

PUBLIC SERVICES NEWS!

AWICS

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



March 2006

Contents:

- All You Want To Know About Local Authority Housing Finance
- AWICS releases publication on 'Local Authority Housing Finance'
- Current state of Council Housing Finance
- £538 million future funding for arms length management organisations
- Fenland District Council progresses towards a stock transfer
- Pre-Budget Report and Local Government Financial Settlement
- Redcar and Cleveland will not let budget pressures stop their progress
- Planning Gain Supplements
- Proposed changes to Delivery of Local Authority Freedoms and Flexibility
- SORP affecting Group Accounts in Local Authorities

'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.

All You Want To Know About Local Authority Housing Finance

When I first started to work in local authorities in the 1980s there was a general view that housing finance was complicated, boring and best left to the accountants. Since then housing finance has certainly become even more complicated and possibly even more boring! However, there is a growing realisation that it should not just be left to the accountants.

How can a person be effective as a housing manager, councillor, member of an arms length management organisation board, or tenant representative if they do not have a good basic understanding of local authority housing finance?

For some years I have been providing courses on local authority housing finance that have been well received. For example, Alistair Courtney of the Housing Best Practice Unit recently said:

"I always remember the housing finance course I attended which you delivered - it was ace - really clear and helpful."

This year we have organised a series of seminars in different venues around the country during February and March 2006 that will let you find out all that you want to know about local authority housing finance. The first three of these have already been held and were an outstanding success.

Page 1

**Appleby Business Centre, Bridge Street, Appleby in Westmorland, Cumbria CA16 6QH
Telephone: 017683-52347 or 54005 Mobile: 07971-321863. Fax: 017683-54005.
E-Mail: Adrian.waite@awics.co.uk. Website: www.awics.co.uk.**

**Managing Director: Adrian Waite MA CPFA ACIH FIPSM.
Company Number: 3713554. VAT Registration Number: 721 9669 13**

Details follow below and a brochure and booking form can be downloaded from:
<http://www.awics.co.uk/services/housingfinancecourse.asp>

The remaining venues and dates are:

- **Tamworth:** Drayton Manor Park - 7th March 2006
- **London:** The NCVO Conference Suite – 14th March 2006

The course is accompanied by a very useful 100 page booklet entitled that is described in more detail below:

“All You Want To Know About Local Authority Housing Finance”

Do you think that a working knowledge of local authority housing finance would put you and your colleagues in a position of advantage? Whether you are in a Local Authority or a Government Office; whether you are a Housing Manager, Tenant Representative, Elected Member, or even a member of the Housing Finance Team, you could benefit from one of our courses at which you will learn ‘All You Want to Know about Local Authority Housing Finance’

Many people – officers, elected members and tenants have already benefited from this course.

How to reserve your place

- **By Phone:** Please telephone us on 017683-52347 or 54005

Or download your booking form from: <http://www.awics.co.uk/services/housingfinancecourse.asp>
And send it to us:

- **By Fax:** Fax us on 017683 54005
- **By post:** Complete our booking form and send it to:
AWICS Ltd, Appleby Business Centre, Appleby in Westmorland, Cumbria. CA16 6QH.
- **On line:** You can download our booking form from fill it in electronically and forward to:
Adrian.waite@awics.co.uk

Do not send any payment: We will confirm your booking and send an invoice.

Delegate fees:

The cost of this seminar is £200 plus VAT making a total of £235. The fee includes lunch* and booklet – ‘All you Want to Know about Local Authority Housing Finance’

What the Course covers:

Housing Revenue Accounting, Rent Restructuring, Service Charges, Housing Subsidy, Capital Programmes, Housing Investment Programmes, the Decent Homes Standard, Housing Subsidy and Housing Investment Programme settlement for 2006/2007, Housing Revenue Account Business Plans, Comprehensive Spending Review, Efficiency & Effectiveness, Strategic Housing responsibilities, Best Value, Private Sector Housing and Homelessness, Supporting People, Housing Benefit, Regeneration, Registered Social Landlords, Options Appraisals, Stock retention and sustainability, Arms Length Management, the Private Finance Initiative, Stock Transfer and many other aspects of local authority housing finance.

In-house Courses

This course is also available in-house. The in-house course follows the same format as the regional courses, but is tailored to local requirements. This is done by using local data; such as the accounts, capital programme and housing subsidy to illustrate the presentation; and by emphasising issues of local relevance. For more details on an in-house course, please contact Adrian Waite on Adrian.waite@awics.co.uk or at the address below.

Page 2

Appleby Business Centre, Bridge Street, Appleby in Westmorland, Cumbria CA16 6QH
Telephone: 017683-52347 or 54005 Mobile: 07971-321863. Fax: 017683-54005.
E-Mail: Adrian.waite@awics.co.uk. Website: www.awics.co.uk.

Managing Director: Adrian Waite MA CPFA ACIH FIPSM.
Company Number: 3713554. VAT Registration Number: 721 9669 13

AWICS releases publication on 'Local Authority Housing Finance'

AWICS has now released a new 100 page publication entitled 'All You Want To Know About Local Authority Housing Finance' which aims to give a useful introduction and act as a companion to the important area of local authority housing finance.

The publication has been produced for people who are not experts in housing finance, but who do need to understand the basics and need to achieve an overview of what is going on. It is suitable for housing managers, tenant representatives, councillors and finance staff who have no experience of the housing revenue account and others who realise that an understanding of housing finance can place them at an advantage!

The guide contains sections on:

- Housing Revenue Account and Housing General Fund
- Rent Restructuring and Service Charges
- Housing Subsidy and the Major Repairs Allowance
- Capital Programme
- Housing Investment Programme and the Decent Homes Standard
- Housing Revenue Account Business Plans
- Comprehensive Spending Reviews and Public Sector Efficiency
- Strategic Housing Responsibilities and Best Value
- Private Sector Housing and Homelessness Services
- Supporting People
- Housing Benefit
- Regeneration and Registered Social Landlords
- Options Appraisal and Stock Retention
- Arms Length Management Organisations
- Private Finance Initiative
- Large Scale Voluntary Transfer
- Glossary of Terms

The guide is available from AWICS and can be purchased for £25 plus £2.95 postage and packaging. For more information on the guide or further details on the methods of purchase please visit our website <http://www.awics.co.uk/publications.asp> or contact us via one of the means listed at the bottom of this page.

Adrian Waite

AWICS Receives positive feedback on its News Letter

We are pleased to know that newsletter readers find it to be both informative and useful. Some of the feedback we have received recently has included:

"Thanks, very useful" Collin, Waltham Forest

"Thank you for including me in this newsletter" Louise, Dover

It is hoped that more readers will send in feedback on the newsletter in a hope that it will lead to the continued improvement in the newsletter. If you have feedback you would like to share with us or ideas for improvements or articles you feel are suitable we would like to hear from you. Contact us on awics@awics.co.uk.

Adrian Waite

Page 3

**Appleby Business Centre, Bridge Street, Appleby in Westmorland, Cumbria CA16 6QH
Telephone: 017683-52347 or 54005 Mobile: 07971-321863. Fax: 017683-54005.
E-Mail: Adrian.waite@awics.co.uk. Website: www.awics.co.uk.**

**Managing Director: Adrian Waite MA CPFA ACIH FIPSM.
Company Number: 3713554. VAT Registration Number: 721 9669 13**

Current state of Council Housing Finance

It could be said that in 2005 Council Housing reached a crossroads. July 2005 was the deadline for completing housing stock options appraisals and for getting them signed off by government regional offices. Many authorities have opted to do stock transfers giving them the challenge of managing a large scale voluntary transfer successfully and the challenge of continuing to provide housing services as an enabling authority. Other authorities have opted for stock retention, but many realise that retention does not mean 'no change' and there are doubts about the long term sustainability of stock retention. Arms Length Management Organisations are established in many authorities and more will be established next year, yet the main function of arms length management – the achievement of the 'decent homes standard' – will be completed in 2010. This raises the question of how arms length management organisations will develop and what their future will be after 2010.

The housing stock options appraisal process that has been carried out under the Communities Plan has resulted in many authorities opting for either stock retention or arms length management. In both cases the local authority remains the landlord. As part of the housing stock options appraisal, Councils should already have identified strategies to achieve the decent homes standard by 2010. However, sustainability after 2010 depends on the proactive management of council housing. Councils that wish to move beyond sustainability will have to be even more innovative and this is most likely to be possible where there is an arms length management organisation.

Developing a sustainable financial strategy for revenue requires consideration being given to both income and expenditure. As rents and subsidy are controlled by government, Councils can only increase their income through improving control of voids and bad debts and developing other sources of income including service charges. On the expenditure side there is a need for authorities to be proactive, identifying the level of expenditure that is required and affordable and developing strategies to ensure that expenditure can be contained at that level.

This leaves councils with a great need to plan ahead if they are to ensure the long term sustainability of their plans and financial future. This will require councils to consider careful areas of expenditure along with sources of additional income to subsidise shortfalls. A critical time will be the years through to 2010 as investment will need to be made to housing stock to bring it up to the Decent Home Standard and in areas higher levels of aspiration.

Developing a sustainable financial strategy for capital will require consideration being given to both expenditure and financing. To establish what expenditure is required an authority needs not only a robust stock condition survey but also an effective consultation with tenants about their aspirations that should inform a local investment standard. In some cases authorities need to consider demolitions or partial stock transfers to avoid the need for unaffordable expenditure on housing where the costs of achieving and sustaining the decent homes standard.

There are also issues that are specific to arms length management organisations that are seeking additional freedoms, flexibilities and financing. A review of arms length management organisations is currently underway that may result in Councils with arms length management organisations moving outside the housing subsidy system through a process of debt restructuring. Arms length management organisations are also likely to be offered a new role in the provision of new affordable housing. These matters raise the question of how the relationship between arms length management organisations and their parent authorities will develop, with one possibility being that arms length management organisations will achieve more independence and operate in a similar manner to housing associations.

A briefing paper that aims to highlight key issues concerning the future of council housing stock entitled 'Financing Council Housing' that is available from our website. It can be downloaded from <http://www.awics.co.uk/briefing/housing.asp>.

Adrian Waite

Page 4

**Appleby Business Centre, Bridge Street, Appleby in Westmorland, Cumbria CA16 6QH
Telephone: 017683-52347 or 54005 Mobile: 07971-321863. Fax: 017683-54005.
E-Mail: Adrian.waite@awics.co.uk. Website: www.awics.co.uk.**

**Managing Director: Adrian Waite MA CPFA ACIH FIPSM.
Company Number: 3713554. VAT Registration Number: 721 9669 13**

£538 million future funding for arms length management organisations

Arms Length Management Organisations are to receive further funding of £538million over the next two years. Nine, Round three ALMOs in Barnet, High Peak, Islington, Newcastle, Poole, Sheffield, Solihull, South Lakeland and Warrington and four, Round 2 ALMOs in Leeds will gain from the extra funding. ALMO funding allocations are made in two-year tranches.

Housing Minister Yvette Cooper said the ALMOs had made excellent starts to their programmes.

"Tenants are clearly benefiting from improvements to their homes, from a dedicated day-to-day landlord service and more control over the future of their homes thanks to one third representation on the Board.

"These ALMOs are doing an important job making more than 190,000 homes warm, weatherproof and more modern. Above all the funding will enable them to continue this work, in line with the Government's Decent Homes programme."

The ALMOs and the others already on the Government's programme are currently bringing 3,000 homes a month up to the Decent Homes standard. Following a detailed assessment by ODPM of the ALMOs' costs and sources of other income, the announcement confirms second tranche funding allocations as follows:

Round 3 ALMOs	Allocation 2006/07 - 2007/08
Barnet	£29,684,200
High Peak	£4,606,000
Islington	£59,623,200
Newcastle	£106,820,000
Poole	£15,037,120
Sheffield	£115,490,060
Solihull	£29,645,000
South Lakeland	£10,682,000
Warrington	£11,922,680
Round 3 Total	£383,510,260
Round 2 ALMOs	Allocation 2005/06 - 2006/07
Leeds – East	£40,285,000
Leeds – NW	£36,000,000
Leeds – SE	£24,180,000
Leeds – South	£54,656,000
Round 2 Total	£155,121,000

However, an announcement about the sixth round of arms length management organisations is still awaited. It is understood that the programme is heavily over-subscribed with the result that many authorities are likely to find themselves disappointed.

Adrian Waite

Page 5

Appleby Business Centre, Bridge Street, Appleby in Westmorland, Cumbria CA16 6QH
Telephone: 017683-52347 or 54005 Mobile: 07971-321863. Fax: 017683-54005.
E-Mail: Adrian.waite@awics.co.uk. Website: www.awics.co.uk.

Managing Director: Adrian Waite MA CPFA ACIH FIPSM.
Company Number: 3713554. VAT Registration Number: 721 9669 13

Fenland District Council progresses towards a Stock Transfer

Following the housing stock options appraisal that was carried out in Fenland from May 2005 to May 2006, the Council and its tenants have decided to progress towards a housing stock transfer. 'AWICS' acted as Independent Tenants Adviser during the housing stock options appraisal and we have been re-appointed to act as Independent Tenants Adviser during the stock transfer.

A 'Transfer Options Development Group' has been established to manage the proposed stock transfer. It has twelve members of whom six are tenants. This group has established a panel of six of its members – known as the 'Partner Selection Panel' that has started the search for a preferred housing association partner to which the Fenland homes would be transferred. Following the placing of advertisements, a 'bidders conference' was held on 27th January 2006 at which tenants' representatives, Councillors and Council officers explained to housing associations what Fenland is looking for from the transfer. This includes improvements to homes and neighbourhoods, enhanced tenant participation and a genuine partnership between the Housing Association and its tenants. Interested housing associations submitted expressions of interest during February 2006 and the Partner Selection Panel has now short listed five associations that have been requested to provide additional information.

It is envisaged that the transfer housing association would have a 'group structure' with a Board appointed to manage the Fenland homes. A third of the members of the Board will be tenant representatives, a third Council nominees and a third independent people. A shadow board is therefore being appointed that will work with the Council in the run-up to the transfer and then become the Fenland Board. There are fifteen places on the Board, of which five are to be taken by tenants. The five tenants who have been appointed are:

- Colin Greenwood
- George Hawkins
- Keith Haylett
- Jean Key
- Brenda Reynolds

In the meantime more is being done to identify tenant aspirations and to ensure that these can be met through the stock transfer. Focus groups have been convened in all parts of the district and covering all groups of tenants to identify what different groups of tenants value in their homes and neighbourhoods and where they think that improvements could be made.

One thing that tenants clearly want is more affordable housing in Fenland. A combination of low incomes and increasing property prices and rents mean that many people in Fenland are not able to live in decent homes unless these are provided by the Council or housing associations. It is important to ensure that the Council and the housing association reach agreement on how many new affordable homes are to be built and how they are to be financed.

As Independent Tenants' Adviser we will soon be arranging meetings in all parts of the district to ensure that all tenants are aware of what is going on and can participate in the transfer options development process.

The intention is that the transfer options development group will put together a detailed transfer proposal that will identify the housing association to which the homes would be transferred and the improvements to homes and neighbourhoods that the housing association would offer the tenants. This proposal will then be put to all tenants in a postal ballot, and the transfer would only proceed if a majority of tenants voted for it.

Further details about our work as Independent Tenants' Adviser at Fenland can be found on our website at www.awics.co.uk/fenlandita.

Adrian Waite

Page 6

Appleby Business Centre, Bridge Street, Appleby in Westmorland, Cumbria CA16 6QH
Telephone: 017683-52347 or 54005 Mobile: 07971-321863. Fax: 017683-54005.
E-Mail: Adrian.waite@awics.co.uk. Website: www.awics.co.uk.

Managing Director: Adrian Waite MA CPFA ACIH FIPSM.
Company Number: 3713554. VAT Registration Number: 721 9669 13

Pre-Budget Report and Local Government Financial Settlement

The Chancellor of the Exchequer, Gordon Brown MP, presented his pre-budget report in December 2005. It promised 'investment matched with long lasting reform', and had three key themes:

- Combining thriving enterprise with real investment in skills
- Developing the best of our scientific research with decent infrastructure
- Developing affordable housing for all

The key measures announced in the pre budget report are:

- New public-private partnership to enable Britain to lead the world in stem cell research
- Establishment of a new National Institute for Health Research
- Establishing a network of creativity and innovation centres

The interim report of Lord Leitch that assesses Britain's future skills needs was published at the same time. On housing, Des Browne MP, Chief Secretary to the Treasury, said:

"To build more affordable homes of high quality in strong communities, Britain must – as the Barker report recommended – put in place long term reforms in planning, land use, the competitiveness of the construction industry and infrastructure in both the private and social sectors.

"It is critical, too, that we widen the number of investors in the residential and commercial property markets, which is why we will... publish legislation to set up real estate investment trusts that will increase the funding of new property developments."

In addition The Office of the Deputy Prime Minister has published new planning guidelines that seek to bridge the gap between the 150,000 new houses that are built each year and the 190,000 that are calculated to be required. The main need is in affordable homes for young couples. The main elements of the new guidelines are:

- Bringing forward brown field areas for development to provide land while also protecting the environment
- Accelerated planning consent where development is of high quality and meets the design code

Initiatives for social housing included:

- Pilot projects to encourage local authorities to bring derelict sites back into use and build more new housing for rent
- Partnership between government, building societies and banks to facilitate shared equity schemes

The first Two Year Settlement was confirmed last month by Local Government Minister Phil Woolas MP. The government states that Local Authorities in England will receive more than £62billion in Government grant in 2006/07 and £65billion in 2007/08 - an increase of 4.5% and 5.0% in those years respectively and that the two settlements mark ten successive years in which Government has provided local government with grant increases above inflation. The government calculates that this is a real terms increase in Government grant to local authorities of 39% since 1997.

Page 7

**Appleby Business Centre, Bridge Street, Appleby in Westmorland, Cumbria CA16 6QH
Telephone: 017683-52347 or 54005 Mobile: 07971-321863. Fax: 017683-54005.
E-Mail: Adrian.waite@awics.co.uk. Website: www.awics.co.uk.**

**Managing Director: Adrian Waite MA CPFA ACIH FIPSM.
Company Number: 3713554. VAT Registration Number: 721 9669 13**

Phil Woolas MP said:

"This is another good settlement for local authorities in England and marks ten successive years in which we have provided local government with an above inflation grant increase.

"And with the announcement of a Two Year settlement, Government is also providing local authorities in England with stable and predictable funding.

"Given this substantial investment in local government, we expect all authorities to budget prudently and not place excessive demands on their council taxpayers.

"No authority should consider that it might be exempt from capping – if its increase is excessive, capping action will be taken."

Des Browne MP, Chief Secretary to the Treasury, added:

"The government's aim to deliver world class public services through sustained investment and ongoing reform... Today we are investing £7billion a year and are on track to renovate 12,000 more primary and secondary schools... In building and renovating hospitals... the figure is £5billion a year rising to £8billion a year in 2008. In total, net public investment... will this year be...£26billion and next year £29billion."

However, Liberal Democrat Shadow Local Government Minister, Sarah Teather MP said:

"Families run the risk of soaring council tax bills, no matter how much money the Government puts in, because of the skewed system of local government finance. All this money comes with strings attached, so that councils may have to make cuts in important services like care for the elderly.

"The fundamental problem with the settlement, as with last year's and the year's before, is that it provides little freedom for councils to do their job properly. If we believe in local government, we have to give councils the freedom to raise and spend their own money. That means drastic local government financial reform, not a bit of tinkering with the formula.

"We need a new system of local government finance that is based on fair local taxes, localised business rates, local income tax and a simple grant mechanism, without ring-fencing, passporting or capping. We need a new system that will let local government do the job that it was elected to undertake. We need also a new system that will stop the nonsensical ritual of financial crisis. I live in hope.

"It's no good throwing a few more pounds into the kitty and hoping councils will stay quiet. We need a wholly new funding system, based on scrapping council tax and relocalising business rates."

However, the real issue with local government finance may prove to be the government's ability and willingness to sustain these budgets against a backdrop of reduced increases in tax revenues.

Adrian Waite

Page 8

Appleby Business Centre, Bridge Street, Appleby in Westmorland, Cumbria CA16 6QH
Telephone: 017683-52347 or 54005 Mobile: 07971-321863. Fax: 017683-54005.
E-Mail: Adrian.waite@awics.co.uk. Website: www.awics.co.uk.

Managing Director: Adrian Waite MA CPFA ACIH FIPSM.
Company Number: 3713554. VAT Registration Number: 721 9669 13

Redcar and Cleveland will not let budget pressures stop their progress

Redcar and Cleveland Council unveiled budget plans in January 2006 that aim to inject £4million into services while battling against a £7million shortfall and the prospect of job losses.

Town Hall unions are being consulted on the detailed proposals and letters have been sent out to around 3,000 of the Council's workforce, excluding school-based staff that asks for volunteers for a register for early retirement/voluntary redundancy packages.

The Council's Cabinet Chairman Councillor Eric Empson said:

"This is not a position we wanted to be in. It is extremely regrettable. But we are putting a savings package together which protects vital services - if there are to be any reductions in services, they will be small and confined to areas which, through consultation, the public has told us are low priority.

"We are having to cut £7million from our budget plans for next year and have made significant progress towards that. Part of the package has to be looking at employment posts and we are looking for volunteers for redundancy, early retirement without any commitment from either the Council or the individual at this stage.

"We are investigating whether we could lose staff in particular areas without it having an adverse effect on frontline services. Whilst we will do all we can to avoid compulsory redundancy, we may not manage it this year.

"At this stage, we would anticipate less than 100 full-time posts could go - losing any is deeply regrettable, but we must put services first.

"And while we must talk about budget savings, part of this will go to pay for considerable growth in this budget - £4million is to fund investment in priority areas, in particular, care for the elderly, for vulnerable children and improvements to the quality of the environment and a programme of replacement for all of the Borough's street lighting.

"We could have managed that investment - but what has put us into this extra difficulty is the Government's new funding formula that helps councils in the South, which is costing us £1.8m and the Office of National Statistics repeating an error which we fought long and hard to put right which greatly underestimated the Borough's population by over 2,000 at a cost to us of around £1.5m."

Chief Executive Colin Moore insists the Council must remain proud of its achievements and used three road shows last month to underline the Council's progress. He stressed:

"We can still make progress and provide better services for the public, but we will have to work hard to reduce our costs. We do not want to be in this difficult financial position, but I will draw positives from it.

"Our staff deserve tremendous praise for making us one of the most effective councils in the country and now we will all work through these problems while maintaining excellent services for the public."

The problems that are being faced on the ground in Redcar & Cleveland Council appear to contradict the statements that are being made at national level about increased resources being made available to local authorities. Council taxpayers who see increased Council tax bills combined with reductions in services may question the approach that government and Councils appear to be taking to their budgets.

Adrian Waite

Page 9

**Appleby Business Centre, Bridge Street, Appleby in Westmorland, Cumbria CA16 6QH
Telephone: 017683-52347 or 54005 Mobile: 07971-321863. Fax: 017683-54005.
E-Mail: Adrian.waite@awics.co.uk. Website: www.awics.co.uk.**

**Managing Director: Adrian Waite MA CPFA ACIH FIPSM.
Company Number: 3713554. VAT Registration Number: 721 9669 13**

Planning Gain Supplements

The 2005 pre-budget report included a proposal for 'Planning Gain Supplement' – a levy on the windfall gains made by developers following increases in land values. The principal behind this is that the tax system should recognise that land value is socially created unlike property or normal wealth that is regarded as created by the owner. The proposal arises from a Treasury commissioned report from Kate Barker and is expected to be introduced in 2008.

Des Browne MP, Chief Secretary to the Treasury, said:

"Because our aim is to build not just homes but communities, to fund new roads, schools, hospitals and infrastructure that converts estates into genuine communities, the government published proposals for a local planning gain supplement to give local authorities a fair share of planning gains to invest locally."

The cost to the taxpayer of extending the Jubilee line in London was £3.5billion, and the increase in property values along the line has been estimated at £10billion. However, the property owners contributed nothing to the project and the government, at present, is unable to tax the increased property values thus generating a contribution to the scheme from one of its prime beneficiaries.

Because the government does not share in the increased land values, it is considered that many potential infrastructure projects are not progressed. Planning Gain Supplement is intended to overcome this problem. However, Planning Gain Supplement looks only at land that is granted planning permission to change use and only at short-term increases in value that accompany the granting of planning permission. The British Property Federation considers that this will make the scheme unworkable in cities and on Brownfield land where it is difficult to separate the uplift created by planning permission from other factors.

The Vince Cable MP, Liberal Democrat Shadow Chancellor, Speaking at the British Property Federation in January 2006 said:

"The Planning Gain Supplement (PGS) will be a catastrophe if introduced in its proposed form. It is likely to deter development, will involve many complex valuation issues and will not be to the exclusive benefit of the local community."

"Similar taxes have failed three times in the last century. If the Chancellor gets this one wrong, he is likely to slow down new house building and the development of much needed affordable housing."

It therefore remains to be seen how the proposals for 'Planning Gain Supplement' develop over the coming months.

A number of authorities have been exploring the possibility of using planning gain to fund local authority construction of new social housing. You may recall the Audit Commission's reviews of Probity in Planning between 2000 and 2003. In doing this work, the Audit Commission found that many authorities did not have well-defined arrangements for assessing, implementing and managing the growing number of planning obligations. The Commission started a research project on Section 106 planning obligations in August 2005 which is now well advanced, and which it is expected will lead to a number of risk-based studies across the country.

With planning matters continuing to be controversial; and with concerns about housing, and affordable housing in particular growing, it is clear that new initiatives in planning are required. It remains to be seen whether the proposal for planning gain supplements will be implemented, and if so, how effective it will be.

Adrian Waite

Page 10

**Appleby Business Centre, Bridge Street, Appleby in Westmorland, Cumbria CA16 6QH
Telephone: 017683-52347 or 54005 Mobile: 07971-321863. Fax: 017683-54005.
E-Mail: Adrian.waite@awics.co.uk. Website: www.awics.co.uk.**

**Managing Director: Adrian Waite MA CPFA ACIH FIPSM.
Company Number: 3713554. VAT Registration Number: 721 9669 13**

Proposed changes to Delivery of Local Authority Freedoms and Flexibility

Since 2003, the 'Best Value' regime has been extended to provide a Comprehensive Performance Assessment of the performance of local authorities. The process has not, however, simply been one of identifying good and bad practice, applauding the successful and shaming the unsuccessful. The idea has been to create a system of 'earned autonomy' in which successful Councils would be given greater freedoms and flexibilities and freed from parts of the regulatory regime. However, at the start of 2006, the Government and the Audit Commission still appear to be working on the basic system.

The Office of the Deputy Prime Minister has released a consultation paper which sets out amendments for Comprehensive Performance Assessment based freedoms and flexibilities to take account of the new Comprehensive Performance Assessment 2005 system. As a result of the changes amendments will be necessary to a number of pieces of legislation to change references to prior Comprehensive Performance Assessment categories to star based categories. They have also been considering whether changes should occur to the freedoms and flexibilities are delivered to take account of the new, harder test.

The options being looked at include transferring freedoms directly across to the new star rating system with 4* being equivalent to the freedoms of those authorities ranked as excellent in the old system and 2* getting the freedoms of those in the equivalent old ranking of fair.

With the new 2005 test being classed as harder another option is to go with the above detailed option but to also allow for a transitional provision for some authorities so that those authorities who are improving but under the new test fall to a 3* ranking from being in the top class may be given a grace transitional recovery period continuing with the same freedoms as before.

The Office of the Deputy Prime Minister's preferred option however is to give 4* and 3* authorities the freedoms given to excellent's, 2* to receive those freedoms given to good authorities under the old system and 1* authorities to get the freedoms of those of poor rating by the old system. The main reason for this being the preferred option is that it is consistent with:

"The policy of extending freedoms subject to minimum standard gives an incentive for improvement and recognises that the Comprehensive Performance Assessment 2005 is a tougher test".

County Councils and single tier authorities will receive joint area review of children's services and a Comprehensive Performance Assessment corporate assessment during the period 2005 to 2008, irrespective of their Comprehensive Performance Assessment category. Both the Government and Inspectors are seeking to ensure that inspection will be risk based, be proportional to performance and targeted to where it will be of most value with the aim that by 2008 all inspection will be risk based.

It is also hoped that a greater number of authorities will also be able to take advantage of the power to trade. However, it is welcome that it is still necessary to follow good management practice when commencing using the trading powers where an authority must produce a business case which must have the support and approval of the authority.

The ultimate purpose of all this activity should be to ensure that citizens receive good and improving services from their local authority. However, the evidence that this is being achieved appears to be 'patchy'. Some performance indicators show sustained improvements, while others do not. More importantly, there is strong evidence that most citizens consider that public services are still not performing as they should. This is partly due to rising expectations, but both politicians and public service managers appear to recognise the need to react to those rising expectations. Will the proposed changes to the Comprehensive Performance Assessment help this process?

Adrian Waite

Page 11

**Appleby Business Centre, Bridge Street, Appleby in Westmorland, Cumbria CA16 6QH
Telephone: 017683-52347 or 54005 Mobile: 07971-321863. Fax: 017683-54005.
E-Mail: Adrian.waite@awics.co.uk. Website: www.awics.co.uk.**

**Managing Director: Adrian Waite MA CPFA ACIH FIPSM.
Company Number: 3713554. VAT Registration Number: 721 9669 13**

SORP affecting Group Accounts in Local Authorities

With the rising practice by local authorities to use a range of different options to deliver services including companies and joint ventures, brought about new requirements relating to SORP which will take full effect in the 2005/06 submissions. The changes made include far more demands than those of the 2003 SORP requirements. There was the option to authorities to make use of the transitional arrangements for the 2004/05 submissions but the changes take over for the 2005/06 submissions. It is therefore important for consideration to be taken over the implementation of the new group accounts and for lessons to be drawn from authorities who began to implement the new requirements in the 2004/05 submissions.

It is far more likely that more authorities will need to prepare Group Accounts under the new modified 2004 requirements and this will be taking effect in the upcoming SORP submissions for 2005/06. It was advised by the Local Authority Accounting Panel in December 2004, that authorities making use of the transitional arrangements should have prepared 'dry run' 2004/05 group accounts well before the start of the main work on the closure of the 2005/06 accounts.

The Local Authority Accounts Scotland Advisory Committee has also issued a practical checklist on modified group accounts. The checklist does not seek to place a definitive interpretation on the requirements of the SORP. It is intended to be a practical tool in the short term to enable local authority practitioners to plan for the modified group accounts arrangements. It does not represent an exhaustive list of all the steps that may be required but does provide a commencement framework.

The completion of Group Accounts for 2005/06 is becoming a current issue even for those authorities that have used the transitional arrangements. If you are interested in finding out more information relating to this article then you can download a copy of our briefing paper on this topic which is downloadable from our website at <http://awics.co.uk/briefing/finance.asp>.

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, Financial Advice on Procurement, Housing Finance, Public Authority accounting, 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.

Printed, Published and Circulated by:

Adrian Waite (Independent Consultancy Services) Limited, Appleby Business Centre, Bridge Street, Appleby in Westmorland, Cumbria. CA16 6QH. Tel: 017683-52347 or 52165. Mobile: 07971-321863. Fax: 017683-52546. E-mail: Adrian.Waite@awics.co.uk