

Report to Resources Committee

25 February 2014



Title: Budget 2014-15

Report of: Head of Corporate Services

Purpose of Report

1. To make a recommendation to the Board to approve the company's budget for 2014/15.

Background

2. Following the submission of the Company's management fee paper and subsequent meetings, the Council has agreed in principle to pay the company fees totalling £30.561 million for the 2014/15 financial year, consisting of £13.206 million for the management fee and £17.355 million for the repairs fee.
3. Whilst we are still awaiting formal confirmation from the Council we have prepared a budget for scrutiny by the Committee based on our expectation of the likely level of fees.
4. A statement showing the proposed balanced budget for 2014/15 together with, for comparison purposes, the 2013/14 annual budget is attached as an Appendix to this report.

Proposed Budget - Management

5. Whilst preparing the budget for 2014/15 we have again undergone a zero based approach rebuilding the budget by focusing on the tenant priorities identified in the latest tenant survey and ensuring that service plan priorities have been taken into account.
6. We have produced a staffing budget based on the latest structure which includes all proposals agreed at previous Committee meetings. We have removed costs associated with some of our current vacant posts that we do not expect to fill to enable the budget to balance.
7. Any additional resource requirements will need to be met through service reviews and realigning our staffing structures. This may potentially redirect resources into areas that require additional resources to ensure we continue to provide services in line with our customers' needs.

8. The overhead budgets have been produced based on a number of assumptions. Some of the significant assumptions are as follows: -
- We have removed the income received for the Rent and Income Performance as we are now proposing this is consolidated into the overall management fee we receive from the Council.
 - We have included the projected income we will receive for the management of the ECO works and for the New Build developments we will manage on behalf of Keelman Homes.
 - We have increased the company's pension contribution rates by 0.5% as per the advice from the Tyne and Wear Pension Fund
 - We have not allowed for inflationary increases as a matter of course – we have provided for an inflationary increase on electricity charges of 10.9% and gas charges of 2.8%, based on advice from the Council's Energy Team, and water charges of 1.6%, based on advice from Northumbrian Water.
 - We have linked budgets which directly reflect the numbers of staff (such as car leasing, vehicle rental, car mileage and telephone costs) to changes in staff numbers.
 - We have reduced the budget for depreciation as a number of our assets are now fully depreciated, and we no longer are required to charge depreciation on Keelman House following our move to the Civic Centre.
 - We have updated the budgets around costs associated with Keelman House such as security, recycling and building maintenance following our move to the Civic Centre.
 - We have agreed with the Council that the Service Level Agreement costs will not be increased in 2014/15, other than the building cleaning SLA which has been increased by 2%. This has been reflected in the budget.
 - We have increased the insurance budget from £200k to £350k to cover the increase in insurance premiums and higher value of outstanding claims.
 - We have updated budgets in relation to the employment costs recommendations made at the previous Resources Committee in November.
 - We have rationalised budgets such as training, communications and ICT where more innovative ways of working and successful negotiations with suppliers will reduce overall spend going forward.

Proposed Budget – Repairs

12. The repairs fee has been agreed with the Council as a decrease on the 2013/14 fee to reflect the 2% savings proposed in the Mears tendered price. Fees for work with LES and other contractors have remained at 13/14 levels.
13. The majority of the repairs fee is spent on works which fall under the repairs and maintenance contract. The repairs budget is therefore primarily based on the tendered price submitted by MEARS, including the tendered efficiency saving, and the proposed level of works required with LES and other contractors.
14. The following budgets are linked to the MEARS contract – Responsive Repairs, Relets, Gas Servicing, Solid Fuel Testing, Electric Circuit Testing and Painting. LES and other contractors carry out works mainly in relation to Responsive Repairs, Relets, Cyclical Repairs, Water Hygiene Testing, Lift Maintenance and Security.

15. We will be managing the repairs budgets closely to ensure that we bring these budgets in on target.
16. A copy of the repairs budget for 2014/15 is attached at the Appendix.

Link to values

17. This report is in line with the following values of the company: -
 - Being honest, accountable and transparent
 - Being motivated trained, and committed across the company.

Impact on tenants

18. 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

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

Financial Implications

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

Equality and Diversity Implications

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

Value for Money implications

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

Health implications

23. There are no health implications arising from this report.

Environmental implications

24. There are no environmental implications arising from this report.

Consultation carried out

25. 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.

Recommendations

26. The committee is asked to:

- recommend to the Board approval of the revenue and repairs budgets for 2014/15 subject to formal confirmation of the fees by the Council;
- receive further updates about any subsequent changes to the budget.

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The Gateshead Housing Company
APPENDIX

REVENUE	2013/14 Budget	2014/15 Budget	Notes
Income			
Management Fee	12,833,000	13,206,000	To be agreed with the Council
Officer Costs	1,000,000	1,000,000	In line with the budgeted Capital Programme and New Build Programme
External Funding	113,000	200,145	Income for the management of third party properties
RAIT	650,000	0	Performance Fee now consolidated into overall Management Fee
Total Income	14,596,000	14,406,145	
Employee Costs			
Total Employee Costs	9,381,000	9,420,619	Based on the current structure, zero budgeted posts and no pay increase
Overhead Costs			
Total Overhead Costs	5,215,000	4,985,526	Based on zero based budget approach
Management Surplus/(Deficit)	0	0	
REPAIRS			
Management Fee	17,627,000	17,355,000	To be agreed with the Council
Capitalisation	1,500,000	1,500,000	In line with the budgeted capital programme
Repairs Spend	19,127,000	18,855,000	Based on reduced responsive repairs and relets budget
Management Surplus/(Deficit)	0	0	