

**TENANTS FORUM**

**9 February 2012**

**RENT REVIEW 2012/13**

**PURPOSE OF REPORT**

This report contains information on the new financial regime for council housing and seeks the views of the Tenants Forum concerning the proposed average rent increase of £5.29 (7.93%) for 2012/13.

**A NEW FUNDING MECHANISM FOR COUNCIL HOUSING**

As members of the Tenants Forum are aware, the Government has announced that the housing subsidy system is to be abolished. A new self-financing funding mechanism for council housing will be introduced in April 2012.

The new system will give local authorities the resources they need to manage their housing for the long term and to drive up quality and efficiency. It will also help tenants by establishing a clearer relationship between the rent that they pay and the services they receive from their landlords.

The main features of the new system are:

* Council landlords will manage and maintain their own housing stock from rent income and will no longer be part of an annual subsidy relationship with the Government. In 2011/12, the Council was required to make a negative subsidy payment of £4.5 million to the Government. This was equivalent to 34.42% of rental income.
* The national housing debt of £29 billion will be transferred from the Government to stock-retaining local authorities.
* The amount of debt to be transferred to individual councils has been calculated on the basis of a projection of future rents and costs over a 30 year period. For Kettering, the level of debt to be transferred will be £72.9 million. The HRA has existing debt of £4.8 million which gives a total debt of £77.7 million. This equates to £20,838per property.
* Rents will continue to be subject to the rent restructuring regime with local authority rents converging by 2015/16.

**HOUSING REVENUE ACCOUNT**

The Housing Revenue Account (HRA) includes all the income and expenditure associated with owning, managing and maintaining the Council’s housing stock. The Council has a statutory duty to operate a balanced HRA which is “ring-fenced” from the rest of the Council’s finances.

In January, members of the Tenants Forum indicated their aspirations for the Council’s landlord service. In priority order, these are:

* Continue investing in the housing stock
* Better day-to-day services
* Build new homes, when the time is right

The Council is now preparing a long-term business plan which will set how rent income over the next 30 years will be used to fund expenditure including debt repayments and the costs of management and maintenance. The Council has obtained independent technical assistance from the Chartered Institute of Housing to help construct and review the business plan and continues to work with Sector, our retained external investment advisors, to look at available funding models.

The draft business plan will be considered by the Tenants Forum in April.

**RENT REVIEW 2012/13**

The Government has indicated that the rent increase for 2012/13 should be set at 7.93%. This would result in an average rent of ££71.97 per week, an increase of £5.29 per week in comparison with this financial year.

The Government’s proposals for the new funding regime assume that the Council will implement the guideline rent increase of 7.93%. This will ensure that the Council achieves convergence with housing association rents by 2015/16.

The implications of setting a lower rent increase at this time are prohibitive as there would be a substantial shortfall in funding for the Housing Revenue Account over the span of the 30 year business plan. A 0% increase for 2012/13 would result in a loss of £50 million over the 30 year business plan period. This would severely jeopardise the Council’s ability to meet tenant’s priorities for the landlord service and, in particular, it would adversely affect planned maintenance and improvement programmes.

Therefore, 7.93% (£5.29) is the recommended rent increase for 2012/13. The Tenants Forum is asked for its views on the proposed rent increase and these will be reported to the Council’s Executive Committee on 15 February.

John Conway

Head of Housing