

## NOTTINGHAM CITY HOMES

THE BOARD  
20 NOVEMBER 2008

### REPORT OF DIRECTOR OF FINANCE, ICT & GOVERNANCE

#### 2009/10 BUDGET

#### 1 SUMMARY

- 1.1 This report is to present to the Board the draft budget for 2009/10. These figures were submitted to Nottingham City Council (NCC) on 31 October as required by the management agreement, following detailed discussions at the Board Away Day on 24 October. A separate report on this agenda considers the delivery plan for the company which looks at the outcomes the Company will deliver over the next three years, this report ensures that the company has sufficient resources to deliver those outcomes.

#### 2 RECOMMENDATIONS

It is recommended that the Board

- 2.1 Confirm their agreement to the strategic direction given in this report;
- 2.2 give steer on the choices contained within the draft determination as detailed at paragraph 5.4; and
- 2.3 delegate the authority to respond to the consultation paper on the draft housing subsidy determination to the Chief Executive.

#### 3 OVERVIEW & TIMETABLE

- 3.1 The Board considered the ten year strategy for the Company during summer this year, it also approved the medium term financial plan and the value for money strategy at its meeting in July.
- 3.2 In accordance with the service planning cycle consultation has started with tenants, residents and other stakeholders and will continue during November and December.
- 3.3 The detailed budget timetable for both the HRA budget and the NCH management fee budget is shown in Appendix B.

#### 4 REPORT (Detailed Appendix attached)

- 4.1 A summary of the budget submission is attached at Appendix A. This is the first draft and will be subject to further negotiations with NCC, as the extent of the HRA resources becomes clearer. A detailed breakdown of the budgeted figures was distributed and explained at the Board away day and will be considered in further detail by the Budget Task Group.

- 4.2 In the current year the breakdown of HRA expenditure is shown in the table below:

	£m
Repairs	19.1
NCH Management Fee	33.1
Debt Charges	14.5
Major Repairs Allowance	16.8
Other	4.8
<b>Total</b>	<b>88.3</b>

- 4.3 A breakdown of estimated total turnover for NCH in the current year is shown in the table below:

	£000s
Income	
Management Fee	33,100
Repairs Service	28,690
Capital Fee Income	2,015
Supporting People	259
<b>Total</b>	<b>64,064</b>
Expenditure	
Employees	35,058
Property costs	5,366
Transport	2,357
Supplies & Services	18,190
Administration Costs	3,093
<b>Total</b>	<b>64,064</b>

- 4.4 A breakdown of the Management Fee budget for the current financial year is shown in the table below:

	£000s
Tenancy & Estate Management	5,137
Rents & leaseholders	1,750
Voids & Allocations	2,989
Sheltered Housing	2,720
Caretakers	1,862
Strategy & Partnerships	1,578
Organisational Development	2,365
Director of Finance & Chief Executive	2,042
Service Level Agreements	4,480
Property Services	2,322
Repairs	5,855
<b>TOTAL</b>	<b>33,100</b>

- 4.5 The current NCH fee budget for 2008/09 is £33.1m and the bid for the 2009/10 fee budget is £35.8m.

- 4.6 NCH also manages the majority of the £19.1m repairs budget and has a delegated capital budget of £23.2m in the current year. Separate

negotiations are ongoing to agree these budgets for 2009/10 and detailed reports will be included on the Board agenda in January.

- 4.7 Reports on the Budget 2009/10 and the latest budget monitoring for 2008/09 were presented to P&R Committee on 11 November, an update of their comments will be provided at the meeting.
- 4.8 NCH and NCC are working in partnership around a number of issues which will impact on the budget position and future working relationships:
- **Management Fee Surpluses** – the current schedule 6 to the management agreement does not allow NCH to retain its surpluses, this makes financial planning difficult. This point has been recognised and will be amended in the review to the management agreement
  - **Management Fee and HRA Budgets** – there are some unusual arrangements for budgets within the current arrangements and we are looking to simplify these over the coming months. For example some of the repairs budgets are included within the management fee and grounds maintenance budget is not a delegated budget
  - **Capital Fee** – We would like to calculate our budget on the basis that two stars will be secured at the November inspection, therefore the appropriate staffing levels and associated costs will be included within the management fee. There will also be an equivalent amount of expenditure included in the capital programme to pay for the decent homes team

## 5 KEY REVENUE ASSUMPTIONS

- 5.1 As considered at the Board Away Day the key assumptions made in developing this budget bid are as follows:
- Inflation assumptions are that pay costs will increase by 2.45%; other inflation rates that have been included are as issued by NCC in their budget guidance information.
  - That there will be no increase in the employers pension contribution rates.
  - That the repairs contract will break even.
- 5.2 It is recognised by both NCC and NCH that the level of resources within the HRA will continue to reduce at the same time that customer aspirations increase. NCH therefore needs to re-engineer its business to deliver services in the most cost effective and efficient way and look to increase productivity wherever possible. The current NCH budget submission the reinstatement of the £1m which was cut from last years budget to be used for spend to save initiatives which will assist the business with its re-engineering.
- 5.3 NCH has made considerable step changes in improving performance across the company in a time of reducing resources, it is likely that resources will continue to reduce in future years, in order therefore to

make further step changes the company is looking to significantly change and improve its services in the following areas;

- Repairs Service – following the successful tender for the repairs service, we will continue to improve our use of technology and modernise our working practices to deliver efficiencies within the service and improve productivity
- Customer Service Centre/Office Accommodation – we need to commence the next phase of the customer focus strategy (including accommodation plan) which will continue to improve the customer experience
- Allocations and Homelink – we need to make IT improvements to this system which in turn will streamline and simplify the use of the system.

5.3 The draft Housing Subsidy determination for 2009/10 was received on 28 October. Detailed analysis is currently taking place to establish what this will mean for the overall resources available within the HRA. For the first time this year the Government is consulting on two options, although it is giving a clear indication as to which option it would prefer local authorities to use. The preferred option would result in lower rent increases for tenants but the time taken to achieve rent restructuring would be extended. The Government have stated that there will be a cap on rent increases and that no rents should increase above 7%.

5.4 The first option in the draft determination would return to a rent restructuring end date of 2012, this would result in 7% rent increases for the tenants of Nottingham and a loss of subsidy in the region of £2.8m. The second option delays the implementation date for rent restructuring would result in average rent increases for the tenants of 6.5% and a loss of subsidy in the region of £385k

5.5 NCC and NCH will continue to consult with tenants and other stakeholders (following the tenant conference in October) on the budget proposals and service priorities for 2009/10 and will collate this information in a response to Government on its draft figures by the deadline of 9 December.

5.6 The property services budgets with the NCC management fee includes a number of elements  
Commercial Delivery – this is the team which delivers the repairs service and was recently successful at winning the repairs tender. The income and expenditure within this section are treated as a trading account and it is assumed that this trading account will breakeven  
Repairs – an element of the repairs budget is paid within the NCC management fee, this is for planned repairs work and the current year budget is £5.9m following a reduction of £500k to balance the 2008/09 budget  
Asset Management – this is the remainder of the sections within property services, it includes the repairs call centre and also the team which are delivering the decent homes programme, currently a large number of posts within the decent homes team are held vacant and these posts will be filled following the achievement of two stars, the costs of that team can

be charged to the capital programme

Corporate Property Team – this team delivers work to departments within the City other than Housing (e.g. schools and social services) the income within this team has reduced in recent years.

- 5.7 The majority of the repairs budget within the HRA is a delegated budget, it is not therefore paid to NCH as a management fee but it is managed by NCH. A small number of budgets are still managed by the retained Housing Services Department and NCH and NCC are looking to review some of these budgets to ensure that they are being managed appropriately.
- 5.8 Service Level Agreements (SLAs) are monitored regularly by P&R Committee. Progress has been slow at reviewing SLAs but significant progress has been made during 2008/09 including the start of the new internal audit contract and notice being given on four SLAs with the City. New SLAs have been developed with 3 of the 4 providers that were given notice and the costs of those services are now known which enables NCH to progress with reviewing these services. The current timetable allows for detailed costs of all services to be known by March 2009, the medium term financial plan for NCH does not include for any SLA savings during 2009/10 which therefore allows time for comprehensive value for money reviews to be completed and the associated savings be built into the 2010/11 budget.

## **6 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES**

- 6.1 A robust financial budget incorporating the impact of VFM 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.

## **7 VALUE FOR MONEY & EFFICIENCY ISSUES**

- 7.1 The savings and efficiencies identified within the medium term financial plan and annual efficiency statement will be included within the 2009/10 budget.
- 7.2 The value for money strategy assumes that NCH will continue to deliver 3% efficiencies in each financial year covered by the medium term financial plan. These efficiencies will not all be cashable and the cashable ones will be reinvested into improving front line services and improvements to tenants' homes.

## **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 NCH Medium Term Financial Plan  
NCH Value for Money Strategy

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