

PUBLIC SERVICES NEWS!

AWICS

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



Spring 2005

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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.

Budget 2005 – What does it mean for public services?

The 2005 budget was announced on 16th March 2005. Widely believed to be a pre-election budget, its implications for pensioners took the headlines, but what are its implications for public services?

As expected, the Chancellor projected a bigger budget deficit in 2004/2005 at £16.1billion compared with the £12.5billion projected in December 2004. Net borrowing is now expected to be £34.0billion rather than £33.8billion. Predictions for economic performance are now as follows:

- Growth was 3.1% in 2004, and is projected to be between 3% and 3.5% in 2005 and between 2.5% and 3% in 2006
- Inflation is currently 1.6%, and is projected to reach 1.75% in 2005 and 2% in 2006

The economy, and therefore the government's finances continues to be buoyant, although rates of growth in economic activity and government revenues are projected to be lower than in the recent past. It is calculated that the 5% cash increase in incomes that is projected will cause an 8% increase in tax revenues.

The total cost of the budget is £1.5billion, but £1billion of this is for non-recurring payments.

The main implications for public services are summarised below.

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Public Expenditure:

- £4billion of public sector savings have been identified to meet the target set by Gershon to save £20million by 2008, and targets for cutting bureaucracy will be set for all departments as recommended by the Better Regulation Task Force

Education

- Investment in Information Technology in schools will increase to £1,670million by 2008
- Half of the primary schools will be refurbished or rebuilt between 2008 and 2023. Capital expenditure will increase by £150million in 2008/2009 to £2billion. This will enable schools to act as centres of family services
- Childrens' centres run by local authorities will receive a VAT refund
- The government proposes that full time education should start at the age of three and continue until eighteen
- Help is promised for 'early learning' in every area for all children who need it
- £1.5billion is to be made available for the renovation and renewal of further education centres to create centres of excellence. This includes an extra £350million from 2008 to 2010
- It is proposed to consult on topping up the Child Trust Fund when a child reaches secondary school
- A National Community Service for youth will be created with up to £150million used to recruit a million volunteers
- There will be an additional £10million for parenting programmes through the Parenting Fund
- There will be an additional £25million for early learning schemes run through Sure Start programmes and Childrens' centres
- There will be new centres for vocational qualifications and entrepreneurship in five cities with high ethnic minority unemployment

Transport

- There will be a review of long-term transport needs
- There will be free local bus travel for pensioners and the disabled from 2006 at a cost of £420million

Housing

- Nine pilot schemes will test the feasibility of building private homes on council estates

Other Services

- All pensioners over 65 are to receive a Council Tax refund of £200 costing the government £970million
- Hospital charges for pensioners will be permanently abolished
- Changes will be made to consumer and trading standards regulators and food inspectorates will arise as 35 agencies are merged into five
- A National Sports Foundation will be established
- Defence budgets have been increased by £400million

Most of the initiatives in the budget that relate to public services are in the field of Education where the greatest commitment of expenditure is to increasing investment in Information Technology in schools. Resources are also allocated to tax refunds and free travel for pensioners. Additional resources for other services are limited.

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Financial Evaluation of Options Appraisal Submissions

'AWICS' is now assisting Government Offices with the evaluation of the financial aspects of Stock Options Appraisals. This means that 'AWICS' has experience of stock options appraisals from the point of view of the lead adviser, financial specialist, independent tenants' adviser and evaluator on behalf of Government.

Authorities that are submitting their options appraisals for sign-off between now and July will want to know what the government offices will be looking for.

The Sustainable Communities Plan launched by the Deputy Prime Minister in 'February 2003 introduced a requirement for all stock-holding local authorities to produce an objective and rigorous appraisal of their investment options to meet the Government target of bringing all social housing into a decent condition by 2010 for sign off by Government Regional Offices by July 2005 – a Stock Option Appraisal.

In producing their Options Appraisals, local authorities need to consider their ability to meet the Decent Homes target by retaining the stock and the alternative management arrangements and increased investment in the stock available through establishing an Arms Length Management Organisation, the Private Finance Initiative or transfer of ownership to a registered social landlord or by a mixture of these options. Government offices are looking for local authorities to have treated all the options consistently and not to have pre-judged the outcome.

A fundamental part of the Options Appraisal is the financial appraisal. This needs to provide clear information on the financial case via a robust and comprehensive financial analysis of each of the available options. In order for Government Offices to sign off each Options Appraisal, a robust and thorough evaluation of the financial case is therefore crucial.

Such an evaluation requires:

- A good understanding of the costs of running the service;
- Comprehensive information on the resources currently available from the various funding streams that support council housing;
- A sound analysis of likely future resources required to fund renovation and stock improvements as well as day-to-day management and maintenance costs; and
- A realistic analysis of the likely future resources available to fund stock improvements.

The role of the financial evaluator is to ensure that a local authority has addressed these issues adequately.

The areas of work that typically need to be covered by the financial evaluator include:

- Verification of the financial models underpinning the final recommendation of an option or mix of options including overall robustness of the financial data.
- Confirmation of the reasonableness of the financial assumptions including sensitivities identified by the local authority for base case and all options
- Advice to the local authority where further sensitivity analysis is required of the assumptions and the risks identified for all options or mix of options

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- Confirmation of the robustness of the assumptions and the modelling of the impact of and relationship between mixed options (including such issues as diseconomies of scale)
- Confirmation of the reasonableness of the models used to assess the financial costs and benefits of the options and any deviations from normal practice
- Confirmation that there is a consistent link between the investment appraisal and latest Housing Revenue Account business plan
- Advice direct to the local authority of errors/gaps in the financial aspects of the Options Appraisal and discussions with the local authority and Government Office officials to correct them
- Production of an end of contract report giving an explicit recommendation to Government Office that the final financial case meets the Office of the Deputy Prime Minister's guidance on Options Appraisal sign off procedures

The Office of the Deputy Prime Minister's requirements for Financial Appraisal are that there is:

"Clear information about the financial impact of each option on revenue and capital within the Housing Revenue Account and impact on the General Fund. Where this is outsourced to consultants, tenants, staff and councillors should be aware of the implications and assumptions behind these. The Independent Tenants' Adviser will have a role in helping tenants understand and contribute to this process."

The Office of the Deputy Prime Minister has identified four pieces of evidence that should be submitted by local authorities as evidence that they have achieved this:

- Sensitivity analysis of assumptions and risks identified for all options or mix of options
- Consistency between the investment appraisal and latest business plan
- Analysis and consideration of the application of usable receipts and management cost base including recharges to the Housing Revenue Account
- The reasonableness of the financial assumptions including impact of planned possible changes

The financial evaluator therefore needs to review the way in which the local authority has addressed these matters so that the Government office can be assured that the local authority has carried out a robust and objective analysis that is based on good quality factual information and reasonable assumptions.

In practice, most authorities have submitted compliant options appraisals, although weaknesses have been identified in some cases, including:

- Use of inconsistent assumptions in modelling the different options. In these instances the evaluator will assess the effect of using consistent assumptions and whether this could have led the authority to select a different preferred option.
- Not addressing all relevant factors. For example, appraising the general needs stock and excluding sheltered housing from the analysis.
- Not considering mixed options adequately.

Adrian Waite

Free briefing papers on stock options appraisals can be downloaded from the AWICS website at:

www.awics.co.uk/briefings/housing.asp

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Empowering Tenants in Fenland

Tenants are starting to set the standard for Fenland, with 'AWICS' supporting them as Independent Tenants' Adviser. Tenants in Fenland have eagerly taken up the challenge of letting the Council know what they want in their homes and neighbourhoods in the years to come.

Around 36% of the area's 3,900 tenants responded to the Fenland Standard Survey that has been designed specifically to find out what improvements they want to their homes and neighbourhoods. George Hawkins, chairman of the Options Fenland Working Group and the Fenland Tenants Forum, said:

"There are some clear messages here that we will listen to. We will use the results of this survey and other ideas that tenants are putting to us to develop the Fenland Standard that will be a high standard for homes and neighbourhoods. We will then look at all the options with an open mind to identify which option will deliver the best for the tenants of Fenland."

The survey asked tenants questions on a broad range of issues relating to their housing and the area where they live. And their responses show that their ambitions go beyond the walls of their homes and highlight a desire to see greater investment in their localities.

With regard to their homes the 1,300 respondents found that double-glazed windows, the appearance of their homes and external security lighting were the most important external elements for them, while within their homes modern kitchens, intruder alarms and upgraded bathrooms were considered most important. When asked about their neighbourhoods, respondents expressed the greatest desire to see the introduction of neighbourhood wardens and caretakers as well as greater investment in new affordable housing.

Council tenants have also played a new role in shaping the future of their homes by turning up to a special workshop. They were asked to rank in importance a range of issues covering everything from housing investment to tenant accountability. Their responses have been collated into a matrix that identifies the priorities of tenants and that will help the Options Fenland Working Group when it comes to evaluating the best option to pursue.

The Options Fenland team has set out their stall at a series of roadshows starting at the Saturday Market in March. All Fenland tenants and leaseholders are invited to the informal events and will have a chance to meet Options Fenland Working Group representatives and housing staff who will feedback the results of the tenant questionnaire on what tenants want in the future.

Options Fenland Working Group representatives and housing officers are staging more informal events to give feedback on what tenants say is important to them and the way they want to live in years to come. The first event was in Whittlesey One Stop Shop in March 2005 and it gave another opportunity for tenants to participate on the options appraisal process, which is approaching a crucial phase. Further events will take place in the other three market towns in early April 2005.

In the Spring the Working Group will start an extensive consultation on the findings on how each option matches up to the standard tenants expect in service and improvements in the future. Following a review of the consultation a final recommendation will then be sent by the Working Group to be scrutinised and approved by the Full Council and government office. Implementation of the chosen option will take place after July 2005 to a timescale yet to be agreed.

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George Hawkins, chairman of the Options Fenland Working Group and the Fenland Tenants' Forum, said:

"We are approaching the key phase when the community will be able to comment on the findings from the Working Group regarding what each option can offer Fenland. Before that, through events such as these, we want to make sure that tenants are full understanding of what each option is of how each option can influence certain key housing issues. It is vital that as many of our tenants and leaseholders have their say on their housing future. We urge them to come to the shop and see what's on offer and speak with us, so we can feed their views into the process."

An assessment of Council housing in Fenland by the lead consultants has found that while the Council will be able to improve its homes to meet the Decent Homes Standard by 2010, it will not be able to afford to maintain that standard based on its current resources and policies. This means that while all options are still open, if the Council continues to retain its housing stock there will have to be changes in the way it is managed and financed. George Hawkins, chairman of the Options Fenland Working Group and the Fenlands Tenants Forum, said:

"The position is that the Council will have a real problem financially once the Decent Homes Standard is achieved. The report shows that capital expenditure needs exceed the resources available after 2010. Repairs and improvements to housing stock after the date would create a huge deficit over the next 30 years. The key message to come out of this report is that change is the only option, it has to happen, but what change that will take is up to the tenants of Fenland. And therefore when we look at the retention option, which means staying with the Council, we need to look at what changes are needed and how far these can meet tenants' aspirations."

'Options Fenland' is certainly grabbing the headlines in the local media now, and Adrian Waite has made the following statement to the press:

"Tenants are always concerned about whether change will affect their rents, and in the past this has been an important concern. However, the government has now introduced a national policy for social rents so rents will increase by a similar amount regardless of whether the Council continues as now, sets up an arms length management organisation, launches a private finance initiative scheme or transfers ownership of homes to a housing association."

"Where a Council sells its homes to a housing association, the price paid by the housing association for the homes is determined by a complicated calculation called 'tenanted market value'. This is usually much lower than the market value and as a result the housing association can afford to borrow money to improve the homes."

"Tenants will have the final say on what happens to their homes. My role in all of this as Independent Tenants' Advisor is to make sure that all tenants have full and accurate information so that they can all make up their own minds about what happens. If tenants have any questions, they can contact my team on a freephone helpline: 0800-085-8616."

Adrian Waite

More information on our work as Independent Tenants' Advisor at Fenland District Council can be found on our website at: www.awics.co.uk/fenlandita

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Consultancy Support for Voluntary Bodies

The National Council of Voluntary Organisations has made 'AWICS' an approved consultancy for 2005.

National Council of Voluntary Organisations Approved Consultants have to demonstrate a commitment to providing a high quality service and share the National Council of Voluntary Organisations' service values. Consultants are assessed against five standards:

- ❖ Operational Standards – NCVO approved consultants demonstrate a commitment to providing a high quality service and have clear policies on client confidentiality, a commitment to diversity and an established code of practice and ethics.
- ❖ Contract capability – NCVO approved consultants have the personnel, the expertise and the resources to deliver a high quality service on any work they contract for.
- ❖ Delivery process – NCVO approved consultants plan the delivery process of each piece of work, with effective procedures and systems for achieving a positive outcome.
- ❖ Delivery and output evaluation – NCVO approved consultants actively seek feedback on both the process and the outcomes of their work.
- ❖ Continuous improvement – NCVO approved consultants know their strengths, are self critical and seek to develop themselves and their services, taking into account the views of users and clients.

Consultants are asked to submit evidence that demonstrates that they meet each of the five standards. They also provide a list of recent voluntary sector clients from which NCVO randomly selects two referees to assess their performance against the standards. NCVO approved status means that a consultant or consultancy has demonstrated a commitment to providing a high quality service.

'AWICS' is listed in the following service categories:

- ❖ Development of Plans & Strategies
- ❖ Management of growth, decline, closure and change
- ❖ Management of mergers/collaborative working & partnership working
- ❖ Management and development of services
- ❖ Developing boards and good governance practice

The National Council of Voluntary Organisations recognises the experience of 'AWICS' in:

- ❖ Capacity Building
- ❖ Economic Development
- ❖ Housing
- ❖ Training
- ❖ Government departments
- ❖ Local authorities
- ❖ Public Bodies

'AWICS' has worked for voluntary bodies in the past, but welcomes recognition as an approved consultant by the National Council of Voluntary Organisations. An increase in the amount of work undertaken for voluntary bodies is expected in 2005.

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Change, Project Management & Managing Conflict in Voluntary Bodies

In recent months we have experienced an increased demand for our training, guidance and support services in the area of Change Management. The assignments have been for both local authorities and newly created independent, autonomous social services organisations established as charities.

As a result of the inherent 'change' there is a need for a more commercial approach and/or the introduction of new cultures which some have found relatively straightforward whilst others have experienced extreme difficulty.

Problems with change in culture can take on many forms as can the ideal ways to resolve them- from the education of the team regarding how to introduce change successfully and seamlessly, through to the careful planning and monitoring. Many people are resistance to change, particularly when they find themselves with new responsibilities such as budgetary control or increased decision-making.

In addition there is often a need for a more commercial attitude where success or failure of an initiative or project relies totally on an individual's own ability and business acumen to maintain and expand a non-profit making initiative. As a result perhaps such 'change' requires marketing expertise as a new skill. Others have found that their new responsibility entails taking on a more managerial/ leadership role and have found it difficult to make the transition- particularly where conflicts occur. In summary the areas we are assisting clients are as follows:

- ❖ Change Management
- ❖ Project Management & Control
- ❖ Conflict Management
- ❖ Strategic Marketing Planning

One of our consultants and specialist trainers is Peter Sutcliffe and he has been helping such organisations meet the challenge. He has been working with various Citizens' Advice Bureau's and charities across the Midlands for the homeless, aged, mental health, youth, drug addiction and other less fortunate groups.

We are all working in a rapidly changing environment to stay ahead and provide a more effective service. We therefore need to embrace change, but, more importantly, manage it effectively in order to save time and minimise investment. Indeed, all the potential benefits could be lost if change is not implemented properly.

Our workshops consider how your organisation should approach any major change initiative, from concept through to successful implementation. Delegates learn about change management techniques and are given checklists and tools to help them in the future.

We can facilitate workshops and provide guidance/ management support for senior managers who are responsible for managing change and for teams that are implementing new initiatives.

Peter Sutcliffe

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Economic Regeneration – Fenland and Waveney

Two 'AWICS' clients in the Eastern Region have been taking a lead in innovative ways of tackling economic regeneration in relatively rural areas:

Fenland District Council has established the South Fens Business centre to offer Hi-Tec opportunities in a rural setting. It is designed to encourage a new generation of entrepreneurship that will help ensure the future needs of business can be accommodated locally.

The new 2000 square metre office development will be home to an active networking manager and receptionist, both of whom will start to build a supportive environment for new business development.

A key aspect of this facility will be the linkage with other centres designed to encourage innovation and general business support. Such virtual links will help to build the intellectual capital of the business base, and by sharing expertise there will be considerable scope for knowledge transfer between businesses. Such networking and sharing should encourage business opportunities, with supply chain activity developing amongst the businesses involved.

The Centre will offer a range of office sizes for the businesses starting from 45 square metres. Terms will be flexible with one month's notice and the rent will be inclusive of all service costs except for telephone calls and internet connections which are likely to vary hugely depending on the nature of the business.

Waveney District Council has built upon the success of its community development team to develop a strategy to develop sustainability in some of the most deprived parts of the Borough. "Building Community Capacity Together" is a project developed in partnership with neighbouring Great Yarmouth Borough Council.

The Council has appointed a Co-ordinator to identify the individuals, groups and organisations that can help to develop projects that will make a significant difference. Community leadership, social inclusion, empowerment and sustainability will be central to all projects. This helps to give the local communities the opportunity to make a real contribution to where they live, work and socialise. The workers act as a signpost, raising awareness not just of the Objective Two programmes, but also of a wide variety of potential funds and training opportunities, and provide an information and communications service, as well as awareness raising activities and opportunities to exchange experiences.

Projects include:

- Working with Oakwood Road Community Field Project Steering Group to improve an open space in South Lowestoft.
- Supporting the East Point Partnership Steering Group with the opening of the first collection point of the Rainbow Savers Anglia Credit Union (ESF supported project)
- Working with the Lowestoft Skate Park Appeal to provide a purpose built facility.
- Social Enterprise Activities – Assisting people to start Social Enterprises.
- Tailored Training – A bespoke Best Start business course was provided to ladies starting a childcare social enterprise business.

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Prudential Borrowing in Practice

Woking Borough Council is using prudential borrowing powers to borrow an additional £53million from commercial banks and the Public Works Loans Board to fund more than 352 affordable homes between 2004 and 2007 – some bought and some built. This has increased the Council's total planned borrowing from £9million to £62million. This is in addition to 100 affordable homes that have been secured through the regional housing board allocations.

Before April 2004, Woking Borough Council used 'Local Authority Social Housing Grant' to increase the supply of affordable housing in the borough, but the ending of 'Local Authority Social Housing Grant' and the introduction of 'Prudential Borrowing' has led to 'Prudential Borrowing' becoming the preferred way of delivering affordable homes. The council's use of 'Prudential Borrowing' is also helping to offset the effects of reduced development activity by Housing Associations in the borough following the disappointing allocation of £3million to Housing Associations in the borough by the Southeastern Regional Housing Board.

Woking Borough Council has established its own Development Company that receives the prudential borrowing and manages the investment. The money is being borrowed from the 'Public Works Loans Board' and private banks. The Development Company is eligible for Housing Corporation funding and uses private building companies to build its homes. Woking Borough Council has an 'AA' and 'stable' credit rating given by analyst 'Standard & Poor'.

The main scheme is the Brookwood Hospital estate where a Housing Association is also building new shared ownership homes to ensure a mix of tenures on the estate.

The Council will use about 25% of the money to purchase vacant homes – many of which are 'right to buy' properties. They are being bought at an average price of £220,000 and it is intended to buy seventy during 2004/2005. An average of £12,000 is being invested in each home to bring it up to a decent standard.

The relatively good condition of the existing council housing stock means that 'Prudential Borrowing' can focus on new developments. The Council can afford to meet the £42million cost of achieving the Decent Homes Standard from within its own resources.

Ray Morgan, Executive Director at Woking Borough Council said:

"Together with the ability to establish companies and trade, it is probably the biggest step change for many years in terms of the powers granted to local authorities.

"We have major problems providing affordable homes for young people.

"We do not have masses of ex-NHS or ex-MoD sites for more building... We need to increase the densities in existing areas.

"Staff have gone from being gatekeepers to being enablers... It has changed their outlook.

"Prudential borrowing is about doing what you can. Sometimes people want to be absolutely certain about everything before doing anything... Being prudential is about being reasonable."

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Jan Chapman, Head of Housing, said:

"The arrival of prudential borrowing has made all the difference to what we can invest in housing... Without it, I am not sure we would be able to fund what we are doing now.

"We are possibly the first Council to use prudential borrowing for the provision of affordable housing... We know of other people who are watching what we are doing.

"We have been achieving very little movement for people on the (housing) register who were not homeless."

Jane Huntley, Housing Enabling Manager at Woking Borough Council said:

"The new houses built through the Council's Development Company will be of a higher quality than most provided through section 106 planning agreements, and will meet eco-standards for heating."

Birmingham City Council is using 'Prudential Borrowing' to borrow £15million to help to achieve the 'Decent Homes Standard'.

Stephen Hughes, Strategic Director of Resources, said:

"In many ways it has been under-estimated... It is a major change for local government finance and it is down to the imagination of councils to make it work."

Harrow Borough Council is using prudential borrowing powers to borrow £40million to fund the decent homes standard and regeneration and estate renewal schemes. This has led the Council to abandon earlier plans to establish an arms length management organisation.

Keith Burchell, Cabinet Member for Planning, Development and Housing said that the £11.8million that the Council had bid for from the arms length management organisation programme would not have been sufficient to fund the decent homes standard. He added:

"We had a very limited stock condition survey. We now realise that the extent of works that we need, not just to meet the decent homes standard but over and above that, is far more than we had originally estimated. With prudential borrowing we will get going a lot sooner and we have got guaranteed funding."

The Council has calculated that stock retention would save £3.6million over thirty years when compared with the costs of establishing an arms length management organisation. The estimated running costs of an arms length management organisation were estimated at over £15million over this period.

Prudential borrowing also enables the Council to start work on home improvements in April 2005 rather than having to wait for an arms length management organisation to be established and to be assessed as 'good' following a housing inspection so that it could draw down the arms length management organisation funding.

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Congratulations to our Clients!

Halton

'AWICS' acted as financial consultants to Halton Borough Council during their stock options appraisal and recommended stock transfer as the best way to achieve the objectives of the Council and the tenants.

It is good news that Halton Council tenants have now backed the transfer of their homes to Halton Housing Trust.

A total of 6,426 homes are set to transfer after 78% of those who voted were in favour of the switch. Turnout was just under 60%.

The vote means that the Trust will spend around £129million on repairs and improvements during the first ten years.

Hammersmith & Fulham

The Hammersmith & Fulham Arms Length Management Organisation, 'Hammersmith & Fulham Housing Management Services', set up with support from 'AWICS', has achieved the two-star rating necessary to qualify for extra funding just six months after it was set up.

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, telephone 017683-52347, or fax 017683-52546.

Services on offer!

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