

NOTTINGHAM CITY HOMES

PERFORMANCE AND REGULATORY
COMMITTEE
30 OCTOBER 2007

REPORT OF THE INTERIM
DIRECTOR OF FINANCE

2008/09 BUDGET

1 SUMMARY

- 1.1 This report is to present to the Performance and Regulatory Committee the draft budget for 2008/09, which is due for submission to Nottingham City Council on 31 October for approval.

2 RECOMMENDATIONS

- 2.1 To approve the draft Nottingham City Homes budget for submission to Nottingham City Council.

3 REPORT (Appendices attached)

- 3.1 A summary of the budget and high level analysis of income is attached as Appendix A. This is the first draft and will be the subject of further negotiations with Nottingham City Council, as the extent of HRA resources becomes clearer.
- 3.2 A revised Medium Term Financial Plan is currently being prepared which will take full account of the 2008/09 budget position, the medium term forecast for Nottingham's HRA resources, mock inspection feedback, benchmarking data, review of the Service Improvement Plans and the STATUS survey results. The Plan will be submitted to Board for approval on completion.

4 LATEST FORECAST FOR 2007/08

- 4.1 The agenda includes a separate report on the current year spending position, but in considering the 2008/09 budget it is useful to restate that the 2007/08 budget included the following –
- A provision for liabilities arising from the District Audit investigation
 - A general provision to cover the implications of restructuring
 - A general provision to allow for the implications of job evaluation
 - Development funding of £1.5m, subject to submission of business cases for individual elements.

5 KEY FEATURES OF THE 2008/09 AND MAIN VARIANCES

- 5.1 The key assumptions made in developing this budget are as follows -
- Inflation assumptions are that pay costs will increase by 2.5%,

specific contract provisions that include for named inflation indices are included as per those contracts and that other non pay costs will not increase as we make efficiency savings to offset inflation.

- This means that inflation increases are generally in line with those used by NCC Corporate Finance.
- General provisions are included to cover:-
 - implications of restructures
 - additional pension strain
 - enhancements to estate services to be completed before June 2008

5.2 Because of the commercial sensitivity of the costs behind the repairs tender, the Property Services budgets have been assembled broadly on the basis of 2007/08 plus inflation.

5.3 At this stage capital fees relating to the capital programme undertaken by Property Services are assumed to remain at the same level as 2007/08. This assumption will be updated as the budget is developed further when the capital programme is firmed up.

5.4 Stock movements and inflation provide for a management fee in 2008/09 of £34,015,404, which compares to £33,617,650 (excluding £1.5m Development Funding) for 2007/08. This calculation is in accordance with the Management Agreement but has yet to be verified by Nottingham City Council.

5.5 Total original 2007/08 budgeted HRA Income outside of the management fee was £21,269,770 and this has risen to £24,457,650 in 2008/09. This reflects increased activity over and above the original budget and is matched by increased costs.

5.6 Appendix B provides a summary of income and expenditure by directorate.

6 SERVICE LEVEL AGREEMENTS FOR 2008/09

6.1 The quarterly report on the progress in reviewing the Service Level Agreements with Nottingham City Council features elsewhere on this agenda. There are potentially further reductions to be achieved, although negotiations are not yet concluded and the savings will be for a part year only.

6.2 The cost of SLAs included in the budget therefore is the worst case and will be refined over the next few weeks as negotiations continue.

7 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

7.1 A robust financial budget incorporating the impact of VFM & E initiatives is essential to support NCH objectives of providing good quality, affordable and well managed housing that will achieve at least a 2 star rating.

8 VALUE FOR MONEY & EFFICIENCY ISSUES

- 8.1 Some of the cost savings in line with the Value for Money & Efficiency Strategy have been factored into the first draft budget targets.

9 EQUALITY & DIVERSITY IMPLICATIONS

- 9.1 The budget provides adequate resources for the Company to implement its equality and diversity strategies.

10 BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 10.1 NCH Medium term Financial Plan 2006
NCH Value for Money & Efficiency Strategy 2006
NCC HRA Business Plan Financial Model

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