

NOTTINGHAM CITY HOMES

REPORT OF THE DIRECTOR OF FINANCE

BOARD
13 MARCH 2008

2008/09 BUDGET

1 SUMMARY

- 1.1 This report is to present to the Board the 2008/09 budget for approval. The Performance and Regulatory Committee considered the budget at their meeting of 5 February 2008 and recommended that the Board should approve it.

2 RECOMMENDATIONS

- 2.1 To approve the Nottingham City Homes budget.

3 THE HOUSING REVENUE ACCOUNT (HRA)

- 3.1 At the last meeting the Board was made aware of the late publication of the HRA Subsidy Determination and the significant reduction in resources brought about by the removal of the £2.6m Rental Constraint Allowance.
- 3.2 Final drafting of the Council's HRA budget took place just a few days before the Performance and Regulatory Committee met. The proposals for the Company's management fee and the delegated repairs budgets for 2008/09 were finalised by Council officers on 31 January. Nottingham City Council's Executive Board will meet on 19th February to consider the Housing Revenue Account budget and rent increase. The HRA budget, which forms part of that budget report, is attached at Appendix A.

4 PROJECTED OUTTURN 2007/08

- 4.1 The summary level projected HRA outturn is included at Appendix A, with the significant variances being –
- Additional rent income of approximately £1m as a result of improved voids performance and reduced Right to Buy sales.
 - Additional subsidy of £1.3m, although this is substantially offset in the expenditure item "Capital Charges." This is mainly the result of interest rate changes, which affect both items.
 - Reduced expenditure on management fee related items, totalling £700,000. These are principally support services costs.
 - Increased spending on repairs and maintenance, largely due to delays in restructuring and improvements to the organisation. Both of these are substantially a result of the delays in tendering the repairs and maintenance service. Plans to restructure the service could not be implemented and with these would have come reduced reliance on external contractors and a streamlined operation. This is therefore not an inherent spend above budget and it will be eliminated if the Company is awarded the tender and the new contract starts in July. Repairs and maintenance

expenditure will continue to be very closely monitored.

- 4.2 The Company outturn projections are therefore in line with the original budget in total, but with Property Services overspending by £700k and the rest of the business underspending by £700k. This does not affect the budgets proposed for 2008/09.

5 KEY FEATURES OF THE 2008/09 AND MAIN VARIANCES

- 5.1 Performance and Regulatory Committee were advised of the main variances from the 2007/08 budget.
- 5.2 The key assumptions made in developing the budget were 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,
 - increased investment in IS/ICT to meet the Company's requirements for the future,
 - enhancements to estate services,
 - development of the Accommodation Strategy.
- 5.3 Because of the tendering of the repairs and maintenance service, significant changes in the way that work is charged and paid for require a reworking of the way in which costs are captured and analysed. If the Company's tender is successful a separate trading account will be maintained. Financial performance of the direct labour organisation will then be closely monitored and reported to Performance and Regulatory Committee quarterly.
- 5.4 At this stage the Property Services budget is presented at a summary level only. A more detailed analysis will be presented to the next Committee once the changes have been fully implemented.
- 5.5 Stock movements and inflation provided for a management fee in 2008/09 of £34,015,404, compared to £33,617,650 (excluding £1.5m Development Funding) for 2007/08. As a result of the impact on the HRA through the reduction in subsidy the fee has been reduced to £33,099,720.
- 5.5 The reduction in the management fee has been achieved through the following –
- Further tightening of salary budgets, which will require managing vacancies, no specific budgets for agency staff and meeting maternity leave costs from within the salary budgets. This will contribute £565,000.
 - Efficiency savings within the repairs budget amounting to £0.5m.
 - Reworking of some budget provisions, on a risk basis, where accurate estimates were unknown but global provisions had been allowed on a very prudent basis. This has brought about a reduction of £140,000.

- Delaying the introduction of the enhancements to the Caretaking service to August. It is still regarded as essential that these improvements to the service are implemented during the year, but this will save just under £100,000 in 2008/09.

5.6 It is therefore important to note that the management fee has moved from £33.567m in 2007/08 to £33.100m in 2008/09 and that this has been managed without cutting back on front line services.

5.7 Appendix B provides a summary of income and expenditure by directorate. Appendix C provides a more detailed analysis of the Company's planned income and expenditure across the services.

6 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

6.1 A robust financial budget incorporating the impact of Value for Money and efficiency savings is essential to support NCH objectives of providing good quality, affordable and well managed housing that will achieve at least a 2 star rating.

7 VALUE FOR MONEY & EFFICIENCY ISSUES

7.1 Some of the cost savings in line with the Value for Money & Efficiency Strategy have been factored into the budget targets. However, the Strategy is being reviewed currently and will be brought back to the Board for approval at a later date.

7.2 It will be essential for all budgets to be monitored very closely to ensure that expenditure stays within targets and corrective action is taken promptly when required.

8 EQUALITY & DIVERSITY IMPLICATIONS

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

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

9.1 HRA Working Papers
HRA Subsidy Determination
NCH Budget Working Papers

CONTACT OFFICERS: Julie Crook
Steve Everson
Director of Finance
14 Hounds Gate, Nottingham NG1 7BA
Tel:0115 91 57378
E-mail: Julie.crook@nottinghamcityhomes.org.uk

DATE: 6 March 2008