

**SOUTH EAST ENGLAND COUNCILS
EXECUTIVE COMMITTEE MEETING**

Date: 7 December 2010

Subject: **Consultation response on Housing Revenue Account**

Report by: Heather Bolton SEEC Head of Communications & Public Affairs

Recommendation:

SEEC members are asked to review the proposed issues for a response on Housing Revenue Account subsidy, and decide whether to respond or wait to respond on the principles of a replacement system expected to be outlined in the localism Bill.

1. Introduction

- 1.1 The Housing Revenue Account (HRA) affects 32 'landlord' local authorities in the South East. It is a system that pools council house rents nationally and then redistributes them according to a complex formula, allocating funds to individual councils for maintenance and management of their housing stock.
- 1.2 Many South East local authorities consider it unfair and have argued over a number of years for it to be replaced by a fairer system.
- 1.3 In October, Ministers announced their intention to replace HRA with a new system of council housing finance. It is expected that a new system will be implemented through the localism Bill, expected imminently.
- 1.4 Until the new system can be introduced, Government plans to distribute HRA subsidy for 2011-12 using similar parameters to those used in previous years. CLG is currently consulting on details of the proposed formulae until 16 December 2010.
- 1.5 An earlier deadline of 10 December applies if local authorities want auditor-certified changes to the base data used to allocate their share of funding.

2. A new housing finance system

- 2.1 The new system is expected to be a self-financing model, where local authorities keep and spend their own council house rents. While the principle of this localist, self-determined approach is welcome, there are also likely to be significant concerns for SEEC member councils.
- 2.2 It is expected that introduction of a new system would follow a one-off redistribution of debt, which would involve councils having to take on significant debt to gain ownership of their own homes. In some cases

the cost of the debt could exceed current payments into HRA, leaving councils worse off. It is also expected that in future Right to Buy receipts would be kept by the Treasury, removing a source of income for councils.

- 2.3 As the localism Bill is now close to publication it is proposed that SEEC members await publication and detailed proposals before providing input to Government on the new system.

3. HRA subsidy consultation for 2011-12

- 3.1 The allocation of HRA is a highly complex, technical calculation based on data provided by local authorities themselves. Input on the application of the formula to individual councils' circumstances is clearly therefore a matter for each council.
- 3.2 If members wish to respond on the principles underpinning the subsidy calculations, however, a response could be prepared by 16 December. In many cases the unpopular formulae used in previous years has been carried forward to the 2011-12 calculations, although Government has said that different arrangements will be used in 2012-13. A response could cover issues such as:
- The need for more realistic increases in management and maintenance allowances to reflect actual costs faced by local authorities. An allowance uplift of 1.9% per dwelling is insufficient.
 - A review of the major repairs allowance to reflect actual costs more accurately.
 - The unfair principle of negative subsidy, where the HRA calculation can, in some cases, mean local authorities are deemed to owe money to CLG rather than receiving any funding.

3 December 2010