

Appendix 2

Subject : Response to Consultation – The Draft Housing Revenue Account Subsidy Determination 2011-2012.

Northampton Borough Council's response to the above consultation papers is set out below.

General

The Authority understands that this determination is for one year only and that a new reformed system of council housing finance will be implemented through powers in the Localism Bill that still has to be issued and adopted. The Authority's reply to this consultation is therefore restricted to the proposals in this determination.

Rents and Rent Restructuring

The guideline rent increase for 2011/12 for this Authority is slightly above the national average of 6.8%. Due to the position of our actual rents to the Guideline rent this will lead to our actual rents having to increase on average by 5.77% under the Government's rent restructuring policy. The Authority understands that those already in receipt of full benefit will, under current rules, be protected. However the Authority, at this high level of rent increase, has serious concerns for those tenants not on benefit and for those on the margins, especially in the current economic climate.

HRA Negative Subsidy

The proposed settlement for 2011/12 for this Authority is an increase in negative subsidy payments of £2.9m per annum.

The Authority is concerned that this increase could make the housing finance reform subsidy buyout too expensive and therefore the future sustainability of its' HRA at considerable risk. The Authority awaits the detail on the subsidy buyout with great interest.

The Authority recognises that the increase in negative subsidy will be mostly offset by the 5.77% rent increase, however there is still a sizeable withdrawal of funds of over £500k proposed for 2011/12.

The Major Repairs Allowances and Maintenance Allowances increases are approximately 1% despite the recognition of significant shortfalls in funding nationally. The Authority fails to understand why this is not being addressed since the Government is proposing to fund some of the backlog repairs nationally but appears not to be addressing the shortfall in funding to maintain dwellings at there current condition.

The Consolidated Rate of Interest

The Authority shares the concerns of other Local Authorities about the possible impact of credit arrangements, and particular finance leases, on the CFR and consequently on the CRI. The Authority 's Treasury team is currently working through the changes and will inform the Government as soon as the results are known.

The Authority requires the Government to seriously reconsider the level of rent increase proposed nationally through the rent restructuring policy for 2011/2012.

The Authority awaits the Localism Bill and the detailed financial numbers but urges the Government to ensure that the level of debt for the buyout is not made a non-starter by the increases in negative subsidy proposed by the determination for 2011/12.