

DERBY HOMES' OPERATING BUDGET 2007/08

Report of the Director & Company Secretary

1. SUMMARY OF REPORT

This report presents the Derby Homes' Operating Budget for 2007/08.

2. RECOMMENDATION

- 2.1 To approve the operating budget for 2007/8.
- 2.2 To approve the proposed amendments to the budget outlined in this report at paragraph 3.5 and 3.9.
- 2.3 To request the Director & Company Secretary update the longer term financial plan to 2012 and present it to Resources & Remuneration Committee on 8 May 2007 and the Board on 26 July 2007.

3. MATTER FOR CONSIDERATION

- 3.1 In July 2006 the Board approved a report on the framework for the budget process for 2007/8 (item A10, Minute 06/108).
- 3.2 The Budget Scrutiny Group met during November 2006. A draft budget was presented to Resources & Remuneration Committee on 4 January 2007 and recommended for Board approval.
- 3.3 The changes to income streams included in the budget for 2007/08 are detailed in Appendix 1 together with an explanation of the differences.
- 3.4 The changes to expenditure levels included in the budget for 2007/08 are detailed in Appendix 2 together with an explanation of the differences.
- 3.5 The budget proposed for approval in this report differs from the budget presented to Resources & Remuneration Committee because of the termination of a contract to manage 199 Housing Association properties which was received after the papers were distributed for the meeting. The changes to the budget are as follows:

	£'000
Income budget 2007/08	14,569
Lost Rental Income	685
Lost Management Fee	<u>54</u>
Revised income budget 2007/08	13,830
Expenditure Budget 2007/08	14,565
Less Rental Income Repaid	685
Less Costs Chargeable to contract	<u>51</u>
Revised expenditure budget 2007/8	13,829

The changes to the budget reduce the budgeted surplus for 2007/08 from £4,000 to £1,000 which is a break-even position.

- 3.6 Within the budget strategy all budget holders were given responsibility to identify 3% efficiency savings. The pool of efficiency savings has been used to fund:

- Unfunded budget pressures arising in 2006/07 £169,000
- Other budget pressures 2006/07 and 2007/08 £515,000
- First call developments £134,000

Details of these are included in Appendices 3 and 4.

- 3.7 Other budget development requests were submitted by budget managers. These totalled £339,000 and are shown in Appendix 5. These could not be funded from funding available for 2007/08. Funding for some of the developments may emerge during 2007/08 when an incentive scheme payment is received from the Council. The maximum payable under the scheme is £150,000. The budget scrutiny group delegated to the Chief Executive the decision on which developments to fund on receipt of the incentive scheme payment.

- 3.8 Since Resources & Remuneration Committee met on 4 January discussion has taken place with Council officers which may lead to increased income being awarded to Derby Homes. In addition there will be some exceptional withdrawal of management fee. The proposed changes are as follows:

Reduction in Management Fee:

Further reduction in lease costs	46
Void Properties excluded from Council Tax	<u>11</u>
	57

Increase in Management Fee:

Furniture Scheme – inflation	24
Alvaston co-location costs	10
Contribution to continued opening of offices	<u>24</u>
	58

Increase in Supporting People Grant:

Revised budget for Piper Income	59
Inflation Increases	24

Net increase to income 2007/08	84
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3.9 Energy charges to Derby Homes have increased from £107,000 in 2003/04 to £193,000 in 2005/06. The increase has been funded as a budget pressure with first call on each year's development pool. The Council agrees in principal that the management fee should be adjusted to cover some of this increase but state the increase must be affordable by the Housing Revenue Account. Negotiation is ongoing on this.

3.10 The budget presented to Resources & Remuneration Committee and the Board balances without the additional income. It is therefore proposed to increase the pool available for developments when the increase is finally approved by the Council.

3.11 It is not intended to present to the Board the changes to the operating budget for 2007/08 unless they are materially different from the amounts identified in this report.

3.12 On approval the budget will be incorporated into the long-term financial plan which will be extended to include 2012. This report will be presented to Resources & Remuneration Committee on 8 May 2007 and the Board on 26 July 2007.

4. CONSULTATION IMPLICATIONS

Consultation events took place as follows:

- Pre budget preparation – Tenants, Leaseholders and Board members – November 2006
- Draft budget – Local Housing Boards North & South – December 2006

- Draft Budget – Derby City Council – December 2006
- Draft Budget – Employees & Trade Unions – December 2006.

5. FINANCIAL AND BUSINESS PLAN IMPLICATIONS INCLUDING EFFICIENCY SAVINGS

Cashable and non-cashable efficiency savings included in the budget are shown in Appendix 6.

6. LEGAL AND CONFIDENTIALITY IMPLICATIONS

The Board meets a statutory obligation under the Companies Act by setting a balanced budget and ensuring the Company can meet trading liabilities.

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

- Personnel
- Environmental
- Equalities Impact Assessment
- Health & Safety

If Board members or others would like to discuss this report ahead of the meeting please contact the author, or the Chief Executive, phil.davies@derbyhomes.org - Tel 01332 711010

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Background Information: None.

Supporting Information: Reports to Resources & Remuneration Committee, 4 January 2007.