

NOTTINGHAM CITY HOMES

REPORT OF THE DIRECTOR OF FINANCE, ICT & GOVERNANCE

**THE BOARD
25 MARCH 2010**

2010/11 BUDGET

1 SUMMARY

- 1.1 This report is to present to the Board the 2010/11 NCH fee budget for approval.
- 1.2 Nottingham City Council (NCC) approved the Housing Revenue Account (HRA) Budget which included the fee to Nottingham City Homes (NCH) and rent and service charge increases for 2010/11 on 24 February 2010.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Board approve the Nottingham City Homes Budget for the financial year 2010/11.

3 THE HOUSING REVENUE ACCOUNT (HRA)

- 3.1 The final HRA Subsidy Determination was issued on 3 February 2010. The Government confirmed its intention to implement rent restructuring by 2013/14. The implications for Nottingham of implementing rent restructuring over this period would be a 2.7% rent increase in 2010/11.
- 3.2 At the meeting of Executive Board on 24 February 2010 NCC agreed an increase in rents and service charges of 2.7%. The approved HRA budget as at 24 February is attached at Appendix 1.
- 3.3 The £1.7m of savings or extra income generation were needed to produce a balanced HRA budget with a 2.7% rent increase and these are shown in the table below

	£000's
HRA Rent income – reduce the number of empty properties	300
Improved Rent Collection Performance	200
Reduction in Retained Housing Services budgets	200
Reduction in NCH Fee Budget	958
	1,658

- 3.4 The responsive repairs budget within the HRA has increased by £388k (2.2%), the schedule of rates paid to NCH under the repairs contract is increased each year by the RPIX figure in February of the previous financial year (this figure is not yet available)
- 3.5 The working balance within the HRA is forecasted to be £3m at 31 March

2010 and 31 March 2011.

4 PROJECTED OUTTURN 2009/10

- 4.1 The HRA budget figures at Appendix 1 also show the projected outturn figures for 2010/11 which are broadly in line with the budgeted figures.
- 4.2 NCH is projecting a surplus in the region of £0.5m as at 31 March 2010. Any surpluses made by NCH must be paid back to NCC's HRA in accordance with the current management agreement. NCH have planned to achieve this surplus position in order to offset the underspend in the NCH fee budget against the projected overspend position within the HRA repairs budget. The repairs budget within the HRA is a budget which is delegated to NCH to manage, i.e. the budget is retained within the HRA but the responsibility for its management lies with NCH staff. There have been volume increases in responsive repairs during 2009/10 and the expenditure on void properties was too high at the beginning of the year due to over specification of work and increased numbers of void properties. If the projected overspend on repairs does not fully materialise the amount of income (and consequently the amount of surplus which NCH makes) may also vary from projected figures, this will all be taken into consideration as part of the closing of accounts process. The 2010/11 budget has been adjusted to reflect the increased demand for responsive repairs and the new working practices for void properties.

5 KEY FEATURES OF THE 2010/11 BUDGET AND MAIN VARIANCES

- 5.1 NCH budgets were prepared based on the current staffing structure for 2010/11 and included a full and detailed review of all running cost budgets. A more robust and realistic approach was applied to the budgets within property services.
- 5.2 This calculation of the 2010/11 NCH budget indicated that a budget of £35.9m was needed. A budget bid of £35.9m (which included £0.5m for spend to save initiatives) was submitted to NCC on 30 October 2009.
- 5.3 The final approved NCH management fee budget was £34.9m, savings of £958k were required from NCH budgets to achieve this level of management fee. These savings were found from the following budgets within NCH

	£000's
Reduction in SLA charges from NCC to NCH	270
Reduction in NCH Support Services	288
Efficiencies within Housing Management	200
Efficiencies within Property Services	200
Total	958

- 5.4 During the 2010/11 financial year there will be a continuation of the major changes and modernisation agenda across NCH, this is against a background of the fact that we are anticipating significant reductions in public sector spending over the next few years and NCH needs to be in a

position to significantly reduce its costs.

- 5.5 There are separate reports elsewhere on this agenda giving updates on
- The modernisation of Tenancy and Estate Services (TEM) but this stretches wider than just TEM into all areas of Housing Management and
 - The better practice review within Property Services.

These are the two major frontline operational areas within NCH and they have not seen the types of efficiency changes which have been delivered within other Housing Organisations. The modernisation of these two major areas of the business requires increased support from support services within NCH especially Human Resources (HR) and Information Technology (IT). Significant changes and right sizing of all support services across NCH will follow the changes within the two large frontline operational areas. Support Services need to be fit for purpose and efficient to match the needs of the modern frontline services.

- 5.6 The 2010/11 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. There are a number of posts being held vacant or being covered by temporary staff within the Company at this time to reduce the overall costs of staff restructuring. The Board should approve a new staffing structure following the restructuring.

- 5.7 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 3.2% 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.

- 5.8 Appendices 2 & 3 provide summaries of income and expenditure for NCH.

6 SPEND TO SAVE INITIATIVES

- 6.1 The management fee budget for 2010/11 includes £0.5m for spend to save initiatives which will help to re engineer the business, the budget for 2009/10 also included £0.5m for spend to save initiatives. An update on these initiatives is provided in the paragraphs below.

- 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 within the next two years, 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 The current budget for spend to save has been used for the following projects;
- A lean review of voids

- An accommodation strategy
 - The implementation of hand held technology and mobile working within Property Services and
 - The reimplementation of the Choice Based Lettings (CBL) system
- Some of these projects have been completed within the current financial year and some of them are ongoing over two financial years

6.4 The budget for 2010/11 has not been fully committed but there are some ongoing commitments from the 2009/10 financial year and the main areas of focus for the 2010/11 financial year are

- Implementation of hand held working across other areas of the business
- A further review of systems within support services
- Implementation of document imaging
- Single status and implementing the equality and diversity strategy and
- Increasing the Company's focus on the green agenda and sustainability of our properties

6.5 An update of the spend to save budget will be provided on an ongoing basis to the Finance & Audit Committee.

6.6 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 2010/11 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 identified within NCH's business 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
NCC Executive Board Report – Medium Term Financial Plan (MTFP)
2010/11 to 2012/13 – 24 February 2010

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