

# AWICS

# Public Services News

April 2009

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## Working Together - Public Services On Your Side

In March 2009, the Government set out its vision for the future shape of public services, building on a decade of unprecedented investment and rising standards.

'Working Together - Public Services On Your Side' details the steps the Government is taking to give people, communities and frontline staff the information and real power they need to personalise public services. Reflecting their local and individual needs will create a richer, fairer and safer society.

Gordon Brown, the Prime Minister said:

*"Renewed and reformed public services are the key to strong communities and a more socially mobile society. We will put people first by placing power in the hands of those who use our public services."*

*"We are ushering in a new world of accountability in which parents, patients and local communities shape the services they receive, ensuring all our public services respond not simply to the hand of government, but to the voice of local people."*

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Minister for the Cabinet Office, Liam Byrne said:

*"Public services are crucial to providing real help through the downturn and helping families turn aspirations into success. After ten years of investment and improvement, we need to move forward, making sure all services are delivered with a personal touch."*

*"This means giving frontline professionals the freedom and flexibility to use their skills and a Government that focuses on ensuring high standards are always met, because when it comes to public services we want guarantees."*

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The Government considers that it has delivered huge advances across the range of public services over the past eighteen months:

- General Practitioner surgeries are now open for longer hours, with an estimated 75% of General Practitioners' surgeries open at evenings, early mornings or at weekends by the end of the year.
- Around 1 million people are expected to receive a free health check-up under new National Health Services by April 2010.
- The 3000th Children's Centre will open this summer, offering support to 2.4 million families and providing parents with additional support with childcare.
- 15 million people with long-term conditions will be offered a personal care plan by December 2010.
- Funding is being provided to ensure 140,000 pupils will receive one-to-one catch-up tuition in each of English and maths in the next school year.
- In the year ahead, the National Health Service Constitution will enshrine patients' rights to choice in their National Health Services.
- Up to eighty more Academies will open in 2009 and up to 100 more in 2010. Almost twice as many academies have already opened since Spring 2007 than all previous years.

Excellent public services, in the view of the government, depend on providing not only resources but information and control. They will therefore continue to make it easier for people to gain control of their services through shared information and online feedback forums. New digital technology provides a real opportunity to move from traditional Government consultation to a real dialogue between Government, citizen and professionals. The Government will:

- Provide people with new opportunities through the National Health Services Choices website to give online comment and share information about all health services in their area, including direct feedback to all General Practitioner surgeries this summer. This gives people more power to influence the way health services are delivered.
- Continue to see that payment to hospitals for services is linked to patient-reported experiences and outcomes - and the quantity of this payment linked to outcomes will now increase year-on-year.
- Provide a dedicated website in 2010 for parents to compare and share information about childcare settings. Combining this with OFSTED reports and price comparisons.
- Build new online performance maps of local services allowing people to compare their area with others from May 2009. This will help people put more pressure on their local councils to improve or change services.
- Provide an online national crime map by the end of the year, building on the local area crime maps already available through Directgov.

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The Government states that it will continue to invest and foster a new professionalism across all public services, ensuring Britain continues to have public services to be proud of. Government will:

- Create a new 'Prime Minister's Commission on the Future of Nursing and Midwifery', looking at freeing up nurses and midwives to lead improvements on the front line.
- Work with partners to develop a new fast-track route for talented career switchers and graduates moving into teaching - taking six rather than the current twelve months to complete.
- Launch a Masters degree 'Teaching and Learning', with an ambition of 4,000-5,000 participating in 2009/10.
- Introduce a new Accelerate to Headship scheme in September 2010, to offer up to 200 outstanding individuals a fast-track pathway to senior leadership within four years.
- Reduce red-tape in policing equivalent to 2,500-3,500 officers over time, including around 690,000 hours of form filling alone.
- Cut police targets to one - public confidence in policing.

The Government states that it will continue to play a strategic role, putting power into the hands of citizens, professionals, local service providers and institutions at the front line of public services. They intend to focus increasingly on driving efficiency and enabling innovation. The Government will:

- Give high-performing hospitals more autonomy through the expansion of National Health Service Foundation Trusts with around 25 new Foundation Trusts in 2009. Subject to Monitor approval, this would mean more than half of all Trusts will be Foundation Trusts.
- Giving Jobcentre Plus advisers' greater discretion to personalise support, benefiting up to 80,000 jobseekers.
- In Local Government, freeing up local leaders to join up and tailor services and economic strategies across local areas. Plus a further six Multi Area Agreements over the next twelve months and with at least two cities increasingly take control over their own economic destiny.
- Across government delivering £35billion of value for money savings, equivalent to £1,400 per household that will be allocated to front line services with further savings to come in 2009 Budget.

The document 'Working Together - Public Services On Your Side' can be viewed at [www.hmg.gov.uk/workingtogether.aspx](http://www.hmg.gov.uk/workingtogether.aspx)

AWICS is holding a series of seminars on 'Local Democracy, Communities and Development' during June and July 2009. These will refer to 'Working Together - Public Services On Your Side' as well as other aspects of the government's agenda for empowering communities and encouraging development. Further details are available on our [website](#).

**Adrian Waite**

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## Public Sector Net Cash Requirement and Investment in Housing

We all know that there is a severe problem in the social housing world: too many people are chasing too few houses, waiting lists are burgeoning and there is not enough money available to those who are trying to gain a foothold on the property ladder.

At the same time, the Chancellor has a problem - the credit crunch has hit hard. The European Commission says that the UK economy will now grow by 1.1% in 2008 - much less than the 1.7% previously forecast and a sharp reduction from the official Treasury forecast of 2.5%. (Since this article was written growth forecasts have been reduced further – Editor's note).

Its conclusion is that we are heading for recession. The blame for the decline has been pinned on the financial markets, soaring commodity prices and the housing slump.

The National Institute for Economic & Social Research has predicted the growth slowdown will push public finances deeper into the red. Annual net borrowing is now forecast to be about £45 billion for the three fiscal years between April 2008 and March 2011. This would push borrowing above 40% of Gross Domestic Product in 2010/11.

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*So the Chancellor has a big problem: it appears the famous Golden Rule is in danger of being broken*

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So the Chancellor has a big problem: it appears the famous Golden Rule is in danger of being broken. This states that over the economic cycle, the Chancellor will borrow only to invest, and not to fund current spending.

He must consider too his second fiscal rule, the sustainable investment rule, which states that net public debt as a proportion of Gross Domestic Product will be held over the economic cycle at a stable and prudent level.

Other things being equal that means that the Public Sector Net Cash Requirement will be maintained below 40% of gross domestic product over the economic cycle.

The Chancellor's problems can only be made worse by the Prime Minister's desire to see more houses and in particular more affordable homes. The hope of the Comprehensive Spending Review last autumn was for three million new homes by 2020, including 45,000 social homes a year by 2011. The reality is that house completions are falling. Eco-towns have yet to breathe fresh air into the countryside and even the promise of insulation for all will take years to complete.

To be fair to the government, it has been trying to put in place a framework that would allow an increase in the housing supply: Housing Corporation money became available to three-star Arms Length Management Organisations, then two-star Arms Length Management Organisations. Finally local authorities were promised they could be involved.

This will involve either taking properties out of the Housing Revenue Account subsidy system – which is a disincentive to new build – or working with special purpose vehicles.

Clearly this move encourages local authorities to use their land to achieve housing targets.

Those Arms Length Management Organisations that have put their toes into the new build pond are finding it can be quite difficult to make the financial equation stack up. Most were relying heavily on sales, something that can no longer be relied on.

Local authority finance directors are naturally cautious about over-using the freedoms given by prudential borrowing and the Treasury is watching such borrowing very carefully as the fiscal rule's 40% figure is approached. So that is not a solution.

Housing Corporation grant rates (now Homes & Communities Agency) are being tightened and more are chasing this limited pot – so that will not provide the answer either.

Wouldn't it be good if local authorities could be freed to use the value of their housing assets?

This surely ticks the box with the government's wish that council-owned assets are better used. Registered Social Landlords have been urged for years to sweat their assets. Given the approaching era of a single regulator, shouldn't the same asset rules also apply to local authorities?

The Chartered Institute of Public Finance and Accountancy is currently looking at bringing local authority accounting into line with international financial regimes. Could this be the spur for the government to look at how others in Europe operate? There may be lessons we can learn.

The French, for example, manage to exclude social housing from the public expenditure definition. A move like that would diminish fiscal rule fears around the 40% figure.

Tony Travers put it succinctly when he said:

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*“If only local authorities were outside the Treasury's Stalinist public expenditure control system.... many of them would now be in the position to intervene in the housing market.”*

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Giving such freedom to local authorities would allow much-needed investment in new housing, but, perhaps more importantly, re-investment in the current stock. Remember, the vast majority of this will be around for the next fifty years or so. The current review of the housing finance system is trying to square a circle that many have failed to do over a long period (Remember the 'Blue Skies Thinking' debate?).

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*Is it time to think outside that square box? The removal of the shackle of the Public Sector Net Cash Requirement in respect of social housing would present a significant opportunity*

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Is it time to think outside that square box? The removal of the shackle of the Public Sector Net Cash Requirement in respect of social housing would present a significant opportunity to deal with the present crisis but also future needs.

If my own authority's recent stock condition survey is anything to go by, we need serious funding in the medium term which the housing subsidy system will never deliver. Using the value locked up in the homes would solve this enabling us to both maintain homes to the Decency Standard and to build much needed affordable housing.

So the answer to the related problems of housing and the economy may be to look at things from a different angle – a change of view. Surely this can't be done by a government? Yet haven't governments brought in new ways of measuring when it suited them?

What about the RPI, the CPI and the RPIX - or even the once-radical new measure of sterling M3?

So come on Mr Darling, do yourself and all those stuck in the current housing crisis a favour: have a word with the people at the Office for National Statistics - please.

**Ken Lee**

Finance Director of Wigan and Leigh Housing and Chairman of the CIPFA Housing Panel

'AWICS' is currently holding our 2009 series of 'All You Want to Know about Local Authority Housing Finance' at venues around England. For more information please visit our [website](#).

This seminar is available in-house. For information please visit our [website](#).

We publish a range of books about local authority housing finance that range from 'All You Want to Know about Local Authority Housing Finance' that is an introduction and overview, to 'Developments in Local Authority Housing Finance' that is designed to bring practitioners up to date. For details, please visit our [website](#).

There are briefing papers on housing finance that can be freely downloaded from our [website](#).

## Local Authority Housing Finance in Scotland

Local authorities in Scotland face the challenge of delivering the Scottish Housing Quality Standard and increased efficiency in the face of the need to maintain affordable rents.

The Scottish Government has established a 'Scottish Housing Quality Standard' and a target for all local authorities to achieve this target by 2015. Authorities have been asked to produce 'Standard Delivery Plans'. This has led to an increase in capital expenditure.

However, capital resources are constrained, major changes to the capital financing regime (including introducing prudential borrowing) have been made and the recession has reduced the scope for capital receipts. Authorities have been obliged to carry out stock options appraisals. As a result some councils have transferred their housing stock to a registered social landlord; while Councils that have retained their stock face increasing challenges of financial sustainability. The new Scottish Government has confirmed its commitment to the Scottish Housing Quality Standard.

Since 2004, Scottish local authorities have been able to use the prudential borrowing system to fund capital investment and have also made use of capital receipts and 'capital funded from revenue'. In the absence of a national policy on setting social rents this has led to an increase in rents. The same period has also seen increases in revenue expenditure on management and maintenance. As over 60% of rent income is rebated most of these increased costs are funded by the United Kingdom Government's housing benefit budget.

There are increasing concerns that with many local authorities retaining their council stock there will be increasing upward pressure on rents with implications for affordability and the government's budgets. Of particular concern is the possibility that increasing levels of debt will create a 'financial time bomb'.

Votes against housing stock transfers by tenants of Scottish local authorities including Edinburgh, Stirling and Renfrewshire, along with problems encountered in Glasgow in carrying out the planned 'second stage' stock transfers from the Glasgow Housing Association have been among the factors that have led to the Scottish Government reviewing its approach to social housing.

Policy was to encourage stock transfer and to provide financial support in cases where there is a negative stock valuation or 'overhanging debt' to enable the transfer to proceed. Consequently there had been little emphasis on long-term planning for local authority housing.

The new Scottish Government, in its Green Paper: 'Firm Foundations – The Future of Housing in Scotland' has raised concerns about variations in rents, expenditure and performance in different Scottish local authorities and also about the inability of some of them to achieve the

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Scottish Housing Quality Standard. An alternative option of establishing Arms Length Management Organisations has been proposed, along with the write-off of debt for authorities that take this step. However, this option has not been developed further.

While the former Scottish Government developed 'efficiency' and 'value for money' strategies, the level of efficiencies that have been sought have not been as great as in England. One result of the Comprehensive Spending Review of 2007 was to place greater constraints on Scottish budgets and to oblige the Scottish Government to set more ambitious 'value for money' targets for local authorities. This has occurred.

It is considered that the Scottish local authority housing service is likely to face increased pressures in the medium term. Investment to meet the Scottish Housing Quality Standard is leading to increased debt and increased rents (which in turn are leading to increased housing benefit claims); tenants in many authorities have rejected stock transfer; and the Comprehensive Spending Review of 2007 has led to more exacting efficiency targets.

The Scottish Government is maintaining the Scottish Housing Quality Standard but has placed new emphasis on achieving value for money, reviewed right to buy legislation, and has focussed its resources on new affordable housing rather than improvements to the existing stock. However, it has proposed the establishment of Arms Length Management Organisations for local authority housing, combined with a write-off of debt where this step is taken.

#### **Adrian Waite**

'AWICS' is holding a seminar on 'All You Want to Know about Local Authority Housing Finance in Scotland' in Falkirk on 12th May 2009. This is a useful introduction and overview to the subject. Further details are available on our [website](#). This course is also available in-house. Details are available on our [website](#).

'AWICS' is also holding a seminar on 'Budgets and Financial Management in the Public Sector for Non-Financial People' in Falkirk on 13th May 2009. This is designed as an introduction to budgeting and financial management for non-financial people including Councillors, Board Members and Non-Financial Managers. Further details are available on our [website](#). This course is also available in-house. Details are available on our [website](#).

We publish a range of books about local authority housing finance including 'All You Want to Know about Local Authority Housing Finance in Scotland' that is an introduction and overview. For details, please visit our [website](#).

There are briefing papers on housing finance that can be freely downloaded from our [website](#).

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## More Freedom to Increase Council House Building

Councils may soon have greater freedom to build more homes under plans that went out to consultation in January. Under these proposals, announced by Housing Minister Margaret Beckett, councils would be able to keep all the rental income from any homes they build, as well as keep the receipts from any of those homes which are later sold through Right to Buy.

It is intended that local authorities will play a bigger role in securing the supply of new affordable housing. This would include new opportunities for councils to develop housing directly where this offers value for money in comparison with other options.

The Housing Revenue Account subsidy formulas include allowances to meet the cost of financing prescribed levels of debt within the Housing Revenue Account. However, no provision is made within these formulae for financing the capital costs of new council housing (other than through PFI).

This extra money could allow councils to invest in the building of more council houses, helping to deliver more homes for families in need.

Councils currently only build a few hundred council homes a year, with the majority of new social homes being built by registered social landlords. The consultation proposals would seek to boost this build rate by removing some of the financial barriers stopping councils from building new properties and increasing their housing stock.

The proposed plans recommend that the following types of properties should qualify to be held outside of the HRA subsidy system:

- new build properties
- properties purchased or otherwise acquired
- derelict or uninhabitable properties brought back into use as a result of significant council investment

Housing Minister Margaret Beckett said she wanted local authorities to play a bigger role in the delivery of council housing and invited councils interested in building more homes to discuss their ideas with the Homes and Communities Agency.

Margaret Beckett said:

*"We are determined to help keep house building going in the current climate, as the long term need for more homes is not going to disappear. These new freedoms will encourage councils to play a bigger role in driving forward the delivery of new affordable homes for families in housing need."*

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The Government recently announced that they would invite councils to bid for a share of the capital grant given to social landlords to subsidise the cost of new housing. The new financial rules will make it possible for councils to compete for this funding alongside other providers of social housing such as registered social landlords.

The consultation closes on 17th April 2009.

'AWICS' has developed a financial model for the building of new homes by local authorities. For further information on these please contact [adrian.waite@awics.co.uk](mailto:adrian.waite@awics.co.uk).

**Adrian Waite**

## Adrian Waite joins Board of Impact Housing Association

Adrian Waite has been appointed to the Board of Impact Housing Association and to the Residents' Committee.

Impact Housing Association is an innovative, go-ahead organisation operating in Cumbria. Their name still reflects their objectives - Improvement through Action.

This year will be a busy time for Impact Housing Association, with major improvements to services. Also, Impact plans a number of improvements behind the scenes. There are three things that are particularly important:

- For the first time, details of the Business Plan will be on the website- so that people can see for themselves what is planned. The web address is [www.impacthousing.org.uk](http://www.impacthousing.org.uk)
- They will be publishing details of performance on the website for everyone to see.
- Impact will be doing even more than ever to encourage tenants, residents, service users and customers to give feedback and to become more involved. Adrian Waite will play a role in this as a member of the Residents' Committee.

Impact Housing was formed in 1975 when a group of Cleator Moor residents protested against plans to knock their homes down on Duke Street and Queen Street. As a result of their actions a Housing Action Area was set up and Impact was born. The name Impact stands for Improvement through Action.

From small beginnings in Copeland Impact expanded to Carlisle and Allerdale and set up a small central office in a house on South Watt Street in Workington, not far from where the head office site is today.

Impact's activities developed to include housing with support. They set up Supported Housing projects in Carlisle and Eden and when Dovenby Hospital closed in Allerdale they were involved in re-housing some of the long term residents. Today Impact has over 500 supported housing residents.

In 1999 Impact purchased the Salterbeck Estate in Workington from the Local Authority through a stock transfer. All of the properties needed major refurbishment, and Impact worked with Salterbeck residents to transform the estate back into an attractive and vibrant place to live.

Impact is now a main social landlord in Cumbria, working throughout the whole County.

They also offer a wide range of other services. The recycling and second hand furniture operations have been going since 2000. New services since then include the provision of E2E training Countywide; the first Foyer, based in Penrith; and the first "extra care" sheltered housing

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*With the continuing support of residents, partners and the wide range of agencies Impact works with the aim to expand further and improve services for the benefit of the communities they work with*

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scheme, at Rowan Court in South Lakeland.

With the continuing support of residents, partners and the wide range of agencies Impact works with the aim to expand further and improve services for the benefit of the communities they work with.

Adrian's previous experience on a Housing Association Board was at Burnley & Padiham Community Housing (now Calico Housing Association) from 2002 to 2004. He was Independent Tenants' Advisor at Fenland District Council during the stock transfer to Roddons Housing Association (part of the Circle Anglia Group) and has worked with numerous Housing Associations as a management consultant and trainer.

**Adrian Waite**

'AWICS' is currently holding its annual series of 'All You Want to Know about Housing Association Finance' at venues around England. Adrian is the presenter. This course is a useful introduction and overview of Housing Association Finance. More details are available on the [website](#).

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There are briefing papers on housing finance that can be freely downloaded from our [website](#).

## Upcoming Regional Seminars

We will be holding a number of our Regional Events around the UK over the upcoming months.

- All You Want to Know about LA Housing Finance in England - February to June
- All You Want to Know about Local Authority Finance - April
- All You Want to Know about Housing Association Finance - March to July
- All You Want to Know about Budgets & Financial Management – May
- All You Want to Know about Housing Finance in Scotland – May
- All You Want to Know about Housing Finance in Wales – June

You can find more information about all of these regional courses on our [website](#).

We have also just published our In House Training Courses guide for 2009 which includes information on all the courses we can provide. These are available specifically for England, Wales and Scotland from our [website](#).

## Other Services

In addition to our in house and regional seminars AWICS also provide a range of other services including:

- Management Consultancy including:
  - Business and Best Value Reviews
  - Advice on Procurement
  - Housing Finance
  - Housing Stock Options Appraisals
  - Housing Association Finance
  - Public Authority Accounting
  - Advice to Voluntary Bodies
  - Performance Management
- Independent Tenants’ Advice
- Publications

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