

Tenants Forum Meeting (Finance Element)



13th January 2011

Presented by David Watt

"Working with and on behalf of local people"

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Borough Council



Agenda

- ◆ KBC Budget Overview 2011/12
- ◆ Housing Revenue Account
- ◆ Housing Subsidy
- ◆ Rent Restructuring
- ◆ KBC 2011/12 Rent Proposals
- ◆ The Future?

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How We Spend Our Money



Gross Budget
£69.9m

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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

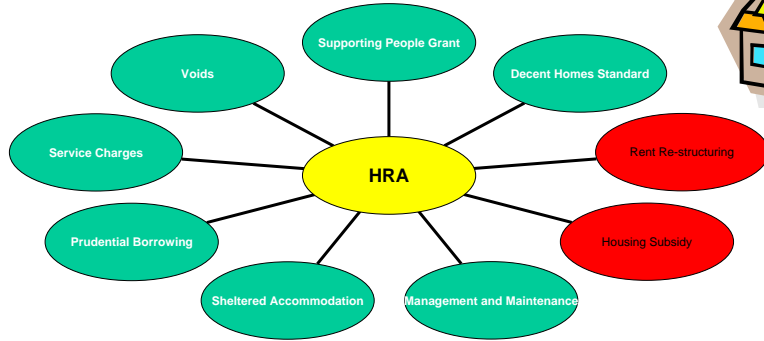
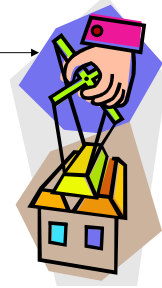
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Housing Revenue Account

- ♦ HRA – “ring fenced”

Department for Communities and Local Government (DCLG)

- ♦ The spending/income rules – controlled by DCLG!!!!



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Housing Revenue Account

KBC Draft 2011/12 HRA	Original 2010/11	Revised 2010/11	Original 2011/12
INCOME	£'000	£'000	£'000
Rents – applying govt formula rent increase proposals for a convergence date of 2015/16	12,158	12,258	13,061
Service Charges/Supporting People	441	438	369
Total Income	12,599	12,696	13,430
EXPENDITURE			
Repairs and Maintenance	3,308	3,343	3,296
General Management	2,027	2,039	2,083
Special Services	905	871	915
Subsidy – represents the continuation of negative factors	3,628	3,716	4,495
Others (bad debts provision, net investment income, dep'n etc)	2,731	2,650	2,641
Total Expenditure	12,599	12,619	13,430
Net spend for the year	0	(77)	0
Balance b/fwd	(300)	(305)	(382)
Balance c/fwd	(300)	(382)	(382)

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Housing Revenue Account



How can Councils get extra money to spend on their properties?

- Charging a rent higher than “formula rent” set by government – Implications!
- Being more efficient than government allow – very difficult year on year!
- Use of reserves – KBC has very little remaining for HRA!
- Review of “in-house” service re-charges to the HRA – GF impact?
- Alert to government initiatives to access potential funding – resource intensive!
- Review service charges.
- Selective sale of long-term or hard to let voids – do we have many?
- Analysis of maintenance requirements and target resources accordingly – we are already doing this!

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Housing Subsidy

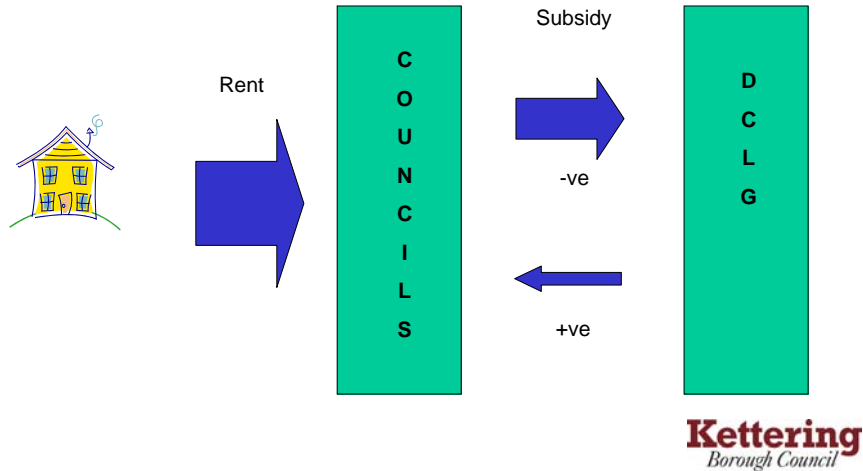


- ❖ Mechanism administered by DCLG.
- ❖ DCLG see local authority housing as a “national” programme.
- ❖ Subsidy? Who is paying who?
- ❖ **Payments of subsidy determined by a “notional” account that has assumed expenditure and income amounts, determined annually by DCLG. They are not supposed to represent the actual elements within a Council’s real HRA BUT THE OUTCOME IS REAL!!**
- ❖ Negative subsidy – where income from model exceeds expenditure (KBC’s position) then Council pays difference back to DCLG.
- ❖ Subsidy system clearly not working for the benefit of tenants.
- ❖ The whole subsidy system is being scrapped and a new self-financing regime is being introduced from April 2012.

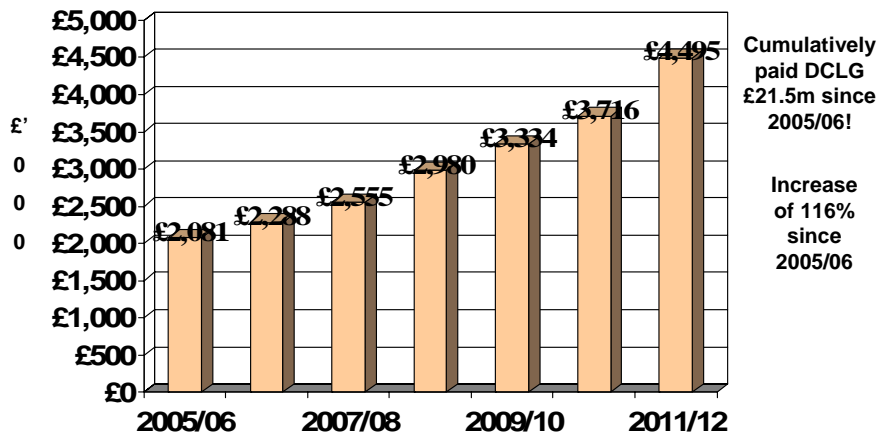
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Housing Subsidy

The national system of local authority housing finance - simplified



Housing Subsidy



KBC Negative Subsidy Payments

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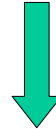
Housing Subsidy

KBC's Negative Subsidy Position

	2010/11	2011/12	Variance
	£'000	£'000	£'000
Assumed Expenditure - NOTIONAL	8,372	8,399	27
Assumed Income - NOTIONAL	(12,088)	(12,894)	(806)
Negative Subsidy - REAL !!!!!!!	(3,716)	(4,495)	+ (779)

Why is subsidy so important?

- the amount of subsidy paid or taken out of the HRA determines how much you have to spend on services.
- for KBC **34%** of its 2011/12 resource is going out the HRA.
- subsidy is unpredictable and the amount paid can increase higher than inflation or rent increases. If this happens then savings in the HRA must be made.
- impacts on the longer-term business plan.



Kettering Borough Council tenants being asked to contribute an additional £779,000 into the "national" subsidy account in 2011/12! Their contribution is approximately £4.5m per year.

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Rent Restructuring



- ◆ Previous Government initiative.
- ◆ Idea was to align "all" affordable housing rents with each other over a ten year period starting in April 2002. **Now in tatters!!!!**
- ◆ Set a target rent for each property year on year, based on formula for annual maximum change in rents of "RPI% + 0.5% +/- £2".
- ◆ Will Councils as such need longer than 10 years to converge? Yes!!! Government now suggesting 2015/16 but only for rent increase purposes.
- ◆ Will remain under self-financing regime.

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KBC 2011/12 Rent Proposals

(based on a 52 week year)

	Applying Government increase with convergence date of 2015/16
Average weekly rent per property	£66.81
Average weekly Increase (£)	£4.36
Average Increase (%) (Government Guideline)	6.98%
Estimated Rent raised	£13.061m

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The Future



- Self Financing – transition implications, debt levels, cost of debt, rent increases, RTB receipts, investment programme
- Localism Bill - flexible tenancies, new build agenda
- KBC – Council Tax/Grant implications from CSR
- Decent Homes requirements
- Green Homes Strategy

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Provide feedback



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