

**BUSINESS SUB-GROUP  
BARNET HOMES  
WEDNESDAY 8 NOVEMBER 2006  
3.00PM  
10<sup>th</sup> Floor Meeting Room, Barnet House**

**AGENDA**

<b>Item No</b>	<b>Item</b>	<b>Status</b>	<b>Author</b>
<b>1</b>	Introduction & Apologies		
<b>2</b>	Minutes & Matters Arising		
<b>3</b>	Declaration of Interests		
<b>4</b>	Internal Audit – 6 monthly review	Information	Tribal Business Assurance
<b>5</b>	Budget Monitor 2006/07 – end September	Information	Paul Cleveland Gary Pliskin
<b>6</b>	Request for Contingency – Repairs and Maintenance Service	Decision	Derek Rust
<b>7</b>	Value for Money & Efficiency	Information	Mike Wiffen
<b>8</b>	LAPN Arrangements	Decision	Mike Wiffen Margaret McPeake
<b>9</b>	<b>Confidential</b> New Business Update	Information	Derek Rust
<b>10</b>	Agenda Planning	Decision	Mike Wiffen
<b>11</b>	Date of Next Meeting – Wednesday 6 December 3.00pm		

Attendees:                    David Sidbury (Chair)                    Tim Sims  
    Monroe Palmer                                Lucia Fiveash  
    Ingrid Beal                                    Mike Wiffen  
    Gary Pliskin                                   Paul Cleveland  
    Trevor Renouf

Ian Sharp, Tribal Business Assurance  
 Andrew Townsend, Tribal Business Assurance

The meeting will commence at 3.00pm, 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: Tel: 020 8359 4915  
 Email: [karen.flood@barnethomes.org](mailto:karen.flood@barnethomes.org)

**BARNET HOMES  
BUSINESS SUB-GROUP MINUTES  
8 November 2006**

**Attendees:** David Sidbury (Chair)      Tim Sims  
 Ingrid Beal                                  Trevor Renouf (Part)  
 Vi Britchfield                                Mike Wiffen  
 Monroe Palmer (Part)                      Dorothy Badrick  
 Gary Pliskin                                  Paul Cleveland  
 Ian Sharp, Tribal Business Assurance

**Circulation:** Those Above                      All Directors  
 Lucia Fiveash                                RSM Robson Rhodes  
 Hugh Rayner                                  Derek Rust

ITEM	TITLE	ACTION
<b>1.</b>	<b>Introductions &amp; Apologies</b>	
<b>1.1</b>	<b>Introductions</b> - Introductions were not required.	
<b>1.2</b>	<b>Apologies</b> - Hugh Rayner and Derek Rust.	
<b>2.</b>	<b>Minutes 4 October 2006 &amp; Matters Arising</b>	
<b>2.1</b>	Minutes agreed.	
<b>2.1.1</b>	<b>Item 4 Business Continuity Plan (BCP)</b> – Agenda item for 3 January 2007 of the Sub-Group. Item discussed at Heads of Service Meeting on 7 November 2006.	
<b>2.1.2</b>	<b>Item 5.1 ICT SLA</b> – advised by LBB will be completed by the end of November 2006. TR will take up with the Leader of the Council if progress continues to be slow.	
<b>2.1.3</b>	<b>Item 5.3 Website</b> – EM to circulate analysis of access made to Barnet Homes website to the Sub-Group prior to next meeting.	<b>EM</b>
<b>2.1.4</b>	<b>Item 7 Tenancy Control Issues</b> – no issues have arisen since the Sub-Group meeting of 4 October 2006.	
<b>2.1.5</b>	<b>Item 8 Residents' Resource Centre</b> – report to Sub-Group at 6 December 2006 meeting.	
<b>2.1.6</b>	<b>Item 9.2 Covert CCTV</b> – GP updated the Sub-Group. Notice of the use of cameras does not have to be displayed but a log must be kept of where the cameras are and why they are being used. Sheila Oliver, Housing Sustainability Manager authorises use for Barnet Homes.	

ITEM	TITLE	ACTION
2.1.7	<b>Item 9.3.2 Graffiti Kits</b> – GP updated the Sub-Group. The BHL Caretakers already carry many of the items contained within the kit.	
2.1.8	<b>Item 12.1 Car Allowance and Travel</b> – item discussed at JNCC meeting, report back to Resources Sub-Group.	
2.1.9	<b>Item 12.2 Office Accommodation</b> – Surgery at Burnt Oak being considered on a 6 month trial basis.	
3.	<b>Declaration of Interests</b>	
3.1	If any item arose concerning London Borough of Barnet Finance Monroe Palmer may have conflicting interests.	
4.	<b>Internal Audit – 6 Monthly Review</b>	
4.1	The Sub-Group were updated on the progress made on audits undertaken so far by Tribal Business Assurance (TBA), which were agreed by this group on 5 April 2006, Corporate Governance, Payments and Responsive Maintenance.	
4.2	The four categories of assurance used are: Substantial Assurance – all controls in place and operating Reasonable Assurance – most controls in place and operating Limited Assurance – some fundamental weaknesses in system No Assurance – no controls in place	
4.3	The Group proposed that all Priority Ones should be identified and reported immediately to the Group, TBA agreed to provide a summary of priority in future reports.	MW/TBA
4.4	Priority 1 recommendations arising out of the Payments (Limited Assurance) and Responsive Repairs (Reasonable Assurance) audits will be reported to the Sub-Group at the 6 December 2006 meeting.	
4.5	Corporate Governance – no Priority Ones identified, Substantial Assurance given.	
4.6	A full report to will be tabled at the 6 December meeting on Investigation 2, Whistle blowing process, HR issues on declaration and conflicts of interests.	MW/TBA
5.	<b>Budget Monitoring to end September 2006</b>	
5.1	£300k underspend predicted at this stage, this includes the contingency. 2005/06 figures stated as requested at September 2006 Sub-Group so comparison can be made.	

ITEM	TITLE	ACTION
5.2	Employee figures shows difference compared with last year this is due to the pension costs now 21% as opposed to 17% last year. Issue of staff opting out of pension was raised, MW to consult the Staff Handbook and confirm if staff are advised to seek independent advice prior to withdrawing from the pension scheme.	MW
5.3	Water Services Charges – PC to follow up possibility of refund being issued by water board on leak at Grahame Park.	PC
5.4	Repairs Budget – MW investigating downturn and proportion of work allocated to DSO and Contractor. To be reported back to 6 December 2006 meeting.	MW
5.5	Issue of outstanding repairs was raised, MW to refer individual cases to Derek Rust. The Sub-Group recommended that TS also refer the matter to the Standards Sub-Group.	MW TS
5.6	Board Directors are invited to attend a session on understanding the management accounts and balance sheet on 3 January 2007 at 4pm in the Board Room. A session on the Budget and Business Plan and the Housing Revenue Account will be held at 2pm on 7 February 2007 in the 10 <sup>th</sup> Floor Meeting Room.	ALL
6.	<b>Request for Contingency Allocation – Repairs and Maintenance Service</b>	
6.1	The Sub-Group were asked to approve an allocation of £25,000 from the contingency fund to employ an officer for six months to develop and deliver the improvement plans for the Repairs and Maintenance Service. <b>The Sub-Group approved the request.</b>	MW
7.	<b>Value for Money and Efficiency</b>	
7.1	<b>Leaseholder Management (Phase 1)</b>	
7.1.1	Phase 1 of review now completed, it was noted that if the charges remained unchanged there would be a shortfall of around £83k, an increase of 7.5% would be required to cover this cost. Ways of meeting the shortfall are being investigated, once completed leaseholders will be consulted. A full report will be taken to the Leaseholder & Board Working Group.	
7.2	<b>Scoping of the ICT Review</b>	
7.2.1	A review of improving IT is to be undertaken, Gary Pliskin, Principal Financial Accountant will lead. Phase 1 will look at services and products provided by LBB. A full review of the Service Level Agreement will also be undertaken including an analysis of the charges.	

ITEM	TITLE	ACTION
7.2.2	Phase 2 will look at services and products provided by other parties, benchmarking will be undertaken where possible.	
7.3	Item 7A provided the Sub-Group with details of the mid-year Annual Efficiency Statement and draft programme for the 2007/8 reviews. The Sub-Group proposed Shared Services be referred to the Strategic Steering Group.	DS
7.4	The Sub-Group requested an update at 7 February 2007 meeting, report to include timetable. MW to consider cashable gains. Need to ensure BHL has the resources to carry out all the reviews scheduled. MW to discuss at VfM Core Group.	MW
8.	<b>London Area Procurement Network (LAPN) – Review of Fee Charging Arrangements</b>	
8.1	The Sub-Group were asked to approve a revision to the basis of fee payments to LAPN and bring forward the payment from 2007/08 to 2006/07. The estimated sum is £194k, £140k will be charged to the Capital fund and therefore reimbursed by the Council.	MW
8.2	The Sub-Group discussed the report in detail and <b>approved the request.</b>	
8.3	The report will be referred back to the Procurement Sub-Group on 4 December 2006 as requested at their meeting on 25 October 2006, the matter to be referred to Board if the Procurement Sub-Group do not approve the change.	MW
9.	<b>New Business Update – Confidential Report</b>	
10.	<b>Agenda Planning</b>	
10.1	<b>Date of next meeting</b> - Wednesday 6 December 2006 at 3.00pm, 9 <sup>th</sup> Floor Board Room, Barnet House (change of venue).	ALL
10.2	<b>Agenda Items 6 December 2006:</b> <ul style="list-style-type: none"> <li>▪ Budget Monitor 2006/07 – end October</li> <li>▪ Procurement Action Plan</li> <li>▪ Residents Resource Centre</li> <li>▪ Review of Risk Register</li> <li>▪ Agenda Planning</li> <li>▪ Internal Audit Priority 1 – Payments &amp; Responsive Repairs &amp; Investigation 2</li> </ul>	
10.3	<b>Agenda Item 7 February 2007:</b> <ul style="list-style-type: none"> <li>▪ Annual Efficiency Statement – Programme</li> </ul>	

<b>ITEM</b>	<b>TITLE</b>	<b>ACTION</b>
<b>11.</b>	<b>Future Meeting Dates</b> <ul style="list-style-type: none"><li>▪ 3 January 2007 at 5.00pm (9<sup>th</sup> Floor Board Room)</li><li>▪ 7 February 2007 at 3.00pm (9<sup>th</sup> Floor Board Room)</li><li>▪ 7 March 2007 at 4.00pm (10<sup>th</sup> Floor Meeting Room)</li></ul>	

**Title: Internal Audit – 6 monthly review**

**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 report on internal audit activity for the first half-year is attached.
- 2.2 That the Head of Financial Services report to the next meeting of the Sub-Group on the Priority 1 recommendations arising out of the Payments and Responsive Repairs audits.

**3 Recommendations**

- 3.1 That the report be noted.

**4 Financial & Risk Management Issues**

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

**5 Resident Consultation and Equalities Issues**

- 5.1 None in the context of this paper.

**6 Background Information**

- 6.1 Tribal Business Assurance were appointed as Barnet Homes' internal auditors earlier this year, and the Internal Audit Plan for 2006/7 was agreed by this Sub-group on 5 April 2006.
- 6.2 Attached as Appendix 1 is their report on activity in the first six months to the end of September 2006, and a representative of Tribal will be at the meeting to present the report.
- 6.3 The Sub-Group requires that all Priority 1 recommendations are brought to them. The two reports referred to as draft at present (Payments and Responsive Repairs) both contain some Priority 1 recommendations and I propose to bring these to the next meeting, following issue of the final reports.

**Author: Mike Wiffen  
Date: 1 November 2006**

**Barnet Homes**

**Internal Audit Progress Report 2006**

**1 November 2006**

Services for life

Document control sheet

Client	Barnet Homes
Document Title	Internal Audit Progress Report – October 2006
Version	01
Status	Final
Reference	Progress Report 1
Author	Ian Sharp
Date	31 <sup>st</sup> October 2006
Further copies from	<b>email: <u><a href="mailto:business.assurance@tribalgroup.co.uk">business.assurance@tribalgroup.co.uk</a></u> quoting reference and author</b>

Quality assurance by:	Simon Cox
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## **1 Progress Report – October 2006**

This report set out position in relation to the delivery of the agreed 2006/07 Internal Audit Plan as at October 2006.

### **1.1 Summary**

The 2006/07 work has now commenced, and reports are being progressed. After a slow start because of the investigation review work is now being done to address the slippage and the plan will be completed by 31 March 2007, and draft reports have been issued as in the table below. Dates for the remaining work planned up to the end of the year are being agreed with management.

No changes to the plan are currently proposed. Progress against this plan will be regularly reported to the Business Sub Group.

## 2 Internal Audit – Work Plan and Activity Report

System	Planned Days	Status	Actual Days
Investigation 1	-	Final issued	10
Corporate Governance	5	Final issued	5
Payments	8	Draft issued	8
Responsive Maintenance	14	Draft issued	14
Investigation 2	-	In Progress	10
IT Security – network controls	7	Initial planning – scope revised	-
Payroll	6	Booked November 06	-
Budgetary Control	4	Booked December 06	-
Voids and Lettings	5	Booked Jan 07	-
Works Procurement – non-partnered	6	Deferred	-
Investment Programme – Transitional Contract Mgmt	10	Deferred	-
Equal Pay	5		
Internal Controls Assurance	5		
Half year ICA review	3		
Audit Needs Assessment/Annual Plan	3	Final issued	3

### 3 Key Findings

#### 3.1 Corporate Governance

3.1.1 The overall assessment for the payments system is Substantial Assurance. Internal controls can only provide reasonable and not absolute assurance against misstatement or loss.

3.1.2 The following matters were identified which need to be addressed in order to strengthen further the control environment.

- The use of the Urgent Action/Chairs' Action process is not supported by an approved policy.
- The Directors' code of conduct does not identify any obligation to attend or participate in performance reviews.
- Training plans have yet to be established based on any identified skills shortage within the Board.

#### 3.2 Payments (Draft)

3.2.1 The overall assessment for the payments system is Limited Assurance). Internal controls can only provide reasonable and not absolute assurance against misstatement or loss.

3.2.2 The following matters were identified which need to be addressed in order to strengthen further the control environment

- Payments policies and procedures are required to ensure consistency and continuity within the payments process.
- The current delegated authorities require review to ensure they are consistent with the needs of the organisation.
- The controls over the releasing of the payment runs needs to be addressed as the releasing officer does not have the supporting documentation for those payments being released.
- Although they do not form a significant method of expenditure the controls over support for manual cheques needs urgent attention.
- Controls over payments originating in Saffron need review.

#### 3.3 Responsive Maintenance (Draft)

3.3.1 The overall assessment for the payments system is Reasonable Assurance. Internal controls can only provide reasonable and not absolute assurance against misstatement or loss.

3.3.2 The following significant matters were identified which need to be addressed in order to strengthen further the control environment.

- Although a risk map was located, it has not been reviewed since 2004.

- An “unauthorised” policy change has removed a priority category from the Responsive Repairs process which has not been effectively communicated within the organisation or to tenants.
- Other than “right to repair” no other Key performance information, such as completions in time are reported to Board.
- The categorising of priorities is not close to Audit Commission guidelines.
- A high number of repairs have time extensions which reflects better than actual performance.
- There was lack of evidence of post inspections (other than those entered on Saffron) and the process did not allow for separation of duties.
- Evidence of authorised variations was not always available to provide an effective audit trail.
- A considerable amount of rechargeable work invoices had not been collected.

### **3.4 Investigation 1**

3.4.1 This report and agreed actions have already been presented to the Business Sub Group.

**Title: Budget Monitoring to end September 2006**

**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 The report sets out the detailed budgetary position for the Company as at the end of September 2006 (which is the mid point of the Financial Year) and projects the end-year position.

**3. Recommendations**

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

**4. Financial & Risk Management Issues**

- 4.1 See body of report.

**5. Resident Consultation and Equalities Issues**

- 5.1 None in context of this report.

**6. Background Information**

- 6.1 Attached as Appendix 1 are the revenue budget monitoring reports for Barnet Homes at the end of September. At this point a net underspend for the full year of £324,894 is projected.
- 6.2 The budgets have been adjusted to account of previous decisions. In line with instructions from the September Sub-Group I have included the actual figures for the end of month 6 for the 2005/6 financial year. The group should be aware that the SAP system was introduced at month 6 in 2005/6 and that the coding structures were changed at that time. The figures are thus not directly comparable at the Head of Service level. Overall the only major changes between the comparable periods are employee costs, where there were extra pension contributions and IT where there has been an increase in the capitalisation of IT Services which is reflected in an increase in Support and Professional Services where depreciation charges are recorded.
- 6.3 Head of Housing Services Work has been undertaken to ascertain where staff who are opted out of the pension scheme are located. Part time and casual staff who are concentrated in this area are more likely to have opted out and this accounts for the forecast underspend on employees in this area. The budgets will be amended next month to reflect these savings.

- 6.4 Head of Corporate Services There are no major issues in this area at present. The issue of opted out employees referred to in Housing Services is also relevant in this area and will be similarly adjusted. The transfer of budgets and costs from the amalgamation of the two call centres has been incorporated in the figures. The incorporation of the Repairs Reporting Centre is one of the major reasons for the apparent large increase in employee expenses over the previous year.
- 6.5 Head of Technical Services Employee Expenses are currently projected to marginally underspend. The transfer of the Repairs Reporting Centre to Corporate Services has occurred and the budgets and spend adjusted accordingly. Work is being undertaken on the full implications of the early retirements and the need for agency cover pending restructuring of this area. The overspending on supplies is predominantly on publications.
- 6.6 Operational Costs In line with previous instructions to produce quarterly details on Operational Costs these are attached as Appendix 2. As with the Head of Service reports direct comparability is not always available as the introduction of SAP in 2005 was accompanied by a rationalisation of the General Ledger coding structure. In particular other energy costs relating to Grahame Park Boiler House are now excluded as the service is 100% covered from the HRA and costs and income balance. Following restructuring of GL coding, Premises Rents and Service Tenancy rents were disaggregated and the Service Tenancy rents moved to Employee costs. Finally as previously reported there was a large increase in Insurance costs following Barnet Homes ceasing to be covered through the Council's Policy and having to negotiate separate cover.
- 6.6 Repairs and Maintenance Attached as Appendix 3 is a summary of the position at the end of October. The repairs budget is fully considered at the Procurement Sub Group and is provided for information only. At this stage the expenditure is forecast to come in on budget.
- 6.7 Direct Operations The performance of the Direct Operations continues to give concern as the turnover is considerably lower than forecast. In preparing the budget it was forecast that the Direct Operations would produce a surplus of £50,000 on turnover. At this stage there are concerns that this will not be the case and any shortfall will have to be met from balances.
- 6.8 Balance Sheet Attached as Appendix 4 is the balance sheet as at 30 September 2006.
- 6.9 Employee Statistics As at mid-September the number of staff employed was as follows (Figures given to nearest half post).

Head of Service	No Of Permanent Staff in Post FTE	No of Full-time posts FTE	No of Vacancies	No of Agency Staff
Chief Executive	12.00	14.50	2.50	0.00
Head of Financial Services	13.00	15.00	2.00	1.00
Head of Housing Services	130.00	139.00	9.00	6.50
Caretaking (inc Grounds Maintenance)	60.00	67.00	7.00	8.00
Head of Technical Services (inc GP Boiler House)	50.50	63.00	12.50	4.00
Head of Corporate Services	38.50	42.50	4.00	3.00
<b>Total</b>	<b>304.00</b>	<b>341.00</b>	<b>37.00</b>	<b>22.50</b>
DSO	48.00	51.00	3.00	13.00

**Author:** Paul Cleveland/Gary Pliskin  
**Date:** 30 October 2006

**BARNET HOMES LIMITED**  
**BUDGET MONITORING**  
 Period: 6  
 Ending: 30/09/2006

**BARNET HOMES ALL SERVICES**

**Management and Operational Costs**

		Revised Budget £	Actual YTD £	Month 6 2005/6 £	Profiled YTD £	Variance YTD £	Spend of Full Year %	Full Year Estimate £	Full Year Variance £
E	Employee Expenses	12,661,560	6,091,857	5,635,445	6,330,780	(238,923)	48%	12,452,583	(208,977)
ACC	Office Accommodation	342,040	171,074	197,590	171,020	54	50%	342,040	0
IT	IT & Communications	272,790	129,326	360,726	136,395	(7,069)	47%	276,642	3,852
S	Other Supplies and Services	372,620	85,558	85,856	186,310	(100,752)	23%	365,318	(7,302)
C	Contingency	247,500	0	0	123,750	(123,750)	0%	50,000	(197,500)
SLA	Support and Professional Services	1,268,140	515,501	326,056	634,070	(118,569)	41%	1,278,840	10,700
	<b>Sub Total Management costs</b>	<b>15,164,650</b>	<b>6,993,316</b>	<b>6,605,673</b>	<b>7,582,325</b>	<b>(589,009)</b>	<b>46%</b>	<b>14,765,423</b>	<b>(399,227)</b>
O	<b>Operational Costs</b>	3,672,580	1,526,806	1,573,722	1,836,290	(309,484)	42%	3,746,913	74,333
	<b>Total Management and Operational Costs</b>	<b>18,837,230</b>	<b>8,520,122</b>	<b>8,179,395</b>	<b>9,418,615</b>	<b>(898,493)</b>	<b>45%</b>	<b>18,512,336</b>	<b>(324,894)</b>
INCOME	<b>Income</b>	<b>(18,837,230)</b>	<b>(11,743,210)</b>		<b>(9,418,615)</b>	<b>(2,324,595)</b>	<b>62%</b>	<b>(18,837,230)</b>	<b>4</b>

BARNET HOMES LIMITED  
 BUDGET MONITORING  
 Period: 6  
 Ending: 30/09/2006

CHIEF EXECUTIVE OFFICE

Management and Operational Costs

		Revised Budget £	Actual YTD £	Actual 2005/6 £	Profiled YTD £	Variance YTD £	Spend of Full Year %	Full Year Estimate £	Full Year Variance £
E	Employee Expenses	665,910	331,512	335,191	332,955	(1,443)	50%	659,972	(5,938)
ACC	Office Accommodation	0	54	197,590	0	54	#DIV/0!	0	0
IT	IT & Communications	34,170	7,664	190,701	17,085	(9,421)	22%	35,260	1,090
S	Other Supplies and Services	68,500	22,858	35,514	34,250	(11,392)	33%	68,704	204
C	Contingency	0	0	0	0	0	0%	0	0
SLA	Support and Professional Services	52,240	23,311	168,540	26,120	(2,809)	45%	52,240	0
	<b>Sub Total Management costs</b>	<b>820,820</b>	<b>385,399</b>	<b>927,536</b>	<b>410,410</b>	<b>(25,011)</b>	<b>47%</b>	<b>816,176</b>	<b>(4,644)</b>
<b>O</b>	<b>Operational Costs</b>	124,540	43,570	90,146	62,270	(18,700)	35%	119,406	(5,134)
	<b>Total Management and Operational Costs</b>	<b>945,360</b>	<b>428,969</b>	<b>1,017,682</b>	<b>472,680</b>	<b>(43,711)</b>	<b>45%</b>	<b>935,582</b>	<b>(9,778)</b>
INCOME	Income	0	0	0	0	0	#DIV/0!	0	0

**BARNET HOMES LIMITED**  
**BUDGET MONITORING**  
 Period: 6  
 Ending: 30/09/2006

**CORPORATE SERVICES**

**Management and Operational Costs**

		Revised Budget £	Actual YTD £	Actual 2005/6 £	Profiled YTD £	Variance YTD £	Spend of Full Year %	Full Year Estimate £	Full Year Variance £
E	Employee Expenses	2,007,910	874,554	432,651	1,003,955	(129,401)	44%	1,927,919	(79,991)
ACC	Office Accommodation	0	0	0	0	0	#DIV/0!	0	0
IT	IT & Communications	238,620	113,362	159,970	119,310	(5,948)	48%	235,664	(2,956)
S	Other Supplies and Services	185,420	14,271	29,977	92,710	(78,439)	8%	168,658	(16,762)
C	Contingency	0	0	0	0	0	0%	0	0
SLA	Support and Professional Services	152,230	32,213	14,981	76,115	(43,902)	21%	161,592	9,362
	<b>Sub Total Management costs</b>	<b>2,584,180</b>	<b>1,034,400</b>	<b>637,579</b>	<b>1,292,090</b>	<b>(257,690)</b>	<b>40%</b>	<b>2,493,833</b>	<b>(90,347)</b>
<b>O</b>	<b>Operational Costs</b>	20,730	8,615	0	10,365	(1,750)	42%	23,284	2,554
	<b>Total Management and Operational Costs</b>	<b>2,604,910</b>	<b>1,043,015</b>	<b>637,579</b>	<b>1,302,455</b>	<b>(259,440)</b>	<b>40%</b>	<b>2,517,117</b>	<b>(87,793)</b>
INCOME	<b>Income</b>	<b>(73,260)</b>	<b>(36,630)</b>		<b>(36,630)</b>	<b>0</b>	<b>50%</b>	<b>(73,260)</b>	<b>0</b>

**BARNET HOMES LIMITED**  
**BUDGET MONITORING**  
 Period: 6  
 Ending: 30/09/2006

*FINANCIAL SERVICES*

**Management and Operational Costs**

		Revised Budget £	Actual YTD £	Month 6 2005/6 £	Profiled YTD £	Variance YTD £	Spend of Full Year %	Full Year Estimate £	Full Year Variance £
E	Employee Expenses	577,910	286,773	229,738	288,955	(2,182)	50%	572,552	(5,358)
ACC	Office Accommodation	342,040	171,020	0	171,020	0	50%	342,040	0
IT	IT & Communications	0	204	0	0	204	#DIV/0!	412	412
S	Other Supplies and Services	0	(2,019)	520	0	(2,019)	#DIV/0!	162	162
C	Contingency	247,500	0	0	123,750	(123,750)	0%	50,000	(197,500)
SLA	Support and Professional Services	948,150	437,861	126,020	474,075	(36,214)	46%	948,150	0
	<b>Sub Total Management costs</b>	<b>2,115,600</b>	<b>893,839</b>	<b>356,278</b>	<b>1,057,800</b>	<b>(163,961)</b>	<b>42%</b>	<b>1,913,316</b>	<b>(202,284)</b>
O	<b>Operational Costs</b>	622,440	310,726	118,252	311,220	(494)	50%	628,830	6,390
	<b>Total Management and Operational Costs</b>	<b>2,738,040</b>	<b>1,204,565</b>	<b>474,530</b>	<b>1,369,020</b>	<b>(164,455)</b>	<b>44%</b>	<b>2,542,146</b>	<b>(195,894)</b>
INCOME	<b>Income</b>	<b>(17,894,470)</b>	<b>(11,564,784)</b>		<b>(8,947,235)</b>	<b>(2,617,549)</b>	<b>65%</b>	<b>(17,894,470)</b>	<b>2</b>

BARNET HOMES LIMITED  
 BUDGET MONITORING  
 Period: 6  
 Ending: 30/09/2006

*HOUSING SERVICES*

Management and Operational Costs

		Revised Budget £	Actual YTD £	Month 6 2005/6 £	Profiled YTD £	Variance YTD £	Spend of Full Year %	Full Year Estimate £	Full Year Variance £
E	Employee Expenses	7,160,950	3,428,510	3,246,772	3,580,475	(151,965)	48%	7,062,250	(98,700)
ACC	Office Accommodation	0	0	0	0	0	#DIV/0!	0	0
IT	IT & Communications	0	3,528	0	0	3,528	#DIV/0!	2,372	2,372
S	Other Supplies and Services	118,700	43,266	19,845	59,350	(16,084)	36%	118,710	10
C	Contingency	0	0	0	0	0	#DIV/0!	0	0
SLA	Support and Professional Services	34,020	17,679	16,515	17,010	669	52%	35,358	1,338
	<b>Sub Total Management costs</b>	<b>7,313,670</b>	<b>3,492,983</b>	<b>3,283,132</b>	<b>3,656,835</b>	<b>(163,852)</b>	<b>48%</b>	<b>7,218,690</b>	<b>(94,980)</b>
<b>O</b>	<b>Operational Costs</b>	2,750,480	1,129,497	1,270,760	1,375,240	(245,743)	41%	2,820,435	69,955
	<b>Total Management and Operational Costs</b>	<b>10,064,150</b>	<b>4,622,480</b>	<b>4,553,892</b>	<b>5,032,075</b>	<b>(409,595)</b>	<b>46%</b>	<b>10,039,125</b>	<b>(25,025)</b>
INCOME	<b>Income</b>	<b>(480,360)</b>	<b>(141,796)</b>		<b>(240,180)</b>	<b>98,384</b>	<b>30%</b>	<b>(480,360)</b>	<b>0</b>

**BARNET HOMES LIMITED**  
**BUDGET MONITORING**  
 Period: 6  
 Ending: 30/09/2006

**TECHNICAL SERVICES**

**Management and Operational Costs**

		Revised Budget £	Actual YTD £	Month 6 2005/6 £	Profiled YTD £	Variance YTD £	Spend of Full Year %	Full Year Estimate £	Full Year Variance £
E	Employee Expenses	2,248,880	1,170,508	1,391,093	1,124,440	46,068	52%	2,229,890	(18,990)
ACC	Office Accommodation	0	0	0	0	0	#DIV/0!	0	0
IT	IT & Communications	0	4,568	10,055	0	4,568	#DIV/0!	2,934	2,934
S	Other Supplies and Services	0	7,182	0	0	7,182	#DIV/0!	9,084	9,084
C	Contingency	0	0	0	0	0	#DIV/0!	0	0
SLA	Support and Professional Services	81,500	4,437	0	40,750	(36,313)	5%	81,500	0
	<b>Sub Total Management costs</b>	<b>2,330,380</b>	<b>1,186,695</b>	<b>1,401,148</b>	<b>1,165,190</b>	<b>21,505</b>	<b>51%</b>	<b>2,323,408</b>	<b>(6,972)</b>
<b>O</b>	<b>Operational Costs</b>	154,390	34,398	94,564	77,195	(42,797)	22%	154,958	568
	<b>Total Management and Operational Costs</b>	<b>2,484,770</b>	<b>1,221,093</b>	<b>1,495,712</b>	<b>1,242,385</b>	<b>(21,292)</b>	<b>49%</b>	<b>2,478,366</b>	<b>(6,404)</b>
INCOME	<b>Income</b>	<b>(389,140)</b>	<b>0</b>		<b>(194,570)</b>	<b>194,570</b>	<b>0%</b>	<b>(389,140)</b>	<b>2</b>

**BARNET HOMES LIMITED**

**BUDGET MONITORING 2006/07**

Period 6  
Ending #####

**INCOME AND EXPENDITURE**

	Original Budget £	Full Year Budget £	Actual YTD £	Profiled YTD £	Variance YTD £	Spend of Full Year %	Full Year Estimate £	Full Year Variance £
<b>INCOME</b>								
<i>LBB Fees and Allowances</i>								
General Management Fee	12,641,940	12,641,940	6,320,970	6,320,970	0	50%	12,641,940	0
Provision of Estate and Warden Services	5,897,530	6,195,290	3,097,645	3,097,645	0	50%	6,195,290	0
Other Income								
Repairs and Maintenance Allowance	8,669,450	8,752,650	3,434,284	4,376,325	(942,041)	39%	8,752,650	0
<b>TOTAL INCOME</b>	<b>27,208,920</b>	<b>27,589,880</b>	<b>12,852,899</b>	<b>13,794,940</b>	<b>(942,041)</b>	<b>47%</b>	<b>27,589,880</b>	<b>0</b>
<b>EXPENDITURE</b>								
Management Costs	14,569,190	14,917,150	6,993,316	7,458,575	(465,259)	47%	14,765,423	(151,727)
Operational Costs	3,670,280	3,672,580	1,526,806	1,836,290	(309,484)	42%	3,696,913	24,333
Repairs and Maintenance	8,669,450	8,752,650	3,434,284	4,376,325	(942,041)	39%	8,752,650	0
Contingency	300,000	247,500	0	123,750	(123,750)	0%	50,000	(197,500)
<b>TOTAL EXPENDITURE</b>	<b>27,208,920</b>	<b>27,589,880</b>	<b>11,954,406</b>	<b>13,794,940</b>	<b>(1,840,534)</b>	<b>43%</b>	<b>27,264,986</b>	<b>(324,894)</b>
<b>NET SURPLUS / (DEFICIT)</b>	<b>0</b>	<b>0</b>	<b>898,493</b>	<b>0</b>	<b>898,493</b>	<b>N/A</b>	<b>324,894</b>	<b>324,894</b>

**BARNET HOMES LIMITED  
BUDGET MONITORING**

Period: 6  
Ending: 30/09/2006

**ITEM 5 APPENDIX 2**

**OPERATIONAL COSTS**

	Revised BUDGET £	Actual YTD £	Actual 2005/6 £	Profiled YTD £	Variance YTD £	Spend of Full Year %	Full Year Estimate £	Full Year Variance £
210000 Bldg Reps & Maint	166,550	74,610	77,208	83,275	(8,665)	45%	171,731	5,181
212990 Vandalism Repairs	25,000	5,136	4,816	12,500	(7,364)	21%	27,200	2,200
212991 CCTV Cameras	55,690	(4,341)	27,035	27,845	(32,186)	-8%	55,690	0
212992 Environmental Works	50,000	5,783	0	25,000	(19,217)	12%	45,312	(4,688)
213000 Gas	548,250	155,726	207,494	274,125	(118,399)	28%	548,250	0
213010 Electricity	487,090	116,173	56,637	243,545	(127,372)	24%	490,090	3,000
214000 Rents	60,630	30,315	162,275	30,315	0	50%	60,630	0
215000 Rates	89,060	67,183	21,320	44,530	22,653	75%	89,060	0
216000 Water Services	16,250	22,514	8,156	8,125	14,389	139%	36,822	20,572
217000 Fixtures & Fittngs	250	261	0	125	136	104%	522	272
219000 Clean & Dom Mats	30,530	2,008	7,549	15,265	(13,257)	7%	30,672	142
219010 Contract Cleaning	87,780	43,890	24,187	43,890	0	50%	87,780	0
219020 Rubbish Collection	216,000	128,832	165,876	108,000	20,832	60%	257,664	41,664
219991 BH Window Cleaning	20,000	1,790	12,483	10,000	(8,210)	9%	20,000	0
219992 BH Rodent Control	93,880	45,214	40,858	46,940	(1,726)	48%	93,880	0
219993 BH Bin Chute Clean	6,800	0	3,066	3,400	(3,400)	0%	6,800	0
220000 Grounds maintenance	72,380	36,190	30,947	36,190	0	50%	72,380	0
220990 BH Grnds Maint Cyc	412,440	206,220	205,519	206,220	0	50%	412,440	0
220991 BH Gardens	60,000	37,227	29,785	30,000	7,227	62%	60,000	0
220993 BH Tree works	76,000	34,477	21,656	38,000	(3,523)	45%	76,000	0
221000 Insurance-Premises	258,720	128,750	11,075	129,360	(610)	50%	257,500	(1,220)
221990 BH Other Prop Costs	15,990	1,610	7,995	7,995	(6,385)	10%	3,220	(12,770)
311991 Barnet Homes Fuel	15,450	7,725	1,335	7,725	0	50%	15,450	0
315000 Hire Charges	68,600	34,300	23,725	34,300	0	50%	68,600	0
321990 BH Oth Trans Exp	0	2,238	0	0	2,238	#DIV/0!	4,476	4,476
410001 Equip-Mats-Rep	0	190	3,561	0	190	#DIV/0!	380	380
410010 Furn-Purc-Rep	11,150	1,863	0	5,575	(3,712)	17%	3,726	(7,424)
410990 BH Equip Hire	840	0	0	420	(420)	0%	0	(840)
410991 BH Cent Ala fees	52,120	26,060	25,300	26,060	0	50%	52,120	0
411000 Food Costs	0	2,118	0	0	2,118	#DIV/0!	4,236	4,236
420000 Legal & Crt Fees	16,000	9,007	19,174	8,000	1,007	56%	17,404	1,404
420030 Bank Charges	118,090	54,629	54,102	59,045	(4,416)	46%	118,090	0
420080 Insurance Misc	0	(820)	10,419	0	(820)	#DIV/0!	(1,640)	(1,640)

**BARNET HOMES LIMITED  
BUDGET MONITORING**

Period: 6  
Ending: 30/09/2006

**ITEM 5 APPENDIX 2**

**OPERATIONAL COSTS**

	Revised BUDGET £	Actual YTD £	Actual 2005/6 £	Profiled YTD £	Variance YTD £	Spend of Full Year %	Full Year Estimate £	Full Year Variance £
420990 BH Court Fees - Ten	66,100	27,748		33,050	(5,302)	42%	66,100	0
420992 BH Ins	91,130	45,565		45,565	0	50%	91,130	0
420993 BH Ext Aud Fee	22,500	11,250		11,250	0	50%	22,500	0
420994 BH Int Aud Fees	44,500	22,250		22,250	0	50%	44,500	0
422610 Telephone Rentals	0	6,770		0	6,770	#DIV/0!	13,540	13,540
422991 BH Tel- Fixed Lines	51,240	27,579	31,043	25,620	1,959	54%	55,158	3,918
422992 BH Tel - Alarms	17,320	7,157	5,090	8,660	(1,503)	41%	14,314	(3,006)
422993 BH Tel - Mob	150	0	0	75	(75)	0%	0	(150)
423010 Conference Expenses	0	740		0	740	#DIV/0!	1,480	1,480
424990 BH Resid Part Init	121,190	39,682	90,146	60,595	(20,913)	33%	121,418	228
424991 BH Ten Rew	0	0		0	0	#DIV/0!	0	0
424992 BH Nuis Pol	19,000	11,721	12,835	9,500	2,221	62%	23,442	4,442
424993 BH Ten Rem Exp	0	6,195		0	6,195	#DIV/0!	12,390	12,390
424994 BH Ex Gratia Pay Te	50,000	28,049	25,000	25,000	3,049	56%	50,000	0
424995 BH Home Loss Dist	0	4,367		0	4,367	#DIV/0!	0	0
424996 BH Oth Supp & Serv	55,410	8,462		27,705	(19,243)	15%	39,670	(15,740)
427000 Misc Exes	2,500	1,693		1,250	443	68%	3,386	886
<b>Total operational</b>	<b>3,672,580</b>	<b>1,526,106</b>	<b>1,422,577</b>	<b>1,836,290</b>	<b>(310,184)</b>	<b>42%</b>	<b>3,745,513</b>	<b>72,933</b>

Appendix 3

**BARNET HOMES REPAIRS BUDGET 2006/7**

**MONTHLY MONITORING**

**MONTH 6**

	Original Budget £	Revised Budget £	Paid to Date £	Committed £	Total £	Expected Pro Rata £	Variance To Date £	Budget Holders Annual Forecast £	% Paid To Date %
<b>RESPONSIVE REPAIRS</b>									
TOTAL	3,755,450	3,838,650	1,564,042	419,764	1,983,806	1,919,325	64,481	3,838,650	41%
<b>VOIDS REPAIRS</b>									
TOTAL	1,630,000	1,630,000	716,783	92,198	808,981	815,000	(6,019)	1,630,000	44%
Voids Recharges	0	0	0	0	0	0	0		
<b>CYCLICAL REPAIRS+ ex DECS</b>									
TOTAL	2,078,000	2,078,000	693,926	92,371	786,297	1,039,000	(252,703)	2,078,000	33%
<b>PLANNED REPAIRS</b>									
TOTAL	1,206,000	1,206,000	459,533	136,568	596,101	603,000	(6,899)	1,206,000	38%
<b>TOTAL REPAIRS FUND (SAP)</b>	8,669,450	8,752,650	3,434,284	740,901	4,175,185	4,376,325	(201,140)	8,752,650	39%
<b>SAP Actuals</b>									

Accrual  
 95300 £355,283 Responsive  
 93200 £98,217 Void  
 95400 £345,074 Planned  
 95500 £143,467 Cyclical

Forecast Repairs Fund Spend **£8,752,650**

**BARNET HOMES LTD  
BALANCE SHEET  
AS AT 30 SEPTEMBER 2006**

**APPENDIX 4**

	Note	At 30 Sept 2006 £	At 30 Sept 2006 £	At 30 Sept 2006 £	AT 31 March 2006 £	Movement £
<b>Fixed assets</b>						
Fixtures, Fittings & Equipment				180,267	169,224	
Vehicles, Plant & Machinery				3,798	3,156	
Computer Equipment				225,763	273,024	
				<u>409,828</u>	<u>445,404</u>	<u>(35,576)</u>
<b>Current assets</b>						
Stock			25,456		25,456	
Trade debtors			35,600		46,234	
Amounts owed by Parent Undertaking	1		7,728,276		3,514,066	
VAT (creditor this month)			0		471,547	
Other debtors			30,001		30,000	
Prepayments and accrued income TP			116,065		166,022	
Net cash at bank and in hand						
Cash & imprest bank a/c's		2,036			18	
Bank Current a/c		(207,058)			(1,619,889)	
Bank Deposit a/c		760,009			4,782,977	
Overnight Treasury Deposit		0			0	
Weekly Treasury Deposit		2,000,000			0	
Monthly Treasury Deposit		2,000,000			0	
			4,554,987		3,163,106	
				12,490,385	7,416,431	5,073,954
<b>Current liabilities</b>						
Trade creditors			(186,123)		(2,072,846)	
Amounts owed to Parent Undertaking	1		(7,700,632)		(3,201,301)	
Loan from parent company			(500,000)		(500,000)	
VAT			(1,259,590)			
Corporation tax			(116,000)		(116,000)	
Other Taxation and Social Security			(299,967)		(255,566)	
Accruals and Deferred Income (TP)			(583,081)		(1,049,911)	
Other creditors			(4,712)		(164,012)	
				(10,650,105)	(7,359,636)	(3,290,469)
Net current assets/ (liabilities)				1,840,280	502,199	1,338,081
<b>Total assets less current liabilities</b>				2,250,108	947,603	1,302,505
<b>Long-term liabilities</b>						
Provisions for liabilities			(12,532)		(12,532)	
FRS17 Pension Deficit			(2,046,000)		(2,046,000)	
				(2,058,532)	(2,058,532)	0
<b>Net Liabilities</b>				<u>191,576</u>	<u>(1,556,333)</u>	<u>1,747,909</u>
<b>Capital and Reserves</b>						
Profit and Loss Account				<u>191,576</u>	<u>(1,556,333)</u>	<u>1,747,909</u>

**NOTES TO THE BALANCE SHEET**

1. Some progress has been made on the inter-company reconciliation but work is ongoing.

**Title: Request for Contingency Allocation - Repairs and Maintenance Service**

**1 Statement of Purpose**

- 1.1 Barnet Homes' mission statement undertakes to "achieve excellence by delivering high quality and improving services to all residents". The provision of a consistent quality repairs and maintenance service is a fundamental of excellence in social housing.

**2 Summary**

- 2.1 This report outlines the case for a contingency sum to be made available to employ an officer for six months to develop and deliver the improvement plans for the Repairs and Maintenance Service.

**3 Recommendations**

- 3.1 That an allocation from the contingency fund of £25,000 be made in order to fund an interim Project Officer post for up to 6 months.

**4 Financial & Risk Management Issues**

- 4.1 The costs of this proposal are contained within the report. The contingency fund balance presently stands at £197,500.
- 4.2 One of the priorities for Barnet Homes in 2007 will be the forthcoming Audit Commission inspection. A strong and dynamic repairs and maintenance service will have a major impact on the outcome of that inspection. The current KLOE and self assessment challenge sessions have already identified that repairs and maintenance will require work over the coming year to ensure that it reaches a 3 star and excellent prospects rating. This paper forms part of the response to ensure that this risk is mitigated.

**5 Resident Consultation and Equalities Issues**

- 5.1 None currently in the context of this paper.

**6 Background Information**

- 6.1 The Repairs and Maintenance service is currently undergoing significant changes. A major piece of work is being undertaken to implement new contracts for April 2007. A number of key staff have been seconded to the project team to ensure it is successfully completed. Whilst there has been back filling of these posts the service is still clearly struggling to cope with the demands of the work placed on it. This has been reinforced by the recent loss of the Housing Maintenance Manager to the private sector.

6.2 In the very near future we expect to recruit a new interim Housing Maintenance Manager pending the appointment of a permanent replacement. The focus and priority of the interim manager will be to:

- Maintain current service standards through to close down of the current contracts whilst ensuring a smooth transition to the new contracts
- Leading the Housing Maintenance Management Team
- Managing the budgets including the Direct Operations trading account
- Developing and implementing the new Housing Maintenance Team client side arrangements with the interim Head of Asset Management
- Developing and delivering on service improvement plans to take the service towards a three star assessment

6.3 The final bullet point in the list above is currently a cause for concern. A recent brainstorming session was held and facilitated by the Deputy Chief Executive with the remaining management staff. This demonstrated that whilst there is still a lot of appetite, ideas and spirit within the team on how to take the service forward, there was little current capacity to deliver this and the day job. What is particularly needed is the ability to:

- Ensure that existing inspection recommendations are implemented in full
- Develop and implement new service improvement plans in partnership with the existing team and other stakeholders
- Monitor overall the progress of the team against the improvement plans ensuring positive measurable outcomes for the service
- Provide a service antennae to scan the horizon and to look at what the best in class are currently doing and test it against our own service provision
- Develop a new approach to resident involvement in both service planning and auditing of the outcomes

6.4 In order that the Housing Maintenance Team clearly are able to deliver on these needs it is recommended that an Interim Project Officer post be created and appointed. The appointment would be made for a period of 5-6 months pending the restructure of the team. The estimated cost from contingency would be around £25,000.

**Author: Derek Rust (Deputy Chief Executive/Head of Housing Services)**

**Date: 23<sup>rd</sup> October 2006**

**Title: Value for Money and Efficiency**

**1. Statement of Purpose**

- 1.1 Securing Value for Money (VFM), efficiency and effectiveness is key to the successful achievement of the Company's business aims.

**2. Summary**

- 2.1 The report provides an update on VFM reviews undertaken.

**3. Recommendations**

- 3.1 That the result of the Leasehold Management review (Phase 1) and the scoping for the ICT review be noted.

**4. Financial & Risk Management Issues**

- 4.1 Covered within the report.

**5. Resident Consultation and Equalities Issues**

- 5.1 Resident consultation is an important part of our VFM review process.
- 5.2 The Barnet Homes website now includes a VFM section where results of reviews will be published.

**6. Background Information**

6.1 Leaseholder Management (Phase 1)

- 6.1.1 Phase 1 of this review has now been completed. The purpose was to assess whether the costs of operating the leaseholder service were being fully recovered through the administration fee and associated income received for leaseholder services. The last full review of the service and charges had taken place within the Council in 1999.
- 6.1.2 Presently the administration income from leaseholders is estimated at £1.02 million. Around 35% of this comes from the annual base management fee, with another 34% from the mark-up on recharging non-capital costs. 25% comes from the administration charge for capital works, with about 6% coming from pre-assignment enquiries. Thus some 65% of the income is variable, whilst the cost of the service provided is largely fixed.
- 6.1.3 The current annual management fee is £99, with an additional fee of 23.7% on any costs over £50. For capital works an administration fee of 15% is made on the first £1,000 and 4.6% on amounts over £1,000.
- 6.1.4 A thorough analysis of costs has been undertaken, with projected costs for the next financial year of £1.1 million – this includes the direct costs

of the home ownership team and indirect costs and central overheads incurred in supporting the team.

6.1.5 If present charges remained unchanged, there would be a shortfall of around £83,000 in 2007/8, which would require a 7.5% increase in fees. A range of scenarios for meeting the shortfall are being tested and leaseholders will be consulted as to the approach.

6.1.6 Phase 2 will be a full VFM review of the service now the new Saffron leaseholder system has been embedded

## 6.2 Scoping of the ICT Review

6.2.1 Improving IT and efficiency are two of the Board's key priorities. IT is a significant area of cost for the company, both through the Service Level Agreement (SLA) with the Council, through our in-house team and through services provided by third parties. Annual expenditure is in excess of £1 million, and the recent Housemark benchmarking information based on 2005/6 costs ranked us seventh of the ten London ALMOs.

6.2.2 The review will be led by Gary Pliskin, Principal Financial Accountant, and it is anticipated that it will take between four and seven months to complete.

6.2.3 It will be split into two distinct sections. The first part will look at the services and products provided by the Council. This includes the Local Area Network, telephony, SAP, the Helpdesk, procurement of network hardware and hardware support and maintenance. This part will also include a full review of the SLA, including it is hoped an analysis of the make-up of all charges so made.

6.2.4 Phase 2 will look at services and products provided by parties other than the Council. Thus this will include Civica (owner of Comino) products and services (including Saffron), Contact Manager, services provided by Logica and MRT Ltd, the Barnet Homes Control Team and the website.

6.2.5 Benchmarking will be used where possible, and during the course of the review some 'future-proofing' will be applied. Products looking out-of-date, near the end of the product's life-cycle or struggling to meet increasing capacity demands will be flagged and assessed. The potential for upgrading and evolving current solutions to meet the challenges the future may present will also be taken into account.

**Author: Mike Wiffen**  
**Date: 1 November 2006**

**Title: Value for Money and Efficiency**

**1. Statement of Purpose**

- 1.1 Securing Value for Money (VFM), efficiency and effectiveness is key to the successful achievement of the Company's business aims.

**2. Summary**

- 2.1 The report provides the mid-year Annual Efficiency Statement and a draft programme for the 2007/8 reviews.

**3. Recommendations**

- 3.1 That the mid-year Annual Efficiency Statement be approved for submission to the Council.
- 3.2 That the Sub-Group consider the draft VFM programme for 2007/8 and advise whether there are other areas it feels should be included.

**4. Financial & Risk Management Issues**

- 4.1 Covered within the report.

**5. Resident Consultation and Equalities Issues**

- 5.1 Resident consultation is an important part of our VFM review process.
- 5.2 The Barnet Homes website now includes a VFM section where results of reviews will be published.

**6. Background Information**

6.1 Mid-year Annual Efficiency Statements

- 6.1.1 The table below sets out our present estimate as to efficiencies on housing management and maintenance being made in the current financial year:-

**ANNUAL EFFICIENCY STATEMENT – HOUSING MANAGEMENT & MAINTENANCE - MID-YEAR 2006/7**

<b>Area of Efficiency</b>	<b>How Efficiency is to be achieved</b>	<b>Annual Gain – forward look (£)</b>	<b>Projected Annual Gain (£)</b>
Office Accommodation	Full use of three floors at Barnet House, closure of Hyde House and Sovereign House. Review of Stag House office. Efficiency through lower office costs and reduced	204,000	140,000

	staffing requirements.		
Sickness Absence	Reduce absence by an average 2 working days for each member of staff by concentration on 'routine' sickness absences.	125,000*	60,000*
Call Centre	Rationalisation of call centres on 11 <sup>th</sup> floor at Barnet House (part-year effect)	43,500	43,500
Repairs and Maintenance	Lower than Building Cost Indices increases agreed with partners Further savings from more efficient asset management, including effect of capital investment.	150,000 125,000	40,000 125,000
Improved income collection	Higher rates of collection for rents and leaseholders. Also progress with former tenant arrears leading to reduction in Council's bad debt provision.	75,000*	50,000*
Procurement (non-technical)	Implementation of strategy leading to VFM procurement (part-year effect)	20,000	10,000
Service Level Agreements	Work with Council to drive efficiencies from SLAs, especially in relation to SAP (part-year effect)	50,000	50,000
Review of Housing Management Services	Rationalisation of management structure and review of priority estates team, bringing unit cost closer to that for Grahame Park Estate (part-year effect)	75,000	75,000
Supporting People Services	Review of structures (part-year effect)	24,000	24,000
Voids Management	Savings from new removals contract, and efficiencies from improved management arrangements	10,000 5,000*	10,000 5,000*
Complaints	'Right first time' approach to complaints leading to more efficient use of staff resources and reduction in repairs costs through reducing repeat calls	50,000*	50,000*
Improvement in satisfaction levels	Increase satisfaction with opportunities to participate by four percentage points	10,000*	10,000*
<b>TOTALS</b>		701,500 265,000*	517,500 175,000*

(\* ) Non-cashable gains

6.1.2 Although there is a reduction in anticipated efficiency gains the revised estimate is still above the targeted sum. The main items of reduced efficiency are in office accommodation, whereby the moves from both Hyde House and Stag House have taken place later than anticipated, and in the repairs contracts where we were not as successful this year as in previous years in negotiating reduced rates.

6.1.3 The table below sets out our present estimate as to efficiencies on capital works being made in the current financial year:-

**ANNUAL EFFICIENCY STATEMENT – CAPITAL - MID-YEAR 2006/7**

<b>Area of Efficiency</b>	<b>How Efficiency is to be achieved</b>	<b>Annual Gain – forward look (£)</b>	<b>Projected Annual Gain (£)</b>
Capital Works	Working with LAPN to generate efficiencies through the open book arrangements and target costing. Target is for 10% savings and work done to date suggests 6% already identified. LAPN 'fee' would be 1.5%. Assuming 4.5% on approx £15m of the programme would give a cashable efficiency gain of £675,000 – this is considered to be a conservative estimate.	675,000	675,000
Delivery of the capital programme	In 2006/7 the estimated capital programme is around £30million, compared with £27million in 2005/6. There is no increase in staffing levels and therefore an additional 11% is being delivered for the same output. The cost of the Investment Delivery Team is £850,000, thus a non-cashable gain of £93,500 can be predicted.	93,500*	93,500*
Reduced contracting costs resulting from the Partnering arrangements	With the bulk of the capital programme now concentrated on the major partners there are fewer tendering exercises to be undertaken, resulting in a reduction in legal costs. There is also a reduced input in staff time associated with tendering, although this is counted in the	5,000	10,000 90,000*

	non-cashable efficiency above.		
<b>TOTAL</b>		680,000 93,500*	685,000 183,500*

(\*) Non-cashable gains

6.1.4 The major change here represents the use of the London Area Procurement Network (LAPN) in procuring the gas servicing contract, leading to significant efficiency gains. This is explained in more detail in the LAPN report elsewhere on this agenda.

## 6.2 2007/8 VFM Review Programme

6.2.1 The following reviews are suggested for the 2007/8 programme:-

<b>Review</b>	<b>Comments</b>
Repairs Administration	Will be looked at in relation to new contract. High cost area as identified by Housemark report.
Human Resources	Review of in-house service, especially in relation to loss of Direct operations.
Financial Services	As above.
Grounds Maintenance	Key service for residents who will be involved in the review. Will examine progress of in-house team.
Resident Participation	Deferred from 2006/7 – will include review of how Panels are working.
Rechargeable Repairs	Deferred from 2006/7.
Insurance	Will be entering final year of contract in August 2007 – are there alternative approaches?
Legal Services	Full review of SLA and other provision.
Voids	Review of value and quality.
Board support/ Governance/Administration	Scope to be determined.
Spend against resident profile	Not VFM review as such, but important piece of work that will be most beneficial for Inspection.

6.2.2 The Sub-Group is asked to comment on the above and make further suggestions if it feels them appropriate.

**Author: Mike Wiffen**  
**Date: 6 November 2006**

**Barnet Homes**

**Business Sub-Group**

**Item 8**

**8 November 2006**

**Procurement Sub-Group**

**Item 7**

**4 December 2006**

**Title: London Area Procurement Network (LAPN) – Review of Fee Charging Arrangements**

**1. Statement of Purpose**

1.1 Achieving the Decent Homes standard by 2010 is a key business aim and the assistance of London Area Procurement Network (LAPN) is vital to achieve this and also to demonstrate continuous improvement.

**2. Summary**

2.1 This report sets out the financial position of LAPN and the proposals for revised fee charging arrangements. Appendix 1 contains the original report considered by the Procurement Sub-Group on 25 October 2006 which sets out the business case for the revised fee arrangements by LAPN.

**3. Recommendation**

3.1 That the Sub-Group approves a revision to the basis of fee payments to LAPN.

**4. Financial and Risk Management Issues**

4.1 The proposals bring forward payment of fees into 2006/7 from 2007/8. The estimated sum payable in 2006/7 is £194,000 – of this £140,000 will be charged to the capital programme and therefore reimbursed by the Council. Fees payable in 2007/8 will be reduced by the 2006/7 payment.

4.2 In terms of value for money the estimated efficiencies through the convergence of the partnering contracts in 2007/8 alone will yield around £2 million, at an estimated cost of £300,000 (the 1.5% levy), which is clearly excellent value. This does not change as a result of the proposed amendments in fee arrangements.

4.3 The estimated payments to LAPN in 2006/7 for the work undertaken by the Collaborative Working Centre (CWC) of £140,000 are also deemed to be excellent value for money. Not only will it deliver the efficiencies identified above but their knowledge and experience and willingness to share good practice has considerably enhanced the skills of the in-house teams.

**5. Resident Consultation and Equalities Issues**

5.1 None in the context of this report.

## 6. Background

6.1 The table below provides a cost benefit analysis and thus a business case for our membership of LAPN.

Item	Amount (£'000)
<b>Benefits</b>	
<b>Convergence Programme</b> – efficiencies leading to reduction in prices paid to partners. Assume 10% in 2007/8. (note – an estimated further 1.5% per annum to be gained through continuous improvement)	2,000.0
<b>Procurement of the Gas Contract</b> – the estimated value of this contract is over £4 million and would have required Barnet Homes to undertake tendering through the European Union. By procuring jointly through LAPN an estimated £100,000 has been saved.	100.0
<b>Learning and Development</b> – a by-product of the work undertaken by CWC is a significant transfer of knowledge to Barnet Homes' staff in a number of areas, including open book, collaborative working, strategic partnering and procurement. The value is estimated conservatively at £20,000	20.0
<b>Total Benefits to 2007/8</b>	<b>2,120.0</b>
<b>Costs</b>	
2004/5 – original contribution	10.0
2005/6 – loan payments	35.0
2006/7 – revised arrangements proposed	194.0
2007/8 – convergence programme – 1.5% of £20 million, less £140,000 paid in 2006/7	160.0
Gas contract – 1.5% of £1 million, less £4,000 paid in 2006/7	11.0
<b>Total Costs to 2007/8</b>	<b>410.0</b>

6.2 The cost benefit ratio to 2007/8 is thus 410,000 : 2,120,000 – ie the benefits are 5.17 times the cost.

**Authors:** Mike Wiffen, Head of Financial Services  
Margaret McPeake, Chief Executive Officer

**Date:** 2 November 2006

**Barnet Homes  
Procurement Sub Group**

**25 October 2006**

**Business Sub Group**

**8 November 2006**

**Title: London Area Procurement Network – Review of Fee Charging Arrangements**

**1. Statement of Purpose**

1.1 Achieving the Decent Homes standard by 2010 is a key business aim and the assistance of London Area Procurement Network (LAPN) is vital to achieve this and also to demonstrate continuous improvement.

**2. Summary**

2.2 This report sets out the financial position of London Area Procurement Network (LAPN) and the proposals for revised fees.

**3. Recommendation**

3.2 The Sub Groups are recommended to approve a revision to the fees payable to LAPN, as a contribution towards the set up and framework procurement costs now being incurred. Payments in 2006/07 will be deducted from fees already committed in future years, for programmed works to be procured via LAPN or by convergence. Details are set out in para 6.24.

**4. Financial and Risk Management Issues**

4.1 These are covered in paragraph 6.12 – 6.24 below. LAPN has been identified as a risk in the Corporate Risk Register reviewed regularly by the Business Sub-Group.

**5. Resident Consultation and Equalities Issues**

5.1 None in the context of this report.

**6. Background**

6.1 This report follows on from the Report to Board on 25 September 2006.

6.2 The London Area Procurement Network (LAPN Ltd) was set up in response to a drive by the ODPM (now DCLG) for housing organisations to join together in procuring goods and services to generate value for money improvements. Organisations focussing on straightforward materials procurement such as Procurement for Housing (PfH) already existed so LAPN has focussed on service delivery and on delivering benefits through improved working practices, continuous improvement and using the large membership to smooth demand.

- 6.3 ODPM (now DCLG) had promised grants and loans to support these initiatives via the National Change Agent (NCA) and this partly inspired the founding members to create LAPN.
- 6.4 LAPN currently has nine members with Sutton Housing Partnership now also joining. The founder members have driven forward LAPN's development and agreed objectives. Member companies act as equal guarantors for LAPN.
- 6.5 The full company business plan has been produced and approved by the DCLG and this anticipates delivery of at least 10% savings, due to the size of the considered procurement programmes and proposed approach and contract delivery. Target savings are 20% and are supported by pilot projects.
- 6.6 The company now has four agency staff including an Acting Managing Director and part-time Resources Director.
- 6.7 Workstreams  
LAPN has three principal workstreams:
- Joint Procurement – the S20 and EU compliant procurement of joint frameworks, off which members can call individual contracts of work.
  - Convergence – the conversion of LAPN members existing contracts or frameworks to open book partnering
  - Client and supplier development – the development of supply chain partnering, data capture and reporting and performance improvement activities, to improve contract performance and enhance efficiency savings.
- 6.8 Work is already advancing on the first two of the workstreams. A pilot framework agreement has been established (for gas servicing and installation contractors) and the main joint framework is now out to tender for the following technical functions:
- General Building Works
  - Mechanical and Electrical
  - Cyclical Decorations and Maintenance
  - Roofing
  - Adaptations
  - Lifts
  - Asbestos removals and consultancy
- 6.9 The full EU procurement process attracted 181 pre-qualification questionnaires. These were shortlisted and 152 tenders invited for return on 16 October. Work on this procurement process is being undertaken by a range of procurement consultants and teams of member employees and residents. The main participating LAPN members have been highly active participants in this process and

influential in the thinking around procurement structure and delivery of maximum benefits.

- 6.10 Getting frameworks in place by the end of March 2007 remains on track. The application for LVT dispensation has been submitted and, subject to approval, all Stage 2 leasehold consultation should be complete by February 2007.
- 6.11 Work on convergence activities is actively progressing in three member organisations currently, with the expected results now emerging – ie the achievement of significant efficiency gains.
- 6.12 Preparatory work on client and supplier development is also now underway, but this workstream is now the subject of an application to the NCA for an implementation grant – to contribute towards the costs.
- 6.13 The Financial Situation  
The company funding is presently structured as follows:
- A £10k one off original contribution for membership by each ALMO
  - A £35k loan from each ALMO, to part fund early set up costs – to be repaid in future years
  - A loan from Collaborative Working Centre of £125k (part deferment of fees due in 2006/07)
  - A short term loan being covered by Hillingdon Homes
- 6.14 It was anticipated that grants and loans would be available through DCLG to cover initial set-up costs, but as the NCA rules have been firmed up it has been changed to funding only of business plans and implementation products. Far more work than anticipated was needed to access this money, but LAPN now has approval to claim a grant for £114k for the business and has just submitted an application for product-related grants totalling around £300k which should be received within the financial year.
- 6.15 Future income is to be obtained by:
- New membership fees
  - A fixed percentage paid back to LAPN based on the value of work called off by individual ALMOs from the framework agreements produced. This is expected to be 1.5% on average.
- Overall the five year business plan predicts, on a baseline programme, sufficient fee income on this basis.
- 6.16 Early drafts of the business plan predicted fees from convergence activities and the pilot framework being yielded in mid-2006. The reality is that although there is no question of such fees being secured, the convergence work is taking longer than predicted by the

consultants and so fee income (originally projected to come once contracts are converted or called off the joint framework) is delayed. At the same time, expenditure in all activities is considerable, so the net result is a cash flow shortfall, predicted to peak at some £770k in March 2007 without changes to the fee charging arrangements.

- 6.17 LAPN's Board has now considered the situation in some detail and has
- Approved the application to DCLG for implementation grants
  - Changed the resourcing arrangements for the current workstreams, by engaging more directly engaged interim staff and reducing reliance upon the more expensive CWC
  - Reviewing fee re-charging arrangements to reflect the construction industry norm, where a proportion of fees is payable prior to works commencement
  - Establishing detailed resource plans and control arrangements, including the establishment of a finance sub-committee.
- 6.18 This review of fees and LAPN costs must be in the context of the target efficiency gains. These are estimated at £7m alone from the current joint framework procurement, purely from savings in collaborative working and reduced tendering requirements for contractors.
- 6.19 To overcome the current cashflow shortfall, to ensure that old members take a fair share of the responsibility for set-up costs to redeem Hillingdon's short term loan, the following arrangements have been agreed by the Board:
- That all members, where convergence works are, or have been, undertaken in 2006/07, will re-imburse LAPN for the full costs of related consultancy fees. The full 1.5% fees will become payable from 2007/08 accounts, once conversions are complete, and the up front fee costs will be rebated against these.
  - That all members will pay a £50,000 initial fee as investment in the joint framework procurement; this fee gives founder members the right to call off works from the framework
  - That all members will make an up front fee payment for their 2007/08 programme activities (as established in the business plan) of 30% of the 1.5% fee. The balance will be payable in 2007/08 and similar arrangements will prevail in future years
  - The Board will expect rebates for a £50k initial fee and reduced preferential rates for the initial investors (current members) as others join and as programme volumes grow.
- 6.20 This pricing structure both ensures reward for those organisations which have made/will make the up front investment and keeps the future business case balanced.

6.21 Any new activities (for example a consultants framework agreement is now being prepared for procurement to start shortly) will need to be funded by participating members on a similar basis.

6.22 Implications for this Board

By the very nature of this organisations involvement in LAPN, we are predicting significant efficiency gains, initially of some 10-20% of our programme throughput; these are over and above the shared efficiencies from joint procurement referred to above.

6.23 However, with the change in the NCA rules (ie the abolition of larger grants or loans) which were, when LAPN was first established, expected to cover these early set-up costs, participating LAPN members must each now invest in the development and procurement costs this year.

6.24 Our estimated contributions towards the joint framework are:

	£
(a) Base fee for joint framework	50,000
(b) Up front fees for 2007/08 joint framework call offs (30% or 1.5% of £900,000)*	4,000
(c) Actual consultancy fee costs for convergence activities (estimated)	<u>140,000</u>
	194,000

(\*some or all of the £50,000 base fee may be rebated against this in 2007/08. The LAPN Board will revise the levels of individual programmes in 2007/08 to consider whether members with reducing programmes can be compensated by increased programmes elsewhere).

6.25 Board approval is recommended for such payments which LAPN will be invoicing during November 2006 (or as appropriate for convergence fees).

6.26 It is anticipated that the sophistication of LAPNs fee charging arrangements will endure and further reports will be brought to the Sub Group as appropriate, along with reports on the actual levels of efficiency gains being achieved.

**7. Author : LAPN  
Mike Wiffen  
Margaret McPeake**

**Date: 18 October 2006**

**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. Recommendations**

3.1 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.

**4. Financial & Risk Management Issues**

4.1 Not applicable

**5. Resident Consultation and Equalities Issues**

5.1 None in context of this report.

**6. Background Information**

6.1 The table below sets out proposed agenda items for the next meeting and up to March 2007. The sub-group is asked to note and suggest further items for inclusion.

<b>Meeting Date</b>	<b>Agenda Items</b>
6 December 2006 3.00 p.m.	Budget Monitor 2006/7 – end October Procurement Action Plan Residents Resource Centre Review of Risk Registers Agenda Planning
3 January 2007 5.00 p.m.	Budget Monitor – end November Budget 2007/8 and Business Plan New Business Update Value for Money and Efficiency Business Continuity Plan - Progress Agenda Planning
7 February 2007 3.00 p.m.	Budget Monitor – end December Statement of Internal Control IT – update Service Level Agreements - Progress Agenda Planning

7 March 2007 4.00 p.m.	Budget Monitor – end January Budget 2007/8 and Business Plan Value for Money and Efficiency – forward look Agenda Planning
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**Author:** Mike Wiffen  
**Date:** 26 October 2006