

ANALYSIS OF THE HRA SUBSIDY POSITION

HRA Subsidy is calculated according to the following key elements:

- Management and Maintenance
- Major Repairs Allowance
- Interest on assumed debt levels
- Rent income and the Rent Constraint Allowance.

In overall terms the council is now in negative subsidy and will therefore be paying money to the Government. A summary of the subsidy calculation is set out below:

	2007/08	2008/09	2009/10	2010/11
	£M	£M	£M	£M
Allowances received				
Management and Maintenance	31.108	31.650	32.471	33.280
Major Repairs	12.232	12.206	12.492	12.771
Rent Constraint	1.261	0.000	0.000	0.000
Capital Financing	5.910	5.635	5.708	5.781
Total Allowances	50.511	49.491	50.671	51.832
Payments to DCLG				
Rent income	52.003	54.651	56.942	59.254
Interest receipts	0.015	0.010	0.007	0.005
Total payments	52.018	54.661	56.949	59.259
Net payment to DCLG	1.507	5.170	6.278	7.427

The following paragraphs give a brief analysis of the key elements in the calculation.

Management and Maintenance allowances

These allowances are the Government's assessment of how much the Council should spend on Supervision and Management and the Repairs service. The allowances, which are calculated as sums per dwelling, have increased by 2.4% over 2007/08. This increase, which is less than the rate of inflation, is £473,000 less expected. The total value of the allowances in 2008/09 is estimated at £31.6M. By way of comparison, the total budgeted spend on repairs and supervision and management in 2008/09 is £31.9M

Major Repairs Allowance (MRA)

This allowance is paid to help finance the HRA capital programme and is supposed to represent the costs of maintaining the stock at its current standard. This allowance, which is also calculated as a sum per dwelling, has increased by only 0.4%, which is well below the rate of inflation. The MRA is therefore some £263,000 less than expected

Capital financing

The interest payment is based on what the Government assumes the level of HRA debt to be. The assumed debt level for Southampton is approximately £118M, compared to a real debt level of approximately £91M. The interest rate used to calculate the subsidy payment to the Council is virtually the same as the real interest rate. In 2007/08 the subsidy payment is estimated to be £6.04M, compared to the estimated real interest charges of around £4.6M.

Rent income / Rent Constraint Allowance

The Government makes an assumption of what the Councils rent income should be, and then requires that this sum is offset against the allowances that the Council receives. In 2008/09, the assumed average weekly rent in the subsidy calculation is £61.95. The actual average weekly rent in 2008/09 is estimated to be £61.67. Both figures are based on the revised rent restructuring timetable. After making adjustments for voids, it means that all rent income is now paid over to CLG.

There is no compensation in the 2008/09 subsidy calculation for complying with Government guidance on limiting rent increases to 5% in 2006/07 and 2007/08. The Government has announced plans for a new allowance in 2009/10 and the possible benefit of this allowance is currently being evaluated.

Interest receipts

The interest received from old Right-To-Buy mortgages has to be paid over to CLG.