

Tenants Forum Meeting (Finance Element)



12th February 2010

Presented by David Watt

"Working with and on behalf of local people"

Kettering
Borough Council



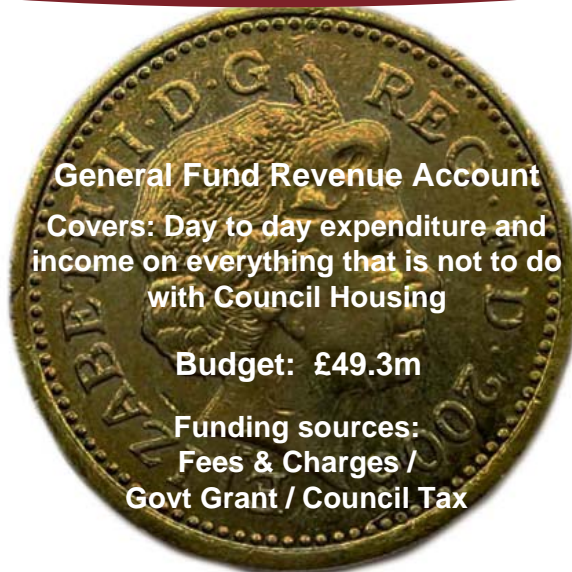
Agenda

- ◆ KBC Budget Overview 2010/11
- ◆ Housing Revenue Account
- ◆ Housing Subsidy
- ◆ Rent Restructuring
- ◆ KBC 2010/11 Rent Proposals
- ◆ The Future?

How We Spend Our Money



Housing Revenue Account
Covers: Day to day expenditure and income relating to being a landlord of Council Houses
Budget: £12.6m
Funding sources:
Council House Rents



General Fund Revenue Account
Covers: Day to day expenditure and income on everything that is not to do with Council Housing
Budget: £49.3m
Funding sources:
Fees & Charges /
Govt Grant / Council Tax



Capital Programme
Covers: Expenditure on acquiring, creation, enhancing assets
Budget: £10.2m
Funding sources:
Govt Grant / capital receipts /
external contributions

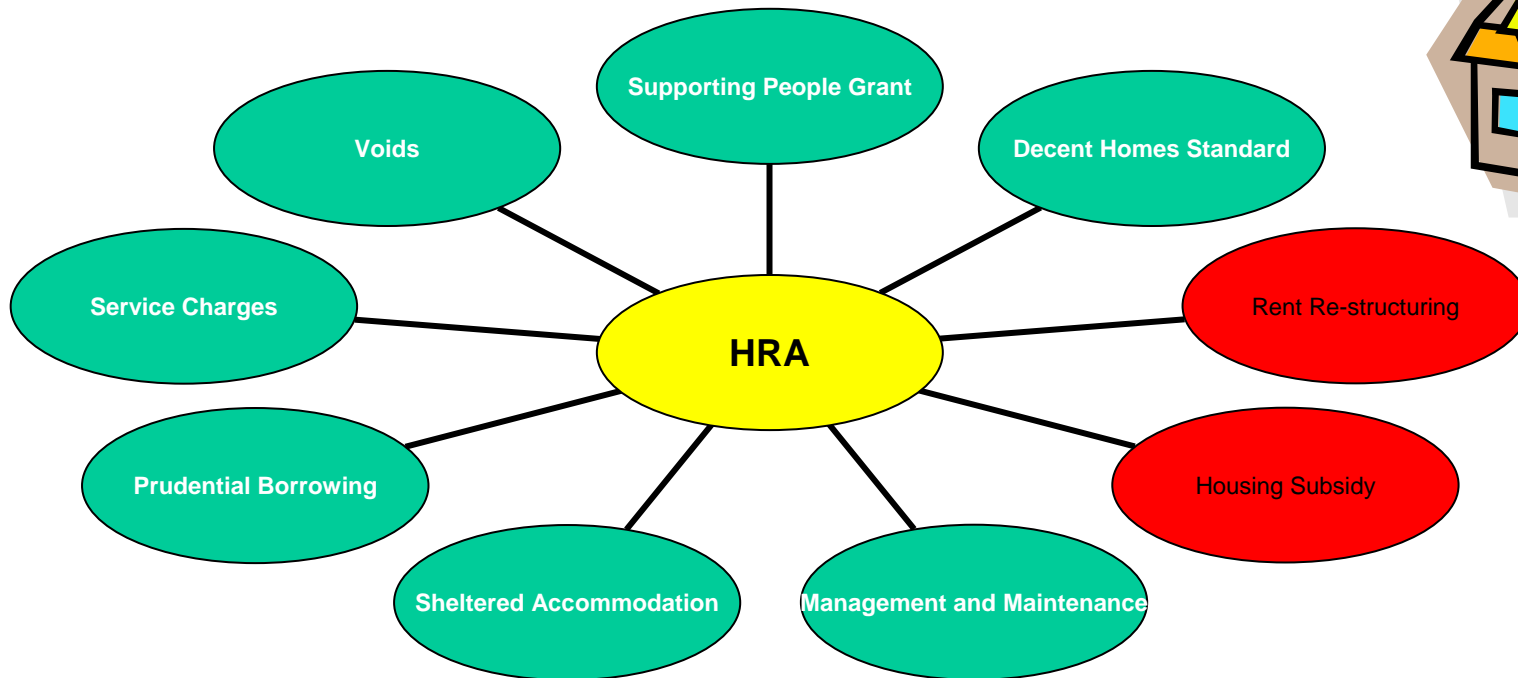
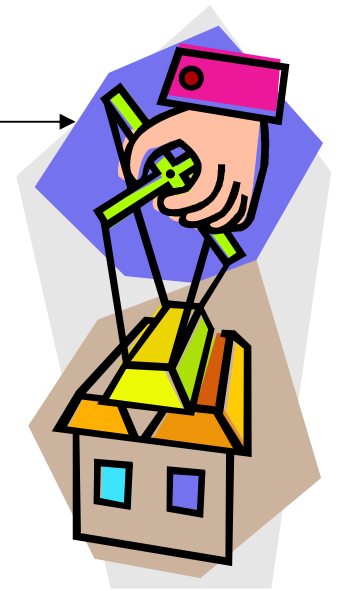
Gross Budget
£72.1m

Housing Revenue Account

- ◆ HRA – “ring fenced”

Department for Communities and Local Government (DCLG)

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

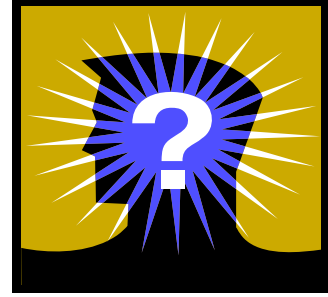


Housing Revenue Account

<u>KBC Draft 2010/11 HRA</u>	<u>Original</u> <u>2009/10</u>	<u>Revised</u> <u>2009/10</u>	<u>Original</u> <u>2010/11</u>
<u>INCOME</u>	£'000	£'000	£'000
Rents – applying govt formula rent increase changing to convergence path of 2013/14	12,129	11,903	12,158
Service Charges/Supporting People	470	456	441
Total Income	12,599	12,359	12,599
 <u>EXPENDITURE</u>			
Repairs and Maintenance	3,244	3,189	3,308
General Management	1,993	1,980	2,027
Special Services	937	1,003	905
Subsidy – represents the continuation of negative factors	3,306	3,341	3,628
Others (bad debts provision, net investment income, dep'n etc)	2,905	2,831	2,731
Total Expenditure	12,385	12,130	12,599
Net spend for the year	(214)	(196)	0
Balance b/fwd	(136)	(104)	(300)
Balance c/fwd	(350)	(300)	(300)



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!



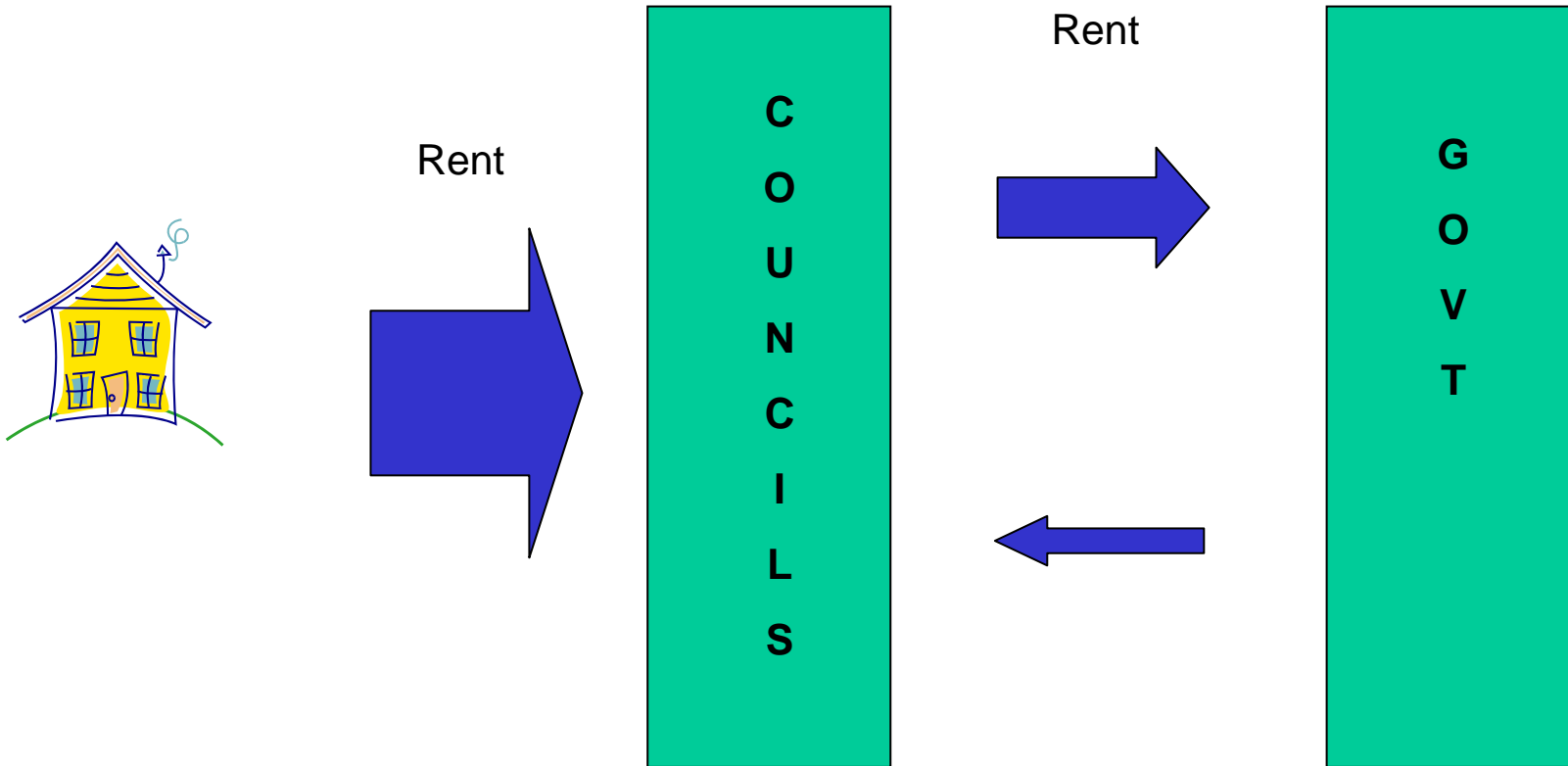
Housing Subsidy



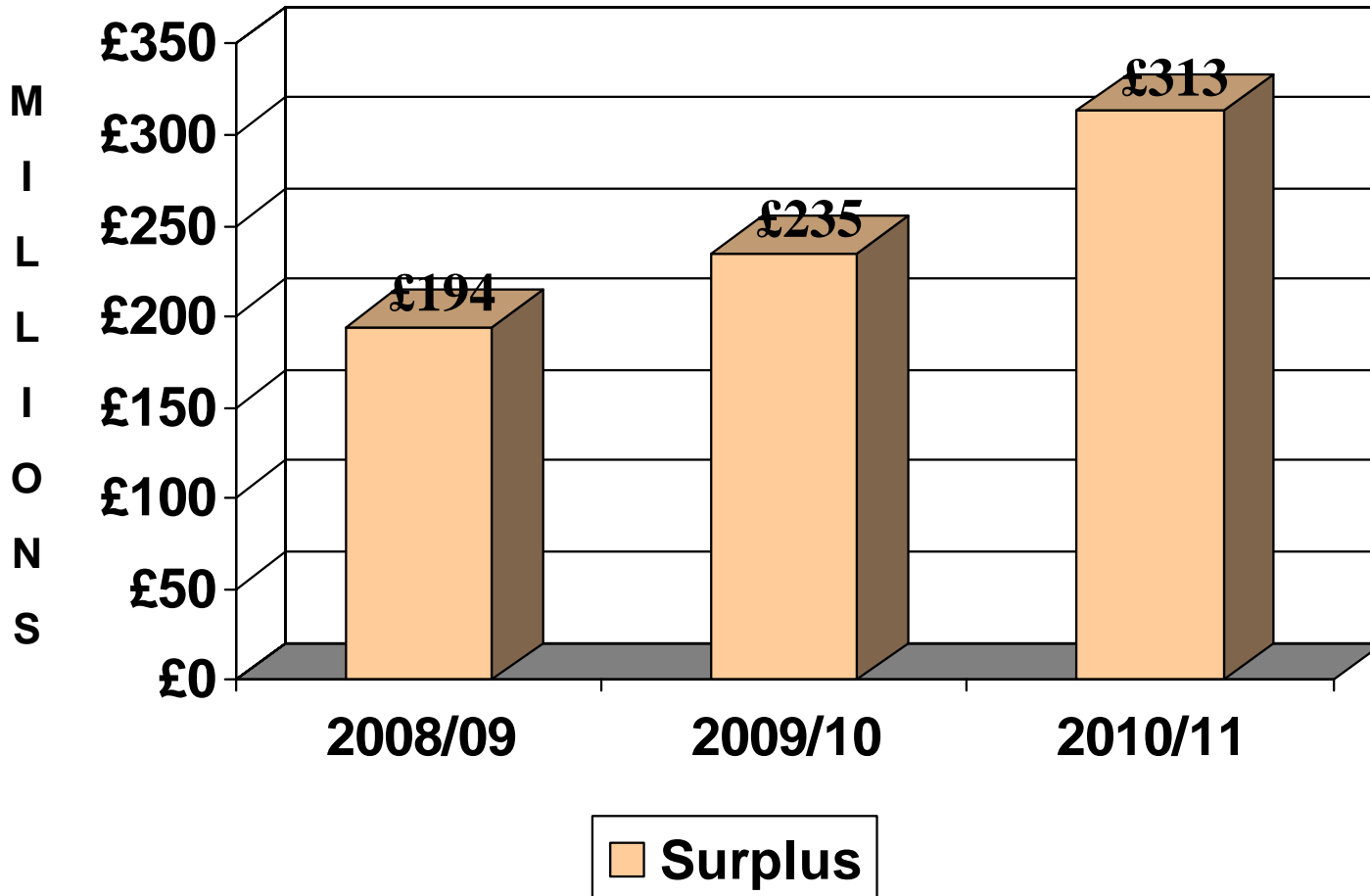
- ❖ Mechanism the Government uses to control Councils HRA.
- ❖ Government see local authority housing as a “national” programme.
- ❖ Subsidy? Who is paying who?
- ❖ **Payments of subsidy determined by a “notional” account that has assumed expenditure and income amounts, determined annually by government. 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 Government.
- ❖ Nationally the housing subsidy account is in surplus by some £194m for 2008/09 and predicted to rise year after year if left untouched– tenants tax?
- ❖ Subsidy system clearly not working for the benefit of tenants.
- ❖ The whole subsidy system is now up for review, with “radical” changes planned ahead.

Housing Subsidy

The national system of local authority housing finance - simplified



Housing Subsidy



Estimated Government Subsidy Surplus

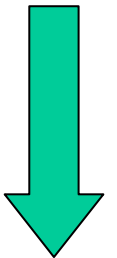
Housing Subsidy

KBC's Negative Subsidy Position

	2009/10	2010/11	Variance
	£'000	£'000	£'000
Assumed Expenditure - NOTIONAL	8,274	8,460	+ 186
Assumed Income - NOTIONAL	(11,615)	(12,088)	+ (473)
Negative Subsidy - REAL !!!!!!!	(3,341)	(3,628)	+ (287)

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 30% of its 2010/11 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 £287,000 into the “national” subsidy account in 2010/11! Their contribution is now in excess of £3.6m per year.



Rent Restructuring



- ◆ 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 2013/14 but this will probably change again.
- ◆ Govt concerned over fluctuations

KBC 2010/11 Rent Proposals

(based on a 52 week year)

	Applying Government increase with convergence by 2013/14
Average weekly rent per property	£62.48
Average weekly Increase (£)	£1.88
Average Increase (%) (Government Guideline)	3.1%
Estimated Rent raised	£12.158m



The Future



- **Housing Subsidy Review**
- **New build through ALMO's or LA wholly owned companies**
- **New Government delivery agency "Homes and Communities"**
- **New Government Regulator "Office for Tenants and Social Landlords"**
- **Deadline extension for decent homes beyond 2010?**
- **Green Homes Strategy**
- **Principles of self-financing**

Provide feedback



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