



The Gateshead Housing Company Value for Money and Audit Committee

Wednesday 25 February 2009 at 10am
Board Room 2, The Gateshead Housing Company, Keelman
House, Fifth Avenue Business Park, Fifth Avenue, Team Valley
Trading Estate, Gateshead NE11 0XA

Agenda

Item	Business
1.	Apologies for Absence <u>ITEMS FOR DECISION</u>
2.	Minutes (Pages 3-5) To approve as a correct record the minutes of the last meeting of the committee held on 3 December 2008
3.	Matters Arising
4.	Budget 2009/10 (Pages 6-9) Report of Director of Finance
5.	Internal Audit Plan 2009/10 (Pages 10-13) Report of Director of Finance
6.	Delivery of Value for Money within the Decent Homes Programme (Pages 14-16) Joint report of Directors of Finance and Property and Technical Services

Contact: Stuart Gibson Tel: (0191) 433 5308 Date: 18 February 2009

Item	Business
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ITEMS FOR INFORMATION

- | | |
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| 7. | Management Accounts – Third Quarter 2008/09 (Pages 17-27)
Report of Director of Finance |
| 8. | Insurance Costs (Pages 28-29)
Report of Director of Finance |
| 9. | Value for Money Update (Pages 30-32)
Report of Director of Finance |
| 10. | Date and Time of Next Meeting
The next meeting of the committee will be held on Wednesday 22 April 2009 at 10am in Meeting Room 5, Keelman House, Fifth Avenue Business Park, Fifth Avenue, Team Valley Trading Estate, Gateshead |
| 11. | Exclusion of the Press and Public
The committee may wish to consider excluding the press and public from the meeting during consideration of the remaining items in accordance with Category 4 of the Company's Access to Information Rules. |



VALUE FOR MONEY AND AUDIT COMMITTEE

3 December 2008

PRESENT:

Directors

Richard Armitage
Paul Foy
Sara Woolley
Jim Willis

Advisers

Jon Mallen-Beadle	Director of Finance
Elaine Snaith	Assistant Chief Executive
Tom Hall	Business Support Officer (Performance)
Philip Slater	Chief Internal Auditor, Gateshead Council
Stuart Gibson	Company Administrator

Apologies

Allan Curry
Stan Dawson

28 APPOINTMENT OF CHAIR AND DEPUTY CHAIR

RESOLVED – That Sara Woolley and Richard Armitage be appointed as Chair and Deputy Chair of the committee for the ensuing year.

29 MINUTES

The minutes of the last meeting of this committee held on 13 October 2008 were approved as a correct record and signed by the Chair.

30 DATE AND TIME OF MEETINGS 2009

RESOLVED – That the following schedule of meetings of the committee during 2009 be approved: -

Wednesday 25 February 2009 at 10am
Wednesday 22 April 2009 at 10am
Wednesday 24 June 2009 at 10am
Wednesday 21 October 2009 at 10am.

31 VALUE FOR MONEY UPDATE

The committee received an update on the value for money (VFM) activities being carried out by the company.

All the second quarter Service Level Agreement (SLA) monitoring meetings have taken place on schedule. A further update will be submitted to the next meeting in relation to the benchmarking review of SLAs.

VFM reviews are carried out in line with the programme plan which is included within the VFM strategy. The company has developed a toolkit for undertaking the VFM reviews which provides a step-by-step approach. Each report is presented to the VFM Service Improvement Group who scrutinise the results and provides challenge to those areas which do not represent VFM. A further two VFM reviews have been undertaken in the areas of Bulky Waste for Decent Homes and HomeChoice.

An initial trial of the was undertaken from June 2008 of providing a free service for residents wishing to dispose of items during the Decent Homes process to prevent fly tipping. In the past this had been carried out by placing a skip at various positions on the site.

The bulky waste collection service to be provided by LES will save an estimated £33,500 in 2008/09 and has qualitative benefits of collecting the waste directly from the resident's doorsteps which makes the service more accessible.

HomeChoice was launched in July 2006 and was originally costed on a weekly 4-page newspaper. There have been a number of developments since its launch which have led to an increased number of pages and increased costs. Therefore, a review has been undertaken on the costs of using other mediums – it was found that the newspaper was the most cost effective method.

A review of options to reduce the costs has been included and the report to the Choice Based Lettings Project Board recommended that they approve advertising via the website to reduce the newspaper back to a 4-page newspaper, qualifying criteria for the weekly mailing lists and work to be carried out to identify options to make efficiencies in the application process.

The Programme Plan attached to the VFM Strategy is used as a live document to track the VFM reviews to be undertaken, as well as any other work required in relation to VFM, such as the training programme.

The next VFM review which is being undertaken is a review of the Income Management Section and a review of the Repairs Section. A programme plan detailing the actions to be undertaken in relation to these reviews will be agreed with the VFM SIG.

RESOLVED – That the information be noted.

32 OPERATIONAL RISKS REGISTER – SIX-MONTHLY UPDATE

The committee agreed, at its meeting on 2 May 2008, its first operational risk register, subject to an additional column identifying the risk manager. The

committee also agreed that the register should be reviewed and considered six monthly by the committee.

An updated operational risk register was submitted.

RESOLVED – That the updated operational risk register be approved.

33 2007-08 FINAL ALMO BENCHMARKING REPORT

A summary of the 2007-08 Final ALMO Benchmark Report was submitted.

RESOLVED – (i) That the information be noted.

(ii) That the report be presented to the Board after the Inspection result has been announced.

34 DATE AND TIME OF NEXT MEETING

The next meeting of the committee will be held on Wednesday 25 February 2009 at 10am in Board Room 2, Keelman House, Fifth Avenue Business Park, Fifth Avenue, Team Valley, Gateshead, Tyne and Wear.

35 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED – That the press and public be excluded from the meeting during consideration of the remaining business in accordance with the indicated categories of the company's Access to Information Rules.



Report to the Value for Money and Audit Committee

25 February 2009

Title: Budget 2009/10

Report of: Director of Finance

Purpose of Report

1. To scrutinise the company's budget for 2009/10 and recommend approval to the Board.

Background

2. Following the submission of the Company's budget paper and subsequent meetings, the Council has agreed to pay the Company fees totalling £31.92 million for the 2009/10 financial year, consisting of £14.26 million for the management fee and £17.66 million for the Repairs Fee.
3. The agreed management fee incorporates the additional costs that were partially incurred during the 2008/09 financial year, for example the annual costs of the out of hour's service and increased repair call centre staffing and includes a non-recurring element of £345,000 that specifically relates to back dated pay resulting from job evaluation.
4. The Council has agreed to set aside a specific development contingency of £300k against which the company can bid. At present there are two specific items which has been identified to bid against this fund which is in relation to a lettings policy review and the additional resource for the sheltered housing consultation. It is likely that further items will be identified which relate to one-off initiatives which are due to be undertaken.
5. A statement showing the proposed budget for 2009/10 together with, for comparison purposes, the latest forecast for 2008/09 is attached as an Appendix.

Proposed Budget - Management

6. Whilst preparing the budget for 2009/10 we have again undergone a zero based approach rebuilding the budget up from scratch focusing on the tenant priorities identified in the latest tenant survey. Some of the significant changes are as follows

- Not allowing inflationary increases as a matter of course – specifically for high spend areas such as publicity, promotion & design, and area office running costs.
- Maintaining the Learning and Development budget at £135,000 as we continue to provide Middle Management Development Training and other innovative training programmes for staff.
- In the proposed budget, provision for employee costs has been included based on full establishment for a full year with a 2% provision for a pay increase.
- The full cost of rent and an increased budget for the associated costs of Keelman House as this was not budgeted for effectively in 2008/09 as a full year of costs was unknown.
- Further significant investment in ICT to carry out a replacement programme of computers and further integrate the Company's ICT systems to deliver efficiencies.

Proposed Budget – Repairs

8. The repairs fee has been calculated as in previous years by increasing last years fee for inflation and reducing for property numbers and efficiency savings.
9. The majority of the repairs fee is spend on responsive repairs and relets. The reduction in the repairs budget will lead to a higher proportionate reduction in both the relet and responsive repair budgets.
10. A copy of the repairs budget for 2009/10 is attached as an Appendix.

Link to values

12. This report is in line with the following values of the company :-
 - Being honest, accountable and transparent – delivering excellent services with integrity
 - Being motivated trained, and committed across the company - delivering efficient and effective services

Impact on tenants

13. Whilst this report does not impact on tenants directly, appropriate financial monitoring and control will ensure efficiencies are maximised and redirected to services that directly impact on tenants

Risk Management Implications

14. Regular and accurate monitoring will ensure that that the strategic risk within the business plan (Insufficient available financial resources) is effectively controlled.

Financial Implications

15. The financial implications are contained within the report and appendices.

Equality and Diversity Implications

16. There are no equality or diversity implications arising from this report.

Value for Money implications

17. Regular financial monitoring and control will ensure efficiencies are maximised and then utilised in the most appropriate manner.

Consultation carried out

18. Tenants have assisted in the setting of next year's budget which provides a link from the Company's strategic objectives to our tenant's priorities via this financial framework.

Recommendation

19. The committee is requested to recommend approval of the budget for 2009/10 to the Board.

**The Gateshead Housing Company
Appendix**

	2008/09 Forecast	2009/10 Budget	
Revenue			
INCOME			
Management Fee	13,790,398	14,261,000	As agreed with the council
Officer Costs	3,152,100	3,058,000	In line with the budgeted capital programme
External Funding	114,000	100,000	Estimated income
RAIT	354,000	350,000	Provided by the council within the HRA contingency reserve
Total Income	17,410,498	17,769,000	
Employee Costs			
Total Employee Costs	11,545,145	11,953,492	Based on an increase of 2% and full establishment
Overhead Costs			
Total Overhead Costs	5,994,009	5,815,508	Based on a zero based budget approach
Management Surplus/(Deficit)	(128,656)	-	
Repairs			
Management Fee	17,367,000	17,659,000	As agreed with the council
Capitalisation	6,000,000	5,000,000	Based on capital programme
Repairs Spend	23,367,000	22,659,000	
Management Surplus/(Deficit)	-	-	



Report to the Value for Money and Audit Committee

25 February 2009

Title: Internal Audit Plan 2009/10

Report of: Director of Finance

Purpose of Report

1. To approve the Internal Audit Plan for the year 2009/10.

Summary

2. The Audit Manager has produced a plan for the year 2009/10 and it is attached as an Appendix together with an explanation of the basis of the plan.

Link to values

3. This report links to the following corporate values;
 - Being motivated, trained, and committed across the Company – *delivering efficient and effective services.*
 - Being positive and responsive – *constantly striving to achieve excellence.*

Impact on tenants

4. No impact directly from this report.

Risk Management Implications

5. The perceived risk of each audit is based on a twelve point assessment taking into account such areas as materiality, complexity of the system, potential for fraud and sensitivity. Based on a score derived from the assessment, audits are categorised as high, medium and low priorities. This informs the frequency in which audits will be carried out.

Financial Implications

6. The cost of the internal audit work plan is fully provided for in the 2009/10 budget.

Equality and Diversity Implications

7. There are no Equality and Diversity implications associated with this report.

Value for Money implications

8. The company's internal audit requirements were subject to a full tender process and the successful applicant was awarded a three year contract.

Consultation carried out

9. The plan has been developed following consultation with all relevant stakeholders within the company.

Recommendation

10. The committee is asked to approve the plan.

Internal Audit Plan 2009/10

The risk-based audit plan considers risks over three-years. The frequency and scope of each audit is decided after considering: -

- The perceived level of risk to the Company or system;
- Consultation with the members of the Value for Money and Audit Committee, the Company's management and its external auditor;
- Changes in legislation;
- The scope of planned external audit work;
- The implications of external inspection reports, and
- Time elapsed since the previous audit.

The perceived risk of each audit is based on a twelve point assessment taking into account such areas as materiality, complexity of the system, potential for fraud and sensitivity. Based on a score derived from the assessment, audits are categorised as high, medium and low priorities. This informs the frequency in which audits will be carried out.

For the annual audit plan 2009/10 specific risks to the Company have been considered. This has identified the changes detailed below in relation to the previous audit plan:

- Now that the Company has an operational risk management system in place the audit of risk has been split from the governance audit and will be considered separately. The new risk management audit will also include a review of business continuity procedures.
- The three annual audit plans from 2005/06 to 2008/9 included audits against the Audit Commission's key lines of enquiries (KLOE) for VFM, diversity and access. The draft plan now includes three new audits where risks are identified in the Company's risk register. These would not all be done in year and are as follows: -
 - Human Resources to include procedures and policies for equalities, sickness monitoring, recruitment etc
 - VFM/Efficiencies
 - Access.
- Procurement will be considered as a separate audit from creditors to reflect changes within the Company's structure.
- An audit of the performance framework is included. During 2008/09 audit reports have made recommendations around performance indicators. This audit will review the overall framework for monitoring, reviewing and reporting of indicators.
- The previous audit plan included a review of the action plan from the mock inspection, in this audit plan a similar allocation of time has been put aside to review the actions from the full inspection.

Based on the above, we propose the following risk based plan: -

Internal Audit Plan 2009/10

Audit Title	System Risk	2008/09 Days	2009/10 Days
Main Accounting	High	7	7
Company Payroll	High	7	7
Creditors	High	7	5
Rent Collection	High	20	20
Governance	High	22	10
Void Management	High	27	27
Rent Arrears	High	27	27
Tenancy Allocation and Letting	High	27	27
Repairs	High	15	15
Gas Servicing	High	10	10
Asbestos	High	5	5
Capital Programme	High	14	14
Corporate IT	High	2	2
KLOE – VFM/Access/Diversity	High	14	0
<i>Human Resources</i>	High	0	15
<i>VFM/Efficiency</i>	High	0	10
<i>Procurement</i>	High	0	10
<i>Risk Management</i>	High	0	10
<i>Performance Framework</i>	High	0	7
Care Call Service	Medium	2	0
Housing Offices	Medium	20	15
Administration Functions	Medium	2	0
Furnished Tenancies	Medium	7	0
Home Rewards Scheme	Medium	0	7
Leaseholder Service Charges	Medium	7	0
IT Audit (SX3)	Medium	10	0
IT Audit (Asset Management)	Medium	10	0
Complaint Procedures	Medium	0	7
Anti-Social Behaviour	Medium	0	7
VAT Procedures	Medium	2	0
Access	Medium	0	0
Review of mock inspection action plan		2	0
Review of inspection action plan		0	2
Consultancy		11	11
Fraud and Irregularity Investigations		7	7
Housing Office Bulletin		1	1
TOTAL DAYS		285	285



Report to the Value for Money and Audit Committee

25 February 2009

Title: Delivery of VFM within the Decent Homes Programme

Joint Report of: Directors of Finance and Property & Technical Services

Purpose of Report

1. To provide the committee with an update on the work being carried out to drive efficiencies out of the Decent Homes programme.

Background

2. The Board approved the company's updated VFM Strategy in May 2008, a key element of which was a detailed review of the current Decent Homes programme to identify and deliver VFM savings.

Appointment of Value Based Solutions ("VBS") to assist in the process

3. To provide the capacity to carry out this review an organisation called VBS were appointed to assist the Company. This appointment was made in line with section 3.1 (iii) of the Company's Contract Procedure Rules.
4. VBS has provided services to the public and private sector. To date they have achieved over £1.5 billion of efficiency savings for a range of social housing public bodies such as Places for People, Coast and Country, Liverpool Housing Trust and Bolton at Home.
5. In addition to this they have worked with the Audit Commission and were seen as the market leader in providing such a service.

Current Position

6. VBS has reviewed the specification for all the decent homes elements and suggested some areas where savings can be made. A number of the suggestions have been accepted e.g. removal of spirovents on new boiler installations. Some of the suggested changes to the specifications have not been accepted e.g. change in window design and removal of intruder alarm on a rewire.
7. We have explored with VBS and our partners the benefits of moving from multiple suppliers to single suppliers for major items. VBS have negotiated significant cost reductions for a whole range of materials including kitchen units, boilers, bathroom

suites, doors and windows. These arrangements should result in significant savings from 2008/09.

8. Negotiations have also taken place with partners and VBS on the level of preliminaries, overheads and profits to be paid to partners. These discussions could realise some further savings over the remaining decent homes programme.

Approval of financial appraisals

9. It has been agreed that VBS would receive a fee contingent on the level of directly attributable savings generated. To ensure transparency of any payments made to VBS, a financial appraisal needs to be approved by the Company to commence this process.
10. This report is recommending that these appraisals are signed off by the VFM & Audit committee.
11. The detailed appraisals would be presented at the committee for discussion and agreement prior to being approved.

Link to values

12. This report links to the following corporate values: -
 - Being motivated, trained, and committed across the Company – *delivering efficient and effective services*.
 - Being honest, accountable and transparent – *delivering excellent services with integrity*.

Impact on tenants

13. The savings that are proposed will be utilised to enhance the existing programme.

Risk Management Implications

14. This work will ensure that VFM in delivery of the decent homes programme is maximised, hence ensuring the associated strategy risk (Failure to achieve delivery of decent homes) is correctly managed.

Financial Implications

15. Any savings made will be redirected to enhance the existing improvement programme.

Equality and Diversity Implications

16. There are no equality and diversity implications associated with this report.

Value for Money implications

17. This work links into the VFM strategy and will ensure that we can demonstrate VFM within the decent homes programme.

Consultation carried out

18. No direct consultation has been carried out in the preparation of this report..

Recommendation

19. The committee is asked to
- note the appointment of VBS;
 - approve the mechanism for approving the financial appraisals.



Report to Value for Money and Audit Committee

25 February 2009

Title: Management Accounts – Third Quarter 2008/09

Report of: Director of Finance

Purpose of Report

1. To provide the committee with an update on the management accounts to December 2008.

Background

2. The Board determined at its meeting on 15 January 2009 that quarterly finance reports should be taken to the Value for Money and Audit Committee to be scrutinised in more detail.
3. The Accounts Team produces monthly management accounts which detail the actual charges for the month, the year to date charges and the budget year to date. This shows the variance and the forecasted budget. This report has been included in the Appendix to this report.
4. The Board agreed a budget for 2008/09 at its meeting on 13 March 2008.

Management Accounts

5. The Management Accounts for the third quarter are included within the Appendix to this report. The Management Accounts include the income and expenditure in relation to both revenue and repairs up to the end of December 2008.

Link to values

6. This report is in line with the following values of the company :-
 - Being honest, accountable and transparent – delivering excellent services with integrity.
 - Being motivated trained, and committed across the company – delivering efficient and effective services.

Impact on tenants

7. Whilst this report does not impact on tenants directly, appropriate financial monitoring and control will ensure efficiencies are maximised and redirected to services that directly impact on tenants.

Risk Management Implications

8. Regular and accurate monitoring will ensure that that the strategic risk within the business plan (Insufficient available financial resources) is effectively controlled.

Financial Implications

9. The financial implications are contained within the report and appendices.

Equality and Diversity Implications

10. There are no equality or diversity implications arising from this report.

Value for Money implications

11. Regular financial monitoring and control will ensure efficiencies are maximised and then utilised in the most appropriate manner.

Consultation carried out

12. None directly for this report.

Recommendation

13. The committee is asked to note the report.

**The Gateshead Housing Company
Management Accounts – December 2008**

Revenue and Repairs Executive Summary

1. The management accounts for the third quarter are included below:

	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Annual Budget £'000	Current Forecast
Management Fee					
Income	13,116	12,327	789	16,469	17,410
Employee Costs	8,729	8,160	(569)	10,914	11,545
Overhead Costs	4,525	4,167	(359)	5,555	5,994
Surplus/(Deficit)	(138)	0	(139)	0	(129)
Repairs Fee					
Repairs Management Fee	12,757	13,011	-254	17,367	17,367
Capitalisation	4,423	4,500	(77)	6,000	6,000
Repairs Costs	17,180	17,511	331	23,367	23,367
Surplus/(Deficit)	0	0	0	0	0

2. The first 9 months of the year show an overspend of £139,000. This is generally due to the pressures on the budget as we geared up for inspection.
3. Income for the first 9 months shows an increase on expected costs. Due to the job evaluation costs which are being funded through the Council. These were not included in the original management fee budget. There is also an increase in the performance fee which is a percentage of the rent collected over and above the national average. Therefore, our excellent performance in this area has led to an increased fee.
4. Salary costs are largely on target. Excess spend is due to the costs of backdated job evaluation which has had an equal increase in management fee. However, it should be noted that there has been a large amount of spend on Agency Staff costs this year. This has largely been offset by the vacant posts but is not sustainable going forward.
5. The year end forecast has also been calculated. This is currently showing a £129,000 deficit which should it materialise would be comfortably met from our reserves which stood at £767,000 at the start of the financial year.
6. We continue to generate efficiencies and savings where possible and feel that this level of deficit for the year reflects a fair balance between investment in our services and prudential financial management.

7. Repairs are currently under budget for the year to date on spend, which is matched by reduced income to date. However, repair costs are expected to increase during the colder months and therefore, it is expected that repair spend will meet annual budget at the year end.

Income

	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Annual Budget £'000	Current Forecast
INCOME					
Management Fee	10,411	9,677	734	12,937	13,790
Officer Costs Actual	2,348	2,348	-	3,130	3,152
External Funding	91	94	(3)	125	114
Performance Fee	266	208	58	277	354
Total Income	13,116	12,327	789	16,469	17,410

8. Income is currently over budget for the third quarter, this is due to an increase in the income being received. The main areas of extra income are in relation to job evaluation – this amount was not included in the original budget of the management fee. The income is expected to be approximately £853,000 for both backdated and increased cost of job evaluation. This has been prorated in the year to date actual to match the income against the expenditure.
9. The performance fee is also over budget – this is the fee that is provided by the Council in relation to the collection of rent which is linked to our collection performance. We have agreed a calculation with the Council which provides for 50% of the excess rent collected over the lower threshold of the CPA indicator. Therefore, any increase in performance will lead to an increased fee.

Staff Costs

10. Staff Costs are broken down as follows:

	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Annual Budget £'000	Current Forecast
Employee Costs					
Housing Management	2,072	2,100	28	2,800	2,780
Business Support	480	523	43	703	660
Property & Technical Services	1,973	1,897	(76)	2,548	2,656
Finance & ICT	1,188	1,284	96	1,721	1,618
HQ Sub Total	5,713	5,804	91	7,772	7,714
Area Costs	2,403	2,356	(47)	3,142	3,218
18 months backdated JE	613		(613)		613
Total Employee Costs	8,729	8,160	(569)	10,914	11,545

11. Staff costs show a large variance due to the backdated job evaluation costs, however, as shown in the income this is offset by an increased management fee.
12. Other than this staff costs are largely on-target which is due mainly to vacant posts. However, this does not show a full picture of the costs in relation to staff costs as due to maternity and sickness absence the instances of using agency staff has increased dramatically. As detailed below, to date we have spent almost £289,000 on agency staff. However, this has not been detrimental to the year to date figures, due to the number of vacant posts being held.
13. This situation is being monitored closely as agency workers cannot be used to supplement the lost time due to maternity and sickness when all posts are filled. Going forward this will be monitored by SMT to determine a more sustainable course of action including maintaining pools of staff.

Agency Staff Costs

	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Annual Budget £'000	Current Forecast
Contract Staff	289	-	(289)	-	321

Overhead Costs

	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Annual Budget £'000	Current Forecast
Overhead Costs					
HQ Total	3,389	3,046	(344)	4,060	4,488
Area Costs	1,047	1,121	74	1,495	1,406
Area Office Refurbishments	89		(89)		100
Total Overhead Costs	4,525	4,167	(359)	5,555	5,994

14. Overhead costs are over budget for the year to date, spend is expected to continue at the current rate and this is expected to be over budget by almost £500,000 at the end of the year. There are 2 areas in particular which are over budget – one-off inspection costs and HQ spend. An analysis of overhead spend against budget for the last 3 years is included within Appendix 1.
15. One-off costs in relation to inspection related mainly to communications costs and office refurbishment costs which resulted from the closure of Teams and Whickham Housing Offices and the relocation of these to Dunston Activity Centre. The one-off costs associated with the closure of these housing offices, outweighed the ongoing savings which will be realised through fewer housing offices.

HQ Overspend:

	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000
Rent	451	451	-
ICT	238	250	12
Insurance	216	105	(111)
External Support	557	557	-
Other Running	1,507	1,310	(197)
Choice Based Lettings - COMMS	178	166	(12)
Business Support - COMMS	242	206	(36)
	3,389	3,045	(344)

16. The area's of spend within the HQ summary which are largely overbudget are the running costs and insurance. Within the running costs overspend is a large amount in terms of Keelman House Repairs. The budget for Keelman House Repairs was understated as there was no previous data in relation to this. The forecast for this area is now expected to be fairly accurate and this can be budgeted for appropriately in the next financial year. Also, insurance costs have been higher than anticipated – see Agenda Item 8 on the agenda for this meeting for further information and analysis of insurance costs.

Repairs Summary

17. An analysis of the repairs costs is provided below. Currently the repairs costs are expected to come in on target.
18. For the first nine months of the current year, the average cost per job for responsive repairs has fallen from £127 to £125.
19. An analysis of the repairs costs shows that the main overspends are in relation to gas servicing and the relets. However, these are more than offset by underspends in responsive repairs to date.

	Budget £000's	YTD Budget £000's	YTD Actual £000's	Variance £000's
REPAIRS				
Fixed Costs (Contractors' Preliminaries)	3,200	2,400	2,389	11
Responsive	11,147	8,360	7,780	580
Relets	6,000	4,500	4,703	(203)
Cyclical Repairs	400	300	360	(60)
Water Hygiene Testing	150	113	166	(53)
Painting	700	525	356	169
Prior to Painting	300	225	164	61
Gas Servicing	900	675	940	(265)
Electrical Circuit Testing	50	38	9	29
Solid Fuel Testing	10	8	0	8
Lift Maintenance	125	94	69	25
Security	150	113	106	7

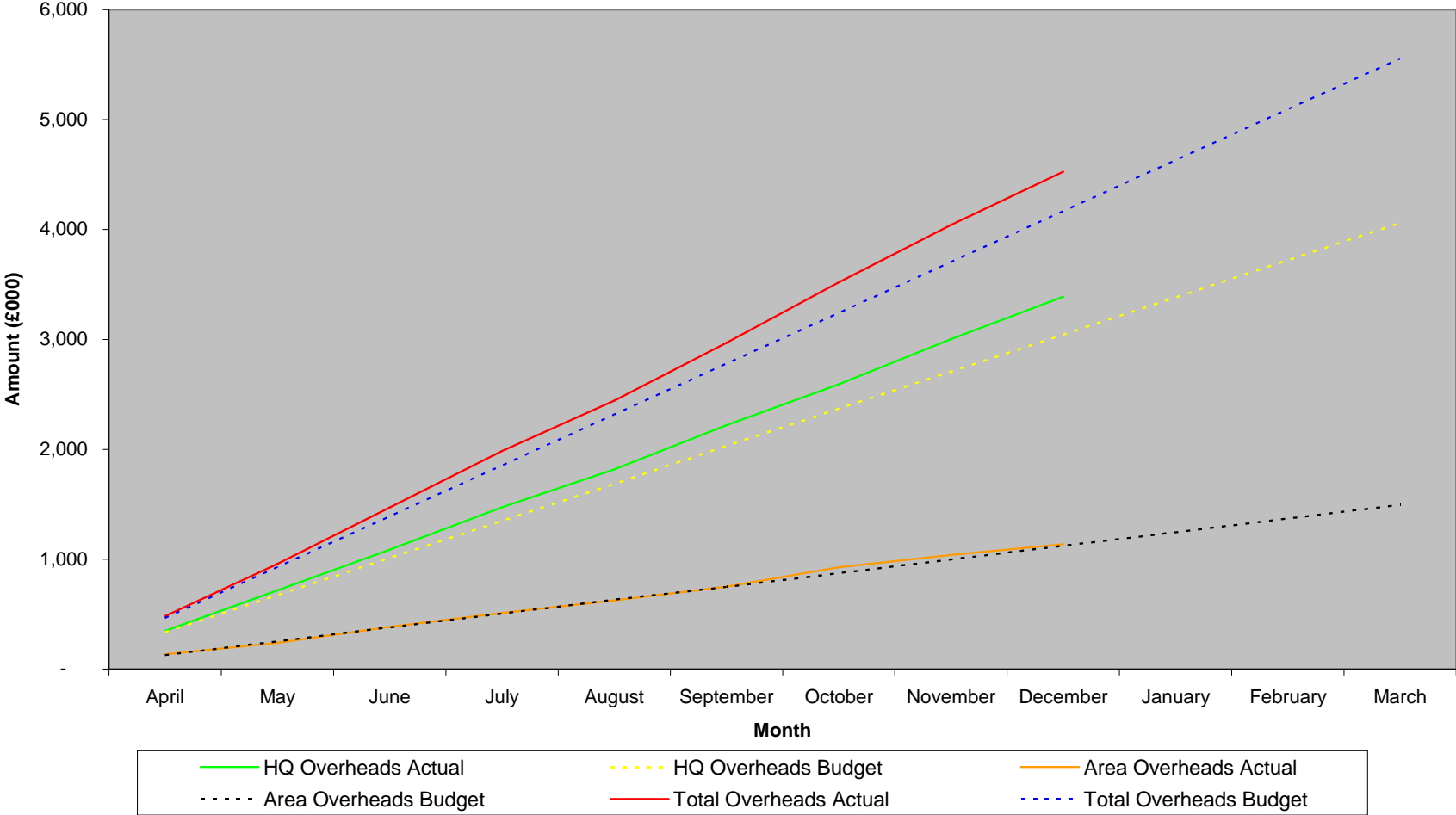
	Budget £000's	YTD Budget £000's	YTD Actual £000's	Variance £000's
Environmental Works	200	150	149	1
Energy Performance Certificates	35	18	12	6
Insurance Repairs	-	-	-23	23
	23,367	17,519	17,180	339
Repair Management Fee Income	17,367	13,019	12,757	261
Capitalisation	6,000	4,500	4,423	78
Income Total	23,367	17,519	17,180	339
REPAIRS TOTAL	-	-	-	-

20. An analysis of the type of responsive repairs year to date is included in Appendix 2 and a comparison of responsive repairs costs and number of jobs in 2008/09 to prior years is included within Appendix 3.

Detailed Management Accounts

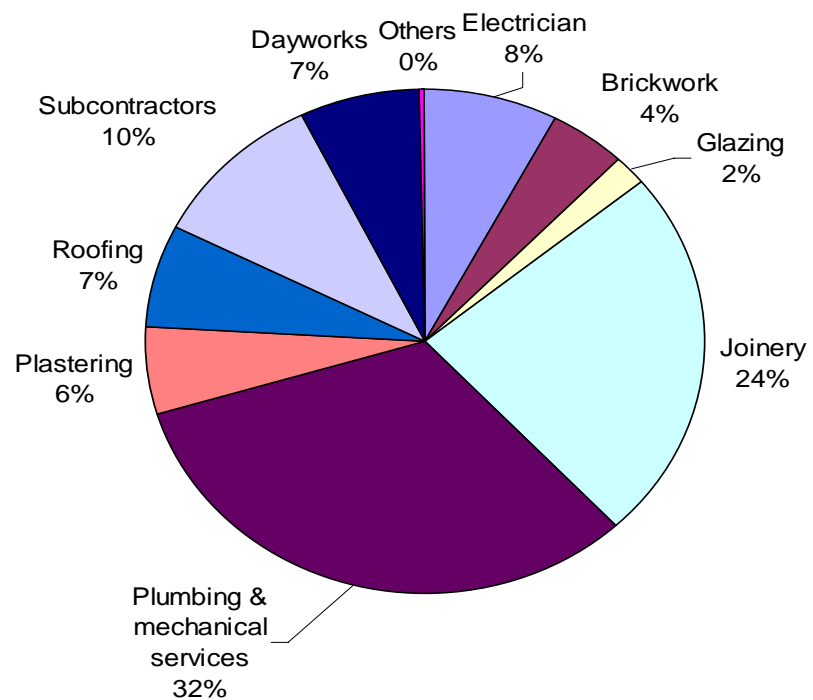
	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Annual Budget £'000	Current Forecast
INCOME					
Management Fee	10,411	9,677	734	12,937	13,790
Officer Costs Actual	2,348	2,348	-	3,130	3,152
External Funding	91	94	(3)	125	114
Performance Fee	266	208	58	277	354
Total Income	13,116	12,327	789	16,469	17,410
Employee Costs					
Housing Management	2,072	2,100	28	2,800	2,780
Business Support	480	523	43	703	660
Property & Technical Services	1,973	1,897	(76)	2,548	2,656
Finance & ICT	1,188	1,284	96	1,721	1,618
HQ Sub Total	5,713	5,804	91	7,772	7,714
Area Costs	2,403	2,356	(47)	3,142	3,218
18 months backdated Job Evaluation	613		(613)		613
Total Employee Costs	8,729	8,160	(569)	10,914	11,545
Overhead Costs					
HQ Total	3,389	3,046	(344)	4,060	4,488
Area Costs	1,047	1,121	74	1,495	1,406
Area Office Refurbishments	89		(89)		100
Total Overhead Costs	4,525	4,167	(359)	5,555	5,994
Management Surplus/(Deficit)	(138)	-	(139)	-	(129)

TGHC Overheads Budget 2008/09



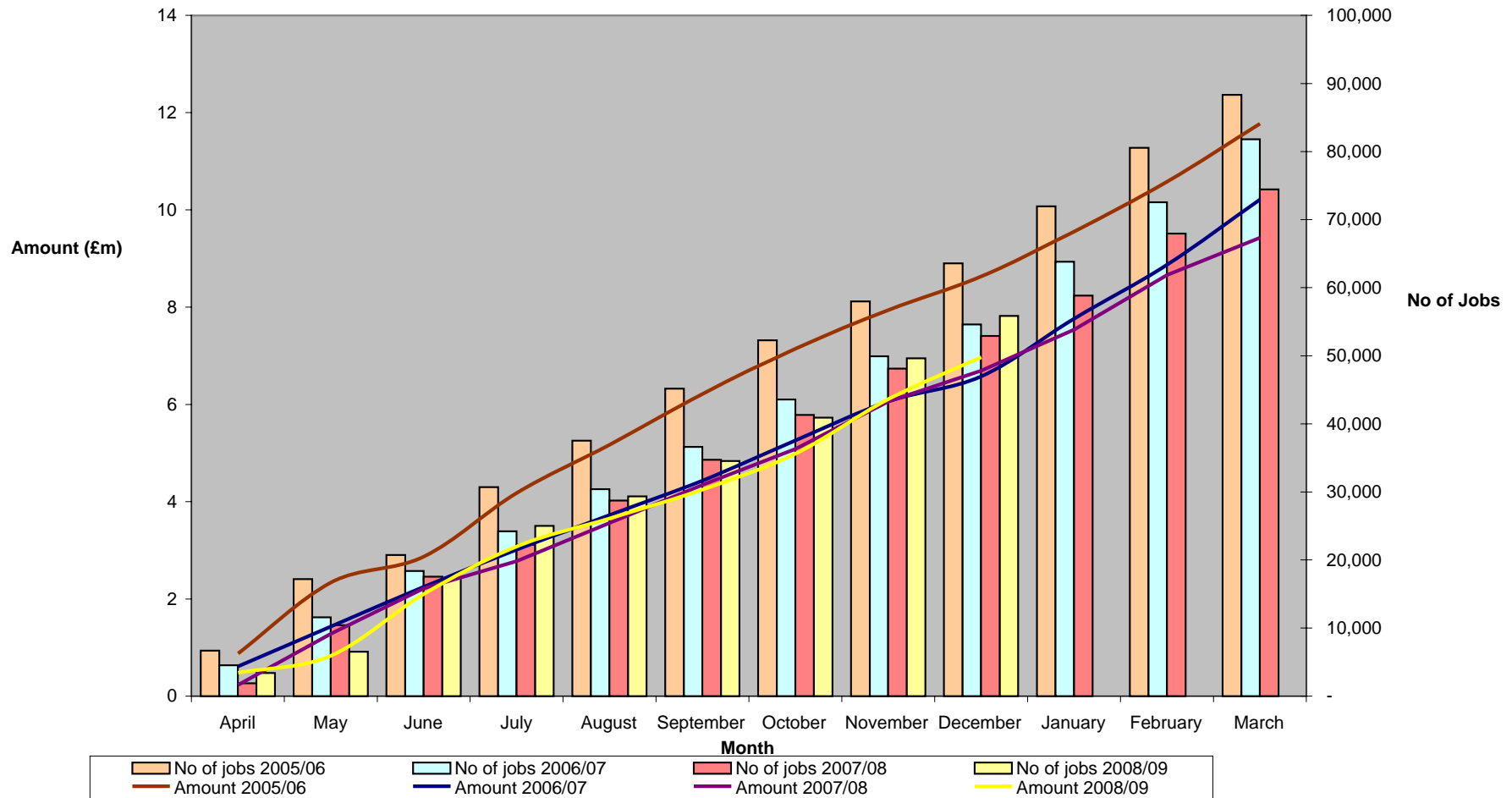
Appendix 2

Morrisons invoiced Repairs by trade for the period April 2008 - January 2009



Trade	2007/08 (10months)	2008/09 YTD
Electrician	518,723	646,396
Brickwork	363,053	356,256
Glazing	168,660	157,227
Joinery	1,816,513	1,953,570
Plumbing & mechanical services	2,224,705	2,639,970
Plastering	412,460	462,562
Roofing	308,509	537,755
Subcontractors	823,734	850,909
Dayworks	450,962	572,500
Others	22,104	19,274
TOTAL	7,109,424	8,196,421

Cumulative Comparison of Responsive Repairs to Previous Years





Report to the Value for Money and Audit Committee

25 February 2009

Title: Insurance Costs

Report of: Director of Finance

Purpose of Report

1. To provide the committee a detailed explanation, as requested, as to the current position with insurance costs.

Background

2. The Board determined at their meeting on 15 January 2009 that an analysis of insurance claims be presented at the next Value for Money and Audit Committee to be scrutinised in detail.

Summary

3. Insurance costs to December 2008 are shown in the Management Accounts; the year to date insurance costs stands at £216,032 against a budget for the year to date of £104,550. It is forecast that insurance costs for the year will be £250,882. Original budget was £139,400.
4. Of the costs to date, it is necessary to remove the insurance premium costs of £67,807 and buildings insurance costs for Keelman House of £4,445. Therefore, overall insurance claim costs are £143,780.
5. The company use Travellers as their insurance providers and during the past year the following insurance claims have been paid out: -
 - Claims relating to financial year 2007/08 = £45,697
 - Claims relating to financial year 2008/09 = £1,223
6. Prior to Travellers being appointed, the company used Zurich as their insurance providers. Payments to Zurich are generally on a statement basis and in the year to date, £95,531 has been paid out on claims from 2005/06 and 2006/07.
7. The company has an insurance provision on the balance sheet which at the year end was £467,502. This will be used to offset some of the insurance costs as necessary but may also need to be increased for outstanding claims at the year end and the likelihood that these claims will be paid.

Link to values

8. This report is in line with the following values of the company :-
- Being honest, accountable and transparent - delivering excellent services with integrity
 - Being motivated, trained and committed across the company - delivering efficient and effective services.

Impact on tenants

9. This report does not directly impact upon tenants; however, this will indirectly impact on the service provided if the number of payments in relation to insurance claims increases.

Risk Management Implications

10. There are no risk management implications associated with this report.

Financial Implications

11. The financial implications of the insurance claims have been discussed above.

Equality and Diversity Implications

12. There are no equality and diversity implications associated with this report.

Value for Money implications

13. There is no direct value for money implications associated with this report.

Consultation carried out

14. No consultation is required in association with this report.

Recommendation

15. The committee is asked to note the report.



Report to the Value for Money and Audit Committee

25 February 2009

Title: Value for Money Update

Report of: Director of Finance

Purpose of Report

1. To provide the committee with an update on the value for money (VFM) activities being carried out by the company.

Background

2. The Board approved the company's updated VFM Strategy in May 2008.

Service Level Agreements Update

3. All of the SLA's currently held with the Council are due to be benchmarked in the next financial year. The ICT SLA is currently being reviewed and agreed. The Financial Services/Management SLA will be reviewed in full in terms of any in-house provision that could potentially be undertaken. The Internal Audit SLA will be extended by one year and then market tested by putting this contract out to tender.
4. The remaining building cleaning, legal services and security services SLAs will be benchmarked during the next financial year to ensure that we continue to obtain value for money for these services. However, it should be noted that these SLAs were renewed in 2008/09 for three years with no annual inflationary increases.

Value For Money Reviews

5. Value For Money (VFM) reviews are carried out in line with the programme plan which is included within the VFM strategy. We have developed a toolkit for undertaking the VFM reviews which provides a step-by-step approach. Each report is presented to the VFM Service Improvement Group who scrutinise the results and provide challenge to those areas which do not represent value for money.
6. Currently there are two VFM reviews due to be undertaken – Rent and Income and Repairs. We have undertaken a review of the costs of carrying out Legionella tests to determine whether these costs appear competitive. Further detail relating to these reviews is included below.

Rent and Income Team

7. The next VFM review to be undertaken is the review of the Rent and Income Team and a briefing by the Rent and Income Team Manager was taken to the VFM Service Improvement Group to provide information as to the current working practices of the team.
8. This review will be undertaken in conjunction with the Rent and Income Team and the results will be presented to the next VFM and Audit Committee.

Repairs

9. Repairs VFM review is due to be completed by the end of April 2009 – this will look separately at the Repairs Reporting Service and Repairs. The Repairs Reporting Service consists of the contact centre and the Repairs team consist of gas servicing and the repairs surveying team. This review will be carried out in conjunction with the Repairs Team.

Legionella

10. The company has a contract in place with the Council in relation to testing of the standing water in various premises managed by the company for Legionella. This contract is based on costs which have not changed for a number of years. The VFM Officer has been attending a number of the monthly meetings on Legionella which are held between the Company and LES. It has been noted that whilst the costs appear to be reasonable as they have not increased, a review of the contract has not been carried out in terms of value for money. LES have agreed to carry out a VFM review on this contract by the end of March 2009.

VFM Programme Plan

11. The Programme Plan attached to the VFM Strategy is used as a live document to track the VFM reviews to be undertaken, as well as any other work required in relation to VFM, such as the training programme.
12. The Programme Plan will be reviewed for appropriateness at the next VFM Service Improvement Group to ensure that next year's reviews are timely.

Link to values

13. This report links to the following corporate values: -
 - Being motivated, trained, and committed across the Company – *delivering efficient and effective services.*
 - Being positive and responsive – *constantly striving to achieve excellence.*

Impact on tenants

14. Whilst there is no direct impact on tenants, any VFM savings are re-invested into the tenant's priority areas.

Risk Management Implications

15. These initiatives are seen as part of the toolkit to ensure that service improvements are affordable which will ensure the associated strategy risk (Failure to sustain service improvements) is correctly managed.

Financial Implications

16. The financial implications arising from this report are addressed through the monthly monitoring and budget setting process as the company looks to re-invest savings into tenants' priorities.

Equality and Diversity Implications

17. There are no equality and diversity implications associated with this report.

Value for Money implications

18. The development of these initiatives by the company link into the overall objectives of the VFM Strategy.

Consultation carried out

19. Any savings reinvested are done so after consultation with tenants as to their priorities.

Recommendation

20. The committee is asked to note the update.