PUBLIC

DERBY HOMES BOARD

THURSDAY 25 JANUARY 2024

OPERATIONAL BUDGET 2024-25

ITEM NO. Enc. 6

Report of: Finance Director & Company Secretary
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PRESENTED BY:
Michael Kirk

1	**SUMMARY**
1.1	**Budgets** This report presents the operational budget for Derby Homes for 2024/25 and outline forecasts for 2025/26 and 2026/27, for consideration by the Board. The Derby Homes budget strategy remains for a long-term underlying break-even budget – where annual revenue income matches annual revenue expenditure. Where one off revenue expenditure is planned, (such as operational building improvements), these will switch the actual outturn into a deficit position and is planned to be funded from reserves in the year of spend. The proposals do present a break-even budget for 2024/25, but for future years the budget is not balanced. At this stage it is proposed that savings / income generation options are explored both within the Councils Housing Revenue Account (HRA) Business Plan (BP) and within Derby Homes to help balance the Councils HRABP and the Derby Homes budget over the medium term.
1.2	**Reserves** General "usable cash" reserves at March 2024 are forecasted to be £11.7m, with a plan on how these reserves are to be used over the next five years noted in the report. The planned use of reserves is suggested to strike a fair balance between underlying levels of contingencies required and investments in future initiatives – such as new homes, operational building improvements and replacement vans & equipment.
1.3	**Capital budgets**

	Capital budgets – on proposed new homes and replacement vans and equipment are also detailed. Significant numbers of S106 properties (41 in 2024/25) are in the pipeline to be acquired. With capital budgets also available for further acquisitions (likely to be S106) and properties under the “5 a year rule” off the Council. Also, a continuation of acquisitions for strategically aligned projects with the Council – like the Looked After Children initiative. The usable reserves position (effectively its cash holding) of Derby Homes now only allows for investments in affordable additional social housing where this is virtually fully funded through loan finance. Future schemes and acquisitions are evaluated on this basis accordingly. Reserve funding will still need to be used on the Looked After Children Initiative (as such properties are acquired at market value).
1.4	**Support for aligned Council services** The budgets also allow for continued support by Derby Homes to wider Council services, where they align with Derby Homes “Objects” as detailed within the company Memorandum and Articles of Association – such as Milestone House, Homelessness & Housing Options and Derby Advice.
1.5	**“Stress test” on the budget** The report also reviews the impact of a £1m a year (circa 2% of expected turnover) for three years “stress test” on the company’s’ financial standing. This review concludes that the company remains financially resilient, with reserves and cash (via borrowing if necessary) available to fund losses at the stress test levels. Derby Homes is reliant on loan finance (off the Council) to fund the bulk of its property acquisitions. There is a reasonable level of borrowing capacity still available. However, if reserves are required to fund losses, this would be at the expense of those projects identified to be funded through reserves – the Board would need to agree which project is reduced / withdrawn. There are no reserves specifically earmarked to cover future losses. Contingency reserves could be used to fund losses, but there is limited scope to replenish contingency reserves (if necessary). That would require a return to a profit position, which to budget for, would require further savings impacting on operational delivery to tenants and / or aligned services with the Council.

2	**RECOMMENDATIONS**
2.1	To approve the budget for 2024/25 as detailed in Appendix 1, along with the 2024/25 pressures and savings listed in sections 4.2 and 4.3.
2.2	To approve in principle the budgets for 2025/26 and 2026/27 as listed in Appendix 1, along with the indicative pressures and savings requirements listed in sections 4.4 and 4.5.
2.3	To note the options to be considered by Derby Homes and the Council in balancing the Housing Revenue Account Business Plan and Derby Homes budget over the medium term, as detailed in Appendix 2 (confidential).
2.4	To approve the updated capital programme as detailed in Appendix 3.
2.5	To approve in principle the planned use of cash reserves as detailed in section 4.8.
2.6	To note the review of a £3m over 3 years "stress test" on the budgets and that the company remains financially resilient, with reserves and cash (via borrowing if necessary) available to fund losses at the stress test levels.
3	**REASONS FOR RECOMMENDATIONS**
3.1	The Board has a responsibility to set a budget that meets its trading obligations. The proposed budget is in line with this requirement. The proposed budget will meet immediate pressures on operations and allow for a planned investment in one off spend activities funded from reserves. The proposed budget is attempting to strike the right balance for the Council, Derby Homes, and tenants. In the event of a serious future budget issue, this would be dealt with initially using reserves combined with remedial budget actions. Such actions would need to be considered and acted upon reasonably promptly to avoid significant deterioration in reserve levels.
3.2	To establish and direct capital funding plans and use of reserves enable Derby Homes to: • Continue to expand our housing stock, aligned with Council priorities, where it is appropriate for Derby Homes to own stock. • Plan for a significant replacement programme of the van stock (around 180 vehicles), with a long-term aim to switch from diesel to electric vans for the majority of the van fleet. • Invest in updating and modernising the buildings we operate from. • Maintain a prudent level of contingency reserves and cash holdings.

3.3	To ensure that oversight on the financial resilience of Derby Homes is considered.
4	**MATTERS FOR CONSIDERATION**
4.1	**Operational Budgets** The 2024/25 budget has been prepared on the following basis: • To allocate a fair level of inflation on essential spend budgets, an inflation freeze on discretionary budget heads is necessary to help balance the budget (this saves £312,000). • To assume that the savings proposed for 2024/25 will be fully deliverable in the year. • To notionally account for future years reductions in the management fee as part of the Councils £1.1m plan to balance the HRA Business Plan. At this stage no further Derby Homes saving(s) have been incorporated into 2025/26, 2026/27 or 2027/28 plans. Discussions are ongoing with the Council on options on how the HRABP can be balanced and the consequently impact that then has on the Derby Homes management fee. Currently the HRABP assume that all of this saving falls on the management fee. If such pressures are formally placed on the management fee, there will need to be significant reviews of core services to tenants and housing aligned services (which will impact on the Councils General Fund).

4.2 The 2024/25 budget includes the following budget pressures:

Description of pressure	**£'000**
Management fee saving from 2023/24 not delivered – planned to be delivered (in 2023/24) from a revised recharge methodology for staff managing the HRA Major Works Capital Programme	365
Reduction in management fee linked to reducing number of properties to manage and maintain (due to Right to Buy sales being in excess of new properties)	306
Net reduction in management fee from updating inflation and employer pension adjustments made in 2023/24	164
Consumer standards – costs linked with a revised staffing structure to plan for forthcoming changes by the Regulator on Landlords (the Council)	250
Consumer Standards – introduce a budget to fund annual physical condition surveys on Landlord properties, as instructed by the Regulator	150
Insurance – increased cost of premiums in 2023/24 expected to continue at such levels	150
Align budgets in the Day-to-Day Responsive Repairs service with current levels of spend:	
• Scaffolding hire – increased usage and hire costs	200
• Damp, Mould & Condensation – increased remedial works arising from damp surveys £200k and legal / compensation costs £19k	219
• Groundworks – increased costs following tender renewal	100
• Materials – cost increases above base inflation levels and increasing volumes being used on jobs	125
• Additional Works Supervisor / Management being added to the establishment	50
• Pest Control costs – increase in costs and volumes of works	38
Planned saving in Customer Services Team in 2023/24 delayed	30
Housing Aligned Services - Inflationary costs at Milestone House, Imari Park and Shelton Lock not covered within fixed fee contribution from the Council	56
	2,203

4.3 The 2024/25 budget includes the following budget savings:

Description of saving	£'000
Inflation - Freeze inflation allowance on discretionary budgets (planned maintenance, training, apprentices, grants etc) 150	312
Path re-surfacing – cover costs through HRA Capital programme (Estates Pride budget) from 2024/25 rather than DH Planned Maintenance budget	300
Income generation – anticipated additional overhead / income contributions receivable linked with increased works on the HRA Capital Programme	300
Fencing – Selective non-renewal of front garden fencing at replacement stage	175
Remove / reduce discretionary budgets to help fund increased staffing costs and surveys linked to new Consumer Standards:	
• Remove Job Evaluation budget	100
• Reduce publicity budget	95
• Remove Environmental Initiatives budgets – plan to consider requests with Estates Pride revenue budget	120
Staff vacancies – adopt an alternative budgeting model for anticipated levels of staff vacancies	150
Housing Aligned services – update 24/25 budget with revised management fees agreed with the Council in 23/24 for Milestone House (£91k increase), Imari Park and Shelton Lock (£51k)	142
Staff posts – when vacant, delete identified posts in Housing Management (2), Income Collection (1), Voids Maintenance (1) – to reflect changes in service demands	120
Gas Servicing – reduce materials budget (£80k) and sub-contractor budget (£37k) in line with future expected costs	117
External Grants – review funding of and levels of contributions to a range of grant recipients	102
External Painting – extend period for routine re-painting of external render on properties (adopt a reactive rather than pro-active approach) and end painting of "pre-treated" new timber fencing	60
Internal Painting – extend period for routine re-painting of communal areas in flats (adopt a reactive rather than pro-active approach)	55
Housing Management – increased management fee from the increasing number of DH owned properties	25
Depot security – finalisation of depot security review which commenced in 23/24	15
Burglary Reduction – phrase out "target hardening" to properties	15
	2,203

There are no staff redundancies planned as part of these proposals, but they do plan for four posts to be deleted upon vacancies arising / fixed term contracts ending.

4.4 The 2025/26 budget pressures and savings are currently identified as:

Description of pressure	£'000
Reduction in management fee linked to reducing number of properties to manage and maintain (due to Right to Buy sales being in excess of new properties)	236
HRA Business Plan – Council proposed reduction to management fee to help balance the HRA Business Plan	365
Investment Income – reduced level of deposit account interest as cash reserves are drawn down (to fund capital expenditure) and reducing interest rates available from deposits	100
Housing Aligned Services - Inflationary costs at Milestone House, Imari Park and Shelton Lock not covered within fixed fee contribution from the Council	56
	757

Description of saving	£'000
Options to be discussed with the Council on generating more income / reducing costs for the HRA, or generating more income for Derby Homes – see Appendix 3 for options to be explored. If delivered, this would negate the need for the Council to reduce the management fee to balance the HRABP.	365
Review of staffing arrangements within Derby Homes, across a number of teams (approx. 8 posts)	285
External Grants – review funding of and levels of contributions	25
Community engagement – sell community engagement van & examine alternative software used on surveys	25
Burglary Reduction – end "target hardening" to properties	10
	710

If at all possible, staffing reductions would be delivered through staff vacancies and opportunities for staff to take on similar roles elsewhere in the organisation.

4.5 The 2026/27 budget pressures and savings are currently identified as:

Description of pressure	£'000
Reduction in management fee linked to reducing number of properties to manage and maintain (due to Right to Buy sales being in excess of new properties)	24
HRA Business Plan – Council proposed reduction to management fee to help balance the HRA Business Plan	365
Loan Interest – anticipated cost of a £4m loan (at say 5%), secured against DH owned properties, acquired from 2022/23 onwards. Properties initially financed through cash reserves, until company cashflow necessitates borrowing due to planned purchase of new vans and other calls on cash reserves.	200
Housing Aligned Services - Inflationary costs at Milestone House, Imari Park and Shelton Lock not covered within fixed fee contribution from the Council	56
	645

Description of saving	£'000
Options to be discussed with the Council on generating more income / reducing costs for the HRA, or generating more income for Derby Homes – see Appendix 3 for options to be explored. If delivered, this would negate the need for the Council to reduce the management fee to balance the HRABP.	365
Review of staffing arrangements within Derby Homes, across a number of teams (approx. 9.5 posts)	325
External Grants – review funding of and levels of contributions	25
	715

If at all possible, staffing reductions would be delivered through staff vacancies and opportunities for staff to take on similar roles elsewhere in the organisation.

4.6 Appendix 1 lists in detail the proposed budgets for the next three years. These show an overall breakeven position in each year, on the assumption that the HRABP savings currently being allocated against the Derby Homes management fee, do not materialise in 2025/26 and 2026/27 due to alternative options on balancing the HRABP being delivered (likely to involve options being explored in Appendix 2).

4.7	**Reserves** It is estimated that at March 2024, the company will have around £11.7m in "usable" reserves. This figure concentrates on those reserves that (given time), will end up as cash reserves. It excludes certain reserves held by the company which are unlikely to be converted into cash (such as houses, vans, stock). The £11.7m is based on: March 23 reserves of: • £12.6m – Debtors (exc prepayments) • £11.1m - Cash • (£7.3m) - Creditors With changes in 2023/24 from • (£1.0m) - Projected deficit in the 2023/24 year • (£1.0m) – Vans acquired in 2023/24 (financed from cash) • (£2.7m) – Properties acquired in 2023/24 (initially financed from cash, eventually loan finance will be sought)
4.8	The "in principle" plan for investing the reserves (which have accumulated from savings made over the years), over the next 5 years is proposed to be:

Possible investment area	**£m**
Replacement vans x 40 – petrol / diesel engines in 2024/25 (that will leave the oldest vans being 2014 models)	1.7
Replacement vans x 47 (acquired between 2014 and 2017) – petrol / diesel engines in 2025/26 and 2026/27	2.1
Replacement vans x 24 (acquired between 2020 and 2023) – likely to be required from 2030 onwards (assume that electric van costs match petrol / diesel van costs)	1.1
Operational buildings (depot and local housing offices) – improvements and modernisations over next five years	1.0
Replacement Grounds Maintenance equipment	0.4
Balance available towards subsidising cost of new homes (if Homes England grant, S106 contribution, EUVSH option from Council are not available) – circa 50% of the cost.	1.4
	7.7
Contingency budgets	
General contingency – roughly 5% of turnover (less than 1 month's trading)	2.5
Various Homelessness Prevention Grants ending – circa £3m a year currently being received. Contingency to cover costs until exit plan finalised (six months)	1.5
Set aside in case annual outturn does not meet operational break-even target	-
	4.0
Plan for "usable" reserves	**11.7**

4.9	The current net cash position of the company is very strong. This enables the planned acquisitions of S106 properties in 2024/25 (circa £4.9m) plus the £2.7m spent in 2023/24 to be financed with cash and borrow at a later stage – with £4m of borrowing provisionally planned for 2026/27. For every £1m borrowed, there would be an approx. £50,000 budget pressure to cover interest costs – this is factored into the 2026/27 budget plans. It also enables planned spend on vans, equipment, and operational buildings to be financed from cash reserves rather than borrowing. There remains scope to invest reserves into subsidising new homes – currently focusing on housing linked to the Looked After Children project with the Council.
4.10	It is proposed to increase the level of reserves earmarked as a contingency against those Homelessness services funded via external grants from £1m to £1.5m. The value of the grants varies each year, currently it is around £3m but indications are that the level will drop over the next few years. So around 6 months of operational contingency. The temporary nature of homelessness grant awards, has led to posts funded through the Rough Sleeping Initiative Grant being appointed on a temporary fixed term contract basis. Operationally this causes both recruitment and retention problems due to the lack of job security. To address this we are planning to make the existing temporary posts permanent. Plus, future posts are planned to be appointed to on a permanent basis. The exit plan being (if grants drop to a level that necessitates staff establishment reductions) staff being offered alternative roles within the organisation, or as a last resort, then redundancies will need to apply. By increasing the contingency budget for this area, it allows more time and flexibility to respond if permanent staffing levels need to reduce, but will aid the operational delivery of the service through improved staff recruitment and retention.

4.11	**Capital Budgets - Properties** On new homes - It should be noted that this needs to be extremely fluid to react to opportunities if and when they arise. There a number of properties in the process of being acquired under S106 agreements with Developers (with at least 41 identified for 2024/25) – at Snelsmoor Lane (26) and Manor Kingsway (15) – at an estimated cost of £4.9m - see Appendix 3 for details. Additionally, a capital budget of £0.3m a year is proposed to take up opportunities under the “5 a year” rule and acquire larger sized properties (four bedrooms and above) off the Council, when they become vacant. Also, the Board has previously approved an additional 10 properties under the Looked After Children project, with an agreement that up to £65,000 per property can be subsidised from reserves (to acquire properties at market value) and ensure that the property is financially “viable” going forward. This reserve commitment may be superseded if external grant funding can be secured to replace the proposed reserve funding. Cost of the 10 properties is estimated at £1.3m. Finally, a notional £0.5m budget for 2024/25 rising to £1m a year in both 2025/26 and 2027/28 is included for future acquisition opportunities, likely to be S106 offers. These all total a property budget of £6.33m for 2024/25 and £1.95m in 2025/26 and £1.3m in 2026/27.

4.12	The scope for further S106 opportunities properties that come available does need careful consideration. Such properties would need to be financed effectively from 100% loan finance, due to the various calls on the cash reserves (per section 4.8). It is likely that the necessary finance will be secured against the wider property portfolio to ensure that overall gearing (ratio of loans to property values) remains within reasonable limits. An estimate to the level of financial headroom available for borrowing to cover property acquisition costs and general contingency reserves is below:

Description	**£m**
Estimated book value of properties at March 2024 – based on March 2023 book value £9.9m plus additions in 2023/24 of £2.7m	12.6
Possible cost of properties in three-year capital programme from 2024/25 to 2026/27 – per Appendix 3	9.6
Existing grants on properties	(2.1)
Possible future grants on properties in next three years	(0.6)
Possible future book value of properties to secure loan finance off the Council from	**19.5**
Assume a reasonable loan to book value lending ratio is 80%, gives a loan capacity of (£19.5m x 80%)	15.6
Existing loans with Council	(2.8)
Loans required (at some stage) on properties to be acquired in the next three years	(9.6)
Balance of loan capacity available as a contingency to raise cashflow if need arises	**3.2**

4.13	Each potential acquisition / new build scheme will undergo a feasibility assessment and approval from the Board and Council as required. As such, it is not possible to suggest a target number of properties to be acquired each year – each scheme will be assessed on its merits. For capital budgeting purposes, £500k is added to the 2024/25 budget plus a notional £1m a year thereafter. Where a scheme costs more than £250,000, Board approval will be sought along with Council approval on spend above £1,000,000.

4.14	**Capital Budgets – Vans and Equipment** Although Derby Homes plans were to replace its fleet of petrol and diesel works vans with electric vans it has become apparent that this is not currently feasible because of a number of reasons. Firstly, the depot and operatives' homes do not have the infrastructure to charge a significant amount of vehicles overnight. Over half of our operatives do not have facilities to put vans on driveways which would make it very difficult to charge them up. There is also an increased operational risk from a large number of vans parked in the depot overnight – e.g., fire / vandalism. Plus, the benefits derived from van stocks, enabling Operatives to go direct to their first job would be lost if they had to drive into the depot to collect their van. Secondly, advice from the Councils Fleet Management and manufacturers is that for our needs, current electric vans on the market are not fit for purpose due to concerns about the daily range of electric vans being acceptable, specifically due to: • The weight from our van stocks • Numerous "stop / start" short journeys not aiding battery recharging. • Demands during bad weather on use of air conditioning, lights etc. It is felt we would be best to look at changing to electrical charged vehicles on the next van main replacement cycle around 2030 and replace with petrol / diesel vans in the next three years. In 2023/24, it is planned to complete the acquisition of around 25 vans costing circa £1m, timing wise there is a chance some of these will slip into 20024/25. Further plans for the next three years are: • 2024/25 – 40 vehicles – circa £1.75m. These are 2011 to 2013 plate vehicles. The oldest remaining vehicles would then around 10 years old. • 2025/26 & 2026/27 – 47 vehicles – circa £2.1m. The split across both years is still tbc depending on age and condition of the vans. For budget modelling purposes £1.05m is assumed in each year. That would leave 24 vehicles being 2020 plate or later and these shouldn't need replacing until 2030 onwards.
4.15	Additionally there is an allowance to replace existing Grounds Maintenance equipment - a capital budget of £0.4m is proposed, split equally across the next two years.

4.16	**Support for aligned Council services** The budgets also allow for continued support by Derby Homes to wider Council services, where they align with Derby Homes "Objects" as detailed within the company Memorandum and Articles of Association. The net level of support was £1.7m in 2022/23 (£1.7m in 2021/22) which is around 6.2% of the core 2022/23 management fee. It is anticipated that net costs will continue at similar levels and have been budgeted for accordingly. The main areas of support are: • £0.75m – Milestone House • £0.60m – Housing Options and Homelessness • £0.23m – Derby Advice – Welfare Rights This level of support was recognised by the Council Cabinet in the "Renewal of Partnership Agreement" report 10 March 2021.
4.17	**"Stress test" on the budget** Derby Homes' income basis is relatively stable – with virtually all of its income coming from its owner Derby City Council. Main income sources are. • a circa £34m management fee inclusive of certain service charges income from the Council • open book recharges on HRA capital works • passporting of Homelessness grants received by the Council. The 30-year HRA business plan will be presented to Council Cabinet in February and this includes plans for the management fee to Derby Homes to continue to be calculated on the current basis (and the Derby Homes budgets match the HRA Business Plan management fee assumptions). Where savings are required in the HRA Business Plan impacting on the Derby Homes management fee, these are currently included within the management fee savings reported in sections 4.1 to 4.6.

4.18	The Derby Homes reserve position, detailed in sections 4.7 to 4.10, show there are currently significant cash reserves in place. However, due to the plans for substantial investment in vans and properties over the next three years, these cash reserves will reduce down and loan finance - secured against the property portfolio will be required to replenish cash holdings (this is budgeted for in 2026/27 with a £4m loan at 5%, but can be called earlier if the need arises). If Derby Homes does not financially deliver a break-even outturn and continues to lose money annually (£1m predicted for 2023/24), then the call on the reserves will be even more. Hence, the delivery of the savings identified in the budget is of great importance as is continued monitoring of pressures arising. There is financial headroom to finance any "foreseeable" losses through contingency reserves, but to replenish these reserves would require profits to be delivered. Profits could only be delivered through further income generation and / or cost savings on core services to tenants and / or council aligned services. Losses could also be financed through borrowing (secured against the property portfolio). It is accepted that if loan finance was used to fund losses (rather than cash reserves) this would lead to increased borrowing costs and these could have some operational impact on services. The Board also has the option to look at areas detailed in Appendix 2 on where additional income / cost savings could be made in Derby Homes and support the Council in their income / cost review of the HRA and other services. Overall, therefore, the underlying financial resilience of the company remains strong, with mitigations available if losses were to arise.

4.19 The main financial risks for Derby Homes are considered to be:

Risk / Issue	Level of risk	Assurance
Pension scheme deficit leaves company technically insolvent in the event of Council underwrite ending.	Low	The Council annually restate their intention to underwrite the pension scheme. Without this assurance, Derby Homes would not be a "going concern" and most likely fold.
The Council ends the Partnership Agreement.	Low	This was extended by Council Cabinet on 21 March 2021, through to 2032 (5-year break clause in 2027).
Adequacy of cashflow	Low	Derby Homes currently holds significant cash reserves. There is scope to generate cash through additional borrowing if the need arises – see section 4.12. The current and following year cashflow is forecasted and monitored in detail month by month by the Accountancy team and reviewed by the Finance Director.
Permanent change to basis of management fee calculation	Low	The basis for the calculation is stated in the Partnership Agreement. The Councils HRA Business Plan assumes a certain fee level to Derby Homes (for 30 years) and that fee is replicated in Derby Homes budgets.
Management fee reductions linked to balancing the Councils HRA Business Plan	Medium	Ongoing discussions with the Council and options being discussed (Appendix 2) to balance the Business Plan

5	OTHER OPTIONS CONSIDERED
5.1	In the event of Derby Homes needing to generate cash, other options in addition to borrowing against properties owned include: • Borrowing against future van replacements – possible but this lacks the corporation tax benefits that borrowing against properties allows for. • Selling assets – could sell vans (and then hire), this is not a value for money option. Could sell properties when void, but few properties become void so scope for significant funds is limited. • Significant savings / efficiency programme – to boost the level of reserves again. This is likely to have a detrimental impact on current service outputs.

6	IMPLICATIONS
6.1	Financial and Business Plan
6.1.1	The detailed budget for 2024/25 and indicative budgets for the next two years continue the Board's intention to operate on an underlying break-even basis. But this does require reductions from the current service offer to tenants and reductions to staffing numbers. Accumulated savings which are held in reserves, have an in principal plan on how these will be invested in one off related spends, whilst maintaining a prudent level as a contingency. Funds remain available to invest in adding to the number of properties owned by Derby Homes. There is not a target number of homes in mind, but each opportunity can be assessed to consider if ownership is better suited in Derby Homes rather than the HRA.
6.2	Legal and Confidentiality
6.2.1	The Board of Derby Homes has a statutory responsibility that the company operates in a way to meet its trading liabilities. This budget fulfils that responsibility.
6.3	Council Implications
6.3.1	The Derby Homes budget includes continued to support to housing aligned services delivered on behalf of the Council. These are budgeted to cost Derby Homes circa £1.7m a year as detailed in section 4.16.
6.3.2	The Council have a legal obligation to set a balanced HRA Business Plan. Current plans to balance this include the need for £1.1m of savings to be made against the Derby Homes management fee unless alternative income generation / cost savings can be identified.

6.3.3	Capital spend in excess of £1,000,000 needs the approval of the Council. This will be sought on the van replacement programme and any property schemes as applicable.
6.4	Consultation Implications
6.4.1	The Board attended a finance briefing session on 23 October 2023 where discussion was focused around: • Housing sector issues nationally and the impact for Derby – presented by Savills. • Derby Homes reserve plans, property acquisition opportunities, the need for cash and loan financing capacity • Discussion on rent consultation and the HRA Business Plan Additionally, the Board considered the proposed pressures and savings at separate workshops on 16 November 2023 and 17 January 2024.
6.5	Environmental Implications
6.5.1	Derby Homes reports on its “Emissions and Energy Consumption” within the annual financial statements. For 2022/23, this reported that 536 out of the total 993 carbon tonnes consumed by Derby Homes in its service delivery was from the van fleet. The delay to an electric van fleet will mean that there will be limited scope to materially reduce down carbon tonnage emissions in the short to medium term. The reserves do plan to fund depot and operational building improvements, which will help reduce the 413 tonnes consumed in these buildings and common rooms used by tenants. Derby Homes works alongside the Council on the HRABP and this includes for energy reduction options on tenants’ homes, including insulation works, modern heating options and solar panels on roofs.
6.6	Equalities Impact Assessment
6.6.1	An Equalities Impact Assessment has been undertaken – see Appendix 4 for details. The conclusion is - No major change needed – the EIA hasn’t identified any potential for discrimination or negative impact and all opportunities to advance equality have been taken.
6.7	Risk Implications
6.7.1	Included within the Operational Risk register is a risk around “Inadequate management of budgets.” This risk will be managed and monitored as part of the wider review of the Risk Register.28

6.8	Personnel
6.8.1	Subject to the approval of the savings proposals, those which may affect staff would be subject to appropriate consultation with staff and the trade unions. The proposals in 2024/25 aim to delete four posts when vacancies arise – per section 4.3. For future years, if at all possible, staffing reductions would be delivered through staff vacancies and opportunities for staff to take on similar roles elsewhere in the organisation. If redundancies are required, then staff and trade union consultation will be carried out in line with the Derby Homes Leaving Employment Policy. The numbers of fte posts potentially affected by the proposals total 17.5 as noted in sections 4.4 and 4.5.

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

Health & Safety
Policy Review

7	**Background information**
7.1	Slides presented to board budget briefing – 23 October 2023 Previous Board reports on the budget

8	**Appendices**
1.	Appendix 1 - Summary of Derby Homes budgets 2024/25 to 2026/27
2.	Appendix 2 – Further income generation / cost reduction options (Confidential)
3.	Appendix 3 – Capital Programme Plans
4.	Appendix 4 – Equalities Impact Assessment

This report has been approved by:

Finance Director & Company Secretary	Michael Kirk	19.01.2024