

# PUBLIC SERVICES NEWS!

# AWICS

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Adrian Waite (Independent Consultancy  
Services) Limited



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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.**

## The Government's Vision for Housing

One of the keynote speeches at the October 2004 Labour Party conference was delivered by Rt. Hon. John Prescott MP, the Deputy Prime Minister and included an exposition of the government's vision for housing. He declared that:

*"After years of neglect, housing's at the top of our political agenda.*

*"That's a new and exciting future for housing... A future which identifies Labour as the party of home ownership **and** public housing."*

He announced that efficient local authorities would be given access to social housing grant so that they could fund new-build. He described this as a 'new deal on housing for local authorities'. It is understood that in future councils will be able to bid for up to £200million of Housing Corporation funding and £500million of private finance initiative credits.

Furthermore, he made a clear statement that the government would not consider extending the 'right to buy' to housing associations, stating that:

*"It would sink housing associations – especially in rural areas. Well it ain't going to happen. Those homes are not for sale."*

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However, there was no proposal to end the 'right to buy' in the local government sector. He did not explain why people, especially in rural areas, needed to retain social housing stock in housing associations but not council housing!

He turned also to lettings policies and promised:

*"Another radical change for housing in this country... Within five years a national system of choice in social housing covering all forms of rented accommodation."*

He also announced a new scheme to help young people onto the property ladder for £60,000 and made a challenge to house builders to get involved by offering competitive prices.

Should a general election be called in 2005, these commitments are likely to feature in the government's manifesto.

The Labour Conference also voted, by a margin of 3-1, for a motion calling for the government to fund a 'fourth way' for local authorities to be able to fund investment in council housing to achieve the decent homes standard while retaining a traditional council housing service. The motion proposed that:

*"Funds available for stock transfer will be equally available to councils, ensuring a level playing field."*

Speaking after the Labour Party conference had passed its resolution, John Prescott, Deputy Prime Minister, said:

*"Public financing of housing does not treat local authorities on a level playing field and I want that changed... I promise to do that and to have an inquiry into it."*

Keith Hill MP, Minister for Housing, said:

*"The effect of the motion would be to say that , where a stock transfer initiative failed, exactly the same amount of funding would become available to the local authority. That is simply not on. We have had a housing investment settlement from the Treasury and we cannot go outside that."*

*"We will need a lot of persuading to move away from the current programme. But we are reasonable people and we have made a commitment to look at the framework again."*

In October 2004, Keith Hill, Minister of Housing, elaborated on what the government may do and said:

*"You have to appreciate that the scope of any examination of flexibilities within local authorities' financial regimes would be limited. We have said that we will continue to examine whether there are flexibilities but quite frankly we never saw this as a major step forward."*

*"I have been really quite emphatic that even the expression 'review' is an over statement."*

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*"The answer in a nutshell is that there is no fourth way. There is no fourth option. What we have said repeatedly to Camden is that they must go back to the options appraisal.*

*"We will look at possible flexibilities that may be available to certain councils – specifically smaller councils. But I don't think there will be a tremendous amount out of this process for the majority of councils. There remain only the three funding options.*

*"People ought not to be confused by this. Our expectation is that any examination of the financial framework will yield only marginal flexibilities in small cases."*

However, it is not anticipated that any changes will be made until after July 2005. This means that councils will all have to complete their stock options appraisals in the absence of any information about what flexibilities may be granted by the government following their 'review'.

In November 2004, John Prescott, the Deputy Prime Minister made clear that any changes would not provide additional funding for the decent homes standard and said in a letter to Austin Mitchell MP:

*"There is not, and will not be a 'fourth option' for providing direct additional funds to local authorities to meet the decent homes standard."*

John Perry, Policy Adviser at the Chartered Institute of Housing, said:

*"The fourth option was always going to require two things – a performance test, and advantages that were not the same as those being considered for Arms Length Management Organisations – otherwise government policy would have become hopelessly confused. It's no surprise that the government has found it difficult to reconcile these... (Prudential Borrowing) could be the real fourth option, albeit effectively available only to some of the remaining councils which have yet to decide."*

The Local Government Association and the Local Government Information Unit have proposed that Councils be given additional investment allowances within the Housing Subsidy calculation, and that they be allowed to use the Major Repairs Allowance to fund prudential borrowing. They point out that rent restructuring is increasing council house rents and that the housing subsidy system currently removes resources from housing revenue accounts. However, these proposals would have the effect of increasing public sector borrowing and so are unlikely to be accepted by the government.

The only concession that the government appears willing to concede on the 'fourth way' is to give some additional 'flexibilities' to small councils. However, this will not be announced until after the July 2005 deadline for completing stock options appraisals and so will only be available to councils that have shown an ability to meet the decent homes standard from within their existing resources. The 'flexibilities' will therefore not need to include resources for 'decent homes'.

*Adrian Waite*

Free briefing papers on housing finance can be downloaded from:

[www.awics.co.uk/briefing/housing.asp](http://www.awics.co.uk/briefing/housing.asp)

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## **Business Planning in Social Housing**

*Adrian Waite will speak at a series of seminars will be held during November and December 2004 on Business Planning and Asset Management Planning. The venues will be: Manchester (30<sup>th</sup> November), London (8<sup>th</sup> December), Solihull (9<sup>th</sup> December) and York (14<sup>th</sup> December). Here he outlines the most significant aspects of the subject.*

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."*

Housing Revenue Account Business Plans need to address:

- Long-term plan for management and maintenance of the council housing stock
- Current performance of the business and the problems faced
- Medium to long term framework for delivering stock improvements including financing investments
- Options for increasing investment in the stock to bring it up to a decent standard
- Performance of housing management and plans to improve quality and/or efficiency
- Consistency with Housing Strategy

The Business Plan should also provide clear answers to the following questions:

- What is the current position on the condition of the council housing and performance on service delivery?
- What are the priority areas for action and how were they selected?
- What are the options for addressing these priorities?
- What is the plan for action?

The government has said that their assessment of authorities' landlord performance will be based on the quality of the Housing Revenue Account Business Plan, and their progress in delivering improved services in accordance with the plan. Evidence will be sought that tenants are involved in preparing and monitoring the implementation of the plan.

It is anticipated that Business Plans will be updated annually, with major reviews every three to five years. However, it is recognised that many plans will change significantly over the next few years as databases are improved and plans developed. Variations in resource levels caused by Rent Restructuring and the changes that are proposed to the capital regime will also oblige councils to revise Housing Revenue Account Business Plans.

The government has produced a spreadsheet model to assist local authorities in the production of their Housing Revenue Account Business Plans. Most authorities use this model.

The key focus of the Business Plan is to identify whether the local authority will be able to achieve the Decent Homes Standard with existing resources.

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*“Authorities’ Housing Revenue Account Business Plans will need to set out how their investment strategy will make progress towards bringing all their housing stock up to a decent standard.”*

The Office of the Deputy Prime Minister has produced guidance on what it considers essential to make a business plan ‘fit for purpose’. To comply with this guidance, authorities must address the following matters adequately:

- Strategic Context and Consultation
- Stock Condition
- Current Performance
- Resources
- Priorities and Options
- Delivery and Presentation

Effective financial models are required for Business Planning that have the following characteristics:

- Consistent internal logic and arithmetical accuracy
- Inter-relation of different elements
- Neither too complex nor too simple – comprehensive but understandable
- Reliability – use integrity checks and perhaps external validation
- Flexibility – to test different assumptions and scenarios
- Owned by the organisation rather than consultants

A Mission Statement should tell us something meaningful about the ambition and priorities of the organisation. One way of testing whether a mission statement achieves this is by thinking of the opposite and asking whether the organisation has made a meaningful choice.

Since early 2004, the key areas for improvement in local authorities that have been identified by Government Offices are:

- Business Plans should be at the centre of the management and delivery of the landlord role
- Clear summary of stock condition, homes failing ‘decent homes’ and current and future finances
- Should not include all the detailed outputs of the business plan model
- Priorities for action should look more widely than just improvements to the stock
- Look at options for different approaches to management, maintenance and capital programming
- Explain how targets feed through into capital programming

Business Planning requirements in Arms Length Management Organisations and Internal trading organisations, such as Building Maintenance Direct Labour Organisations are slightly different to those of the housing service. The elements of a good business plan for an arms length management organisation or internal trading organisation are:

- Executive Summary
- Business Analysis
- Market Analysis
- Medium-Term Plan
- Action Plans

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The Executive Summary should not only summarise the Business Plan as a whole, but should include clear reference to the Mission Statement and the main objectives. Action Planning should be based on 'SMART' (specific, measurable, achievable, relevant and timely) targets and a performance management system based on a good process of monitoring and review.

For Housing Associations, the Housing Corporation has described a business plan as follows:

*"A Business Plan is a complete picture of your organisation, reflecting its aspirations and objectives, the environment in which it operates, your services and the market for them, and your position in that market. The plan should also take into consideration the expectations of the various stakeholders and an analysis of resources that are going to be needed over a defined time-frame, including finance, assets, staff and systems."*

The Housing Corporation's good practice guide to Business Planning in Housing Associations says:

*"It is important to be clear from the outset about responsibilities in the Business Planning process. The Board is ultimately responsible for the governance and direction of the organisation, so the Business Plan must be grounded in the Board's understanding of the environment in which the Association operates and of the Association's way forward."*

*"Of course, no Association or commercial firm can set its vision without reference to the outside world. The challenge is to establish a vision that is relevant to, and accepted by, stakeholder groups, and is achievable within the context of the environment."*

*"Managers and other employees cannot be expected to deliver a plan that has not been communicated to them. As every employee's targets should flow from these objectives, this clearly implies communication in some form to everyone in the organisation."*

All Organisations, including local authority housing services and housing associations need business plans that will help them to deliver organisational objectives and inform other plans at all levels in the organisation. There is a need to find out what stakeholders, including tenants, want the business plan to demonstrate before embarking on the business planning process.

A framework is needed to draw together and analyse available and relevant information, to quantify the resources needed to deliver organisational objectives, and to assess the risks to delivering those objectives.

Even if a good business planning process is in place, there is still a need to invest effort in producing a business plan document that credibly reflects that process. There is also a need to communicate that plan and to have effective management processes to ensure that the plan is implemented to deliver organisational objectives.

**Adrian Waite**

A briefing paper on Business Planning can be downloaded from:  
[www.awics.co.uk/briefing/housing.asp](http://www.awics.co.uk/briefing/housing.asp)

Further information on the series of seminars is available on:  
<http://www.hqnetwork.org.uk/documents/Ass%20flyer.pdf>

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## **Focus on Kensington & Chelsea Tenant Management Organisation**

*Adrian Waite has recently facilitated the business planning process at Kensington & Chelsea Tenant Management Organisation. Here he describes what is going on in this 'excellent' housing service.*

Following a long history of tenant participation in the Royal Borough, and within a rapidly changing public service climate in the early 1990's, the tenants and leaseholders of the Royal Borough of Kensington and Chelsea decided to pursue their legal right to manage their own homes. Following two separate ballots in 1994 and 1995, the Tenant Management Organisation was established on 1st April 1996.

On that date the Tenant Management Organisation took over the management and maintenance of the entire housing stock of the Royal Borough (although an Estate Management Board managed the Lancaster West Estate). The Council still owned the properties and retained responsibility for strategic housing policies, major capital projects and homeless people. The relationship between the Tenant Management Organisation and the Council was governed by a Management Agreement, which covered all areas of the landlord business. While the Tenant Management Organisation still enjoyed a close working relationship with the Council, it was a completely separate company.

The Kensington & Chelsea Tenant Management Organisation then became the first tenant-led Arms Length Management Organisation. This was in order to modernise the organisation, and access extra resources to enable them to bring all the properties to the standard they considered that their residents deserve.

Approximately 230 staff work for the Tenant Management Organisation, based at the Town Hall, Allen Street, Warwick Road, and various other sites throughout the Royal Borough.

The Tenant Management Organisation was delighted to see such a good turn-out at their Decent Homes launch on Saturday 3rd July 2004. Over 150 residents joined with the contractors and consultants to discuss the next phase of the programme and the range of improvements available. Nigel Minto of the Office of the Deputy Prime Minister was the guest speaker and he was full of praise for the work that they are doing to get residents involved.

The Tenant Management Organisation plans to continue to consult and involve tenants in deciding the priorities of the programme.

Now that our Decent Homes programme has been launched, it has become increasingly clear to the Tenant Management Organisation that homes themselves are not the only things that concern tenants. The Tenant Management Organisation will now focus its attention on this critically important issue of Building Decent Neighbourhoods.

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The Tenant Management Organisation carried out a survey of tenants during early 2004. The results were very encouraging, particularly regarding services and opportunities for participation. However, there are criticisms and concerns. All of those who work for the Tenant Management Organisation know there is still room for improvement and the Board and Management promise no let up in the drive for better services.

One key finding of the survey was the marked increase in those tenants who put disturbance from youths at the top of the list when identifying neighbourhood problems. While the Tenant Management Organisation has been saying a lot recently about the drive for Decent Homes, they now want to move the debate onto include decent neighbourhoods. This was the key theme at the AGM in November 2004 that featured a 'Question Time-style' panel discussion in which the contribution and participation of tenants was vital. The Tenant Management Organisation wanted to make sure it got as many people as possible to attend and contribute to this crucial discussion. They know that however nice the homes are, lives can be ruined by people who bully, threaten and intimidate residents.

These problems are not easy to tackle though. They require co-operation between the Tenant Management Organisation, the council and the police but, most importantly, with residents themselves.

A rigorous consultation and selection process has resulted in the response repairs contractor for the North of the borough, being awarded the repairs contract for the entire Tenant Management Organisation stock. The Tenant Management Organisation Board, working with staff and residents, cited the company's consistently improving performance in the North as a key factor in the appointment. In addition, the company has demonstrated a strong commitment to working with the Tenant Management Organisation and investing to improve on priority areas identified by the residents including quality of repairs, keeping appointments and completing repairs without unnecessary delays. This appointment is a significant part of the Tenant Management Organisation's drive to achieve an exceptional repairs service. They will be looking at how they can improve their procedures for reporting, ordering and monitoring repairs, with a focus on reducing duplication and streamlining the process.

A Code of Conduct has been adopted that includes:

- where possible complete the repair on a single visit and complete the repair to a good standard
- pre-arrange an appointment for the repair, confirm the appointment the evening before and arrive in good time to complete the repair
- advise the tenant if unavoidably running late for an appointment, explain what work will be undertaken and keep the tenant advised of progress
- wear photographic identification and smart clean uniforms, clear up after the work and not to block service roads or park in dedicated bays

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## **Update on Housing Stock Options Appraisals**

Few people can have involved themselves in Housing Stock Options Appraisals in as many different ways as Adrian Waite. He has been a Council Chief Officer, Lead Consultant, Financial Technical Adviser, Independent Tenants' Advisor and Assessor for the Regional Government Office during recent appraisals. On 5<sup>th</sup> November 2004 he spoke on options appraisals at the CIPFA conference on developments in housing. What follows is a summary of his presentation.

The obvious reason why local authorities carry out stock options appraisals is that it is a government requirement. However, it has other advantages for stakeholders as to:

- Establish what resources are needed to achieve the Decent Homes Standard and compare this with the resources that are available
- Consider what investment and service improvements are wanted by the tenants
- Identify the extent to which each of the options meet the requirements of the Council and the tenants
- Identify the potential effect of each option on the Council

The options, of course, are:

- Stock Retention
- Arms Length Management
- Private Finance Initiative
- Large Scale Voluntary Transfer
- 'Mix and Match' – a combination of the above

The Office of the Deputy Prime Minister has issued detailed guidance to local authorities for the conduct of options appraisals. Their requirements include:

- Early contact with the government office
- Robust information on stock condition and supply and demand
- Tenants and leaseholders involved from the outset with a central role in decision-making
- Options appraisal is part of a wider strategy for neighbourhood renewal
- Consideration given to mixed model solutions
- Preliminary assessment of issues around choice of landlord under stock transfer
- Consideration of potential for improved service delivery as well as capital investment
- Councils cannot select an inappropriate option!
- Deadline for completion is July 2005

Councils that choose stock retention need to demonstrate that they can achieve all major national and local objectives. They need to show that the Housing Revenue Account is manageable, and if there are any shortfalls in capital financing that they can be met through savings in expenditure or additional income creating the opportunities for prudential borrowing. Tenants must be in support of the option.

However, the choice of stock retention can always be criticised on the grounds that the private sector options (private finance initiative or stock transfer) could generate additional investment.

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There are a number of reasons why an authority may select the option of an Arms Length Management Organisation:

- Separation of the landlord and strategic roles
- Additional government funding where the 'Decent Homes Standard' cannot be met from existing resources
- Greater focus on improved housing services and additional housing investment
- Extended tenant participation

Authorities that wish to consider an arms length management organisation also need to consider their capacity to achieve the required two stars in a best value inspection, and whether their revenue resources are sufficient to sustain ongoing revenue commitments.

The Private Finance Initiative, despite continued efforts to popularise it for social housing, remains an unusual option for authorities to select. To date only three authorities have signed up to private finance initiative deals, and in none of these cases has the scheme been a whole stock solution.

A Council that decides to pursue Stock transfer must consider:

- How the transfer would support the decent homes standard and improved management
- A fully worked out investment appraisal in which tenants are involved from the outset
- An investment appraisal informed by the housing needs assessment
- A Best Value review of the landlord role
- The impact on the Housing Revenue Account (if a partial transfer)
- Public expenditure implications
- The impact on the corporate strategy, organisational structure and resource allocation (especially in the case of a shire district)
- A Change management plan to ensure the involvement and commitment of staff
- Regeneration implications
- Transfer proposals put forward by tenants

A Housing Stock Options appraisal is not just about achieving 'sign-off' but about getting the right solution for the tenants. The process needs to work for the Council, the tenants and the wider community. The need to engage with thousands of people provides opportunities to find out:

- What people really want
- What kind of homes tenants want to live in
- What kind of services tenants want
- How tenants want to participate in running services

Because a housing stock options appraisal should really be all about the tenants and about achieving what they want for their homes.

**Adrian Waite**

Briefing papers on housing stock options and a copy of the presentation at the CIPFA conference can be freely downloaded from:

[www.awics.co.uk/briefing/housing.asp](http://www.awics.co.uk/briefing/housing.asp)

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## Arms Length Management Organisations Update

In October 2004 the government announced a £2.5billion spending settlement for arms length management organisations. This is £0.6billion greater than the funding settlement for arms length management organisations in the last spending round. However, most of the sum has yet to be specifically allocated to particular ALMOs.

Round two ALMOs have had a second allocation of £450million. Round four ALMOs have had confirmation that they will receive £453million from 2005 to 2007. However, this is less than a quarter of the total amount that they had bid for the period up to 2010. Sandwell Homes, an ALMO that was launched in early October 2004, received £62.6million – the amount for which it had bid. The Office of the Deputy Prime Minister will seek bids for the fifth round of ALMOs in January 2005. It is expected that a sixth round will be offered in late 2006.

Sarah Webb, Director of Policy and Practice at the Chartered Institute of Housing said:

*"It's probably safe to assume that (the £2.5billion) is not all the money that all the ALMOs need but it does mean that ALMOs are still seen as a fundamental part of the government's agenda. There's no point putting more and more stock into the ALMO sector without having worked through what the long-term future for ALMOs is."*

It is understood that discussions at the eve of the Labour Party Conference resulted in a commitment from government to look at taking councils with high performing ALMOs out of the housing revenue account subsidy system as part of its review of the financial options open to local authorities to improve their housing stock.

Keith Hill MP, Housing Minister, said:

*"One of the arguments is that, since when you have a stock transfer the debt is written off, that the same could apply to local authorities...We're willing to look at this, but if subsidy were to be approved in this way the obvious way forward could be to take the authority out of the HRA system which would mean they would operate effectively as a registered social landlord in exactly the same kind of independent fashion."*

John Perry, Housing Policy Advisor at the Chartered Institute of Housing, said that local authorities:

*"Would certainly be happy with it as a component of the solution... For councils such as Camden the gap between what they can pay from their existing finances and what they need to meet the decent homes standard is not that big. So a change of this kind may well solve their problem."*

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### **First Business Improvement District announced**

Kingston on Thames Borough Council will become the first Business Improvement District after local businesses voted for a new town centre improvement project, which will generate £4million through a 1% supplement on the rateable value of business properties. These funds will be spent on a cleaner environment, making the streets safer, better transport and on supporting small business in the town.

Edward Davey, the local MP, said:

*"This is great news for Kingston. We will be the first town in the country to vote "yes" to a business improvement district, and the first town to reap the benefits. Local businesses have seen the commercial benefits of clubbing together. By working together in partnership, the local business community can help the council and local people achieve what we all want: a cleaner, safer, more prosperous town."*

### **AWICS to hold Housing and Regeneration Conference in September 2005**

We have decided to hold a major conference in London in September 2005 that will focus on current issues in housing and regeneration. This will include:

- Ensuring adequate provision of affordable social housing in high value areas and growth areas
- Housing Market Renewal in low demand areas
- Regenerating the inner city – the links between housing and other services
- Community based approaches to regeneration
- How Housing Associations and Arms Length Management Companies can promote regeneration
- Rural Regeneration

'AWICS' Director, Adrian Waite, will chair the conference and the speakers will include 'AWICS' associates and guest speakers with recognised expertise.

If you would like to be sent details of the conference, please e-mail: [conference@awics.co.uk](mailto:conference@awics.co.uk), telephone 017683-52347, or fax 017683-52546.

### **Services on offer!**

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