

NOTTINGHAM CITY HOMES

PERFORMANCE AND REGULATORY
COMMITTEE
13 MAY 2008

REPORT OF THE INTERIM DIRECTOR OF FINANCE

PROVISIONAL FINANCIAL OUTTURN 2007/08

1 SUMMARY

- 1.1 This report is to present to the Performance and Regulatory Committee the outturn position for the financial year 2007/08. This is currently expected to be the final position, subject to finally agreeing the outstanding balances with the Council and the audit.

2 RECOMMENDATIONS

- 2.1 To note the report.

3 REPORT (Detailed Appendices attached)

- 3.1 A summary of the financial position at the end of the 2007/08 financial year is attached as Appendices A and B.
- 3.2 Overall, the Company's revenue position is better than the HRA forecast position included in the budget. At that time, the Council agreed that an additional £500k would be made available to support the cost of restructuring the Company. This was a reasonably accurate estimate of the requirement, but the Company has been able to achieve savings elsewhere in its budget.

4 OUTTURN POSITION

- 4.1 Appendix A shows a deficit for the year of £268k against an original surplus of £51k and a projected surplus of £56k at the end of December. Appendix A provides further analysis. Reasons for significant variances are provided in Section 5 below.
- 4.2 For the Council's Housing Revenue Account (HRA) as a whole, the position is likely to be better than anticipated at the time the budget was set, with rents and service charges being higher than anticipated, some client side budgets being underspent and the provision for bad debts being lower, reflecting recent improvements in arrears performance.
- 4.3 Final capital expenditure was £25.163m, against approvals of £25.565m. Scheme by scheme details are provided, showing the overall underspend of £m within Appendix B.
- 4.4 The overall position of the Council's capital resources is quite a

challenging one, with considerable pressure on capital receipts in the short term. The principal sources of funding for capital expenditure are supported borrowing and capital receipts; potentially unsupported borrowing and revenue contributions can also be used, but these require the HRA to be in surplus to a significant amount and this is not the case.

5 KEY REVENUE VARIANCES

5.1 Some significant savings against the original budget were achieved during 2007/08. The third quarter report to Committee highlighted that the budget provisions for job evaluation and the consequences of the DA report would not be spent in 2007/08. It was also reported that expenditure on equipment rentals would be less than budget, but that anticipated savings in Council SLA costs would not be forthcoming. It was also highlighted that there was significant pressure on the Property Services budgets.

5.2 Requests have been made to carry forward budgets totalling £800k into 2008/09, each with a business case to support the request and provide reasons for the delay. The most significant delays relate to the elements of the £1.5m development bids, which have an ICT impact. These were not fully worked up until the IS and ICT Strategies were produced to ensure that the correct solutions were chosen and prioritised.

5.3 The most significant underspends, excluding Property Services budgets, which are dealt in paragraph 5.5 onwards, were as follows –

- Marketing and Communications - £100k
- One-off employees costs, not restructure related - £400k
- Staff Advertising - £80k
- Extra Income for continuing START contract - £630k

Carry forward of budgets for £152k relating to elements of the first three items has been requested.

5.4 There were some overspends during the year to offset some of this, of which the material items were –

- Service Level Agreements - £86k
- Sheltered Housing property costs (mainly energy) - £57k
- Restructure related employee costs - £300k

5.2 Property Services budgets have been under particular pressure in 2007/08. Delays in letting the repairs tender have been a significant cause of this. Firstly, the staff restructure could not be implemented until the tender was awarded; the budget had been put together assuming that staff numbers would reduce during the year, but this had not been possible. As a result, employee costs exceeded the estimate by £1m.

5.3 There were also additional costs involved in both putting a bid together which was sustainable and in dealing with the client side aspects of letting the tender. The extra costs associated with those were £163k.

- 5.4 The original budget for Property Services did not include any amounts for capital voids and environmental works. Therefore an income variance in excess of £5m is shown between budget and actual. This is entirely taken up by subcontractors and employee cost variances. The exclusions had no material impact on the overall position.
- 5.5 The costs of the transport fleet exceeded budget by over £200k. Of this £60k relates to fuel costs. The remainder is in respects of repairs and servicing, reflecting the ageing fleet and the unsatisfactory maintenance arrangements currently in place. These high costs will be dealt with once the new fleet is delivered.
- 5.6 It is worth noting that the substantial variances in 2007/08 will not continue in 2008/09, although the very substantial savings accruing from the new fleet arrangements will not be achieved until the second half of the year. Nevertheless, the one-off costs associated with the tender will not occur in 2008/09 and the employee cost savings are beginning to have an impact.

6 KEY CAPITAL VARIANCES

- 6.1 Appendix B shows where there is a variance between the budget and actuals for scheme, with a note of the reason for differences in excess of £50k. Due to some schemes slipping a request to carry forward a total of £870k has been made to the Council.

7 FINANCIAL AND RISK IMPLICATIONS

- 7.1 This report has been produced by the Director of Finance ICT and Governance.
- 7.2 The report concerns 2007/08 and the risks to be considered are those connected with the budget position going forward. Until a positive decision is received from the Council concerning the requests to carry forward budgets there remains a risk that these amounts will not be available in 2008/09 and progress with the projects is held up.

8 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

- 8.1 A robust financial budget incorporating the impact of VFM & E 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.

9 VALUE FOR MONEY & EFFICIENCY ISSUES

- 9.1 The 2007/08 budget included value for money savings identified in 2006.

10 EQUALITY & DIVERSITY IMPLICATIONS

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

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

11.1 NCH Budget 2007/08
Outturn data 2007/08

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DATE: 6 May 2008