



Report to:

Northwards Housing Board

13th March 2007

Item No:

8b

Title:	Budget 2007-08		
Date:	27 th February 2007		
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Confidential:	No		
For: (Please tick action required)	NOTING	DISCUSSION	APPROVAL √

PURPOSE OF REPORT

The attached report presents the proposed Budget for 2007-08 for review and approval by the Board.

The report details the work that has been undertaken to formulate the Budget and discusses some of the key variances between the current year and the original Financial Plan.

RECOMMENDATION

That Board approve the Budget for 2007-08.

IMPLICATIONS

Equality & Diversity:	The Budget contains support for E&D
Financial:	The Budget reflects financial proposals for the next year
Staffing:	The Budget reflects changes in the staffing plan
Decency Target:	The Budget contains support for delivering the DH programme
Governance:	Approval of the Budget is a key part of governance arrangements
Risk Assessment:	Cost control and financial planning are assessed as primary risks

Equality & Diversity Implications (Please tick where relevant):

BME	<input type="checkbox"/>	Lesbian/Gay/Bisexual/Transgender	<input type="checkbox"/>
Elderly	<input type="checkbox"/>	Single Parents	<input type="checkbox"/>
Young	<input type="checkbox"/>	Domestic Violence	<input type="checkbox"/>
Disability	<input type="checkbox"/>	Alcohol / Drug Mis-users	<input type="checkbox"/>

Consultation/Consideration:

	Yes, No or N/A:	Name:	Date:
Sub-Committee:	Yes	Resource & Audit	27 th February 2007
Area Panel:	No		
Task Groups:	No		
Ward Councillors:	N/A		

1 **Purpose**

- 1.1 This report proposes a Budget for the year ending 31st March 2008.
- 1.2 The report outlines the process that has been followed in formulating the draft Budget and explains some of the key variances between the proposed figures and numbers previously presented in the original Financial Plan and the current year (2006-07) Budget and Out-turn Forecast (at December).
- 1.3 A number of things have changed quite significantly since the original Financial Plan was prepared but the figures are provided anyway for information.

2 **Process**

- 2.1 The 2007-08 Budget identifies the financial requirements of Northwards for the forthcoming financial year.
- 2.2 The Budget timetable commenced in late October with submissions required to Finance in December. Following this, much work has been done on priorities and assessing requests against current spend levels.
- 2.3 The Budget presented was discussed and agreed by the Executive Management Team. This review followed a number of substantial changes that were needed to meet the organisation's financial targets and a number of other meetings held to review the figures.
- 2.4 Each Budget holder took part in a Budget meeting with Finance to review their current requirements and to discuss existing spend.
- 2.5 The Budget formulation process has also included a review of the costs associated with services provided by Manchester City Council, and revisions have been incorporated as appropriate.

3 **Key Targets**

- 3.1 The key targets in the preparation of the budget were delivering a balanced Budget keeping an eye on Weekly Costs per Unit.
- 3.2 No target surplus figure has been set for the Budget since this is not in keeping with the service provided. However, some prudence has been exercised to ensure risks can be properly managed in the year.
- 3.3 In addition, the efficiency agenda has focused the mind in assessing whether any additional costs on particular activities deliver additional service benefits or performance enhancements.

3.4 The income and costs presented for the Budget give a surplus of £20,000. This is after reductions in costs have been identified on original requests amounting to over £500,000 as explained in 4.2 and 4.3 below.

4 Contract Fee

4.1 The Budget for the contract fee calculated in accordance with the Management Agreement together with additional funding in accordance with the original Financial Plan, Job Evaluation and the Programme Planning Team transfer is £20.34m.

4.2 The original request was for a fee of £20.88m. As a result of the Central Government Subsidy settlement on Manchester, a proportion of which is passed onto Northwards, Manchester City Council has been looking for substantial savings (around £4.0m or 5%) on the Housing Revenue Account budgets. Northwards was asked to contribute towards these savings at around 2.2% or £540,000. This has therefore been factored into the draft Budget.

4.3 Based on a 25% share of the Government subsidies, the request for a saving of £540,000 at 13.5% of the required amount of efficiencies to keep the Housing Revenue Account in balance does not appear to be an excessive request. That being said, the Officers have had to refocus priorities in order to present a balanced Budget and the ability to mainstream the Neighbourhood Warden's funding.

4.4 In calculating the revised Contract fee in accordance with the Agreement, Manchester City Council has accepted our change in the Right-to-Buy assumptions. To date 160 properties have been sold giving a revised forecast for the current year of around 190 sales. We have planned for a similar number next year, a reduction of 27% on the original plan. This equates to an assumption of 1.5% sales (previously 2%).

4.5 The income from Manchester City Council includes confirmed funding for the Neighbourhood Wardens for a further year at £760,000. It has not been possible to mainstream this scheme in the current Financial Plan as set out in 4.3 above.

5 Other Income

5.1 Supporting People income shows a real decrease (less than inflation) after the assessments for 2007-08 were confirmed. As a result of Job Evaluation it is now the cases that costs for the support service provided exceed income.

5.2 The contribution from the capital programme is around 11% of the overall budget and includes the cost of the direct staff undertaking work on the Capital Programme together with what was previously Agency staff. Proposals to give some of these individuals fixed term contracts to better manage costs are built into the draft Budget and result in savings of around £390,000. The contribution equates to around 7% of the total programme, well within expected parameters.

5.3 Income from the Eastlands Homes contract has been set at £500,000, as this is set to reduce this year as the work on their Improvement Programme comes to an end.

5.4 A figure for bank interest has been factored into this year's proposed Budget based on the current year's cash management. It is hoped that this can be improved on but with no Contract Fee due in March and April we are reluctant to overstate the figure in the Budget.

5.5 Other income has been included prudently but realistically we believe to properly match activities during the year.

6 Employee and Transport Related Costs

6.1 Overall, salary costs have increased by £760,000. Broadly the increase is made up of Job Evaluation additional costs of £470,000 and cost of living and increment rises amounting to £290,000.

6.2 Whilst costs have increased, the overall proposals are for a reduction in staff posts to 296 (from 302) and this includes the additional five posts in the Programme Planning Team under TUPE. Average staff costs have risen to £27,706, an increase of 4.6% covering cost of living and increment rises.

6.3 Other than changes within the establishment, proposals for other changes from re-organisations will be brought before HR & Equality Sub-Committee and the Board prior to implementation.

6.4 The overall picture of the result of Job Evaluation is still not clear but the best estimates of the likely outcome, without prejudging work still to be undertaken, have been made.

6.5 Transport costs have been based on current requirements including present car user allowance arrangements that could be reviewed in the year after consultation with Unions and individuals.

7 Premise Related Costs

7.1 Premise related costs have been reduced by 2.1% including the effect of inflation.

7.2 Some assumptions have been made though for cost rises in property rents as these are currently under review and it seemed prudent to assume that some increases may well be forthcoming.

7.3 Following review it has been agreed that contract cleaning costs are high. This will be reviewed or tendered in the year but reductions in costs will take time to filter through.

8 Supplies and Services Costs

8.1 The costs for Supplies and Services have been reviewed and discussed in detail with a view to reducing the expenditure in this area, year-on-year.

8.2 Where no budget is proposed for 2007-08 this is because the proposed expenditure has been included on another line ie. Legal fees will be covered by the HVAS budget (see 9.4 below).

8.3 The largest cost increase is for Insurance that is being reviewed but for which the costs for the current year as well as 2007-08 have yet to be agreed. Training costs have also been increased to reflect a commitment to this area.

8.4 Other reviews that seem appropriate after Budget preparation are mobile telephones.

9 **Housing Value Added Services (HVAS)**

- 9.1 The costs of the HVAS agreements with Manchester City Council include the effect of some contract terminations or inflation applied to those agreements that will be continued for the time being.
- 9.2 The major review that is still on-going is over the Neighbour Nuisance SLA. A budgeted reduction in expenditure is proposed although this has still to be agreed.
- 9.3 The largest increase is in multi-storey security where, as a result of work done under the capital programme, on-going charges including full year costs for 2007-08 result in the budgeted increase.
- 9.4 In order to assist meeting Manchester City Council's request for a reduction in costs, an efficiency saving figure has been incorporated into the budget. The means of achieving these savings are a number of ideas at present including bringing some Legal work in-house, changing the costing structure of On-Call or linking reductions to Council Tax charges on voids against performance.

10 **Repairs and Maintenance**

- 10.1 The repairs Budget has been reviewed in detail and reflects extensive discussions on proposed expenditure plans.
- 10.2 The proposed Budget therefore shows a 1.1% increase on the current year, less than inflation but also reflecting a reduced number of units.
- 10.3 With revised void management, the Budget for this area has been reduced but plans for environmental works mean an increased budget for that area.

11 **Other Capital Expenditure**

- 11.1 Other capital expenditure (not the Capital Improvement Programme) is not directly shown in the Budget but is proposed to be £117,000 to cover work on Voice over Internet Protocol (VOIP), Sheltered Scheme ICT access, Kiosks in the Local Offices and the costs associated with the move of the Property Services teams.
- 11.2 Phase 2 of Civica (previously known as Comino) has been incorporated into year 2 (2008-09) as with a go-live date of March 2007 it will take a while to establish what the revised requirements will be.
- 11.3 A depreciation charge, or writing off expense of the other capital expenditure of the current year (the HR computer software and the office alterations at Hexagon Tower) is included in the Budget.

12 **Other Proposals**

- 12.1 As part of the Budget process a number of other ideas came forward for incorporation in the figures.
- 12.2 These will be incorporated into the Resource Pool process to be reviewed in line with other proposals utilising savings or efficiencies in the year.

13 **Key Indicators**

- 13.1 Weekly costs per unit based on the draft Budget compared to current year figures inflated area as follows:

	Budget 2007-08	Current Year Inflated
General Management	£16.12	£15.98
Repairs and Maintenance	£15.58	£16.39
Special Services	£1.14	£1.24
Total Weekly Cost per Unit	<u>£32.84</u>	<u>£33.61</u>

14 **Summary**

14.1 Much work has gone into preparing a Budget that is deliverable and meets our objectives whilst controlling expenditure. This Budget is viewed as one that can be met but it is hoped it will be beaten.

15 **Recommendation**

15.1 It is recommended that Board approve the Budget for 2007-08.

BUDGET 2007-08

DETAILED SUMMARY - NORTHWARDS HOUSING

DESCRIPTION	Draft Budget 2007/08	Original Plan 2007/08	Outturn Forecast 2006/07	Budget 2006/07
INCOME				
Contract fee	(19,421,368)	(19,766,044)	(19,142,424)	(19,215,300)
Additional payment from HRA	(160,333)	(160,333)	(472,077)	(472,077)
Neighbourhood Wardens Funding	(760,000)	-	(705,240)	(740,067)
MCC funding	(20,341,701)	(19,926,377)	(20,319,741)	(20,427,444)
Supporting People Grant	(562,070)	(476,669)	(572,762)	(558,920)
Passported People Income	(53,492)	(43,152)	(41,974)	(50,768)
Hospital discharge flat fees	(3,838)	(5,150)	(6,359)	(5,717)
Multi-storey licence income	(66,950)	-	(65,000)	(65,000)
Donations	-	-	(52)	-
Eastlands income	(500,000)	-	(579,418)	(600,000)
Other income	(391,682)	(115,523)	(483,419)	(159,627)
External funding	(75,000)	-	-	-
Capital programme contribution	(2,801,024)	(2,205,514)	(2,465,838)	(2,316,902)
Bank interest receivable	(120,000)	-	(54,481)	-
TOTAL INCOME	(24,915,757)	(22,772,385)	(24,589,044)	(24,184,378)
EXPENDITURE				
Employees				
Salaried	8,206,595		7,441,206	7,929,695
Agency or fixed term staff on Capital Programme	1,379,669		1,317,415	590,836
Employees	9,586,265	7,651,125	8,758,621	8,520,531
Premises				
General premise repairs	34,645		52,770	54,818
Gas	6,879		5,197	7,922
Electricity	39,120		48,566	48,961
Property rents	371,641		375,952	366,847
Rates	64,848		66,757	74,319
Water	14,806		14,708	14,425
Contract cleaning	28,515		19,187	24,598
Window cleaning	6,268		2,985	2,762
Refuse removal	1,145		3,666	1,523
Cleaning and domestic materials	-		1,479	3,000
Rodent and pest control	75		396	168
Grounds maintenance costs	-		3,620	-
Cleaning equipment	-		21	-
Security systems	4,162		5,202	3,551
Storage costs	-		(798)	-
Hire of premises	-		587	-
Caretakers council tax	14,848		117	-
Cash collection	1,236		649	1,236
Premises	588,188	370,792	601,062	604,130
Transport				
Motor repairs	400		308	-
Fuel costs	4,200		3,133	-
Road fund licence	58		29	-
Other vehicle running costs	485		492	-
Vehicle hire costs	-		3,523	5,000
Public transport costs	8,255		13,022	15,899
Car allowances	124,205		111,933	105,139
Coach hire	-		225	-
Car parking costs	-		974	-
Transport	137,603	70,099	133,639	126,038

Supplies & Services				
Training expenses	134,050		101,883	106,501
Recruitment advertising	20,000		25,997	-
Equipment and furniture	1,500		2,441	3,389
Clothing, uniform and laundry costs	8,500		10,675	5,900
Photocopying	17,915		21,385	1,200
Printing	62,925		48,899	25,285
Publicity	57,800		48,587	43,468
Books and publications	10,940		35,043	1,300
Tenants handbook	30,000		97,994	30,000
Stationery	43,989		60,050	41,016
General office expenses	52,584		69,232	100,996
Signing and interpreter fees	12,700		14,551	2,000
Postage	34,925		36,222	40,531
Telephones	70,710		81,905	77,208
VOIP conversion and office moves	43,500		-	-
Mobile telephones	35,837		31,644	21,024
IT Costs	66,340		66,129	27,599
Internet access	8,600		7,004	3,060
Board and Area Panel training and expenses	7,200		7,099	-
Staff briefings and away days	33,520		31,790	-
Membership fees	12,848		9,928	-
Compensation to tenants	1,200		550	1,200
Tenants and Resident association grants	24,000		24,000	24,000
Conference fees	13,350		14,921	3,110
Neighbourhood wardens security	5,000		2,267	-
Medical fees	2,500		2,115	-
Catering	5,100		3,102	-
Insurance	46,677		22,981	22,981
Legal fees	-		10,095	-
Consultant fees	90,750		96,892	76,600
Tenants survey fees	11,000		14,548	-
Audit Commission Inspection	-		36,000	36,000
External Audit fees	18,000		17,511	20,000
Internal Audit fees	28,790		27,500	-
Taxation fees	5,000		3,010	5,000
Bank charges	19,273		833	-
Supplies & Services	1,037,023	715,309	1,084,784	719,368
Shout Management Fee	86,981		119,695	121,000
Office equipment depreciation	18,750		-	-
HVAS				
Web services	69,347		66,782	65,366
Publications and design	106,090		102,167	100,000
Rent recovery	-		91,290	89,354
Repairs chasers	87,855		84,606	82,812
Procurement services	-		24,538	24,171
Cash receipting	360		360	360
Legal Costs	130,000		150,075	117,529
Payroll Costs	15,277		13,484	14,304
Girobank Charges & Rent Stationery	74,327		72,162	72,162
Council tax payments on void properties	120,000		143,115	143,115
Telecoms	-		28,000	28,000
CTU Support - PC	114,662		103,251	103,250
CTU Support - Network	13,000		11,000	11,000
SLA With Housing	-		141,647	141,647
Comino Support	135,000		62,500	62,500
New Projects	50,000		72,695	72,695
PC Replacement	22,500		6,434	6,305
Neighbour nuisance	500,000		701,547	700,000
Mediation service	32,984		31,163	31,212
Manchester Housing Register	109,871		106,618	104,579
Homefinder service	198,492		192,616	188,932
Mobile cleaning	278,730		273,683	262,730
Relief caretakers	33,381		64,770	61,800
Transport for Neighbourhood Wardens	15,272		20,186	20,186
Call Centre	849,829		818,302	801,045
Street lighting	2,337		2,203	2,203
Maintenance and play area development	21,452		20,221	20,221
Community alarm support service	115,190		112,788	112,788
Multi storey energy costs	120,000		194,309	194,309
Homeless Families Dispersed Accommodation	79,305		80,139	80,139
Energy management unit	-		59,045	57,916
Highways	23,510		22,160	22,160
Multi storey security	202,776		121,849	113,200
Efficiency savings	(83,596)		-	-
HVAS	3,437,951	4,063,779	3,995,706	3,907,990

Repairs & Maintenance				
Responsive maintenance general	4,336,940		4,481,141	4,060,880
Responsive maintenance voids	2,638,000		2,970,069	2,733,112
Responsive maintenance other	383,125		498,786	1,124,000
Environmental	1,017,000		661,897	848,807
Planned maintenance	1,628,000		1,277,094	1,456,201
	10,003,065	9,901,281	9,888,987	10,223,000
TOTAL EXPENDITURE	24,895,826	22,772,385	24,582,493	24,222,057
NET EXPENDITURE	(19,932)	-	(6,550)	37,679