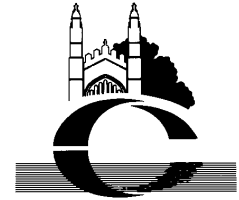


In case of enquiry contact Julia Hovells
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**CAMBRIDGE
CITY COUNCIL**

**Customer &
Community
Services**

HRA Reform Team
Department for Communities & Local Government
Zone 1/J10
Eland House
Bressenden Place
London
SW1E 5DU

4th January 2012

Dear Sir / Madam,

Draft Determinations to Implement Self-Financing for Council Housing

Further to the consultation in respect of the draft determination for Self-Financing for council housing, the following is the response by Cambridge City Council:

General Comments

Cambridge City Council supports the introduction of Self-Financing for council housing and the cessation of the existing Housing Revenue Account Subsidy System.

Of very grave concern to the authority, however, is the level of rent increase that CLG expect local authorities to implement from April 2012. The calculation of the level of debt that each local authority is deemed able to take on assumes the application of the rent increase at the prescribed levels, driven by inflation in September 2011 of 5.6% plus 0.5%, with convergence assumed in 2015/16. This results in an average actual increase in rents for tenants of Cambridge City Council of 8.3%.

The financial deterrents in deviating from government guideline rent increases that have existed in the national HRA subsidy system for many years, are being compounded this year, as the transition to Self-Financing is made.

This excessive rent rise negatively impacts upon some of the most vulnerable in society, with tenants receiving a considerable increase in rent, at a time when the cost of living continues to rise, with increases in food, utility, fuel and transport costs being experienced by all. Although housing benefit will meet the cost of the increase for some tenants, those at the margin of housing benefit entitlement will suffer the greatest impact. The steep increase may force some tenants into having to claim housing benefit, which does not seem to correspond with the government policy to reduce dependency on benefits.

Cambridge City Council,
Hobson House, 44 St Andrews Street, Cambridge, Cambs, CB2 3AS,
Telephone 01223 457000.



INVESTOR IN PEOPLE

Cambridge City Council would strongly implore that CLG consider the application of an adjustment similar to that made in 2009, using a lower level of inflationary increase in the calculation of the guideline rent, resulting in a reduction in the level of debt that each local authority can support. This will also allow for a lower rent increase in April 2012 for social housing tenants in light of the current financial pressures, particularly on low earning working families.

Settlement Payments Determination

Cambridge City Council welcomes the adjustment by CLG, and the resulting reduction in the debt settlement calculation in respect of dwellings that are resolved for disposal or demolition in the early years of the Self-Financing business plan.

From a practical perspective, there are concerns that the on-line systems being developed by PWLB to facilitate arrangement of funds on 26th March 2012, may not be robust enough to withstand the volume of activity that is anticipated on this day. Concerns also exist as to whether the banks involved can accommodate the volume of electronic payments of cleared funds from local authorities to the Secretary of State on 28th March 2012. The size and complexity of the transactions involved in a single day are unprecedented, with limited options for stress testing the approved method of payment.

Are CLG able to provide reassurance that alternative arrangements have been considered should the proposed arrangements fail in any way?

Limit on Indebtedness Determination

The authority welcomes inclusion in the debt cap of sums to support new build schemes under contract with the Homes & Communities Agency.

Although Cambridge City Council recognise the desire for CLG to retain control on the level of housing debt nationally, the introduction of the debt cap does apply a significant constraint upon the operation of the housing business at a local level. This is of particular concern in areas, such as Cambridge, where there is an extreme need for additional affordable housing.

Housing Revenue Account Subsidy Amendment Determination

Cambridge City Council strongly support the proposed amendment to the Housing Revenue Account Subsidy Determination for 2011/12, allowing compensation to be paid in year, to local authorities for the interest costs incurred in 2011/12 in respect of the Self-Financing Settlement.

It is highlighted, however, that CLG have not taken into consideration in either the HRA Subsidy (Amendment) Determination or in the Self-Financing Settlement, the

arrangement costs associated with the raising of the finance, leaving some authorities with comparatively greater financial burden in 2011/12 than others.

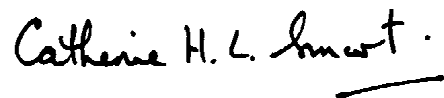
Item 8 Credit and Debit Determinations and Amendments

The authority would welcome the more detailed financial guidance anticipated in respect of the proposed changes to the valuation methodology and in the depreciation arrangements, both in terms of transitional use of the major repairs allowance as a proxy for depreciation and the longer-term approach to calculation and application of componentised depreciation.

Yours faithfully

A handwritten signature in black ink that reads "Liz Bisset". The signature is written in a cursive, slightly slanted style.

Liz Bisset
Director of Customer & Community Services

A handwritten signature in black ink that reads "Catherine H. L. Smart". The signature is written in a cursive style with a horizontal line underneath the name.

Councillor Catherine Smart
Executive Councillor for Housing