

Charnwood Neighbourhood Housing Limited

Meeting of the Board of Directors
22 July 2009 6:00pm
Committee Room 3



Board Members Present:	Cynthia Popley, Helen Isaac, Ian Montgomery (Vice Chair), Kenneth Jones, Marie Hannabuss (Vice Chair), Peter Gardner, Roger Merchant, Ron Jukes, Zoe Wortley (Chair), Paul Day, Ann Watkinson,
Officers Present:	Ian Saville, Steve Wilson, Isobel Rickard, Maria Maltby
Others Present:	Maria Hallows, Richard Graham and Chris Porrit from Beevers and Struthers
Apologies	Elizabeth Holland, Diane Horn, Neville Stork, Patrick Cole, William Cavender

MINUTES

The meeting started at 6.00pm

ITEM	Action
<p>1) Apologies for Absence</p> <p>Apologies were received and recorded from Elizabeth Holland, Diane Horn, Neville Stork, Patrick Cole and William Cavender.</p>	
<p>2) Declarations of Interest</p> <p>There were no declarations of interest.</p>	
<p>3) Feedback from Meeting with the Council on 9 July</p> <p>ZW and IS gave feedback from the meeting with the Council that took place on 9 July.</p> <p>ZW explained that a meeting had been held with Geoff Parker, the Leader of the Council (Cllr Mike Preston), the Lead Member for Housing (Cllr John Bush), the Support Member for Housing (Cllr Leigh Harper-Davies), Lead Member for Finance (Cllr Peter Osborne) and the Support Member for Finance (Cllr Thomas Barkley).</p> <p>IS explained that although he and ZW had originally called the meeting to meet with the new Cllr representatives and discuss how we grow the relationship between CNH and the Council, the meeting did entirely focus upon the financial situation we are currently facing and how CNH were proposing to manage this situation going forward.</p> <p>ZW informed Board Members that CBC were obviously very concerned about the situation and quite critical of our ability to manage our finances. It was however apparent that some Cllr representatives seemed to have little knowledge of the set up of CNH and the Board which would need to be addressed.</p> <p>IS talked the Board through the letter received from Geoff Parker following the meeting which outlined a number of actions that we needed to take and some requests from CBC regarding Geoff being invited to future Board Meetings and also an invitation being opened out to Councillors.</p> <p>ZW asked the Board for their opinions on this and there was a strong view that Geoff would be very much welcomed at future meetings as this should help reassure him that actions were being taken to address the issues discussed, and also give Geoff an</p>	

opportunity to get closer to CNH and understand some of the issues we are facing. The Board also discussed the possibility of co-opting Geoff to the Board for a period of time and ZW agreed to discuss the options with Geoff.

ZW

There was more reluctance to make an open invitation to Cllr representatives given that the Board have always taken the view that invitations would only be given to individuals when it was of relevance for them to attend a specific meeting or to discuss / present on a particular item. If however Councillor representatives wanted to come along to a Board Meeting to educate themselves further on the set up of the organisation, the issues we are facing and to see how we can work more effectively in partnership with each other then this could be considered.

Resolved: ZW to discuss and agree a protocol for Geoff Parker to attend future Board meetings

4) Investigation into Reasons for Financial Account Overspend 2008/09

The Board received the report outlining findings by CNH's external auditors, Beevers and Struthers, from their investigation into the reasons behind the overspend for 2009/10.

Maria Hallows from Beevers and Struthers presented the report. She outlined the following findings:

- Responsive repairs and voids activity was decreasing in the final three months of the year.
- There are two sources of financial information. Agresso, the financial nominal ledger system and QL, the maintenance stock management system. Not all costs in QL were correctly mapped through to Agresso. A number of journals were made in relation to this by the Finance Manager to adjust this, but the overall impact was to increase voids costs by £196,136 and increase responsive repairs by £33,286.
- Responsive repairs and voids cost lines include a monthly accrual for the allocation of the results for the Housing Repairs Service. This increased from a deficit of £42,131 at December 2008 to a deficit of £269,740 at the year end. Causes for this were:
 - During the year the mill warehouse was credited with £10k income per month in the management accounts. This had been done in error. In March 2009, the whole of the management fee was reversed, resulting in an overall loss to the Mill and the Housing repairs service, of £114,257.
 - Responsive and voids repairs activity decreased in the last three months of the year, resulting in a reduction in the notional income figure allocated to Housing Repairs Service. This, together with other sundry variances, increased the loss in the Housing Repairs Service by £113,082 in the period.
 - These two factors resulted in reallocation of costs within the Company and had no impact on CNH's overall deficit for the year.
- There was no clear understanding of the financial position being presented during the year, ie, there was a failure to identify that not all costs were feeding through from QL to agresso and there was lack of understanding about the allocations of the 'trading' results of the housing management service.
- From the exercise, the key reasons for the increase in the actual deficit compared to the projected deficit were:
 - The correction to the error in the interface between Agresso and QL, which increased costs by £229,422 and
 - The removal of voids costs recoverable from the Council. This income was projected to be £254,170 at December 2008, but was nil at the year end.
- The management accounts presented prior to February did not accurately

reflect the costs of the stock management system. This has since been corrected.

- There was no fundamental error in CNH's accounting systems which would cause material misstatement of the overall results for the company.

IS explained that in the previous year, the management accounts were showing a surplus and that once the accounts were closed a loss of £160k was found. He added that the QL IT system went live in May 2008 and that it was only in September that reliable information was available from the system – this is when an overspend was first shown. Information had been available between June and September but due to some issues and the 'settling in' period the information came with strong caveats with regards to reliability.

IS explained that once the overspend was shown in September's accounts, action was taken from October to reduce costs. IS added that December's accounts received in January showed a £300k loss against a prediction of £136k. February's accounts received in March showed a spend less than predicted which indicated that the situation was starting to recover. He added that the significant escalation of costs shown in February and March accounts resulted in no action being able to be taken as it was already too late. IS stated that had we known earlier we could have acted differently to recover the situation.

CP stated that it was difficult to understand why it has taken so long for action to be taken. IS added that we were not aware, at the time, that the accounts were a misrepresentation of the situation.

RJ asked if a reduction in salaries was part of the remedial action to be taken. IS replied that the remedial plan was not finalised yet and a number of savings would need to be made to contribute to any recovery from the situation. RJ added that it would be a good time to reduce staff in some areas and strengthen the finance team. IS stated that from 1 July staff from the Council had transferred under TUPE regulations due to the SLA for finance being terminated.

PG asked for reassurance that the £560k deficit was accurate. Maria Hallows advised that there were issues with the accounting for the pension scheme but that £560k deficit was in the draft accounts. PG expressed his disappointment that this figure had not reduced. PG also added that four months into the current financial year with no statement of finance for the Board was a totally unacceptable position to be in.

IS stated that management accounts to 30 June were now available and they would be provided to Board monthly. He added that due to the issues previously experienced they would be subject to scrutiny by external auditors. PG requested that the accounts are circulated immediately.

IS

PG asked if there was scope for capitalisation in the current financial year. SW confirmed that there was currently £100k budget however £30k of potential capitalisation had already been identified. He added that a meeting had been organised with the Council to formalise capitalisation arrangements.

PG asked for ZW to raise the issue of housing transfers with the Council to reduce needless expenditure.

ZW

ZW expressed concerns that the Finance Manager had not supplied all relevant financial information to the Executive Team and the Board to enable decision making and planning. She added that the organisation had been left in a position of not understanding the accounts.

A general lack of confidence in the Finance Manager was expressed and a need for immediate action to remove the individual from post.

CP enquired about the extent of questioning and challenge towards the Finance Manager. IS confirmed that himself and other members of the Executive Team had challenged. He added that the executive team were only made aware of the financial situation in May.

Resolved: Immediate termination of the Finance Manager's contract and appointment of an interim Finance Manager.

5) **Audit Commission Inspection – February 2010**

Desktop Review – July 2009

IS advised the Board of the initial feedback received from HQN from the desktop review of progress against mock inspection recommendations. He advised that the inspector, John Wheeldon, had been very surprised by the amount of progress CNH had made since the mock inspection in January 2008. He added there was some way to go however the general feeling was the following:

Individual services that were currently at a 2 star level: Repairs, Income Management and Tenant Participation.

Individual services that were 1 star and heading in the right direction : Sheltered Housing, Equality and Diversity, Tenancy Services (ASB good, other areas need work), Value For Money.

Individual services that were weaker and required focus : Access and Customer Care (in particular a lack of own reception area), Allocations and Lettings (joint working with the Council) and Leasehold Management (CNH have recently commissioned an external review of this area which has confirmed that the service has been falling short of legislation for some time. There are also issues about CNH being delegated the service but the Council wishing to retain part of it that needs resolving)

IS added that overall, the results were encouraging. He added that although this is positive news, there is no categorical assurance from HQN as this was purely a review of progress towards the recommendations.

The Board was advised that HQN would present results to the Executive Team on 3 August.

Inspection 2010

MM presented the Project Scope Document and project plan for the Audit Commission inspection due to take place in February 2010. MM explained that the inspection had been broken down into workstreams to aid planning delivery. MM added that a monthly progress report would be provided to Board as well as further detail as it emerged.

IS provided positive feedback regarding the preparation document. PG added that if help could be provided from Solihull Community Housing if required.

RJ stated that Audit Commission had provided some feedback to the Council's Audit Committee which suggested that CNH were not progressing well towards two stars. He added that the Audit Commission representative had offered to undertake a desktop review. He asked if CNH should consider delaying the inspection.

ZW responded that we had already undertaken a desktop review with HQN. The inspector was also an Audit Commission inspector. She also added that the representative from Audit Commission had not in any way met with CNH to discuss any progress to allow that judgement to be made. She added that if CNH wished to delay the inspection, 6 months notice would be required by the Audit Commission, therefore this would be 10 August. She advised that once the results from the HQN desktop were

received formally, this would allow CNH to make a judgement.

Resolved: To note the inspection approach and timelines outlined.

6) Any Other Business

Tenant Elections

ZW advised the Board that there had been no responses to the advertisement for independent board members. She added that there was therefore no requirement for two independent board members to stand down at the next AGM.

Performance for 2009/10 Quarter 1

The Board noted the positive performance figures for Q1.

MM advised that had been issues with the recording of data in the system and extracting accurate reports from the system. These issues were currently being resolved. SW added that the repairs team were currently turning void properties around within tolerance of the 27 day target. April to June being 25.57 days, 27.4 days and 26.33 days consecutively. MM added that due to the issues with recording and reporting data we could not accurately report the tenancy sign up turnaround however manual records indicate an average of 8 days turnaround.

RJ enquired why the rent arrears were increasing. IS explained that rent arrears carry over from the previous year and there are rent increases year on year. He added that unless we collect over 100% of our rent month on month the situation will not change. He added that no other organisation collect over 100%. He also stated that rent collection performance for 08/09 was the best it had been over the last 5 years.

6) Date of Next Meeting

ZW advised that due to the auditors requiring a letter of guarantee from the Council before the accounts can be signed off the AGM due to take place in July would have to be rescheduled.

The next scheduled Board meeting to take place would be Tuesday 25 August 2009.

The meeting ended at 8.00 pm.

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CHAIR

Signed as true and accurate record of the meeting held on 22 July 2009.