent less $£900$ maintenance) plus the part year effect in 2005/06. Whilst the major repairs allowance (average £630) is received the net impact on the revenue account of MRA is nil, as this funding is transferred out for capital purposes. The total estimated cost to the national HRA is some **£60million** ($30,000$ disposals \times $£2,000$).

Rents and Subsidy Position Statements

One of the complications within the HRA / subsidy regime is the changes due to disposal of dwellings. When a dwelling is either sold or demolished the actual rent is lost but subsidy is still payable for two years following disposal. Some savings on actual maintenance should occur but savings on management costs will not automatically occur.

Therefore for the first two years after disposal some £2,000 per dwelling loss occurs, due to the loss of £2,942 rent income offset by savings of say £942 on maintenance. After two years the loss reduces to £1,052 due to the impact of the subsidy.

The actual HRA impact of the subsidy determinations shown below is as per the data extracted from the ODPM schedules, which shows that the guideline rent in respect of the aggregate dwellings in Council ownership, as at April 2005, will increase by slightly more than identified in the commentary accompanying the schedules. The result is that in practice the actual HRA has £15.3m less net resources available than identified on page 8 of this report, see Appendix A of this report.

<u>Annual position statement per dwelling</u>						
		<u>2005/06</u>		<u>2006/07</u>		
		<u>Annual</u>	<u>Weekly</u>	<u>Annual</u>	<u>Weekly</u>	<u>increase</u>
Actual Rent	@ 98%	£2,810	£54.04	£2,942	£56.57	4.70%
Subsidy:						
Guideline rent	@ 98%	£2,605	£50.10	£2,855	£54.90	9.59%
Less						
Man. & Maint. Allowances		£1,466	£28.19	£1,599	£30.75	9.06%
Rent Compensation		<u>£ 0</u>	<u>£ 0</u>	<u>£ 20</u>	<u>£ 0.38</u>	
Less Net Subsidy		£1,139	£21.91	£1,236	£23.77	8.52%
Impact on actual HRA		£1,671	£32.13	£1,706	£32.80	2.09%

The above data demonstrates that, at unit cost per dwelling level, any increase in actual rents (average 4.7%) are offset by losses due to the large increase in subsidy paid to ODPM (average 8.52%) caused the high increase in guideline rents as per the revised calculations, due to amendments in the rent restructuring arrangements. The impact on the HRA (shaded above) shows that the unit cost of resources only increases by 2.09% per dwelling.