

NOTTINGHAM CITY HOMES

REPORT OF DIRECTOR OF FINANCE, ICT & GOVERNANCE

THE BOARD
27 JANUARY 2010

FINANCE REPORT

1 SUMMARY

- 1.1 This report is to present to the Board a financial overview for the Company.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Board note the report.

3 REPORT

3.1 Financial Position of NCH as at 31 December 2009

Detailed financial figures for the third quarter are still being prepared and will be reported to Finance & Audit committee on 8 February. It is not anticipated that there will be any significant changes from the second quarter report and expenditure and income overall are broadly in line with budget.

There are a number of large variances across budgets within the company but these are being managed within the overall budget.

3.2 Capital Programme 2009/10

The Housing capital programme which is managed by NCH is forecasting to spend £47.1m against approvals of £48.1m. An overview of the capital programme will be presented to Finance & Audit committee and the detail of this programme is managed by Property Services Committee. This is due to slight slippage in the programme, the work and the resources to pay for it will be carried forward into 2010/11.

3.3 Repairs Budget within the Housing Revenue Account (HRA)

The repairs budget within the HRA is a budget which NCH has the responsibility for managing but this budget and the corresponding expenditure is retained within the HRA.

The repairs budget is under significant financial pressure this year as it has been for a number of years, the main reasons for this are a level of underfunding within this budget and the fact that majority of the expenditure is demand led.

The main area for concern within the repairs budget is the budget for void

repairs, voids are covered separately in the following paragraphs.

3.4 Voids

The impact of voids is felt across a number of budgets within the HRA

- If we have more voids than budgeted we lose rent income
- If the time taken to turnaround void properties is too long we lose rent income
- We have limited budgets for the repair of void properties, if we overspend this budget then it creates budget pressure elsewhere and if we specify too much work in void properties this results in them being empty for too long and we do not receive the economies of scale in the costs of repairing these properties

At the current time we have more void properties than we budgeted to have and this has resulted in the projected shortfall of £135k in rent income. This position has improved since last reported as the number of voids has reduced and there have been less than budgeted right to buy completions.

This is a two fold effect as there are more management voids than NCH set a target for and there are more non management voids than budgeted for.

NCH has a target of 300 manageable voids by 31 March 2010 and staff are working hard and working together to achieve this target.

There are now more non management voids than there are management voids. The majority of these relate to major regeneration projects such as Stonebridge, Kingsthorpe, decommissioned sheltered schemes, Highbury Vale and Newland type homes in Bilborough. NCH is working with NCC to minimise the impact of these projects on the budget and finalise arrangements for the remainder.

There is a budget of £4.6m within revenue repairs and £4.0m within the capital programme for voids repairs. Both of these budgets are being tightly managed at this stage and weekly update reports are received by EMT.

3.5 Government Consultation Paper – “ Reform of Council Housing Finance”

The Government issued the above consultation paper on 21 July and the closing date for responses was 27 October. Both NCC and NCH responded to the consultation paper, a copy of these responses has been circulated to Board members. The Government are expected to issue further consultation on the review of Housing finance at the end of February where authorities will be asked to indicate if they were prepared to leave the current system. It is anticipated that responses to the February consultation will be required within 4 weeks.

3.6 Budget 2010/11

There is a separate item on this agenda to cover the Budget 2010/11.

3.7 Decent Homes Funding 2010/11

A letter has been received from HCA (Homes and Communities Agency) which confirms that Nottingham will receive its £32m allocation of decent homes funding for 2010/11 in accordance with the agreed programme.

3.8 Arrears

The level of current tenants arrears as at 1 January 2010 was £2,047k this is a reduction of £851k from the figure of £2,898k as at the beginning of the financial year.

The level of former tenants arrears as at 1 January 2010 was £2,656k this is an increase of £717k from the figure of £1,939k as at the beginning of the financial year.

The level of arrears has an impact on the amount of money which is required within the provision for bad debt within the HRA.

3.9 Right to Buy

As at 31 December 2009 46 properties had been purchased under the right to buy scheme in this financial year. This compares to 92 as at the same time last year and against an estimate of 100 for the whole year. Selling less than budgeted properties means that we collect more rent income than budgeted but we have less useable capital receipts than budgeted.

4 RISKS

- 4.1 The major risk to the Company at this time is voids. A number of actions are in place to mitigate this risk including
- A weekly meeting is taking place with the Chief Executive, the Director of Finance and key staff from both housing management and property services to review voids and
 - A lean review of the voids process has been completed and we are in the process of implementing these recommendations

5 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

- 5.1 One of the objectives within the 2009/10 Delivery Plan is
- To be an excellent organisation.
- A robust financial budget incorporating the impact of VFM & E initiatives is essential to support this objective.

6 EQUALITY & DIVERSITY IMPLICATIONS

- 6.1 There are no specific equality and diversity implications within this report.

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

- 7.1 Consultation paper issued on 21 July 2009 entitled – Reform of Council Housing Finance.

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