

## Report to Resources Committee

24 February 2015




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**Title:** Budget 2015-16

**Report of:** Head of Corporate Services

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### Purpose of Report

1. To make a recommendation to the Board to approve the company's budget for 2015/16.

### 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 £32.759 million for the 2015/16 financial year, consisting of £13.485 million for the management fee and £19.274 million for the repairs fee.
3. The management fee for 2015/16 has increased from the £30.561 million agreed in 2014/15. The council agreed to pay the additional management fee to cover the 2.2% pay award to employees, additional posts to prepare and manage the impacts of welfare reform and universal credit, costs associated with the extension of the repairs contract, an increased painting programme and other specific budget pressures.
4. A statement showing the proposed balanced budget for 2015/16 together with, for comparison purposes, the 2014/15 annual budget is attached as an Appendix to this report.

### Proposed Budget - Management

5. Whilst preparing the budget for 2015/16 we have again undergone a zero based approach rebuilding the budget by focusing on the company's strategic objectives and key actions from the 5 year business plan that is currently being finalised.
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. Additional management fee has been agreed in relation to additional posts required to manage and mitigate the impact of universal credit, to manage the

extension of the repairs contract and also to extend the temporary posts in relation voids that were approved at a previous committee.

8. Approval is required by the Committee to recruit to these additional posts and extend the temporary posts agreed previously for an additional year. The new permanent posts will be subject to a separate report.
9. Any additional resource requirements identified in year 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.
10. 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 management of third party properties on behalf of Thirteen Group and the Gateshead Council's Empty Homes Programme, as these properties will now be managed by Keelman Homes.
  - We have included the rental income for the 8 properties that are owed by The Gateshead Housing Company.
  - We have not allowed for inflationary increases as a matter of course – we have provided for an inflationary increase on electricity charges of 7.5% based on advice from the Gateshead Council and water charges of 2.3%, based on RPI in September.
  - We have reduced the gas charges based on the savings that have been made in 2014/15 from the introduction of a new energy efficient approach in the communal areas of multi storey blocks and sheltered schemes.
  - We have linked budgets which directly reflect the numbers of staff (such as vehicle rental, car mileage and telephone costs) to changes in staff numbers and the revised prices on the new mobile phone contract with O2.
  - We have removed car leasing budgets following the end of the company's lease car scheme
  - We have agreed with the Council that the Service Level Agreement costs will not be increased in 2015/16, other than the Building Cleaning SLA which has been increased by 12.2%.
  - We have included in the budget the cost of two new Service Level Agreements that have been agreed with Gateshead Council for Occupational Health and Health & Safety.
  - We have increased the budget for laundry equipment within sheltered schemes to allow for a programme of upgrades to the current machines to be implemented.
  - We have reduced the budget for waste tipping charges after we negotiated a new minimum charge for a ½ tonne rather than the previous minimum of 1 tonne.
  - We have reduced the training budget to reflect savings made from running more internal training courses rather than using external trainers.

### **Proposed Budget – Repairs**

12. The repairs fee has been agreed with the Council as an increase on the 2014/15 fee of £17.355 million to £19.274 million. The increase is to reflect the additional costs from the changes agreed as part of the 2 year extension to the current

Mears contract. Additional management fee has also been provided for the painting budget to allow a 7 year painting programme to be implemented.

13. As part of the contract extension, void works in the East and Central neighbourhoods will now be carried out by Construction Services (formerly Local Environmental Services) as will responsive repair works to boundary walls and fencing and flat roof repairs across the borough.
14. 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 and the proposed level of works required with Construction Services and other contractors.
15. The following budgets are linked to the MEARS contract – Responsive Repairs, Relets, Gas Servicing, Solid Fuel Testing, Electrical Circuit Testing and the Painting Programme. Construction Services and other contractors carry out works mainly in relation to Responsive Repairs, Relets, Cyclical Repairs, Water Hygiene Testing, Lift Maintenance, Environmental Works, Security and the Painting Programme.
16. We will be managing the repairs budgets closely to ensure that we bring these budgets in on target.
17. A copy of the repairs budget for 2015/16 is attached at the Appendix.

#### **Link to values**

18. 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**

19. 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**

20. Regular and accurate monitoring will ensure that that the strategic risk within the business plan (insufficient available financial resources) is effectively controlled.
21. The additional posts agreed as part of the management fee will manage the risks associated with the contract extension and help to mitigate any potential impacts of welfare reform and universal credit.

#### **Financial Implications**

22. The financial implications are contained within the report and appendix. Approval by the committee of the additional posts for welfare reform and universal credit will help to protect HRA income.

### **Health implications**

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

### **Equality and Diversity Implications**

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

### **Value for Money implications**

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

### **Environmental implications**

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

### **Consultation carried out**

27. 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**

28. The Committee is asked to:
- recommend to the Board approval of the revenue and repairs budgets for 2015/16 subject to formal confirmation of the fees by the Council;
  - receive further updates about any subsequent changes to the budget;
  - approve extension of the temporary posts agreed as part of the 2015/16 management fee agreement.

The Gateshead Housing Company  
APPENDIX

REVENUE	2014/15 Budget	2015/16 Budget	Notes
<b>Income</b>			
Management Fee	13,206,000	13,484,483	As agreed with the Council
Officer Costs	1,000,000	1,000,000	In line with the budgeted Capital Programme
External Funding	208,145	164,060	Income for the management of Keelman Homes and other Misc Income
<b>Total Income</b>	<b>14,414,145</b>	<b>14,648,543</b>	
<b>Employee Costs</b>			
Total Employee Costs	9,420,625	9,791,184	Based on the current structure, zero budgeted posts and 2.2% pay increase
<b>Overhead Costs</b>			
Total Overhead Costs	4,993,520	4,857,359	Based on zero based budget approach
<b>Management Surplus/(Deficit)</b>	<b>0</b>	<b>0</b>	
<b>REPAIRS</b>			
Management Fee	18,011,000	19,274,208	As agreed with the council
Capitalisation	2,000,000	2,100,000	In line with the budgeted capital programme
<b>Total Repairs Spend</b>	<b>20,011,000</b>	<b>21,374,208</b>	Based on increased painting budget and costs of contract extension
<b>Management Surplus/(Deficit)</b>	<b>0</b>	<b>0</b>	