

## NOTTINGHAM CITY HOMES

### PERFORMANCE AND REGULATORY COMMITTEE

11 NOVEMBER 2008

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

#### 2009/10 BUDGET

#### 1 SUMMARY

- 1.1 This report is to present to the Performance and Regulatory Committee 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.

#### 2 RECOMMENDATIONS

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

#### 3 REPORT (Detailed Appendix attached)

- 3.1 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.
- 3.2 The current NCH fee budget for 2008/09 is £33.1m and the bid for the 2009/10 fee budget is £35.8m.

#### 4 LATEST FORECAST FOR 2008/09

- 4.1 The agenda includes a separate report on the current year spending position.

#### 5 KEY REVENUE ASSUMPTIONS

- 5.1 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 bid includes a bid for £1m to be used for spend to save initiatives which will assist the business with its re-engineering.

- 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 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.
- 5.5 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.
- 5.6 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.
- 5.7 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.

## **8 EQUALITY & DIVERSITY IMPLICATIONS**

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

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

- 10.1 NCH Medium Term Financial Plan  
NCH Value for Money Strategy

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