

## Pendulum Community Homes

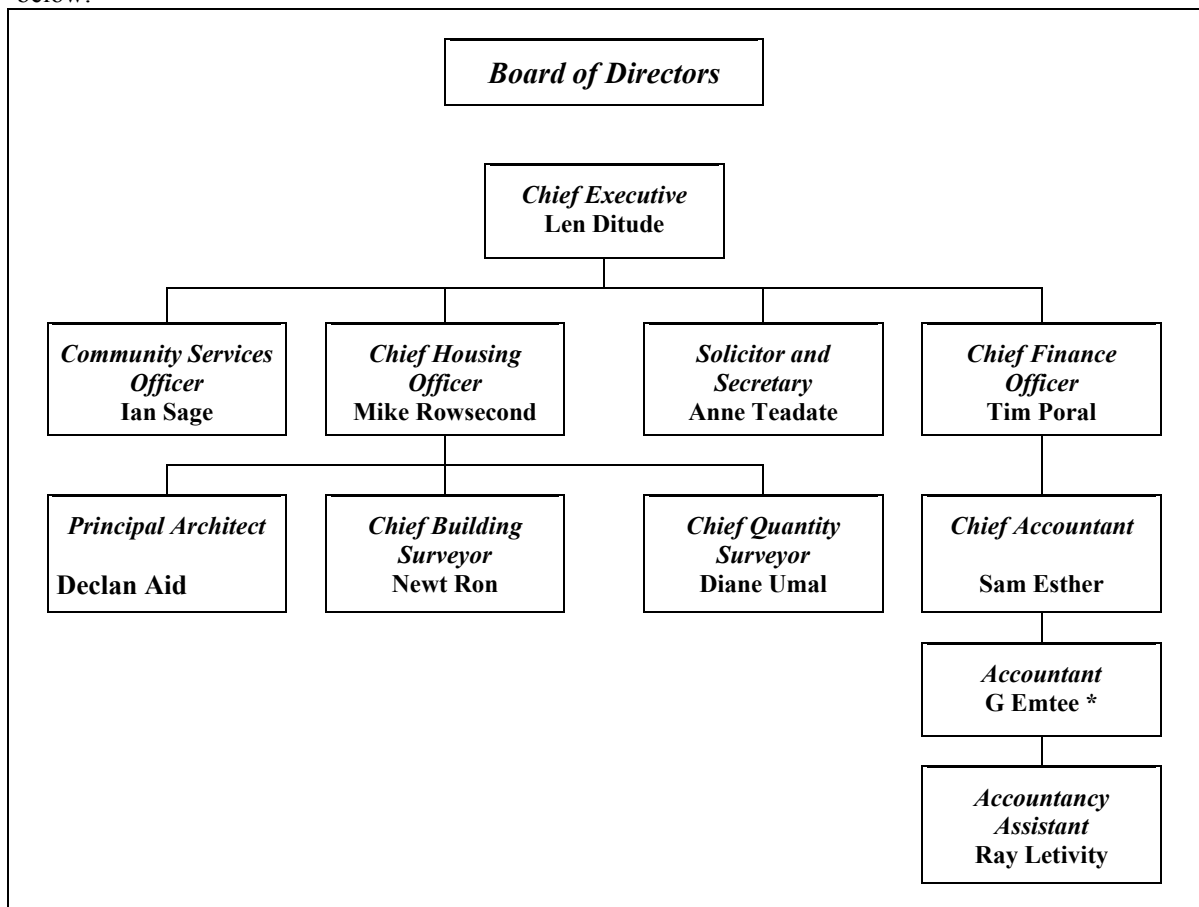
Pendulum Community Homes (PCH) is a housing association providing social housing in Pendulum, a city in the north of Chronos, a large island in the North Atlantic. Housing associations are charitable companies set up to provide affordable housing for rent and to promote the welfare of their tenants. PCH was founded ten years ago to run two former council housing estates, Owerly and Timeley. It took over another estate, Annylog, from Pendulum City Council in January 2001.

Annylog borders PCH's existing two estates and it was recognised to be in need of investment to improve the state of the housing stock, something that the Council was unable to fund. PCH will receive financial support from central government's Cities Regeneration Fund to finance part of the total cost for refurbishment of the entire Annylog estate.

PCH's main sources of income are rent from tenants and government grants. In the financial year ended 31 March 2001, it had a gross income of £7.2 million and revenue expenditure of £6.8 million. It currently has reserves of £3.9 million.

### *Management*

A Board of Directors appointed by the Minister of State for Housing runs PCH. A Chief Executive reports to the Board. Four Chief Officers report to the Chief Executive, each of whom is responsible for a different department. The management structure of the association is shown below: -



**You are G. Emtee, newly appointed accountant.**

***PCH housing stock***

PCH owns some 3,100 houses, the details of which are shown below: -

<b>Estate</b>	<b>Number of Houses</b>
Owerly	800
Timeley	1,200
Annylog	1,100

Any rent increases are spread across the three estates, with any differentials being fully explained by the different mix of property types and size across Pendulum.

The three estates share a major shopping centre and a range of health facilities. Each estate has its own community centre, maintained by PCH. There are four primary schools within the estates in addition to three secondary schools that border the area.

***External Control***

PCH is subject to inspections by the Chronos Housing Inspection and Monitoring Executive (CHIME), a central government agency reporting to the Minister of State for Housing. CHIME looks at the quality of services provided by the association and, in line with normal practice, issues an annual Spring report on the performance of the Association. This follows an annual routine inspection, usually undertaken in February. The Minister must approve capital programmes and CHIME advises the Minister to assist her decision.

***Tenants Associations***

Owerly and Timely have had their own tenants associations for many years. Tenants Associations are formed and run by residents, who elect representatives to form a Management Committee. They are intended to give the tenants a voice in decision making as well as running community events. Although independent, they are usually supported by housing associations, for example providing advice, resources and, in some circumstances, funding. The Annylog Tenants' Association (ATA) was only founded in 2000. On the Annylog estate there is a rival Independent Tenants Group, formed in 2001 by a dissident member of ATA's Management Committee who believed that the relationship between ATA and PCH was too cosy.

***Rents***

These are set by PCH, but must be approved by CHIME on behalf of the Minister of State. Rents should be sufficient to maintain the financial viability of the association but kept as low as possible to ensure that PCH's social housing provision is affordable.

***Capital Projects***

Capital expenditure by housing associations is subject to approval by the Ministry of Housing. Capital schemes must be financed from loans that are then repaid from rent income. The Minister is particularly concerned that tenants are not penalised by unnecessary loan charges and, through CHIME, takes a close interest in capital projects.

### ***Contracts***

PCH's standing orders require that competitive tenders be sought for all contracts over £50,000. Chief officers have the power to award contracts for up to £50,000, but must report these to the Board of Directors. In exceptional circumstances the Board of Directors can agree to waive standing orders and allow contracts in excess of £50,000 to be let without seeking competitive tenders.

The exceptional circumstances must be either that it is necessary in order to avoid financial loss, or that it is necessary to allow PCH to meet its objectives which could not be met if it had to go through a tendering process. Such decisions must be recorded and retrospective approval sought from the Ministry of Housing.

### ***Annylog capital project***

At the time of the transfer of Annylog, it was recognised that funding would have to be found for improvements to the houses on the estate. Following the transfer, PCH was successful in gaining approval from the Minister of State for Housing for a capital project to renovate all the houses on the estate. The total estimate for the project is £18.6 million. In view of the costs involved, the Ministry of Housing has agreed to provide £5 million of funding to reduce the amount that has to be borrowed and hence minimise the charge to tenants through higher rents. The remainder of the cost of the project will be financed by loans.

The first part of the project is the refurbishment of those houses in the worst condition, some 220 houses being affected. This will be followed by another four phases to renovate the remainder of the estate. In accordance with standing orders, tenders were sought for this work. The contract for the first phase was subsequently awarded to Epoch Builders plc at a cost of £3.52 million. Epoch began work in September 2001. Tenants are moved into rented accommodation whilst work is carried out to their homes; the work is expected to last for eight weeks per house. During this period tenants continue to pay their normal rent and PCH meets the cost of the rented accommodation.

### ***Cities Regeneration Fund***

The Cities Regeneration Fund (CRF) was set up to help to revitalise run-down local communities. It provides funding for locally run community initiative projects which have the objectives of:

- Reducing crime;
- Increasing opportunity.

The Ministry of Housing administers the Fund. Applications for funding come from local organisations and are assessed by the Ministry. Where applications are successful, funding of between 40% and 60% is usually awarded. These community initiative projects are monitored by CHIME, which carries out regular inspections. Funding is awarded on an annual basis and projects must make satisfactory progress in delivering their objectives before funding for the following year is confirmed.

One of the reasons for setting up the Fund was a belief that similar measures have failed in the past because they failed to tackle the problems in a co-ordinated way and have failed to innovate, relying on old ideas and ways of working and imposing solutions on communities. As a result,

funding is generally only awarded where the Ministry is satisfied that all organisations will be involved, that there will be co-ordination between these organisations, that they are willing to accept new ideas and are working closely with local communities to meet residents' priorities.

***General***

Chronos is not in the European Union. Its currency is the Chronos Pound, which has equal value with the Pound Sterling. There is no VAT on Chronos. The financial year for the Housing Association runs from 1 April to 31 March.

Page	Detail	Date
1	Memorandum from the Chief Executive to the Management Team re rent increases	28/02/01
2	Press Release on StreetScene project	01/03/01
3	Memorandum from the Chief Accountant to the Accountant re the Annylog Estate Phase 1 Budget	20/09/01
4-6	Memorandum from the Chief Finance Officer to the Accountant re drafting the Accounts for Annylog Tenants Association (ATA) and related financial control issues and available ATA accounting records	01/11/01
7	Letter from the Senior Partner, Timon, Tide, Wafe and Noman to the Chief Executive re receivership of Epoch Builders	05/11/01
8-10	StreetScene Steering Group – Minutes	06/11/01
11	Memorandum from the Chief Housing Officer to the Accountant re Annylog Estate - Aeon Construction and value of work completed	13/11/01
12	Summary information on Aeon Construction plc and Era Homes plc	
13-14	Letter from CHIME Inspector to the Chief Executive giving notice of an inspection visit re Cities Regeneration Fund, StreetScene Project and details of inspection criteria	14/11/01
15	Memorandum from the Chief Finance Officer to the Accountant re the Annylog Renovation Contract	15/11/01
16	Memorandum from the Secretary and Solicitor to the Accountant re Termination of Contracts	16/11/01
17	Memorandum from the Chief Executive to the Chief Finance Officer re the StreetScene Project	16/11/01
18	Memorandum from the Chief Finance Officer to the Accountant re the StreetScene Project	19/11/01
19-20	Memorandum from Accountancy Assistant to the Accountant re Annylog Tenants Association Accounting Records	20/11/01
21	Draft first year Accounts for Annylog Tenants Association	
22-23	Memorandum from the Chief Housing Officer to the Accountant re Annylog Estate Renovation Contract	21/11/01
24	Memorandum from the Accountancy Assistant to the Accountant re Telephone Messages – Annylog Estate Issues and ATA	22/11/01
25	Cities Regeneration Fund Summary – StreetScene Programme and budget, April 2001 – March 2002	
26	Memorandum from the Chief Housing Officer to the Accountant re Annylog Estate – Alternative Accommodation	23/11/01
27-28	Memorandum from Accountancy Assistant to the Accountant providing financial information on Alternative Contractors	26/11/01
29	Memorandum from the Chief Executive to the Chief Finance Officer re the Annylog Contract – Update	27/11/01



**PENDULUM COMMUNITY HOMES**  
*COMMUNITY HOMES FOR PENDULUM? – IT'S ABOUT TIME!*

**Memorandum**

**From:** Len Ditude (Chief Executive)  
**To:** All members of the Management Team  
**Date:** 28 February 2001

**Subject:** Rent Increases

CHIME has now approved our proposed rent increases for this year, which will be implemented from 1st April. These are shown in the table below, along with provisional rentals for the next five years. The figures are:

Estate	Average weekly rent						
	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	£	£	£	£	£	£	£
Owerly	39.20	40.00	41.00	42.00	43.20	44.50	46.10
Timeley	44.10	45.00	46.10	47.20	48.60	50.10	51.90
Annylog	43.60	44.50	45.60	46.70	48.10	49.50	51.30

The projected figures take into account the expected financial consequences of the on-going refurbishment of our housing stock.

Due to the timescale and complexity of the Annylog project, there is an element of uncertainty surrounding the ultimate costs of refurbishment, which could affect these planned rent levels. The Board has decided that any further rent increase due to unforeseen additional costs will be capped at a maximum increase in average weekly rents of 10 pence, with the remaining costs being paid from PCH's accumulated reserves. The Ministry of Housing would be unlikely to approve any proposal for a bigger supplementary increase than this.

Len Ditude



**PENDULUM COMMUNITY HOMES**  
*COMMUNITY HOMES FOR PENDULUM? – IT'S ABOUT TIME!*  
**Press Release**

**Date:** 1 March 2001

**Subject:** StreetScene Project

**£1.8 million for Annylog**

Pendulum Community Homes has secured up to £1.8m in government grants over five years for an estate in Pendulum. Chief Executive of Pendulum Community Homes, Mr Len Ditode, announced this morning that the Ministry of Housing had approved funding for the “StreetScene” project, designed to reduce crime and provide more opportunities for young people living on the estate.

The estate, recently transferred to PCH from Pendulum City Council, has levels of youth and young adult crime well above the national average and a high level of unemployment amongst young people. Over 35% of residents are under the age of 25.

The aim of the project is to reduce youth and young adult crime by 75% and to treble the number of youngsters gaining permanent employment over the next five years.

Partners in the project are Pendulum City Council, Parfit College of Technology, Pendulum Police Authority and Chronos Properties, who own the estate’s shopping centre. The project will involve extra educational and recreational opportunities for young people, an increased police presence on the estate, and CCTV cameras for the shopping centre.

In addition, the project will pay for a higher standard of door locks and windows in estate houses, which will be installed as part of a renovation programme scheduled to start in the autumn.

Mr Ditode, in announcing the programme said:

“We are absolutely delighted that the project has been approved. This is good news for all residents of the estate. I am sure that they will start to notice a difference very quickly.”

Note to editors

Contact Media Manager Julian Day for more information



**PENDULUM COMMUNITY HOMES**  
*COMMUNITY HOMES FOR PENDULUM? – IT'S ABOUT TIME!*

**Memorandum**

**From:** Sam Esther (Chief Accountant)  
**To:** G. Emtee (Accountant)  
**Date:** 20 September 2001  
**Subject:** Annylog Estate Phase 1 Project - Budget

The contract for this has now been let to Epoch Builders. Please ensure that the following figures are included in future budgetary control statements:

Costs of inviting tenders and awarding contract	£ 4,000
Value of contract	3,520,000
Cost of temporary accommodation	250,000
	<u>3,774,000</u>

**Contractor Details**

Contractor;	Epoch Builders, Lytham-Batterie
Number of houses included;	220
Expected start date;	1 September 2001
Actual start date;	1 September 2001
Expected date of completion;	31 March 2002

*Sam Esther*





**PENDULUM COMMUNITY HOMES**  
*COMMUNITY HOMES FOR PENDULUM? – IT'S ABOUT TIME!*

**Memorandum**

**From:** Tim Poral (Chief Finance Officer)  
**To:** G. Emtee (Accountant)  
**Date:** 1 November 2001

**Subject:** Annylog Tenants Association – Accounts and Financial Control

The Chief Executive has asked me to lend some assistance to the Association, as they are having some difficulties with their first year's accounts. The first Treasurer, Anne Watch, had a nervous breakdown in June 2001 and nobody has been available to complete the first year's accounts (although Mr. Clock has now asked a relative to try to produce some sort of draft – I don't know how much use it will be). Apparently Ms. Watch ran a catering business (OnTime Catering) as a sole trader, and could not cope when her business collapsed with substantial liabilities and she was declared bankrupt. She is facing criminal investigation into allegations of deception in relation to catering services she supplied, but I understand these are on hold because of her state of health. The accounts for the year to 30 June 2001 have not yet been produced.

Hugh Clock (the Chair) contacted her partner at his shop (Tempus Office Supplies). Her partner agreed to search their house with Mr. Clock. The records that they found are attached:

- Petty cash book entries for the cash float
- Bank statement (Mr. Clock has retained the cheque book)

Mr. Clock also found £7.09p in a biscuit tin, and this appears to be the remains of the cash float. Mr. Clock has reluctantly replaced Ms. Watch as the cheque signatory. This temporary arrangement has at least allowed the Tenants Association to start paying its bills again, but they need advice on how to institute more satisfactory permanent arrangements. Financial control seems to be a problem for the Association. I have asked for the whole issue to be included as an agenda item at the next Management Committee meeting in December. I intend to discuss the financial situation with the Chair prior to the December meeting on an informal basis. PCH would not normally get involved with the management and accounting arrangements for a tenants association (tenants associations are responsible for running themselves), but in this case we will have to provide assistance. Mr. Clock is not financially minded, and there are some lurid rumours circulating locally about Ms. Watch and her role in the Association. I therefore want you to draft a report to ATA's Management Committee incorporating the following: -

1. Brief background to PCH's involvement with ATA.
2. Properly analysed petty cash book and cash book for the year plus a bank reconciliation as at 30 June 2001.
3. A set of accounts (including a balance sheet) in a form suitable for publication, incorporating any necessary accruals and amendments. Ray Letivity will seek to clarify any further factual points as far as possible.
4. An appraisal of the performance and conduct of the former treasurer (this is critically important) and identification of any other issues arising from the accounts that ATA's Management Committee should consider.
5. Recommendations for improving financial control at ATA.

*Tim Poral*

Arnylog Tenants AssociationCash Payments Book

Date	Description	£	Bal c/f £	Comment	£	£	£	£	£	£	£	£
5-Jul-00	Float Top-up	300.00										
10-Jul-00	Caxton Printers	(215.89)	84.11	Letterheads								
15-Jul-00	Stamps	(60.00)	24.11									
20-Jul-00	Float Top-up	400.00	424.11									
27-Jul-00	Caxton Printers	(356.84)	67.27	Leaflets								
15-Aug-00	OnTime Catering	(20.00)	47.27	Refreshments								
28-Aug-00	Float Top-up	300.00	347.27									
5-Sep-00	OnTime Catering	(100.00)	247.27	Loan								
18-Sep-00	OnTime Catering	(20.00)	227.27	Refreshments								
1-Oct-00	Float Top-up	100.00	327.27									
15-Oct-00	OnTime Catering	(30.00)	297.27	Refreshments								
22-Oct-00	Chronos Telecom	(88.98)	208.29	Phone costs								
30-Oct-00	OnTime Catering	(100.00)	108.29	Loan								
15-Nov-00	OnTime Catering	(35.00)	73.29	Refreshments								
15-Nov-00	Float Top-up	500.00	573.29									
20-Nov-00	Caxton Printers	(256.62)	316.67	Leaflets								
30-Nov-00	Stamps	(33.50)	283.17									
10-Dec-00	Float Top-up	400.00	683.17									
15-Dec-00	Hours of Fun Ltd	(184.95)	498.22	Raffle prizes								
15-Dec-00	OnTime Catering	(60.00)	438.22	Christmas Cake								
18-Dec-00	OnTime Catering	(156.65)	281.57	Christmas Party Food								
18-Dec-00	St. Swithuns-in-the-Warp	(50.00)	231.57	Church Hall Hire								
24-Dec-00	OnTime Catering	(125.00)	106.57	Loan								
14-Jan-01	Float Top-up	300.00	406.57									
19-Jan-01	Chronos Telecom	(105.60)	300.97	Phone costs								
21-Jan-01	OnTime Catering	(35.00)	265.97	Refreshments								
15-Feb-01	OnTime Catering	(40.00)	225.97	Refreshments								
26-Feb-01	Stamps	(32.17)	193.80									
3-Mar-01	J. Needy	(100.00)	93.80	Loan								
15-Mar-01	OnTime Catering	(50.00)	43.80	Refreshments								
2-Apr-01	Float Top-up	300.00	343.80									
15-Apr-01	OnTime Catering	(50.00)	293.80	Refreshments								
17-May-01	OnTime Catering	(55.00)	238.80	Refreshments								
3-Jun-01	OnTime Catering	(150.00)	88.80	Loan								
10-Jun-01	J. Needy loan repayment	5.00	93.80									



## Temporal Bank plc

Account Type	A. Watch - Annylog Tenants Association Personal	Account number		24875442
		DR	CR	Bal.
		£	£	£
3-Jul-00	New Account			
3-Jul-00	Credit cheque - Ref PCH		4,500.00	4,500.00
5-Jul-00	Cashpoint	300.00		4,200.00
5-Jul-00	001001	375.00		3,825.00
20-Jul-00	Cashpoint	400.00		3,425.00
23-Jul-00	001002	150.00		3,275.00
28-Aug-00	Cashpoint	300.00		2,975.00
31-Aug-00	Credit cheque - Ref ChronProp		500.00	3,475.00
3-Sep-00	001003	2,678.00		797.00
1-Oct-00	Cashpoint	100.00		697.00
2-Oct-00	Chronos Properties DD	375.00		322.00
28-Oct-00	Cashpoint	500.00		(178.00)
3-Nov-00	Administration charge	35.00		(213.00)
22-Nov-00	Cashpoint	400.00		(613.00)
23-Nov-00	001004	104.28		(717.28)
24-Dec-00	Credit cash		103.45	(613.83)
31-Dec-00	Interest/Charges	18.96		(632.79)
2-Jan-01	Chronos Properties DD	375.00		(1,007.79)
3-Jan-01	Pendulum Community Homes		4,500.00	3,492.21
4-Jan-01	Cashpoint	300.00		3,192.21
11-Jan-01	001005	143.89		3,048.32
12-Jan-01	001006	250.00		2,798.32
12-Jan-01	001007	250.00		2,548.32
24-Jan-01	001008	220.00		2,328.32
27-Feb-01	Cashpoint	300.00		2,028.32
11-Mar-01	001009	230.00		1,798.32
31-Mar-01	Interest/Charges	9.96		1,788.36
2-Apr-01	Chronos Properties DD	375.00		1,413.36
3-Apr-01	Chronos Telecom DD	124.75		1,288.61
15-Apr-01	001010	97.52		1,191.09
20-Apr-01	Cashpoint	100.00		1,091.09
2-May-01	001011	1,000.00		91.09
15-May-01	001014	250.00		(158.91)
2-Jun-01	001016	100.00		(258.91)
9-Jun-01	Pendulum Community Homes		2,500.00	2,241.09
30-Jun-01	Interest/Charges	14.58		2,226.51
2-Jul-01	Pendulum Community Homes		4,500.00	6,726.51
2-Jul-01	Chronos Properties DD	375.00		6,351.51
3-Jul-01	Chronos Telecom DD	91.85		6,259.66
5-Jul-01	001013	500.00		5,759.66
5-Jul-01	Balance carried forward			5,759.66

Balances in brackets are overdrawn.



Mr Len Ditude,  
Chief Executive,  
Pendulum Community Homes,  
Tymastoldme House,  
Pendulum,  
Chronos.

**Timon, Tide, Wafe and Noman,  
Receivership Division,  
17 Gregorian Way,  
Pendulum,  
Chronos.**

5 November 2001

Dear Mr Ditude

### **Epoch Builders**

You will be aware that work on your Annylog Estate Phase 1 refurbishment has been suspended. I now have to inform you that Epoch Builders Limited have gone into receivership. We have been appointed as receivers. We have been actively seeking a buyer for the business as a going concern. However, the prospects for a sale in the immediate future are not good. Therefore Epoch has now ceased trading and all operations are now suspended indefinitely.

In an attempt to minimise the extra costs, disruption and delay that may arise now that Epoch has ceased trading before completing your contract, I have identified another contractor (Era Homes plc) which has agreed to take over your contract. This might obviate the need for PCH to re-tender and so will reduce any claim by you on Epoch's Insurance Bond.

In the case of the Annylog contract, Era would take over the contract and charge for the remainder of the work at a price 15% above the price of the original Epoch contract. In calculating the value of the remaining work you need to reduce the value of the original contract price by the total value certified so far (up to 19 October, I gather) by way of interim certificates, in addition to your best estimate of work in progress since that time. In return for such a smooth transition you would agree to waive any claims against Epoch, both now and in the future, arising out of the work already completed by them. This would mean 'drawing a line' under the contract in that:

1. I would make no claim in respect of retention monies or work in progress; and
2. You would not claim for any omissions/defects by Epoch and would waive your right to claim any costs from the Insurance Bond.

You are under no obligation to transfer the contract to this firm, but if you wish to investigate this further please let me know. As is usual in cases of this nature I will discuss the legal details of the treatment of the retention monies and work in progress with your Secretary and Solicitor in due course.

When considering your decision it may be worth bearing in mind that, should you choose a company other than Era, in view of the size of Epoch's debts, I think that it is unlikely that there will be any monies left to settle any claims for additional costs over and above the value of the Insurance Bond.

Tim - I think perhaps your new accountant might be a good person to look into whether this is the best option - or should we get back to the runners-up in the tendering exercise (Aeon Construction, I think)? I will get Mike Rowsecond to sound them out. Regards, Len

**Yours sincerely,**  
*Mark Entwine*

**Senior Partner**

**cc Tim Poral (Chief Finance Officer)**

**Minutes of meeting – 6 November 2001  
StreetScene Steering Committee**

**1. Officers Present**

Ian Sage (Community Services Officer, Pendulum Community Homes, Chair),  
Sylvie Jubilee (Community Education Officer, Pendulum City Council),  
Sgt. Syd Erreal (Community Police Co-ordinator, Pendulum Police)  
Ian Deansummer (Deputy Shopping Centre Manager, Chronos Properties)  
Hugh and Kate Clock (Annylog Tenants Association)

**2. Apologies for Absence**

Anne T. Diluvian (Course Co-ordinator, Parfit College of Technology)

**3. Minutes of the Meeting – 8 August 2001**

The minutes of the above meeting were agreed.

**4. Annylog Tenants Association**

IS reminded officers that at the last meeting they had decided to adopt the Association as a partner and agreed to invite representatives from the Annylog Tenants Association to future meetings. He extended a warm welcome to Hugh and Kate Clock, representing the Association.

**5. Pendulum Community Homes**

IS stated that the windows and locks were being fitted as properties were renovated. The play area had been delayed, but he hoped that work would start soon. At present the officers concerned were giving a higher priority to the situation with Epoch, the renovation contractor who had gone into receivership.

**6. Pendulum City Council**

SJ reported that the Education Department was concerned at the amount of resources going into Annylog and she was under pressure to move community workers off the estate and into other areas. ID commented that this was disappointing, as many of his contacts on the estate had commented on the positive effect that the community workers were having. IS said that he would ask his Chief Executive to write to the Director of Education at the Council asking him to reconsider this situation. SJ agreed that this would be helpful as she was having difficulty getting anyone to support the project.

It was noted that there had been no work done in respect of street lighting. SJ had invited the street lighting engineer to attend the meeting but had received no response.

**7. Parfit College of Technology**

In the absence of Mrs Diluvian for the third consecutive meeting there was no discussion of this aspect of the project.

## **8. Pendulum Police**

SE reported that Youth and Young Adult crime had come down in Annylog since the introduction of StreetScene and asked if any figures were available on whether employment amongst young people had increased. Nobody had any information on this. IS stated that he had assumed that data was being collected by those responsible for individual parts of the project and was disappointed that this was not being done. ID commented that the project was meant to be a co-ordinated effort and that if it were treated as a series of unrelated items it would be difficult to get funding for the following year.

KC said that the additional foot patrols were not effective in that residents had been encouraged to report problems to the community liaison officers, but the foot patrols were not being informed and were not altering their routes to cover areas where problems had been reported. SJ commented that community workers were concerned that foot patrols showed no interest in talking to them and were unwilling to accept that they might be able to defuse situations involving young people. SE acknowledged these problems and said that one reason was that the local station, which supplies the patrols, is under pressure to devote resources to other urgent priorities.

## **9. Chronos Properties**

ID reported that CCTV cameras have been ordered and a room has been set aside in the shopping centre for the location of the monitoring and recording equipment. However, he was concerned that no arrangements had been made in respect of how the cameras would be used. For example, who would be responsible for making sure that the cameras were working and for changing the tapes? Another question was that of who would have access to the tapes. HC commented that this was a matter of concern to residents who did not want to be spied upon.

ID had omitted to mention at the previous meeting that a second cheque to the value of £500 had been passed to the Treasurer of the Annylog Tenants Association on 1 June. A letter of thanks had been received from ATA's Treasurer. HC was unaware of this, but said that ATA was very pleased to take the cheque, which would help enormously to keep ATA solvent.

## **10. Financial Matters**

Nobody had anything to report. IS reminded all partners that they should all be keeping a record of spending and that the funding is cash limited, which means that if one part of the project overspends another part will have to be cut. SJ asked when the Cities Regeneration Fund grants would be received. IS said that he was not sure and would check. He added that they might need to supply information for a grant claim. SE expressed surprise and said that he had not been made aware of this and was not sure that the information would be available, at least not at short notice. HC commented that raffles were a good way to increase income. HC and KC had helped to count ATA's Christmas party raffle proceeds and was very pleased that they had amounted to £173.45p, which makes a big difference to an organisation like ATA. KC had confirmed the amount, which she had written down in her diary at the time.

**11. Any Other Business**

HC expressed concern that StreetScene did nothing to help older residents. Virtually all of the members of the Association were over fifty and they felt that they were being ignored by this project. IS said that the project was mainly about young people as they caused most of the criminal activity on the estate and that by focussing on them and reducing levels of crime the project would ultimately be of benefit to the whole community. SJ suggested that her community workers were looking at organising activities that would involve young people providing assistance to elderly residents, for example help with looking after their gardens and organising a Christmas party for older residents. KC said that they noted this, but had seen no evidence as this yet and were disappointed that IS appeared to have ignored their concerns.

At this point the Clocks announced that they had to leave as they were attending their grandson's birthday party.

After they had left IS expressed disappointment that the Clocks were going back tonight unhappy with StreetScene. He would be seeking an early meeting with the Management Committee of the Association to try and find a way of involving them in a more positive manner. SE suggested that they be invited to put forward ideas for ways of helping older residents. SJ commented that the Association did not represent the views of all residents and suggested that some young people might be invited to the Steering Committee. IS agreed to consider this.

ID said that notwithstanding this, the Clocks did a lot of work in the community and he intended to put the Clocks forward for the Pendulum Chamber of Commerce Community Award sometime in March next year. All agreed that this would be a good idea.

**12. Date of Next Meeting**

10.30 am, in the Pendulum Police Headquarters – a February 2002 date to be agreed and circulated



**PENDULUM COMMUNITY HOMES**  
*COMMUNITY HOMES FOR PENDULUM? – IT'S ABOUT TIME!*

**Memorandum**

**From:** Mike Rowsecond (Chief Housing Officer)  
**To:** G. Emtee (Accountant)  
**Date:** 13 November 2001

**Subject:** Annylog Estate - Aeon Construction and Value of Work Completed

We have now received details from Aeon Construction of their proposals for taking over the Annylog contract. Their proposals include the following points that are relevant to your exercise:

- Contract price £2,830,637
- Price of correcting omissions by Epoch £150,000

Aeon have also confirmed that they can be on site in four weeks time. This is similar to Era's proposals, as is their completion date of the end of August 2002. One difference is that Era propose to take twelve weeks to complete each house, whereas Aeon only require eight weeks per house.

From a professional point of view, I do not see any great difference between Aeon and Era, except that Era obviously have more experience in this work than Aeon and this could have some impact on their ability to complete the contract to our satisfaction. However, I am meeting with representatives of both and until I have done so this must remain a provisional judgement. I attach a note containing some general information about both companies.

The valuation of work up to Epoch suspending operations is shown below:

<u>Valuations to 19 October 2001</u>	
Total value of work completed;	£848,394
Total value of payments in respect of work completed:	£814,605
Retentions;	£33,789
<u>Work In Progress (19 October to date)</u>	
Estimated Total Value;	£220,000

Note that the estimated £220,000 of work in progress completed since the last valuation on 19 October 2001 is not included in the £848,394.

At the time that Epoch went into receivership there were a number of problems with the completed houses and Epoch had agreed to come back and fix these omissions at their own expense. They have not done so to date and as they have ceased trading PCH will have to make alternative arrangements for this work to be undertaken by another contractor at PCH's expense. I estimate that the cost of correcting these omissions should be approximately £140,000, but we will have to await other competitive quotations.

*Mike*



**Summary information on Aeon Construction plc and Era Homes plc**

**Aeon Construction plc**

Founded in 1989

Turnover has trebled in past three years

Workforce of 150

Specialises in housing

Public sector housing is seen as a long-term growth area

Just awarded largest ever single contract: £1.3m, forty five new houses for 24:7 Housing Association

Average size of contract in 2000 was £550,000

**Era Homes plc**

Long established house-builder

Extensive experience as a sub-contractor to Epoch

Anticipates a doubling of turnover in next three years

In the past ten years over 15 contracts have been for more than £3m each

*Mike Rowson*

**Chief Housing Officer**



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**CHRONOS HOUSING INSPECTION AND MONITORING EXECUTIVE**  
***SECOND TO NONE***

Mr L Ditude  
Chief Executive  
Pendulum Community Homes.  
Tymastoldme House (North Annexe)  
Pendulum,  
Chronos.

14 November 2001

Dear Mr Ditude,

**Cities Regeneration Fund, StreetScene Project**  
**Notification of Inspection Visit**

I write to inform you the above mentioned project is to be the subject of a CHIME inspection in January 2002.

In view of the failure to submit any claims against funds allocated to this project, the inspection will focus on the management of the project. Inspectors will assess your performance in respect of the Management and Control items in the Criteria for Approval of Cities Regeneration Fund Programmes (Section 1 of the Criteria). I attach a copy of the criteria for your information.

As you know, funding for next year is dependent upon satisfactory performance in the current year. If performance is unsatisfactory funding may still be approved, but only if the inspectors are satisfied that action has been taken, or will be taken, to address problems. Where a project is basically sound, but is being badly managed and no improvement is likely, the Minister will not hesitate to intervene and transfer management to a more competent organisation.

Accordingly, you may wish to perform your own assessment of how well you think that the project is progressing, and consider how you can resolve any problems.

I will contact you next month so that we can arrange a mutually convenient time for the inspection.

Tom Morrow  
**CHIME Inspector**



## CHRONOS HOUSING INSPECTION AND MONITORING EXECUTIVE *SECOND TO NONE*

### Criteria for Approval of Cities Regeneration Fund Programmes

#### Section 1: Management and Control

- **Residents** have been widely consulted and their concerns and priorities have been taken into account;
- **Residents** are involved in the management of the project;
- **Residents** involved in the management of the project are representative of the residents as a whole;
  
- **Involved** organisations must recognise the need to co-ordinate their work;
- **Involvement** means that, where necessary, delegated authority must be made at all levels of the organisation to allow the project to be effectively managed, planned and co-ordinated;
- **Involvement** acknowledges the need to consider changing the way in which services are provided - joined up solutions may involve radical ideas;
  
- **Management** must have made a firm commitment to the project at the highest level;
- **Management** arrangements must be adequate for the project;
- **Managers** must be aware of their responsibilities;
  
- **Measurement** includes sufficient funding being available for the requirements of the project, particularly where elements of the project will require funding over several financial years;
- **Measurement** assumes appropriate financial controls are in place to ensure that all expenditure can be properly accounted for and that proper budgetary control is maintained ; and
- **Measurement** must ensure that proper controls are in place to monitor, and report on agreed outputs.



**PENDULUM COMMUNITY HOMES**  
*COMMUNITY HOMES FOR PENDULUM? – IT'S ABOUT TIME!*

**Memorandum**

**From:** Tim Poral (Chief Finance Officer)  
**To:** G. Emtee (Accountant)  
**Date:** 15 November 2001

**Subject:** Annylog Renovation Contract

You will have seen a copy of the receiver's letter of 5 November, indicating that Epoch has ceased trading. Two options were originally identified:

- Transferring the contract to Aeon Construction plc
- Transferring the contract to Era Homes plc

A further option is to separate the work into smaller contracts according to the nature of the work and to let these to different contractors. Mike Rowsecond is looking at this and will contact you next week when he has some proposals; the advantage of this is that it might get some of the more urgent work completed sooner than retendering for a single contract.

Our priorities must be to assess the options quickly and competently and make a choice that will allow the situation to be resolved in the shortest time, and without incurring undue expense. The Board of Directors meets on 3 December and they will want a clear statement of the options that are available and will wish to see some assessment of these options. Mike Rowsecond and I have discussed this and I have agreed to write the report for the Board. I want you to draft it. Mike may already have spoken to you on the detailed proposals from Aeon Construction plc.

The report should cover the following: -

- Background to the situation and the consequences for PCH of Epoch ceasing to trade;
- Identification of the options for completion of the Phase 1 contract and an estimate of the additional costs involved;
- Discussion of the relative merits of the available options in terms of financial implications, quality, minimisation of delay and disruption and any other relevant non-financial consideration;
- Appraisal of the relative financial standing of the two main potential contractors;
- A comment on the reliability of the financial appraisal and the degree of risk associated with each option;
- Recommended option.

The financial assessment of Aeon and Era is particularly important given that we awarded the original contract to Epoch when they were only a few weeks away from going into receivership. Please ensure that your report includes a ratio analysis, along with any other relevant analysis. Please discuss the meaning of the ratio analysis and how much reliance can be placed on it.

The importance of our decision should not be underestimated. The current situation has put PCH under enormous pressure. Tenants are concerned about their homes, especially those in temporary accommodation or those with defects in renovated houses. This has led to a lot of media interest and most of the coverage is unfavourable. CHIME is due to begin the routine inspection in February and will ask what checks we made on Epoch. Their report is bound to be critical of PCH and I am anxious that we do not make things worse by what we do over the next few weeks.

*Tim Poral*



**PENDULUM COMMUNITY HOMES**  
*COMMUNITY HOMES FOR PENDULUM? – IT'S ABOUT TIME!*  
**Memorandum**

**From:** Anne Teadate (Secretary and Solicitor)  
**To:** G. Emtee (Accountant)  
**Date:** 16 November 2001

**Subject:** Termination of Contracts

You asked for some information about the legal position in respect of Epoch.

Under Chronos contract law, now that Epoch has gone into receivership we can terminate the contract with them if we wish.

To give a degree of financial comfort against the circumstances of a large contractor ceasing to trade, our standing orders specify that any successful bidder must deposit an Insurance Bond with the Chronos Bondsman. The Epoch Builders Insurance Bond for the Annylog Estate contract is for £250,000, the standard amount for a contract valued at more than £2.5 million but less than £5.0 million.

The bond is intended to cover any additional costs, including consequential loss, arising out of a failure on the part of the contractor. Additional items might typically include the costs of correcting omissions, consequential costs of delay and those associated with any necessary re-tendering activity. In my experience the Bondsman will only release any money when it is clear that the costs incurred are genuinely extra costs, and that they are reasonable. However, it is clear that the additional costs in terms of contract price and consequential loss will exceed £250,000 for the Epoch contract whatever option is chosen. You may therefore assume that the Bondsman will release the bond in full to us.

I also confirm that if PCH accepts the proposal for the Epoch contract to be completed by Era Homes plc, this would be regarded as a continuation of the existing contract and no retendering exercise would be required. The insurance bond would still be receivable by PCH under this option. The receiver has conceded defeat in his attempts to dissuade us from drawing on the insurance bond if Era take over the existing contract, as I reminded him of the extra costs we will incur as a result of Era completing the Epoch contract. He now accepts that the bond exists to mitigate our losses in such circumstances.

Moving on to the issue of retention monies and work in progress that are attributable to Epoch Builders, I have spoken to the Receiver this morning. He has given me an assurance that because of the state of Epoch's finances, he will not pursue any amounts we still hold for retentions or the value of work in progress. He concedes that it is reasonable for us to use them to defray the significant additional costs of progressing the Annylog refurbishment. However, the poor state of Epoch's finances implies that there is little prospect of any further compensation for Epoch's defective work so far.

*Anne Teadate*



**PENDULUM COMMUNITY HOMES**  
*COMMUNITY HOMES FOR PENDULUM? – IT'S ABOUT TIME!*

**Memorandum**

**From:** Len Ditude (Chief Executive)  
**To:** Tim Poral (Chief Finance Officer)  
**Date:** 16 November 2001

**Subject:** StreetScene Project

You will have seen a copy of a letter from CHIME notifying me of an inspection of the StreetScene project, to take place in January. This is a most unwelcome distraction, given the Epoch situation and the separate routine inspection of PCH itself in February.

I haven't really had time to take much interest in StreetScene since it was approved, and I assumed that it was progressing satisfactorily as I heard nothing from Ian Sage, whom I asked to oversee our end of the project. I have just spoken to Ian who gave a very vague summary of the situation and indicated some problems with some of the partners. When I asked about how much we had spent he said that he assumed that you were dealing with this!

Ian is concerned that the inspection will divert his attention away from his other work, at a time when he is extremely busy dealing with the problems of tenants on Annylog. In view of this I have decided that responsibility for StreetScene should pass to you.

I would like you to brief me on where we are with StreetScene and any ideas that you have for improving the management of the project. Please have your briefing ready for the next Senior Management Team meeting on 30 November.

Regards,

Len



**PENDULUM COMMUNITY HOMES**  
*COMMUNITY HOMES FOR PENDULUM? – IT'S ABOUT TIME!*

**Memorandum**

**From:** Tim Poral (Chief Finance Officer)  
**To:** G. Emtee (Accountant)  
**Date:** 19 November 2001

**Subject:** StreetScene Project

Following the Chief Executive's memo of 16 November I am now responsible for the StreetScene project. I need to brief him before the next Senior Management Team meeting and I would like you to draft a note that I can send to him in advance, setting out:

- Brief background to the project and PCH's role within it;
- The current state of progress with the project;
- Problems with the management and control of the project;
- Suggestions as to how these management and control problems might be resolved.

Include in this any areas where you think that problems might arise in the future. Effective multi-agency partnerships working with communities to deliver measurable benefits are seen as the way forward by the government. However, getting them working really effectively seems to be a constant problem. So please pay special attention to how the activities of the different agencies in StreetScene can be co-ordinated better and how the requirement for community involvement can be met successfully. You may need to consider general financial control issues, but I do not want you to spend time drawing up detailed financial control guidelines. I believe you are doing so in the context of Annylog Tenants Association already, and if necessary, such detailed guidance could be adapted for StreetScene as a separate exercise.

You will have seen the letter from CHIME dated 14 November 2001. It refers to the fact that no grant claim or budget report has been submitted to date, despite the requirement to submit these quarterly. Ian Sage has confirmed that he thought that we were doing this, although this was never discussed with either Sam Esther or myself. I suppose that Ian thought that we would come along every so often and ask if there were any grant claims to be done!

Subsequent to this, I spoke to the Ministry, who suggested that we submit a composite claim in January (covering April to December), when we would normally submit the October to December claim. This gives us more breathing space to process the claim in December. Please give priority to the briefing note as it sounds as though we have some serious management problems. We need to improve matters urgently before the inspectors arrive. At some stage you will need to get information from the partner organisations on their expenditure to date, but this can wait until we have sorted out the management and control problems.

I am sure that you will realise the importance of this StreetScene inspection and the potentially serious consequences if we fail to get it right.

Tim Poral



**PENDULUM COMMUNITY HOMES**  
*COMMUNITY HOMES FOR PENDULUM? – IT'S ABOUT TIME!*

**Memorandum**

**From:** Ray Letivity (Accountancy Assistant)  
**To:** G. Emtee (Accountant)  
**Date:** 20 November 2001

**Subject:** Annylog Tenants Association accounting records

I have been to see Hugh Clock about ATA's accounts. He is very unsure about financial matters, and seemed relieved that somebody else is going to take responsibility for ATA's accounts. He has been as helpful as he could, and has provided explanations if at all possible. He even asked his niece (who works as a purchase ledger clerk for Chronos Telecom) to produce a draft set of accounts (attached). There was a small difference of about £21, but he does not see this is significant and thinks that it must represent some expenses for which the supporting documents have been lost. His niece has based her figures on a petty cash book and items appearing on the Association's bank statement (you had copies of these previously) plus the Treasurer's annual budget.

It is just as well that PCH made the £2,500 interest free loan to ATA in June (repayable in five equal annual instalments commencing in June 2002). This helped to keep ATA afloat. ATA went overdrawn again in June even though Ms. Watch did not pass on the honorarium cheques for the Chair and Secretary (Alison Timepiece), nor the round sum expense allowance for the Chair. They were passed on three weeks later when Ms. Watch's partner found them along with the cheque book. The Treasurer did bank her own cheques before she suddenly resigned in June. Apparently, she went so suddenly that ATA had to use an alternative supplier to her company for the refreshments for the June Management Committee meeting at one day's notice!

I have recorded the details off the cheque stubs for you.

	<u>Date</u>	<u>Pavee</u>	<u>£</u>	
001001	03-Jul-00	Chronos Properties	375.00	Office rent
001002	20-Jul-00	Tempus Office Supplies	150.00	Office consumables
001003	31-Aug-00	Tempus Office Supplies	2,678.00	Computer
001004	19-Nov-00	Tempus Office Supplies	104.28	Office consumables
001005	08-Jan-01	Tempus Office Supplies	143.89	Office consumables
001006	09-Jan-01	A. Watch	250.00	Round sum expense allowance
001007	09-Jan-01	H. Clock	250.00	Round sum expense allowance
001008	20-Jan-01	Tempus Office Supplies	220.00	Computer consumables
001009	08-Mar-01	Tempus Office Supplies	230.00	Computer consumables
001010	12-Apr-01	Tempus Office Supplies	97.52	Office consumables
001011	30-Apr-01	A. Watch	1,000.00	Honorarium
001012	30-Apr-01	H. Clock	1,000.00	Honorarium
001013	30-Apr-01	A. Timepiece	500.00	Honorarium
001014	12-May-01	A. Watch	250.00	Round sum expense allowance
001015	12-May-01	H. Clock	250.00	Round sum expense allowance
001016	31-May-01	J. Needy	100.00	Loan



There are two printing invoices for a total of £126.89 that related to June but were not paid until September (by cheque). A bill for refreshments for the June Management Committee meeting for £14.16p was not paid to the new caterer (New Century Catering) until July. A cheque had to be used because the cash float was not available, being in the biscuit tin at Ms. Watch's house. Office consumables include £87.80p in respect of computer disks.

Rather mysteriously, there was a £500.00 cheque from Chronos Properties in the biscuit tin. It was made out to the correct account – “A Watch - Annylog Tenants Association”, but the “Annylog Tenants Association” element had been crossed out and initialled. The cheque had obviously been to a bank, but had “Refused – Defaced” stamped on it. Mr. Clock is going to ask Chronos Properties why they sent out a defective cheque and ask for a replacement. I agreed with him that it seemed rather unprofessional for a company of their size to make such a careless mistake.

Mr. Clock informs me that the computer is expected to have a five year useful life.

I asked him about loans. The Management Committee agreed to make small interest-free hardship loans to Annylog tenants in exceptional cases, but he thought that they were supposed to be agreed individually in advance by the full Management Committee. The maximum amount that can be loaned to any individual debtor is £100.00. Loans are to be repaid at the rate of £5.00 per week by the debtor. There was no reference to this in any of the Management Committee minutes. The minutes seem to be very skeletal and not very informative. There does not appear to be any system for keeping track of loans – certainly Mr. Clock does not know of any such system. This is another of the jobs he was happy to leave to Ms. Watch. I know that Mr. Clock feels that Ms. Watch's departure represents a great loss to ATA and regrets it very much. Apparently Ms. Watch made herself available to answer the phone on most weekdays, and ATA was happy to let her make the odd urgent phone call for her business on the ATA phone. Since she resigned, callers have had to get used to leaving a message on the voice mail. Mr Clock thinks that had Ms. Watch been able to stay on, she would probably have kept appropriate records of loans at ATA's office base.

One or two other bits and pieces that may be useful to you. The office rent is payable to Chronos Properties quarterly in advance (the rent must be paid during the first week of the quarter to which it relates). To save administration, ATA now has a direct debit arrangement with Chronos Telecom in respect of the phone bill. Chronos Telecom raises its bills based on calendar quarters, and the relevant direct debit is deducted from ATA's current account during the first week of the following quarter.

Mr. Clock contacted the bank, which confirmed that ATA is allowed an overdraft of £1,000.00. This arrangement is valid until 31 December 2001. Thereafter it will have to be renewed. Interest is charged at 9% above bank base rate.

Two loans have been made to a J. Needy. There are no records of the identity or address of this debtor. Only one £5.00 repayment has been recorded, but Mr. Clock is unable to contact him/her to ask why no further repayments have been made. Only one hardship loan should be made to an individual debtor, and this should be repaid at £5.00 per week.

I am not sure how much use this is to you, but it is the best that we can do.

*Ray Selivity*

## Annylog Tenants Association

**Profit and Loss Account at 30 June 2001**

	Actual	Budget
	£	£
<b>Income</b>		
Grant from PCH	11,500.00	9,000.00
Grant from Chronos Properties	500.00	500.00
Raffle	103.45	0.00
	<u>12,103.45</u>	<u>9,500.00</u>
<b>Expenditure</b>		
Office rent	1,500.00	2,000.00
Printing	829.35	700.00
Postage	125.67	100.00
Telephone	411.18	100.00
Office consumables	495.69	300.00
Computer	2,678.00	2,500.00
Computer consumables	450.00	450.00
Honoraria	1,000.00	2,500.00
Expenses of office holders	750.00	1,000.00
Bank charges	65.07	0.00
Refreshments	335.00	250.00
Hire of hall	50.00	50.00
Christmas party	401.60	450.00
Loans	670.00	200.00
Other	21.58	0.00
	<u>9,783.14</u>	<u>10,600.00</u>
Net Surplus/( Deficit)	<u>2,320.31</u>	<u>( 1,100.00)</u>

**Balance Sheet at 30 June 2001**

<b>Funds</b>	£
Cash at Bank	2,226.51
Cash Float	93.80
	<u>2,320.31</u>
<b>Surplus carried forward</b>	<u>2,320.31</u>

Prepared by Carrie Clock



**PENDULUM COMMUNITY HOMES**  
*COMMUNITY HOMES FOR PENDULUM? – IT'S ABOUT TIME!*

**Memorandum**

**From:** Mike Rowsecond (Chief Housing Officer)  
**To:** G. Emtee (Accountant)  
**Date:** 21 November 2001

**Subject:** Annylog Estate Renovation Contract

I write to let you know the outcome of a meeting with Declan Aid (Principal Architect) at which we discussed the options for the above. Our feeling is that, in addition to considering the Era and Aeon options, we should also consider splitting the work into three distinct sections and treating each section differently. The advantage compared to a single contract is time. By having three separate arrangements we could have contractors working on the most urgent jobs much more quickly.

The three sections are described in more detail below: -

**1. Omissions**

These could be handled by small local builders, who could be engaged by negotiation (the five contracts would each have a value of between £30,000 and £40,000) without having to go out to tender and who would be able to undertake the small scale tasks involved. They could start almost immediately. This is an important consideration, bearing in mind that tenants have to live with the problems caused by these omissions. I estimate that dealing with these problems in this way would add at least £20,000 to my previous estimate of the cost of this work, leading to a total cost of around £160,000.

**2. Partly completed houses**

A medium sized contractor could complete this work, and I had hoped without the need to invite tenders. I have spoken to Anne Teadate who has advised me that in her opinion this would be stretching the £50,000 upper limit on Standing Orders just a bit too far to justify on the basis of exceptional circumstances. In any case it does not appear that we could get the Ministry of Housing's official blessing in sufficient time to really reap the benefit of this.

By using some of the rates used in the initial contract, I estimate that the cost of works still to be completed in these houses is approximately £260,000. Using a medium sized contractor the cost would probably increase to at least £285,000 due to fewer economies of scale. I would not expect to have a contractor on site as quickly as with the omissions, but probably a contractor could be on site in four to five weeks.

**3. Remaining houses**

The best way to deal with these would almost certainly be to re-tender. In this case, my best guess is that the new contract for the houses not yet started would cost at least 20% more than the cost of the same work under the Epoch contract, mainly because the contract would be smaller. By same work I mean contract price, less certified payments and work in progress (work performed subsequent to last valuation) less value of work outstanding on partially completed houses. I would expect that it would take four months to get the new contractor on site.

**Full re-tender**

After a discussion with the Chief Executive this option has been discounted due to the unacceptable delays that this would entail.

**Conclusion**

The Chief Executive is not comfortable with my ideas for splitting the contract to complete the partially completed homes separately from the ones that have not been started. This seems a creative solution that might just save time and money if it works.

*Mike Rowsecond*



**PENDULUM COMMUNITY HOMES**  
*COMMUNITY HOMES FOR PENDULUM? – IT'S ABOUT TIME!*

**Memorandum**

**From:** Ray Letivity (Accountancy Assistant)  
**To:** G. Emtee (Accountant)  
**Date:** 22 November 2001  
**Subject:** Telephone Messages – Annylog Estate Issues and ATA

A Mr. Mark Entime called from Timon, Tide, Wafe and Noman. He said that Era Homes would undertake the omissions work on the Annylog estate at a cost of £145,000.

Anne Teadate rang, responding to a telephone request from Tim Poral, asking for an estimate of the amount of work involved in re-tendering for the Annylog Estate contract, should that eventuality arise. Aeon could be selected without the need to retender as they were second lowest bidders. Her estimate is that the additional cost involved in retendering for the partly completed houses contract and the remaining houses contract would be £4,000 each.

I also got a call from Mr. Clock. Apparently ATA has been inspected by the Chronos National Revenue service. They have issued a penalty notice because ATA have been failing to apply TAYE (Tax As You Earn). The honorarium and round sum expense payments for the year ended 30 June 2001 should have been subject to Income Tax and Social Insurance. Mr. Clock is particularly upset about the expense allowances, but the National Revenue took the view that the payments were excessive and constitute taxable income. Expense allowances are only tax free if they represent reimbursement of actual expenses supported by proper vouchers.

As a result, ATA now has to stand the cost of the tax that ought to have been deducted from the payments made to the officers of ATA. ATA is now also responsible for the employees' Social Insurance contributions plus the employer's contributions that would have been payable anyway. However, these amounts due are doubled as a penalty, and interest is charged on the lot at bank rate plus 5%! In total ATA is going to have to pay £1,078.00. The employer's Social Insurance costs should have been £126.92. Ms. Watch is bankrupt, and both Mr. Clock and Mrs. Timepiece say that they cannot afford to contribute anything as they have already spent the payments made to them gross and it's all Ms. Watch's fault anyway.

I also attach for your attention a copy of the StreetScene summary for 2001/02.

*Ray*

## Cities Regeneration Fund Summary

<b>Title</b>	StreetScene
<b>Location</b>	Annylog Estate, Pendulum
<b>Key Objectives</b>	Reduce Youth and Young Adult Crime Increase Youth and Young Adult Opportunity
<b>Lead Organisation</b>	Pendulum Community Homes
<b>Project Manager</b>	Leonard Ditude, Chief Executive, Pendulum Community Homes
<b>Other Partners</b>	Pendulum City Council, Parfit College of Technology, Pendulum Police, Chronos Properties, Annylog Tenants Association

### Programme and budget, April 2001 – March 2002

Partner	Reduce Youth and Young Adult Crime	Increase Youth and Young Adult Opportunity	Total Funding	
	Activity and cost	Activity and cost		£
Pendulum Community Homes	Improve locks and windows on housing stock £150,000	Safe Play Area £70,000	Cost	220,000
			Grant	125,000
			Net	95,000
Pendulum City Council	Improved coverage and maintenance of street lighting £55,000	Increased attendance of Youth Workers at ATA premises £90,000	Cost	145,000
			Grant	75,000
			Net	70,000
Parfit College of Technology	Recreational courses for young people £30,000	Skills Training £100,000	Cost	130,000
			Grant	60,000
			Net	70,000
Pendulum Police	Additional foot patrols £120,000	Increased community liaison provision £60,000	Cost	180,000
			Grant	90,000
			Net	90,000
Chronos Properties	Installation and maintenance of CCTV cameras £50,000	Financial assistance to the Annylog Tenants Association £1,000	Cost	51,000
			Grant	25,500
			Net	25,500
			Total Cost	726,000
			Total Grant	375,500
			Net	350,500



**PENDULUM COMMUNITY HOMES**  
*COMMUNITY HOMES FOR PENDULUM? – IT'S ABOUT TIME!*

**Memorandum**

**From:** Mike Rowsecond (Chief Housing Officer)  
**To:** G. Emtee (Accountant)  
**Date:** 23 November 2001

**Subject:** Annylog Estate - Alternative Accommodation

Something that you may wish to consider in your report on the Epoch situation.

You may be aware that we have arranged alternative accommodation for tenants whilst their homes are being renovated. Arrangements were made on the basis of the timetable for renovation in the original plan for Phase 1. Now that Epoch has ceased trading the timetable will have to be revised. This will lead to substantially higher costs for temporary accommodation.

I have estimated these costs for the different options that are available and these are summarised below:

<b>Option</b>	<b>Extra Cost</b>
	<b>£k</b>
Aeon Construction plc	181
Era Homes plc	249
Split contracts	195

Era is more expensive than Aeon because Era would take longer to complete each house, requiring a significant amount of extra accommodation.

One other consideration is the impact on voids. We would expect that the number of empty houses would increase, as the renovation work will discourage prospective tenants from moving to Annylog. At the same time, existing tenants who are thinking of moving, for example those who are planning to buy a house elsewhere, are likely to speed up their plans and avoid the disruption involved in the renovations.

Obviously this means that we are likely to see an increase in vacancies, and at the same time a decrease in demand, thus increasing the number of empty properties. I cannot quantify any effects, but the longer the delay, and the more disruption caused when renovation finally restarts, the more voids that we will have. Increased voids means reduced rental income. In the longer term, there is also a risk that if we mishandle this situation we will find that it is harder to encourage prospective tenants to move onto any of our estates.

*Mike Rowsecond*



**PENDULUM COMMUNITY HOMES**  
*COMMUNITY HOMES FOR PENDULUM? – IT'S ABOUT TIME!*

**Memorandum**

**From:** Ray Letivity (Accountancy Assistant)  
**To:** G. Emtee (Accountant)  
**Date:** 26 November 2001

**Subject:** Alternative Contractors

The spreadsheet with this memo shows the last two years accounts for Aeon Construction plc and Era Homes plc. I have also summarised below the key ratios based on their accounts. I did this in accordance with Sam Esther's instructions on the analysis to be undertaken on the accounts of new contractors. It's a shame that we did not do this before giving the first contract to Epoch! Sam has checked my figures, so you can rely on them.

For your information, I have also included the current average ratios for the sector (Small to Medium builders). I had not realised how hard the current recession is hitting building firms until I started to do this research. It seems that smaller builders are having to accept low turnover or cut tender prices drastically. Business failures in the building sector this year are at a record level.

This desperate competition among builders should help PCH to bargain the price down for the completion of the Annylog Phase 1 contract!

<i>Ratios</i>	<b>Sector Average</b>	<b>Aeon Construction plc</b>		<b>ERA Homes plc</b>	
		Years ended 31 December		Years ended 30 September	
		2000	1999	2000	1999
Gross Margin	<b>4%</b>	4%	-1%	5%	5%
Operating Margin	<b>1%</b>	-1%	-5%	1%	2%
Return on Capital Employed	<b>5%</b>	-8%	-27%	6%	19%
Current Ratio	<b>178%</b>	273%	344%	249%	224%
Acid Test Ratio	<b>104%</b>	135%	167%	120%	106%
Stock Turnover (days)	<b>53</b>	47	45	43	34
Debtors (days)	<b>41</b>	32	32	38	27
Trade creditors (days)	<b>47</b>	34	26	31	29

*Ray*



**Summary of Accounts*****Profit and Loss Accounts***

	<b>Aeon Construction plc</b>		<b>ERA Homes plc</b>	
	Years ended 31 December		Years ended 30 September	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Sales	3,287	2,598	9,343	11,964
Cost of sales	3,167	2,632	8,903	11,315
Gross profit/(loss)	120	(34)	440	649
Other operating & administrative expenses	168	108	363	397
Operating profit/(loss) before interest and taxation	(48)	(142)	77	252
Interest payable	14	5	7	0
Profit/(loss) on ordinary activities before taxation	(62)	(147)	70	252
Taxation	0	0	14	50
Profit/(loss) attributable to shareholders	(62)	(147)	56	202
Dividends	0	0	20	70
Profit/(loss) retained for the year	(62)	(147)	36	132

***Balance Sheets***

Fixed assets				
Tangible assets	96	78	157	180
Investments	0	0	27	36
	96	78	184	216
Current assets				
Stocks and work in progress	409	325	1,048	1,051
Debtors	287	228	976	886
Short term investments	0	15	0	0
Cash	114	65	0	52
	810	633	2,024	1,989
Current liabilities				
Creditors	297	184	758	887
Bank overdraft	0	0	55	0
	297	184	813	887
Net current assets	513	449	1,211	1,102
<u>Less: Creditors falling due after one year</u>				
Bank loans	63	25	40	0
Other	12	6	14	13
	75	31	54	13
	534	496	1,341	1,305
Financed by:				
Share capital authorised and issued	250	150	500	500
Revaluation reserve	0	0	6	6
Revenue reserves	284	346	835	799
	534	496	1,341	1,305



**PENDULUM COMMUNITY HOMES**  
*COMMUNITY HOMES FOR PENDULUM? – IT'S ABOUT TIME!*  
**Memorandum**

**From:** Len Ditude (Chief Executive)  
**To:** Tim Poral (Chief Finance Officer)  
**Date:** 27 November 2001

**Subject:** Annylog Phase 1 Refurbishment Contract - Update

I met with the Board of Directors this morning and the problems on Annylog were the main, indeed only, subject that we discussed. This situation is rapidly developing into a major public relations disaster and it is imperative that we retrieve the situation.

You will be aware that the contract was already causing problems before Epoch went into receivership. Work had been started on 80 homes, only 20 of which had been completed. 60 tenants are therefore stranded in temporary accommodation, with many of their possessions in storage. The renovation programme was already behind schedule and the standard of workmanship was appalling on the 20 that were supposedly finished, with tenants going back into houses that were barely fit for habitation. 3 of these tenants are refusing to move back because of the state that their homes had been left in. Now all work has stopped, and those tenants in temporary accommodation (mainly hotels) cannot be given a date for when they can expect to be able to return to their homes. This situation cannot be allowed to continue. The tenants are growing increasingly angry and the angrier they get the more the media, particularly the local media, take an interest in the problems. As the Directors are all prominent local people, they are very concerned about this and they demand that I act to stop the situation getting any worse. We must minimise the amount of time that tenants have to spend in temporary accommodation, or with serious defects in their houses. Otherwise, tenants may start to seek compensation, possibly through legal action or even worse through the Housing Ombudsman.

Mike Rowsecond's option of using multiple contractors to complete outstanding work appears superficially attractive in that it might result in speedier rectification. However, the risk of one or more small contractors failing is too great. PCH cannot afford another embarrassing delay due to a further solvency problem with a contractor. I cannot recommend the multiple small contracts option to the Board, so you should not include consideration of this option in your report. Also, I do not wish to split the completion contract between remaining houses and partially completed houses. Potentially involving two contractors increases risks, and the inevitable retendering exercise would only increase the delays. We must confine ourselves to consider either a contractor who can take over the remainder of the existing contract, or revert to the second lowest bidder for the existing contract. Speed of completion is more important than modest cost savings.

PCH might have to seek the 10p per week supplementary rent increase in the future if the cost escalation on the refurbishment contract is excessive. However, I wish to avoid the public relations consequences of trying to impose it as things stand now. Do not therefore include a supplementary rent increase in any of your calculations for the time being.

Please comply with these instructions when drafting your report on how best to complete the Phase 1 Refurbishment contract.

Len Ditude