

PUBLIC SERVICES NEWS!

AWICS

Independence.....Integrity.....Value

Adrian Waite (Independent Consultancy
Services) Limited



Fifth Edition

**January and
February 2004**

In this Edition we focus on Finance

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‘Public Services News’!
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Public Service Delivery – Getting Better or Worse

On 17th January 2004 the Prime Minister's Delivery Unit reported patchy progress on key public services reforms.

The National Health Service is a success area with:

- Reduced waiting times
- Modern facilities opened
- Improved patient services

However, doubts are expressed that the target of reducing waiting times to six months in 2005 will be achieved.

'Intractable problems' are found in transport, originating in under-investment, affecting roads, railways and public transport.

Recent progress made in schools is said to be slipping away:

- Primary schools have missed literacy and numeracy targets for two years
- Proposed new targets have been postponed to 2006
- Poor results in English and Mathematics for fourteen year olds are expected in May 2004
- High levels of truancy and crime

While domestic burglary, car crime and street crime are falling; increasing numbers of people believe that crime is rising. There are also worries about anti-social behaviour.

Is it possible to avoid pooling of capital receipts?

One implication of the government's decision to replace the setting aside of a proportion of capital receipts to repay debt with a system of capital receipts pooling is that debt free local authorities will be brought within the system. At present a debt-free authority can spend 100% of capital receipts. In future they will have to pay a proportion into the national pool. Following representations by debt-free authorities the government has introduced transitional arrangements during the three years 2004/2005 to 2006/2007.

The usual definition of a debt-free authority is one that had no debt on 1st April during the preceding year. However, the transitional arrangements will apply to authorities that are debt-free on 31st March 2004. This appears to mean that an authority with debt on 1st April 2003 could repay its debt during the current year, become debt-free by 31st March 2004 and therefore be able to benefit from the transitional protection available to debt-free authorities. Some scope for a windfall for some authorities?

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Balance of Funding Review

In April 2003 the government announced a review of the balance of funding of local authorities. The review is intended to examine all aspects of the way that local government is funded in the light of public dis-satisfaction with the council tax. Nick Raynsford MP, Minister of State, chairs it, and suggested to the Labour conference in September 2003 that it was likely to conclude with recommendations for incremental change. This is despite the fact that most local authorities that have made representations have pointed to deep-seated problems and advocated radical solutions. These include the introduction of a local income tax and the return of business rates to local control.

In December 2003 the audit commission reported on the reasons for high increases in council tax in 2003/2004. It identified 'fundamental flaws' and a lack of accountability in the local government finance system. In particular the commission criticised a 'lack of transparency' in the calculation of revenue support grant; the absence of a relationship between decisions to spend and increases in council tax; and the complexity of the system that deters public participation.

The audit commission found 'a clear association' between council tax levels and levels of revenue support grant, but none relating council tax increases to political control or grades under the comprehensive performance assessment. Variations in council tax are caused by 'a range of contradictory factors, some of which are the responsibility of central government and some of which are the responsibility of local government.'

The audit commission reported on the 2003/2004 council tax increases. It found that there was a significant difference between the 3.7% average increase in council tax forecast by the government and the 12.9% increase that actually occurred. They attributed this to:

- Increased national insurance
- Increased superannuation contributions
- Passporting of funds to schools
- Increased requirements for social services
- Movement of resources from the south to the north following the introduction of Formula Funding Shares
- The 'gearing effect'

The audit commission concluded that as local authorities are obliged to spend to meet national policy priorities such as increased education funding, the 9% increase in local spending seen in 2003/2004 was 'justifiable but not in all cases unavoidable.' However, there is 'insufficient countervailing pressure' to minimise increases in council tax following the ending of 'capping'.

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So – does all this suggest that the balance of funding review will result in radical changes to local government finance?

On the one hand, the answer should be 'Yes'. There appears to be unanimous agreement that the current arrangements are unsatisfactory with central government, local government, the audit commission, all political parties, public opinion polls and pensioners demonstrating in the streets all expressing dissatisfaction and frustration with the current arrangements.

The central problem appears to be the Council Tax. It raises only a quarter of the money required for local authority spending, yet in the process achieves a very high profile in the minds of council tax payers, many of whom regard it as unfair. Yet to solve one problem would be to exacerbate the other. Quadruple Council Tax so that it could fund all local government spending and remove the 'gearing effect' whereby a 10% increase in council tax is needed to increase a local authority's expenditure by 2.5%; and create a public outcry at the size of the bills that would result! Alternatively, abolish the council tax to leave local government totally funded by the centre!

The fact that council tax raises a significant amount of revenue at minimal cost means that any government would be reluctant to abandon it, yet its high profile means that large increases cannot be countenanced politically. As a result it is likely that council tax will be retained albeit in a modified form to make it more acceptable to its critics. More bands at the higher end could achieve this. The government will also have to address the implications of revaluation of properties that will see a significant redistribution of the council tax burden.

Business Rates are the next issue. Since these were nationalised the share of local government expenditure that they meet has declined from 24% to 18%. A return of business rates to local government combined with a significant increase in rates would increase local autonomy and make local authorities less dependent on central government funding. However, businesses would oppose this while the government appears to be of the view that allowing different authorities to set rates at different levels would not be appropriate.

Then there are the more radical alternatives – local income tax, local sales tax and so on. These could make local government self-financing but would the Treasury find it acceptable to relinquish their monopoly of control over these sources of revenue? Alternatively, the Treasury could assume responsibility for funding some services directly – Education, for example, leaving local government with a restricted range of services to fund from existing resources.

So – there may be nothing more than minor changes to the way in which local government is funded.

Adrian Waite

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Local Government Finance Settlement 2004/2005

In December 2003 the pre-budget report earmarked a £406million increase in central government support for local government budgets. Of this, £340million will be allocated to England in addition to the £420million that was announced in November 2003. According to the Chancellor this brings the total available to English councils to £3.6billion more than in 2003/2004 which provides English authorities with most of the £800million that they had requested and should allow them to levy increases in council tax of under 10%.

The revenue support grant settlement for 2004/2005 shows increases for English, Scottish and Welsh authorities of 4.7%, 4.8% and 5.0% respectively. This compares with an increase for England of 5.9% in 2003/2004. However, district councils, that do not provide education services have received the lowest increases, many as low as 2.2%.

Nick Raynsford, Minister for Local Government, referring to the £120million increase in transitional funding for education, said:

"We have considered the point put to us by local government that, while they share our ambitions for schools, it might be difficult to fund these fully because of spending pressures elsewhere.

"This settlement will enable councils to deliver improved services at reasonable council tax levels."

The proportion of funding that is ring fenced will be reduced from 13.3% in 2003/2004 to 11.1% in 2004/2005 and below 10% in 2005/2006. School budgets should be protected and £300million additional funding made available to childrens', environmental, protective and cultural services.

However, the Chartered Institute of Public Finance and Accountancy has warned that many councils will be unable to balance budgets without increasing council tax. They calculate that for increases in council tax to be below 10%, increases in expenditure will need to be limited to 5.7%, much less than the forecast double-figure increase.

It is expected that most councils will opt to reduce services rather than to make significant increases in council tax. However, as grant is 'passported' to schools this means that any savings will be made in other service areas.

Nick Raynsford, Minister of State for Local Government, told the Local Government Association's finance conference that it was essential for local authorities to focus on greater value for money, delivering quality public services without raising council tax to unreasonable levels, and that re-introducing capping was a realistic possibility.

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"We must all be clear that year on year increases in council tax at the scale (seen in 2003) are not acceptable to voters or to the government.

"We would prefer councils to be answerable to the electorate, but cannot stand aside if there is a continuation of unreasonable increases."

Some authorities have taken the advice of the Deputy Prime Minister and have consulted council tax payers. A consultation exercise on how people in Cumbria would like their council tax to be spent has revealed a preference for focusing on vulnerable people.

Consultees were asked to make "trade offs" between different services in order to spend their limited budget, reflecting the way in which the council itself has to work. The themes, which have emerged, are that services which provide support to vulnerable people (for example, disabled adults, the elderly, special needs children and children at risk) are considered of greater importance than other types. People feel more should be spent on these services even if it has a negative impact on funding for others.

It also emerged that people are prepared to pay slightly more council tax so long as the services they consider a priority see the benefit. Despite calls for council tax cuts, there is very little support for making the reductions in service provision that would be necessary to achieve them. Fewer than 10% of respondents chose lower services levels for lower council tax.

It is expected that the County Council will increase its council tax by 4.3%, but that a 27% increase in the police precept will mean that increases in council tax faced by council tax payers in the county will approach 10%.

The government's efficiency review is understood to have been set a target of reducing local government spending by 7% by 2007/2008. It is understood to be believed that the greatest scope for savings is in:

- Procurement (shared services and collective procurement)
- Central Support services
- Frontline transactions

The swifter transfer of best practice and increased use of information and communications technology are seen as a way of achieving the desired savings.

Adrian Waite

There are free briefing papers on the Balance of Funding Review and the Local Government Finance Settlement 2004/2005 on the 'AWICS' website at: www.awics.co.uk/page26.html

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Local Government and the Euro

In June 2003 the Government published guidance for local authorities on preparing for the Euro. They believe that without adequate groundwork the UK will not have a genuine option to join the euro if and when the matter is put before the electorate in a referendum. Should there be a "yes" vote the euro would be introduced within thirty months.

The Government advises local authorities to see the euro as a strategic and cross-cutting issue and to start preparations as soon as possible. Senior managers should take the lead in considering cost reductions and rule analysis.

The first step should be to identify all potentially affected areas and introduce a management structure for euro preparations. The options are:-

- * central co-ordination board chaired by elected member or senior manager
- * central project team
- * co-ordinating board with other authorities or partners

These structures would develop a changeover plan enabling identification of corporate and business requirements and consideration of technical issues.

The main business issues are:-

- * Managing the phased introduction of euro-denominated services such as revenues and payroll
- * Cash changeover
- * Communications and consumer views
- * Training
- * Procurement
- * Conversion of stored data to euro's

During the transition demand for euro transactions and euro bank accounts would increase. The cost changeover would principally affect retail services such as vending machines, coin vended services such as parking meters and services that need coins such as some library services and school dinners.

IT planning will be central, especially in areas with potentially long lead-in times such as housing benefit. Key element of a euro IT strategy would be:

- * Identifying systems that include monetary fields
- * Assessing impact on monetary business processes
- * Excluding systems with no monetary functions

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Gordon Brown the Chancellor of the Exchequer, has made it clear that local authorities have an important public information role. This would reflect practice in countries that have already joined the euro. Dublin City Council for example, handled consumer awareness - posted notices, wrote to tenants and ran newsletters and a website. However, there is some evidence that authorities may have to address euro issues in advance of a referendum. An increasing number of businesses are prepared to trade in the euro and increasing numbers of people who visit Europe for business or pleasure are gaining familiarity with the euro. Whether this will lead to local authorities having to accept the euro - for example in museums - remains to be seen!

A copy of the guidance is available at: www.local-region.odpm.gov.uk/legislation/europrep/pdt/euro-guid.pdf.

Adrian Waite

Adrian is a member of the European Panel of the Chartered Institute of Public Finance and Accountancy

Cuts in the Archives Services

When a council has to make budget reductions, the largest proportionate cuts are often in smaller services that have a low public profile. One example appears to be the archives service at Westminster City Council.

Westminster City Council intends to cut by a minimum of £90,000 its funding of its archives and local studies service. The cut is likely to mean redundancies for at least two members of staff, a substantial reduction in opening hours and jeopardise many of the services it provides to local residents and schools.

The Archives Centre was built in 1994 to house the unique and extensive collections of archives and local studies material in the care of the City Council - With the centres earliest document dating from 1256.

Westminster UNISON has criticised the damage of such a valuable community resource, a resource which so successfully documents and celebrates the extraordinary heritage of Westminster.

The council's maintains that Westminster City Archives:

- Is a relatively high cost service compared with London local authority archives
- Has more staff than any other London local authority archive
- Has the highest total expenditure amongst London local authority archives
- Has the highest expenditure per 1,000 population
- Has the highest activity levels, readers and longest opening hours.

Linda Mackay

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Generating Revenue through Entrepreneurship OR Creating the right entrepreneurial attitude in order to generate revenue.

Local Councils are continually under severe pressure from everywhere and everyone to lower costs and maintain public charges at realistic levels- not just for mandatory services such as Education, Social Services, Housing and Highways, but also for the discretionary recreational and leisure activities they provide.

Undoubtedly the situation is becoming exponentially more demanding due to several factors; for example, the broader scope of services that need to be provided and the rising costs.

One way to maintain public expenditure at reasonably competitive levels is by income generation from existing public paying leisure and recreational services, but many obstacles can stand in the way.

One such obstacle that can stand in the way of progress is the lack of entrepreneurial spirit amongst some Council employees; those that are perhaps 'set in their ways'. However, often in some individuals entrepreneurship has been lying dormant due to people's past roles and responsibilities. Perhaps they have not been encouraged to utilise such skills because their position has not demanded it- but times have changed. In other cases employees may have the wrong, negative attitude to 'change'; for example, "It has always been done that way" or "It's not my job"

What we need to do is release those with that latent talent, and encourage them to use their initiative to 'add value' and generate additional income. To this end we have developed a workshop that does just that- encourages and motivates people to think both laterally and entrepreneurially. As a result of the workshop delegates are able to return to their working environment with a new vigour and attitude to help their business flourish by developing new initiatives. People are able to identify how present income generation services can be expanded or enhanced to further increase revenue for your Council.

The workshop includes:-

- Generation of a positive attitude,
- Lateral thinking for profit,
- How to 'add value',
- Understanding competitive influences,
- Infinite Relationship Marketing,
- Case studies of entrepreneurship in order to learn by example,
- Teamwork and motivational techniques,
- Tools, models and processes to help develop action plans for income generation initiatives.

Peter Sutcliffe

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Training Courses on Offer

The following training courses are currently running:

Parish Council Book Keeping and Preparation for Audit

Bassenthwaite (4th February 2004), Cleator Moor (10th February 2004) and Kendal (19th February 2004). Presented by Adrian Waite.

These courses are being run in partnership with the Cumbria Association of Local Councils. It is then planned to offer the course to parish councils in other parts of the country. For more information contact Adrian Waite on [Adrian.waite @awics.co.uk](mailto:Adrian.waite@awics.co.uk). or 017683-52347.

Housing Finance Explained

York (24th February 2004), Manchester (2nd March 2004), London (4th March 2004), Birmingham (10th March 2004), London (24th March 2004).

One again Adrian Waite is running this successful series in partnership with Housing Finance Training Associates. The course is designed to give a good understanding of housing finance to housing managers, Members, tenants and accountants who are new to the Housing Revenue Account.

To download more information click on the link below:

<http://www.hqnetwork.org.uk/documents/HFX%20Brochure.pdf>

Seeking Sustainable Funding

Adrian Waite will speak on 'Managing Core Costs' at the conference on 'Seeking Sustainable Funding' organised by the National Council of Voluntary Organisations on 18th March 2004 in London.

For more information or to book online visit:

<http://www.ncvo-vol.org.uk/asp/search/ncvo/main.aspx?siteID=1&siteID=5&documentID=1445&viewType=6>

Other Courses Available

'AWICS' also offers a wide range of training courses in management and financial topics. These include: Local Government Finance, Accounting and Budgeting, Housing Finance, Housing Stock Options, Arms Length Management Organisations and Personal Development. For further information, please contact Adrian Waite on Adrian.waite@awics.co.uk or 017683-52347.

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Arms Length Management Organisations

Camden tenants have rejected the proposed Arms Length Management Organisation, fifteen other authorities have submitted bids to establish Arms Length Management Organisations and London Arms Length Management Organisations are complaining that their strategies have been undermined by the revised management and maintenance allowances. Read the comprehensive briefing paper on the 'AWICS' website at:

www.awics.co.uk/page24.html

Points of View:

This e-mail was received from a reader in Sunderland:

Dear Adrian,

Thanks for this. I have responsibility for Supporting People here and have an interest in stock options so it is really useful.

Barry
Sunderland

This letter appeared in the 'Cumberland & Westmorland News':

Sir,

I am sorry to add to the chorus of disapproval of our fine town but I was horrified to find that the library was shut when I tried to visit on Monday, 29th December. The library shut – in the school holidays – for five days?

What a sad commentary on modern life. If they are short staffed next Christmas I will work there for free. The library is an asset to the town, which needs to be available especially at holiday time.

Yours etc,
A.C.Porter, Little Salkeld, Cumbria.

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Feedback

We would be grateful if you could let us have some feedback on 'Public Services News' and some other services that we provide by completing this questionnaire.

Public Services News

Which topics in the Newsletter are of most interest to you?

Are there any subjects that you would you like to see covered in future issues?

Do you have any further comments on the Newsletter?

Web Site

Have you visited our web site? Yes No

If you have visited our website what features did you find useful:

Information about the company _____

Information about products _____

Briefing Papers _____

If you have accessed any of the briefing papers, which did you, find most useful?

Are there any other subjects on which you would find a briefing paper useful?

Advertisements

Have you seen an 'AWICS' advertisement? If so, where?

Do you have any other comments?

Signed (optional) _____ Organisation _____ Date _____

Please return the questionnaire either via email (Adrian.waite@awics.co.uk) or by post to the address below.

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