



**Professional Examination 3
2001**

27 June

FINANCE AND MANAGEMENT CASE STUDY

Time allowed – 6 hours

Morning Session Part 1 : From 10.00 a.m. to 12.30 p.m.

Morning Session Part 2 : From 12.40 p.m. to 1.10 p.m.

Afternoon Session : From 2.00 p.m. to 5.00 p.m.

Candidates are to work on the information contained in the Case Study during the first part of the morning session.

The preparatory session will end at 12.30 p.m., at which time Question 1 will be distributed. At 12.35 p.m. candidates will be given 5 minutes to familiarise themselves with the task required of them. Answers to this question will be collected at the end of the morning session.

Nothing may be taken from the examination room during the lunch interval, nor may anything additional be brought into the afternoon session.

The remaining questions on the case study will be distributed at 1.55 p.m. so that candidates may familiarise themselves with the tasks required of them.

The case study has been prepared on the assumption that candidates will not necessarily have a detailed knowledge of the type of organisation to which it refers. No additional merit will be accorded those candidates displaying such knowledge.

Candidates will be allowed to submit, as part of their script, work performed in the morning session, but they should distinguish clearly between work supporting their script and that which is to be considered a part of it.

DWELLINGTONIA PROVINCIAL COUNCIL

Background

The province of Dwellingtonia forms part of the Federal Republic of Hutland, an island state which is a candidate for membership of the European Union.

The main towns in Dwellingtonia are Bungalore, the provincial capital, in the east and Pentowse in the west. These towns are separated by the High Matt mountain range. Together with its environs, Bungalore has a population of approximately 108,000 and is recognised to be one of the more affluent areas of Hutland. Its prosperity flows mainly from its extensive office based employment in financial services and insurance. Bungalore has good transport links with the rest of Hutland. By contrast, the Pentowse area, with a population of about 72,000, is relatively isolated and has suffered from declines in its basic industries of agriculture and mining. Pentowse figures prominently in a number of national indicators of deprivation.

Within the Federal Republic of Hutland, the Ministry of Local Affairs has responsibility for most public services, including those provided by the Provincial Councils, one of which is Dwellingtonia Provincial Council (DPC).

The Council

Dwellingtonia Provincial Council has its headquarters in Bungalore and is responsible for providing or facilitating a wide range of services throughout the province, including highways and transportation, education, social housing and leisure facilities. DPC has 48 elected members. A six member Cabinet has been established, led by an executive mayor, to oversee policy formulation and implementation. A Scrutiny Committee has also been created to enable the Council's effectiveness to be examined in greater detail. The Council's Chief Executive is Martin Swallow and he leads a Management Team of four Group Directors as follows :

Education & Leisure Services	-	Mal Lard
Environmental Services	-	Gus Hawk
Resources	-	Robin Jay
Welfare Services	-	Lyn Nett

Key Policies

The Council is under a specific statutory obligation to promote the regeneration of those parts of its area that suffer from economic and/or social deprivation, and regeneration is its key medium term objective. The Council's ability to finance regeneration projects, however, has been seriously constrained by limitations on public borrowing. Those constraints have also held back its efforts to modernise its stock of social housing comprising some 15,000 dwellings, the largest percentage of which are located in Bungalore.

To help in addressing those problems, the Council arranged the sale of its housing stock (housing stock transfer) on 1 April 2001 to a purpose created social landlord, High Matt Housing Ltd. (HMH). HMH has negotiated borrowing facilities that should leave it with sufficient resources to undertake the modernisation of its stock after paying the agreed consideration to DPC.

FINANCIAL BACKGROUND

General

- Hutland's currency is the Hutland pound. Currently, H£1 is worth £1 sterling.
- The financial year in Hutland runs from 1 April to 31 March.
- Authorities are exempt from taxation on investments and there is no VAT in Hutland.
- Other financial conditions applying Hutland's local authorities are as follows.

Central Government

- Central government assistance for General Fund services is provided through a National Support Grant (NSG).
- Central Government restricts the ability of authorities to borrow for capital purposes through a system of capital allocations.

Funds & Treasury Management

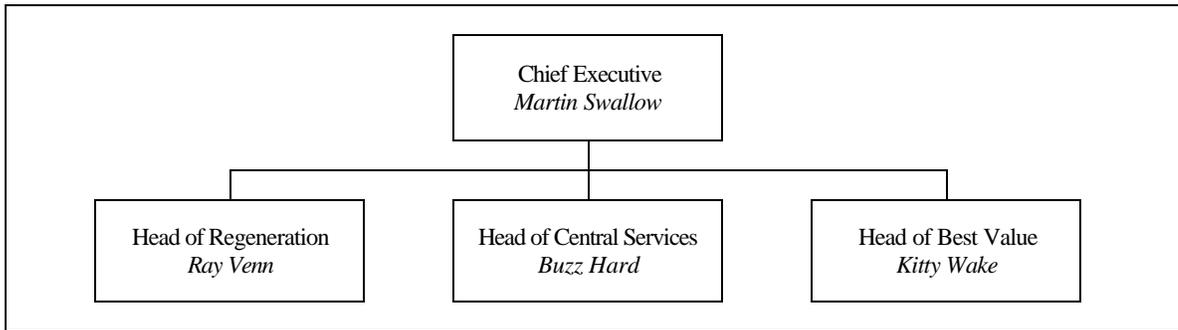
- Most revenue expenditure and income forms part of an authority's General Fund. The main exception concerns transactions relating to social housing property owned by an authority. These are accounted for within a separate Housing Fund.
- Housing Services' transactions not relating to an authority's own dwellings are dealt with within its General Fund.
- Proceeds from the disposal of property may be held in approved investments, or used either to repay debt or to finance new capital investment
- Authorities with General Fund or Housing Fund balances in hand may place them on deposit with leading banks from a list approved by the Ministry of Local Affairs (MoLA), or invest them in Hutland National Bonds.

Housing Stock Transfer

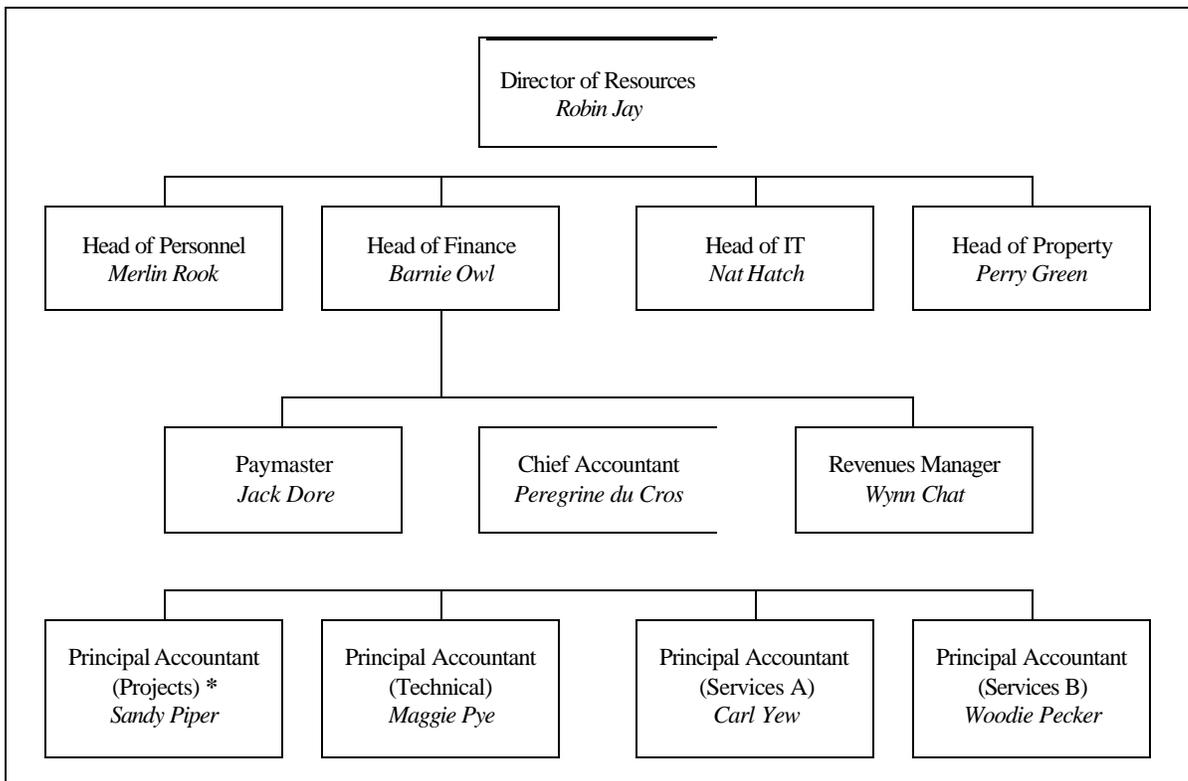
- The sale price is a matter for negotiation between the local authority transferring the housing stock and the organisation taking over the housing stock.
- Under the terms of the Social Housing Act 1998, Central Government takes a percentage (National Levy) of the sale proceeds of housing stock transfers (net of stock transfer expenses). The rate of levy is at the discretion of the Minister of Local Affairs and can be set at any point between 7½% and 12½%.
- Other issues requiring resolution include :
 - use of the Housing Fund balance;
 - existing rent arrears at the transfer date;
 - income from the future sale of transferred dwellings to tenants.
- Many of the existing tenants may also become eligible for means-tested rent reductions (Rent Benefit) once the transfer takes place. This is paid out of the General Fund, but is subject to Government grant of 90% on the amounts paid. Any additional administrative costs, however, fall completely on the General Fund.

ORGANISATIONAL STRUCTURE

Chief Executive's Department



Directorate of Resources



* You are Sandy Piper, Principal Accountant (Projects)