



**Finance Committee
Wednesday 9 February 2011
Bank House
Peter Mercer's Office**

Minutes

Attendance:	Roy Smith (Chair), Jan Kitshoff, Fran Murray, Phil Pemberton Peter Mercer, Allen Barber, Chris Downing, Peter Fitzhenry (part) David Pendleton
Apologies:	Carole Hassan

Committee decisions	Action
<p>FC 2010 – 009 Management Accounts 2010/11 – Decision The Committee approved the Management Accounts for period 8 and noted the summary position at period 9.</p> <p>Training to be provided for all Board members on GGHT's new responsibilities and financial systems both at high level to provide an overview and at a detailed level for those members who have more involvement in this area or who wish to attend.</p> <p>FC 2010 – 010 Budget report 2011/12 – Decision That the Board be recommended to approve the budget for 2011/12 as set out in the report.</p> <p>FC 2010 – 011 Rent increase 2011/12 – Decision That the Board be recommended that GGHT continues to follow the Government's rent restructuring policy as follows:</p> <ul style="list-style-type: none"> ❖ Increase target rents by 5.1% in line with rent restructuring ❖ Increase actual rents in line with the rent restructuring policy ❖ Set a maximum increase on actual rents of 5.1% + £2 per week ❖ Increase service charges by 5.1%, with the exception of furnished accommodation charges and tenants insurance charges, where no increase be applied ❖ Increase garage rents by 5.1% ❖ No change on Supporting People Charges 	

	<p>FC 2010 – 012 Value for Money Action Plan 2011 – 14 – Decision That a revised report be submitted to the April meeting.</p> <p>FC 2010 – 013 Overdraft facility - Decision That the revised overdraft facility be approved.</p> <p>That approval be given to the Company Secretary signing the authorisation set out below at the Appendix to these minutes.</p>	
1.	<p>Declarations of Interest None.</p>	
2.	<p>Apologies As above.</p>	
3.	<p>Minutes of the Finance Committee 8 December 2010</p> <p>The minutes were accepted as an accurate record of the meeting.</p> <p>Matters arising</p> <p>David Tolson Partnership The Committee noted that the Board had endorsed the decision to employ DTP to support the Appraisal, Remuneration and Selection Committee (ARSC) in addition to his other work for GGHT following advice received from Trowers on the process to be followed that had regard to the relevant codes and guidance.</p> <p>It was recognised that some concern remained amongst Board members that the same consultant had carried out both roles, not that there was any concern relating to DTP’s work or the outcome of the ARSC’s review. Procedures recommended for future work would have regard to the comments made by Board members.</p>	PM
4.	<p>Management Accounts 2010/11 – Decision</p> <p>CD outlined the accounts to the end of period 8 (November 2010). This set out the financial position for both the GGHT income and expenditure account and the capital improvement budgets managed by GGH for the first 8 months of the financial year 2010/11. The report also set out the GGH ALMO closure position to the date of transfer and proposals for a revised income and expenditure budget for 2010/11.</p> <p>The following points were highlighted:</p> <p>GGHT income and expenditure account as at the end of period 8 indicated a £617k underspend against profiled budget. Savings had been generated against the pre transfer £352k budget for 2010/11.</p>	

The pre transfer capital programme indicated an overspend of £0.167million against a budget allocation of £3.393 million. Overspends would be funded from savings generated within the GGHT income and expenditure account.

ICT capital expenditure of £62k had been incurred on replacement of PCs.

Expenditure to date on GGHT set up costs was £541k of which the Council had reimbursed £541k.

The revised budget for 2010/11 of £1.943 million had been compiled. However, it was forecast that savings would be generated and the surplus would be £2.52 million at year's end.

CD submitted to the meeting a summary report for period 9 (December 2010) for the income and expenditure and capital management accounts. These indicated a favourable variance of £1.875 million at period 9. Improvement programme expenditure was £59k, but expected to increase as programmes are on site. Some underspends are anticipated on the £2.771 million budget and will be carried forward to 2011/2012. The report format for future meetings was to be revised to reflect the new responsibilities relating to monitoring of cash flow, loans, the business plan and the investment programme.

PM reported that A Chapman had been requested to carry out a review of the business plan to provide an independent view and give an assurance of the position post transfer.

Training had been provided to officers on the new responsibilities for GGHT and the financial systems and PM asked for the views of the Committee on additional training for members.

Questions/comments

- The Management Accounts indicate a satisfactory financial position to period 9.
- What consideration is being given to utilising underspends on additional works eg loft insulation? Action had been taken where considered to be prudent eg in additional window replacements on schemes having evaluated tenders. There were many outside factors that may affect GGHT's position eg welfare changes, rent arrears, changes to funding of local councils and other services. The Board had agreed that DTP should produce a strategic report and this together with the A Chapman evaluation should be available by April and help to inform decisions on the business plan and future programmes.
- Is there any pressure on employee costs budget? Job evaluation had been implemented and budget provision had been made for this and the payment of increments and annual pay increases for those earning below £21,000 in accordance with current pay settlements.
- Has commitment accounting been introduced for payments to contractors? This remains on a cash basis with managers monitoring contract payment commitments and informing Finance for inclusion in reports.

	<ul style="list-style-type: none"> The current reports provide high level information but not the detail behind, for example, to help confirm VFM judgements. Additional information can be provided on areas if required. <p>FC 2010 – 009 Management Accounts 2010/11 – Decision</p> <p>The Committee approved the Management Accounts for period 8 and noted the summary position at period 9.</p> <p>Training be provided for all Board members on GGHT's new responsibilities and financial systems both at high level to provide an overview and at a detailed level for those members who have more involvement in this area or who wish to attend.</p> <p>PF in attendance</p>	
5.	<p>Budget report 2011/12 – Decision</p> <p>AB presented the report which set out the proposals for the GGHT budget for 2011/12, the first full financial year following transfer. The report gave details of the proposed income and expenditure account and the investment programme. Variances were highlighted together with any impact on the longer term business plan.</p> <p>The investment programme was less than that included in the business plan. Property investment staff have revised the profiles to take into account the procurement process and operational plans. There is no impact on customers in terms of promises made in the offer document.</p> <p>A report was to be presented to the Board on 28 February 2011 to formally approve the budget for 2011/12.</p> <p>A formal review of the business plan was to be undertaken in March and agreed with Santander. An update would be brought to the Committee in April.</p> <p>Questions/comments</p> <ul style="list-style-type: none"> Why not increase the value of works if low tenders are being submitted? Full house window replacement was being carried out rather than selective where this was considered to be cost effective. However, additional costs had arisen on schemes eg replacement lintels to increase the estimated cost. Until the business plan had been re-evaluated it was considered to be prudent not to make major changes. Effort was being concentrated on delivery of the offer document promises to tenants. Is the van fitting out cost and delivery to plan? The first vans in the new Renault fleet had been delivered and in line with the plan. A review of the process would be carried out on a time/cost basis. 	

	<p>FC 2010 – 010 Budget report 2011/12 – Decision</p> <p>That the Board be recommended to approve the budget for 2011/12 as set out in the report.</p>	
<p>6.</p>	<p>Rent increase 2011/12 – Decision</p> <p>AB presented a report that set out proposals for the rent increase to be applied in April 2011. This increase would be the first as Golden Gates Housing Trust.</p> <p>Rents have been set in accordance with the Government’s rent restructuring policy and the Tenant Services Authority’s standard on rents expected that housing associations would follow this policy.</p> <p>Under the policy rent increases would average 6.22%, although increases were calculated on an individual basis, and the vast majority of tenants would see increases of between 5% and 8.5%.</p> <p>It was proposed that rents be set in line with the rent restructuring policy and an average increase of 6.22% be applied. Garage rents and most service charges were to be increased by 5.1%.</p> <p>Other options available were:</p> <ul style="list-style-type: none"> • Set no increase for 2011/12 • Set an increase in line with business plan assumptions • Set a lower increase in 2011/12, but apply larger increases in future years. <p>Questions/comments</p> <ul style="list-style-type: none"> • How significant is the risk in respect of the Supporting People charges (extra care schemes and the provision of community alarms)? The estimated amount GGHT will recover from tenants is £74k. therefore the loss of income is not significant. The greater risk is posed by potential reductions in SP grants in future years. <p>FC 2010 – 011 Rent increase 2011/12 – Decision</p> <p>That the Board be recommended that GGHT continues to follow the Government’s rent restructuring policy as follows:</p> <ul style="list-style-type: none"> ❖ Increase target rents by 5.1% in line with rent restructuring ❖ Increase actual rents in line with the rent restructuring policy ❖ Set a maximum increase on actual rents of 5.1% + £2 per week ❖ Increase service charges by 5.1%, with the exception of furnished accommodation charges and tenants insurance charges, where no increase be applied 	

	<ul style="list-style-type: none"> ❖ Increase garage rents by 5.1% ❖ No change on Supporting People Charges 	
<p>7.</p>	<p>Value for Money Action Plan – Decision</p> <p>PM reported that he had received comments from Jim Stockton on the Value for Money (VFM) Action Plan report for the period 2011-14. He considered that there needed to be cash values identified for each of the actions to allow actions to be monitored against the agreed targets. PM suggested that the report be reviewed and brought back to the April Committee meeting.</p> <p>Questions/comments</p> <ul style="list-style-type: none"> • Agree with suggested way forward. • Suggest that the number of targets be considerably reduced in view of capacity issues. • Good to have individual responsibilities for managers. • Changing economic climate, good to let the organisation settle into its new responsibilities. • Reaffirm intention to focus on two or three key topics. This Board had agreed to this with the initiative for flats and review of repairs and maintenance. • Revised report needs to classify targets as short. Medium and long term. <p>FC 2010 – 012 Value for Money Action Plan 2011 – 14 – Decision</p> <p>That a revised report be submitted to the April meeting.</p>	
<p>8.</p>	<p>Overdraft facility – Decision – additional item</p> <p>AB presented a report on the provision of an increase in the overdraft facility with GGHT’s bankers (Natwest). The Treasury Management policy (TMP) had identified the need for an increase in the Trust’s overdraft facility (currently £200k) to add flexibility to cash flow management. Natwest had agreed to extend the facility to £300k.</p> <p>The amount recommended in the TMP had been £1M. Natwest had required security in the form of a charge which was not acceptable to the Trust’s funder (Santander).</p> <p>After negotiations with Natwest an additional overdraft facility had been offered with no additional security required.</p> <p>GGHT’s Treasury advisors had recommended acceptance of the £300k facility. The Trust’s TMP would be amended at the next review (August 2011) to reflect the available overdraft.</p> <p>FC 2010 – 013 Overdraft facility - Decision</p> <p>That the revised overdraft facility be approved.</p>	

	That approval be given to the Company Secretary signing the authorisation as set out in the Appendix to these minutes.	
	ITEMS FOR INFORMATION	
9.	<p>Business Plan Validation Risk update – Information</p> <p>AB presented a report providing an update of the financial risks identified in the business plan validation undertaken by Beevers and Struthers.</p> <p>The report set out the identified risks together with GGHT’s response and actions taken.</p> <p>Questions/comments</p> <ul style="list-style-type: none"> • Report provides a good summary. <p>That the report be noted.</p>	
10.	<p>Procurement update - Information</p> <p>AB presented a report that set out recent procurement activity, and future procurement activity including the forward plan until the financial year end March 2012 and other procurement activities.</p> <p>Questions/comments</p> <ul style="list-style-type: none"> • Benchmark of costs would be helpful eg kitchen units. <p>That the report be noted</p>	
11.	<p>Any Other Business</p> <p>None.</p>	
	PART II – Confidential Items - NIL	
12.	Date of next meeting: Wednesday 13 April 2011, Peter Mercer’s office, 5pm	