

Draft Housing Revenue Account (Item 8) and Housing Revenue Account Subsidy Determinations 2010-11 NFA Response

Introduction

The National Federation of ALMOs (NFA) represents all 69 arms length management organisations (ALMOs) who between them manage more than one million council homes across sixty-five local authorities, more than half of all council housing in England.

The NFA welcomes the opportunity to comment on the Draft Housing Revenue Account (Item 8) and Housing Revenue Account Subsidy Determinations 2010-11.

Summary

The NFA is concerned that if these proposals are implemented there will be a significant rise in the number of our members who will face the impact of the caps and limits mechanism and that due to the scale of the rent increases proposed, large numbers of properties will be caught by the regime in the coming year.

We are very concerned about the severe financial difficulties that our members will face in 2010-11 if the government does not ensure that the compensation for the caps and limits is paid within the year that it applies rather than a year in arrears as proposed.

Guideline rent increases

The NFA is concerned that the proposed guideline rent increase for 2010-11 is too high given that the RPI in September was – 1.4% and some of our members have called for the rent re-structuring period to be extended by a further two or three years. The level of increase in the guideline rents will also cause a significant number of properties across the country to be caught within the caps and limits mechanism meaning that our members will see a shortfall in their income in 2010-11 until they are fully compensated by the government in the following year.

Caps and limits

Although all councils with ALMOs are in very different positions in their “rent restructuring journeys” this year’s proposals mean that there are a growing number of authorities who are being affected by the caps and limits mechanism and this will cause them severe, albeit short term, financial problems.

It is not just that more councils with ALMOs are having to apply the caps and limits to their rental increases it is also that for those ALMOs that will have to apply the constraints at the individual property level, they are having to apply them to a large proportion of the stock that they manage. It is the scale of the rent increases to large numbers of properties that is causing many of our members to predict that they will have significant financial difficulties in 2010-11 if the government implements its proposed rent increases and continues to pay the compensation for caps and limits a year in arrears.

For example Solihull Community Housing has calculated that they face the loss of approximately £220k in rental income in 2010/11 as a result of these proposals. The caps and limits regime will impact on approximately 50% of their properties – which is a substantial number given that caps and limits have never previously been an issue for Solihull. Bolton at Home estimate that over 70% of their properties will be affected by the individual property limits giving a loss of about £600,000 for 2010-11 and Nottingham City Homes estimate that the cashflow cost is about £800,000 for them. We are also aware that this will be a significant issue for many of our members in London and the South, including Cheltenham Borough Homes and Stevenage Homes.

Given the work carried out on the recent review of council housing funding, the government is well aware of how precarious many HRAs are at the moment. Given the substantial underfunding of allowances in recent years many HRAs will not be in a position to carry this level of capping without cutting front line services.

ALMOs have also been at the forefront of delivering efficiency savings for their councils; delivering 68% of all local authority housing efficiencies although only situated in 21% of local authorities. For many ALMOs there is just nowhere else to find this level of efficiency savings and they will therefore be forced to look at cutting service levels in order to balance the HRA. This does not make sense when this is a temporary issue due to a technical subsidy mechanism.

The NFA strongly urges the government to change the way in which it compensates authorities for the caps and limits mechanism and ensure that authorities are paid in 2010-11 for the loss of their income that year. This has been done in the past for the Rental Constraint Allowance and would be a fairer solution to the problem, preventing a loss of real services to tenants at a time when their rents are rising yet again.

HRA allowances

Given the outcome of the review of council housing finance we re-iterate our belief that the rental income being collected from tenants should be ploughed back into their housing services and that:

- Management and Maintenance Allowances be increased by 5%
- The Major Repairs Allowance be increased by at least 43%.

The NFA thinks this is the least that the government can do for 2010-11, whilst tenants and councils wait to hear what “self financing” offer will be made to them for the future funding of their homes and many ALMO tenants learn of the government’s decision to delay their funding for decent homes.

We hope that these comments are considered helpful in finalising the Housing Revenue Account Subsidy determination for 2010/11.