



## **Finance Subgroup Headline Report Monday 17<sup>th</sup> March 2025, 5.30pm**

### **Agenda**

(start Teams meeting)

1. Welcome and Apologies
2. Declaration of Interest
3. Review of the final draft of the budgets for 2025/26
4. Finance Subcommittee recommendation on budget approval for board
5. Any other business
6. Date of next meeting

Final draft income and expenditure budgets 2025/26	
To:	Finance Sub Committee
For:	Recommendation on budget to board
Date of Meeting	17 <sup>th</sup> March 2025
Link to Business/Annual Plan	This report sets out the final draft budget for 2025/26
Report Author	Majda Pamic, Finance Team leader

HEADLINES AT A GLANCE	2024/25	2025/26	£ difference	% difference
<b>Total income</b>	£9.35m	£9.51m	£159.6k	+ 1.7%
Income excl major works cash flow	£9.32m	£9.39m	£66.7k	+ 0.7%
<b>Total expenditure</b> (excl reserves spend)	£9.36m	£9.56m	£200k	+ 2.1%
Income less expenditure			-£52k	
2% vacancy rate allowance			£52k	
Balanced budget			£Nil	

## 1.0 Final draft budget 2025/26

### 1.1 Overview

This budget balances meaning income covers expenditure. This is good news and a requirement of financial procedures.

Finance subcommittee is asked to review the final draft budget and move to a recommendation to board on approving the budget or suggesting changes.

There have been significant changes since the first draft budget, especially in income where figures are now based on actual rent and service charge demands.

Income is predicted to go up by £160k, which is a 1.7% overall increase.

Expenditure budget is set to increase by £200k or 2.1% from the 2024/25 agreed budget.

The major works budget has increased by £244k from last year to £1.8 million. However, it has not been possible to restore it to the historical level plus inflation of £2.26 million as not enough new major works schemes were ready to be billed to leaseholders in their estimate service charges for 25/26. Whilst budgeted income from homeowners for major works increased to £122k, more work is needed to achieve the historical average £700k per annum income that allows the full funding of the future major works programme.

The repairs contractor budget has increased by £136k to £777k. However, to achieve this will require efficiency savings of £75k from estimated spend in 24/25. Progress has been made since the high spend in 23/24 of £1.44 million. However, more work is planned around DLO team efficiency and contractor management. This budget remains under pressure with additional requirements on building safety and damp and mould works.

Overall staffing budgets have increased by £82k or 3.2%. This is based on an assumed 3% inflationary uplift.

Inflationary increases included:

- 4.9% increase in building cost inflation used for major works
- 2.7% increase for repairs contractors (OCO contract increase)
- 2.6% increase in general inflation (CPIH) used for expenditure budget
- 1.7% increase in inflation (CPI) for income budgets

The medium-term aim is to generate sustainable surpluses to fund future major works releases or other director priorities. The backlog in major works cannot be covered without reserves being generated to fund them.

## Changes to budgets in detail

### 2.0 Income up £159.6k or 1.7%

This modest increase in income should be seen in the context of inflationary pressures on spend, with a 1.7% increase in CPI and a 4.9% increase in building cost inflation budgeted. This increase is modest in 'real terms' after inflation is taken into account.

There is modest increase in income rent income and homeowner revenue service charge. Revenue service charge has increased by 2.41% and it's based on estimate billed for 25/26. Building insurance and fuel costs has been reflected in actuals in October 2024, hence excluded from revenue service charge for year 25/26. Rent income has increased by 0.96%, reason being 52 weeks year.

Major works contributions have begun to recover from the last year big drop, as new schemes are beginning to be billed again but more work is needed to get back to historic levels. It is recommended to achieve the target of £700k average collection per annum to unlock the major work revenue budget.

Below are all budgets showing a variance of £5k or more since the 25/26 budget: the reportable limit for finance subcommittee. We will discuss the big changes of more than £20k at finance subcommittee, but if you have questions about budgets with more modest changes, please bring these to the meeting.

#### 2.1 Homeowner Major Works Contribution income is up £ 93 k

The increase of MW contribution income is due to the new billed scheme for the year 2025/26 such as Beeston lifts, EIRC remedial works, Simla & Burwash safety and survey works. However the budgeted income of £122k is much less than the £700k average that is needed to restore the major works budget to historical levels.

Overall, the JMB can budget approximately 2/3rds of the total money recoverable in the first year it is billed. This is because non-resident leaseholders owe the full bill within 12 months and resident leaseholders have up to 5 years interest free to repay, depending on the total amount they must repay. Approximately half of JMB leaseholders are non-resident. The historical

## **2.2 Rental Income up £77.6k**

Rental charges to tenants gone up by 3%, however the overall income is budgeted to go up by 0.96% as we return to 52 weeks rent year. The collection target remaining at 98%. The increase is based on the actual LBS increase in property rent 3% (rent and services inclusive), 5% increase in garage rent and a 5% increase on stores rent.

Please note that the 98% collection rate is a financial measure, not a key performance indicator. It is prudent to set budgets more cautiously than stretch performance targets.

## **2.3 Homeowner Revenue Service Charge collection up £22k**

The budget is based on the estimate billing for year 25/26. The budget turned to be lower than projected in the first draft budget. This is mainly due to that fact that the first draft was based on the total income received 24/25 which included the large increase in buildings insurance in 23/24 actual bills and the provision made for this in 24/25 estimate bills.

## **2.4 Bank interest up £19.5k**

The JMB set up saving accounts with NatWest bank. Currently, there are £2.5 million invested in various notices accounts. The £62k interest for year is based on depositing cash not needed for business needs during 25/26.

This is a modest budget as falling interest rates are expected to reduce the interest generated during the year.

## **2.5 Telephone aerial income down £41k or 28.52%**

It is noted that the telecom aerials collection has dropped, budget is set as per LBS recommendation. The reason of drop is due to the decommissioned broadband on Symington, Burwash and changes on lease renewal on Symington. Budget set has slightly improved vs. first draft budget and is set at £104k for year 25/26. It includes 50% provisions for backdated pay on Mendham and Peveril house.

## **2.6 Commercial Property rental income down £15k or 100%**

In recognition that the JMB has received no income from rental on the former Peveril garages since the first year. The JMB will raise the issue as part of the renegotiation of management agreement.

## **2.7 Other changes in budget of less than £5k**

These are shown in the background paper, with a brief explanation for the changes. £5k is the reportable limit to finance subcommittee. Over the seven budgets with changes of less than £5k, the total impact is an increase in income of £3.4k.

## 3.0 Expenditure up £200k or 2.1%

This is the start of year expenditure before reserves allocations / pots / carry overs are entered. Variance of less than £20k will not be explicitly discussed in the meeting unless attendees request any are reviewed. Please read the list before the meeting and bring up any below this threshold that you feel are important.

### BUDGETS THAT INCREASE OF MORE THAN £5,000

#### 3.1 Major Works in year revenue funding up £244 k or 16%

Base budget for year 24/25 was uplifted for £244k (Initial uplift of £ 556k has been cut back to £244k to achieve balanced budget). The aim is to increase mw leaseholder income collection. To do that more mw schemes need to be planned with formal leaseholder consultation finished before the estimated billing run in February each year. New schemes are in the pipeline in year 25/26 that will reflect in budget for year 26/27.

MW revenue budget for 25/26 is set at £1.8 million.

#### 3.2 Repairs Contractors up £136k or 21%

The budget is set based on month 10 spend 24/25 annualised £852k less efficiency savings £75k, based on increased efficiency of the DLO and strong management of contractors. However, this is still higher spend than the 24/25 budget. The budget remains under pressure due to building safety and damp and mould requirements.

#### 3.3 Office Management salaries and oncosts up £119k or 33%

The budget consists of CEO, Deputy Manager, Head of Finance, Property Services Manager, Operations and Development manager and HR manager, uplifted for inflation and increments as well as reorganisation costs. The head of property services and HR managers posts have both been added here for the first time.

#### 3.4 Repairs management salaries plus oncosts up £44k or 18.7%

The budget consists of repairs manager (vacancy), building safety manager, contract coordinator, scheduler (vacancy) and receptionist. The receptionist previously sat in office staffing but has moved to this budget based on their focus on repairs. Also includes uplifts for inflationary and incremental provisions.

#### 3.5 Estate electricity cost up £29k or 8%

Based on YTD annualised to November per supplier invoices.

#### 3.6 New build maintenance contracts up £28k or 100% (recreating the budget)

The proposed budget consists of new build maintenance for JHN £15k, Marklake £8k, Villiers court 5k. This budget was abolished in 24/25, but is being restarted for 25/26 so costs can be carefully monitored separately from the repair's contractor budget

#### 3.7 Estate cleaning salaries and oncosts up £26k or 5.7%

The budget consists of estate upkeep manager, estate upkeep supervisor, 9 full time and 1 half-time cleaner posts. The reason for budget goes up was due to the regrading of the estate services

manager, plus inflationary and incremental provision. Weekend rota budget and letter deliveries are also part of the budget.

**3.8 RSO salaries and oncosts up £18k or 4.2%**

The budget consists of 1 RSO manager, 1 RSO homeowner, and 6 RSO. Uplifted for incremental and inflationary provisions. The additional uplift is for the RSO leading on enforcement of homeownership charges.

**3.9 Finance salaries plus oncosts up £15k or 7.7%**

The budget includes a temporary cover in finance for IT finance cover plus the regrade of the finance manager based on the reorganisation. It also includes inflationary and incremental uplift provisions

**3.10 Repairs Operatives Salaries and oncosts up £13k or 4.4%**

This includes the normal inflationary and incremental uplift provisions. There are currently 2 vacant posts.

**3.11 Audit and accountancy fee up £10k or 33.7%**

The budget is based on 24/25 spend uplifted for inflation. There is £5k additions for help to move to the new IT.

**3.12 Repairs Heating Contract up £8.8k or 1.2%**

The budget is based on new contract figures for repairs spanning from Jan – Dec24. Figures uplifted for CPI. Fuel is calculated on actual figure of £299k increased for 10.4% and deduct for 19.5% as per LBS charges. Plus £36k addition for the contractor dealing with residents directly.

**3.13 IT revenue up £8.6k or 6.5%**

Based on 24/25 budget uplifted for inflation and adjusted for £5k spend for unforeseen costs. The budget is anticipated to reduce once the new software is working and the old suppliers can be switched off.

**3.14 Gardener salaries plus oncosts up £7.4k or 6.3%**

The normal inflationary and incremental uplift provisions. One 1 x vacancy.

**3.15 Cleaning materials & equipment up £6k or 31.1%**

The budget consists of YTD £ 16.5k annualised to £22k uplifted for inflation and £2.5k top up.

**3.16 LBS services and overheads up £5k or 2.6%**

22/23 actual Charges £181,512 + 6.3% for 23/24, plus 2.6% inflated to 24/25

## **BUDGET DECREASES OF MORE THAN £5,000**

### **3.17 Homeowner enforcement fees down £115k or 100%**

This budget has been set to zero based on the slow progress in getting agreement from LBS to carry out this work on behalf of the JMB. LBS have informed the JMB they will look at this as part of the Management Agreement renegotiation. If this is agreed in year collection would be anticipated to be higher than budgeted, so should pay for itself. Any temporary delay in receiving increased income may need to be covered by director's contingency.

### **3.18 Major works salaries plus oncosts down to £96k or 40%**

The head of property services post has been moved to office management.

### **3.19 Joyce Newman gas down £69k or 100%**

Based on large credit that is anticipated to cover 2 years of cost. Budget will need to be re-added for when credit is spent.

### **3.20 Court and legal fees down £52k or 54%**

Budget is set based on month 10 annualised £37k plus inflation and £6k contingency on backlog on rent arrears cases.

### **3.21 Disrepair and compensation down £47k or 33%**

Based on continued progress against backlog of disrepair cases and improved process of dealing with new cases. 24/25 spend annualised is £225k so this is a stretching target but is believed to be achievable based on longstanding cases that were resolved in 24/25.

### **3.22 IT Development Projects down to £32k or 31%**

Budget is based on £50k for technical support and data transfer, £22k support from existing software suppliers and support. Unspent budget 24/25 to be held in reserves to fund the rest of this project.

### **3.20 Office All Staffing salaries & Oncosts down to £32k or 20.9%**

Receptionist post moved to repairs management to reflect their focus on repairs.

### **3.21 Homeowner Buildings Insurance and Ground Rent down to £13k or 3.8%.**

Based on the estimate amounts 25/26 as billed to the leaseholders.

### **3.22 Estate Costs Council tax down to £12k or 42.5%**

This is predominantly for council tax in voids. The budget is based on YTD annualised uplifted for inflation. Budget reduction based on faster void relet.

### **3.23 Homeowner Service Charge Loan set up down £11k or 100%**

Based on repeated delays by LBS to agree to offer to their leaseholders who are managed by Leathermarket JMB. Told will be reviewed with Management Agreement renegotiation which has been on the cards since 2018. May need covering from directors contingency if starts in 2025/26.

### **3.24 Office electricity down to £9k or 36.4%**

Based on YTD annualised to month 9 is £15,245, plus inflation 2.6%

**3.25 Estate cleaning vehicle expenses down £8k or 42.5%**

Based on not renewing lease on one vehicle. If the saving falls in repairs vehicles, this budget will overspend and repairs vehicles underspend by a corresponding amount.

**3.26 Estate Upkeep Managers Budget down to £8k or 8.4%**

The budget consists of £20k trip hazards, £15k gutter/drainage clearance, £7.5k CCT maintenance, £5k ladder certification, £5k signage upgrade, £10k estate pest control, £ 2.5k playground maintenance

**3.27 Directors projects events down £7k or 58%**

Based on 24/25 spend annualised and inflated. Money remains for hampers / Christmas vouchers and for seniors' bingo.

**3.28 LBS debt repayment down £6k or 0.5%**

Based on having paid off a little more capital. Calculation will need to be redone by LBS to account for the debt on right to buys being paid off since 2019/20.

**3.29 Other changes in budget of less than £5k**

61 budgets have changes of less than £5k. the net impact is an increase in budget of £10.4k. These are shown in the background paper, with a brief explanation for the changes. £5k is the reportable limit to finance subcommittee.



## 4.0 Income less expenditure & contingencies

Income less expenditure

Income £9.51 million

Expenditure £9.56 million

Net deficit (to be eliminated) -£52k

2% staffing vacancy allowance £52k

Balanced budget.

In keeping with many housing organisations, the JMB has included a modest 2% vacancy allowance to reflect that there will be gaps in staffing during the year.

Based on this, the budget is balanced.

### 4.1 Directors' contingency £197.8k:

The directors' contingency is set at 3% income, excluding that allocated to debt repayment or major works.

This is currently held in reserves, so does not impact 25/26 revenue budget. The medium-term aim is to move directors' contingency and risk pot out of revenue costs to create a budgeted surplus.

### 4.2 Risk pot £82.2k

The risk pot is for known costs that are not certain, but the likelihood of them occurring can be estimated. The thinking is one may occur, but all are unlikely. Therefore, pooling the cost multiplied by probability of each risk into one pot helps to cover if one occurs, without risking high inbuilt surpluses by funding all risks.

The risk pot will be reviewed before the final draft budget to reflect 2025/26 risks.

Risk Pot		
Succession planning (management)	£10,000	50%, £20k
JMB office rent	£25,000	25%, £100k
Less rent income collected	£20,155	25%, £80.6k
Disrepair costs greater than budget	£17,000	30% £56.8k
Emergency major repair issue	£0	
Medical Retirement	£10,000	20%, £50k
<b>TOTAL RISK POT</b>	<b>£82,155</b>	

## 5.0 Important items / issues not yet covered in the budget?

During the year many directors / resident suggestions for funding are discussed. However, if provision is not made within budgets, they are not prioritised. Money put to these has to be weighed up against money not spent on major works.

A further opportunity will come to fund projects when reserves are allocated in September 2025, as long as the JMB returns to operating surplus.

There is usually money that can be agreed during the year if more income is collected or less expenditure occurs. This is done by agreeing headroom for new items during the year.

**Are there any other urgent and important items the JMB should look to fund in 2025/26?**

## **6.0 Any items receiving funding that more information is required before you can recommend the final budget to board?**

Please check the full list of expenditure budget changes. In the meeting, please ask if there are items being funded that you want more information on before you feel able to make a recommendation to board.

## **7.0 Recommendation to board on approving the budget**

- 7.1 The budget has been balanced by the senior management team, working alongside the finance team leader. Some items are tough but the SMT believe they are achievable.
- 7.2 The finance team leader and finance manager both recommend the balanced budgets to finance subcommittee for a recommendation to board to approve.
- 7.3 **Recommendation from finance subcommittee to board**

## **8.0 Any other business?**

Two new users set up in GP dynamics: one covering estate upkeep manager, other gardening manager. We are seeking for authorisation limits approval of £5k for each user. Both users currently report to the head of property services who has requested these limits.