



---

**Title:** Budget 2014-15

**Report of:** Head of Corporate Services

---

### **Purpose of Report**

1. 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 to pay the company fees totalling £34.217million for the 2014/15 financial year, consisting of £13.206million for the management fee, £1million for management of the capital programme and £20.011million for the repairs fee (£17.946million from HRA Revenue and £2.065million from HRA Capital).
3. 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.
4. The budget was scrutinised by Resources Committee on 25 February 2014 who recommended approval by the Board.

### **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. We have not currently included any pay award on salaries and agreed with the Council that further discussions will take place if a pay increase is agreed later in the year.

8. 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.
9. 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 Fee and have agreed with the Council that this is now consolidated into the overall management fee.
  - 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 are no longer 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 not included a budget for Carbon Reduction Commitment (CRC) charges and are in further discussions with the Council around how this will be managed in year.
  - 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**

10. The repairs fee has been agreed with the Council as an overall increase on the 2013/14 fee. It reflects the 13/14 budget less the 2% savings proposed in the Mears tender plus increased fee for responsive repairs and void expenditure. Fees for work with LES and other contractors have remained at 13/14 levels.
11. 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.

12. 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, Cyclical Repairs, Water Hygiene Testing, Lift Maintenance and Security.
13. The Relets - Mears budget is proposed at £4.390m for 2014/15. This will enable the housing company to carry out approximately 1,756 voids during 2014/15 if the average costs remain at £2,500 per void. For comparison purposes, approximately 1,885 voids will be carried out in 2013/14.
14. We will be managing the repairs budgets closely to ensure that we bring these budgets in on target.
15. A copy of the repairs budget for 2014/15 is attached at the Appendix.

### **Link to values**

16. 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**

17. 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**

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

### **Financial Implications**

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

### **Equality and Diversity Implications**

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

### **Value for Money implications**

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

### **Health implications**

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

### **Environmental implications**

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

### **Consultation carried out**

24. 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**

25. The Board is asked to approve the Revenue and Repairs Budgets for 2014/15.

## The Gateshead Housing Company - Total Fees

## APPENDIX

REVENUE	2013/14 Budget	2014/15 Budget	Notes
<b>Income</b>			
Management Fee	12,833,000	13,206,000	As agreed with the Council
Officer Costs	1,000,000	1,000,000	In line with the budgeted Capital Programme
External Funding	112,505	208,145	Income for the Management of Third Party Properties
RAIT	650,000	0	Performance Fee now consolidated into the overall Management Fee
<b>Total Income</b>	<b>14,595,505</b>	<b>14,414,145</b>	
<b>Employee Costs</b>			
Total Employee Costs	9,380,911	9,420,625	Based on the current structure, zero budgeted posts and no pay increase
<b>Overhead Costs</b>			
Total Overhead Costs	5,214,594	4,993,520	Based on zero based budget approach - see detailed 'Overheads' appendix for further breakdown
<b>Management Surplus/(Deficit)</b>	<b>0</b>	<b>0</b>	
<b>REPAIRS</b>			
Management Fee	17,627,000	17,946,000	As agreed with the Council
Capitalisation	1,500,000	2,065,000	In line with the budgeted capital programme
Repairs Spend	19,127,000	20,011,000	Based on increased responsive repairs and relets budget
<b>Management Surplus/(Deficit)</b>	<b>0</b>	<b>0</b>	

The Gateshead Housing Company - Management and Supervision Fee  
APPENDIX

REVENUE	2013/14 Budget	2014/15 Budget	Notes
<b>Income</b>			
Management Fee	12,833,000	13,206,000	As agreed with the Council
Officer Costs	1,000,000	1,000,000	In line with the budgeted Capital Programme
External Funding	112,505	208,145	Income for the Management of Third Party Properties
RAIT	650,000	0	Performance Fee now consolidated into overall Management Fee
<b>Total Income</b>	<b>14,595,505</b>	<b>14,414,145</b>	
<b>Employee Costs</b>			
Neighbourhood Services	3,785,652	3,808,796	Increase is due to 13/14 1% pay award and 0.5% increased pension contributions
Customer Services	3,119,659	2,995,573	Reduction is due to the restructure of the Repairs Reporting Team
Investment and Development Services	761,380	959,862	Increase is due to additional posts following the restructure of Investment and Asset Teams
Corporate Services	1,714,220	1,656,394	Reduction is mainly due to the movement of the Head of Support Services post
<b>Total Employee Costs</b>	<b>9,380,911</b>	<b>9,420,625</b>	Based on the current structure, zero budgeted posts and no pay increase
<b>Overhead Costs</b>			
Customers and Communities	1,312,715	1,433,340	
Corporate Services	3,901,879	3,560,180	
<b>Total Overhead Costs</b>	<b>5,214,594</b>	<b>4,993,520</b>	Based on zero based budget approach
<b>Management Surplus/(Deficit)</b>	<b>0</b>	<b>0</b>	

The Gateshead Housing Company - Overheads  
APPENDIX

Overhead Costs	2013/14 Budget	2014/15 Budget	Notes
Service Level Agreements	792,068	804,065	Finance, Legal, HR, ICT and Energy Maintenance SLA's
Utilities	727,442	709,796	Electricity, Gas and Water Charges
Rent	623,500	790,862	Includes remaining rent for Keelman House, Civic Centre rent and Outbased Offices Rent
Council Tax re: Voids	510,000	400,000	Council Tax costs for empty properties
ICT	531,500	432,719	Includes costs for software and hardware purchases and general ICT equipment
Building Cleaning and Cleaning Materials	310,851	248,810	Includes cleaning of Keelman House, Multi-Storey, Sheltered Schemes and Low Rose Blocks and cleaning supplies
Vehicles, Car Allowances and Travel	202,438	203,758	Includes vehicle hire, car mileage and public transport travel costs
Insurance	200,000	350,000	Costs of insurance premiums and insurance claim pay outs
NNDR	142,902	14,554	Wrekenton Office
Telephones	109,730	103,596	Includes Warden Call and mobile telephone bills
Legal Services	124,000	104,000	Costs in relation to legal services provided
Publicity, Promotion and Design	95,200	96,200	Publicity, promotion and design costs and internal communications
Training	103,500	83,216	Employee and Board Training costs
Postage	104,888	105,938	Includes cost of newspaper postage
Depreciation	100,000	50,000	Costs of depreciation relating to our fixed assets
Equipment	54,430	51,930	Includes equipment, furniture, carpets and signage
Giro Collection Stationery	90,000	90,000	Costs of transaction fees for our rent payments
Supplies and Services	67,765	64,719	Includes costs of waste disposal, uniforms and CAB supervision
Subscriptions and Searches	33,000	35,697	Subscriptions including HQN, Housemark and ISO14001
Tenant Involvement	41,370	43,370	Costs in relation to conferences and events, Service Improvement Groups (SIG's) and Involvement Week
Community Fund Administration	32,500	32,500	Costs of administering the Community Fund
HR and Admin	17,090	13,630	Includes Occupational Health, Health and Wellbeing and CRB costs
External Audit fee	24,000	24,000	Costs of our external audit and taxation services
Stationery	58,050	53,550	Includes costs of printers and Board Papers
Board of Directors Payments	22,000	22,000	Payments to the Board Members
Catering and Room Hire	19,000	17,100	Catering and Room Hire, including any board expenses
Cash Collection Services	13,860	13,860	Costs of collecting the cash from our outbased offices
Equality and Diversity	13,000	13,000	Costs for accreditations, interpreting services and work in connection with Equality and Diversity
Consultancy	11,500	11,000	Small provision for future consultancy needs
Premises Costs	39,010	9,650	Lift and Alarm Lines
<b>Total</b>	<b>5,214,594</b>	<b>4,993,520</b>	

## The Gateshead Housing Company - Repairs Fee

## APPENDIX

REVENUE	2013/14 Budget	2013/14 Forecast	2014/15 Budget	Notes
<b>Income</b>				
Repairs Fee	17,627	17,627	17,946	As agreed with the Council
Capitalisation	1,500	2,200	2,065	In line with the budgeted capital programme
<b>Total Income</b>	<b>19,127</b>	<b>19,827</b>	<b>20,011</b>	
<b>Expenditure</b>				
Fixed Costs (Contractors' Preliminaries)	4,637	4,642	4,370	Fixed costs based on Mears tendered price less 2% efficiency saving
Responsive Repairs - Mears	3,875	5,109	4,500	Includes additional funding requested from Council, redirected budgets and Mears tendered efficiency saving
Responsive Repairs - LES	1,000	1,102	950	£50k budget agreed with LES to fund new BARIS system line below
Responsive Repairs - Other Contractors	70	111	100	
Responsive Repairs - Mears Specialist	475	507	500	Includes Mears tendered efficiency saving and redirected budgets
Responsive Repairs - External Specialist	255	217	225	
Relets - MEARS	3,380	4,369	4,390	Includes increased capital funding, redirected budgets and Mears tendered efficiency saving
Relets - Other	700	337	386	Reduced in line with 13/14 forecasted spend
Cyclical Repairs - Servicing	500	336	350	Reduced in line with 13/14 forecasted spend
Cyclical Repairs - Remedial Works	150	0	100	
Water Hygiene Testing and Repairs	150	52	150	
Painting/Prior to Painting	1,120	1,010	700	Includes Mears tendered efficiency saving
Gas Servicing	1,918	1,830	1,918	Includes Mears tendered efficiency saving and redirected budgets
Electrical Circuit Testing	135	94	100	Includes Mears tendered efficiency saving
Solid Fuel Testing	2	2	2	Includes Mears tendered efficiency saving
Lift Maintenance	135	96	100	
Security	200	78	100	Reduced in line with 13/14 forecasted spend
Environmental Works	225	259	225	
Energy Performance Certificates	50	36	45	
Aids and Adaptations	150	160	150	
Software Development	0	0	50	Costs associated with the introduction of the new BARIS System with LES
Repairs Contingency	0	0	600	Contingency in relation to responsive repairs and relets
<b>Total Expenditure</b>	<b>19,127</b>	<b>20,347</b>	<b>20,011</b>	
<b>Repairs Surplus/(Deficit)</b>	<b>0</b>	<b>-520</b>	<b>0</b>	