



CIPFA FINAL TEST OF PROFESSIONAL COMPETENCE
FINANCE AND MANAGEMENT CASE STUDY

June 2008

HELLESPONT HOUSING SOCIETY - TUTORIAL GUIDE

1. General comments

- (a) It is essential that candidates answer all the questions as set.
- (b) Where illustrative figures or information are asked for in a question, or their use is implied in the data, then they must be shown in the candidate's answer.
- (c) Any attempt to evade the terms of the question on the grounds that the situation depicted in the Case Study is unlikely to have arisen or occurred, or is improbable in concept, should not be awarded any credit.
- (d) Working papers submitted with answers should be scrutinised and used to test the candidate's line of argument in unfinished work and as a guide to the method by which the candidates have utilised their acquired knowledge to deal with the various aspects of the Case Study.
- (e) Detailed calculations are set out in the attached appendices. It must be emphasised that these are not 'model answer' figures but are based upon what are judged to be appropriate assumptions made in answering the question. The appendices are intended to illustrate a wide range of the potential responses from candidates and it should not be assumed that the examiners are looking for an equivalent level of detail to form a satisfactory answer. Candidates should not be judged on whether they got the figures 'right', but on how they reached their figures and how reasonable are their assumptions and arguments.

2. Synopsis of case

The Hellespont Housing Society (HHS) was created on 01 January 2008 to serve as a major provider of community housing throughout the Greater Troy Region of the Republic of Lydia. HHS has absorbed the housing stocks of two predecessor associations, Trojan Horse Housing (THH) and the Odyssey Housing Association (OHA).

THH was formed in 1998 to own and manage the housing stock that had been built up by the Troy City Council (TCC). The Council transferred some 7,300 dwellings to THH, all of which were located within TCC's boundaries. This stock (now reduced to around 6,450 dwellings by "right to buy" sales) had been constructed over the previous eighty years to widely varying standards.

OHA had a longer history, having been formed in 1978. It had built up its stock of 4,250 dwellings since then, all constructed to modern standards. These properties are spread across the Greater Troy Region, except that none are situated within the city of Troy itself.

The decision to create HHS by merging the two former associations was reached amicably with a view to achieving the following benefits:

- Greater flexibility to offer lettings across the whole of the Greater Troy Region.
- The opportunity to use the development expertise built up by OHA to address the redevelopment needs of elements of the THH stock.

- Economies of scale through sharing of overhead costs, especially in relation to office accommodation and IT systems.
- Greater bargaining power in the procurement of goods and services, particularly in relation to maintenance work.
- The ability, as a larger organisation, to arrange borrowing on more favourable terms.
- Greater credibility with the State Housing Commission (SHC), thereby giving more likelihood of being selected to participate in major housing development initiatives.
- The ability to build up greater expertise in specialist areas of housing management.

The former THH stock includes about 800 dwellings, which still need complete redevelopment, while many ex-OHA dwellings require replacement kitchens bathrooms and heating systems. The Lydian Government has launched a "Quality Homes" initiative, setting out minimum physical standards for all community housing to be achieved by 2015.

HHS is a company limited by guarantee and a Registered Community Landlord (RCL). It is governed by a Board of twelve non-executive trustees, including three who are drawn from the tenant body. The remaining nine trustees have been appointed on the basis of their experience in public and community life and/or business management. The Board selects its chairperson annually.

The Board has overall responsibility for ensuring that HHS adheres to the relevant provisions of Lydia company law, the governance and financial stability requirements of the SHC, and recognised accounting standards. It considers and determines all of the strategic and policy issues, with advice from the Corporate Management Team (CMT) of senior executives.

The Chief Executive and three Directors form the CMT. The Chief Executive is the principal adviser to the Board and also takes direct responsibility for human resources issues. The three Directors have the following areas of responsibility:

- Director of Operations - housing management and maintenance
- Director of Development – new build and regeneration schemes
- Director of Central Services – finance, ICT, legal and other central support services.

The candidate is Pat Rockelus, newly appointed as Principal Accountant (Technical). The candidate is based in the Central Services Department and reports to the Head of Finance.

Question 1 (19 marks)

The Chair of HHS has just received a letter from the branch officer of LAPSO, the union recognised as the representative negotiating body for HHS staff. The letter concerns HHS's office accommodation issues, in particular the proposal to locate all of the central staff at the Argosy House site in Troy, pending completion of a new headquarters building, Hades House, in 2013.

LAPSO are complaining about lack of consultation and the alleged poor standard of proposed temporary accommodation at the Argosy House site, and raising grievances over travel costs and parking spaces, particularly affecting the eighty-three members of staff who would have to transfer from the Caesar Centre in Pergamon, eighteen miles away from Troy.

The union is taking legal advice in relation to staff contracts and is also raising wider issues about the cost of Hades House and the advisability of proceeding with its construction in an age of changing work patterns.

As other senior staff are absent on a training away day, the Chair asks the candidate to provide a comprehensive briefing note on relevant issues, in particular:

- a) The alleged lack of communication with staff representatives on this issue.
- b) The current status of the proposal to centralise office accommodation at Argosy House.
- c) The travel and car parking arrangements that would apply to staff transferred from the Caesar Centre, including the arrangements for allocating parking spaces. This section is also to include an explanation of the legal position that would apply if staff were required to transfer without compensation for extra travel costs and loss of car park provision.
- d) The candidate's estimate of the maximum costs that HHS would incur in paying compensation for travel costs and providing car park spaces. The Chair wants to see "quantified cost estimates" on these aspects, together with any mitigating factors and options.
- e) The reasons why HHS cannot continue with the existing arrangements at Argosy House and the Caesar Centre, both until 2013 and for the indefinite future, including calculation of the payback period from savings in running costs.
- f) The effect of possible future changes to work patterns, with an explanation whether Hades House is in danger of becoming a "white elephant" as suggested by LAPSO.

Question 2 (35 marks)

This question gives candidates the opportunity to analyse the office accommodation issues in more detail, but without creating significant duplication with Question 1.

The current arrangements, with central staff based on two sites eighteen miles apart, are reported as creating serious difficulties for HHS' management. While these problems should be solved when Hades House comes into use (planned for January 2013), there is an urgent need to decide on interim arrangements, including the possibilities for bringing in temporary office buildings and improving ICT links. It is also reported that, in return for an extra payment, Troy City Council is prepared to bring forward the construction of a new road that should enable Hades House to be completed and occupied by January 2011.

The candidate is made a member of the Office Accommodation Working Party and is asked to prepare a report for the Board comparing three options, using DCF methodology:

- 1) Provide additional temporary offices at Argosy House ready for occupation by 01 January 2009; vacate the Caesar Centre entirely at that date; proceed with the Hades House development as previously planned for occupation on 01 January 2013.

- 2) Remain in occupation of both Argosy House and the Caesar Centre until 31 December 2012; upgrade communication links between the two buildings; proceed with the Hades House development as previously planned for occupation on 01 January 2013.
- 3) Remain in occupation of both Argosy House and the Caesar Centre until 31 December 2010 only; upgrade communication links between the two buildings; bring forward the Hades House development by two years for occupation on 01 January 2011.

The candidate also receives information from the Republic of Lydia's Ministry of Enterprise outlining the potential benefits of flexible working arrangements, and giving guidance on how to implement a changeover to such arrangements.

The detailed requirements for the report are:

- a) Brief introduction, background, and description of the three options.
- b) A summary of the annual cash flows for the three options and their Net Present Values.
- c) An evaluation of the Net Present Value results, including (for the benefit of board members) an explanation of the relevance of this technique to investment decisions of this kind. In addition, the candidate is asked to explain the advantages and disadvantages of each of the options, including an analysis of the main risks that the Board should be aware of in relation to each option.
- d) Any wider issues that the Board should consider before embarking on this major capital investment in offices.
- e) Conclusions and recommendations as to the way forward.

Question 3 (28 marks)

This question concerns the HHS housing maintenance programme, and, in particular, the disparities between the levels of service being provided for the two elements of the stock inherited from the predecessor associations.

The housing maintenance budget for 2008 had been prepared hurriedly in the run up to the merger. The winding up of a direct works organisation in March 2008 has further complicated budgetary control, and the candidate is asked to draw up a revised budget for the year for CMT.

CMT are also interested to see information on relevant unit costs (both on a per dwelling, and per job basis), and to be advised of issues identified from this data.

Finally, the candidate receives information from the State Housing Commission setting out the best practice standards applicable to housing maintenance, and is asked to highlight those aspects where HHS performance is falling short, and to propose remedial action.

The candidate is asked to prepare a report for CMT containing the following elements

- a) Brief introduction, setting out the purpose of, and background to the report.
- b) A table showing the revised estimates for each element of housing maintenance expenditure for 2008.

- c) An assessment of: the soundness of the revised figures; the variances apparent between the original and revised estimates; and a brief evaluation of the implications for future years' maintenance budgets.
- d) Tables showing average costs per dwelling for the various categories of repairs, and average costs per job for responsive and re-let repairs, together with a comparison with the national financial benchmarks.
- e) Comments on the issues arising from the unit cost figures and related information.
- f) An assessment of housing maintenance performance standards apparent at HHS, as compared with national guidance, concentrating on those areas where it is clear that HHS is falling short of national best practice.
- g) Recommendations as to the action HHS should take to improve maintenance performance.

Question 4 (18 marks)

The final question concerns the calculation of service charges for flats that have been purchased under "right to buy" arrangements.

It appears that for many years the calculation and administration of these charges (at HHS, and formerly THH) has been in the hands of one long serving member of staff, who has resisted efforts to encourage him to share his expertise with others. The individual concerned, Sam Toreeny, has also taken the lead in dealing with any serious collection issues and complaints from the leaseholders.

It appears that Mr Toreeny is probably a loyal and, indeed, dedicated member of staff, but the situation described gives rise to obvious financial control issues, and doubts about his conduct are reinforced by other information in the case.

The candidate becomes involved because Mr Toreeny has had to take sick leave on account of suffering severe stress. It is necessary to calculate the 2008 service charges applicable to two blocks of flats, taking account of new regulations issued by the State Housing Commission. The candidate is also asked to comment on the financial control and human resources issues arising from this aspect of the case.

The detailed requirements for the candidate's briefing note are as follows:

- a) A calculation of the costs applicable to the leasehold service charges at Naxos Court and Nike Court for 2008.
- b) A calculation of the annual service charge for 2008 applicable to each size of leasehold dwelling at the two properties.
- c) An evaluation of the soundness of the above calculations, including any implications for the service charge estimate calculations previously completed by Mr Toreeny for other properties.
- d) The candidate's observations in respect of:
 - i. Relevant financial control issues.
 - ii. Relevant staffing issues.
- e) Conclusions and recommendations in relation to (i) the role, if any, Internal Audit should be asked to play in resolving this matter and (ii) any further action should be taken in relation to Mr Toreeny.

3. Question 1

Aims

- (a) To test candidates' understanding of the issues raised in the letter from LAPSO;
- (b) To test candidates' ability under severe time pressure to recognise and analyse the facts and figures relevant to the issues raised;
- (c) To test candidates' skill in presenting relevant information in a clear and concise briefing note for the Chairman of the Board.

Assessment

- a) *The alleged lack of communication with staff representatives on this issue [i.e. office accommodation].*

(2): A-2

- The Board and Executive Team are conscious of the need to keep employees generally, including those who are not union members, abreast of developments affecting the Society as and when they occur.
- The Staff Consultative Committee, composed of Board members and LAPSO representatives, meets quarterly to discuss industrial relations issues as they arise. Both sides can place items on the agenda for these meetings and special meetings can be called at short notice in case of urgency.
- There is a meeting of the Staff Consultative Committee (SCC) due to be held on 18 June 2008, and the Head of Personnel will be placing an office accommodation item on the agenda.
- CMT has agreed to issue a special edition of the staff newsletter setting out the office accommodation options available to HHS and seeking comments before the Board takes a final decision on how to proceed with interim arrangements.
- Despite the above points, candidates should preferably advise caution on this aspect – there's no evidence of past contact with staff representatives in relation to office accommodation problems, so it's possible that the need for effective communication on this issue may have been overlooked.

PS v

23

1

- b) *The current status of the proposal to centralise office accommodation at Argosy House for an interim period. Please also outline the type and standard of accommodation that would be provided at Argosy House.*

(2): A-2

- There are three proposals currently under consideration to improve office accommodation arrangements prior to January 2013, when Hades House should become available. [The other two are to maintain both sets of existing offices with improved ICT links, or to bring forward availability of Hades House to January 2011, which would incur extra cost.]

24

- A report is currently being prepared to set out considerations relating to the three options (both financial and non-financial). Office Accommodation Working Party will discuss the draft report first of all on 11 June. The report will then go forward to the Board on 04 July. There is therefore no decision as yet at any level to choose the option to centralise offices at the Argosy House site (Option 1). Note: the Head of Support Services has stated in an e-mail that he himself favours the Argosy House option (and that he is on record as doing so), but that by no means constitutes a decision.

3,18
& 24

- Option 1 involves the continued use of the existing Argosy House offices until December 2012, plus the use of temporary office units to be sited on part of the Argosy House car park.
- The units under consideration, based on a quotation from Portatroy Enterprises, are understood to represent quality office provision, including air conditioning and high levels of insulation. Portatroy have offered to arrange an inspection visit to some of their current sites so that the standard of their accommodation can be verified.

3, 4
& 24

18

- c) *The travel and car parking arrangements that would apply to staff transferred from the Caesar Centre, including the arrangements for allocating parking spaces. What is the legal position that would apply if staff were required to transfer without compensation?*

(3): A-3

- Eighty three posts that are currently based at the Caesar Centre would need to transfer, excluding twelve "local office" staff, who would be based at a new site in Pergamon.

PS ix &
9

- If Option 1 is chosen, no special travel arrangements are envisaged for staff transferring from the Caesar Centre. Some members of staff would have extra home to work travel of up to (approximately) 36 miles per day.

PS vi
& 4

- There are reported to be difficulties affecting travel by both road (congestion) and rail (engineering works) between Troy and Pergamon (although these are not quantified in the case material).

1 & 9

- The temporary buildings would take up 60 out of 155 existing staff car park spaces at Argosy House. A proposal to rent a further 70 spaces within walking distance of Argosy House is being built into the Board report as part of the costs associated with Option 1. Seven extra spaces at Argosy House would need to be allocated for use by visitors.

4 & 23

- At present, there are sufficient car park spaces at Argosy House and the Caesar Centre for all staff who wish to use them. Even with the 70 additional spaces, there would be a potential shortfall of up to 80 staff spaces at Argosy House under Option 1.

PS vi
App A

- Under Option 1, it has been proposed that the spaces serving Argosy House would be allocated first of all to members of staff with disabilities, then to essential car users, and finally to other members of staff who make regular use of their cars on HHS business.

4

- It is understood to be very exceptional for employers to provide parking spaces for staff based in central Troy.

4

- The Head of Personnel has stated his understanding that members of staff being required to relocate from the Caesar Centre to Argosy House would have no right to receive compensation for extra travel costs or for loss of parking facilities. His view is based on recent case law involving other organisations.
- The Chair may wish to ask LAPSO to make available to HHS a copy of their legal advice on this point when received, given the contrary view expressed by Mr Spartacus.

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d) *Your estimate of the maximum costs that HHS would incur if it decided to pay compensation for extra travel costs and to provide car park spaces, for all staff who could be based at Argosy House for the interim period. I want to see some quantified cost estimates, please, on these aspects and would also like you to list any factors or options that might be available to mitigate these costs.*

(5): C-3; A-2

- Costs as set out in Appendix A, together with mitigating factors and options.

App A

Note: For suggested calculations see Appendix A, but note comments in General Comments, paragraph 1 (e).

e) *The reasons why we cannot continue with the existing arrangements at Argosy House and the Caesar Centre, both until 2013 and, indeed, for the indefinite future. Also, is it really worth spending £10 million on creating Hades House, and how many years will it take for this outlay to be recouped from savings in running costs as compared with the two existing buildings?*

(3): C-2, A-1

- Continuing to occupy both existing sites would mean continuation of the operational and management problems that this entails, albeit mitigated by better communication links.

- Argosy House dates from the nineteen fifties. Its layout and accommodation falls well short of current standards. HHS' estates surveyors (Cass, Torr and Pollocks) have advised that it is basically worn out and if it were decided to retain it in use beyond December 2012, very heavy further expenditure would soon become essential thereafter on structural repairs and mandatory health and safety improvements. Further, they consider it probable that Troy City Council would then invoke compulsory purchase procedures rather than see its regeneration plans placed on indefinite hold.

PS vi
& 20

- The Caesar Centre is owned by Golden Fleece Investments who have indicated that HHS' lease could be extended up to 31 December 2012, albeit at an addition to annual rent of £45,000 for 2011 and 2012. There is no indication that the lease could not be extended for a further period from 2013 onwards. However, the space at the Caesar Centre accommodates only around one third of current office based staff (95 out of 277), so, by itself, it could not meet HHS needs.

PS vi,
PS ix,
& 21

- The net capital outlay on Hades House (£4.38 million only, not £10 million), potential revenue savings and payback period are set out in Appendix A.
- The potential to achieve an annual saving of £342,000 on running costs, with payback in 12.81 years, would in itself be a major factor in justifying the proposed capital outlay. An exercise to quantify the further efficiency gains expected from working at one location should reduce the payback period.

App A

Note: For suggested calculations see Appendix A, but note comments in General Comments, paragraph 1 (e).

f) *The effect of possible future changes to work patterns. Is Hades House at risk of becoming a "white elephant", as Mr Spartacus suggests?*

(2): A-2

- HHS has recently received guidance from the Ministry of Enterprise on the benefits of "flexible working". This is clearly of significant interest to HHS in current circumstances and will be one of the "wider issues" covered in the forthcoming Board report.
- Hades House can be designed so that it could be partially rented out if HHS's office requirements are reduced at some point in the future, so it should not become a "white elephant".
- However, for two of the three interim options, the proposed date for starting construction of Hades House would be as late as January 2012. There ought, at least for these two options, to be sufficient time available to examine whether a solid business case does exist for flexible working.
- If such a case were found to be proven, it would be possible to consider reducing the size of Hades House and disposing of any surplus land at that site. However, a note of caution needs to be sounded here. It would be inadvisable for the Chair to make any statements to LAPSO in this respect that they might subsequently refer to as "promises".
- The apparent lack of consideration given to flexible working hitherto, as reflected in the OAWP minutes, results in HHS being placed on fairly weak ground in responding to LAPSO on this point. Candidates may wish to draw this to the Chair's attention.

PS x

14

4

g) *Presentation, usefulness, format, tact and general readability.*

(2): P-2

- From the comments made by the Head of Support Services in his e-mail of 20 May 2008, candidates may suspect that he is the "senior manager" referred to in Mr Spartacus' letter to the Chair, who has indicated that the choice of the Argosy House interim arrangement is as good as made. Speculating on this point in the briefing note is unlikely to be helpful to the Chair and should not receive any credit.

18 &
Q1

4. Question 2

Aims

- (a) To test candidates' ability to locate, analyse and process financial and related data in relation to the various office accommodation options open to HHS, including use of discounted cash flow techniques and recognition of the risk factors associated with each option.
- (b) To test candidates' competence in drafting a major report to the HHS Board, including reasoned conclusions and recommendations.

Assessment

a) *Brief introduction, background, and description of the three options.*

(3): A-3

- The report concerns the provision of central office accommodation for HHS up to 31 December 2012.
- Following the formation of HHS, two headquarters buildings were inherited from the predecessor societies, Argosy House and the Caesar Centre. The continuing use of two separate buildings is causing management problems for HHS.
- Argosy House, located in Troy City Centre is owned by HHS and currently houses 182 members of staff. It is owned by HHS and has an estimated freehold value of £2.65 million.
- Argosy House was built in the nineteen fifties and its layout and standard of facilities fall well short of modern requirements. Cass, Torr and Pollocks, HHS' estates surveyors describe it as being worn out. They add that if it were decided to retain it in use beyond December 2012, very heavy further expenditure would soon become essential thereafter on structural repairs and mandatory health and safety improvements. Finally, they consider that, if HHS wanted to retain Argosy House after that date, it is probable that Troy City Council would invoke compulsory purchase procedures rather than see its regeneration plans placed on indefinite hold.
- The Caesar Centre, a satisfactory modern building, houses 95 members of staff. It is located in the town of Pergamon, which is eighteen miles distant from the city of Troy. OHA rented this office space from the landlords, Golden Fleece Investments. The lease has been transferred from OHA to HHS, but will come to the end of its term on 31 December 2010. It is known that Golden Fleece are prepared to extend the lease for a further two years, but with the annual rent being increased from £170,000 to £215,000.
- Neither of these buildings provides accommodation that is capable of meeting the longer-term needs of HHS. If both buildings are kept in use, even for a short period, a major upgrade of communication links between them will be essential.

PS vi
& ix
20 & 21

PS vi
& 18

- HHS has the right to take ownership of an office development site at the Homer Valley Business Park on the outskirts of Troy. It will cost £1.2 million to purchase the freehold of this site. Proposals are being drawn up to develop a bespoke office building at this location (Hades House) to house all headquarters staff. The estimated construction cost for Hades House is £5.83 million. Access issues will prevent Hades House being brought into use before January 2013, unless HHS is prepared to pay Troy City Council £375,000 to bring forward construction of the Homer Valley Distributor Road.
- The three options now available for consideration are:
 1. Provide additional temporary offices at Argosy House ready for occupation by 01 January 2009; vacate the Caesar Centre entirely at that date; proceed with the Hades House development as previously planned for occupation on 01 January 2013.
 2. Remain in occupation of both Argosy House and the Caesar Centre until 31 December 2012; upgrade communication links between the two buildings; proceed with the Hades House development as previously planned for occupation on 01 January 2013.
 3. Remain in occupation of both Argosy House and the Caesar Centre until 31 December 2010 only; upgrade communication links between the two buildings; bring forward the Hades House development by two years for occupation on 01 January 2011.
- The purpose of the report is to compare the financial and non-financial factors for these options and to recommend a course of action to the HHS Board.
- The report will also refer to wider issues affecting office accommodation such as the adoption of flexible working practices.

PS vi,
14, 20
& 24

24

PS x

- b) *A summary of the annual cash flows (up to and including 2013) for the three options and their Net Present Values. Use a 3% discount rate, treating 2008 as Year 0.*

(15): C-15

- Calculations as set out in Appendix B.

App B

Note: For suggested calculations see Appendix B, but note comments in General Comments, paragraph 1 (e).

- c) *An evaluation of the Net Present Value results, including (for the benefit of board members) an explanation of the relevance of this technique to investment decisions of this kind. In addition, please explain the advantages and disadvantages of each of the options, including an analysis of the main risks that the Board should be aware of in relation to each option.*

(11): A-9; R-2

Evaluation of the Net Present Value results

- Overall cash flow before discounting shows Option 3 to have the lowest cost at £8.560 million, with Options 1 and 2 being shown as more expensive (by £210,000 and £446,000 respectively).

App B4

App B4

- After discounting, the Net Present Values are in a different order. Option 1 has the lowest NPV at £8.022 million, with Option 3 next at £8.096 million, and Option 2 most expensive at £8.219 million.
- Option 3 becomes “more expensive” after discounting because it is necessary with this option to incur the heavy outlays in building Hades House and purchasing the site two years earlier than with the other options.
- If a recommendation were to be made purely on financial grounds, Option 1 would therefore give the lowest cost solution, but it should be emphasised that the overall NPV’s fall into a very narrow range, so that the final choice may hinge on non-financial factors.
- There are some potentially quantifiable factors that are not allowed for in the case material. For example, there should be some savings in travel costs and staff time, if staff were no longer required to make so many inter-office journeys. If these factors could be quantified, they would work in favour of Option 1, and to a lesser extent, Option 3. Candidates mentioning this point (and maybe suggesting further research) should receive due credit.

1

Relevance of Net Present Value technique

- Discounted cash flow (DCF) techniques discount future cash flows to a present value, a value today. The discount rate is intended to represent the cost of the financing of capital used in the project.
- The net present value (NPV) technique discounts the estimated future cash flows of a project to a present value at a given rate of interest.
- By establishing present values, it becomes possible to assess the relative financial merit of different options, allowing for the fact that they may have significantly different patterns of cash flow over the duration of the project.
- The NPV technique needs to be seen as only one tool in the decision making process, which will also need to include evaluation of non-financial factors and assessment of relative risks.

Advantages and disadvantages of each of the options

Advantages	Disadvantages	Page Ref.
<p>OPTION 1</p> <ul style="list-style-type: none"> • Allows all headquarters staff to be located at the same site from the earliest opportunity (January 2009). • No requirement to invest in additional communications between sites. <p style="text-align: right;">Continued overleaf</p>	<p>OPTION 1</p> <ul style="list-style-type: none"> • Likely to create difficult staff relations and morale issues over travelling costs, and lack of car parking. (High costs could be incurred in overcoming these problems, and a legal wrangle could result over staff contracts.) <p style="text-align: right;">Continued overleaf</p>	<p>Q1 info PS vi & ix</p>

Advantages	Disadvantages	Page Ref.
<p>OPTION 1 (Continued)</p> <ul style="list-style-type: none"> Allows Caesar Centre lease to be disposed of early (but cost savings from this are minor only, given the need to make a lease severance payment and the costs of providing the temporary buildings at Argosy House). 	<p>OPTION 1 (Continued)</p> <ul style="list-style-type: none"> Standard of temporary buildings at Argosy House could also become an issue (although the favoured units are understood to be of good quality) Tight timescale to prepare and install temporary offices – requirement to vacate Caesar Centre by 31.12.08 could create serious problems if there was any delay in providing the temporary buildings. Need to set up a local office in Pergamon from January 2009. 	<p>3, 4, 9, 18, 20, 21, 24</p>
<p>OPTION 2</p> <ul style="list-style-type: none"> No disturbance to current staff arrangements – relocation issues should be much less important by 2013 given that this latter move would be to new purpose built offices with adequate on site parking and that many members of staff would by then have new contracts excluding the possibility of compensation. No need to set up new local office at Pergamon until 2013. 	<p>OPTION 2</p> <ul style="list-style-type: none"> The difficulty in managing the organisation from two sites would continue for four years Early investment in inter site communications would be unavoidable. Higher costs would be incurred as a result of the rent review at the Caesar Centre. 	<p>Q1 info PS vi & ix 3, 4, 9, 18, 20, 21, 24</p>
<p>OPTION 3</p> <ul style="list-style-type: none"> Allows existing staff arrangements to continue for two years – relocation issues should be rather less important by 2011 given that the move would be to new purpose built offices and that some members of staff would by then have new contracts excluding the possibility of compensation. Allows earlier achievement of the benefits of moving to a modern purpose built building with much lower running costs. Rent review at the Caesar Centre would be avoided, and there would be no lease severance costs. Possible advantage could accrue to the local community by allowing Troy City Council to proceed with its central area regeneration scheme at an earlier date. 	<p>OPTION 3</p> <ul style="list-style-type: none"> The difficulty in managing the organisation from two separate sites would continue – but only for two years Early investment in inter site communications would still be unavoidable. Additional payment of £375,000 to Troy City Council would be necessary to bring forward road construction. The feasibility and cost of bringing forward design and construction of Hades House by two years has not been established. 	<p>Q1 info PS vi & ix 3, 4, 9, 14, 18, 20, 21, 24</p>

Main risks of each option

- All options involve the risk that the Homer Valley Distributor Road will not be completed at the relevant time (by December 2012 for Options 1 and 2, and December 2010 for Option 3), thus preventing occupation and opening for business of Hades House. HHS needs to monitor progress on this road scheme very closely and make appropriate contingency plans.
- **Option 1** has high risks in several respects:
 - There is only a short time period available to procure and set up temporary offices at the Argosy House site. This could create serious problems if the temporary offices were not ready to accept the staff from Caesar Centre in January 2009.
 - It seems very likely that this option would create significant staff unrest over travel and car parking issues and possible complaints about the standard of the temporary accommodation. These issues could turn into a serious dispute involving legal action with aggrieved employees and the recognised trade union. There could be serious repercussions for staff morale, motivation and performance.
 - There is no mention in the case of any planning approvals that may be needed for the temporary buildings. Such approvals could perhaps prove difficult to obtain within the tight timescale available for implementation.
- **Option 2** is a generally low risk option. It would not create any immediate disturbance to staffing arrangements and it would give a good margin of time in which to proceed with the Hades House development. However, it would mean that the serious difficulties reported to be arising from the split sites would continue for four years, albeit mitigated by improved ICT links.
- **Option 3** has an intermediate level of risk in relation to the staffing issues, giving a two-year margin to bring in changes, rather than six months with Option 1 and four years with Option 2. The main apparent risk is with the development programme for Hades House, which would need to be brought forward by two years. HHS Board should be advised to obtain reassurance about the feasibility and cost of doing this, and the likelihood of encountering any "bottle necks", before adopting this option.

d) *Any wider issues that you feel the Board should consider before embarking on this major capital investment in offices.*

(2): A-2

- It appears that HHS needs to give more attention to the effects of changing work patterns before making final decisions on future office requirements.
- The Office Accommodation Working Party has only a narrow remit and sees itself as being required only to maintain a "watching brief" in this respect.
- The information received from the Ministry of Enterprise opens up tempting prospects as to the benefits to be achieved from flexible working. These appear to have particular application to an organisation like HHS, where many management and maintenance functions relate to particular localities rather than to the organisation as a whole.

PS vi,
24

4

PS x

- However, there is nothing in the information provided to suggest that flexible working could be adopted as a short-term solution to the interim accommodation problems. It is clearly more relevant to the long-term investment in the Hades House project.
- There appear to be good grounds to examine flexible working possibilities in detail before proceeding with Hades House. This would tend to count against adopting Option 3 of the interim proposals. However, it should also be noted that Hades House can be designed so as to facilitate partial renting out, should HHS have a reduced requirement for office space in future.
- Some candidates may identify other “wider issues” that, in their opinion, deserve consideration, e.g. whether HHS has sufficient funds available to proceed with the Hades House development. Where any such issues are valid in the context of the case, they should receive due credit.
- Clearly, references in this section of the report need to be carefully phrased so as not to cause undue offence to Board members, CMT, and other senior managers.

e) Your conclusions and recommendations as to the way forward.

(2): R-2

- The results of the financial analysis are finely balanced and therefore give scope for candidates to put forward a variety of conclusions and recommendations, which can be awarded merit, if sensibly argued.
- Taking account of the various risk factors referred to in section (e) above, the prospect of serious staff issues arising from Option 1 may lead to a conclusion that it would not be worth running the degree of risk involved to obtain the marginal extra financial benefit from this option.
- Option 3 has some distinct advantages over Option 2, but HHS would need reassurance that the bringing forward of the capital investment in Hades House would not in itself introduce any unreasonable risks.
- Option 2 is the safest option, although it is the one that creates least improvement to the problems resulting from the split sites. It would however allow the Hades House scheme to proceed on a reasonable timetable, with sufficient time to study in detail the case to move to a flexible working environment.
- There could be scope to examine whether further measures could be adopted to minimise the split sites problem in the short term.
- A recommendation that the extra costs of Option 2 are worth accepting in order to achieve the right long term solution and to avoid serious employee relations problems would appear to be reasonable. However, candidates should be given credit for any other properly supported and well-argued recommendations.

f) Presentation, usefulness, format, tact, and general readability.

(2): P-2

5. Question 3

Aims

- (a) To test candidates' ability: i) to locate, analyse and process data relating to housing maintenance spending in order to create a revised budget for the year; ii) to calculate and comment on relevant unit costs; and iii) to compare and appraise HHS' performance against national benchmarks.
- (b) To test candidates' competence in drafting an appropriate report for the Corporate Management Team.

Assessment

a) *Brief introduction, setting out the purpose of, and background to the report.*

(2): A-2

- The housing maintenance budget for 2008 had to be prepared in difficult circumstances just prior to the creation of HHS. The accountancy teams responsible for the THH and OHA stocks prepared separate budgets and these were then totalled to provide an HHS budget.
- There are also wide disparities evident in unit costs of maintenance between the former THH and OHA elements of the stock.
- The transfer of the Direct Works Organisation (inherited from THH) to Vulcan Construction with effect from 01 March 2008 has further complicated the financial picture relating to housing maintenance.
- The Chief Accountant has requested assistance in drawing up a revised housing maintenance budget. CMT has instructed that this be combined with a report for them indicating how the HHS maintenance arrangements measure up by comparison with recognised standards of best practice (recently provided by the State Housing Commission).
- It is evident that the Hellespont Tenants' Association also has concerns about aspects of the maintenance service.
- The purpose of the report is therefore to put forward a revised budget for CMT consideration; to present relevant unit costs, drawing out the implications; to explain how the HHS maintenance arrangements compare against national best practice; and to recommend appropriate action.

PS v

PS v,
2,
5 & 6

25

b) *A table showing the revised estimates for each element of housing maintenance expenditure for 2008. (Please show separately the figures for the ex-THH and ex-OHA elements of the stock as part of this table).*

(6): C-6

- Calculations as set out in Appendix C1.

Apps
C1 &
C2

Note: For suggested calculations see Appendix C1, but note comments in General Comments, paragraph 1 (e).

c) Your assessment of: the soundness of the revised figures; the variances apparent between the original and revised estimate, and a brief evaluation of the implications for future years' maintenance budgets.

(5): C-1; A-4

• Assessment of the soundness of the revised figures:

- Generally, the projections made are based on up to date actual spending figures, which represent a reasonably robust starting point.
- Jobs in progress for responsive and re-let repairs are included with uplifts of 14% and 8% respectively compared with the estimated costs currently in the system – however, the reliability of these percentages is uncertain.
- Re-let repairs have been projected on the basis of average costs per job of £1,550 (ex-THH dwellings) and £1,140 (ex-OHA), but the latest actual costs are clearly higher than this (£1,646 for ex-THH and £1,241 for ex-OHA). With about 494 jobs involved in total, this could mean that the revised estimates are understated by £48,400, (with a potential extra cost of £77,440 in a full year).

11 & 13

11, 13
&
App C2

• The variances between the original and revised estimates are set out in Appendix C2. Overall expenditure for the year is projected to be within budget by £309,000 (3%), but this overall figure masks substantial swings in some major elements of the repairs programme.

App C2

• The expected outturn for reinvestment repairs for the ex-THH element of stock is £530,000 (22%) below the original estimate. This indicates programme management problems, which, if not addressed, could affect HHS' ability to meet the Government's "Quality Homes" target. The lack of reinvestment spending is understood to be causing some unrest amongst the ex-THH tenants.

App C2,
PS i,
25

• The overspend of £137,000 on responsive repairs to the ex-THH stock arises from an increased unit cost following the transfer of ownership of the former Direct Works Organisation to Vulcan Construction. This factor could have serious financial implications for future years amounting to some £128,000pa (12,800 jobs x £10), if not addressed. Vulcan has recently started on a three-year contract, so it is essential to give urgent attention to this issue.

App C2
& C3,
PS v & vii

• For responsive and re-let repairs, the above considerations could therefore lead to extra spending of around £205,440 annually in the future (£77,440 on re-lets and £128,000 on responsive repairs), which could tend to "crowd out" reinvestment repairs and put back achievement of the Quality Homes target.

App C2

(Candidates may calculate the full year extra costs based on revised estimates of the number of re-let and responsive jobs in 2008. This results in a slightly higher full year combined extra cost of £211,914.)

d) Using both the original and revised estimates, tables showing average costs per dwelling for the various categories of repairs, and average costs per job for responsive and re-let repairs (showing in both cases averages for the combined stock and for the ex THH and OHA elements), together with a comparison with the national financial benchmarks.

(5): C-5

- Calculations as set out in Appendix C3.

Note: For suggested calculations see Appendix C3, but note comments in General Comments, paragraph 1 (e).

App C3

e) Your comments on the issues arising from the unit cost figures and related information.

(3): A-3

- **Costs per dwelling:**

- **Re-investment repairs** are even more skewed towards the ex-OHA dwellings in the revised estimates than they were in the original estimates, with approximately twice as much per dwelling now being spent on ex-OHA dwellings. Some reasons for higher spending on ex-OHA dwellings are quoted in the pre-seen (greater need for replacement kitchens, etc), but there is known to be resentment amongst ex-THH tenants and no strategic maintenance plan in place as yet.

App C3
PS ii & vii
22 & 25

- For **responsive repairs** the higher spending per dwelling for ex-THH dwellings has grown from £84 in the original estimates to £107 in revised estimates. See also comment below re costs per job.

App C3

- For **re-let repairs**, the higher spending per dwelling for ex-THH dwellings has narrowed somewhat, from £44 to £32.

- **Costs per job:**

- **Responsive repairs:** costs per job were greater for ex-THH dwellings at the original estimate stage. However, this difference has now grown further. For the ex-THH dwellings, costs per job rose from £156 in January/February (Direct Works Organisation) to £167 in March /April (Vulcan Construction). The extra cost if continued for a full year would amount to approximately £141,000 (12,800 jobs x £11).

App C3
PS viii
13

- Further research is still required to establish why the annual number of responsive jobs for the ex-THH dwellings is running at 2.00 per dwelling, compared with 1.54 per dwelling for ex-OHA dwellings.

2
App C3

- **Re-let repairs:** costs per job for ex-THH dwellings appear to have "closed the gap" significantly with the costs for ex-OHA dwellings. However, as noted in section (c) above, actual spending per job in March and April 2008 for both sets of dwellings is exceeding the norms of £1,550 per ex-THH dwelling and £1,140 per ex-OHA dwelling quoted by Mr Knot.

App C3
11 & 13

- **National benchmarks**

- HHS is failing to meet either of the two benchmarks quoted by the SHC.

- The figures used for average cost per responsive repair job for the HHS stock as a whole were 13.8% (£19) above the national benchmark of £135 per job at the original estimates stage and is 18.3% (£25) above the benchmark in the revised estimates.
- The proportion of the original budget devoted to responsive and re-let repairs for the stock as a whole was 39.0%. The equivalent proportion at revised estimate stage is 41.8%. Both of these figures are in excess of the 35% best practice maximum quoted by the SHC.
- The expenditure pattern for the ex-OHA dwellings is much closer to the national norms than that for the ex-THH stock. However, the average cost of a responsive repairs job for the ex-OHA dwellings is still just under 9% above the national norm.
- If HHS were able to carry out responsive repairs at an average cost in line with the national benchmark, the total cost of such repairs would be some £487,000 lower than the figure included in the revised estimates. Redirecting such savings to reinvestment repairs would give HHS a 37% figure for responsive and re-let repairs as a proportion of total repair costs, much closer to the 35% national target.
- If HHS were to achieve the 35% national target for responsive and re-let repair costs as a proportion of the total, the annual amount available for transfer to the reinvestment element of the budget each year would total £696,000.

App C3
5

App C3

f) *Your assessment of housing maintenance performance standards apparent here at Hellespont, as compared with national best practice guidance. (Please concentrate on highlighting those areas where it is clear that Hellespont is falling short of national best practice.)*

(3): A-3

SHC heading	HHS performance	Page ref
A long term strategic approach	<p>There is no evidence that an effective strategy is in place.</p> <p>The production of a strategic maintenance plan has been delayed partly because of lack of up to date asset condition data. It is not known when this plan will become available. The Tenants' Association have expressed concern over this delay.</p> <p>Spending appears to be out of balance between the ex-THH and ex-OHA elements of the stock, with responsive and re-let repairs taking up too high a proportion of the available budget.</p>	PS viii 6, 12, 25
Engaging with tenants	There is clearly some contact with the Tenants' Association apparently on a regular basis. However, there is no evidence of any serious engagement with tenants – hence their complaints.	6, 25

SHC heading	HHS performance	Page ref
Effective planned maintenance	<p>The proportion of spending allocated to planned maintenance is below the national benchmark.</p> <p>The planned maintenance programme appears to be poorly managed with outturn on reinvestment works likely to be well below the original budget.</p> <p>Limited surveying resources appears to be one constraint.</p>	<p>5, 6</p> <p>App C3</p> <p>App C2</p> <p>12, 22</p>
Effective responsive repairs	<p>Lack of suitable systems and inadequate training makes it difficult for HHS clerical staff to specify correctly the nature of the work required – this must be affecting the quality of the service, as well as its cost.</p> <p>Costs per job are high compared with the national guidelines, and appear to have gone up without explanation since Vulcan Construction took over from the DWO for ex-THH dwellings.</p> <p>There are also some complaints from tenants about Vulcan's performance, i.e. delays and missed appointments.</p>	<p>5, 6, 11, 13</p> <p>App C3</p> <p>25</p>
Coherent re-let repairs	<p>There is no apparent coherence, given the huge gap between spending per job between the ex-THH and ex-OHA elements.</p> <p>There is no evidence that a consistent "lettable standard" has been adopted.</p>	<p>6</p> <p>App C3</p>
Value for money and procurement	<p>There was clearly an attempt to follow best practice on procurement and to test quality when Vulcan was chosen to take over from the DWO, but Vulcan's performance is giving concern on both service and cost grounds.</p> <p>The continued use of two incompatible IT systems and lack of priority for upgrading and eliminating duplication are clearly serious issues.</p>	<p>PS v 6, 13, 25</p> <p>App C3</p> <p>12</p>

g) Your recommendations as to the action CMT should take to improve Hellespont's maintenance performance.

(2): R-2

- Appropriate recommendations follow logically from the list of shortcomings in section (f) above, in particular:
 - Preparing an overall maintenance strategy taking account of the SHC guidance, if necessary bringing in external assistance to ensure that this task is accomplished.
 - Drawing up a protocol for tenant involvement in maintenance decisions and performance monitoring, in agreement with tenants' representatives.
 - Commissioning an independent survey to ascertain tenants' views of the repairs service on a structured basis.
 - Investigating the problems evident in delivering the programme of reinvestment repairs, including the lack of surveying resources.
 - Examining Vulcan's performance to date, including the complaints from the Tenants' Association, and the increased cost per job on responsive repairs.
 - Investigating the circumstances giving rise to the large variance in the numbers of responsive repair jobs per dwelling between the THH and OHA elements of the stock.
 - Investigating the large disparities evident in the cost of re-let repairs and establishing a common "lettable standard" to apply to future re-lets.
 - Giving priority to standardising and upgrading the IT systems for housing maintenance.

h) Presentation, usefulness, format, tact, and general readability.

(2): P-2

6. Question 4

Aims

- (a) To test candidates' ability to locate, analyse and process financial data so as to establish the levels of cost appropriate to leasehold service charges and to calculate the amount of the service charges payable by the leaseholders.
- (b) To test candidates' ability to identify the various financial control and staffing issues relevant to this part of the case.
- (c) To test candidates' competence in drafting an appropriate briefing note for the Director of Operations and Head of Finance.

Assessment

a) *A calculation of the costs applicable to the leasehold service charges at Naxos Court and Nike Court for 2008.*

(3): C-3

- Calculations as set out in Appendix D1 .

Note: For suggested calculations see Appendix D1, but note comments in General Comments, paragraph 1 (e).

App D1

b) *A calculation of the annual service charges for 2008 applicable to each size of dwelling at the two properties.*

(4): C-4

- Calculations as set out in Appendix D2.

Note: For suggested calculations see Appendix D2, but note comments in General Comments, paragraph 1 (e).

App D2

c) *An evaluation of the soundness of the above calculations, including any implications in respect of service charge estimates previously completed by Sam Toreeny for other properties.*

(2): A-2

- Mr Toreeny has supplied much of the data used for the service charge calculations, which he had with him at his home. This was generally found to be correct on being checked by Jay Sun (Accounting Technician).
- There were however two items needing amendment, relating to the number of sold properties at Naxos Court, and the cost of lift maintenance at Nike Court.
- Jay Sun also expressed concern that he could not verify Mr Toreeny's method of apportioning administrative expenses at other properties with leasehold dwellings.

7, 8,
10, 17

17

- Given the strain that Mr Toreeny has been suffering, the issues listed above, and the added complexity arising from the implementation of new regulations, it appears advisable to check all of the calculations previously made by Mr Toreeny relating to 2008 service charges.
- The facts that the service charge calculations are open to challenge at the Leasehold Charges Tribunal and that there is apparent unhappiness with the performance of the landscape maintenance contractor (which could generate appeals) reinforces this conclusion.

7
10

d) *Your observations in respect of:*

(i) *Relevant financial control issues.*

(ii) *Relevant staffing issues.*

(5): A-5

Financial control issues

- The fact that Mr Toreeny has been able to control so many aspects of the leasehold service charge systems, including collection and recommending write-offs, over a lengthy period with no internal check or division of duties, is clearly unsound, giving rise to serious concern over the possibility for error or fraud to occur.
- The normal three-month statutory time allowed for issuing initial estimate statements to leaseholders has already been exceeded - the failure to observe this limit could place HHS at a disadvantage should any leaseholders at the two properties challenge the estimated costs at the Leasehold Charges Tribunal. Such a delay also impairs HHS cash flow, with consequential interest costs, and represents a poor service to the leaseholders.
- Further, the delay in producing cost estimates for Naxos Court and Nike Court means that HHS has run very close to the six months' final deadline (30 June) for issuing these estimate statements. Failure to meet this deadline would mean that no charges could be levied for 2008 – a potential loss of income of £25,004.
- There may be inadequate supervision, if, as Mr Toreeny states, senior managers have little or no understanding of the service charge arrangements – this could again increase the risk of error or fraud occurring and could have wider implications for other aspects of the housing management service, which may suffer from similar problems.
- There appear to be no arrangements for staff cover in Mr Toreeny's absence. Again, this could be replicated in other aspects of service.
- There is no mention of a procedures manual and presumably none exists – leading to the likelihood of errors occurring if other members of staff need to be drafted in.
- There is apparently no independent check as to whether all leasehold properties have been correctly identified for charging purposes – with consequent potential for loss of income.

8

7

7
App D2

10

8

17

- Mr Toreeny has been taking home information relating to the service charges. Has he had permission to do this, and has he (or others) taken home any other items? Uncontrolled distribution of information could place HHS at risk under data protection legislation, apart from increasing the opportunity for fraud to be undertaken. 8
- Landscape maintenance work has apparently been awarded to the same firm for many years, and the contractor is a personal friend of Mr Toreeny. This represents poor procurement practice, with the implication that HHS may have received poor value for money, even if nothing improper has occurred. 10
- In relation to the friendship with the contractor, the proper course would have for Mr Toreeny to have declared this and to have taking no part in awarding the work to avoid any suspicion of improper conduct arising. 10
- It is intended to award non-routine repair works costing more than £5,000 to Vulcan Construction without competition. This is contrary both to the Leasehold Charges Act regulations, and to a specific HHS policy in relation to Vulcan. It may also be contrary to HHS' general procurement rules. Again this could lead to poor value for money being received. PS v,
7 & 17

Staffing issues

- While the staffing issues listed below relate to Mr Toreeny, there could be wider implications if his case is typical of the way in which such issues are dealt with. 8 & 10
- There are clear supervision issues, in that Mr Toreeny's managers do not appear to have recognised the extent of his overwork, or his deteriorating state of mind. This lack of effective supervision could count against HHS in the event that Mr Toreeny's position was ever to become subject to scrutiny at an employment tribunal hearing, with potential for financial penalty and damage to HHS' reputation. 8
- Mr Toreeny's own attitude to sharing the service charge work with a colleague ("unnecessary interference") clearly leaves much to be desired. It appears that his line managers did not challenge this response. 10
- It is not clear how much work Mr Toreeny has taken home or whether this was authorised. He must be instructed not to undertake any further work while he is on sick leave, with all HHS data being brought back from his home. 10
- There is no indication that assistance has been sought from the Personnel Department to advise on the handling of Mr Toreeny's absence and to ensure a properly managed return to work.

e) *Your conclusions and recommendations in relation to:*

(i) What role, if any, Internal Audit should now be asked to play in resolving the financial control issues.

(ii) What further action we should now take in relation to Mr. Toreeny.

(2): R-2

Internal audit involvement

- Given the wide range of financial control issues listed above, Internal Audit needs to be asked to undertake a special review covering both the specific concerns about the service charge system and the broader management control problems that appear to exist. It may be noted that the work already undertaken by the candidate has been limited to assessing only those issues that have arisen in the course of finalising the estimates for Naxos Court and Nike Court.
- There may be further aspects meriting investigation, as well as those that can be identified from the case material.
- The Director of Operations will need to review the supervision and management issues within her department and take appropriate action, once Internal Audit have reported.

Mr. Toreeny

- There is no clear evidence to indicate that Mr Toreeny has committed, or ever intended to commit, any fraudulent acts. The fact that he has volunteered (unprompted) information about his friendship with the landscape contractor may be taken to demonstrate a lack of calculation on his part. Perhaps, he is simply a perfectionist, who became overwhelmed with his largely self-imposed burden of work.
- The Head of Personnel should be asked to advise on the handling of Mr Toreeny's absence and to ensure a properly managed return to work. This, clearly, ought to be HHS' prime concern as a responsible employer.
- The Head of Personnel needs to be made aware that the possibility of fraud cannot be ruled out until the Internal Audit report has been received. However, any overt action in advance of that report, e.g. to suspend Mr Toreeny from duty, could have very serious implications for his medical condition and should not be recommended.
- A major contributory factor in creating the current problem appears to have been Mr Toreeny's over-protective attitude towards "his" area of work and his unwillingness to share the burden or seek help. Appropriate training needs to be provided to help him to deal with these issues after he returns to work.
- Adequate temporary staffing cover needs to be allocated to make sure that Mr Toreeny's workload does not fall further behind during his absence.

f) *Presentation, usefulness, format, tact, and general readability.*

(2): P-2