

PUBLIC

DERBY HOMES BOARD

THURSDAY 28 MARCH 2024

FINANCE UPDATE



ITEM NO. Enc.5

Report of: Finance Director & Company Secretary

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PRESENTED BY:

Michael Kirk

1	SUMMARY
1.1	<p>This report updates the Board on a number of financial issues, including:</p> <ul style="list-style-type: none">• The 2023/24 financial outturn – continue to forecast a £1m deficit, consistent with that reported to the January 2024 Board meeting.• To seek approval to accept £650,000 of capital grant from Homes England, as part of the Single Homelessness Accommodation Programme, (SHAP), 2023-2028, towards the acquisition of 10 properties.• To amend the 2024/25 property capital programme, to reflect that all of the 10 SHAP properties are now planned to be acquired in 2024/25.• Slippage of £0.8m from the 2023/24 van capital programme to 2024/25 due to delays in the manufacture of new vans.• An update on the actions being looked at with the Council, on improving the financial viability of the Housing Revenue Account (HRA) Business Plan; no significant progress to report.• Update on the 2023/24 Risk Register – this was reviewed by Audit Committee on 26 February 2024. No concerns to be raised by the Audit Committee to Board; there remains one significant strategic risk, 'Failure to meet delegated duties in respect of housing demand in the city'.

2	RECOMMENDATIONS
2.1	To note the latest 2023/24 forecast of a £1m deficit for 2023/24.
2.2	To approve acceptance of £650,000 Homes England capital grant, towards the acquisition of 10 properties under the SHAP project.

2.3	To approve amending the 2024/25 Derby Homes capital programme by bringing forward £650,000 of capital budget for the SHAP project from 2025/26.
2.4	To approve slippage of £0.8m of van capital spend planned for 2023/24 into 2024/25.
2.5	To note the current progress on action being taken with the Council to improve the HRA Business Plan viability, and to request a further update at the next Board meeting.
2.6	To note the Audit Committee review of the Quarter 3 Risk Registers and their assessment “that through the monitoring of risk registers, the Committee is assured that the risk management system is working effectively within Derby Homes.”
3	REASON FOR RECOMMENDATIONS
3.1	To keep the Board informed of the financial and risk management performance of Derby Homes.
3.2	To comply with Financial Procedure Rules around the acceptance of external grant funding.
4	MATTERS FOR CONSIDERATION
4.1	<p>Management Accounts 2023/24</p> <p>The latest forecasted management accounts continue to project a deficit of circa £1m for 2023/24. Previous Board updates noted the budget variances in the year; a detailed variance analysis will be presented to Board once the year end is concluded.</p> <p>The main budget pressures in 2023/24, day-to-day repair costs, insurance premiums, HRA management fee saving not met have been incorporated into the 2024/25 base budget and funded through the 2024/25 savings, approved by the Board at the January 2024 meeting.</p> <p>The overall turnover is circa £50m, so a 1% variance in forecasts is £0.5m, therefore, this context is required to be noted when forecasting the year end position.</p>
4.2	<p>SHAP Grant</p> <p>The Board at the 23 November 2023 meeting, noted the approval obtained via an Urgent Matters report for Derby Homes to seek a £650,000 capital grant from DLUHC, for the SHAP project; with the grant to be in the name of Derby Homes, rather than the original plan for the grant to be in the name of Derby City Council; this supplemented a more detailed paper on the SHAP project considered by Board at the 28 September 2023 meeting.</p>

	<p>Notification has now been received that the £650,000 grant has been awarded, in full, and the Board are recommended to accept the grant. The Financial Regulations state that grants over £250,000 must have approval by the Board.</p> <p>The Board, as part of the January 2024 budget setting, approved in the 2024/25 and 2025/26 capital programme, the planned acquisition of 10 properties for this project and the award of this grant, enables the previously approved £1,300,000 use of reserves to fund these properties, to now be split:</p> <ul style="list-style-type: none"> • £650,000 – SHAP grant • £650,000 – Derby Homes reserves <p>A condition of the grant funding is that it is to be spent by 31 March 2025, meaning that the 10 properties are now planned to all be acquired in 2024/25. Accordingly, the planned capital spend of £650,000 in 2025/26 is recommended to be brought forward into 2024/25.</p>
4.3	<p>Van acquisitions</p> <p>Derby Homes had planned to acquire £1m of new vans, (circa 25 vans,) in 2024/25 as part of the multi-year renewal of the van fleet.</p> <p>Notification has been received that the £0.8m order for 20 vans will now be delivered early in the new financial year; this is due to delays in the manufacture of the new vans.</p> <p>Approval is sought to slip the £0.8m capital budget from 2024/25 to 2025/26.</p>
4.4	<p>HRA Business Plan viability</p> <p>At the January 2024 meeting the Board approved the 2024/25 Derby Homes budget; this included notification that the Council has notionally allocated savings of £1.1m against the Derby Homes management fee for the three years from 2025/26.</p> <p>The Board agreed that options listed in an appendix, to increase the HRA income and/or reduce HRA expenditure, be explored with the Council; with the aim that these may mitigate the current plan to further reduce the Derby Homes management fee from 2025/26, (a reminder that £365,000 was taken out in 2023/24). The Board also requested an update at this meeting on progress on these discussions.</p> <p>So far, the paper has been shared with the Council, but there has not been any significant work started by the Council on appraising these options. Colleagues have been working on several other workstreams. There is mutual agreement that we need to review these options to mitigate the impact on any future management fee savings.</p>

	<p>Work is ongoing within Derby Homes on the option around reviewing component replacement periods and benchmarking component unit costs, but this is not at a stage that the impact on the HRA Business Plan can be assessed.</p> <p>A further update will be presented at the July Board meeting, when there needs to be an indication from the Council on the level of any future savings against the Derby Homes management fee, so the Board and Officers can plan for how these can be delivered from 2025/26.</p>
4.5	<p>Risk Registers – Quarter 3 2023/24 update</p> <p>Audit Committee, at their meeting on 26 February 2024, reviewed the Quarter 3 Strategic & Operational Risk Registers.</p> <p>No concerns were raised by the Audit Committee, and they were assured that the risk management system is working effectively within Derby Homes.</p> <p>There remains one significant risk on the strategic risk register:</p> <ul style="list-style-type: none"> • Failure to meet delegated duties in respect of housing demand in the city. <p>All other risks are either amber or green.</p> <p>All risks on the Operational Risk Register are amber or green.</p> <p>A copy of the Audit Committee, Risk Management Monitoring report can be found on CMIS, if further reading is desired.</p>

5	OTHER OPTIONS CONSIDERED
5.1	None

6	IMPLICATIONS
6.1	Finance & Business Plan
	<p>The 2023/24 management accounts are discussed on a quarterly basis at Senior Management Team; in depth, updates are provided to the Board throughout the year.</p> <p>The forecasted 2023/24 deficit was projected into Derby Homes reserves plans, discussed by the Board in January. The main 2023/24 recurring pressures have been funded in the 2024/25 budget.</p>
	<p>The award of £650,000 SHAP capital grant towards acquiring 10 properties, enables the previous planned use of £1.3m Derby Homes cash reserves to be reduced accordingly.</p>

	Slippage of £0.8m financing for 20 vans into 2025/26 has no material impact.
	The review of option to assist the HRA Business Plan financial viability, will have a material impact on the level of any saving the Council needs to make to the Derby Homes management fee from 2025/26 onwards; therefore, this is a key piece of work which needs to be undertaken in the next few months.
7	Background Information
	Audit Committee 26.4.24 – Risk Management Monitoring – Enclosure 5

The areas listed below have no implications directly arising from this report:

Consultation

Legal and Confidentiality

Council

Personnel

Environmental

Equalities Impact Assessment

Health & Safety

Risk

Policy Review

This report has been approved by:

Managing Director	Maria Murphy	15.03.2024
Finance Director & Company Secretary	Michael Kirk	11.03.2024
Governance Manager (checked)	Jane Haywood	13.03.2024