



Title: Budget 2015-16

Report of: Head of Corporate Services

Purpose of Report

1. 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.
5. Resources Committee scrutinised the proposed budget for 2015/16 at its meeting on 24 February 2015 and recommended that it be approved by the Board.

Proposed Budget - Management

6. 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.
7. We have produced a staffing budget based on the latest structure which includes all proposals agreed at previous Resources 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.

8. 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 meeting of Resources Committee.
9. Resources Committee, at its meeting on 24 February 2015, approved to recruit to these additional posts and extend the temporary posts agreed previously for an additional year.
10. 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.
11. 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 appendices.

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.

Recommendation

28. The Board is asked to approve the revenue and repairs budgets for 2015/16.

The Gateshead Housing Company - Total Fees

APPENDIX

REVENUE	2014/15 Budget	2015/16 Budget	Notes
Income			
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
Total Income	14,414,145	14,648,543	
Employee Costs			
Total Employee Costs	9,420,625	9,795,021	Based on the current structure, zero budgeted posts and 2.2% pay increase
Overhead Costs			
Total Overhead Costs	4,993,520	4,853,522	Based on zero based budget approach
Management Surplus/(Deficit)	0	0	
REPAIRS			
Management Fee	17,946,000	19,274,000	As agreed with the council
Capitalisation	2,065,000	2,100,000	In line with the budgeted capital programme
Repairs Spend	20,011,000	21,374,000	Based on increased painting budget and costs of contract extension
Management Surplus/(Deficit)	0	0	

The Gateshead Housing Company - Management and Supervision Fee
APPENDIX

REVENUE	2014/15 Budget	2015/16 Budget	Notes
Income			
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 & TGHC owned properties rental income
Total Income	14,414,145	14,648,543	
Employee Costs			
Neighbourhood Services	3,808,796	3,863,657	Increase is due to 2.2% pay award
Customer Services	2,995,573	3,279,460	Increase is due to 2.2% pay award & additional posts for Welfare Reform and Universal Credit
Investment and Development Services	959,862	949,485	Decrease due to removal of vacant posts from structure
Corporate Services	1,656,394	1,702,419	Increase is due to 2.2% pay award
Total Employee Costs	9,420,625	9,795,021	Based on the current structure, zero budgeted posts and 2.2% pay increase
Overhead Costs			
Customers and Communities	1,433,340	1,207,466	
Corporate Services	3,560,180	3,646,056	
Total Overhead Costs	4,993,520	4,853,522	Based on zero based budget approach
Management Surplus/(Deficit)	0	0	

The Gateshead Housing Company - Overheads
APPENDIX

Overhead Costs	2014/15 Budget	2015/16 Budget	Notes
Service Level Agreements	804,065	799,554	Finance, Legal, HR, ICT and Energy Maintenance SLA's
Utilities	709,796	641,919	Electricity, Gas and Water Charges
Rent	790,862	732,032	Includes rent for the Civic Centre and Outbased Offices
Council Tax re: Voids	400,000	400,000	Council Tax costs for empty properties
ICT	432,719	416,019	Includes costs for software and hardware purchases and general ICT equipment
Building Cleaning and Cleaning Materials	248,810	241,568	Includes cleaning of Multi-Storey, Sheltered Schemes and Low Rise Blocks and cleaning supplies
Vehicles, Car Allowances and Travel	203,758	202,093	Includes vehicle hire, car mileage and public transport travel costs
Insurance	350,000	350,000	Costs of insurance premiums and insurance claim pay outs
NNDR	14,554	3,758	Leam Lane Office
Telephones	103,546	106,278	Includes Warden Call and mobile telephone bills
Legal Services	104,000	175,136	Costs in relation to legal services provided
Publicity, Promotion and Design	97,000	77,400	Publicity, promotion and design costs and internal communications
Training	83,216	60,958	Employee and Board Training costs
Postage	105,938	106,750	Includes cost of newspaper postage
Depreciation	50,000	50,000	Costs of depreciation relating to our fixed assets
Equipment	53,630	65,470	Includes equipment, furniture, carpets and signage
Giro Collection Stationery	90,000	90,000	Costs of transaction fees for our rent payments
Supplies and Services	64,819	56,973	Includes costs of waste disposal, uniforms and CAB supervision
Subscriptions and Searches	35,697	38,000	Subscriptions including HQN, Housemark and National Federation of ALMO's
Tenant Involvement	41,370	40,500	Costs in relation to conferences and events, Service Improvement Groups (SIG's) and TALISMAN
Community Fund Administration	32,500	44,000	Costs of administering the Community Fund
HR and Admin	14,380	13,380	Includes Occupational Health, Health and Wellbeing and DBS costs
External Audit fee	24,000	26,000	Costs of our external audit and taxation services
Stationery	52,250	45,300	Includes costs of printers and Board Papers
Board of Directors Payments	22,000	22,000	Payments to the Board Members
Catering and Room Hire	17,100	5,500	Catering and Room Hire, including any board expenses
Cash Collection Services	13,860	11,700	Costs of collecting the cash from our outbased offices
Equality and Diversity	13,000	12,400	Costs for accreditations, interpreting services and work in connection with Equality and Diversity
Consultancy	11,000	10,975	Small provision for future consultancy needs
Building Costs	9,650	7,859	Lift and Alarm Lines
Total	4,993,520	4,853,522	

The Gateshead Housing Company - Repairs Fee
APPENDIX

REVENUE	2014/15 Budget	2015/16 Budget	Notes
Income			
Repairs Fee	17,946	19,274	As agreed with the Council
Capitalisation	2,065	2,100	In line with the budgeted capital programme
Total Income	20,011	21,374	
Expenditure			
Fixed Costs (Contractors' Prelims - Mears)	4,370	3,810	Reduced in line with works transferred to Construction Services
Fixed Costs (Contractors' Prelims - LES)	0	606	Prelims to cover works transferred across to Construction Services
Responsive Repairs - Mears	4,500	4,494	Reduced funding for works transferred to LES, increased funding for inflation and contractual pricing changes
Responsive Repairs - LES	950	1,575	Budget increased in line with additional work transferred from Mears
Responsive Repairs - Other Contractors	100	102	
Responsive Repairs - Mears Specialist	500	0	Mears specialist team disbanded, budget allocation moved to Mears Responsive Repairs
Responsive Repairs - External Specialist	225	230	
Relets - MEARS	4,390	3,003	Reduced budgets for Central and East neighbourhoods transferred to Construction Services
Relets - LES	0	1,679	Budget for voids in the Central and East neighbourhoods transferred from Mears
Relets - Other	386	394	
Cyclical Repairs - Servicing	350	357	
Cyclical Repairs - Remedial Works	100	102	
Water Hygiene Testing and Repairs	150	153	
Painting/Prior to Painting	700	1,514	Budget increased to allow for 7 year painting cycle
Gas Servicing	1,918	1,956	
Electrical Circuit Testing	100	102	
Solid Fuel Testing	2	2	
Lift Maintenance	100	102	
Security	100	102	
Environmental Works	225	230	
Energy Performance Certificates	45	46	
Aids and Adaptations	150	153	
Software Development	50	50	Costs associated with the introduction of the new BARIS System with Construction Services
Repairs Contingency	600	612	Contingency in relation to responsive repairs and relets
Total Expenditure	20,011	21,374	
Repairs Surplus/(Deficit)	0	0	