

## NOTTINGHAM CITY HOMES

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

**THE BOARD  
19 MARCH 2009**

#### 2009/10 BUDGET

#### 1 SUMMARY

- 1.1 This report is to present to the Board the 2009/10 NCH fee budget for approval.
- 1.2 Nottingham City Council (NCC) approved the Housing Revenue Account (HRA) Budget and rent and service charge increases for 2009/10 on 24 February 2009.
- 1.3 On Friday 6 March Housing Minister Margaret Beckett announced that the Government would be making available additional funding to local authorities to reduce the average rent increase from 6.2% to 3.1%.

#### 2 RECOMMENDATIONS

- 2.1 To approve the Nottingham City Homes Budget for the financial year 2009/10.

#### 3 THE HOUSING REVENUE ACCOUNT (HRA)

- 3.1 The final HRA Subsidy Determination was issued on 18 December 2008. The Government confirmed its intention to delay the full implementation of rent restructuring until 2023/24. The implications for Nottingham of implementing rent restructuring over this period would be a 6.4% rent increase in 2009/10.
- 3.2 At the meeting of Executive Board on 24 February 2009 NCC agreed an increase in rents and service charges of 5%. The implications of approving a 5% rent increase instead of a 6.4% rent increase was that additional savings of £1.1m needed to be found from the HRA budget. The approved HRA budget as at 24 February is attached at Appendix 1.
- 3.3 The £1.1m of savings needed to produce a balanced HRA budget with a 5% rent increase are shown in the table

	£000's
Reduction in NCH Spend to save budget (spread over two years)	500
Reduction in NCH fee	250
Reduction in Retained Housing Services budgets	127
Reduction in Capital charges	279
	1,156

- 3.4 On Friday 6 March Housing Minister Margaret Beckett announced that additional cash would be made available to local authorities so that the average rent increase could be reduced from 6.2% to 3.1%.
- 3.5 Following the announcement from the Housing Minister, the Department for Communities and Local Government (CLG) will need to issue a revised draft determination followed by a period of consultation, a final determination will then need to be issued. NCC will need to agree a revised HRA budget and revised rent increases. Tenants then need to receive 28 days notice of a variation to their rent account.
- 3.6 The full impact of the announcement made on 6 March will not be known until a revised determination is issued but an indicative timetable is shown in the table below;

	Approximate dates
Revised draft determination issued	Week commencing 16 March
Period of consultation	16 March to 3 April
Tenants rents in Nottingham increase by 5%	Monday 30 March
Final Subsidy Determination Issued	Week commencing 6 April
Executive Board Approve HRA Budget, rents and service charges	21 April 2009
Notification of rent variation letter is issued	22 April to 3 May
28 days notice of variation in rents	4 to 31 May 2009
Rents decrease	1 June 2009

- 3.7 There will be a verbal update at the meeting on the latest position regarding the changes to rent increases.

#### **4 PROJECTED OUTTURN 2008/09**

- 4.1 The HRA budget figures at Appendix 1 also show the projected outturn figures for 2008/09 which are broadly in line with the budgeted figures. The increase in the NCH fee reflects the original fee payment of £33.1m plus the approved balances brought forward of £1.1m and an additional £0.6m of expenditure to improve estates.
- 4.2 NCH is projecting a breakeven position by March 2009. A balanced budget position is projected by making significant savings in the region of £1.5m in the current financial year. This has been achieved by thoroughly reviewing all recruitment and other expenditure budgets. Detailed budget monitoring information was considered by P&R Committee on 10 February.

#### **5 KEY FEATURES OF THE 2009/10 AND MAIN VARIANCES**

- 5.1 NCH budgets were prepared based on the current staffing structure for 2009/10 and included a full and detailed review of all running cost

budgets.

- 5.2 This calculation of the 2009/10 NCH budget indicated that a budget of £36.8m was needed. A budget bid of £34.8m (plus £1m for spend to save initiatives) was submitted to NCC on 31 October 2008. Savings of £2.0m were required to balance the 2009/10 budget of £34.8m.
- 5.3 Each Director within NCH was required to identify savings of 6, 8 and 10% across their Directorate and present these savings to the Executive Management Team. This exercise has identified in excess of £2m in possible savings.
- 5.4 When NCC agreed a 5% rent increase an additional £1.1m of savings needed to be found from within the HRA budget. Half of these savings were identified by spreading the £1m of spend to save initiatives budget over two years, 2009/10 and 2010/11. Some savings were also identified from retained housing services budgets but an additional £250k was taken off the NCH fee budget. When Directors within NCH were asked to find savings for the 2009/10 savings in excess of £2m were identified and therefore additional savings which had been identified were taken from the NCH budget.
- 5.5 The 2009/10 staffing budget for NCH includes a 3% vacancy factor, this was first introduced into the 2008/09 budget in order to balance the budget. The vacancy factor is not applied to craft workers or caretakers. A 3% vacancy factor equates to approximately 18 vacant posts across the organisation at any one time. A further 28 posts which are currently vacant have been identified that they could be left vacant during 2009/10 without affecting service delivery. The savings achieved from leaving 28 posts vacant is £730k.
- 5.6 Savings of £0.5m have been identified from the planned repairs budgets which are included within the NCH fee. The release of the decent homes funding from the Government means that the majority of properties within Nottingham will benefit from new uPVC windows, this will deliver savings from the painting programme.
- 5.7 The remaining savings have been identified from running cost budgets across the organisation. A review of all funding given to external organisations is being undertaken to ensure that our contributions offer value for money at a time of reducing resources. A review of contributions made to external organisations was also recommended by the audit commission.
- 5.8 The current NCH budget includes £1.9m of income from the capital programme. This represents the costs which will be incurred within NCH to deliver the capital programme. Based on the current estimates for the capital programme a £1.9m management fee represents 3.3% of the total capital programme. We are working hard to identify efficiencies within this and all other budgets in order to deliver increased services to tenants.
- 5.9 Appendices 2 & 3 provide summaries of income and expenditure for NCH.

- 5.10 If as a result of the proposed change in rent levels, additional resources are available within the HRA, NCH will work with NCC with a view to reinstating any unnecessary cuts which have been made to the NCH management fee budget.

## **6 SPEND TO SAVE INITIATIVES**

- 6.1 The management fee budget for 2009/10 includes £0.5m for spend to save initiatives which will help to re engineer the business. We also have a commitment from NCC that £0.5m of funding will be available in 2010/11.
- 6.2 Within NCH we have recognised that some of our systems and processes are outdated and inefficient, we also recognise that resources within the HRA will continue to reduce and that we are aiming to be a three star excellent organisation when the audit commission return in three years time, all these issues mean that we need to invest in our business now so that we are fit for purpose in the future.
- 6.3 Fully costed proposals are being developed on how the £1m would be spent over two years but an indication of the areas are as follows
- Financing of restructuring
  - IT – Repairs & Maintenance, Choice Based Lettings, Electronic Document Management, CRM, React, HR and financial systems, handhelds, leasehold services and IT equipment generally
  - LEAN system reviews and
  - Single status and implementing the equality and diversity strategy.
- 6.4 The spend to save initiatives will link to NCH's vision for the future and achieving excellence.

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

- 7.1 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.

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

- 8.1 The savings and efficiencies identified within the medium term financial plan and annual efficiency statement will be included within the 2009/10 budget.
- 8.2 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.

## **9 EQUALITY & DIVERSITY IMPLICATIONS**

- 9.1 One of the key themes as identified in the 2009/10 delivery plan is a major

push on equality and diversity. Consideration is to be given to budget implications of delivering the equality strategy including single status and this has been flagged within the areas identified for the spend to save initiatives budget (see above). Officers within the company are working together to ensure that there are sufficient budget resources to deliver the equality and diversity strategy.

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

- 10.1 HRA Working Papers  
HRA Subsidy Determination  
NCH Budget Working Papers

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