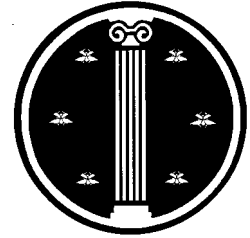


SCALA NEWS



PUBLIC SECTOR FACES TOUGHEST YEAR YET

When making their new year resolutions readers will have had two objectives very much in mind:

- to provide a more efficient & cost effective service
- to secure maximum funding opportunities

Inextricably entangled with these objectives is the enhanced role of the stakeholder within the new Best Value regime. Defining the stakeholders and their role is one of many challenging tasks ahead, not helped by the continuing delay in the publication of the Green Paper on Best Value, now not available until the beginning of February at the earliest.

The need for change has been identified in recent discussion papers and local government will need to work hard on pilot schemes and other Best Value initiatives to meet the new criteria, which include an annual review of 20 to 25% of services as part of an ongoing performance review. The alternative is a return to CCT and further prescriptive measures for those authorities who are unable to meet the challenges and perform badly in the wide ranging benchmarking and performance measures to be established as part of a continual review process.

Even if this treadmill of achievement is surmounted this will be insufficient to ensure the continued provision of 'in house' services. Best Value is not an end in itself but part of an overall initiative to ensure best use of resources encompassing the links between Welfare to Work and the Single Regeneration Budget to the Regional Development Agencies and the New Deal for Schools. A comprehensive spending review is currently coming to a conclusion which will focus on a more collaborative approach with the stakeholders and the need for competition in the distribution of scarce resources. As an example of this the traditional funding route

for local authority housing has been through the Housing Investment Programme (HIP) allocations (see SCALAnews article) which for the first time will include an assessment of all authorities performance in producing housing strategies, programme delivery, housing management and tenant improvement. As 50% of HIP funding is still allocated on the basis of ministerial discretion there is the possibility that authorities assessed as below average will be penalised if their performance does not improve.

Other sources of funding include the Capital Receipts Initiative (SCALAnews Christmas edition), Lottery and Millennium bids, and the Private Finance Initiative (PFI). In the last edition concern was expressed over how the diversion of over £1bn of lottery money for education and health projects will affect major construction projects already in the pipeline. The Arts Council alone is cutting its £150m a year budget for capital projects by 17% and switching the balance to revenue projects. There is some light

at the end of a long tunnel for PFI schemes in the public sector with the first education project at Colfox in Bridport, Dorset (SCALAnews Easter edition) being signed on 18 November. A further package of seven schools in East Dorset costing £18m are now being examined.

Local authority construction professionals should abandon any 'bunker' philosophy lingering from CCT and be positive and far sighted in their response, taking advantage of the opportunities offered by the new regime and the lessons learnt from CCT. Consultation and the support of your key stakeholders is an essential part of these processes which should help you to survive, and hopefully prosper, in the toughest year yet.

Take nothing to chance & as part of our 'Best



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Your guide to **SCALANEWS**



SCALAFEATURE

This or a similar logo signifies feature articles on topical issues such as the 'Affordable Housing & Regeneration' article in this issue or a special event



SCALAECHANGE

The information exchange marketplace where problems can be aired, info. given and advice sought from fellow professionals in the industry



SCALADIARY

A reference list of dates for future SCALA meetings and events including those for the regions and associated organisations



SCALA 1997/98: Themes for the year

A summary of the Presidential themes for the year together with a brief review of progress



SCALA Advisors to the LGA

A list of advisors, including SCALA members, to give advice to the LGA on strategic, building type and technical issues



SCALALETTERS

A section devoted to letters from readers on topical issues or matters of individual concern. Please send me your letters for the next issue



- P1 'Public Sector faces toughest year yet'- preparing for the new year
P3 SCALA 1997/98 - Presidential themes for the year
P4/5 SCALALETTERS
P6 SCALA Advisors to the LGA
P6 SCALADIARY
P7/11 SCALAFEATURE - 'Affordable Housing & Regeneration: How to get the best out of Labour' by R. Grundy of Savills (Conference presentation)
P12/15 SCALAECHANGE - the market place for information
P16 SCALASTUDY DAY - a preview of the Study Day to be held on 22 May which will focus on 'Securing quality services for the Future'

Please note editor's new address on the back page



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SCALA 1997/98: Themes for the year

- Rob Tate* 1 Regions as the active base of the society
- SCALA* 2 Committees working to co-ordinated strategies
- President* 3 Communication
- 4 Membership and marketing

Theme 1 - Regions as the active base of the society

- 1.1 Regional convenors network
- 1.2 Regional agendas drive SCALA agenda
- 1.3 Regional representatives on committees
- 1.4 Proposals from regions for regional programmes

Theme 2 - Committees working to co-ordinated strategies

- 2.1 Professional Affairs-Best Value, asset management plans, best practice
- 2.2 Housing-Best Value, stock management, maintenance
- 2.3 Technical-Best value/techni(cal)ques, asset management plans, maintenance survey
- 2.4 Corporate theme of Best value and portfolio management
- 2.5 Study Day-"Best Value through Design"?
- 2.6 Conference-"Best value through management/asset management plans"?

Theme 3 - Communication

- 3.1 Further develop newsletter
- 3.2 Use of website, Internet, intranet
- 3.3 Links with other bodies
- 3.4 SCALA as an authoritative consultative body

Theme 4 - Membership and marketing

- 4.1 Marketing plan and working party
- 4.2 Action in promoting membership revisions

The President's themes were enthusiastically endorsed by Council on 5 December and further progress has already been made on promoting the regions as the active base of the society with the appointment of Alan Tyler as 'Champion of Convenors'. Alan has already written to regional convenors and a letter is published overleaf outlining the position. The Marketing Plan progresses apace with a meeting held on 21 January to facilitate action in both the short and long term. A strategy has been agreed and this will be presented to

the next meeting of Council on 20 February and reported on in detail in the next issue of SCALAnews. As you will see from the advertisement on the back page the theme for the Study Day is agreed which, following discussion at Council, will have a narrower focus than the Conference, concentrating on technical and management aspects at a much reduced cost to previous years. Committees are in the process of co-ordinating their work on Best Value and publicity and press matters are also the subject of recommendations to



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SCALALETTERS

SCALA REGIONS

At the Council meeting on 5 December our President, Rob Tate, presented his themes for the year. The first of these themes was the development of the regions as the active base of the society. The regional network of SCALA has always been recognised by its members as one of the strengths of the society but this initiative ensures that regional issues will in future be the main driver of the society.

It is suggested that this be developed through

- a regional convenors network
- regional agendas driving the SCALA agenda
- regional representatives on all committees
- proposals from regions for regional activities and programmes

In order to assist regional convenors to develop this initiative Council has agreed to support a post to champion regional initiatives and representation.

I have volunteered to start the process off and now look forward to visiting regional meetings in the New Year to see how we can start the ball rolling.

I look forward to seeing you all at regional meetings.

PI POINTS AND POINTERS

In recent SCALA committee meetings we have held some interesting exchanges on the subject of indemnity for professionals working in Local Government. My outlining some of the identified issues could be of value and might also serve as an invitation to others to add to their contributions and offer alternative viewpoints.

Most readers will be aware that the RIBA and other professional institutes either have in place or are pursuing compulsory indemnity cover for practitioners in their respective disciplines. Behind this, of course, is the protection it affords to clients probably more than to practitioners.

For professionals employed by Local Authorities and working 'in house' on Councils' schemes, there exists a specific professional/client relationship in which the Councils effectively take on the liability in the way a master does for the wrongful act of a servant. Sometimes Councils can and do insure or in part insure against this risk through a commercial policy or alternatively carry their own risk. For 'in house' operatives it is important to confirm that such measures

do cover your activities.

It does seem that all Authorities will vary in how they handle this, but in Buckinghamshire, for example, all employees across many disciplines rely on a Council meeting minute agreed earlier this decade in which the Council indemnifies*"all its employees against any expenses, liability loss claim or proceedings whatsoever arising from their negligent act error or omission (other than conduct of a reckless or wilful nature) in the course of their employment (whether they were acting for the Council itself or another person or body with the Council's consent)"*. This is applicable retrospectively, currently and after retirement. Some Conditions are attached; primarily that employees shall have exercised reasonable care and diligence and also that officers are not indemnified against action by the Council if they act fraudulently, dishonestly or (broadly) criminally, if they incur surcharges made by the District Auditor or if they admit liability in a relevant case.

Taking again, the Buckinghamshire example, when the risk is deemed to go beyond the cover as outlined above, specific arrangements are secured through the Council's insurers (and at relevant departmental cost) for certain specialist activities. Falling into this category for 'Architecture' here is PI cover needed for work undertaken 'in house' for non Local Authority projects (as permitted within the Local Government Goods & Services Act".

One team represented in our SCALA discussions has individual personal PI insurance secured by all their professionals. This requirement would appear to relate to the 'out of hours' operations of those professionals and this may be a point for consideration in other Authorities.

In exploring the issue of protection required for in-house working on non-Council projects I have in the past consulted the RIBA and our County Council insurance experts among others. Among issues which surfaced has been that of protection for action taken in Tort against individual officers by members of the public. The RIBA explained this as follows ...*"(the Council's) insurance does not necessarily cover the risk of a professional member of staff being sued directly in Tort if that was to happen, as the normal Council type policy covers action against the Council, not individuals employed by it. On this basis all employees of Local Authorities in such capacity should have some form of indemnity contained within their Contract of Employment. Alternatively, a letter giving*



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SCALALETTERS

them such immunity in regard to the work done by them for and on behalf of the Council during their employment or even a Council Minute to that effect".

Another issue raised in those consultations relates to the imposition of the CDM Regulations, particularly the role of Planning Supervisor. Depending upon the breadth of any PI policy, claims arising under CDM Regulations may or may not be covered. SCALA Members will almost certainly be familiar with these issues - especially if they have the SCALA Guide on the subject! - and also the circumstances where if a claim of a criminal nature is made, then public policy dictates that insurance will not relate to any damages or fines imposed by a Court. Indemnity would relate to costs of defending such action.

The final item of significance which I want to touch on here is that of Local Government Reorganisation. This has been a recent and variably painful experience for many of us - and for others may be in the near future. LGR has led to certain Local Government Architectural 'practices' and their Councils losing some of their properties - some of which may have been under construction - while others have gained such building stock. An important question is the extent to which these buildings or projects take or bring with them inherent professional "risks".

The "Local Government Changes for England (Property Transfer and Transitional Payments) Regulations 1995", deal with the transfer of property etc. for the purpose of LGR. The Regulations provide that the relinquishing authority and the acquiring authority use their best endeavours to make agreements in respect of the properties, rights and liabilities. Within Bucks I am advised that "for the most, all rights and liabilities did pass to the acquiring authority, including third party rights etc". As is always the case in such instances, however, issues are not straightforward and the advice applicable to any authority is to pursue any specific query with the legal officers involved.

As I identified at the outset there will almost certainly be other PI type issues worthy of report and further contributions to SCALA NEWS would seem a good way of spreading the word.

Richard Winter

BEST VALUE - BENCHMARKING AND PERFORMANCE INDICATORS

I read David Scott's letter in the Christmas edition of the Newsletter with great interest and would agree that the Property Societies need to take a lead in the development of the best value debate with both the LGA and the Government. For once there is a chance that we have a Government who is willing to listen to the views of practitioners provided they seek to develop the themes already spelt out by the Secretary of State.

Scala is working closely with the FPS on this issue and the first report of the FPS's working party on best value will be available early in the New Year.

Benchmarking and Performance Indicators will be key to the process and here SCALA, SCQS, COPROP and CIPFA are working together to produce information which truly reflects activity in local authority property services departments. The model is currently being tested by a number of authorities but if you would like further information or to be included in future development of the process please contact, Keith Hilton, Chief Quantity Surveyor, Barnsley BC, County Way, BARNLEY, S70 2DT.

Alan Tyler



BACK to BASICS for STUDY DAY

This year's Study Day on 22 May continues the series of SCALA initiatives on Best Value which are being realised through our links with CIPFA, the FPS, the RIBA and the LGA. It will be the first opportunity for many members to discuss the issues first hand at a specialist forum and begin to get to grips with the subject which is going to dominate our agenda for the foreseeable future.

The pricing structure reflects the 'nuts and bolts' approach requested by members with two delegates able to attend for less than the price of one last year. Daventry as a venue reflects this approach, which for most will avoid an overnight stay.

Further info. on page 16 and in the next issue of SCALAnews. In the meantime



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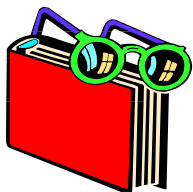




Local Government Association Advisors

In the last newsletter Alan Tyler noted the work that the Federation of Property Societies (FPS) is undertaking in respect of Best Value and Partnerships. One aspect to update you on is the appointment of Advisors submitted to the LGA which include a number of SCALA *members. If you have technical expertise not covered below or require further info. contact Alan on 01438 718954.

STRATEGIC	Ted Hartill	Corporation of London	0171 332 1500
	Derek Jinks	Leicestershire CC	01162 656904
	Peter Ridley	Warwickshire CC	01926 412137
	Colin Savage	Staffordshire CC	01785 276808
	Rob Tate*	Enfield LBC	0181 366 6565
	Alan Tyler*		01438 718954
SERVICE			
Education	Chris French*	Essex CC	01245 492211
Social Services	Trevor Skempton*	Birmingham City Council	0121 303 6816
Housing	Chris Johnson*	Tower Hamlets HAT	0181 983 4698
Community	David Pattendon*	Suffolk CC	01473 583000
TECHNICAL			
Asset Management	Tony Comer	Hertfordshire CC	01992 556215
Best Value	Alan Tyler*		01438 718954
Blight	To be confirmed		
Contracts (estates)	To be confirmed		
Contracts (building)	Gwyn Hobson*	Stoke on Trent City Council	01782 234567
Energy	Geoffrey Robinson	Wiltshire CC	01225 713240
Electrical	Geoffrey Robinson	Wiltshire CC	01225 713240
Funding	Andy Beard*	Sheffield City Council	01142 736036
Health and Safety	Nigel Badcock*	St Edmundsbury DC	01284 763233
Heating and Water	Geoffrey Robinson	Wiltshire CC	01225 713240
Life Cycle Costing	Keith Hilton	Barnsley MBC	01226 664395
Procurement	Ian Vincent*	Daventry DC	01327 871100
Maintenance	Laurence Cooper	Norfolk CC	01603 222621
Rating	To be confirmed		
Security	Geoffrey Robinson	Wiltshire CC	01225 713240



SCALADIARY

FEBRUARY

- 20- SCALA Professional Affairs Committee at RIBA
- SCALA Policy Committee at RIBA
- SCALA Council at RIBA

APRIL

- 24- SCALA Professional Affairs Committee
- SCALA Policy Committee at RIBA
- SCALA Council at RIBA

MAY

- 22- SCALA Study Day at Daventry on 'Securing quality services for the Future'

CIPFA/SCALA 10th. series of workshops on Construction & Property Services:

Mar 4 London, Mar 10 Glasgow, Mar 11 Perth, Mar 16 Durham, Mar 17 Leeds, Mar 24 Preston, Mar 25 Exeter, April 1 Bulth Wells, April 4 Coventry.

CIPFA/SCALA 11th. series of workshops on Construction & Property Services:

May 28 Exeter, June 1 London, June 2 Glasgow, June 3 Perth, June 8 Durham, June 9 Leeds, June 24 Bulth Wells, June 25 Preston, June 26 Coventry.

For info. on the CIPFA/SCALA Competition Advisory Service workshops on CCT & Best Value for Construction & Property Services contact Ed. or CAS direct on 0171 543 5780



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Robert Grundy

*Director,
Savills*

AFFORDABLE HOUSING & REGENERATION: HOW TO GET THE BEST OUT OF LABOUR

HOW TO HELP LABOUR PROVIDE "A DECENT HOME FOR EVERYONE": THE PROPERTY PERSPECTIVE

INTRODUCTION

All those local authorities who held out for a return to the old days of wholly government funded municipal housing have had their hopes dashed. Any increase in government housing expenditure will be modest. Despite this, we are entering a period of opportunity in housing for local authorities, housing associations and other registered social landlords to work together in partnership to bring long overdue investment into housing.

This briefing paper is written from a property specialist's viewpoint. It seeks to draw out some of the new thinking social landlords will have to adopt, if they are to optimise their property holdings and thus maximise the provision of decent affordable housing.

CURRENT SITUATION

Local authority housing has to recover from nearly 20 years of under investment and sometimes poor asset management. It is easy to point to under investment, but more difficult to quantify its extent. The Chartered Institute of Housing has estimated a £20 billion backlog of repairs and maintenance across the local authority housing stock. This could easily be an under estimate. Repairs and maintenance is not the full story. If local authority housing is to meet tenant's expectations and continue to be lettable into the 21st Century, modernisation and improvement costs must be allowed for with these costs, and this figure could easily double to £40 billion or more. Informal estimates in Hackney LB alone suggest that £1 billion worth of repairs, maintenance, modernisation and improvement to the stock of 37,000 homes is needed.

In the immediate post-war period, council housing used to be the form of tenure which many people aspired to. They were proud to live in council housing. Now, it is often the

tenure of last resort. If we are to reverse this trend, we must improve the quality of affordable housing and make it a place where people want to live.

It is easy to argue that there is a shortage of housing. However in many cases, it is in fact the wrong type of housing, often in poor condition, providing obsolete accommodation in the wrong location which is the problem. Many local authorities, particularly those in metropolitan areas outside the south east, have large estates of difficult to let property. Local authorities must face up to the question: "Is this housing still needed? If it was refurbished, would people want to live here or should we cut our losses, acknowledge that decisions made 20 or 30 years ago are no longer valid, demolish and reinvest elsewhere?"

LABOUR'S HOUSING POLICIES: CONCEPTS

What does Labour want? Hillary Armstrong's recent speeches and press coverage suggest that these are the basic concepts Labour is looking for:-

- "A decent home for everyone".
- "Best value".
- Good ideas.
- Public/private partnerships.

The last is an acknowledgement that public money alone will not be enough.

Labour is willing to see a variety of landlords providing affordable housing - not just local authorities. They want to see innovation and new ideas making public money go further. This means leveraging in private finance.

Surprisingly though, there does not appear to be any compulsion to follow a particular course of action - it seems that whoever is most efficient and can demonstrate the best use of public money to maximise housing provision, will be given priority. In other words, local authorities will be encouraged to match themselves against their peers. This suggests that those who sit back and wait for the boat to come in will have a long wait. Those proactive local authorities and housing associations who think about the new opportunities and make sensible decisions about them will be first in the queue.

Labour make it clear that at the heart of this



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*Robert Grundy
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Savills
(Cont.)*

residents must be involved and consulted. If they are not, initiatives run the risk of failure.

Potential residents have choices and will exercise them. Many local authorities and some housing associations are already finding property difficult to let. This means demand must be assessed, both in terms of population trends and socio-economic factors. But it also means making less tangible assessments: what will be people's expectations in 15 or 20 years time about the facilities being offered by their home; and is the current housing stock capable of adaptation to meet these changing aspirations?

It also implies a shift in culture. "We know what's best for you and you will be grateful for whatever home we give you" will have to become: "How can we make this home attractive to you and what else do we have to do to make you want to stay here?" In other words, affordable landlords will increasingly compete against each other in just the same way as the private sector property market does. Those who do not keep up with current market expectations will lose out. This means asking the right questions first to get the best answers.

It also means adopting a strategic, rather than a piecemeal approach to housing provision and co-ordination between all the various housing providers in the area. So many seem to fall into the trap of following the latest fashion: "Let's do a HIT"; "We're doing an LHC with council control"; "PFI is the thing for us"; "We're aiming for a partial voluntary transfer". Before leaping to any of these conclusions, housing providers must build a strategy with proper priorities and clear objectives.

Developing Strategies

Developing strategies means more than just housing. The buzz words are "a holistic approach". This means co-ordinating with employment initiatives, social services, education, health, economic development and planning and the police.

If these other issues are not addressed, then purely physical solutions will not solve the problem. For example, there is a map of Tower Hamlets drawn 130 years ago, showing deprivation black spots. Since then there have been at least three complete physical reconstructions of the area in question and

yet it is still a black spot of poverty and deprivation.

The government is undertaking a comprehensive spending review which will not report until Spring 1998. The objective is to find and identify the best public and private sector combinations producing the most viable schemes using the best mechanisms to obtain best value.

We await with interest the results of this exercise.

LABOUR'S HOUSING POLICIES - SPECIFICS

Having gone through Labour's policy concepts, what specific policies can we identify?

There will be no increase in the approved - development programme for housing association funding. By the turn of the century, it is expected to be no more than £600 million per annum.

The phased release of local authority capital receipts from the sale of council housing under the Right to Buy is good news. However the £5 billion will not be paid out all at once but phased over a number of years. £174 million has been announced for 1997/98 and £609 million for 1998/99.

The mechanism for allocation of capital receipts is out for consultation, but it appears that there would be an element of competition for funds between local authorities.

Voluntary transfers will continue to be an option which local authorities will be expected to consider but they will not be forced into transfer.

Round 3 of the Estates Renewal Challenge Fund was announced in early July with a further £330 million. This would suggest that the Government still sees the transfer mechanism, coupled with government dowries, as a means of achieving the regeneration of some poor quality estates.

There is some flexibility about the size of housing transfers, although 12,000 could be a working maximum size, larger transfers may be considered on merit.

Labour will aim to make local housing companies more attractive to both councils and their tenants. Included in this is a willingness to consider tenant majorities in the control of local housing companies and registered social landlords. Obviously circumstances will differ and greater tenant's involvement may be likely in more



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*Robert Grundy
Director,
Savills
(Cont.)*

locally focused transfers than in large scale ones.

Another step to making RSLs and LHCs more attractive is to allow their structures to be organic, hence allowing them sufficient flexibility to meet changing circumstances. A good example may be an LHC engaged in urban regeneration as the subsidiary of a larger sponsoring parent RSL group. The parent RSL might insist on majority control during the risky regeneration phase of the LHCs life, but could be equally happy to allow a tenant majority once the risky initial phase of the project has passed, providing the LHC operates within agreed performance criteria. Another Labour idea, which might make the idea of transfer more attractive to local authorities, is to impose geographic restrictions on transfer landlords. This may be more politically acceptable to council members but does not necessarily lead to stronger transfer associations in the long term.

LOCAL AUTHORITIES - MEETING THE CHALLENGE

How should local authorities, housing associations and other registered social landlords meet the challenge? In the next part of this paper, we discuss what we have called "Four Steps to Housing Heaven".

Step 1: Local Authorities as Housing Businesses

To really understand their housing stock as a property asset, local authorities need to run them as self-contained, ring fenced housing businesses. This does not mean just ring-fencing the housing revenue account. It also means putting a ring-fence around capital assets. At the moment there is no incentive for local authority housing management to make the best out of their assets. By giving them control of these assets, it will enable them to manipulate their resources to best effect.

This will naturally lead to a change in the culture of local authorities, to one where performance and efficiently meeting customers needs are paramount. Only by focusing on these needs and how best to satisfy them will the housing stock itself be efficiently managed. These ideas may be from the business world, but they can equally well be applied to affordable housing. The objectives of a private company may be to

make profit, whilst those of social landlords will be to maximise the provision of affordable housing. Nevertheless, the same management techniques and principles can be applied equally well in either environment.

Management accountability and responsibility should be extended from just the administration of the housing service. Within the constraints of charging affordable rents, it should and must include maximising the return on capital assets. Measuring return on assets would allow the financial performance of housing management to be measured and hence, the efficiency with which expensive capital assets are being utilised. Housing management can then justify decisions in both housing and financial terms and the relative performance of different housing management teams can be measured.

This may need new legislation, but the benefits could be substantial. Even without new public or private finance, adopting these techniques would give local authorities the freedom and the tools to make better use of their property assets. We explain how this could be achieved in the next step.

Step 2: Management Information

Information is one of the most powerful tools any business can have. Without it, a business has no idea how it is performing and what its strengths and weaknesses are.

Before doing anything, local authorities need to establish what they own. This means building asset registers - the basic building block of management information for a property portfolio. These are unified databases which contain property by property information which can include:-

- Accommodation, dimensions, floor plans.
- Attributes and facilities.
- Tenancy details, rent payable, service charges.
- Lettings history including void periods, timing and duration of previous tenancies, and whether tenancies were as a result of an internal transfer or a new letting.
- Information about the resident relevant from a management point of view: are they elderly or disabled or have specific health problems; what is the composition of the household.
- Rent payment history, arrears and bad



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Robert Grundy
Director,
Savills
(Cont.)

debts.

- Valuations or estimates of value: vacant possession; existing use and alternative use.
- Repair and maintenance costings and where appropriate, modernisation and improvement costs projected over future years. These estimates can be based on stock condition surveys or any other evidence the local authority may have.

As well as looking at the stock, current and future demand needs to be assessed and residents' preferences established as already described.

Step 3: Business Analysis

Armed with the management information collected in Step 2, local authorities may begin to understand their businesses properly. The key is to define clear criteria against which business performance can be benchmarked. For private companies this is profitability. For a local authority housing business the objective will be to maximise affordable housing provision. Nevertheless, it is important to measure the efficiency with which this objective is being achieved.

Whether the housing business is running at a surplus or deficit will help determine its future success. This should be measured both in terms of the business as a whole, but also by analysis of management information to establish smaller scale patterns. In particular, which segments of the stock are accounting for the biggest surpluses or deficits?

This kind of information would quickly put business decisions into context. For example, it becomes much easier to decide that a block needs to be demolished if it can be shown that it is making a loss of £300,000 a year. Clearly decisions like this are not all about money, but at least if a decision was made to retain the block, the cost of that decision expressed in money terms would be beyond doubt.

Successful private businesses are often broken down into profit centres. There is no reason why housing business could not be split into equivalent management centres. Local management officers could then be exposed to cross benchmarking with their peers in other offices, on the basis of their own performance. This should not just be in terms of revenue performance but also in terms of return on assets. Clearly anyone in the business of providing affordable housing

should not be expected to produce a commercial return on assets. A commercial landlord might be prepared to accept a return of say, 9 or 10%. For a local authority housing business, charging affordable rents, a return of 4% or 4.5% might be reasonable. Without measuring return on assets, local authorities have no indication as to whether their capital resources are being employed to best effect.

Business analysis is not the full story. It will not work without analysing and understanding measures of socio-economic performance: demographic change; unemployment; educational attainment; health; crime; and residents' satisfaction. Building a comprehensive picture of strengths and weaknesses will help problems to be identified, studied further if necessary and prioritised.

Step 4: Matching Problems With Solutions

The tendency is for people to jump to solutions before understanding the problem. The herd instinct is very strong and the latest fashionable initiative is not always the best solution. Giving housing management more freedom to manage assets will help reduce this problem.

Local authority housing management will have a range of solutions to choose from which could include:-

- Retention of the stock but adopting a new management style.
- Transfer of whole or part of the stock;
- PFI, possibly using structures which may eventually allow the stock to revert back to the local authority;
- Local authority HAG;
- Partnerships with HAs and RSLs;
- Maximising government grants, such as Estate Renewal Challenge Fund and Single Regeneration Budget;
- Disposals and reinvestment.

This is just a summary of some of the mechanisms - the key must be that these are capable of addressing the problems. This means working strategically with other agencies to ensure a co-ordinated approach.



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HOW TO GET THE BEST OUT OF LABOUR

HA'S/RSL'S/LHC'S - MEETING THE CHALLENGE

*Robert Grundy
Director,
Savills
(Cont.)*

What are the implications of this new environment and the steps we have suggested for the independent sector and how should it meet this challenge?

Housing providers will have to forge strong links between themselves - this means local authorities, housing associations, Registered Social Landlords, Government departments, funders and investors will need to work closely. Joint working will mean more than just unified waiting lists and tenant transfers. Housing providers will need to agree a common strategy.

Many new initiatives will not be without risk. Before becoming involved, associations will have to assess their own strengths and weaknesses. This will involve looking at financial issues, and in particular, current and anticipated borrowings and associated gearing ratios. They will need to consider property issues, and in particular, construct their own asset registers, planned maintenance programmes and stock valuations.

Before embarking on any new initiatives, associations must look inwards to decide how much of their own resources and assets they can afford to put at risk, both now and in the future.

The risk inherent in the project itself is also important. Sensitivity testing and carefully assessing the risk/reward relationship are all important parts of this.

Associations must not be afraid of doing nothing, but this should be a positive decision rather than one which happens by default. Undoubtedly some associations will get it wrong. The cynical amongst us may argue that this would be a good opportunity for strong robust associations, who have not put themselves at risk, to pick up the pieces, cheaply, and to their advantage.

Associations will need to recruit or resource new skills and expertise in order to deal with the new challenges posed by these initiatives. There must be doubts over the capacity of the RSL sector, with only about 900,000 homes, to underpin new initiatives in local authorities who own about 4.5 million homes. If there are too many strategies which depend on using the balance sheet and resources of associations, their equity will be quickly exhausted. Of course, as inflation takes its course, there will be growth in the

valuation of associations' equity in new schemes which will itself become available for new projects in the future. However, if programmes are too ambitious, then the rate of equity consumption will exceed equity growth and associations' ability to underpin new initiatives will fall short of demand.

It is also about exhaustion of human and management resources. Taking on too many complex regeneration projects at once will over-stretch the capacity of even the largest associations. A number are already beginning to set limits on how many they will take on at any one time.

The answer will be for local authorities to consider carefully which schemes will need the support of a parent and which could take the form of a free standing LHC or RSL. Other intermediate schemes may not necessarily need equity from a parent but could benefit from the economies of scale flowing from pooling of resources and expertise.

IMPLICATIONS FOR THE HOUSING PROFESSION

This is a period of great opportunity for the housing profession. However, to exploit these opportunities, housing professionals will need to embrace a new business culture, learn new skills and shoulder new responsibilities. The world of housing will never be the same again.

WHAT ABOUT THE PROPERTY MARKET?

Until the late 1980s, when the mixed funding regime for housing associations was introduced, affordable landlords could virtually ignore the property market. In this new environment of public/private partnership this is no longer the case. The viability of schemes now has to be carefully balanced.

Since the introduction of private finance into the affordable housing market we have been blessed with a period when the residential market as a whole has been at a low ebb. It has been relatively easy to pick up building land, construction prices have been competitive and it has even been possible to buy completed houses in bulk from desperate private house developers. Unfortunately, the new Labour government has coincided with a period of rapidly growing house prices, land



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ESTIMATING DEMAND AND NEED FOR SOCIAL HOUSING - FEASIBILITY STUDY PUBLISHED

The first stage of research into a new economic model to help estimate the demand and need for social housing in England was published on 14 January by the Department of Environment, Transport and the Regions. Further work is now underway to develop this national model and to explore whether regional variants are possible

Housing Minister Hilary Armstrong said, in response to a Written Question from Jeff Ennis MP (Barnsley East and Mexborough):

"I have today placed in the Library of the House a technical report on a feasibility study to develop an economic model to help predict likely demand and need for social housing in England. The study was commissioned by the Department of the Environment in November 1995 and has been carried out by the Department of Applied Economics at Cambridge University. The study was encouraged by the work of the Select Committee on Housing Need, which also supported the potential value of economic analysis of housing need.

"Previous estimates of social housing need produced by the Department were based on the extrapolation of past trends and did not take explicit account of economic variables. The economic model developed during this study projects the need for social housing in England over the period 1996 to 2006, and takes account of key economic factors such as: unemployment, income growth and interest rates.

"Feeding these variables in to reflect a range of economic scenarios, it projects their likely impact on household formation, house prices, housing supply and housing choice. The model also analyses the cost effectiveness of different forms of support for households who might need help with their housing costs.

"The model developed during the feasibility study has produced a range of projections of need for social housing but, as the report notes, these are not alternative forecasts of need. The projections are based on a range of assumptions. For example, assuming macroeconomic growth is high, unemployment low and social housing construction relatively expensive, the model projects a low' annual average need for 22,000 lettings. Assuming low macroeconomic growth and unemployment at

9 per cent, the model predicts a high' annual average need for 72,000 lettings.

"This economic model is a significant step forward in the analysis of likely demand and need for social housing. The Department of Applied Economics have now begun further necessary research to develop and improve this national model, and to explore whether regional variants are feasible".

An Economic Model for the Demand and Need for Social Housing: Technical Report on a Feasibility Study, ISBN 1 85112 062 9, price £20, available from Department of the Environment, Transport and the Regions, Publication Sales Centre, Unit 8, Goldthorpe Industrial Estate, Goldthorpe, Rotherham, S63 9BL (tel: 01709 891318, fax: 01709 881673).

GOVERNMENT SETS OUT HOW IT WILL SAVE SCHOOL PLAYING FIELDS

The Government today set out how it will fulfil and extend its pledge to stop the sale of playing fields which schools and communities need. The initiatives will be taken forward in three key measures in a co-ordinated approach by the Department of Education and Employment, the Department of Environment, Transport and the Regions and the Department of Culture, Media and Sport.

These are:

- tightening planning controls in respect of development on all local authority-owned playing fields where the English Sports Council advises against the proposals;
- introducing new legislation to require all maintained schools to seek consent for the sale of playing fields; and
- sending a clear message to all local education authorities to discourage them from selling off land before these measures become law.

Deputy Prime Minister, John Prescott, said:

"Playing fields are vital for the quality of life in our communities. Once developed they are lost forever. In some cases the Sports Council and local planning authorities disagree on whether developing a local authority-owned playing field would result in a local shortage. In these cases I propose to ask local planning authorities to refer the matter to me to decide whether to leave it to them or whether I should take the decision. I will shortly be writing to consult them on my proposal."

Education and Employment Secretary, David Blunkett, said:

"All school pupils deserve access to proper



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LONDON ESTATE PAVES THE WAY WITH NEW REGENERATION SCHEME

A London housing estate is getting a new lease of life with a £13 million cash injection to improve properties and fund Welfare to Work schemes through the Government's Estates Renewal Challenge Fund (ERCF).

Tenants on the Moorlands Estate, Brixton, are the first to take advantage of a large ERCF scheme. Their tenancies will be transferred to the Metropolitan Housing Trust (MHT) under the multi-million pound package which will enable the trust to get the run-down estate back on its feet.

The decision of the tenants has been welcomed by Housing Minister Hilary Armstrong:

"For many years people living on the Moorlands estate have had inadequate housing in an area that has become increasingly run-down and isolated. The Estates Renewal Challenge Fund and their new landlords the Metropolitan Housing Trust offer them real opportunities to tackle this.

"We are supporting their decision with £12.797 million, and MHT will be raising another £10 million from the private sector. This will allow the trust to carry out essential repairs to all the properties in the area. "However, communities are not just about bricks and mortar they are also about jobs and quality of life so part of the Government funding is being earmarked for Welfare to Work schemes to help young people set up businesses in the area and to provide training schemes."

ERCF was launched in November 1995 with the aim of transforming some of the remaining big, rundown local authority estates by facilitating their transfer to new registered social landlords. The programme is now in its third round.

£316m has been allocated under the first two rounds to 20 local authorities for 33 schemes covering 41,000 homes on 69 estates. So far three schemes have actually transferred (Durham - 223 dwellings, Sheffield Raeburn - 96 dwellings and Newham Woodlands - 64 dwellings) and 12 successful ballots have been achieved.

Round 3 was launched in July. [Over 25 outline bids were submitted seeking funding totalling over £600m (around three times the amount likely to be available). Final bids are due at the beginning of December and the successful schemes will be announced in

HILARY ARMSTRONG ESTABLISHES NEW HOUSING SOUNDING BOARD

A new informal forum for discussing some of the key issues in housing has been established by the Department of the Environment, Transport and the Regions which met for the first time on 18 December.

Housing Minister Hilary Armstrong announced today that a small group of experts in housing and related issues had been invited to form a Housing Sounding Board. The Board would meet regularly during the year to discuss a wide range of housing issues, including some of those being considered as part of the Comprehensive Spending Review.

She commented:

"It is very important to look at housing policy in a wide and pragmatic context, particularly as we make progress with tackling the social exclusion agenda. The members of this new Board have a wide range of experience in housing and related issues, and will serve in a personal capacity."

The members of the Board are:

- Chris Holmes, Director, Shelter
- Alan Kilburn, Chief Executive, Home Housing Association
- Steve Mycio, Director of Housing, Manchester City Council
- Mike Ockenden, Managing Director, Barclays Mortgages
- Dr Anne Power, Reader in Social Policy, London School of Economics and political Science Heather Rabbatts, Chief Executive, London Borough of Lambeth
- Steve Wilcox, Senior Research Fellow, Centre for Housing Policy, University of York and Associate Director of HACAS
- Neale Coleman and Steve Hilditch,

HILARY ARMSTRONG INVITES BIDS FROM COUNCILS FOR CASH INCENTIVE SCHEME

Local authorities have been invited to bid for support from a £30 million scheme which helps people buy a home and frees flats and houses for those in housing need.

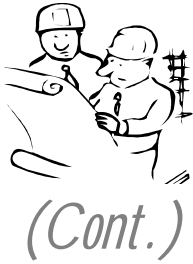
Announcing the bidding round for the 1998/99 Cash Incentive Scheme, Housing Minister Hilary Armstrong said: "The Cash Incentive Scheme is an innovative cost-effective housing measure. It will help over 2,500 people who would not otherwise be able to buy their own home. At the same time this frees up their house or flat for those in



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housing need, including the homeless." Each council proposing a scheme must consider what level of support is appropriate and must ensure that assistance is made available only to those tenants who would not be able to afford a home in the private sector without a grant.

The Cash Incentive Scheme was set up on 1 April 1989. Since then 24,316 former tenants have been helped to buy their own home. The CIS is funded jointly by councils and through Government Supplementary Credit Approvals. To date a total of £344 million has been spent.

Average grant is £12,200. Local authorities in London, the East and the South East can offer grants of up to 80% of the average right to buy discount for their area. Other authorities can

RICHARD CABORN ANNOUNCES MODERNISATION OF THE PLANNING SYSTEM Richard Caborn MP, Minister of State for the Regions, Regeneration and Planning announced in the House of Commons on 15 January measures to modernise the planning system in England. He also launched a consultation paper on measures to improve Regional Planning Guidance.

In a written answer to a Parliamentary Question from Helen Jones, MP (Warrington North) he said:

"I have today placed copies of my Policy Statement in the Library of the House. This Statement confirms that we shall retain the principles of the town and country planning system established by the post-war Labour Government. For 50 years, these have demonstrated their flexibility and served us well. There are, however, a number of missing dimensions that this Government will put in place to cope with the challenges it now faces. These are:

- the European context for planning in this country;
- clearer statements of national policy for the small number of projects where decentralisation of decision-making is not possible;
- effective arrangements for regional planning so that more issues can be resolved at this level;
- a continuous search for improvements in local efficiency; and

a willingness to consider economic instruments and other modern tools to help meet the objectives of positive planning.

My Policy Statement on Modernising Planning describes how we will fill these gaps. As part of this package, I am also today placing in the Library and publishing a consultation paper on the future of Regional Planning Guidance in England".

A copy of both documents is being sent to each county, district and unitary in England, the local authority associations, representatives of the property industry, and to statutory, professional and voluntary bodies with an interest in planning. Both documents will be available shortly on the Internet on a new site <http://www>.

NICK RAYNSFORD LAYS SCHEME FOR CONSTRUCTION CONTRACTS

Construction Minister Nick Raynsford on 18 December put the final pieces in place which will enable the "fair contract" construction legislation to come into effect early this year. He laid before Parliament the order which will give effect to the Scheme for Construction Contracts. This contains the arrangements for adjudication and fair payment which will have effect if construction contracts fail to comply with the terms of Part II of the Housing Grants, Construction and Regeneration Act 1996.

In answer to a Parliamentary Question from David Taylor (NorthWest Leicestershire) concerning Part II of the Housing Grants, Construction and Regeneration Act 1996, Mr Raynsford said:

"I gave an assurance when we came into Government that I would implement the previous administration's legislation on fair construction contracts which had been introduced with cross-Party agreement. I am delighted now to be fulfilling that promise."

"I have today laid an order which sets out the arrangements which need to be followed where construction contracts fail to contain adjudication and payment provisions which comply with the 1996 Act. I have also laid an order excluding certain types of contracts, and especially contracts under the Private Finance Initiative, from the terms of the Act."

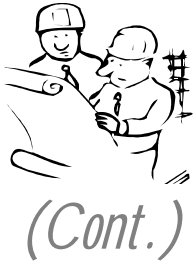
"These proposals are the result of detailed and comprehensive consultation with all sections of the construction industry. The adjudication provisions will help resolve construction disputes quickly and simply. I am looking forward to the legislation coming into



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The elements of the Housing Grants, Construction and Regeneration Act 1996, influenced by the Latham Report have been heavily criticised of late as commentators see a last chance to influence the legislation following the change in government. The consultation period has been criticised as being too short and concern has been expressed that its effect will be:

- to marginalise and possibly eliminate architects or engineers as administrators of construction contracts
- to promote the use of design and build or management contracting
- to reduce the influence of architects or engineers in the running of traditional contracts by making all their decisions subject to review by an adjudicator
- to promote the use of the NEC contract
- to change payment, set-off, defects and damages terms largely in favour of contractors and sub-contractors

Your views will be most welcome - Ed.

HOUSEBUILDING: NOVEMBER 1997

In November 1997, it is provisionally estimated that 14,000 dwellings were started in Great Britain compared with 14,000 in November 1996. Completions numbered 15,200 compared with 15,700 in the previous year.

In the latest three months 46,700 dwellings were started, up 1 per cent on the same three months a year ago, while completions at 46,100 were down 1 per cent.

Seasonally adjusted comparisons:

In the three months September to November, total starts were up 8 per cent while total completions fell by 3 per cent compared with the previous three months. Private enterprise starts were up by 10 per cent while completions were down by 3 per cent.

Housing Association starts of new dwellings in the three months September to November fell compared with the previous three months, completions also fell. Both starts and completions by local authorities and government departments remained at a low level.

In contrast a survey by the NHBC reveals a sharp drop in activity across the country other than Yorkshire and Humberside as firms slow down following last years dramatic growth. Land shortages are forecast to have an effect on both prices and demand - Ed.

ORDERS FOR NEW CONSTRUCTION: NOVEMBER 1997

The total volume of construction new orders for November have improved on the level seen in October. In particular the private new housing sector has seen the largest increase. The three-monthly figure for all new work is up by nine per cent compared with the previous period.

The total volume of new orders received by contractors for construction work in Great Britain in the three months September 1997 to November 1997 was nine per cent higher compared with the three months June 1997 to August 1997 and eight per cent higher compared with the three months September 1996 to November 1996. These provisional figures reflect the volume of orders at constant (1990) prices adjusted to exclude normal seasonal variations.

New orders in the private housing sector in the three months September 1997 to November 1997 were nine per cent higher compared with the previous three months and four per cent higher than in the corresponding period a year ago. Public housing and housing association orders in the latest three months were eight per cent higher than in the previous three months but 21 per cent lower than in the same period a year earlier.

Infrastructure orders in the latest three months were 11 per cent lower compared with the previous three months and 27 per cent lower compared with the corresponding period a year earlier.

Public non-housing orders (excluding infrastructure) in the latest three months were nine per cent higher compared with the previous three months and nine per cent higher than in the corresponding period a year ago. Private industrial orders in the latest three months were eight per cent lower compared with the previous three months but ten per cent higher compared with the same period a year ago. Private commercial orders in the latest three months were 27 per cent higher compared with the previous three months and 39 per cent higher than in the corresponding period a year ago.

In current prices the total value of new



Are these DETR items of interest to you or would you like SCALA exchange to have a different focus - Ed.



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