

June/July 2009

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*This Year's Budget announcement shook Public Services as the government tightens the purse strings*

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## Budget Report 2009

### Introduction

This Year's Budget announcement shook Public Services as the government tightens the purse strings, insisting larger savings could be made. In the wake of the recession we consider the effect of this year's budget on the public services.

### Local Government

Local councils have recently exceeded the governments expected savings targets. However, additional economies to spending to the tune of £4.9billion have been requested by April 2011, and a further £600million by the end of 2011. The economies are likely to come from "Shared Services" like Human Resources, Information Technology or any other service that deals with more than one organisation or department. The acquisition of services and goods will also be included in any likely economies. Councils may seek to streamline their assets.

The LGA has shown signs of concern, warning that cuts to public spending will put local services at risk. Margaret Eaton, the LGC Chairman, was quoted in the Guardian expressing her own concerns;

*"Ministers should realise that they can only keep squeezing out savings for so long and that further efficiencies will not solve the pressures caused by cuts in funding."*

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### Adult Social Care

A new proposal was announced that aims to attract recent graduates and those with private sector managerial experience into the new national management trainee scheme. The scheme focuses on improving the status of social care workers and tackling the current recruitment problems faced by this sector. However, additional funding has not been allocated to increase wages for those already working in social care; this has been highlighted as the leading cause of low recruitment and current staffing problems.

New apprenticeships in adult social care were also proposed as part of the Adult Social Care Workforce Strategy. The scheme will be administered by Job Centre Plus and will only be available for young people who have been out of work for over a year. Funding has been made available for 50,000 apprenticeships and there are plans to expand existing apprentice opportunities.

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*A recent survey by the Association of Directors of Adult Social Care indicates a rise in the number of requests and referrals for homelessness, mental health and welfare advice. But the pressure being put on local government to increase economies may force councils to reconsider their budget for Adult Social Care, causing reductions to the services when public demand is rising*

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A recent survey by the Association of Directors of Adult Social Care indicates a rise in the number of requests and referrals for homelessness, mental health and welfare advice. But the pressure being put on local government to increase economies may force councils to reconsider their budget for Adult Social Care, causing reductions to the services when public demand is rising.

### **Health**

The National Health Service is by far the worst casualty of the budget, with demands being made for a further £2.3 Billion in economies to be made by April of 2011 on top of the £8.2 billion already expected. £500 million of these economies are expected to come from restructuring of commissions and the broadening of the payment-by-results tariffs. The treasury is expected to consider revising the ownership status of National Health Service buildings, proposing joint ventures or sales, if they feel it may benefit the tax payer. However, the government promises that the economy drive will not impact negatively on local health services as primary care trust spending is set to rise by 5.5% in both of the next two financial years. However, this increase in spending is unlikely to keep pace with the increase in needs.

### **Charities**

Charities have been assigned £20 million worth of funding, along with the introduction of a range of measures designed to support non profit making organisations. The funding follows on from February's £42.5 million bail out intended to rescue some charities from financial difficulty during the recession. This new funding has been targeted towards charities that are working to provide support for vulnerable people who have been badly affected by the recession, as they meet increasing demand for their services. The announcement of the intended creation of 150,000 social jobs for young people aged 18 – 24, who have been out of work for over a year is intended to relieve some of the pressure these charities are facing.

### **Criminal Justice**

The £70 million in economies expected from the justice system has had a knock on effect on policy. The £1.35 billion Titan prison program has been scrapped as has the proposed prison ship. They are to be replaced by five smaller prisons, capable of housing around 1,500 prisoners. They are to be privately run, and "clustered" so that prisons that are nearby can share services. 'Core standardisation' may also be brought in, essentially leaving prisoners locked up from Friday until Monday.

### **Housing**

Housing is considered to have done well out of this years budget, securing £500 million to invest in building. £400 million of this will be allocated to projects that have stalled due to the slump in the economy. The other £100 million will be divided between local authorities in need of more housing development. The new developments will be energy efficient eco-houses, and the government estimates that the investment will produce around 10,000 eco-homes.

£435 million has also been allocated to improve the energy efficiency of existing homes, offices and public buildings controlled or maintained by local authorities.

Despite all this good news, critics say it does not go far enough. The Chartered Institute of Housing and The National Housing Federation are calling for a greater investment. The Chief Executive of The Chartered Institute of Housing, Sarah Webb, was quoted in the Guardian expressing her own misgivings:

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*“We need to talk less about housing as an investment and housing ladders, and more about ways to address waiting lists, ways to reducing housing as a polluter and ways to close the gap between the number of homes being built and the number of households being formed.”*

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However, the Chartered Institute of Public Finance and Accountancy (CIPFA) sees a brighter side, welcoming the decision to change Stamp Duty Land Tax (SDLT). This change will allow Arms Length Management Organisations to develop new housing sites without having to pay the Stamp Duty Land Tax. The CIPFA Director of Policy and Technical, Ian Carruthers, outlines the potential gain for councils;

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*“What might seem like a very small change in the tax rules may well have a big impact on the provision of affordable housing. ALMOs currently manage over a million council homes and there is a great need to build more”.*

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*“We need to talk less about housing as an investment and housing ladders, and more about ways to address waiting lists, ways to reducing housing as a polluter and ways to close the gap between the number of homes being built and the number of households being formed.”*

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**Amy Elliott**

## National Council of Institute of Public Sector Management Meets at Penrith Rural Foyer

The National Council of the Institute of Public Sector Management (IPSM) met at the Penrith Rural Foyer on Friday 12th June 2009. The IPSM is the only professional institute for practitioners working within the public services who have a significant management element in their job role. While the National Council meets in different venues around the United Kingdom it is believed that this is the first time that they have met in Cumbria.

Eden Rural Foyer, which is run by Impact Housing Association, has been recognised nationally as a centre of excellence by the Foyer Federation, for its work with young people and the local community. Members of the National Council of the IPSM were keen to see the Foyer for themselves so the meeting was preceded by a guided tour of the Penrith Rural Foyer.

Adrian Waite is President of the Institute of Public Sector Management, a Board Member at the Impact Housing Association and Managing Director of the Appleby-based Management Consultancy – AWICS Limited. He said:

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*Eden Rural Foyer, which is run by Impact Housing Association, has been recognised nationally as a centre of excellence by the Foyer Federation, for its work with young people and the local community*

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***“I am very pleased that the IPSM are meeting in Cumbria and have asked to see the Eden Rural Foyer. One of the objectives of the IPSM is to promote excellence in public services and here in Penrith we have a good example of excellence in the Eden Rural Foyer.”***

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Impact Housing Association is an innovative, go-ahead organisation operating in Cumbria since 1975. The name still reflects the objectives - Improvement through Action.

Some young people do not have the home, support and springboard into independent living, learning and work that they need. Foyers provide that support. Eden Foyer is the only foyer in Cumbria and, as such, is a fantastic resource for the area. The Foyer offers a wide range of services for young people and the wider community.

For more information about the institute of Public Sector Management visit their website at [www.ipsm.org.uk](http://www.ipsm.org.uk)

For more information about Impact Housing Association visit their website at [www.impacthousing.org.uk](http://www.impacthousing.org.uk)

For more information about the Eden Rural Foyer visit their website at [www.impacthousing.org.uk/Eden%20foyer.html](http://www.impacthousing.org.uk/Eden%20foyer.html)

## Adrian Waite secures 30% of votes in election to CIPFA National Council

Adrian Waite, Managing Director of AWICS, secured 30% of the votes cast in this year's elections to the National Council of the Chartered Institute of Public Finance and Accountancy. However, this was not sufficient to secure election.

The Chartered Institute of Public Finance and Accountancy is the professional body for people in public finance. Their 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed. It is the world's only professional accountancy body to specialise in public services.

In the 'Other Employment' constituency 2,469 members voted for eight Council members representing a turnout of 18%. Of these 728 (30%) voted for Adrian Waite whereas 46% of the vote was required for election.

In his candidate statement, Adrian said:

*"Times are challenging. CIPFA must build on what has already been achieved to enhance the standing of the profession and respond to challenges. CIPFA and its members must modernise and welcome and manage change."*

*"I have worked in Unitary, County and District Councils to Director level. As a Management Consultant I work with many public organisations in all parts of Britain. I am well placed to understand the issues that all CIPFA members face in different roles in different organisations."*

*"As a Council Member I would work to ensure that the Institute engages with and remains relevant to all members."*

Following the announcement of the result Adrian said:

*"I would like to thank all those members of CIPFA who supported me. While I am disappointed with the result I am pleased that I was supported by 30% of my fellow members. I would like to wish all the successful candidates and CIPFA well for the coming year."*

### Richard Myers

For more information on the Chartered Institute of Public Finance and Accountancy visit their website at [www.cipfa.org](http://www.cipfa.org)

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*CIPFA and its members must modernise and welcome and manage change*

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## The Government's household projections and their application

### Introduction

The Government's Household Projections are specifically designed to allow forward planning for Public Services, such as housing needs, demands on the National Health and Public Education. These Projections are most effective when they include data on location, household size and type. However, these projections are based solely on the continuation of current trends, so their predictions are by no means inevitable.

### Projections for Social Housing

The Government Projections are used to determine the future requirements for social housing. This, in theory, ensures that suitable housing is available to those that need it, when they need it. Without the in depth breakdowns location, household size and type, it is considered that many homes would be developed that would be unsuitable for those requiring social housing.

The amount of housing required is determined by the Regional Spatial Strategy which establishes the quantity of housing required in the region and the requirement for houses in the social housing sector. This method has proved insufficient so far and the planned targets are rarely accomplished. This can largely be attributed to a lack in Government funding, but also to faults in the planning system.

The failure to meet social housing targets during the economic growth of the 1990's to 2007 leaves very little hope for success during the present economic climate. The effect of economic decline on the private housing market vastly reduces any chance of the private sector building homes that meet government needs and targets for the social housing market, and the scale of cross subsidies to the affordable housing market from market housing in mixed tenure schemes is set to drop to a level well below that seen in previous years. This is likely to cause a rapid increase in the number of households unable to find appropriate and affordable housing. This problem originates with the troubled financial market, the downturn in lending and loss of capital, as well as a fundamental lack of confidence in the market.

It is sometimes argued that homes would become affordable to more people if house prices were to be reduced. Indeed, the government implied that this was one of the reasons why they increased the house building targets in 2007. However, we now have falling house prices but no increase in affordability because of the reluctance of banks and building societies to lend. How much further would prices have to fall to have an effect on affordability? What effect would this have on owner-occupiers who are committed to large mortgages?

There is a need for a planning system that is more responsive to changing demands, and changing circumstances. This should include the capacity to

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*The failure to meet social housing targets during the economic growth of the 1990's to 2007 leaves very little hope for success during the present economic climate*

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ensure that any land required for future housing will be available when needed; this can also initiate a move toward greater reuse of brownfield sites rather than greenfield land. This sort of planning would allow development of housing that is in greatest demand, rather than increasing profit for developers.

Provision of affordable housing has failed to meet either needs or targets and this represents a failure both to provide sufficient resources and to use the planning system to facilitate the building of affordable homes. Government policy and the allocation of resources to the affordable housing programme in the 2007 comprehensive spending review assumed that housing associations would develop at lower levels of grant. In practice the recession means that the opposite has become the case with associations unable to access loans on favourable terms and unable to cross subsidise affordable housing from commercial schemes. There has also been a reduction in private sector development that has reduced the potential for local authorities to use section 106 agreements to provide affordable housing.”

#### **Problems with Housing Projections**

It is often argued that the housing projections are the only estimates we need, but these projections are just that, projections. They are based on recent trends in demand and are highly susceptible to any change in financial markets, birth rates and immigration rates and social and demographic changes so are by no means a direct measure of future housing needs. The predictions therefore cannot provide an assessment of what new housing needs to be built, in which location and of which type and size without continued and careful consideration of the impact of any external effects. Government policy in some part affects housing projections, if not directly then indirectly due to policies regarding immigration and migration rates, but also as the projections are based on current or recent trends they are subject to any current policy regarding housing. In light of these issues, the method of determining future housing need may need to be revised although currently there are no serious proposals for alternative approaches.

**Amy Elliott**

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## Northwest Housing Forum

Adrian Waite attended the Northwest Housing Forum's Annual Conference in Bolton on 27th March 2009. At the event Hazel Blears, then Secretary of State for Communities & Local Government, commented on her wish to use housing as a catalyst to bring together a wide range of agencies. She considers that the government is 'active' and 'brave' in that it is willing to give practical help to the people who need it most. Regarding housing the government has three main national priorities:

- Helping people to avoid repossession including through expanding the scope of free legal advice and help in managing debt.
- Helping first time buyers to get a foot on the housing ladder. There is currently a record level of interest in shared ownership.
- Ensuring that the construction industry is prepared for the economic upturn. There is a need to keep talent in the industry during the recession. The government has therefore brought forward spending on new affordable housing, the decent homes standard and major repairs.

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*The Homes and Communities Agency intends to work through partnerships and to be the government's 'Voice of Delivery'. Expectations, challenges and opportunities are all significant*

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The government's response to current housing market conditions was also discussed and they indicated their intentions to address:

- Markets and increasing supply – to improve long term affordability and to respond to market changes
- Newly arising need – to prevent repossessions and homelessness.
- Modernising institutions – to improve deliverability and sustainability and to meet tenants' needs better. This includes progressing the review of the financing of council housing. However, an announcement is still awaited at the time of writing in June 2009.
- Reforming rented housing – to address housing mobility, deprivation and the condition of the private sector stock.

Another item on the agenda was The Homes and Communities Agency which had been in operation over 100 days. It arrived as a new organisation with increased flexibility and new approaches to business processes and business products. The Homes and Communities Agency intends to work through partnerships and to be the government's 'Voice of Delivery'. Expectations, challenges and opportunities are all significant. The Homes and Communities Agency's main initiative is the 'single conversation'. The focus of the 'single conversation' is on local



authorities but it is intended to involve all agencies that operate in a locality.

The Northwest Regional Housing Strategy Action Plan has been developed in accordance with the three integrated objectives set out in the Regional Housing Strategy 2009:

- Achieving the right quality of housing
- Continuing to raise the quality of the existing housing stock
- Connecting people to the improved housing offer

The Homes and Communities Agency plans to use existing tools and new tools and to think about what additional tools may be needed. Some of the existing tools include:

- Continuous market engagement
- Developer stock - £200million has been made available for the acquisition of stock from developers
- Clearing house – working with developers
- Switches from sale to rent – intermediate and social housing. In Northwest England this has been applied to about 900 units of which half are intermediate housing and half are social housing
- Flexed grant efficiencies – although grant rates have been increased as the market is no longer competitive. £51million has been invested directly in housing in Northwest England through signed arrangements with the Homes and Communities Agency
- Tailored conversations with partners
- Homebuy Direct
- Mortgage Rescue – This includes shared equity schemes where the Homes and Communities Agency purchases a house and rents it back to the former owner occupier

There are nineteen development partners of whom four are arms length management organisations, six are private developers and nine are housing associations. The Homes and Communities Agency wants continued investment in return for their financial support.

Recent additions to the tools of the agency include:

- Grant for land purchase – This is to take advantage of falling land values. The plan s for land to be purchased at competitive prices for building to start in 2011
- Grant as investment – The Homes and Communities Agency wishes to take a share of the ‘overage’ where land values

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*The Homes and Communities Agency plans to use existing tools and new tools and to think about what additional tools may be needed*

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increase after grant is put in

- Homes and Communities Agency acquisition of land
- Building out whole sites as an alternative to sites being developed partly by a housing association and partly by a private developer

New tools may also be needed to keep development moving. The JEC sub-group has identified priority sites. Key issues that have been identified include: infrastructure, access to mortgages and equity.

**Adrian Waite**

For a more detailed briefing paper on the Northwest Housing Forum, please visit the AWICS website at:

[http://www.awics.co.uk/documents/briefing\\_papers/housing/Northwest\\_Housing\\_Forum\\_30-03-2009.pdf](http://www.awics.co.uk/documents/briefing_papers/housing/Northwest_Housing_Forum_30-03-2009.pdf)

## Comparison of Social Housing Systems

A recent study was carried out to review the differences between the way Social Housing is run, and paid for, within England in comparison with a number of other European Union countries. The primary focus was on the funding schemes and rent setting criteria used in different countries.

One of the key problems in such a study is the variations between the different definitions of social housing used by different countries. These definitions include providing below market level rents (as used in England) to who builds the homes. The survey also found that England has a fairly even split of homes between local authorities and housing associations while some other countries had their homes solely managed by one or the other.

The review showed that there are differences in the methods of determining the levels of rent with different countries using different schemes which include income, cost and property based methods. Each rent setting scheme comes with, as you would suspect, its own pros for example setting of affordable rent and cons of not necessarily generating enough income. However there are indications that more countries are looking to move towards property based setting of rents.

There are also variations between the level of rent charged between private and social providers. Some countries have fairly low levels of variation where controls are in place for both private and social providers while England and Ireland see very large variations where there are no controls in place. Denmark for example has a variation of just 4% while Ireland has a variation of 52%.

Many of the countries are finding it difficult to finance the costs of managing and maintaining their social stock and realise that new funding streams are needed if the systems are to be sustainable. Currently social housing systems are inextricably linked to the social security system in every country with England having the largest proportion of costs met by the benefit system.

The demographic profile of tenants in social housing across Europe is similar in all countries and tends to be made up of the young, elderly, single parents and larger households with most being low income households. Where figures exist on ethnic minority groups figures show that there are disproportionately higher numbers of ethnic minority groups living in social houses across many parts of Europe.

**Amy Elliott**

## Healey announces radical dismantling of council housing finance

Councils will be able to keep all their rental income and gain the freedom to manage their housing to meet local need under plans unveiled by John Healey 30<sup>th</sup> June 2009.

Announcing the outcome of the Review of Council Housing Finance, conducted by a wide range of housing experts and organisations including Adrian Waite and AWICS, Mr Healey announced his intention to dismantle the Housing Revenue Subsidy System, replacing it with a system that will give councils greater independence and freedom to manage their own housing resources.

The Housing Minister confirmed he would consult before the summer on proposals for councils to become self-financing and free to manage the needs of their housing stock as well as to provide more efficient services for their tenants.

Responses to the review showed strong support for a more devolved approach to financing council housing. John Healey said:

*“A fully self-financing locally devolved system cannot be implemented in a single step but I want to move as rapidly as possible to put these reforms in place and the consultation document will set out my proposed timetable.”*

*“However, there are steps we can take without delay so I am announcing that from today we will exclude all new build council housing from the HRA subsidy system which means that councils will retain in full the rent and capital receipts from these homes.”*

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*Responses to the review showed strong support for a more devolved approach to financing council housing*

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This announcement comes after the Prime Minister announced a £1.5 billion additional funding package to enable councils and housing associations to build more homes across the country, part of an ongoing drive to support the housing industry, reduce waiting lists and make sure young families and those seeking to buy their first home get the affordable housing they need. Mr Healey added:

*“I want to provide more flexibility in finances and more transparency in the operation of the system. I want to devolve control from central to local government.”*

*“And, in return, I want to increase local responsibility and accountability for long term planning, asset management, and for meeting the housing needs of local people. The current system makes this difficult to achieve.”*

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## 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 Local Authority Housing Finance
- Budgets and Financial Management in the Public Sector for Non-Financial People

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

You can also find a copy of 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/](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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