

PUBLIC SERVICES NEWS!

AWICS

Independence.....Integrity.....Value
Adrian Waite (Independent Consultancy
Services) Limited



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September 2006**

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'AWICS' provides a full range of ethical management consultancy and training services, principally to those who provide public services such as local authorities, schools, colleges, housing associations, health authorities, voluntary bodies and many more.

Challenges in creating Sustainable Housing Business Plans that fulfil the Efficiency Agenda

As part of the new financial framework for local authority housing, the government introduced Business Planning for Housing. The first "shadow" Business Plans were submitted to government offices in October 2000 and the first "live" business plans were submitted in 2001. The government has said that:

"Business Planning will be a key part of the new financial framework for local authorities... It will be an important tool for improving decision-making by authorities and ensuring that the resources devoted to local authority housing are used in the way in which they best preserve and enhance housing assets and ensure social housing provision which meets the needs of tenants."

However, housing revenue account business planning has moved forward since 2001, not least because of the introduction of rent restructuring and the associated changes to the housing subsidy system from 2002; the Gershon efficiency agenda that started in 2004; and the housing stock options appraisals that were completed in 2005.

Following the completion of housing stock options appraisals in 2005, authorities that have retained their housing stock fall into three groups:

- Those that have chosen stock retention and can demonstrate that they can achieve the decent homes standard
- Those that have chosen arms length management as the means of achieving the decent homes standard

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- Those that have retained their stock by default and may not be able to find a way of achieving the decent homes standard

Stock retention and arms length management authorities have revenue and capital funding. Revenue funding consists principally of rents that are effectively set by government as part of the rent restructuring policy and of housing subsidy. Housing Subsidy may be a positive or negative amount depending on the operation of the formula with most authorities losing resources through the subsidy system and a smaller number of authorities (principally in London) gaining resources. This system applies to stock retention authorities and to arms length management authorities. Capital funding consists of the Major Repairs Allowance that is designed to meet the cost of ongoing major repairs and Supported Capital Expenditure that is designed to assist in meeting the costs of the decent homes standard and will almost certainly come to an end in 2010. Arms length management organisation authorities also have arms length management organisation funding, originally through supplementary credit approvals and latterly through supported capital expenditure (revenue) that will also come to an end in 2010. Local authorities can also keep 25% of their capital receipts locally although these are not ring fenced to the housing revenue account.

The challenges faced by stock retention and arms length management organisation authorities therefore appear to be:

- Achieving the decent homes standard (for those that cannot do so with existing resources)
- Sustaining the decent homes standard given the way in which the housing revenue account subsidy system works
- Achieving the government's longer-term objectives of sustainable communities and decent neighbourhoods including a possible enhanced role in new affordable housing

To meet these challenges authorities have to address a number of linked issues:

- How to produce a housing revenue account business plan that meets the government's 'fit for purpose' test
- How to prepare the financial model, including what assumptions to make about future investment requirements, movements in prices, housing subsidy, stock levels and the fixed or variable nature of costs
- How to link the business plan to community planning, best value and housing strategy
- The development of contemporary business planning techniques
- The relationship between the business planning and stock options appraisal processes
- How to address the Gershon efficiency agenda
- How to prepare Annual Efficiency Statements
- How to address the Audit Commission's Value for Money 'Key Lines of Enquiry' and thus achieve a high rating in a best value inspection

There is also the potential for significant change for stock retention and arms length management authorities. This includes the possibility of high performing authorities leaving the housing subsidy system and/or assuming a role in building and/or managing new affordable housing. The Comprehensive Spending Review of 2007 is also likely to have an effect on housing budgets.

This makes the task of preparing sustainable housing business plans in the context of the efficiency agenda important for retention and arms length management authorities as well as for arms length management organisations themselves.

'AWICS' is holding a series of seminars on this subject during the autumn. Details are shown below.

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'AWICS' seminars on 'Sustainable Housing Business Plans and the Efficiency Agenda' still have places available

We are holding an autumn series of seminars on 'Sustainable Housing Business Plans and the Efficiency Agenda'. These will be held in venues around the country and will consider how retention and arms length management organisation authorities can prepare sustainable housing revenue account business plans that meet the government's 'fit for purpose' criteria in the context of the 'efficiency agenda'.

The sessions are designed for people with some knowledge of housing revenue account business plans and budgets and who want to improve the way they are tackling value for money issues. They need not be experts. Those who would benefit from attendance would include staff of local authorities and arms length management organisations that have responsibilities for housing management, housing finance, business planning or procurement. It will be of interest to those who are preparing for inspection and are wishing to achieve a good score on the audit commission's test of value for money. It will be relevant for elected members, members of boards of arms length management organisations, tenant representatives and staff of regional government offices with an interest in these matters.

The seminars will include four sessions covering:

- Introduction – Housing Revenue Account Business Plans, the 'fit for purpose' test, the Housing Revenue Account Business Plan model, the role of business planning in stock options appraisal, business planning and how it relates to the housing strategy and the asset management plan, business planning in retention authorities and authorities with arms length management organisations. The Efficiency Agenda – The Gershon report.
- Case study. Derby City Homes is a three star arms length management organisation with a recent assessment from the audit commission that their strengths outweigh their weaknesses on value for money. What has been achieved? How has this been achieved? What is planned for the future?
- Housing Revenue Account Business Plans in practice – What assumptions could and should be made in preparing business plans? Projecting future resources including housing subsidy and capital resources. How to be proactive in preparing business plans. Annual Efficiency Statements. The 'Forward Look Annual Efficiency Statement. Key Lines of Enquiry. What are the Government and Audit Commission expecting from local authorities in housing business plans and on efficiency?
- Conclusions – more case studies and examples of good practice, what does the future hold for business planning and the efficiency agenda? How should tenants and other stakeholders be involved in business planning? Can local authorities learn anything from Housing Associations? The Comprehensive Spending Review of 2007, Opportunity for discussion.

The case study from Derby City Homes will be presented by a member of the senior management team of Derby City Homes. The other sessions will be presented by Adrian Waite. The course is accompanied by a very useful guide entitled: "Sustainable Housing Business Plans and the Efficiency Agenda"

Venues and Dates

- London: Kensington Close Hotel – 26th September or 1st November 2006
- Warrington: The Rhinewood Country House Hotel – 3rd October 2006
- Tamworth: Drayton Manor Park - 10th October 2006
- Wakefield: Cedar Court Hotel – 17th October 2006

Details of these seminars can be downloaded from our website at:
www.awics.co.uk/services/housingbusinessplancourse.asp.

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How should Councils address the National Procurement Strategy?

The government published its National Procurement Strategy in October 2003 but many authorities are finding that it is a long-term project to address this agenda. Birmingham City Council, for example, has just commissioned 'AWICS' to help to draft a procurement strategy for the housing department.

The National Procurement Strategy sets out how central and local government, working together with partners from the public, private and voluntary sectors, intend to set about improving local government procurement.

Local authorities spend over £40billion a year and the government believes that too many Councils are paying too much for the goods and services they buy because their procurement practices do not match up to the best of the public and private sectors.

In a joint statement, the Rt. Hon. John Prescott MP, the Deputy Prime Minister, and Sir Jeremy Beecham, Chairman of the Local Government Association, said:

"A tradition of individual purchasing decisions by over 400 separate Councils, often buying the same thing, means that Councils do not take advantage of their collective buying power to negotiate lower prices or work with suppliers to develop better products and services.

"The most innovative councils have already found ways to deliver significantly better services at lower costs. They have streamlined their procurement, worked in partnerships, redesigned the delivery of services, shared 'back office' systems and pooled their buying power. We want all councils to achieve these standards so that we see a step change in overall performance across the sector.

"We now have a route map of how to improve service delivery and value for money through better procurement. The next phase is to determine how far and how fast we can go in improving efficiency and delivering better value for money to our taxpayers."

The National Procurement Strategy covers:

- Why Procurement Matters
- Cultural Shift
- Providing Leadership and Building Capacity
- Partnering and Collaboration
- Doing Business Electronically
- Stimulating Markets and Achieving Community Benefits
- Next Steps

The government believes that Councils will gain the following from implementing the National Procurement Strategy:

- Establishment of partnerships to deliver improvement and renewal
- Build quality design into procurement of assets to improve the environment
- Make more creative use of buying power to stimulate innovation
- Make savings through efficient procurement
- Achieve economies and improve effectiveness to fulfil the Best Value obligations of Continuous Improvement
- Comply with European Union procurement regulations
- Implement good practice to reduce time and cost over runs, poor quality and contract failures
- Remove unnecessary 'red tape' to reduce time and costs.

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Fenland creates 'Roddons Housing Association'

The future of housing in Fenland has moved forward another step after tenants and council representatives agreed an identity for Roddons Housing Association – the name of the new organisation that will manage social housing in Fenland if approved by tenants in a vote later this year.

Tenants favoured 'Roddons Housing Association' as their preferred name, as its translation of 'wandering waterway' highlights the natural beauty and history of the area. A Roddon is the previous course of existing waterways.

Ron Butcher, Chair of the Shadow Board of Roddons Housing Association said:

"The name Roddons and the idea for the badge came from tenants themselves and we think it links the new organisation to the rich history in Fenland."

"The Shadow Board is extremely busy finalising the exact details of what improvements and new services tenants can expect from Roddons. This offer will be legally binding so that tenants can be sure that what is promised is delivered."

Fenland Council and tenants have concluded that being managed by a housing association that is not obliged to pass rent revenue to Government as the council is, would enable more improvements to be made to homes and would protect the interests of those who live and work there. A transfer would guarantee protection of rents, rights and staff jobs – including scheme managers and repairmen.

Additional benefits to the proposed transfer include: a better deal for older people and disabled people, a dedicated anti-social behaviour team, improved security and 500 new affordable homes built in the first five years with flexible purchase and rental options, improved grounds maintenance, a new welfare benefits advisor, new front garden or off street parking, 1,500 new kitchens, 200 new bathrooms and 700 replacement boilers,

Circle Anglia Housing Association have been selected as the company that would support the new association, which would be a not-for-profit organisation run by a voluntary board of fifteen people including five tenants. Roddons are the new Housing Association, and Circle Anglia will support them.

The Council, Roddons Housing Association and Circle Anglia are in the process of putting together an offer document, which will be issued to all tenants in the autumn. There will also be an offer DVD/video put together for all tenants. This will be a short video explaining what transfer is about, who Roddons Housing Association are and what tenants can expect if the majority of tenants vote yes.

It is important that tenants have all the information they need to make an informed choice when they vote later in the year. They will continue to receive newsletters looking at key issues and answering some of the most common questions about transfer. This includes a regular joint newsletter from the Tenants' Forum and 'AWICS' as independent tenant advisor.

The offer document will be produced by the Council and Roddons Housing Association and will look in detail at their policies and promises. It will be sent to all tenants in the autumn. The document contains everything that Roddons Housing Association will offer tenants if transfer takes place.

Everything that is promised in the offer document must be delivered once transfer takes place. Roddons Housing Association would have a legal obligation to keep its promises. Roddons Housing Association would be closely monitored by the Housing Corporation and various government bodies to ensure it carries out what is outline in the offer document.

As Independent Tenants' Advisor, 'AWICS' has ensured that tenants are at the heart of the Options Fenland process. This has included:

- Massive tenant survey in August 2004 asking tenants what they want
- The 'pool of opinion' in May 2005, asked tenants for their views on whether transfer was a good idea. 52% of those who responded favoured a stock transfer.
- Tenant Associations meet regularly and are frequently visited by the Independent Tenants' Advisor to pass on information about Options Fenland.
- The Transfer Options Development Group, which is managing the transfer process, is chaired by tenant Ron Butcher and includes 6 tenants (half of the group)
- The Shadow Board is chaired by tenant Ron Butcher and includes five tenant representatives
- The Partner Selection Panel that chose the preferred partner landlord, included three tenants as well as tenant observers
- An extensive telephone survey in October 2005 covered 10% of the tenants to ensure the final offer to tenants meets tenants expectations
- On April 12th/13th, all tenants were invited to Open Days where shortlisted Housing Associations were available to answer questions
- A telephone awareness survey was carried out in May 2006. 5% of tenants were contacted to check they had information about Options Fenland

Also from July through to the ballot, an information trailer will be touring the whole of Fenland. It will be packed with information about Options Fenland, as well as having people from Circle Anglia and the Options Fenland team on board to answer your questions.

As it nears ballot time, the role of 'AWICS' as the Independent Tenants' Advisor is increasingly important.

'AWICS' was appointed as Independent Tenants' Adviser by the Tenants' Forum. We are completely independent and are available to answer any questions tenants have about transfer. Adrian Waite has made visits to all the Tenant Associations and he and his team will be making further visits in the forthcoming months.

We produce a regular newsletter, jointly with the Tenants' Forum, looking at the key policies that tenants will be offered with transfer, and updating tenants on recent Options Fenland activity and how they can get involved. We also offer tenants a freephone helpline.

As Independent Tenant Adviser we are committed to empowering tenants to take decisions about the future of their homes. This means tenant representatives playing a full part in decision-making and all tenants being provided with sufficient accurate and independent information to be able to take their own decisions about housing options, especially when it comes to voting in the ballot on the stock transfer. We are also doing our best to ensure that after transfer, tenants will see improvements to their homes and neighbourhoods and will continue to take the important decisions about the management of their homes.

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Further information on our activities as Independent Tenants' Adviser at Fenland can be found on our website at: www.awics.co.uk/fenlandita.asp.

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Eden District Council thinks again about Penrith Museum

There is increasing evidence that pressure on local authority budgets is leading Councils to reduce their expenditure on discretionary services including museum and tourist information services. One example of this is Eden District Council. The Council currently operates a Museum and Tourist Information Centre in a seventeenth century building in Penrith Town Centre known as the Robinson's Building. However, they have recently consulted on a proposal to relocate this service to 'Rheged' that is an out-of-town tourist and retail centre near junction 40 of the M6. The stated reason for the proposal was to reduce expenditure. The proposal raised issues that fall under three broad headings:

- Strategic Objectives
- Comprehensive approach
- Financial Implications

Strategic Objectives

The Museums and Tourist Information Services are provided under discretionary powers. It is therefore a matter for the Council to determine whether they should provide these services, and if so, at what level and in what way. A good starting point could be to identify whether and how the provision of a Museums Service and Tourist Information Service support the Council's strategic objectives. Having done this, it should be possible to assess the extent to which the location of the Museum and Tourist Information Service at the Robinsons' building meets those objectives and whether relocation to 'Rheged' or elsewhere would enable the Council to meet its objectives more comprehensively. As part of this a more far-reaching review of Museums and Tourist Information Services in Eden may be appropriate. While Penrith Museum is the only one provided by the Council there are other 'museums' in the district operated by other bodies while there are aspirations to open museums in other towns in the district. The Council also provides Tourist Information Centres in other towns.

The Council's Community Strategy makes no specific mention of either the Museums Service or the Tourist Information Service. However, it does say that one of the Council's aims is 'to promote the heritage and unique qualities of the area locally, nationally and internationally'. It goes on to say:

"There are many positive aspects to the... Eden district area such as the landscape, history and culture... Culture and leisure have a huge role to play in improving people's health and well-being and also increasing the area's attractiveness to visitors. There are proven links to social inclusion, youth engagement and appreciation of diversity. Tourism related economic activity can also be increased through the development of attractive, good quality cultural and leisure facilities."

A report to the Council's Community and Economy Committee on 1st June 2006 identified a range of objectives that are currently met by the provision of Tourist Information Centres and the Museum. These include:

- Provide and maintain public buildings, spaces and cemeteries
- Promote the heritage and history of Eden
- Provide information to residents and visitors
- Improve access to council information and services
- Provide and commission high quality and cost effective services
- Promote the vitality and viability of town centres and villages

It could be argued that a good Museums Service and a good Tourist Information Service are needed to support those objectives. However, it is not clear whether the Council see the Museum as primarily a cultural resource for the benefit of Eden residents; an educational resource for schools, students and researchers; or part of the 'tourist offer' to encourage visitors to Eden.

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Having answered those questions the relative importance of the Collection displays, development and care; Temporary Exhibition Programme; Enquiry and identification services; education and outreach; computerisation of records and networking and liaison could be considered.

Penrith Museum has a collection of some 10,000 items gathered over a period of 175 years and that some are rare and valuable and all have historic interest. It is an important public collection that should remain in public ownership and should be accessible to the public. Some items in the collection entered through financial or other arrangements that would make their transfer out of Council ownership problematical. It could be considered that an important measure of the quality of a Museum is the extent to which it displays and interprets actual artefacts. The Council has stated that:

"It is reasonable to assume that, if a transfer was to take place, the future arrangement would offer improvement in respect of the display of the Council's collection... This would also be part of the detailed discussions with Rheged... Such a future transfer would only take place if the detailed proposals achieved the Council's objectives."

It is understood that Westmorland Limited (the owners of Rheged) may be interested in the proposal because it would like to transfer the Roman exhibits in Penrith Museum to Rheged to help their case for becoming one of the three major Roman Wall interpretative centres to be financed by the Northeast Development Agency. If this is the case it could be seen as a strong argument for the relocation of the Museum at Rheged. However, it could be argued that the Council should ensure that any transfer also meets the other objectives that have been identified for the Museums Service.

Comprehensive Approach

The Robinson's Building is a Grade 2 listed seventeenth century building in a prominent position in Penrith. It is therefore important that, if it ceases to be used as a Museum, another appropriate purpose is found for the building. It is understood that at present no decisions have been taken in respect of the future use of the building, that its value is not known and that the cost to the Council of leaving the building unused has not been calculated. Council officers have stated that 'there would be minimal savings in the building's costs if it was simply to be left unused' and 'that having an unused building is unlikely to be attractive in either efficiency or economic development terms'. It can also be argued that a continued appropriate use for the Robinson's Building is important to the regeneration of the north of Penrith Town Centre. The Cumberland & Westmorland Herald (27th May 2006) stated that:

"The Council says that space is severely restricted at the Museum's current home, but there is an ideal opportunity for expansion in that the adjoining building, formerly occupied by a charity shop, is up for sale. The possibility of acquiring grants or lottery money for its purchase should be explored at the earliest opportunity."

This is, perhaps, another option that should be considered by the Council.

The development of a specific proposal for the Museum and Tourist Information Centre should therefore include identifying a specific proposal for the future use of the Robinson's building. It is possible that this would involve the Council in additional costs.

There are a number of private and voluntary organisations in the Eden District with an interest in history or tourism. These include businesses that are based on 'selling' the history of the district to tourists and local clubs and societies with an interest in the district's history. There would appear to be considerable potential for the Council to develop its Museums and Tourist Information Services in partnership with these organisations.

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Financial Implications

The government is currently pursuing an 'efficiency agenda' and it has been suggested that Councils should be looking at making 2.5% efficiency gains each year. However, the government's agenda is about 'best value' rather than about simply saving money and a 2.5% improvement in services at the same cost is seen as just as desirable as making a 2.5% saving. It would therefore be consistent with the government's 'best value' approach for the Council's focus to be on achieving its objectives in a cost-effective manner rather than just making savings; and to seek to maintain or even increase expenditure in areas that are considered to be of strategic importance. It could therefore be seen as a matter for concern that the report to the Community and Economy Committee of 1st June 2006 stated that:

"In respect of the options it is noted that cost is increasingly a driving factor and any alternative will require to be satisfactory in respect of the costs to the Council."

It should be noted that expenditure on the Museums and Tourist Information Services represents a small proportion of the Council's overall expenditure. It is understood that the potential savings of £30,000 for the Tourist Information Centre and £20,000 for the Museum are essentially the primary building related costs that could be saved if the services could be delivered without the need for the Robinson's School premises. It is understood that they are only guide figures at this stage.

However, in practice the savings may prove to be less than £50,000 for the following reasons:

- If no alternative use was found for the Robinson's Building there would little opportunity to make savings in building related costs.
- However, if an alternative use was found for the Robinson's Building this could involve the Council in one-off set-up costs and/or supporting running costs.
- It is understood that initial discussions with Rheged indicate that they could accommodate these services and achieve the savings required by the Council; detailed negotiations would follow, including the costing arrangements. Rheged is owned by Westmorland Limited which is a commercial organisation and they have stated that 'a one-off cost would arise as a result of relocating the Penrith Museum'. It is therefore likely that the Council would have to make a contribution toward the costs of a Museum or Tourist Information Centre at Rheged.
- It is likely that there would be one-off costs of relocation. It is understood that the issues of detailed costings would be part of any further negotiations.

It has been reported that the Robinson's Building would need some improvements and repairs, particularly to accommodate the requirements of the Disability Discrimination Act. However, it is understood that at this stage some initial thought is ongoing at the Council but detailed proposals have to be prepared and fully costed. It is also possible to generate significant revenue in a Museum or Tourist Information Centre by offering appropriate goods for sale. The full potential for doing this in Penrith may not be realised at present.

Conclusions

Following consultation that revealed that the public favoured retaining the Museum and Tourist Information Centre in Penrith town centre, the Council agreed to retain the Museum and Tourist Information Services at the Robinson's Building, but it is understood that the Council is still seeking opportunities to reduce costs. This is just one example of a Council looking to realise savings in the Museums service. Museums professionals and members of the public who are interested in history are becoming increasingly concerned.

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Housing Association Finance

One thing that distinguishes Housing Associations from local authorities is that they have access to more finance. Their main source of revenue funding is rent. Unlike most local authorities, they keep all the rent income and do not have to pass any of it on to government through 'negative subsidy'. Housing Associations can also borrow from financial institutions with none of the restrictions faced by local authorities. This is because Housing Associations are considered to be private organisations for purposes of calculating the Public Sector Borrowing requirement whereas borrowing by local authorities is considered to be public borrowing and is therefore closely controlled. Housing Associations also receive funding from Regional Housing Boards, principally to finance investment in new affordable homes either for rent or in shared ownership schemes. Local authorities can also provide financial support for investment by Housing Associations in affordable housing through Social Housing Grant.

Recent governments of both political parties have encouraged the growth of Housing Associations. This has been because of a wish to diversify the ownership of social housing so that local authorities are not the only social landlords; and a wish to see investment in social housing that could be considered to be outside the public sector borrowing requirement. This has led to government focusing its financial support for new affordable housing on the Housing Association sector and facilitating the transfer of social housing from local authorities to Housing Associations. In 2004, Housing Associations received £29billion in capital grants. This is the equivalent of almost half their value in capital grant.

As a result of government policy and the financial arrangements, the recent growth of Housing Associations has been significant. The capital values of Housing Associations increased by over a third between 1999 and 2004. In 2004 Housing Associations held reserves of £11billion. During 2003/04 Housing Associations in total recorded a pre-tax surplus of £276million. Much of these accumulated surpluses have not been allocated by Housing Associations to specific schemes. By 2006 they had non-earmarked surpluses worth more than the entire £4billion national affordable housing programme. These have been mainly accumulated by Housing Associations that are not involved in development as developing housing associations tend to commit their resources in the highly competitive bidding process for social housing grant. The financial strength of Housing Associations and the financial support that they enjoy from government makes the financial sector keen to lend to them. Housing Associations borrowed £25billion from the financial sector in 2004.

The 'Inside Housing' magazine reported on 11th August 2006 that Housing Associations have now generated such surpluses that the Treasury has expressed concern. They reported that the Department for Communities & Local Government is carrying out a review of regulation of Housing Associations and as part of this is understood to be considering examining whether Housing Associations should be obliged to make better use of their assets and reserves in return for lighter regulation. The Housing Corporation has identified this as an important issue for the regulator, and Jon Rouse, the Chief Executive, was quoted by 'Inside Housing' saying:

"There is always going to be a tension for any regulator between regulating to ensure financial viability but looking at the wider public interest... (at how assets are being used)... The Corporation's view is that there are a significant number of associations who could be stretching harder than they are without doing anything to jeopardise their financial viability."

'AWICS' has developed a training course 'All You Want to Know about Housing Association Finance' that is suitable for Housing Association staff, tenants and board members who want an introduction and overview of housing association finance, as well as staff, tenants and councillors in authorities that are planning a housing stock transfer. This course is currently available as an in-house course and we are planning to hold a series of regional seminars in the Spring of 2007. For more information contact us at the address below.

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Local Government Finance

Local Government finance is generally considered to be complex with income derived from Council Tax, National Business Rates and Government Grants. The distribution of government grants is through a complex and controversial formula with much funding being 'ring fenced' for particular purposes. Capital expenditure and financing can involve complex financial deals and then there are complex technical counts such as the Housing Revenue Account.

When Nick Raynsford MP was Minister of State for Local Government his balance of funding review appeared to offer local authorities a new financial framework based on more freedom to raise local taxes and income to reflect local circumstances, and a reform of central funding of local government to address the problem of 'gearing'. 'Gearing' is the phenomenon where, because central government funds the majority of local government expenditure, a small proportionate increase in total expenditure can lead to a large proportionate increase in Council Tax.

However, the government shied away from this approach and instead set up a review of local government finance under Sir Michael Lyons and then published a White Paper on Local Government. Local Authorities are benefiting from Local Area Agreements, Local Strategic Partnerships, powers of economic and social well-being and the increased flexibility of the prudential borrowing system. Meanwhile, campaigners against the Council Tax have become increasingly strident.

The preliminary conclusions of the Lyons review have been published. The review questioned whether local government was too regulated with targets and inspections. Welcoming the interim report, Robert Whiteman, the Chief Executive of Barking & Dagenham Borough Council, said:

"With thorough analysis and compelling argument, these initial findings have raised the level of understanding and contributed towards a debate that local government hopes will gain momentum."

Recent governments have based their financial policies for local government on reducing central funding and increasing the proportion of local government expenditure that is funded by Council Tax. However, Council Tax is seen as too narrow a base for funding more than a small proportion of local authority activities. The revaluation of properties for Council Tax is overdue and promises a redistribution of the Council Tax burden that will be politically problematical. The distribution of government grant to local authorities is also problematical, with some London Borough Councils proposing that separate 'pots' distributed according to different formulae should be introduced for London and the rest of England.

It is possible that these stresses within the system could only be resolved through radical alternatives such as introducing a local income tax, returning business rates to local authorities (and allowing authorities to increase them) or removing responsibility from local government for a significant area of expenditure, for example teachers' salaries.

'AWICS' has developed a training course 'All You Want to Know about Local Government Finance' that is suitable for Local Authority staff or councillors who want an introduction and overview of local authority finance. This course is currently available as an in-house course and we are planning to hold a series of regional seminars in the Spring of 2007. For more information contact us at the address below.

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The Capital Receipts Pooling Allowance – A view from the Ministry

Further to the article in the June edition of the 'Public Services News' on the 'Capital Receipts Pooling Allowance', Ross Buchanan of the Department for Communities and Local Government has written in to clarify the position on the extinguishment of capital receipts. His letter is reproduced below:

Many thanks for sending us your latest edition of Public Services News.

I should be grateful if I could comment on one what you say in the final paragraph of your article, "The Capital Receipts Pooling Allowance and how it works". It is not entirely correct to say that the capital allowance cannot extinguish, for the purposes of pooling, any receipts arising from the "sale of dwellings". Regulations 14(2), 14(2A) and 14(2B) of the Capital Finance Regulations (SI 2003/3146 as amended) prevent the capital allowance from extinguishing receipts derived from Right to Buy sales, sales of dwellings with a "relevant consent" (defined in regulation 14(3)), and Social Homebuy disposals. However, receipts arising from any other type of disposal of dwellings can be extinguished by capital allowance. This may include, for example, the sale of derelict dwellings to a developer.

Please note that the DCLG is not in a position to give formal legal advice and local authorities should seek their own legal advice where appropriate. It is for each authority to determine the legal status of each transaction, subject to the scrutiny of its auditor.

*Ross Buchanan, HRA Subsidy and Debt Charges,
Department for Communities and Local Government*

Full funding in place for the Buxton Crescent and Thermal Spa Project

'AWICS' client, High Peak Borough Council has announced the final piece of funding for the Buxton Crescent and Thermal Spa Project is in place. The East Midlands Development Agency will be awarding £5million to the project, £2million of which is through the Derby and Derbyshire Economic Partnership. The £32million Buxton Crescent and Thermal Spa Project will provide a 79 bedroom spa hotel, a state of the art natural thermal water spa centred on the natural baths, eight specialist retail units, refurbishment of the Pump Room as a tea room giving free access for the public to "take the waters"; and a brand new visitor interpretation centre with integrated tourist information facilities for visitors to the Peak District.

Adrian Waite

Services on offer!

'AWICS' also offers a wide range of management consultancy and training courses in management and financial topics. These include: Business and Best Value Reviews, Advice on Procurement, Housing Finance, Housing Stock Options Appraisals, Independent Tenants' Advice, Housing Association finance, Public Authority accounting, Advice to voluntary bodies, Performance Management, Lecturing and Training. For further information, please contact Adrian Waite on: Adrian.Waite@awics.co.uk or 017683-52347 or 54005.

Note: Any views that are expressed in this newsletter are those of the author of the article and do not necessarily reflect the views of 'AWICS' or of Adrian Waite.

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