

**BUSINESS SUB-GROUP****BARNET HOMES**

Wednesday 3 September 2008

Audit Committee, Private Meeting of Directors and Grant Thornton at 4.00pm

Main Meeting at 5.00pm

10<sup>th</sup> Floor Meeting Room, Barnet House**AGENDA**

<b>Item No</b>	<b>Item</b>	<b>Status</b>	<b>Author</b>
	<b>Audit Committee - Private Meeting of Directors with Grant Thornton, External Auditors (4.00pm)</b>		
<b>1</b>	<b>Main Meeting (5 p.m.) Introduction &amp; Apologies</b>		
<b>2</b>	<b>Minutes and Matters Arising (Page 3-10)</b>		
<b>3</b>	<b>Declaration of Interests</b>		
<b>4</b>	<b>Final Annual Report and Accounts 2007/08 (Page 11-38)</b>	<b>Decision</b>	<b>Jo Moore</b>
	The statutory report and financial statements are now agreed and they incorporate the revised presentation of the profit figure to reflect the Sub-Group's request, the presentation of the indicators within the Directors' Report has also been amended.		
<b>5</b>	<b>Budget Monitor (end July) (Page 39-49)</b>	<b>Information</b>	<b>Gary Pliskin, Laura Awosile, Jo Moore</b>
	This report sets out the budgetary position for the Company on a year to date basis as at the end of July 2008 and projects the full year figures for 2008/09.		
<b>6</b>	<b>Internal Audit – Budgetary Control (Page 50-60)</b>	<b>Information</b>	<b>Mike Wiffen</b>
	The paper advises the Sub-Group of the compliance review of budgetary control undertaken by our internal auditors, Tribal Business Assurance (TBA).		
<b>7</b>	<b>Internal Audit Management Action (Page 61-64)</b>	<b>Information</b>	<b>Mike Wiffen</b>
	This paper provides an update on progress against action plans arising from audits undertaken by Tribal Business Assurance (TBA).		
<b>8</b>	<b>Income Strategy – Annual Review (Page 65-68)</b>	<b>Information</b>	<b>Derek Rust/Mike Wiffen</b>
	This paper gives a progress report on our income collection strategy.		
<b>9</b>	<b>Options for Shared Services (Page 69-71)</b>	<b>Information</b>	<b>Mike Wiffen</b>
	The report looks at the possibility of the use of shared services by the company.		
<b>10</b>	<b>Signatory Levels (Page 72-73)</b>	<b>Information</b>	<b>Mike Wiffen</b>
	The report informs the Sub-Group of numbers of payments made by different methods, including those above the threshold requiring manual signature.		
<b>11</b>	<b>Agenda Planning (Page 74-75)</b>	<b>Decision</b>	<b>Mike Wiffen</b>
	This paper sets out proposed agenda items to the Sub-Group up until March 2009.		
<b>12</b>	<b>Any Other Business</b>		
<b>13</b>	<b>Date of Next Meeting – Tuesday 7<sup>th</sup> October 2008 at 3.00pm 10<sup>th</sup> Floor Meeting Room, Barnet House</b>		

Attendees:            David Sidbury (Chair)            Monroe Palmer, OBE, FCA  
                             Vi Britchfield                        Ingrid Beal  
                             Jane Nelson                           Ian Sharp, Tribal  
                             Mike Wiffen                           Gary Pliskin  
                             Jo Moore

The private meeting of Directors and Grant Thornton, External Auditors will commence at **4.00pm** and the main meeting will commence at **5.00pm**, **10<sup>th</sup> Floor Meeting Room**, Barnet House. Any Director who wishes to attend as an observer please advise Karen Flood in advance on: Tele: 020 8359 4915 or Email: [karen.flood@barnethomes.org](mailto:karen.flood@barnethomes.org)

**BARNET HOMES  
BUSINESS SUB-GROUP MINUTES  
3 September 2008**

**Attending:**

David Sidbury, Chair  
Councillor Monroe Palmer, OBE, FCA  
Ingrid Beal, Vice-Chair of Board  
Vi Britchfield, Chair of Board  
Jane Nelson, Co-opted Director  
Ian Sharp, Tribal Business Assurance

**Apologies:**

None

**Management & Staff:**

Mike Wiffen, Head of Financial Services  
Jo Moore, Financial Controller (Items 1-5)  
Tracey Lees, Chief Executive Officer  
Karen Flood (Minutes)

**Apologies:**

Gary Pliskin, Deputy Head of Financial Services

**Visitors:**

None

**The Audit Committee met prior to the Business Sub-Group and the Key Issues Memorandum is attached.**

<b>ITEM</b>	<b>TITLE</b>	<b>ACTION</b>
<b>1</b>	<b>Introductions &amp; Apologies</b>	
<b>1.1</b>	Introductions were made and apologies noted.	
<b>2</b>	<b>Agree Minutes &amp; Matters Arising</b>	
<b>2.1</b>	<b>Minutes</b>	
<b>2.1.1</b>	Minutes of 6 August 2008 were agreed.	
<b>2.2</b>	<b>Matters Arising</b>	
<b>2.2.1</b>	<b>Item 2.2 Purchase Ordering System</b> – confirmed project will be started the last week in September.	<b>JM</b>

ITEM	TITLE	ACTION
2.2.2	<b>Item 2.4 Finance Team Benchmarking with Other Public Sector Bodies</b> – summary of this and the Central Services review deferred to the next meeting.	GP
2.2.3	<b>Item 5 Statutory Annual Report and Financial Accounts</b> – the Sub-Group felt that the reports should have been tabled at Board prior to circulating to tenants. To be referred to Board on 15 September 2008 and views sought on procedure for next year.	DS/MW
2.2.4	<b>Item 6.4 Budget Monitor – Other Costs Adverse Variance (Telephone)</b> – further investigation of costs to be undertaken.	MW
2.2.5	<b>Item 7.3 Audit Review on Maintenance - Update (Ian Sharp)</b>	
(a)	Draft report sent to Barnet Homes 3 September 2008, looking at the process of variations.	
(b)	Overall assessed as reasonable assurance as staff carry out regular checks, noted that errors are common but it was felt this was mainly due to the composite codes.	
(c)	The major concern related to the financial limits in variations, £500 has now been reduced to £250.	
(d)	The Sub-Group had previously discussed variation limits and felt that a percentage of costs should be implemented rather than a set amount. The issue was referred to Mandy Dunstan, Operational Asset Manager (East) to review.	MW/MD
(e)	Comments from Barnet Homes managers on the draft report to be submitted to Tribal.	CW/MD
2.2.6	<b>Item 9.2 Sheltered Scheme Garth House (Computer System)</b> – issue with billing, to be investigated.	MW
2.2.7	<b>Item 13 Burnt Oak Library</b> – Barnet Homes have agreed to freephone line, number of calls to be logged to monitor volume.	CV

ITEM	TITLE	ACTION
<b>3</b>	<b>Declaration of Interests</b>	
3.1	If any item arose concerning the London Borough of Barnet Councillor Monroe Palmer may have conflicting interests.	
4.	<b>Final Annual Report and Accounts 2007/08</b>	
4.1	Number of requested minor amendments now completed and agreed with Grant Thornton (Auditors).	
4.2	Vi Britchfield, Chair of the Board to sign off accounts following the Board meeting on 15 September 2008.	<b>VB</b>
5.	<b>Budget Monitor (end July)</b>	
5.1	<b>Total Barnet Homes Limited (Profit &amp; Loss Statement)</b>	
5.1.1	Projecting a net loss of £29k to year end without any contribution from reserves. This assumes that the remaining £207k contingency fund is not utilised.	
5.1.2	It was noted that there are some large variations this month.	
5.2	<b>Repairs &amp; Maintenance</b>	
5.2.1	£87k overspend to end July 2008, position slightly improved since reported last month. Projecting to come in within budget at year end.	
5.3	<b>Financial Services</b>	
5.3.1	Projecting £29k overspend on IT Service Level Agreement (SLA).	
5.3.2	Accommodation SLA – the accommodation charge for Barnet House has now been finalised and has come in approximately £70k less than accrued. This would be taken into account in next month's report.	
5.4	<b>Chief Executive Office Division</b>	
5.4.1	Number of changes to be made following the review of Central Services.	<b>LA</b>

ITEM	TITLE	ACTION
5.4.2	The Sub-Group noted the £32k overspend on agency staff costs to date.	
5.5	<b>Barnet Homes Limited – Total Heads of Service</b>	
5.5.1	The Sub-Group proposed that the agency staff budgets should be adjusted in those areas where use was essential and the use of temporary staff should be separated from the agency staff who are on semi-permanent contracts.	LA
5.6	<b>Asset Management</b>	
5.6.1	£42k overspend projected to year end, mainly due to the car lump sum and mileage payments and LAPN consultant costs.	
5.7	A breakdown of the operational costs to be reported to the 5 November 2008 meeting as part of the Budget Monitor report.	LA
6.	<b>Internal Audit – Budgetary Control</b>	
6.1	Tribal Business Assurance have undertaken a compliance review of budgetary control arrangements. Substantial improvements have been made and procedures are being developed.	
6.2	Reasonable assurance has been awarded for Budgetary Control arrangements. It was noted that Barnet Homes agree in general with the findings of the report, management action plan is yet to be completed.	MW
6.3	Item to be tabled at the Board meeting as part of the Sub-Group feedback report.	DS/MW
7.	<b>Internal Audit Management Action</b>	
7.1	<p>The Sub-Group received a 6 monthly update on the management action undertaken following the Internal Audit reviews on:</p> <ul style="list-style-type: none"> <li>▪ Governance (Performance Monitoring)</li> <li>▪ Investment Planning</li> <li>▪ Procurement (Non Partnered)</li> <li>▪ Rents</li> </ul>	

ITEM	TITLE	ACTION
	<ul style="list-style-type: none"> <li>▪ Equal Pay</li> <li>▪ Lifeline</li> <li>▪ Payroll Compliance</li> <li>▪ Planned Maintenance</li> </ul>	
7.2	The Sub-Group noted the report.	
8.	<b>Income Strategy – Annual Review</b>	
8.1	The Sub-Group received and noted the progress report on Barnet Homes Income Strategy.	
9.	<b>Options for Shared Services</b>	
9.1	The Sub-Group received a report on the options available to the company on shared services, it was noted that these tend to be mainly for back office services.	
9.2	The potential in relation to IT will link with our options on accommodation. A specification is currently being developed for IT services.	MW/EM
9.3	The Sub-Group proposed that possibility of sharing services with another ALMO be explored.	MW
10.	<b>Signatory Levels</b>	
10.1	The Sub-Group received a report advising on the number of payments made and the different methods used by the company, it also included those above the threshold that require manual signatures.	
10.2	The Sub-Group queried the process of how BACs payments are authorised, it was agreed to circulate a copy of the procedure with the minutes of the meeting.	KLF
11.	<b>Agenda Planning</b>	
11.1	<b>Agenda Items for 7 October 2008</b> <ul style="list-style-type: none"> <li>▪ Introductions and Apologies</li> <li>▪ Minutes and Matters Arising</li> <li>▪ Declaration of Interests</li> <li>▪ Budget Monitor (end August)</li> <li>▪ Budget 2009/10 – Consultation Draft</li> </ul>	LA/GP/JM MW

ITEM	TITLE	ACTION
<p>12.</p> <p>12.1</p> <p>13.</p>	<ul style="list-style-type: none"> <li>▪ Value for Money Reviews &amp; Action Plan (including Benchmarking)</li> <li>▪ Agenda Planning</li> </ul>	<p>MW</p> <p>MW</p>
	<p><b>Additional Items</b></p> <ul style="list-style-type: none"> <li>▪ Lifeline</li> <li>▪ Extension of Existing CDM Contract (Waiver of Contract Procedure Rules)</li> </ul>	<p>DR</p> <p>CV</p>
	<p><b>12. Any Other Business</b></p>	
	<p>No items.</p> <p><b>13. Date of Next Meeting – Tuesday 7 October 2008, 3pm, 10<sup>th</sup> Floor Meeting Room</b></p>	

Circulation:

Laura Awosile, Chief Management Accountant

Derek Rust, Deputy Chief Executive

Cora Vigar, Head of Corporate Services

Ewa Maciejczyk, IT Control Team Manager

Mandy Dunstan, Operational Asset Manager

Chris Wilkins, Head of Asset Management

Attendees

Apologies

All Directors

Signed

\_\_\_\_\_  
David Sidbury, Chair of Business Sub-Group

Date

\_\_\_\_\_



Grant Thornton

Barnet Homes Limited

Key Issues Memorandum

For the year ended 31 March 2008

**Last updated 1 September 2008**



# Grant Thornton

Our Ref JN / CM / RS  
Your Ref

The Board of Directors  
Barnet Homes Limited  
1255 High Road  
Whetstone  
London  
N20 0EJ

1 September 2008

Dear Sirs

## **BARNET HOMES LIMITED (THE COMPANY) KEY ISSUES MEMORANDUM FOR THE YEAR ENDED 31 MARCH 2008**

This Key Issues Memorandum (KIM) has been prepared in order to record the key matters arising from the audit of the financial statements for the year ended 31 March 2008. We have discussed our report with Mike Wiffen who confirms its factual accuracy, although the views expressed are those of Grant Thornton. The purpose of the document is further detailed in Section 1.

We would like to take this opportunity to thank Jo Moore, Mike Wiffen and other staff and directors for the co-operation and assistance afforded to us during the course of our audit.

Yours faithfully

Grant Thornton UK LLP

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**Chartered Accountants**

Member firm of Grant Thornton International Ltd  
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP  
A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

**Contents**

1	Introduction
2	Audit and financial reporting issues
3	Review of performance
4	Internal controls and risk management systems
5	Misstatements identified by the audit
6	Audit effectiveness

**Page**

1
2
4
5
6
7

**Appendices**

A	Financial reporting and company law developments
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# 1 Introduction

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the objectivity of the engagement team
- nature and scope of the audit work
- the form of reports expected.

## 1.1 Purpose of memorandum

This memorandum has been prepared for the benefit of discussion between Grant Thornton and the Board of Directors of Barnet Homes Limited. The purpose of this memorandum is to highlight the key issues affecting the results of the Company and the preparation of the Company financial statements for the year ended 31 March 2008.

The document is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) (ISAUK) 260.

## 1.2 Responsibilities of the directors

The directors are responsible for the preparation of the financial statements and for making available to us all the information and explanations we consider necessary. Therefore, it is essential that the directors confirm that our understanding of all the matters referred to in this memorandum is appropriate, having regard to their knowledge of the particular circumstances.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the Company.

In consequence, our work did not encompass a detailed review of all aspects of the system and controls and cannot be relied upon

necessarily to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might develop.

We would be pleased to discuss any further work in this regard with the Board.

## 1.3 Confidentiality

This memorandum is strictly confidential and although it has been made available to management to facilitate discussions, it may not be taken as altering our responsibilities to the Company arising under our audit engagement letter.

The contents of this memorandum should not be disclosed to third parties without our prior written consent.

## 1.4 Status of audit

Our audit is substantially complete although we are finalising our procedures in the following areas:

- Review of post balance sheet events and going concern up to the date of the audit report
- Receipt of the signed letter of representation

We do not anticipate that the completion of our work in these areas will give rise to any material adjustment

## 2 Audit and financial reporting issues

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### 2.1 Connaught Contract

The Company has experienced an ongoing issue with the primary maintenance contractor, Connaught, regarding the pricing of jobs and reconciling the two companies' figures for the volume of jobs completed. Accurate data in this respect was needed by the Company to ensure that maintenance costs are correctly included and accrued for the year.

### Resolution

An accrual and total cost figure for the year has been agreed between the Company and Connaught, and this has been included in the financial statements.

### Management comment

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### 2.2 Pensions

The year-end reserves are in deficit due to accounting entries mandated by FRS 17. The Company's directors must ensure that they agree that the assumptions used by the actuaries for the purposes of the FRS 17 valuation are appropriate for the Company.

### Resolution

We note that the actuaries, Hymans Robertson, have used their standard set of assumptions to value the pension deficit. We have reviewed these assumptions and have concluded that they are reasonable for the purposes of the FRS 17 valuation.

### Management comment

The Business Sub-Group concurred with the assumptions made by the actuaries.

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### **2.3 Provisions**

Some provisions and contingent liabilities have arisen relating to taxation on benefits in kind provided to the Company's staff, in particular for car loans, personal use of phones provided for business use, and provision of accommodation for some employees.

At the year end a rent review was being negotiated that applied retrospectively from September 2007. An estimate of the increased rental costs applicable to the year ended 31 March 2008 has been included as a provision in the accounts.

### **Resolution**

We have discussed these situations with the Company's finance staff and the Grant Thornton tax advisers, and have concluded that the treatment adopted is correct. A note has been included in the accounts disclosing the contingent liabilities, and a provision of £107,000 has been made to cover the tax liabilities (where there is a clear liability and the amount can be estimated accurately) and the increased rental costs.

### **Management comment**

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### **2.4 Representation letter**

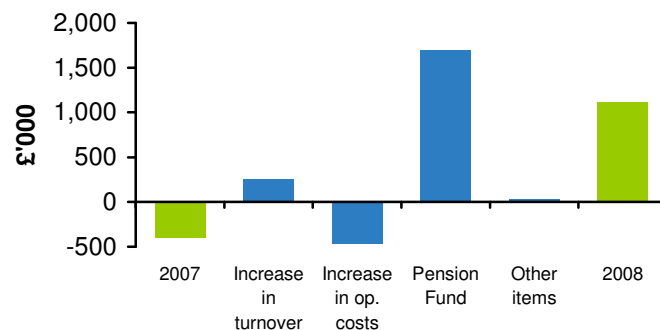
The Board will be required to review and approve a letter of representation in relation to the financial statements and management representations given during the course of the audit. This letter includes paragraphs specific to the estimates mentioned in 2.3.

## 3 Review of performance

### 3.1 Summary of results

The Company continued to provide management and maintenance services to London Borough of Barnet for their residential stock. The Company's profit for the year, after taxation, was £1,109k (2007: loss of £403k). However £658k (2007: loss of £1,029k) of this profit was attributable to the movement on the pension scheme deficit. Excluding the pension gain or loss, which is beyond the Company's control, provides more comparable figures of a profit after taxation of £451k (2007: £626k).

**Profit Bridge**



The above chart shows the main items affecting the Company's profit after tax and how changes in those items (as compared to 2006/07) have resulted in the year on year improvement in profit after tax. It can be seen that the increase in turnover has been offset by an increase in operating costs, and that the gain on the pension fund has had the single most significant impact on bottom line performance.

Turnover for the year was £28,401k (2007: £28,146k). As expected, this figure is very consistent from one year to the next, as there have been no significant changes in the managed housing stock.

The figure for the increase in operating costs excludes the £1.7m gain on the pension fund. Divisions that have seen a particular increase in costs in the year include Housing Services and Corporate Services; we understand that this is due principally to increased staffing costs (Housing Services has seen a 7% increase in average headcount compared to 2006/07).

### 3.2 Taxation

The tax charge for the year is £136,265 (2007: £112,024).

### 3.3 Cash Flow

In the year, the Company has shown a cash inflow of £4.2m (2007: £2.7m outflow); however, this includes the liquidation of short-term investments totalling £2.5m (2007: investment of £5m). The cash inflow from operating activities is some £1.1m lower than in 2006/07, but this is principally because of changes in working capital balances (2006/07 saw a very large increase in creditors).

## 4 Internal controls and risk management systems

### 4.1 Roles and responsibilities

The Company's management is responsible for the identification, assessment, management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the Board that it has done so.

### 4.2 Accounting system and internal control

We have applied our risk methodology using our auditCARE software. This approach allows us to document, evaluate and assess your internal controls over the financial reporting process.

Our testing to date has not identified any significant control weaknesses which should be brought to the Board's attention.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to the Company.

In consequence, our work cannot be relied upon necessarily to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might develop.

We would be pleased to discuss any further work in this regard with the Board.

## 5 Misstatements identified by the audit

*"The board should review levels of errors identified during the audit, obtaining explanations from management and, where necessary the external auditors, as to why certain errors might remain unadjusted."*

The Smith Guidance

### **5.1 Adjusted misstatements**

There are no adjusted misstatements for the board's attention.

### **5.2 Unadjusted misstatements**

No misstatements that were identified by the management team or Grant Thornton during the course of the audit.

## 6 Audit effectiveness

### 6.1 Audit plan and performance

In the conduct of our audit, we have not had to alter or change our audit plan and were pleased with the information provided by management.

### 6.2 Independence and robustness

Ethical standards require us to give you full and fair disclosure of matters relating to our independence.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the APB Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

In accordance with current reporting practices, we analyse our fees below:

	£'000
Audit	23
Taxation advice and computations	11

The following safeguards are in place to ensure our independence in each case as detailed below:

Non-audit service	Safeguard	Value of work (£'000)
Taxation	The tax compliance and advice teams are separate from the audit team.	11

## A Financial reporting and company law developments

### **Company Law Developments**

#### **Commencement of Companies Act 2006 accounting and audit provisions**

The fifth Companies Act 2006 (CA 2006) commencement order (SI2007/3495) was made on 17 December 2007. It brings into force from 6 April 2008 the accounting and audit provisions of the new Act (Parts 15 and 16) plus various other aspects of the new law. In addition, Part 23 of the new Act on distributable profits applies to distributions made on or after 6 April 2008. Whilst many accounting and audit provisions are carried forward from the Companies Act 1985 largely unaltered, there will be some significant changes.

#### **Accounts and reports changes**

The accounting changes apply for financial years commencing on or after 6 April 2008 (the Companies Act 1985 continues to apply for financial years commencing prior to that date). A small number of requirements in Part 15 have already been commenced, notably the business review requirements in s417 (for periods beginning on or after 1 October 2007) and the 'safe harbour' provision in s463. The commencement order includes transitional adaptations of the new Act for authentication of accounts pending full introduction of the new Act from October 2009.

Compared to the old Act, the provisions are substantially rewritten to place those applying to small companies first, followed by additional requirements for non-small companies, then still more for quoted companies (which principally means those on the Full List). The new Act (ss386-389, CA 2006) includes a requirement for the company to keep 'adequate' accounting records rather than the 1985 Act requirement for 'proper' accounting records.

The new s393 CA 2006 sets out an overarching requirement that directors must not approve accounts unless they are satisfied that they show a true and fair view. This applies whether the accounts are UK GAAP or IFRS. For large and medium-sized companies, the detailed rules on the form and content of directors' reports and Companies Act (ie UK GAAP) accounts are set out in a statutory instrument, The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008. The majority of requirements on the form and content of accounts and reports are substantially the same as under the 1985 Act, though there are some changes of detail.

S410A CA 2006 sets out a requirement for all non-small companies to disclose in their accounts details of off-balance sheet arrangements. This applies whether the accounts are UK GAAP or IFRS. The requirement stems from a European Directive and was inserted into the 2006 Act in January 2008. In common with other accounting changes, it applies for accounting periods commencing on or after 6 April 2008. Off-balance sheet arrangements are not defined in law though the Accounting Standards Board has issued guidance in the form of a press release, available at <http://www.frc.org.uk/asb/press/pub1643.html>. Although the potential range of off-balance sheet arrangements is very wide, the risks or benefits arising from the arrangements have to be material to justify disclosure under the Act. Disclosures must be sufficient to enable the financial position of the company to be assessed. Potential examples include operating leases,

off-balance sheet factored debtors (if the risks are material) and executory contracts. Under UK GAAP where FRS 26, Financial Instruments: Measurement, is not applied, derivatives may be off balance sheet too. Disclosure of some off-balance sheet arrangements is already required by accounting standards, for example operating lease commitments.

### **Filing deadlines**

The time limits for filing accounts at Companies House come down to nine months for private companies and six months for public companies (even unquoted PLCs). As with the other provisions, this applies in respect of accounts for financial years commencing on or after 6 April 2008. Changes to the penalties for late filing of accounts at Companies House will also apply from 2009.

### **Audit changes**

For audits for financial years commencing on or after 6 April 2008, the auditor's report will need to be signed in the name of the senior statutory auditor signing the report, as well as giving the name of the audit firm. Where an auditor ceases to hold office on or after 6 April 2008 as a result of resignation (or removal) before the end of their term of office, there is a new statutory requirement for the company to notify the audit authorities, with reasons, within 14 days of the auditor ceasing to hold office (s523, CA 2006).



## **PROCESSING A SUPPLIER INVOICE FOR PAYMENT**

### Non Disclosure

The contents of this document are to remain confidential to Barnet Homes and only be circulated to authorised personnel in connection with this particular project and / or initiative. The contents may not be disclosed outside of this remit without the prior written permission of Barnet Homes.

If you find any problems in the documentation, please report them to us in writing. Barnet Homes does not warrant that this document is error-free.

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### Version Control

Item	Reason for Change	Ver	Author	Date
1.0	Initial Draft	1	Jo Moore	2008

## **PROCESSING AND PAYING SUPPLIER INVOICES**

### **1. Background**

- 1.1 This document outlines the procedures to be followed in the payment of a supplier invoice.
- 1.2 The entering and payment of invoices on the Company's SAP accounting system can only be carried out by members of the Financial Services team. Following a review by the Financial Controller of the SAP access roles there is now a system enforced "separation of duties" so that it is not possible for any one person within Financial Services to: create a supplier account (vendor), enter an invoice and pay an invoice.
- 1.3 There are generic procedures to be followed in processing a supplier invoice but there are various methods by which an invoice can be paid: BACS, system cheque, Direct Debit, CHAPs, and manual cheque.
- 1.4 The BACS and system cheque methods of payment are system generated which means that an invoice must be entered onto the SAP accounting system before a payment can be made.
- 1.5 To enable an invoice to be entered onto SAP a vendor account must exist. Please see Appendix 1 for procedures to be followed in creating a new vendor account.
- 1.6 Each vendor that is created will contain a master record which specifies the agreed payment terms and the appropriate method of payment. Invoices entered will automatically be paid by these default settings. It is possible to change the method of payment manually but this is only done by exception.

### **2. Statutory / Policy Requirements**

- 2.1 The company has a duty under the Late Payment of Commercial Debts (Interest) Act 1998 to ensure that it pays all supplier invoices within their agreed payment terms.
- 2.2 In addition to this, the Company must ensure that it implements adequate financial controls to minimize the risk of financial loss to the company by preventing fraudulent or erroneous payments.

### **3. Definitions**

- 3.1 The Company uses a SAP accounting system which refers to suppliers as "vendors".

### **4. Procedures**

#### **4.1 Receipt and authorisation of invoices**

- 4.1.1 Following a recent change in procedures all supplier invoices should now be sent to the Accounts Payable section, Financial Services.
- 4.1.2 Invoices received are stamped with a receipt date and a grid for cost centre manager authorisation.
- 4.1.3 Invoices are logged onto an Excel spreadsheet and then distributed to the appropriate cost centre manager for authorisation - with the spreadsheet details updated accordingly.
- 4.1.4 Invoices are signed by the appropriate cost centre manager and returned to the

Accounts Payable section for payment – spreadsheet updated with date of return.

NB: Accounts Payable will review invoice log on a weekly basis and chase for invoices not returned on a timely basis.

#### **4.2 Entering a supplier invoice onto the SAP accounting system**

4.2.1 An invoice can be entered by the Payments Officer or the Payments Assistant. Invoices are entered in batches and then passed to the Accountant for checking.

4.2.2 The Accountant will then run a report from SAP which lists the individual invoices included in a batch and will check the supplier name and amount to original invoices and approve the batch for payment.

#### **4.3 Payment of invoices**

4.3.1 To ensure that invoices are paid on time a daily report is run from SAP of “open” invoices which are due for payment. A separate report is run for each method of payment.

4.4 **BACS** - BACS payments are generated automatically by SAP (see Appendix 2)

4.5 **System Cheques** – System cheques are generated automatically by SAP (See Appendix 2)

4.6 **Direct Debit** – These payments are collected automatically by the supplier concerned (See Appendix 2)

4.7 **CHAPS** – CHAPS payments are manual payments and this method will only be used in exceptional circumstances - see Payments Policy document. (See Appendix 3)

4.8 **Manual Cheques** – These are manual payments and will only be made in accordance with the Company’s Payments Policy. (See Appendix 3)

## **Appendix 1 (CREATING A NEW VENDOR)**

A "Vendor creation" form must be completed prior to the ordering of any goods or services.

Barnet Homes' members of staff must submit the form to their Head of Service (or a member of the senior management team) for authorisation of the use of the new supplier.

The Head of Service in authorising the new supplier is declaring that they have adhered to the company procurement policy and financial regulations. Any queries/concerns must be addressed to the "Financial Controller and Procurement Manager".

The form must then be submitted to Financial Services who will carry out the following checks to confirm: the organisation's registration details; the organisation's bank details; the "status" of individuals and verify new CIS sub contractors with HMRC.

### **Checks to be made on receipt of a new vendor form**

- Has the form been fully completed by the person requesting use of the new Vendor AND approved by a Senior Manager?
- If the Vendor is engaged in the **Construction Industry**, as indicated on the form, then Financial Services shall refer to H.M. Revenue & Customs to establish whether the vendor is to be paid in full or net of Construction tax on any labour charge.
- If the Vendor is an **Individual**, then Financial Services will need to confirm the "status" of an individual i.e. whether the individual can be paid on a self-employed basis or whether they should be paid as an employee. The service requesting the new vendor and the individual must complete the Company's Employment Status Questionnaire and Declaration. Financial Services will then evaluate the information given, with the assistance of an on-line tool on the HM Revenue & Customs website, and make a decision on the status of the individual.

### **Checks by Financial services to ensure the authenticity of the vendor**

- For Limited Companies, we check on the Companies House website to determine that the Company exists *and* is actively trading.
- For charities, we refer to the Charity Commission website for the same checks.
- For other companies or Individuals, we check Google or the British telecom website for evidence of authenticity.

### **Checks by Financial services to avoid duplication of a Vendor record**

- A search is made on the SAP vendor database to check whether the vendor already exists. This is done by use of a search facility which looks at the name and Postcode fields in SAP.

Once the checks listed above have been carried out the form is then passed to the Financial Controller and Procurement Manager to review request against the Company's procurement policies.

Financial Services will then email the requestor to confirm and approval and creation of vendor in order that goods/services may then be ordered.

## **Appendix 2 (AUTOMATED PAYMENTS)**

### **BACS**

The Accountant, on a daily basis, runs a "payment proposal" on SAP for those invoices due for payment by the "BACS" (E) method of payment. Reasonableness checks are carried out on this list and a hard copy is then printed off.

If the daily list contains any amounts due to a supplier in excess of £35,000 then the hard copy is presented to the Financial Controller (together with supporting documentation) for authorisation.

The Accountant then releases the proposal for payment and a BACS spool is created from the SAP accounting system which is then picked up by the SAP interface team who load the file onto the Eiger Pay Gateway system.

The Accountant emails the SAP interface team and the Improvement and Control team (copied to the Financial Controller) with details of the BACS spool and identification number.

The Improvement and Control team (based in the Shared Services Centre) check that the value of the spool matches the email confirmation and then release the BACS payment into the BACS banking system.

The Improvement and Control team then email the BACS confirmation to the Accountant and Financial Controller.

### **System Cheques**

The Accountant, on a daily basis, runs a "payment proposal" on SAP for those invoices due for payment by the "system cheque" (C) method of payment. The Accountant then carries out reasonableness checks on this list.

System cheques are currently printed off-site and then sent to the Accounts Payable section, Financial Services for distribution. An email is sent to the Accounts Payable section which confirms the numbering range of cheques that have been printed. This email is filed and control checks are carried out on consecutive numbering and to ensure safe receipt of batch and appropriate action taken for non-delivery.

Cheques under £35,000 are generated with a system printed signature. Cheques over £35,000 are not printed with a system signature but left blank. The Accounts Payable section will obtain two manual signatures from any of the authorised bank signatories.

For cheques over £100,000 one of the signatures must be that of the Chief Executive Officer.

Remittances advices will also accompany the cheques that have been printed and the Accounts Payable section then distributes the cheques together with the remittance advices.

### **Direct Debit**

The invoice will be entered onto the system in the usual way. It is not possible for the system to generate a payment where an invoice is marked with this method of payment.

The Assistant Accountant will then manually enter the Direct Debit bank transaction and allocate to the corresponding invoice(s).

### **Appendix 3 (MANUAL METHODS OF PAYMENT)**

#### **CHAPS**

A manual CHAPS request will be drawn up which requires two authorised bank signatories.

The signed request is then faxed to the bank who will telephone the Head of Financial Services (or other authorised signatory) to confirm the authenticity of the request.

The invoice will be entered onto the system in the normal way but the method of payment will be changed to CHAPS (A). Once it has been entered with this method of payment it is not possible for a system generated payment to be made.

The Assistant Accountant will then manually enter the CHAPS bank transaction and allocate to the corresponding invoice(s).

#### **Manual Cheques**

A requestor must complete a "Manual cheque requisition" form and submit to the Accounts Payable section. The form is checked for accurate completion by the requestor and authorisation by the cost centre manager and then passed to the Financial Controller for approval.

A manual cheque will then be completed and a manual signature obtained.

**Barnet Homes Limited**

**Business Sub-Group**

**3 September 2008**

**Item 4**

**Title: Annual Report and Financial Statements 2007/8**

**1. Statement of Purpose**

1.1 Regular financial reporting is key to the sound financial management of Barnet Homes. The production of our Annual Report and Accounts is a statutory requirement under the Companies Act.

**2. Summary**

2.1 Attached to this paper are the statutory annual report and financial statements.

**3. Previous Reports**

3.1 The Sub-Group received reports at its June, July and August meetings in relation to the final accounts.

**4. Recommendations**

4.1 **That the statutory annual report and financial statements be agreed for submission to Board on 15 September 2008.**

**5. Financial & Risk Management Issues**

5.1 See body of the report.

**6. Resident Consultation and Equalities Issues**

6.1 The production of the two reports is intended to make the information more accessible to residents.

**7. Background Information**

7.1 Previously the Sub-Group has received the draft statutory annual report and financial statements. These had not been finally signed-off by the external auditors, although all their queries had been addressed.

7.2 The statutory report and financial statements are now agreed, and a Word version is attached. They incorporate the revised presentation of the profit figure to reflect the Sub-Group's request, and the presentation of the indicators within the Directors' Report has been amended.

7.3 The report and statements can still change as a result of events prior to the Board meeting on 15 September 2008. They are presently with our designers/printers and will be available at the meeting.

**Authors: Jo Moore, Financial Controller,**

**Date: 28 August 2008**

**Barnet Homes Limited**

**Annual report and financial Statements**

**Year ended 31 March 2008**

**Improving lives not just housing**

## Contents

	<u>Page</u>
1. Company Information	
2. Report of the Board	
3. Independent Auditors Report	
4. Financial Statements	

## 1. Company Information

### Directors

Vi Britchfield (Chair)	<u>From</u> April 2008
Ingrid Beal (Vice-Chair)	April 2008

### Directors serving for the whole of 2007/08

Yetunde Onifade	
Councillor Munroe Palmer OBE, FCA	
David Sidbury FCA	(Vice chair to April 2008)
Sharon Slotnick	

### Changes since last annual report:

#### Directors - Appointed

Kenny Bennett	<u>From</u> October 2007
Peter Browne	July 2008
Councillor Helena Hart	October 2007
Councillor Ross Houston	October 2007
John Macfarlane	October 2007
Angela Spooner	October 2007
Charmaine Young CBE	October 2007

#### Directors - Resigned

Brian Altman	<u>To</u> May 2008
Dorothy Badrick	July 2008
Maria Colaco	October 2007
Jem Fouweather	October 2007
Councillor Julie Johnson	October 2007
Tosin Okuzu	May 2007
Councillor Hugh Rayner	October 2007
Trevor Renouf	July 2008 (Chair to April 2008)
Tim Sims JP	October 2007

#### Chief Executive Officer

Tracey Lees (from 1 September 2008)  
Margaret McPeake (until 31 August 2008)

#### Heads of Service

Derek Rust (Deputy Chief Executive and Head of Housing Services)  
Cora Vigar (Head of Corporate Services)  
Mike Wiffen (Head of Financial Services)  
Chris Wilkins (Head of Asset Management, from 1 June 2007)

#### Company Secretary

Cora Vigar

#### Registered Office

1255 High Road

Whetstone  
London  
N20 0EJ

Registered Number

04948659

Auditors

Grant Thornton UK LLP  
Bryanston Court  
Selden Hill  
Hemel Hempstead  
HP2 4TN

Bankers

The Co-operative Bank plc  
3/7 Market Street  
Watford  
Herts  
WD1 7AB

## **2. Report of the Board**

The Board is pleased to present the financial statements of the company for the year ended 31 March 2008.

### **Principal Activities**

Barnet Homes Limited is an arms-length management organisation (ALMO) owned by the London Borough of Barnet, that commenced its operations on 1 April 2004. The Council has delegated the management of its housing stock to the company under Section 27 of the Housing Act 1985 (as amended by the Housing and Urban Development Act 1993). Under that delegation the company is responsible for the following functions:

- Maintenance of the Council's residential stock including stock investment decisions and procurement, planned maintenance and responsive repairs
- Housing management of the Council's residential stock, including rent collection, leasehold management, enforcement of tenancy and lease conditions, managing voids and estate management
- Home ownership services
- Calculation and collection of leasehold charges
- Financial management of the Housing Revenue Account (HRA)
- Services under the Supporting People programme
- Tenant involvement and resident participation

### **Review of Results**

Barnet Homes' fourth year of operation proved to be another success. A surplus of around £451,000 was recorded in the Profit and Loss Account after taxation but before taking account of the accounting adjustments in relation to pensions that added some £658,000 to the published profit figure. Our usable reserves are now at £1.567 million which is ahead of our five-year financial plan. On behalf of the Council we delivered a capital programme of some £36.3 million, utilising some £18.9 million of ALMO Decent Homes funding provided through central government. As a result an additional 1,833 homes were made decent in 2007/8. We are now two-thirds of the way through the programme, and the sheltered housing programme is due to finish in 2008/9. We continue to strive

for efficiencies in the provision of our services, and last year we achieved an estimated £2million of efficiencies on capital works and some £628,000 in relation to housing management and maintenance. These contribute to the Council’s overall efficiencies and mean that we are ahead of our targets.

In November 2007 we were inspected by the Audit Commission and achieved a rating of two stars (good) with promising prospects for improvement. This was disappointing in that our prospects for improvement had previously been judged as excellent. An action plan has been developed to address the main areas of concern around satisfaction and performance. Nonetheless overall our strengths outweighed our weaknesses and there were a number of examples of positive practice cited by the Commission.

**Key financial performance indicators**

<b>Key Performance Indicator</b>	<b>Target</b>	<b>2008</b>	<b>2007</b>
<b>Percentage of expenditure to budget on housing management</b>	<b>+/- 2% of budget</b>	<b>+0.59%</b>	<b>-0.71%</b>
<b>Percentage of expenditure to budget on repairs and maintenance</b>	<b>+/- 2% of budget</b>	<b>-3.18%</b>	<b>-5.58%</b>
<b>Percentage of expenditure to budget on capital programme</b>	<b>+/- 2% of budget</b>	<b>+1.71%</b>	<b>-6.95%</b>
<b>Percentage of invoices paid on time</b>	<b>90%</b>	<b>86.70%</b>	<b>89.08%</b>

Our robust financial management has ensured that our expenditure was broadly in line with budget and that we were able to divert resources during the year to areas where they were most needed. Since April 2008 our performance on the payment of invoices on time is now running at over 98%.

**Principal Risks and Uncertainties**

Barnet Homes’ Management Agreement with the Council is for a ten-year period to 2014, with a break clause at 31 March 2009. Our principal source of income is the management fee from the London Borough of Barnet which is paid monthly in advance in accordance with the Agreement. The fee is set in advance, and the main risk to the Company is that it is not able to deal with inflationary pressures in excess of that allowed for.

The levels of stock managed under the Agreement will reduce as the Council’s regeneration programme gets underway and the company is assessing opportunities to replace this loss of activity with new business. However the

present economic climate has led to uncertainty around the regeneration timetable and a need for investment in the management and maintenance of properties that was not previously planned.

Barnet Homes has been working with the Council to develop a revised Business Plan for its HRA, the main source of our income via the management fee, to assess its long-term sustainability. In the short-term the HRA faces a continuing withdrawal of government subsidy with contributions from the HRA reserves necessary to balance the account each year. Nationally a review of council housing finance is underway with the purpose of developing a sustainable, long-term system for financing council housing consistent with wider housing policy. We will contribute to the review and with the Council will continue to lobby the government for such a solution.

## **Environment**

Our commitment to improving the environment is evidenced by our work on improving the energy efficiency of our local authority housing stock. We have an average SAP (Standard Assessment Procedure) score of 70.04 which is in line with our target. We are presently working on an Eco-House project that will demonstrate to tenants how the energy efficiency of existing property can be improved, which will also inform the remainder of our Decent Homes Programme.

## **Corporate Governance**

Barnet Homes Board comprises fifteen Directors, made up of five residents (four tenants and a leaseholder), five Council nominees and five independents. A list of the 13 current Directors is shown in the Company Information section above. Appointments to the remaining two vacancies are due to be made shortly.

There have been a number of changes in the composition of the Board since the last annual report. In April 2008 a new Chair, Vi Britchfield and Vice-Chair, Ingrid Beal were elected. Both are residents of Barnet Homes which emphasises our desire to give residents a greater say in how our services are run. The previous Chair, Trevor Renouf, has now left the Board but the previous Vice-Chair, David Sidbury, remains as Chair of the Business Sub-Group. Their hard work and enthusiasm since our inception has left a legacy on which we can build.

Three more of our original Directors have also left – Tosin Okuzu in May 2007, and Jem Fouweather and Tim Sims in October 2007. Councillors Julie Johnson and Hugh Rayner were replaced in October 2007 by Helena Hart and Ross Houston, when the Council also nominated Charmaine Young CBE to the Board. The resident Board Directors have also changed. Brian Altman, Dorothy Badrick

and Maria Colaco have all left, while Ken Bennett and, most recently, Peter Browne, have joined the Board. The Board also agreed the co-option of two independent Directors at its meeting in July 2008.

We would like to thank all those past Directors for their service to Barnet Homes.

The Board is responsible for strategic decisions such as budget-setting and business planning. As the ultimate decision-making body it is also accountable to the London Borough of Barnet as the sole shareholder. It met eight times during 2007/8. These meetings are open to residents and reports and minutes are published on our website as being open and transparent is central to Barnet Homes' philosophy.

The Board has delegated some decision-making responsibilities to a number of Sub-groups.

The Barnet Tenant Compact is the joint agreement between residents, Barnet Homes and the Council setting out how residents will be involved in decision making. Our aims include "providing excellent services driven by customer involvement".

During 2007/8 we agreed with residents and Barnet Council a major overhaul of our participation structure based on value for money principles and resident preferences for involvement. This involved moving from traditional formal meetings to activities such as focus groups, surveys and community involvement projects. Many residents like the ability to "dip in and out " of involvement. A quarterly Involvement Hub has been set up to co-ordinate the new process and the first meeting was held in June 2008.

The Chief Executive Officer and Heads of Service are listed under Company Information above. They act as executives within the authority delegated to them by the Board. The detailed scrutiny of performance, development of policy and procedures and approvals of expenditure within budget are carried out by them. They meet regularly as a management team.

We have a new Chief Executive Officer, Tracey Lees, who joined the company on 1 September 2008. She replaces Margaret McPeake who is retiring, and we must record our appreciation for her commitment, drive, energy and enthusiasm that has made Barnet Homes the success it is.

## **Insurance**

The Company maintains insurance policies for the members of the Board and the Executive Team against liabilities in relation to the company.

## **Employees**

We aim to achieve and promote equality of opportunity in all aspects of our recruitment, training, policy and practice and to facilitate a working environment where employees feel safe, supported, able to challenge and where any discrimination is dealt with effectively.

We ensure that applicants with disabilities receive fair treatment and are considered solely on their ability to do the job, taking into account any reasonable adjustments required. We also ensure appropriate training for employees with disabilities as for other employees.

We strive to become an employer of choice and are committed to developing our people to deliver our business aims. In keeping with our culture we value feedback from our employees on people management issues. We commissioned an external employee opinion survey in 2007 which had a response rate of 65%, compared with 35% in 2005. Highly positive feedback with 82% of employees stating that their manager recognises and acknowledges when they have done well and 70% believing that they have the opportunity for personal development and growth in Barnet. The work of People First (a group of managers committed to driving best practice in people management) was rewarded by the company achieving Investors in People accreditation in June 2007. Learning and Development within the organisation continues to grow with more and more employees developing through various learning methods of which training is just a part.

All staff have one-to-one meetings and appraisals with their line managers; they also have access to learning and development and this is monitored and evaluated on a regular basis.

We have a comprehensive internal communication strategy which aims to encourage two-way communication within the organisation and enhances learning and development. Initiatives have included an annual roadshow for all staff on the business plan and what it means for them, team meetings, lunchtime learning sessions, regular staff newsletters, corporate induction for new staff and a staff recognition scheme. Managers also meet regularly with recognized trade unions both informally and formally, for the purposes of furthering involvement, consultation and negotiation.

## **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally

Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the entity will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Going concern**

The accounts are prepared on a going concern basis. Following the introduction of FRS 17 the Company's pension deficit is now recognised in full on the balance sheet and this is set at £5.857 million as at 31 March 2008. However, the London Borough of Barnet has fully guaranteed the Company's pension deficit at the point of its incorporation (on 1st April 2004) and has provided letters of comfort to the Directors of Barnet Homes, setting out its intention to fund Barnet Homes' ongoing operational cash flow requirements from the point of incorporation onwards via the timing of the payment of the agreed monthly management fee.

### **Disclosure of Information to Auditors**

At the date of making this report each of the company's directors, as set out on page **X**, confirm the following:

- So far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and

- Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

### **Auditors**

Grant Thornton UK LLP has expressed their willingness to remain in office and a resolution to reappoint them will be proposed at the annual general meeting.

The report of the directors was approved by the Board on 15 September 2008 and signed on its behalf by

Cora Vigar, Company Secretary

## Report of the Independent Auditor to the Members of Barnet Homes Limited

We have audited the financial statements of Barnet Homes Limited for the year ended 31 March 2008 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movement in funds, the cash flow statement and notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Directors' Report and financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures

in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS

Hemel Hempstead

Date

**Barnet Homes Limited**  
**Financial Statements for the year ended 31 March 2008**

**Profit and Loss Account**  
for the year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Turnover	2	28,401	28,146
Operating costs	3	(27,532)	(28,700)
<b>Operating Profit/(Loss)</b>	4	869	(554)
Interest receivable	5	468	406
Interest payable and similar charges		(1)	7
Other finance costs	21	(91)	(150)
<b>Profit/(Loss) on ordinary activities before taxation</b>		1,245	(291)
Tax charge on profit on ordinary activities	9	(136)	(112)
<b>Profit/(Loss) on ordinary activities after taxation *</b>		1,109	(403)

No operations were discontinued during 2007/08 and all operations are continuing beyond 31 March 2008

	2008 £'000	2007 £'000
*Profit from Housing Management Services	451	626
Profit/(Loss) from Pension Fund	658	(1,029)
<b>Total Profit/(Loss)</b>	1,109	(403)

## Statement of Total Recognised Gains and Losses

for the year ended 31 March 2008

	2008 £'000	2007 £'000
Profit/(Loss) for financial year	1,109	(403)
Actuarial gain/(loss) on pension scheme	2,063	2,120
Total recognised gains/(losses) for the year	3,172	1,717
Prior year adjustment	-	(7,623)
Total gains/(losses) recognised since last annual report	3,172	(5,906)

## Other Statements

### Reconciliation of Movement in Funds for the year ended 31 March 2008

	£'000
Opening funds at 1 April 2007	(7,462)
Total recognised gains for the year	3,172
Closing funds at 31 March 2008	(4,290)

## Balance Sheet

as at 31 March 2008

	Note	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Tangible assets	10	351	410
Investments	13	39	37
		<b>390</b>	<b>447</b>
<b>Current assets</b>			
Stock		-	12
Debtors	11	3,943	5,595
Short term investments		2,500	5,000
Cash at bank and in hand	14	4,608	430
		11,051	11,037
<b>Creditors: amounts falling due within one year</b>	12	<b>(9,743)</b>	<b>(10,338)</b>
		<b>1,308</b>	<b>699</b>
<b>Total assets less current liabilities</b>		<b>1,698</b>	<b>1,146</b>
<b>Creditors: amounts falling due after more than one year</b>		-	-
<b>Provisions for liabilities and charges</b>	15	<b>(131)</b>	<b>(30)</b>
<b>Net pension deficit</b>	21	<b>(5,857)</b>	<b>(8,578)</b>
		<b>(4,290)</b>	<b>(7,462)</b>
<b>Capital and Reserves</b>			
<b>Revenue Reserves</b>			
Profit and Loss Account (excluding FRS17 Pension adjustments)		1,567	1,116
Pension Fund		(5,857)	(8,578)
	16	<b>(4,290)</b>	<b>(7,462)</b>

The financial statements were approved by the Board on XXXXXXXXXX and signed on its behalf by:

Vi Britchfield, Chairman

## Cash Flow Statement

For the year ended 31 March 2008

	Note	2008 £'000	2007 £'000
<b>Net cash inflow from operating activities</b>	18	1,453	2,551
<b>Returns on investments and servicing of finance</b>			
Interest received		457	404
Interest paid		(1)	(3)
<b>Taxation</b>			
Corporation tax paid		(112)	(116)
<b>Capital Expenditure and Financial Investment</b>			
Payments for tangible fixed assets		(120)	(69)
Receipts from sales of tangible fixed assets		1	-
<b>Net cash inflow before use of liquid resources</b>		1,678	2,767
<b>Management of liquid resources</b>			
Short term investments	20	2,500	(5,000)
<b>Financing</b>			
Repayment of London Borough of Barnet Loan	19	-	(500)
<b>Increase/(Decrease) in cash in the year</b>	19	<b>4,178</b>	<b>(2,733)</b>

# Notes to the Financial Statements

Year ended 31 March 2008

## 1. Accounting Policies

### Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

### Going concern

The accounts are prepared on a going concern basis. Due to the application of FRS 17 the Company's pension deficit of £5.857m is now recognised in full on the balance sheet. However, the London Borough of Barnet has fully guaranteed the Company's pension deficit at the point of its incorporation (on 1 April 2004). In addition, the London Borough of Barnet has provided a letter of comfort to the Directors of Barnet Homes Ltd, setting out its intention to fund Barnet Homes Ltd's ongoing operational cash flow requirements from the point of incorporation onwards via the timing of the payment of the agreed monthly management fee.

### Prior period adjustments

Material adjustments applicable to prior periods arising from changes in accounting policy or from the correction of fundamental errors are accounted for as prior period adjustments. Opening balances are adjusted for the cumulative effect of the prior year adjustment and comparative figures for the previous period restated.

### Turnover

Turnover represents the value (excluding VAT) of services supplied.

### Grants

Grants received in respect of resident participation have been credited to the profit and loss account in the same period as the expenditure to which they relate.

### Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the costs on a straight-line basis over their expected useful lives (with no charge in the year of acquisition) as follows:

Vehicles, plant & equipment: 5 years

Furniture, fixtures & fittings: 5 years

Computer equipment: 3 years

### Stock

Stock is stated at the lower of cost and net realisable value. Cost comprises direct materials only.

## Pensions

During the year the Company operated a contributory defined benefit pension scheme covering its present and past employees. FRS 17 requires the net pension asset or liability of a company's pension scheme to be recognised in full on the balance sheet. Accordingly, the full net pension liability has been recorded in the balance sheet of Barnet Homes Ltd.

The regular service cost of providing pension benefits to employees during the year, together with the costs of any benefits relating to past service, is charged to operating expenses in the Profit and Loss Account in the year.

Interest on the pension scheme liabilities is charged to "Other finance costs" in the Profit and Loss Account.

The expected return on the assets of the pension scheme during the year is based on the market value of the assets at the start of the financial year and is offset within "Other finance costs" in the Profit and Loss Account.

The difference between the actual and expected return on the assets of the scheme is shown in the Statement of Total Recognised Gains and Losses for the year, along with any related movement in deferred tax.

The difference between the market value of the assets and the present value of the scheme liabilities is shown net of deferred tax in the balance sheet.

## Cash and liquid resources

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Liquid resources comprise assets held as a readily disposable store of value. They comprise term deposits with financial institutions.

## Taxation

The relationship between the Company and its parent undertaking has been recognised as one of mutual trading. Consequently, any activities the Company carries on with its parent are not liable to corporation tax.

Deferred tax is provided on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

## 2. Turnover

Turnover is attributable to the principal activities of the Company and arises solely within the United Kingdom.

	2008 £'000	2007 £'000
Management fee paid by the London Borough of Barnet in respect of:		
Barnet Homes housing management and support services	19,240	19,011
Repairs and Maintenance	8,594	8,264
<b>Total management fee</b>	<b>27,834</b>	<b>27,275</b>
Capital works carried out directly by Barnet Homes	475	791
<b>Total income from the London Borough of Barnet</b>	<b>28,309</b>	<b>28,066</b>
<b>Other operating income</b>	<b>92</b>	<b>80</b>
	<b>28,401</b>	<b>28,146</b>

## 3. Operating Costs

	2008 £'000	2007 £'000
<b>Housing Management and Support Services</b>		
Costs apportioned by division		
Chief Executive's Division	1,163	973
Financial Services	2,528	2,474
Housing Services	6,383	5,506
Asset Management (previously Technical Services)	2,116	2,310
Corporate Services	2,682	2,213
	<u>14,872</u>	<u>13,476</u>
Other costs recognised centrally - not apportioned by division	(575)	1,583
	<u>14,297</u>	<u>15,059</u>
Provision of caretaking and direct estates costs	4,166	4,654
	<u>18,463</u>	<u>19,713</u>
<b>Repairs and Maintenance</b>		
Costs relating to works carried out by Barnet Homes directly	-	3,139
Costs relating to works carried out by third parties	8,594	5,057
	<u>8,594</u>	<u>8,196</u>
<b>Capital Works</b>		
Costs relating to works carried out by Barnet Homes directly	475	791
	<u>475</u>	<u>791</u>
<b>Total</b>	<b>27,532</b>	<b>28,700</b>

Costs apportioned by division includes those expenses charged directly to service activities in respect of wages and salaries paid to employees, employer contributions for national insurance and the cost of employing staff from agencies.

Included within "Other costs recognised centrally" is £941,000 of pension service costs for the year (2007:£2,715,000) together with the credit of the employer pension contributions of £1,667,000 as required under FRS17

#### 4. Operating Profit/(Loss)

	2008 £'000	2007 £'000
<b>Housing Management and Support Services</b>		
The operating profit of £869,000 is stated after charging / (crediting)		
Auditors remuneration - statutory audit	23	20
Auditors remuneration - for other services	11	2

#### 5. Interest Receivable

	2008 £'000	2007 £'000
Interest received on:		
Bank Deposits	466	404
Fixed asset investments	2	2
	<u>468</u>	<u>406</u>

## 6. Employees

The average number of permanent employees (excluding agency staff) employed by the Company during the year was:

Service	2008	2007
Chief Executive Division	16	15
Financial Services	13	13
Housing Services	211	197
Asset Management (previously Technical Services)	42	51
Corporate Services	32	27
Repairs & Maintenance	-	56
Total	314	359

## 7. Employee costs

	2008 £'000	2007 £'000
Wages and salaries	8,503	10,252
Social security costs	711	826
Pension costs	1,690	1,843
	10,904	12,921

Pension costs represent the employer's contributions due for the year.

## 8. Directors

The Directors are defined as being the members of Barnet Homes Ltd's Main Board. None of the Directors received any emoluments but were entitled to reimbursement of incidental expenses incurred when attending Board meetings and other formal events in their capacity as Board members, which amounted to £3,862 in 2007/08 and loss of earnings which amounted to £1,378 in 2007/08.

## 9. Tax charge on profit on ordinary activities

	2008 £'000	2007 £'000
Analysis of charge in period		
<b>Current tax:</b>		
UK corporation tax on profits for the period	136	112
Prior year adjustment on current tax	-	-
	<hr/>	<hr/>
	136	112
<b>Deferred tax:</b>		
Net origination of timing differences	-	-
Prior year adjustments on deferred tax	-	-
	<hr/>	<hr/>
	-	-
<b>Tax on profit on ordinary activities</b>	<hr/>	<hr/>
	136	112
<b>Current tax reconciliation</b>	<hr/>	<hr/>
Profit/(Loss) on ordinary activities for the year	1,245	(291)
	<hr/>	<hr/>
Theoretical tax at UK corporation tax rate of 30%	373	(87)
Less effects of:		
-(surplus)/deficit from mutual trading activities	(230)	209
marginal relief	(7)	(10)
Prior year adjustment	-	-
	<hr/>	<hr/>
<b>Actual current taxation charge</b>	<hr/>	<hr/>
	136	112

## 10. Tangible assets

	Vehicles, Plant & Equipment £'000	Furniture, fixtures & fittings £'000	Computer Equipment £'000	Total £'000
<b>Cost</b>				
At 1 April 07	14	242	350	606
Additions	17	18	74	109
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 08	31	260	424	715
<b>Depreciation</b>				
At 1 April 07	2	74	120	196
Charge for year	3	48	117	168
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 08	5	122	237	364
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value 1 April 07	12	168	230	410
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value 31 March 08	26	138	187	351
	<hr/>	<hr/>	<hr/>	<hr/>

## 11. Debtors

	2008 £'000	2007 £'000
Amounts receivable within one year:		
Trade debtors	21	32
Amounts owed by Parent undertaking	3,567	5,148
Other debtors	51	222
Prepayments and accrued income	304	193
	<u>3,943</u>	<u>5,595</u>

## 12. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade Creditors	4,906	3,428
Amount owed to parent undertaking	1,942	3,232
Corporation tax	136	112
Other taxation and social security	225	267
Other Creditors	1	-
Accruals and deferred income	2,533	3,299
	<u>9,743</u>	<u>10,338</u>

## 13. Investments

### Loans

	London Area Procurement Network £'000
Balance at 1 April 2007	37
Advances	-
Repayments	-
Capitalisation of interest	<u>2</u>
Balance at 31 March 2008	<u>39</u>

The loan is interest bearing, compounded annually, with no repayments due to be made until March 2009.  
(See also Note 17)

## 14. Cash at bank and in hand

	2008 £'000	2007 £'000
Bank accounts	4,605	428
Cash in hand	<u>3</u>	<u>2</u>
	<u>4,608</u>	<u>430</u>

## 15. Provisions for liabilities and charges

	Insurance claims £'000	Other tenant claims £'000	Other provisions £'000	Total provisions £'000
Provisions at 1 April 2007	20	10	-	30
Utilised	(9)	(10)		(19)
Released	(4)	-		(4)
Increase in provisions	17	-	107	124
Provisions at 31 March 2008	24	-	107	131

The insurance claims are in respect of public liability claims which are outstanding at 31 March 2008. Barnet Homes Ltd's liability is restricted to the amount of the claim or the policy excess, whichever is the greater. The policy excess increased from £1,000 to £2,500 during the course of the year as the result of positive action taken by the Company to reduce the annual premium.

Included within "Other provisions" is a provision for a possible liability in respect of statutory payments which may become payable as a result of consultation with HM Revenue & Customs.

Also included within "Other provisions" is a provision for increased accommodation costs which may arise as a result of a rent review.

## 16. Reserves

	Profit & Loss Account £'000	Pension Fund £'000	2008 £'000
<b>Revenue Reserves</b>			
At 1 April 2007	1,116	(8,578)	(7,462)
Retained profit for the year	451	658	1,109
Actuarial profit on pension scheme	-	2,063	2,063
Balance as at 31 March 2008	1,567	(5,857)	(4,290)

## 17. Related party transactions

(a) Barnet Homes Ltd is a local authority controlled company of the London Borough of Barnet established with no share capital and limited by guarantee. The Council has delegated responsibility for overseeing the management and maintenance of its residential stock to Barnet Homes Ltd in accordance with the ten-year management agreement effective from 1 April 2004.

The Council pays the Company a monthly management fee in accordance with that management agreement and any variations subsequently approved.

Barnet Homes Ltd has invoiced a total of £28,309,000 to the London Borough of Barnet relating to 2007/08.

This amount was made up of £19,240,000 for housing management and support services, £475,000 for services undertaken by Barnet Homes Ltd related to the Council's capital works programme and £8,594,000 for repairs and maintenance costs.

Barnet Homes Ltd is responsible for the residential stock capital works programme. In the year ended 31 March 2008 Barnet Homes Ltd incurred expenditure of £36,382,218 which was invoiced to the London Borough of Barnet. The cost and recovery of cost have been matched where the works have been carried out by third parties, only works carried out directly by Barnet Homes are reflected in the profit and loss account.

London Borough of Barnet charged Barnet Homes Ltd £2,879,684 in 2007/08 for provision of support services including office accommodation.

As at 31 March 2008, Barnet Homes Ltd owed £1,942,000 in respect of expenses met by the London Borough of Barnet and Barnet Homes Ltd was owed £3,567,000 by the London Borough of Barnet.

(b) Barnet Homes Ltd is a member of the London Area Procurement Network (LAPN). LAPN is a not-for-profit company limited by guarantee and was established in March 2005 by a group of London ALMOs with the aim of bringing efficiencies into the contract procurement process. Each member's liability is limited to £1. The Chief Executive of Barnet Homes Ltd is also a Director of LAPN. Barnet Homes Ltd does not have significant or overall control of LAPN.

During the course of the year costs incurred with LAPN totalled £404,445 of which £335,590 was charged to capital works projects managed on behalf of the London Borough of Barnet.

At 31 March 2008 Barnet Homes Ltd did not owe any monies to LAPN.

(See also Note 13)

#### 18. Reconciliation of operating profit to net cash inflow from operating activities

	2008 £'000	2007 £'000
<b>Operating profit</b>	869	(554)
Depreciation charges	168	140
Increase/(Decrease) in provisions	101	18
Loss/(Profit) on disposal of fixed assets	(1)	-
(Increase)/Decrease in stocks	12	13
(Increase)/Decrease in debtors	1,661	(1,397)
Increase/(Decrease) in creditors	(608)	3,457
LAPN loan transferred to investments	-	(5)
Pensions operating charge	918	2,715
Pension contributions paid	(1,667)	(1,836)
	<hr/>	<hr/>
<b>Net cash inflow from Operating Activities</b>	1,453	2,551
	<hr/> <hr/>	<hr/> <hr/>

#### 19. Reconciliation of net cash flow to movement in net funds

	2008 £'000	2007 £'000
Increase/(Decrease) in cash	4,178	(2,733)
Increase/(Decrease) in cash placed on short term deposits	(2,500)	5,000
Repayment of loan to the London Borough of Barnet	-	500
	<hr/>	<hr/>
<b>Change in net funds</b>	1,678	2,767
	<hr/> <hr/>	<hr/> <hr/>

## 20. Analysis of changes in net funds

	At 01 April 2007	Cashflow 2008	At 31 March 2008
	£'000	£'000	£'000
Cash at bank and in hand	430	4,178	4,608
Short term deposits	5,000	(2,500)	2,500
Loan	-	-	-
<b>Net funds</b>	<b>5,430</b>	<b>1,678</b>	<b>7,108</b>

## 21. Pensions

The Company operates a multi-employer defined benefit scheme. The basis on which the net pension liability is recognised in the financial statements is set out in note 1.

A full actuarial valuation was carried out at 31 March 2007 and updated to 31 March 2008 by a qualified independent actuary.

The Company is currently contributing to the Scheme at a rate of 24.8% of pensionable salaries. For the year ended 31 March 2007 the Company contributed to the Scheme at a rate of 21% of pensionable salaries.

The major assumptions used by the actuary were (in nominal terms):

	31 March 2008	31 March 2007
Pay increases	3.6%	3.2%
Salary increases	5.1%	4.7%
Pension increases	3.6%	3.2%
Discount rate	6.9%	5.4%

The assets in the scheme and the expected rate of return were:

	31 March 2008	31 March 2008	31 March 2007	31 March 2007
		£'000		£'000
Equities	7.8%	13,425	7.8%	15,233
Bonds	5.7%	3,192	4.9%	2,743
Property	5.7%	1,256	5.8%	2,116
Cash	4.8%	1,797	4.9%	1,272
Total market value of assets	7.1%	19,670	7.1%	21,364
Actuarial value of unfunded liabilities		(472)		(482)
Actuarial value of scheme liabilities		(25,055)		(29,460)
<b>Deficit in the scheme and pension liability</b>		<b>(5,857)</b>		<b>(8,578)</b>

	31 March 2008	31 March 2007
	£'000	£'000
Analysis of amount charged to operating profit		
<b>Total operating charge</b>	<b>941</b>	<b>2,715</b>

	31 March 2008	31 March 2007
	£'000	£'000
Analysis of amount credited to Other Finance Income		
Expected return on pension scheme assets	1,356	1,271
Interest on pension liabilities	(1,447)	(1,421)
Other finance costs	(91)	(150)

	31 March 2008	31 March 2007
	£'000	£'000
<b>Net cost charged to Profit and Loss statement</b>	<b>1,032</b>	<b>2,865</b>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	31 March 2008	31 March 2007
	£'000	£'000
Actual return less expected return on pension scheme assets	(1,574)	116
Experience gains and losses arising on the scheme liabilities	(1,961)	(94)
Change in assumptions	5,598	2,098
<b>Actuarial gain/ (loss) recognised in STRGL</b>	<b>2,063</b>	<b>2,120</b>

	31 March 2008	31 March 2007
	£'000	£'000
Movement in deficit during the year		
Deficit in scheme at beginning of year	(8,578)	(9,669)
Movement in year:		
Current service cost	(1,334)	(1,937)
Employer contributions	1,667	1,758
Contributions for unfunded benefits	23	78
Past service costs	(10)	(291)
Impact of settlements and curtailments	403	(487)
Net return on assets	(91)	(150)
Actuarial gains/ (losses)	2,063	2,120
<b>Deficit in scheme at end of year</b>	<b>(5,857)</b>	<b>(8,578)</b>

	Year to 31 March 2008	Period to 31 March 2007
Experience gains and losses		
Difference between expected and actual return on assets:		
Return on Assets (£'000)	(1,574)	116
Value of Assets (£'000)	19,670	21,364
Percentage of scheme assets	(8.0%)	0.5%
Experience Gains/(Losses) on Liabilities (£'000)	(1,961)	(94)
Total present value of liabilities	25,527	29,942
Percentage of total present value of liabilities	(7.7%)	(0.3%)
Actuarial Gains/(Losses) recognised in statement of total recognised gains and losses (STRGL):	2,063	2,120
Total present value of liabilities	25,527	29,942
Percentage of the total present value of liabilities	8.1%	7.1%

	Year to 31 March 2006	Period to 31 March 2005
Historic experience gains and losses		
Difference between expected and actual return on assets:		
Return on Assets (£'000)	2,306	230
Value of Assets (£'000)	17,852	12,888
Percentage of scheme assets	12.9%	1.8%
Experience Gains/(Losses) on Liabilities (£'000)	(42)	(45)
Total present value of liabilities	27,521	20,951
Percentage of total present value of liabilities	(0.2%)	(0.2%)
Actuarial Gains/(Losses) recognised in STRGL	(1,582)	(260)
Total present value of liabilities	275	210
Percentage of the total present value of liabilities	(5.7%)	(1.2%)

## 22. Contingent Liability

At 31 March 2008 a potential liability existed in respect of certain provisions to employees which, although previously exempt under the Benefits Code, under new working practices may no longer be deemed exempt by HM Revenue & Customs. This could result in a liability to income tax in respect of the individual employees and employer's national insurance contributions for the Company.

The Company, together with the taxation department of Grant Thornton UK LLP, will be approaching HM Revenue & Customs during the course of the next financial year to obtain their opinion on this matter. Any historical liabilities arising as a result of this consultation will be met by the Company.

A reliable estimate of the likely costs arising, if any, cannot be made at this stage.

**Title: Budget Monitoring 2008/09– Year to Date as at July 2008**

**1. Statement of Purpose**

- 1.1 Regular financial reporting is key to the sound financial management of Barnet Homes Limited and in supporting the Company in achieving its business objectives.

**2. Summary**

- 2.1 This report sets out the budgetary position for the Company on a year to date basis as at the end of July 2008 and projects the full year figures for 2008/09.

**3. Previous Reports**

- 3.1 The budget monitor is reported at every meeting of the Sub-Group.

**4. Recommendations**

- 4.1 That the Sub-Group consider and note the report.

**5. Financial & Risk Management Issues**

- 5.1 See body of report.

**6. Resident Consultation and Equalities Issues**

- 6.1 None in context of this report.

**7. Background Information**

- 7.1 Attached as Appendix 1 are the Revenue Budget monitoring reports for Barnet Homes year to date as at July 2008. As at July 2008, the full year projection is a **Net Loss of £28,896**. This position is before any funds from the budgeted transfer from reserves are utilised. For this financial year, funds from reserves of £145,860 were budgeted to be used to fund the company's operations. The full year's current forecast is that £28,896 will be required from reserves, with funds of £116,964 still available.

There are notes on the appendix and the corresponding schedules for each Head of Service area.

**7.2 Repairs and Maintenance**

The overall cost as at July 2008 YTD has been accrued to the Saffron orders paid, finished and invoiced as at the end of July 2008. The total repairs cost reported year to date is £2.929m with a total overspend of £87K, an improvement on last month's position.

The main area of overspend YTD is in responsive repairs (£193K). This is primarily as a result of carpentry and plumbing overspending by

£101K and £90K respectively. An exercise is being carried out to ensure that the orders are coded to the correct work category and appropriate work is charged to the Capital budget. Planned Estate Maintenance is currently underspent by £229K. Gas works are currently showing an overspend which is mainly due to the timing of the gas service contracts. The full year costs have been projected to come in on budget.

Total payments on account of £1,334,359 have been made to Connaught Ltd in this financial year for work carried out in the previous financial year. All 2008/09 invoices are processed and paid via the interface system, and it is envisaged that there will not be any more on account payments to Connaught Ltd.

The Connaught Ltd 2008/09 reconciliation as at July 2008 YTD shows that signed certificates of payments totalling £1,261,009 have been processed. This leaves a payment on account balance of £73,350 relating to 2007/08. More certificates of payments have been received in August (£62K) and the reconciliation is at its closing stage.

### 7.3 Balance Sheet

This is attached as Appendix 2

**Author:** Laura Awosile, Chief Management Accountant  
**Date:** 22<sup>nd</sup> August 2008

**BARNET HOMES LIMITED**  
**PROFIT AND LOSS STATEMENT 2008/09**

Period: 4  
 Year to date as at: 31/07/2008

**TOTAL BARNET HOMES LTD**

Schedules	July 2008 YTD			Full Year		
	Actual YTD	Budget YTD	Variance (ADV)/FAV	2008/09 Projection	2008/09 Budget	Variance (ADV)/FAV
	£000	£000	£000	£000	£000	£000
<b>Income</b>						
LBB - General Management Fee	6,344	6,307	37	18,921	18,921	0
LBB - Repairs and Maintenance Allowance	2,833	2,833	0	8,500	8,500	0
LBB - Other Fees	251	302	(51)	890	905	(15)
Rechargeable Works	26		26	77		77
Third Party Income - Grants & Other	23	28	(4)	85	83	2
<b>Total Income</b>	<b>9,477</b>	<b>9,470</b>	<b>7</b>	<b>28,472</b>	<b>28,409</b>	<b>63</b>
<b>Expenditure</b>						
Management Costs excl. contingency	1 4,984	5,132	148	15,144	15,396	252
Operational Costs	1 1,129	996	(133)	3,279	2,987	(292)
Other Costs	1 434	419	(15)	1,327	1,258	(68)
Depreciation	1 59	59	0	177	177	0
Repairs and Maintenance Costs	7 2,929	2,842	(87)	8,525	8,525	0
Rechargeable Works			(26)	77		(77)
Hostels			(0)	154	154	(0)
Contingency	1 0	69	69	0	208	208
<b>Total Expenditure</b>	<b>9,612</b>	<b>9,568</b>	<b>(44)</b>	<b>28,682</b>	<b>28,705</b>	<b>23</b>
<b>Operating Profit/(Loss)</b>	<b>(135)</b>	<b>(99)</b>	<b>(37)</b>	<b>(210)</b>	<b>(296)</b>	<b>86</b>
Third Party Income - bank interest receivable	109	75	34	270	225	45
Corporation Tax Charge Payable	36	25	(11)	89	75	(14)
<b>Net Profit/(Loss)</b>	<b>(62)</b>	<b>(49)</b>	<b>(13)</b>	<b>(29)</b>	<b>(146)</b>	<b>117</b>
<b>Memorandum</b>				£	£	£
08/09 Projected Full Year Net Profit/(Loss)				(28,896)	(145,860)	116,964
08/09 Forecast Transfer from P&L Reserves (currently £145,860 in the latest budget)				28,896	145,860	
<b>08/09 Forecast Surplus/(Deficit) after transfer from Reserves</b>				<b>0</b>	<b>0</b>	

**Notes**

- As at July 2008 year to date, the full year projection is a **Net Loss of £28,896**.  
 The **Net Loss** position is before any funds from the budgeted transfer from reserves are utilised (£145,860), and includes the present contingency funds of £207,700 which have not been utilised.
- For this financial year, funds from reserves of £145,860 were budgeted to be used to fund the company's operations. The full year projection forecasts that £28,896 will currently be required from reserves, with £116,964 still available.
- The decrease in the profit figure from last month is primarily due to the £23K allocation from contingency, and the projected overspend in some of the SLA costs.

**BARNET HOMES LIMITED**  
**BUDGET MONITORING REPORT**

Period: 4  
 Year to date as at: 31/07/2008

**BARNET HOMES LIMITED - TOTAL HEADS OF SERVICE**

	July 2008 YTD				Full Year		
	Actual YTD	Budget YTD	Variance (ADV)/FAV	% of full year budget	2008/09 Projection	2008/09 Budget	Variance (ADV)/FAV
	£	£	£	%	£	£	£
<b>Income</b>							
LBB	6,594,277	6,608,650	(14,373)	33%	19,810,179	19,825,950	(15,771)
Third Party (includes bank interest)	131,274	102,760	28,514	43%	353,285	308,280	45,005
<b>Total Income</b>	<b>6,725,551</b>	<b>6,711,410</b>	<b>14,141</b>	<b>33%</b>	<b>20,163,464</b>	<b>20,134,230</b>	<b>29,234</b>
<b>Expenditure</b>							
<b>Management Costs</b>							
Salaries and Wages costs	3,710,144	4,292,841	582,697	29%	11,336,623	12,878,524	1,541,901
Staff Agency costs	485,585	87,289	(398,296)	185%	1,444,755	261,866	(1,182,889)
Other Employee Related costs	217,203	197,437	(19,767)	37%	651,089	592,310	(58,779)
Office Accommodation costs	222,009	220,887	(1,123)	34%	666,028	662,660	(3,368)
Information Technology	239,795	229,678	(10,116)	35%	718,384	689,035	(29,349)
Consultant costs	109,014	103,850	(5,164)	35%	327,041	311,550	(15,491)
Contingency		69,233	69,233			207,700	207,700
<b>Total Management Costs</b>	<b>4,983,750</b>	<b>5,201,215</b>	<b>217,465</b>	<b>32%</b>	<b>15,143,921</b>	<b>15,603,645</b>	<b>459,725</b>
<b>Operational Costs</b>							
Transport costs	57,797	56,240	(1,556)	34%	182,875	168,720	(14,155)
Grounds Maintenance	240,392	236,137	(4,256)	34%	721,177	708,410	(12,767)
Estate, Hostel & Warden Services	179,782	151,447	(28,336)	40%	512,640	454,340	(58,300)
Utility Costs	393,010	342,953	(50,057)	38%	1,123,030	1,028,860	(94,170)
Tenant Related Costs	91,637	72,612	(19,026)	42%	275,852	217,835	(58,017)
Legal Costs	166,317	136,273	(30,044)	41%	462,955	408,820	(54,135)
<b>Total Operational Costs</b>	<b>1,128,936</b>	<b>995,662</b>	<b>(133,274)</b>	<b>38%</b>	<b>3,278,528</b>	<b>2,986,985</b>	<b>(291,543)</b>
<b>Other Costs</b>	<b>434,339</b>	<b>419,475</b>	<b>(14,864)</b>	<b>35%</b>	<b>1,326,708</b>	<b>1,258,426</b>	<b>(68,282)</b>
Depreciation	59,153	59,153	0	33%	177,460	177,460	(0)
Corporation Tax Charge	36,097	25,000	(11,097)	48%	89,100	75,000	(14,100)
<b>Total Expenditure</b>	<b>6,642,275</b>	<b>6,700,506</b>	<b>58,231</b>	<b>33%</b>	<b>20,015,717</b>	<b>20,101,517</b>	<b>85,800</b>

**Notes**

1. The full year projection on income shows that £29,234 will be received above the budget. This is the net effect of the forecast bank interest income above budget (£45K), and the Emergency Lifeline Income budgeted for (£16K).
2. The full year projection on expenditure is an underspend of £85,800 below the total budget. This forecast position is with the current contingency funds of £207,700 not utilised. £23K of contingency funds was allocated in the month.
3. The total projected income of £20.163m exceeds the total projected expenditure of £20.016m by approximately £147K. This is the position before any funds from reserves are utilised. £146K has been budgeted for as funds required from reserves to fund the company's operations in this financial year.

**BARNET HOMES LIMITED**  
**BUDGET MONITORING REPORT**

Period: 4  
 Year to date as at: 31/07/2008

**FINANCIAL SERVICES**

	July 2008 YTD				Full Year		
	Actual YTD	Budget YTD	Variance (ADV)/FAV	% of full year budget	2008/09 Projection	2008/09 Budget	Variance (ADV)/FAV
	£	£	£	%	£	£	£
<b>Income</b>							
LBB	6,343,666	6,307,000	36,666	34%	18,921,000	18,921,000	0
Third Party	129,384	91,667	37,718	47%	320,000	275,000	45,000
<b>Total Income</b>	<b>6,473,050</b>	<b>6,398,667</b>	<b>74,384</b>	<b>34%</b>	<b>19,241,000</b>	<b>19,196,000</b>	<b>45,000</b>
<b>Expenditure</b>							
<b>Management Costs</b>							
Salaries and Wages costs	297,883	342,163	44,281	29%	953,886	1,026,490	72,604
Staff Agency costs	8,622	5,127	(3,496)	56%	28,867	15,380	(13,487)
Other Employee Related costs	3,907	4,400	493	30%	13,200	13,200	0
Office Accomodation costs	199,810	199,810	0	33%	599,430	599,430	0
Information Technology	144,448	134,803	(9,644)	36%	433,643	404,410	(29,233)
Consultant costs	14,077	14,077	0	33%	42,230	42,230	0
Contingency	0	69,233	69,233	0%	0	207,700	207,700
<b>Total Management Costs</b>	<b>668,746</b>	<b>769,613</b>	<b>100,867</b>	<b>29%</b>	<b>2,071,256</b>	<b>2,308,840</b>	<b>237,584</b>
<b>Operational Costs</b>							
Estate, Hostel & Warden Services	1,495	733	(762)	68%	2,200	2,200	(0)
Legal Costs	1,667	1,667	0	33%	5,000	5,000	0
<b>Total Operational Costs</b>	<b>3,162</b>	<b>2,400</b>	<b>(762)</b>	<b>44%</b>	<b>7,200</b>	<b>7,200</b>	<b>(0)</b>
<b>Other Costs</b>	<b>182,177</b>	<b>188,289</b>	<b>6,112</b>	<b>32%</b>	<b>564,866</b>	<b>564,866</b>	<b>(0)</b>
Depreciation	59,153	59,153	0	33%	177,460	177,460	0
Corporation Tax Charge	36,097	25,000	(11,097)	48%	89,100	75,000	(14,100)
<b>Total Expenditure</b>	<b>949,336</b>	<b>1,044,455</b>	<b>95,120</b>	<b>30%</b>	<b>2,909,882</b>	<b>3,133,366</b>	<b>223,484</b>

**Notes**

1. The full year projection on income is that an extra £45K will be received above the budgeted amount, the same as last month.
2. The expenditure for the full year is showing an underspend of £223,484, a decrease of £38,233 from last month. The decrease is primarily due to the funds allocated from contingency for a Project Officer in Asset Management (£23K) and the projected overspend in SLA IT (£29K). The underspend is primarily due to contingency funds (£207,700) still available.

**BARNET HOMES LIMITED  
BUDGET MONITORING REPORT**

Period: 4  
Year to date as at: 31/07/2008

**CHIEF EXECUTIVE OFFICE DIVISION**

	July 2008 YTD				Full Year		
	Actual YTD	Budget YTD	Variance (ADV)/FAV	% of full year budget	2008/09 Projection	2008/09 Budget	Variance (ADV)/FAV
	£	£	£	%	£	£	£
<b>Income</b>							
Third Party	2,285	760	1,525	100%	2,285	2,280	5
<b>Total Income</b>	<b>2,285</b>	<b>760</b>	<b>1,525</b>	<b>100%</b>	<b>2,285</b>	<b>2,280</b>	<b>5</b>
<b>Expenditure</b>							
<b>Management Costs</b>							
Salaries and Wages costs	218,663	222,940	4,277	33%	655,989	668,820	12,831
Staff Agency costs	35,825	3,417	(32,408)	350%	107,474	10,250	(97,224)
Other Employee Related costs	7,071	7,933	862	30%	21,214	23,800	2,586
Office Accommodation costs	1,123	0	(1,123)		3,368	0	(3,368)
Consultant costs	21,583	21,583	0	33%	64,750	64,750	0
<b>Total Management Costs</b>	<b>284,265</b>	<b>255,873</b>	<b>(28,392)</b>	<b>37%</b>	<b>852,795</b>	<b>767,620</b>	<b>(85,175)</b>
<b>Operational Costs</b>							
Transport costs	2,050	2,050	0	33%	6,150	6,150	0
Estate, Hostel & Warden Services	5,163	5,137	(27)	34%	15,490	15,410	(80)
Tenant Related Costs	34,321	34,322	1	33%	102,962	102,965	3
Legal Costs	0	0	0		0	0	0
<b>Total Operational Costs</b>	<b>41,534</b>	<b>41,508</b>	<b>(26)</b>	<b>33%</b>	<b>124,602</b>	<b>124,525</b>	<b>(77)</b>
<b>Other Costs</b>	<b>39,300</b>	<b>35,797</b>	<b>(3,503)</b>	<b>37%</b>	<b>117,899</b>	<b>107,390</b>	<b>(10,509)</b>
<b>Total Expenditure</b>	<b>365,099</b>	<b>333,178</b>	<b>(31,921)</b>	<b>37%</b>	<b>1,095,297</b>	<b>999,535</b>	<b>(95,762)</b>

**Notes**

1. The full year projection on expenditure is showing an overspend of £95,762, a small increase of £224 from last month. This is because £100K of central salary cost savings was budgeted for in this service area. It is envisaged that after the restructuring of a number of teams, the salary budget saving will be transferred to the relevant service areas. This is why there is not a large underspend in the salaries and wages cost category, which would be used to fund the agency staff costs.

**BARNET HOMES LIMITED**  
**BUDGET MONITORING REPORT**

Period: 4  
 Year to date as at: 31/07/2008

**CORPORATE SERVICES**

	July 2008 YTD				Full Year		
	Actual YTD	Budget YTD	Variance (ADV)/FAV	% of full year budget	2008/09 Projection	2008/09 Budget	Variance (ADV)/FAV
	£	£	£	%	£	£	£
<b><u>Income</u></b>							
LBB	13,414	13,323	91	34%	39,879	39,970	(91)
<b>Total Income</b>	<b>13,414</b>	<b>13,323</b>	<b>91</b>	<b>34%</b>	<b>39,879</b>	<b>39,970</b>	<b>(91)</b>
<b><u>Expenditure</u></b>							
<b><u>Management Costs</u></b>							
Salaries and Wages costs	521,139	579,563	58,424	30%	1,593,417	1,738,690	145,273
Staff Agency costs	73,615	35,165	(38,449)	70%	220,844	105,496	(115,348)
Other Employee Related costs	53,616	52,540	(1,076)	34%	160,847	157,620	(3,227)
Information Technology	95,231	94,875	(356)	33%	284,625	284,625	0
Consultant costs	34,857	34,857	0	33%	104,570	104,570	0
<b>Total Management Costs</b>	<b>778,457</b>	<b>797,000</b>	<b>18,543</b>	<b>33%</b>	<b>2,364,304</b>	<b>2,391,001</b>	<b>26,697</b>
<b><u>Operational Costs</u></b>							
Estate, Hostel & Warden Services	4	0	4		4	0	4
Tenant Related Costs	200	513	313	13%	1,540	1,540	0
Legal Costs	10,840	10,840	0	33%	32,520	32,520	0
<b>Total Operational Costs</b>	<b>11,044</b>	<b>11,353</b>	<b>310</b>	<b>32%</b>	<b>34,064</b>	<b>34,060</b>	<b>(4)</b>
<b>Other Costs</b>	<b>104,969</b>	<b>98,257</b>	<b>(6,713)</b>	<b>36%</b>	<b>321,464</b>	<b>294,770</b>	<b>(26,694)</b>
<b>Total Expenditure</b>	<b>894,470</b>	<b>906,610</b>	<b>12,140</b>	<b>33%</b>	<b>2,719,831</b>	<b>2,719,831</b>	<b>(0)</b>

**Notes**

1. The projected full year income is slightly more than budget by £91, being miscellaneous other fees for fire warden training.
2. The full year projection on expenditure is forecast to come in on budget, the same as last month. The other costs category overspend of £27K includes a projected overspend for SLA Customer Care (£13K), which relates to an increase in security costs for Barnet House and an increased volume of callers to the ground floor reception.

**BARNET HOMES LIMITED**  
**BUDGET MONITORING REPORT**

Period: 4  
 Year to date as at: 31/07/2008

**HOUSING SERVICES**

	July 2008 YTD				Full Year		
	Actual YTD	Budget YTD	Variance (ADV)/FAV	% of full year budget	2008/09 Projection	2008/09 Budget	Variance (ADV)/FAV
	£	£	£	%	£	£	£
<b>Income</b>							
LBB	65,222	116,353	(51,131)	19%	333,381	349,060	(15,680)
Third Party	(395)	10,333	(10,728)	-1%	31,000	31,000	(0)
<b>Total Income</b>	<b>64,827</b>	<b>126,687</b>	<b>(61,860)</b>	<b>17%</b>	<b>364,380</b>	<b>380,060</b>	<b>(15,680)</b>
<b>Expenditure</b>							
<b>Management Costs</b>							
Salaries and Wages costs	2,186,549	2,538,237	351,688	29%	6,675,599	7,614,710	939,111
Staff Agency costs	229,529	35,247	(194,282)	217%	688,586	105,740	(582,846)
Other Employee Related costs	148,170	132,563	(15,606)	37%	442,509	397,690	(44,819)
Office Accommodation costs	5,700	5,700	0	33%	17,100	17,100	0
Information Technology	116	0	(116)		116	0	(116)
Consultant costs	16,667	16,667	0	33%	50,000	50,000	0
<b>Total Management Costs</b>	<b>2,586,730</b>	<b>2,728,413</b>	<b>141,684</b>	<b>32%</b>	<b>7,873,910</b>	<b>8,185,240</b>	<b>311,330</b>
<b>Operational Costs</b>							
Transport costs	55,746	54,190	(1,556)	34%	176,725	162,570	(14,155)
Grounds Maintenance	240,392	236,137	(4,256)	34%	721,177	708,410	(12,767)
Estate, Hostel & Warden Services	130,939	102,200	(28,739)	43%	364,816	306,600	(58,216)
Utility Costs	237,807	187,750	(50,057)	42%	657,420	563,250	(94,170)
Tenant Related Costs	57,117	37,777	(19,340)	50%	171,350	113,330	(58,021)
Legal Costs	140,145	110,100	(30,045)	42%	384,435	330,300	(54,135)
<b>Total Operational Costs</b>	<b>862,145</b>	<b>728,153</b>	<b>(133,992)</b>	<b>39%</b>	<b>2,475,922</b>	<b>2,184,460</b>	<b>(291,462)</b>
<b>Other Costs</b>	<b>102,329</b>	<b>95,707</b>	<b>(6,622)</b>	<b>36%</b>	<b>306,987</b>	<b>287,120</b>	<b>(19,867)</b>
<b>Total Expenditure</b>	<b>3,551,204</b>	<b>3,552,273</b>	<b>1,069</b>	<b>33%</b>	<b>10,656,820</b>	<b>10,656,820</b>	<b>0</b>

**Notes**

1. The full year projection on income is currently £16K less than the budgeted income, the same as last month. Supporting people income of £188K has being accrued to budget in the full year's projection.
2. The full year projection on expenditure is forecast to come in on budget. Disrepair payments to tenants account primarily for the current overspend in tenant related costs. Grounds Maintenance is projecting a £13K overspend for the year which is based on the fixed amount stated in the recent SLA agreement. Current utility costs overspend are Gas (£26K) and Water (£24K). Legal costs are currently showing an overspend due to accruals to cover the legal disbursement costs year to date, and legal services costs for July 08.

**BARNET HOMES LIMITED**  
**BUDGET MONITORING REPORT**

Period: 4  
 Year to date as at: 31/07/2008

**ASSET MANAGEMENT**

	July 2008 YTD				Full Year		
	Actual YTD	Budget YTD	Variance (ADV)/FAV	% of full year budget	2008/09 Projection	2008/09 Budget	Variance (ADV)/FAV
	£	£	£	%	£	£	£
<b>Income</b>							
LBB	171,973	171,973	0	33%	515,920	515,920	0
<b>Total Income</b>	<b>171,973</b>	<b>171,973</b>	<b>0</b>	<b>33%</b>	<b>515,920</b>	<b>515,920</b>	<b>(0)</b>
<b>Expenditure</b>							
<b>Management Costs</b>							
Salaries and Wages costs	485,911	609,938	124,027	27%	1,457,732	1,829,814	372,082
Staff Agency costs	137,994	8,333	(129,661)	552%	398,983	25,000	(373,983)
Other Employee Related costs	4,440	0	(4,440)		13,319	0	(13,319)
Office Accommodation costs	15,377	15,377	0	33%	46,130	46,130	0
Consultant costs	21,830	16,667	5,164	44%	65,491	50,000	15,491
<b>Total Management Costs</b>	<b>665,552</b>	<b>650,315</b>	<b>(15,237)</b>	<b>34%</b>	<b>1,981,655</b>	<b>1,950,944</b>	<b>(30,711)</b>
<b>Operational Costs</b>							
Estate, Hostel & Warden Services	42,181	43,377	1,196	32%	130,130	130,130	0
Utility Costs - GP Boiler House	155,203	155,203	0	33%	465,610	465,610	0
Legal Costs	13,667	13,667	0	33%	41,000	41,000	0
<b>Total Operational Costs</b>	<b>211,051</b>	<b>212,247</b>	<b>1,196</b>	<b>33%</b>	<b>636,740</b>	<b>636,740</b>	<b>0</b>
<b>Other Costs</b>	<b>5,564</b>	<b>1,427</b>	<b>(4,137)</b>	<b>130%</b>	<b>15,491</b>	<b>4,280</b>	<b>(11,211)</b>
<b>Total Expenditure</b>	<b>882,167</b>	<b>863,988</b>	<b>(18,179)</b>	<b>34%</b>	<b>2,633,886</b>	<b>2,591,964</b>	<b>(41,922)</b>

**Notes**

1. The projected full year income is forecast to come in on budget at £515K, the same as last month.
2. The full year projection on expenditure is a £41,922 overspend. This is mainly as a result of car lump sum and mileage payments (13K), and LAPN consultant costs (£15K). The pest control costs have been adjusted in this month's report. The results from an exercise carried out in the month shows that pest control is not overspending as other costs were incorrectly coded to this budget.
3. £23,000 has being transferred to the salary budget from Contingency Funds as approved in the last Business Sub Group. This funds the Project Officer for the Decent Homes leasehold work.

**BARNET HOMES LIMITED  
REPAIRS AND MAINTENANCE**

**JULY 2008 YTD**

**PERIOD 4**

**SUMMARY REPORT**

	<b>JULY YTD</b>			<b>FULL YEAR</b>			
	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>Variance (ADV)/FAV</b>	<b>2008/09 Projection</b>	<b>2008/09 Budget</b>	<b>Variance (ADV)/FAV</b>	<b>2007/08 Actual</b>
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b><u>EXPENDITURE</u></b>							
<i>Direct Costs</i>							
Total Responsive Repairs	1,271	1,078	(193)	3,713	3,235	(478)	3,923
Total Planned Repairs/Works	217	213	(3)	640	640	(0)	755
Total Cyclical Works	234	245	11	703	735	32	608
Total Planned Estate Maintenance	141	370	229	422	1,110	688	559
Total Void Works	466	400	(66)	1,399	1,200	(199)	1,252
Total Gas Repairs/Works	584	533	(51)	1,600	1,600	(0)	1,426
<b>Total Direct Cost</b>	<b>2,913</b>	<b>2,840</b>	<b>(73)</b>	<b>8,477</b>	<b>8,520</b>	<b>43</b>	<b>8,523</b>
<i>Indirect Cost</i>							
Other Costs	16	2	(14)	47	5	(43)	75
<b>Total Indirect Cost</b>	<b>16</b>	<b>2</b>	<b>(14)</b>	<b>47</b>	<b>5</b>	<b>(43)</b>	<b>75</b>
<b>Total Repair Costs</b>	<b>2,929</b>	<b>2,842</b>	<b>(87)</b>	<b>8,525</b>	<b>8,525</b>	<b>(0)</b>	<b>8,597</b>

**Notes**

1. Responsive repairs as at July08 YTD is currently £193K overspent which is mainly due to Carpentry (£101K), and Plumbing (£90K). Void works are currently £66K overspent as at July, and the current overspend in Gas costs (£51K) is mainly due to the timing of the gas service contracts.
2. The current year to date position is £87K overspent , and the full year overall repairs & maintenance costs have been projected to come in on budget.
3. All commitments with finished and invoiced status have been accrued.

**BARNET HOMES LTD  
BALANCE SHEET  
AS AT 31 JULY 2008**

**Appendix 2**

Note	At 31 July 2008	At 31 July 2008	At 31 July 2008	AT 31 March 2008	Movement
	£	£	£	£	£
<b>Fixed assets</b>					
<b>Tangible fixed assets</b>					
Fixtures, Fittings & Equipment		120,798		137,644	
Vehicles, Plant & Machinery		24,820		26,262	
Computer Equipment		154,646		187,336	
			300,264	351,242	(50,978)
<b>Investments</b>					
Loan to LAPN			39,086	39,086	0
			339,350	390,328	(50,978)
<b>Current assets</b>					
Stock		0		0	
Trade debtors		2,928		21,154	
Amounts owed by Parent Undertaking		849,194		3,566,609	
VAT		0		44,065	
Other debtors		4,204		6,960	
Prepayments and accrued income TP		280,926		304,389	
Net cash at bank and in hand					
Cash & imprest bank a/c's	1,487			2,482	
Bank Current a/c	(189,282)			(418,197)	
Bank Deposit a/c	89,666			123,234	
Overnight Treasury Deposit	1,000,000			4,900,000	
Weekly Treasury Deposit	1,500,000			0	
Monthly Treasury Deposit	2,000,000			2,500,000	
		4,401,871	5,539,123	11,050,696	(5,511,573)
<b>Current liabilities</b>					
Trade creditors		(796,402)		(4,905,959)	
Amounts owed to Parent Undertaking		(1,319,583)		(1,942,345)	
VAT		(258,962)		0	
Corporation tax		(133,438)		(136,264)	
Other Taxation and Social Security		(215,478)		(224,576)	
Accruals and Deferred Income (TP)		(1,512,740)		(2,532,819)	
Other creditors		(3,409)		(1,405)	
			(4,240,012)	(9,743,368)	5,503,356
Net current assets/ (liabilities)			1,299,111	1,307,328	(8,217)
<b>Total assets less current liabilities</b>			1,638,461	1,697,656	(59,195)
<b>Long-term liabilities</b>					
Provisions for liabilities		(131,292)		(131,292)	
FRS17 Pension Deficit		(5,857,000)		(5,857,000)	
			(5,988,292)		
<b>Net (Liabilities)/Assets</b>			(4,349,831)	(4,290,636)	(59,195)
<b>Capital and Reserves</b>					
Profit and Loss Account			(4,349,831)	(4,290,636)	(59,195)

**NOTES TO THE BALANCE SHEET**

**Title: Internal Audit – Budgetary Control**

**1. Statement of Purpose**

- 1.1 Internal audit assists Directors and staff in the effective discharge of their responsibilities. It provides assurance, information and recommendations on the activities reviewed, and its independence allows impartial and unbiased judgements to be made.

**2. Summary**

- 2.1 The paper advises the Sub-Group of the compliance review of budgetary control undertaken by our internal auditors, Tribal Business Assurance (TBA).

**3. Previous Reports**

- 3.1 None.

**4. Recommendations**

- 4.1 **That the report be noted.**

**5. Financial & Risk Management Issues**

- 5.1 Internal audit is key to the company's risk management processes, and it is essential that management consider and act on recommendations made.

**6. Resident Consultation and Equalities Issues**

- 6.1 None in the context of this paper.

**7. Background Information**

- 7.1 The Board considered the Annual Internal Audit Report at its last meeting in July 2008. Some concern was expressed that the review of budgetary control undertaken in 2007/8 had only received limited assurance.

- 7.2 It was explained that this was largely due to the issues at the time of the audit in relation to the repairs contract and the difficulties with the interface with the contractor. The Board however sought further assurance and TBA has carried out a compliance audit. Their draft report is attached.

- 7.3 I am pleased to report that the evaluation has improved to reasonable assurance. Two items remain to be completed from the previous audit in relation to the documentation of processes and the reporting of virements, neither of which is deemed to be Priority 1. I will be discussing an implementation timetable with my management team.

**Author: Mike Wiffen, Head of Financial Services**  
**Date: 28 August 2008**

BARNET HOMES LTD

**COMPLIANCE REVIEW OF THE  
BUDGETRARY CONTROL ARRANGEMENTS**

**Report issued: August 2008**

**Audit Plan: 2008/09**

The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TBA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

# Compliance Review of the Budgetary Control Arrangements

## - EXECUTIVE SUMMARY -

### INTRODUCTION

1. Tribal Business Assurance has carried out a compliance review of the Budgetary Control arrangements at Barnet Homes. The review was carried out in August 2008 as part of the planned internal audit work for 2008/09.

### SUMMARY

2. One Key Risk Control Objective was identified and tested and based on the findings from this work an overall evaluation of the overall adequacy of the internal controls was established (figure 1 below).

*Figure 1 - Evaluation of the Effectiveness of the Internal Controls*

System	Evaluation
Budgetary Control	Reasonable Assurance

### KEY FINDINGS

3. The following significant matter was identified which needs to be addressed in order to strengthen the control environment:
  - Budgetary control procedures have not been documented.

### OPERATIONAL EFFECTIVENESS MATTERS

4. The principal purpose of the review was to assess the effectiveness of the internal control arrangements in mitigating against risk. No Operational Effectiveness action points were identified.

### MANAGEMENT RESPONSES

5. Effective implementation by management of the recommendations made in this report is important for the maintenance of a reliable internal control system. Recommendations for improvements should be assessed by the Barnet Homes for their full impact before they are implemented. Management responses have been received for all the recommendations made in this review.

**MANAGEMENT ACTION PLAN**

Para. Ref.	Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer
18.1	Procedures for the budgetary setting and control process be documented.	2			
18.2	Reporting requirements for budgetary virements be determined.	3			

**PRIORITY GRADINGS**

1	URGENT	fundamental control issue on which action should be taken immediately.
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2	IMPORTANT	control issue on which action should be taken at the earliest opportunity.
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3	ROUTINE	control issue on which action should be taken.
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**OPERATIONAL EFFECTIVENESS MATTERS**

Para. Ref.	Item	Management Comments
	<b>No Operational Effectiveness Matters were raised.</b>	

**ADVISORY NOTE**

Operational Effectiveness Matters need to be considered as part of management review of the procedures, rather than on a one-by-one basis

**SCOPE AND LIMITATIONS OF THE REVIEW**

6. The objective of the review was to assess the effectiveness of the key risk controls that provide assurance that the budgetary control system is operated in accordance with the requirements.
7. The review considers identification of any significant changes to the system and assess the implications of these changes on the effectiveness of the control framework. The review concentrates on testing to assess whether the controls are operating continuously and effectively. The review did not consider identification of system controls other than where there have been significant operational changes since the previous system review.
8. The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.
9. For the purpose of this review reliance was placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

**ASSESSMENT OF THE KEY RISK CONTROL OBJECTIVE**

10. Details of the Key Risk Control Objective that was reviewed and the assessment of the effectiveness of the control arrangements are shown below (figure 2 below).

*Figure 2 - Summary of the Evaluations of the Key Risk Control Objectives*

Risk	Control	Assurance Assessment
Failure to direct the process through approved policy & procedures.	Arrangements in place provide for compliance with established policies, procedures, laws and regulations.	<b>Reasonable Assurance</b>

11. This review identified and tested the controls that are being operated by the Barnet Homes and an assessment of the combined effectiveness of the controls in meeting each of the Key Risk Control Objectives is provided. Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future. The assessments, which are based solely on the audit carried out are:

- Substantial Assurance**      robust series of internal controls in place which should ensure continuous and effective achievement of the control objective.
- Reasonable Assurance**      reasonable number of internal controls in place, however may not be operated all the time.
- Limited Assurance**          the controls in place are not sufficient to ensure the continuous and effective achievement of the control objective.

**No Assurance** fundamental breakdown or absence of core internal controls.

**MATERIALITY**

12. Barnet Homes has budgeted for operational expenditure of £28.7 million in 2008/09 the largest element being staff costs of £13 million; this is being funded primarily from the £18.9 million management fee and £8.5 million repairs and maintenance allowance received from the London Borough of Barnet. There is a separate capital budget of £140,000 for IT equipment, fixtures and fittings and plant and equipment. There is also a Decent Homes budget of £30 million for 2008/09, which is funded separately.

**RELEASE OF REPORT**

13. The table below sets out the history of this report.

Date draft report issued:	27 <sup>th</sup> August 2008
Date management responses recd:	
Date final report issued:	

**FOLLOW UP ON PREVIOUS INTERNAL AUDIT RECOMMENDATIONS**

14. A follow up review was carried out to determine the progress made with implementing the recommendation arising out of the previous system review and the results are summarised below:

From the review of the documentation and checks carried out the assessments are:	
Assessment	Number of Recommendations
• implemented	4
• progress on target	1
• no longer applicable	1
• not implemented	1

15. The following matters were identified in relation to the recommendations that have not yet been implemented:
- 15.1 The budgetary control procedures have yet to be documented. (Recommendation 18.1 refers).
- 15.2 The Business Sub Group is yet to determine what reports they wish to see regarding virements. (Recommendation 18.2 refers).

**- DETAILED REPORT -**

**COMPLIANCE TESTS**

<b>16. Risk</b>	Losses arising from unauthorised action by staff.		
<b>Risk Control Objective</b>	Arrangements in place provide for safeguarding the organisation's assets and interests from avoidable losses.	<b>Evaluation</b>	From the review of the documentation and tests carried out the Control Evaluation is:  <b><u>Reasonable Assurance</u></b>

17. The following matters were identified in reviewing the Key Risk Control Objective:

- 17.1 Testing was carried out to confirm that the current year's budget was subject to formal approval following adequate challenge. It was established by review of minutes and budget papers that the current budget was approved by the Business Sub Group prior to being submitted to the London Borough of Barnet and that the budget proposal was supported by previous budget and outturn comparators.
- 17.2 Checks were carried out on the robustness of the budget setting process. A review of working papers and business plans confirmed that proposed budgets took account of planned developments.
- 17.3 A budget setting process has been approved by the Business Sub Group. It was confirmed by review of minutes that the process has been revised. The 2008/09 proposed budget was presented to the Business Sub Group in March 2008.
- 17.4 Further checks were carried out on the robustness of the budget setting process. Although zero-based budgeting was not adopted budget challenge sessions were arranged during the 2007/08 budget setting process. The 2008/09 budget was established using a cost plus approach. A review of working papers demonstrated that assumptions were applied for inflation and the pay award.
- 17.5 A small capital budget was approved. It was confirmed by review of management accounts and budget papers that the budget allows for the replacement of items when due and for further capital investment.
- 17.6 It was confirmed by review of papers and minutes that a full set of management accounts are promptly submitted to all Business Sub Group meetings and monthly to all budget holders.
- 17.7 It was confirmed by review that there is now a robust mechanism in place for accruing for all expenditure on responsive maintenance to enable budgets to be managed effectively. Review of accounting records confirmed that accruals are being posting which were adequately supported by data derived from the Saffron maintenance system.
- 17.8 Although the Head of Financial Services is not required to approve virements testing demonstrated that a form is being completed and signed by all relevant budget holders. It is understood that the Business Sub Group is due to meet to discuss requirements for virements to be reported and scrutinised.

<b>18. Recommendations:</b>	<b>Priority</b>
<b>18.1 Procedures for the budgetary setting and control process be documented.</b>	<b>2</b>
<b>18.2 Reporting requirements for budgetary virements be determined.</b>	<b>3</b>

-----  
**DRAFT**

**Title: Internal Audit – Management Action**

**1. Statement of Purpose**

1.1 Internal audit assists Directors and staff in the effective discharge of their responsibilities. It provides assurance, information and recommendations on the activities reviewed, and its independence allows impartial and unbiased judgements to be made.

**2. Summary**

2.1 This paper provides an update on progress against action plans arising from audits undertaken by Tribal Business Assurance (TBA).

**3. Previous Reports**

3.1 The Sub-Group received a report at its March 2008 meeting on management action arising from internal audit activity.

**4. Recommendations**

4.1 **That the report be noted.**

**5. Financial & Risk Management Issues**

5.1 Internal audit is key to the company's risk management processes, and it is essential that management consider and act on recommendations made.

**6. Resident Consultation and Equalities Issues**

6.1 None in the context of this paper.

**7. Background Information**

7.1 At the May 2007 meeting the Sub-Group sought assurance that actions arising from internal audit reviews were being acted upon. It was agreed that I should report to the Sub-Group on a six-monthly basis and this is the third such report.

7.2 The report covers the following audits:-

- Governance (Performance Monitoring)
- Investment Programme
- Procurement (Non Partnered)
- Rents
- Equal Pay
- Lifeline
- Payroll Compliance
- Planned Maintenance

7.3 TBA give an evaluation in their reviews on the following scale:-

<b>Substantial Assurance</b>	Robust series of internal controls in place, which should ensure continuous and effective achievement of the control objective.
<b>Reasonable Assurance</b>	Reasonable number of internal controls in place, however may not be operated all the time.
<b>Limited Assurance</b>	The controls in place are not sufficient to ensure the continuous and effective achievement of the control objective.
<b>No Assurance</b>	Fundamental breakdown or absence of core internal controls

7.4 Similarly their recommendations are also on a four-level scale of priority as follows:-

<b>Priority Grading</b>		
<b>1</b>	<b>Urgent</b>	Fundamental control issue on which action should be taken immediately
<b>2</b>	<b>Important</b>	Control issue on which action should be taken at the earliest opportunity
<b>3</b>	<b>Advisable</b>	Control or practice issue on which action should be taken
<b>4</b>	<b>Consideration</b>	Practice issue on which action could be taken

### **7.5 Governance (Performance Monitoring)**

7.5.1 This review was carried out in May 2007 and provided substantial assurance. There were six recommendations, four being Priority (P) 3 and two P4. Two remain outstanding:- the preparation of procedure notes to accompany the completion of financial returns, and the drafting of formal terms of reference for the Value for Money Group. Both are timetabled for this financial year.

### **7.6 Investment Programme**

7.6.1 A rating of reasonable assurance was given for this review, undertaken in July 2007. There were 22 recommendations, of which three were P1, fifteen P2 and four P3. Six of the actions, including one P1 were in relation to the new stock database system and these will be completed as the system is implemented.

7.6.2 The other two P1 recommendations related to re-instructing staff to back up key documents independently and the production of a Quality Management document including process mapping and audit checklists for quality information. Both these were completed.

7.6.3 One other action remains ongoing, which affects all areas of Barnet Homes with regard to the available space on the network drives. The allocation of space is limited and we are in discussion with the Council to upgrade to a more efficient storage solution. In the meantime staff are regularly reminded of their housekeeping responsibilities with regard to their files.

## **7.7 Procurement (non-partnered)**

7.7.1 This review took place in July 2007. The evaluation gave reasonable assurance with eight recommendations, split equally between P2 and P3. All recommendations have been implemented, the most recent being the signing of a contract for welfare adaptations obtained via the London Area Procurement Network. A number of the actions in this review were included in the Procurement Action Plan that the Sub-Group reviews regularly.

## **7.8 Rents**

7.8.1 There were eleven recommendations arising from this review which was completed in January 2008 and gave reasonable assurance. Nine were P2 and two P3.

7.8.2 The most significant of the P2 items relates to the increasing of rents on reletting to rent restructuring target levels. A working group is being established to determine the processes, who is involved and the necessary actions.

7.8.3 A number of recommendations related to the review and/or documentation of various processes, including delegated authorities. Some procedures in the Finance area remain to be completed (due by end October 2008). Some amendments to delegated authorities are to be included in a report to Board in September 2008.

## **7.9 Equal pay**

7.9.1 This audit gave limited assurance only, and was discussed in detail by the Resources Sub-Group earlier this month. There were eight P2 recommendations in relation to honorarium and acting-up payments on which work is continuing.

## **7.10 Lifeline**

7.10.1 This review received a rating of reasonable assurance, and was carried out in March 2008. There were nine recommendations – two P1, five P2 and two P3.

7.10.2 The first P1 recommendation relates to the setting up of a proper income and expenditure account for its activity. This would properly identify surpluses and assist in determining the future of the operation. My team are presently working on this. One difficulty is that as structured at present the income from the Lifeline service goes directly to the Council, with our funding coming via the management fee. We are seeking to alter this arrangement and are examining potential tax implications of so doing.

7.10.3 The second P1 recommendation was for the presentation of a business plan for the Lifeline service to the appropriate committee. It is proposed that this be brought to a future meeting of this Sub-Group.

7.10.4 Two other recommendations are outstanding, and due for completion this month. These were the establishment a robust method of tracking assets issued and returned, which will be made easier by the new IT system. This system will also assist in delivering the other recommendation which related to the development of a robust means of measuring and recording installation of Lifeline equipment to support the delivery of the service standards.

#### **7.11 Payroll Compliance**

7.11.1 This compliance review carried out in December 2007 gave a rating of reasonable assurance. The major outstanding recommendation (P2) is the documentation of detailed procedures for the payroll process. This is with our Human Resources team and is due for completion this month.

#### **7.12 Planned Maintenance**

7.12.1 This review was carried out in March 2008 and was evaluated at reasonable assurance. There were four recommendations, two P2 and two P3. One of the P2 recommendations related to budget monitoring and these arrangements are now in place. The other P2 was in relation to the collation of stock condition data and is due for completion in November of this year. The remaining recommendations have been implemented.

7.13 The Sub-Group is asked to comment on and note the report. The next update is scheduled for March 2009.

**Author: Mike Wiffen, Head of Financial Services**

**Date: 28 August 2008**

**Title: Barnet Homes Income Collection Strategy – Annual Review**

**1. Statement of Purpose**

- 1.1 The principles of an agreed corporate income collection strategy for Barnet Homes will help us to achieve our core objective of “achieving excellence by delivering high quality and improving services to all residents.”

**2. Summary**

- 2.1 The paper gives a progress report on our income collection strategy.

**3. Previous reports**

- 3.1 The Sub-Group agreed the strategy on 5 September 2007.

**4. Recommendations**

- 4.1 That the report be noted.

**5. Financial & Risk Management Issues**

- 5.1 The review shows that levels of income collection have significantly improved in the past twelve months.

**6. Resident Consultation and Equalities Issues**

- 6.1 None specific to this report.

**7. Background Information**

- 7.1 The Barnet Homes Income Collection Strategy detailed the principles to be adopted by Barnet Homes when undertaking the collection of all forms of income from both our residents and other customers.
- 7.2 It outlined how we expect all our income collection services to operate effectively becoming the master document that informs our approach to policies and procedures of collection.
- 7.3 The attached report highlights the results so far from the adoption of the strategy, showing the significant improvements that have been made. It also sets out further actions to be undertaken.

**Authors:**

**Derek Rust**

**Deputy Chief Executive & Head of Housing Services**

**Mike Wiffen**

**Head of Financial Services**

**Date: 29 August 2008**



## **Income Collection Strategy**

### **One year on**

We established our first overarching Income Collection Strategy for Barnet Homes in June 2007 and revised it further in January 2008. This strategy covers all forms of income collection activity including leasehold and lifeline charges, rechargeable repairs, miscellaneous debts and rent collection.

Overall as a company we are responsible for collecting in excess of £60m worth of income for the Council to fund essential services for our customers - hence the importance of the strategy.

#### **The aims of the strategy:**

- To achieve excellence in income collection
- To establish the principles to be adopted in collecting income from customers who have difficulty in making payment or who have multiple debts
- To ensure consistent and sensitive approach to collecting debt whilst maximising income to Barnet Homes

#### **The principles of the strategy are covered by the following:**

- Customer care
- Information
- Methods of payments and payments in advance
- Making arrangements to clear a debt
- Vulnerability and financial inclusion
- Incentives
- Equalities
- Irrecoverable debts
- Customer involvement
- Value for Money

#### **What has been achieved so far:-**

- Arrears procedure notes for rent arrears, former tenant arrears, Lifeline income, service charge and major works collection were reviewed in line with this strategy in October 2007
- Over 1,350 tenants now pay rent by direct debit – June 2008
- Over 900 leaseholders also now pay by direct debit – July 2008
- Paypoint card type payment method introduced for leaseholders
- Arrears tracking implemented for rent arrears collection
- Rent arrears and rent increase letters crystal marked
- Financial Inclusion and Support Officer appointed October 2007
- Incentives agreed for early payment of major works bills on West Hendon estate

- Reduced court referrals for rent arrears by 37% at March 2008 on 2006/07
- Increased money advice referrals by 169% at March 2008
- Reduced garage arrears to only £3,300 at March 2008
- Money advice training for over 60 staff September - November 2007
- Prize draw used to incentivise clear rent accounts
- Leaseholder rolling programme of surgeries commenced October 2007
- Direct debit initiative results in estimated minimum annual efficiency savings of £6,000 in year 1

### What is still to be done?

- Improve our demographic knowledge of leaseholders in arrears
- Crystal mark service charges, rechargeable repairs, major works bills and lifeline arrears letters
- Develop a Paypoint method of payment for tenants
- Implement arrears tracking for leaseholders
- Reduce the number of Notices of Seeking Possession that we serve for rent arrears
- Develop on line statement access for leaseholders and tenants
- Implement Introductory Tenancies for tenants and the early billing pilot for leaseholders
- Undertake Value for Money reviews of rechargeable repairs

**The bottom line is have we more effectively and sensitively collected the income due to the organisation?**

	June 2008 target	June 2008 performance	😊 or 😞
Service Charge collection	26.5%	24.9%	😞
Major works collection current year bills	£647k	£1.030m	😊
Rent collection	98.0% at year end	98.5%	😊
Tenants evicted for rent arrears	0.21% at year end	0.03%	😊
Level of garage arrears	£6.8k at year end	£6.4k	😊
Former Tenant Arrears collection amount	£52.5k	£62k	😊
Rechargeable repairs	N/a	39% <sup>1</sup> reduction in debt levels on May 07	😊
Lifeline	N/a	43% <sup>2</sup> reduction in debt levels on November 07	😊

<sup>1</sup> @ August 2008

<sup>2</sup> @ August 2008 – this debt is 72% lower than @ October 2006

**The simple answer is our income collection activities have improved significantly with the implementation of our Income Collection Strategy.**

**No room for complacency but...so far so good. 😊**

Derek Rust  
Deputy Chief Executive  
& Head of Housing  
August 2008

- 1. Statement of Purpose**
  - 1.1 Securing Value for Money (VFM), efficiency and effectiveness are key to the successful achievement of the company's business aims.
- 2. Summary**
  - 2.1 The report looks at the possibility of the use of shared services by the company.
- 3. Previous Reports**
  - 3.1 None
- 4. Recommendations**
  - 4.1 **That the report be noted, and that the Head of Financial services report further following the completion of the VFM reviews of Financial Services, human Resources and Payroll.**
- 5. Financial & Risk Management Issues**
  - 5.1 Potentially efficiencies can be made from the use of shared services, although there is likely to be a long lead-in time and it is important that the service specification is properly defined.
- 6. Resident Consultation and Equalities Issues**
  - 6.1 None in the context of this report.
- 7. Background Information**
  - 7.1 Since its inception Barnet Homes has attempted to deliver its services in the most efficient manner. This desire was reinforced by central government targets for the public sector of 2.5% annual efficiencies in the three years to 2007/8 following the Gershon report, and increased targets of 3% cashable efficiencies over the next three years following the last Comprehensive Spending Review. The pressure on the Council's Housing Revenue Account, from which the bulk of our management fee comes has been a further driver.
  - 7.2 Barnet Homes has achieved its efficiency targets in management and maintenance up to 2007/8, and has one of the best back office/front line service ratios of all the London ALMOs. Efficiencies have been achieved through a range of ways including the rationalisation of accommodation, merging our two call centres, partnering the repairs and gas contracts, management restructures and procurement.

- 7.3 However the drive for efficiencies continues. The VFM programme has a range of projects in the current financial year, and the VFM Action Plan included looking at the options for shared services.
- 7.4 Public sector organisations have a relatively long history of working together for mutual benefit in some areas – regional purchasing consortia being a good example. Shared services takes this one step further by looking to consolidate corporate, administrative or transactional services, such as ICT, HR and payroll, finance, legal services and facilities management. Many organisations have outsourced a number of these areas, although shared services can be governed directly by the participating organisations, depending on the model. Although usually developed for back office functions, joint customer-facing services can be developed, provided processes can be consolidated and standardised, and activity can be managed remotely.
- 7.5 The potential benefits of shared services are financial, through staff rationalisation from economies of scale, lower accommodation costs, reduced management overheads and cheaper procurement through aggregated demand. However there are also non-financial benefits through the establishment of better processes, improved job satisfaction and career prospects, employees able to focus on specialist areas and the freeing up of senior management time.
- 7.6 So what is the potential for Barnet Homes? Taking the services referred to above the largest area of expenditure is ICT, through our service level agreement (SLA) with the Council and our own team. Whilst we remain at Barnet House we are effectively tied in to the Council's ICT service, but as has been discussed elsewhere in relation to our accommodation strategy the use of a shared service provider will be seriously explored.
- 7.7 HR and payroll are the subjects of VFM reviews later in this financial year. Presently we have a small in-house HR team with payroll provided through an SLA with the Council. This utilises the Council's core system, SAP. The options of shared services will be looked at as part of this review.
- 7.8 Similarly financial services is to undergo a VFM review before March 2009. We have an in-house team but utilise SAP for our accounting and the payment of accounts. Some benchmarking has been undertaken through the Institute of Public Finance which has given some positive results, but again the options will be looked at as part of the review.
- 7.9 We have no legal services in-house, but have a mixed economy, procuring through an SLA with the Council as well as with external

solicitors. This approach has provided good VFM results. Facilities management will depend on our future accommodation position.

- 7.10 The London ALMOs Heads of Finance Group have shared services on its present work programme, although as yet this has not been explored in any detail, being overtaken in priority by the review of council housing finance and the necessary input into this. However I anticipate this returning to the agenda later this year.
- 7.11 Whilst Barnet Homes has not yet gone down the shared services route it is achieving the benefits of economies of scale through the use of procurement consortia. It is a founder member of the London Area Procurement Network, achieving significant efficiencies in the capital programme and the procurement of gas servicing and adaptations contracts. A number of contracts have now been procured through Procurement for Housing, including utilities, agency staff and decorations vouchers, saving an estimated £200,000 in a full year. We also make use of the Council's arrangements for stationery and its new contract for occupational health, to which Middlesex University are also a party.
- 7.12 I propose that a further report be brought to the Sub-Group following the VFM Reviews of Financial Services, Human Resources and Payroll.

**Author: Mike Wiffen, Head of Financial Services**  
**Date: 28 August 2008**

**1. Statement of Purpose**

1.1 It is important that systems of internal control are kept under review.

**2. Summary**

2.1 The report informs the Sub-Group of numbers of payments made by different methods, including those above the threshold requiring manual signature.

**3. Previous reports**

3.1 None.

**4. Recommendations**

4.1 **That the report be noted.**

**5. Financial & Risk Management Issues**

5.1 Payment arrangements need to be in place that, as far as possible, prevent the risk of fraud, and duplicate, late or incorrect payments.

**6. Resident Consultation and Equalities Issues**

6.1 None.

**7. Background Information**

7.1 The Sub-Group requested some information in relation to cheque and BACS payments at its July meeting. Aside from petty cash there are three main methods of payment – BACS, system-generated cheques and manual cheques.

7.2 In the last financial year (2007/8) the volumes of payments made by each method were as follows (excludes payroll payments via BACS):-

<b>Type of Payment</b>	<b>Number</b>	<b>Percentage</b>
BACS	3,688	66.78
System Cheques	1,644	29.77
Manual Cheques	191	3.45
<b>Total</b>	<b>5,523</b>	<b>100.00</b>

7.3 For system cheques, the signature of one of the Bank signatories is only required for cheques of £35,000 and above, which during the period in question numbered two. Similarly the release of a BACS payment of £35,000 or more requires the additional approval of one of the bank signatories – in 2007/8 there were 152 such payments. These are mainly in relation to the capital programme. The limits for

signatories are similar to the Council and have been in place since our formation.

- 7.4 Manual cheques require a signature in all cases, and a second signature for payments of £1,500 and over. Of the 191 manual cheques issued, 19 were at this level.
- 7.5 I am satisfied that the controls in place within the company are satisfactory with the appropriate separation of duties throughout the payment process in place to prevent fraudulent payments and checks within SAP to prevent duplicate payments. The efficiency of the process has also been significantly improved, with over 98% now paid on time.
- 7.6 The payment arrangements have been reviewed by our internal auditors which led to the creation of a Payments Policy approved by this Sub-Group. The follow-up review by Tribal in July 2008 gave an evaluation of reasonable assurance.
- 7.7 I do not therefore consider it necessary to revise the limits but will keep the matter under review.

**Author: Mike Wiffen, Head of Financial Services**

**Date: 29 August 2008**

- 1. Statement of Purpose**
  - 1.1 Barnet Homes is committed to achieving effective governance and ensuring we deliver our objectives and commitments to target.
- 2. Summary**
  - 2.1 This paper sets out proposed agenda items to the Sub-Group.
- 3. Previous Reports**
  - 3.1 This is a regular item at each meeting of the Sub-Group.
- 4. Recommendations**
  - 4.1 **That the Sub-Group consider the proposed agenda items and agree or amend as it wishes, and propose any items for inclusion on future agendas.**
- 5. Financial & Risk Management Issues**
  - 5.1 Not applicable
- 6. Resident Consultation and Equalities Issues**
  - 6.1 None in context of this report.
- 7. Background Information**
  - 7.1 The table below sets out proposed agenda items for the next meeting and up to March 2009. The Sub-Group is asked to note and suggest further items for inclusion.

<b>Meeting Date</b>	<b>Agenda Items</b>
7 October 2008 3.00 p.m.	Budget Monitor – end August Budget 2009/10 – consultation draft Value for Money reviews and Action Plan Agenda Planning
5 November 2008 5.00 p.m.	Appointment of Chair Budget Monitor – end September Review of Risk Registers Service Level Agreements Monitor Procurement Action Plan Agenda Planning
3 December 2008 3.00 p.m.	Budget Monitor – end October New Business Update Agenda Planning
7 January 2009 5.00 p.m.	Budget Monitor – end November Budget 2009/10 – headlines Agenda Planning

<b>Meeting Date</b>	<b>Agenda Items</b>
4 February 2009 3.00 p.m.	Budget Monitor – end December Review of Risk Registers Service Level Agreements Monitor Agenda Planning
4 March 2009 5.00 p.m.	Budget Monitor – end January Budget and Business Plan 2009/14 Internal Audit Management Action Agenda Planning

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