

February 2009

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The Act gives local people new rights to shape local services and gives greater responsibility to local authorities to promote economic development helping communities respond to local challenges

Local Democracy, Economic Development and Construction Act 2009

This new Act is likely to become law in the spring of 2009. The Act gives local people new rights to shape local services and gives greater responsibility to local authorities to promote economic development helping communities respond to local challenges.

The new Local Democracy, Economic Development and Construction Act imposes a:

Duty to promote democracy - this supports evidence that local authorities who actively involve people in decision-making benefit from higher public satisfaction. The duty will ensure councils raise awareness of their work and services so people can find out and understand how decisions about services that effect them are made, how to make their voice heard and how to stand for a civic role.

Duty on local authorities to respond to petitions - a recent YouGov survey found that 90 per cent of people think councils should take account of petitions - even though LGA survey showed less than a third of councils guarantee a response. The new duty will require councils to respond to petitions - improving transparency in local decision-making and the extent to which citizens feel able to influence local decisions.

Extending the duty to involve - growing evidence highlights that involving citizens in the local decisions and services affecting them is an effective way of driving up the performance of public services. This duty already applying to best value local authorities from April 2009 is being extended to partner authorities to give citizens and communities more opportunities to have a meaningful say.

Providing funding for a National Tenant Voice - to ensure tenants' views are central to decision-making processes, particularly of the Tenant Services Authority.

Strengthening overview and scrutiny - growing evidence suggests the number of scrutiny officers is decreasing as the range of work carried out by overview and scrutiny committees is increasing. Proposals plan to boost capacity and raise awareness of overview and scrutiny through the creation of a scrutiny officer and broadening the scope of what joint overview and scrutiny committees can consider.

The worsening of the economic situation gives the government's strategies for local democracy, economic development and construction an even greater importance

Making the Boundary Committee for England an independent body and separate from the Electoral Commission - implements Committee on Standards in Public Life recommendations to ensure the Electoral Commission's integrity and public confidence. Legislating for a separate Boundary Committee will establish a strong national body that is impartial, independent and solely focused on overseeing boundary changes (electoral, administrative and structural) in England.

Duty on local authorities to undertake an economic assessment of their area - to ensure that authorities have the right evidence to make informed decisions about promoting economic development.

New Regional Strategy for each English region (except London) - these new strategies will bring together and integrate economic and spatial planning in each region. They will be developed in by the Regional Development Agency in partnership with a new local authority Leaders' Board.

New powers to create 'Economic Prosperity Boards' - to give local authorities the ability to create corporate bodies at sub-regional level to promote economic development.

Allow creation of multi area agreements (MAAs) with statutory duties - these will provide a further option for local authorities to work together on economic development by allowing MAAs to be put on a similar statutory footing to Local Area Agreements.

Amendments to Part 2 of the Housing Grants, Construction and Regeneration Act 1996 - to improve cash flow and the referral of disputes to adjudication under construction contracts.

The Local Democracy, Economic Development and Construction Act 2009 follows closely on the heels of the Housing and Regeneration Act 2008 and is part of the government's unfolding agenda to increase the participation of citizens in decision making and to link this to the promotion of economic development. While this agenda was devised before the current recession, the worsening of the economic situation gives the government's strategies for local democracy, economic development and construction an even greater importance.

Stephen Harriott
Associate Consultant with AWICS

Want to Learn More ?

AWICS are running a number of regional training courses around the UK on Local Democracy, Communities and Development. This will look in detail at the implications of the Local Democracy, Economic Development and Construction Act 2009 and provide an update on the Homes and Communities Agency and the Tenant Services Authority.. You can find details of this course on our website here :

http://awics.co.uk/RegionalSeminars/ViewCourse/local_democracy_communities_and_development/

Public Services and the Recession

The recession that started in 2008 is already having a significant impact on the finances of public organisations including local authorities and housing associations. The main economic effects are:

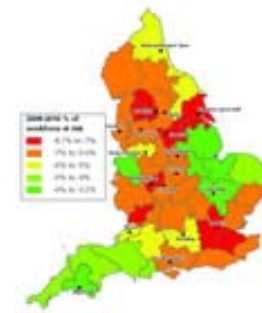
- Restricted access to credit
- Falling property and share values
- Falling currency values
- Low levels of consumer demand
- Low inflation
- Low levels of economic growth
- Increased unemployment
- Government ownership of and guarantees for banks
- Low interest rates
- Bringing forward of public expenditure plans

The first half of 2008/09 saw inflation increasing to a peak of 5.2% in September 2008 causing cost pressures. This level of inflation was higher than that which was predicted at the time of the 2007 Comprehensive Spending Review leading to budgets for 2008/09 being lower in real terms than was originally intended. Fuel bills, for example, increased significantly. However, inflation is now falling to lower levels and the local government pay settlement for April 2008, for example, was agreed (subject to arbitration) at 2.45%. Cost pressures are therefore likely to arise from increased demand rather than from inflationary pressures.

The collapse of the Icelandic banks obviously had an impact on those organisations that held deposits there. One local authority that was especially badly affected pointed out, ironically, that they had diversified their lending to avoid falling victim of a banking collapse and had invested in four separate Icelandic banks. A concern about the safety of deposits is now widespread, giving a higher profile to Treasury Management, lending policies and the use and reliability of credit ratings.

A survey of local authorities by the Audit Commission in December 2008 found that demand for services is starting to increase. They found that 25% of Councils were experiencing increases in demand for the care of elderly people, 33% were dealing with increases in homelessness and 10% had even found an increase in demand for state school places for children who were previously in private education. This effect was especially marked in London, presumably because of the impact of the recession on the financial services industry. There is already evidence that the demand for social housing is increasing. An increase in the number of family breakdowns is expected. It is also expected that the number of home repossessions will increase thus increasing the demand for social housing.

Economists are predicting that unemployment will increase to three million and this will increase numbers claiming unemployment and other benefits including Council Tax Benefit and Housing Benefit. The numbers seeking financial and other advice will increase. The number of Council Tax payers finding difficulty in paying Council Tax will increase resulting in lower levels of Council Tax collection, increased arrears and write-offs and increased



Areas likely affected most by the recession¹

25% of Councils were experiencing increases in demand for the care of elderly people

¹ Image from LGA website : <http://www.lga.gov.uk/lga/core/page.do?pageId=1223367>

costs in collecting Council Tax. It is expected that the proportion of tenants eligible for housing benefit will increase during the recession. It is also expected that the number of tenants finding difficulty in paying rent will increase resulting in lower levels of rent collection, increased arrears and write-offs and increased costs in collecting rents. There is also likely to be a reduction in demand for some council services for which charges are made. These are likely to include leisure services, car park charges and rents from industrial estates, garages and shops as individuals and businesses seek to reduce their costs and as businesses that rent premises cease to trade.

The recession is reducing the level of development activity with 80% of Councils already reporting a reduction in the autumn of 2008. This includes development of social housing with housing associations being less able to access private funding at affordable levels, less able to use commercial development to cross-subsidise social and shared-ownership housing, and less able to benefit from the reduced number of section 106 agreements. It is also reported that at least six major housing associations are now in financial difficulties.

Councils borrow most of their money from the Public Works Loans Board and this has not been affected by the recession as much as borrowing in the private sector. Furthermore, borrowing rates from the Public Works Loans Board have reduced. The variable short-term lending rate has fallen from 5.5% in January 2008 to under 2% in December 2008. Interest rates on fixed rate loans have also been reduced. This means that Councils have access to cheaper financing than has been the case in the past, but in the case of the Housing Revenue Account this will be reflected in Housing Subsidy.

Reduced interest rates mean that Councils are receiving less interest on their balances. This is not a factor in the calculation of Housing Subsidy and so this represents a loss of resources to the Housing Revenue Account as well as to the General Fund.

Contractors and Suppliers to Councils are also threatened by the recession meaning that Councils are potentially at risk from such companies getting into financial difficulty or going out of business.

Local Authorities have a role in Economic Development and in Place Shaping. Statutory powers, the local leadership role and the fact that local authorities and other public bodies are major employers and major purchasers in the local community give local authorities and their partners an opportunity to help their communities and businesses through the recession. To achieve this may require some new thinking. For example, Councillor Tim Knowles, Portfolio Holder for Economic Development at Cumbria County Council said:

*Borrowing rates from the
Public Works Loans Board
have reduced.*

“The old traditional processes should not bog us down. Councils have enormous powers in what is called ‘well being’ – things like land allocation, procurement and how you buy things to benefit Cumbria through the economic downturn. We must use these opportunities.”

The Audit Commission also suggests seven ways for Councils to help their communities through the recession: Supporting debt counselling, providing loans to struggling home owners, improving benefit take up, creating credit unions, addressing fuel poverty, helping local businesses to bid for council work and paying small businesses quickly.

Lower levels of inflation and lower interest rates may benefit some Councils in 2009/10. The Revenue Support Grant settlement is based on an increase of 4.2% reflecting 3% inflation and additional provision for the Private Finance Initiative. Interest rates are also reduced, although it will take some time for Councils to realise the full effect as much of their borrowing is at fixed rates. As inflation is predicted to be below 2% in 2009/10 this should allow for a real increase in expenditure but this may not be enough to meet the additional costs caused by the recession.

However, many Councils are reported to be considering making economies involving reducing services or reducing staff levels. In December 2008, Eden District Council reported that the recession had led to a significant reduction in its investment income and a collapse in the recycling market leading to an increase in its net expenditure on recycling. The Council is therefore proposing an increase in Council Tax of 4.99% in 2009/10 (just below the expected national limit); reductions in expenditure on arts, leisure, parks, open spaces, cemeteries and public conveniences; and the withdrawal of £300,000 from balances.

The Audit Commission has suggested that public organisations should be proactive in managing their finances and that achieving better value for money is imperative. Clearly these things are important in enabling public organisations to meet increased need from limited resources. Furthermore, public organisations – especially local authorities – need to ensure that the need to ‘balance the books’ does not cause them to lose sight of their role as community leaders with an obligation to help communities through the recession.

Adrian Waite

The Audit Commission has suggested that public organisations should be proactive in managing their finances.

“Skills loss which some suggest could take 3 years to recover”

Small Housing Association Development Stalled?

It seems to have become a little difficult to develop new social housing. Colleagues tell me that the models used to fund development are slightly broken. Cross subsidy from build for sale has dried up, because build for sale is not viable at the moment; no one is buying the product, not least because they can't get a mortgage. In any case, the calculation of large loans to social housing developers was based on property prices that have dropped somewhat over the past year.

All this was always going to happen. Economic cycles and housing cycles happen and are understandably linked. The more you have been engaged in the development of housing using the cross subsidy/borrow on existing assets, the more you will have been affected by the current downturn in the housing market. All this will pass and the market will recover eventually. I do feel it would recover more quickly without politicians playing party politics with the “what should be done” “we would do it differently, the current measures will not help” sound bites.

Until the market turns things may not get much better and this results in a very bad time for the house building industry. This in turn leads to a skills loss which some suggest could take 3 years to recover in some regions.

However there are ways of continuing development of social housing and there are social housing providers which could invest in new development, if the systems and structures were there to encourage them to do so.

Smaller Housing Associations have not been developing to any significant extent for some years. They have been sitting on their assets, generally doing a pretty good job of managing social housing for the benefit of their tenants. Some have been frustrated at the way they have been excluded from the development process. Others have done some small development through larger development partners, who have charged them between two and five percent for the privilege of spending their money.

There are over eight hundred housing associations with less than five hundred “units in management” (homes to the rest of us) and another hundred and fifty plus with fewer than two thousand five hundred. The organisation I work for has 257, about in the middle I guess. We have few loans and could comfortably borrow £4m against our current assets. As an RSL we feel that we should perhaps be encouraged to develop new housing. If we are indeed typical or average then there is potentially £3.8 billion capacity. I guess we would be looking at an average of 45% grant and we could have a £6.9 billion worth of new social housing.

None of the above is particularly scientific but it is surely worth looking into?

Maurice Condie
Chief Executive of Byker Bridge Housing Association

Do you want to help your staff maintain their skills and make the most of the recession? If so why not check out our Housing Association Courses at the back of this newsletter

Homes and Communities Agency – Launched

The new Homes and Communities Agency was launched on 1st December 2008. The HCA is the single, national housing and regeneration agency for England. They bring together the development and regeneration expertise of English Partnerships, the investment functions of the Housing Corporation, the Academy for Sustainable Communities and the major delivery programmes of Communities and Local Government.

In their first announcements they laid out their initial aim to establish new ways of working in a bid to sustain development activity during the downturn. Sir Bob Kerlake, chief executive of the HCA said:

“Our response to the impact of the credit crunch will be investment led and countercyclical in order to maintain a level of activity in house building and prepare the industry for the upturn”

After just two weeks of operation the HCA began working to help drive forward housing supply with its development partners. This is intended to help to get eligible Registered Social Landlords and other partners support to get through the current volatile market from a menu of options and through providing individual solutions.

Partners will be able to gain benefits from £400million being injected by the HCA into the housing market through the HomeBuy Direct scheme which it is hoped will benefit developers and first time buyers. This should provide more than 18,000 new sale homes provided by 130 developers across England.

Other announcements from the HCA since it began operation include making £32million available for ALMO's, Local Authorities and RSLs to bid for the provision of rented sites for Gypsies and Travellers, new age travellers and travelling show people. Also this month at a round table event run by the HCA Academy and Regeneration and Renewal, London regional director David Lunt announced measures to unlock stalled London regeneration schemes and develop new investment models that are geared up to coping with the market downturn and are two of the HCA's early priorities.

So far it seems that their wide ranging powers to do almost whatever they want has not been put to its full use yet. However, they are taking measures to ensure that the housing market can survive the current downturn in the current financial market.

Adrian Waite



The opening of the extension to Nottingham's existing Science Park, which has turned a contaminated site into one of the most exciting new developments of its kind in UK

Find out more about the new HCA by attending one of our regional Housing Association Courses. Details at the back of this newsletter

Local Government Finance Settlement 2009-10

The Minister for Local Government (Mr. John Healey) announced the Local Government Finance Settlement for 2009/10 in January 2009.

The settlement was contained in two reports:

The first is the Local Government Finance Report (England) 2009-10. This report establishes the amounts of revenue support grant (RSG) and non-domestic rates (NDR) to be paid to local authorities in 2009-10, and the basis of their distribution. A draft of this report was issued for consultation on 26th November 2008.

The second report is the Limitation of Council Tax and Precepts (Alternative Notional Amounts) Report (England) 2009-10. This sets out the Alternative Notional Amounts for the nine restructuring authorities that will be established on 1st April 2009. This report provides 2008/09 budget requirement figures for these authorities that can be used as a comparison in the event that the Government uses its capping powers. A draft of this report was also issued for consultation on 26th November 2008.

On the settlement, the government received a total of 109 written responses from 107 individual authorities, MPs, and formal and informal groupings of authorities. Ministers met delegations from the Local Government Association, London Councils, and groups representative of county councils, shire districts and fire and rescue authorities.

Having considered the views of the local authority associations and others who commented on the provisional settlement, the government decided to confirm their original proposals for the distribution of the 2009/10 local government grant and for the alternative notional amounts in relation to the financial year beginning 1st April 2009.

The final figures published for 2009/10 confirm those originally published with the 2008/09 settlement in January 2008. In line with the Government's policy on multi-year settlements, it has always been clear that the settlement for 2009/10, as the second year of a three-year settlement, would not be changed from that previously published other than in exceptional circumstances. Having fully considered all the representations received during consultation the government considers that it has not found any such exceptional circumstances.

The government considers that this settlement represents a continued real-terms increase in investment in local government, which will allow authorities to continue to deliver improving services at an affordable cost. Total formula grant for 2009/10 will be £780million, or 2.8% higher than in 2008/09 on a like-for-like basis. Specific grants such as the Dedicated Schools Grant are on top of these figures and bring the total increase in funding for local authorities to 4.2% in 2009/10.

However, local authorities maintain that if the increased provision for

The government considers that this settlement represents a continued real terms increase in investment in local government.

Private Finance Initiative credits is taken out of the equation there is no real increase in funding for local authorities at a time when the demand for services and specific costs such as that of waste management are increasing. The recession has also added to the financial challenges faced by local authorities by reducing income from investments and activities including car parking and by increasing the need to spend on services such as homelessness.

In introducing the settlement, John Healey MP, said:

“Given this substantial rise in investment in local government over more than a decade, there can be no excuse for excessive council tax increases. I have made clear – and I repeat today – that the Government expects the average council tax increase in 2009/10 to be substantially below 5%. We had to take capping action in 2008/09. If necessary, we will do so again in 2009-10 to protect council tax payers if they are faced with excessive increases. No authority should be in any doubt about the Government's resolve in this matter, particularly during this period of economic downturn, including requiring authorities to re-bill if necessary.”

The Local Government Association has pointed out that they understand that the economy is experiencing unprecedented challenges and have noted that last year's tight settlement has not been cut back any further. However, they consider that last year's three year spending settlement was the worst in a decade and councils themselves have since been hit hard by the economic downturn, in particular through dramatic declines in income from fees and charges, and substantially lower investment income, as well as increased demand for services. They say that Councils will continue to work hard for the people they serve but they face very tough choices.

Many councils' capital investment programmes are funded to a substantial extent from land and property sales. Research by the Local Government Association suggests that receipts from this source could fall by more than half in 2009/10, reducing available funds by £1billion. The Local Government Association considers that the Government should support innovative measures to ensure that high priority capital investment benefiting local economies is not held back.

The Local Government Association considers that local government is the most efficient part of the public sector. They point out that councils have already made a significant contribution to the Government's efficiency programme. They achieved well in excess of the sector's £3billion 2004 Spending Review target and more than £1billion this year. The Local Government Association considers that finding further

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efficiency savings given the tight settlement and difficult economic climate that is placing pressure on income and demand for services will be very challenging, but they expect councils will be making every effort to achieve and if possible exceed the target.

The decision to allow councils to exclude possible losses from their investments in Icelandic banks from their 2009/10 budgets is welcomed by the Local Government Association. They consider that it will give councils much needed breathing space and help to shield council taxpayers in 2009/10.

The Local Government Association has concluded that:

“Councils are doing their best to keep council tax increases down; last year’s average increase of 3.9% was the lowest increase since the council tax was introduced. We are against the use of capping powers.”

However, with local authorities all over England now setting their budgets for 2009/10 a pattern is emerging of above inflation Council Tax increases, reduced services and job losses.

For example, Nottingham City Council’s website states that:

“The combination of the global recession – that has caused some of our costs to rise significantly and our income to fall – and the need for a significant investment providing child protection services means that it will not be possible to set a balanced budget for 2009/10 without reducing the number of staff employed by the Council... Potentially, this could be a reduction of around 350 currently filled full time equivalent posts, equating to a reduction in our head-count of approximately 400, resulting in a saving of over £12million.”

Adrian Waite

Want to Learn More ?

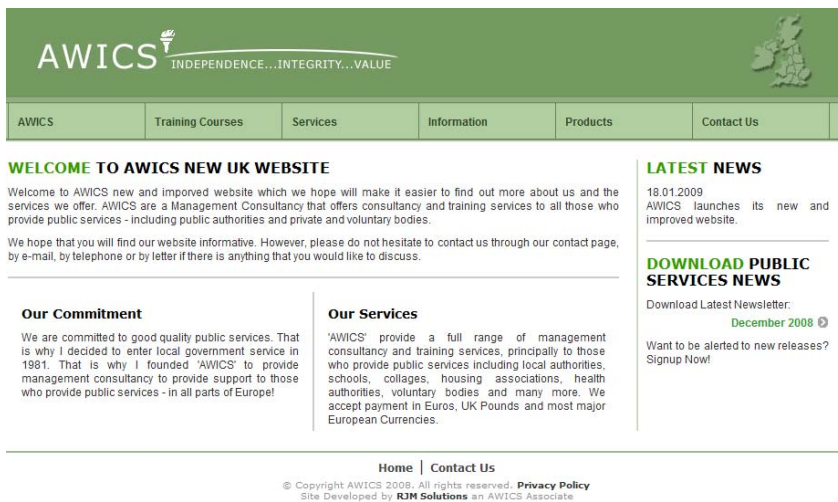
AWICS is holding the 2009 series of ‘All You Want to Know about Local Authority Finance’ at venues around England between March and May 2009. This series gives an introduction and overview of local authority finance and is suitable for people who are not experts but who need to understand the basics. It is suitable for elected Members, non-financial managers, people who are new to local government finance and anyone with an interest in how local government is financed. For more information please visit:

www.awics.co.uk/RegionalSeminars/ViewCourse/local_authority_finance_england_09/

New Look for AWICS Website

With AWICS old website being over 5 years old we felt it was time to give the site a new look. So last month we launched our new site design which you can find at <http://www.awics.co.uk>. The new design offers a fresh more modern look and is built around many of the latest web standards.

The new design features a simple menu across the top of the site providing direct access to all areas of the new site and ensures all web pages and documents can be reached within no more than 3 clicks making it much easier for our customers to find the information they are looking for.



*Checked out our new site?
If so why not get in touch
and let us know what you
think? And let us know what
you would like to see
improved!*

The website will be updated regularly with relevant information on our latest training courses, services and publications.

Some of the key changes to the site are

- A new site layout and theme
- Re-organisation of the information on the site
- New information on all of our in-house training courses
- Updated information available on the website
- Simple URLs which related to the content of each page

The AWICS website also includes a wide range of free information relevant to those in public sector organisations including free briefing papers and an archive containing copies of all the public services newsletters we have published.

We intend to carry out more updates to the website over the coming few months which will include online booking for our regional services, providing more information on the products we have to offer and keeping our customers up to date with information on how we can help them.

Richard Myers – An AWICS Associate

AWICS signs Skills Pledge

You can find out more about the skills pledge from:

<http://www.investorsinpeople.co.uk/About/Pages/SkillsPledge.aspx>

At the end of January AWICS signed up to the skills pledge confirming our commitment to developing staff skills. Adrian Waite, Managing Director of

Adrian Waite, Managing Director of AWICS, said:

“AWICS is a Learning Organisation in every sense of the term. We provide regional seminars, in-house training courses, management consultancy and publications that enable our clients to learn and develop. We are also committed to ensuring that all our own staff learn continuously. This is essential if we are to deliver the high quality ethical management consultancy and training services for which we are well known. We are pleased to sign the skills pledge as part of our commitment to learning, training and development. We think that developing staff skills is very important”

The pledge commits AWICS to:

- Actively encouraging and supporting all employees to gain the skills and qualifications that will support their future employability and meet the needs of our organisation
- Support and encourage any employees who do not already have level 2 qualifications to gain them in areas relevant to the work they carry out within our business
- Demonstrably raise the skills and competencies of our employees to improve organisation performance through investment in economically valuable training and development.

The "skills pledge" was launched at an event attended by Chancellor Gordon Brown and Education Secretary Alan Johnson.

Investors in People state that :

“The Skills Pledge represents one way in which employers can grow their business by up skilling their people. We encourage all UK employers to look at how the Skills Pledge can benefit their organisations as part of a broader business strategy, with an emphasis on corporate social responsibility, which will enable them to reap the bottom line benefits of investing in people development.

The Skills Pledge is a voluntary public commitment by the head of an organisation to enable all employees to develop their skills. It is open to all employers of all sizes in private, public and voluntary sectors. The purpose is to ensure that all employees are skilled, competent and able to make a full contribution to the success of their organisation.

Adrian Waite

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
- All You Want to Know about Local Authority Finance in Wales – February

You can find more information about all of these regional courses on our website : <http://awics.co.uk/RegionalSeminars/Overview/>.

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: http://awics.co.uk/View/Page/in_house_training_courses/

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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