

A New Financial Future for Council Housing?

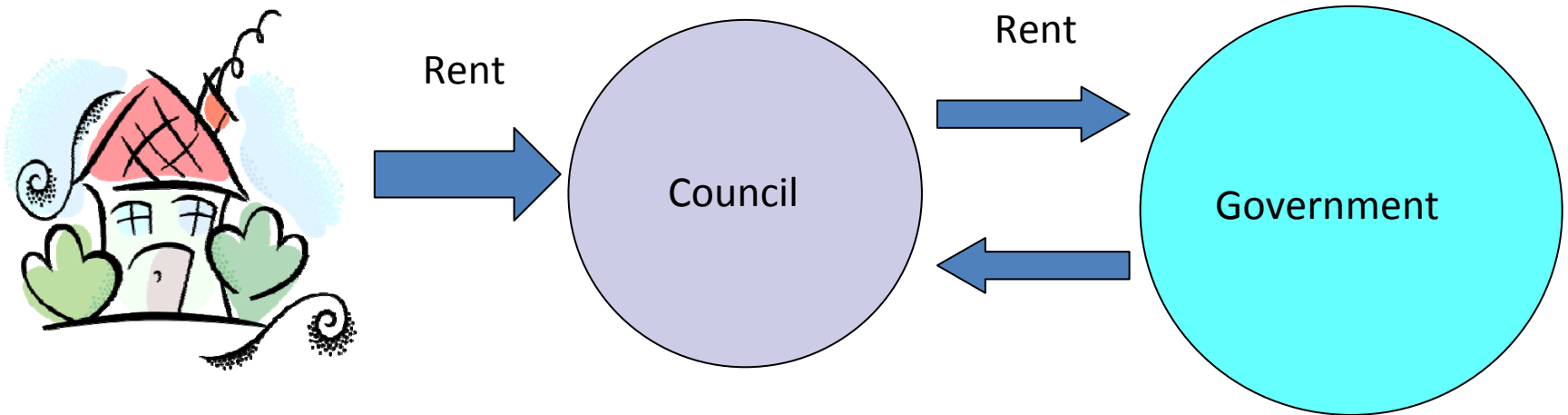
Kettering
Borough Council

The Housing Revenue Account (HRA)

- Ring-fenced 'landlord' account
- Day-to-day running expenses and income for council housing
- Separate from Council Tax
- No other services within the council to compete with
- Competing for resources with other councils

HRA housing is a national programme administered locally

The national system of housing finance – simplified



Management and Maintenance Allowances, Major Repairs Allowance (capital) + debt cost

The national system of housing finance – simplified

- The Housing Revenue Account accounts for income and expenditure associated with the Council's housing stock.
- The Government uses a formula to decide how much the Council should spend on managing and maintaining its housing stock and how much rent should be charged.
- If the guideline rent is **less** than the amount which the Government says needs to be spent, then the council receives housing subsidy from the Government.
- If the guideline rent is **more** than the amount which the Government says needs to be spent, the Council is required to pay negative housing subsidy.

Where we are going locally?

- Guideline Rent -£12.087m
- Management Allowance £1.893m
- Maintenance Allowance £3.841m
- Major Repairs Allowance £2.444m
- Net Subsidy -£3.909m
- Debt Interest £0.281m
- Negative subsidy -£3.628m

- 30 year cumulative at today's prices -£93m

What is wrong with the subsidy system?

- It's complex
- We can't plan properly because HRA subsidy determinations can fluctuate considerably from year to year.
- There is no connection between the rent tenants pay and the service they receive from the Council
- The system is acknowledged by the Government to be unfair
- There are year-on-year “real terms” decreases in funding

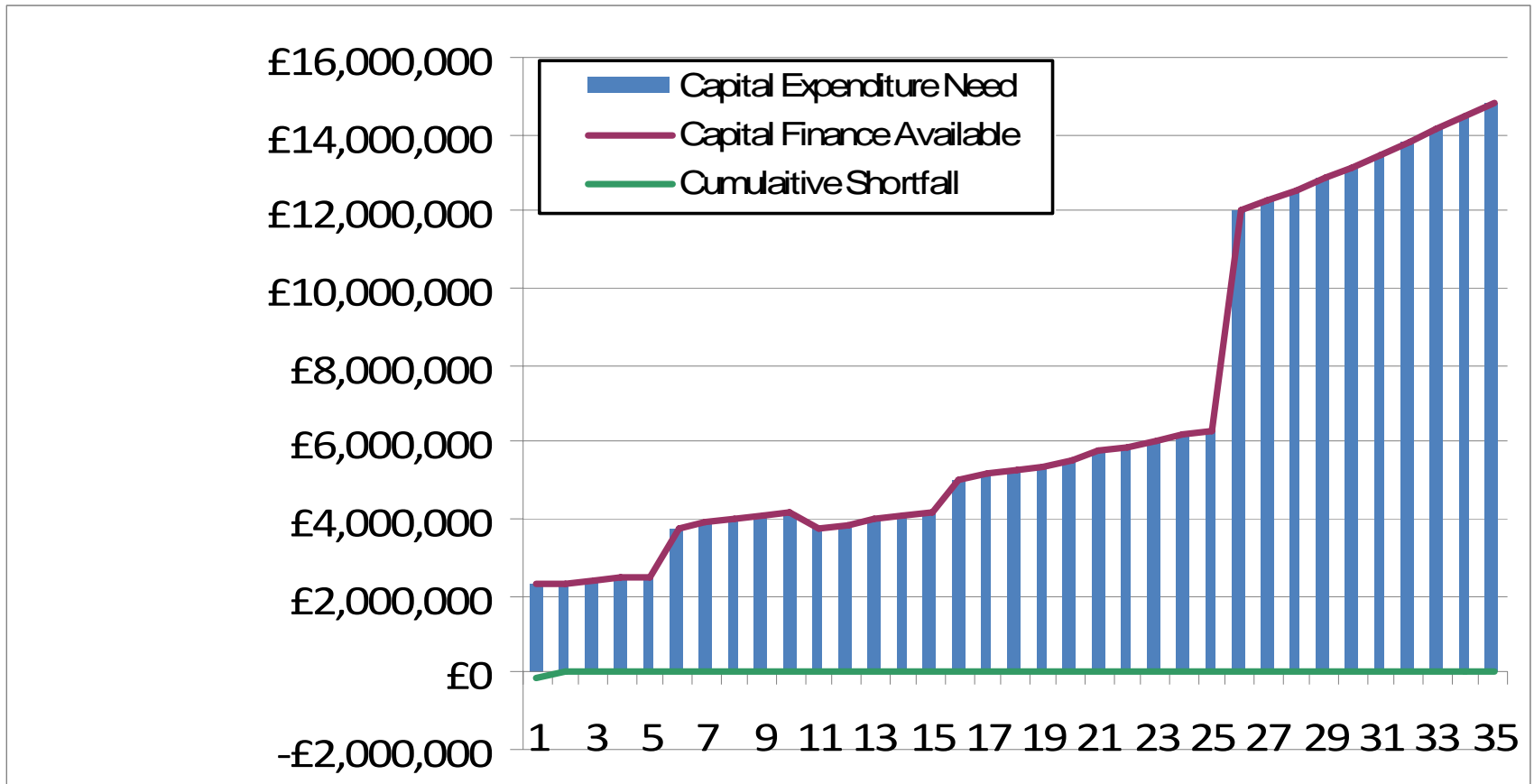
What is being proposed?

- Councils will be able to keep all their rental income and use it to fund their landlord services.
- There will be no more negative housing subsidy payments.
- Councils will also be able to keep income from sales.
- Management and Maintenance allowances will increase by 5%.
- Major Repair Allowance will increase by 28%.
- Councils will have the capacity to build new homes – 10,000 per annum nationally by 2014.

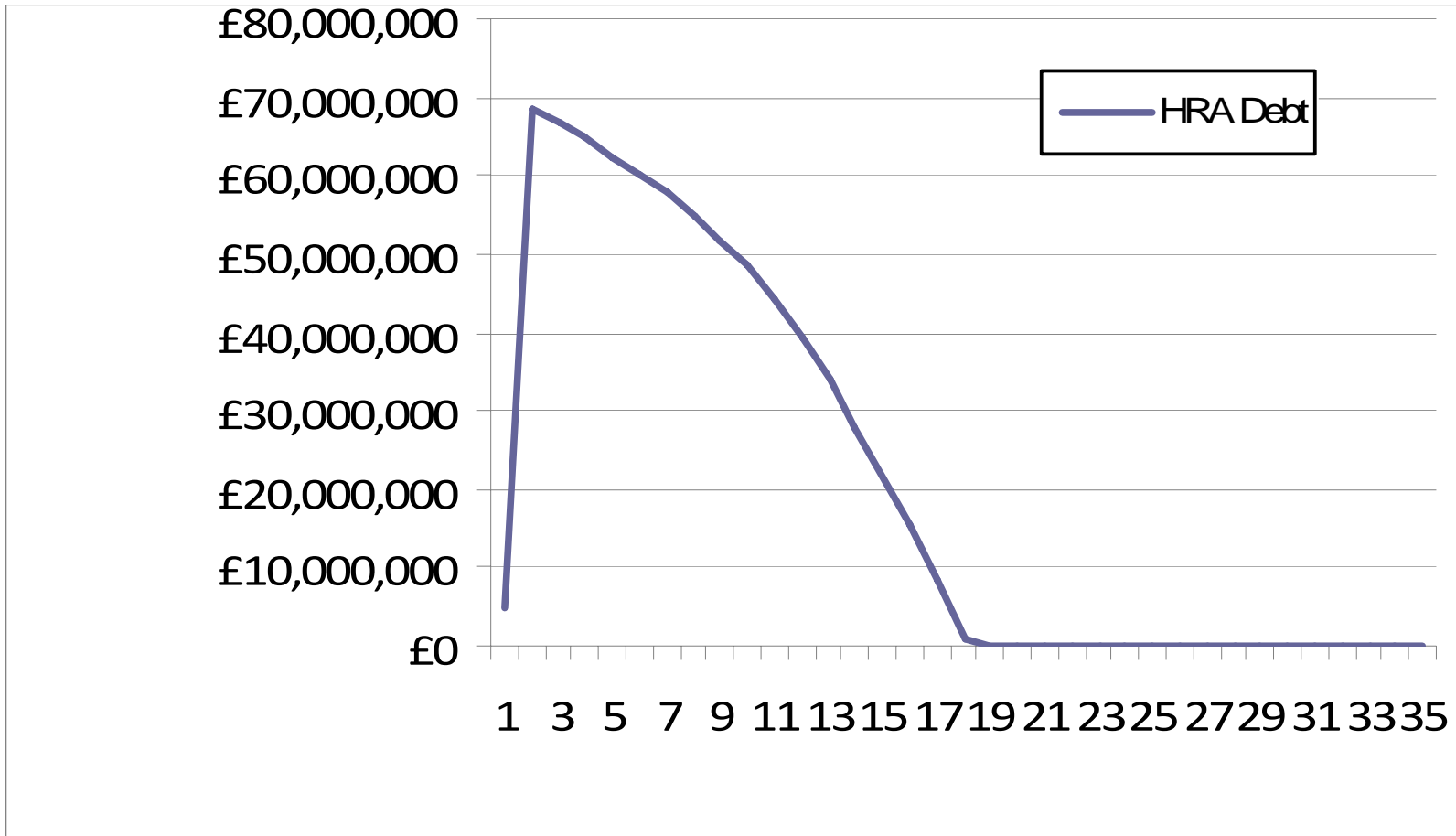
What might it mean for Kettering? (assuming no new build)

- 4.8% increase in Management and Maintenance Allowances
- 24.7% increase in Major Repairs Allowance
- £62.1m increase in debt
 - Current debt (CLG estimate) £6.2m
 - New debt figure £68.8m
- Shortfall in resources in year 1 only
 - Debt free by year 19
- Cap on debt level at £68.8m
- Actual current debt is £4.8m therefore £1.4m headroom

Investing in your homes



Our debt profile (Debt free by Year 19)



Building new homes

- The last Government was promoting new build council homes within the reforms
- Alternative set of debt settlement figures based on 7% discount factor, would mean less debt for KBC.
- Need to inform CLG of the numbers that could be built assuming social housing grant from HCA and free land input from councils

What's next?

- This is a consultation paper
- Responses are expected to the CLG by 6 July
- Executive Committee will consider its views on 16 June and take your views into account
- Need all landlord councils to “sign up” voluntarily to implement in April 2011
- Otherwise the Government would need to implement through new primary legislation.

Will it happen?

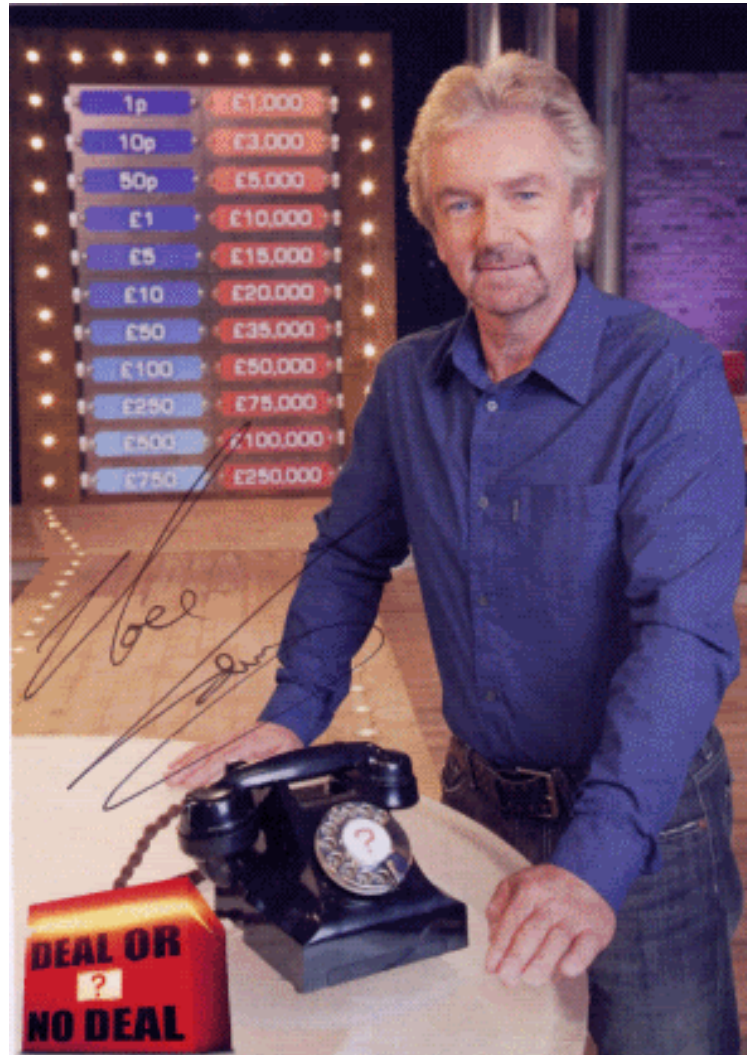


- “.....review the unfair Housing Revenue Account.”
The Coalition: our programme for Government May 2010
- Impact of next Comprehensive Spending Review?

The uncertainties

- Is a 30 year deal for council housing sustainable?
- There are no guarantees in the deal about rent increases
- Changes in interest rates and inflation could have an impact
- What will happen when the next comprehensive spending review takes place?
- What will be the impact on other stock options?

Deal or no deal?



Deal or no deal?

Subsidy System

- Increasing negative subsidy
- Insufficient funds for capital investment in the future
- Uncertainty re future funding – dependent on government
- Protected against risks

Self Financing

- Additional resources for management, maintenance and stock investment
- Government retain control of rent increases
- Control own future **but** £62m additional debt
- More risk and uncertainty re interest rates, inflation, sustainability

Points to consider.....

- What do you value about council housing in Kettering?
- How would you want the housing service to change in the future?
- Would the proposed deal help you to get the housing service you want?
- How do you feel about taking on debt of £62m
- If we were to accept the proposed deal, what long term guarantees would you need?

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