



The Gateshead Housing Company Board of Directors

Thursday 14 July 2011 at 10am

To be held in the Board Room, Keelman House, Fifth Avenue
Business Park, Fifth Avenue, Team Valley Trading Estate,
Gateshead, Tyne and Wear

Agenda

Item	Business
1.	Apologies for Absence
2.	Declarations of Interest
	<u>ITEMS FOR DECISION</u>
3.	Minutes (Pages 3-11) To approve as a correct record the minutes of the last meeting of the Board held on 12 May 2011
4.	Matters Arising
5.	Board Appraisal (Pages 12-13) Report of Director of Corporate Services
6.	Strategic Risk Register (Pages 14-22) Report of Director of Corporate Services
7.	Directors' Report and Financial Statements – 2010/11 (Pages 23-52) Report of Director of Corporate Services
8.	KPMG Representation Letter – Year Ended 31 March 2011 (Pages 53-60) Report of Director of Corporate Services

Contact: Stuart Gibson Tel: (0191) 433 5308 Date: 7 July 2011

ITEMS FOR INFORMATION

9. **Minutes of Resources and Audit Committee held on 7 July 2011 (Pages 61-63)**

Attached

10. **Minutes of Asset Management Committee held on 30 June 2011 (Pages 64-72)**

Attached

11. **Management Agreement – Variation (Pages 73-74)**

Report of Chief Executive

12. ***The following information items are available to download from the company's website: -***

(ii) Annual Activity Report 2010/11

Report of Director of Corporate Services

(iii) Forward Plan

Report of Chief Executive

13. **Feedback from Outside Bodies and Events**

14. **Items for Future Agendas**

ITEMS FOR DISCUSSION

15. **Review of Board and Committee Structure (Pages 75-77)**

Report of Chief Executive

16. **Housing Options Review**

Verbal update by Chief Executive

17. **Date and Time of Next Meeting**

The next meeting of the Board will be held on Thursday 22 September 2011 at 10am in the Board Room at Keelman House, Fifth Avenue Business Park, Fifth Avenue, Team Valley Trading Estate, Gateshead



BOARD OF DIRECTORS

12 May 2011

PRESENT:

Directors

Barbara Dennis (Chair)
Richard Armitage
Robert Buckley
George Clark
Stan Dawson
Kathryn Ferdinand
Paul Foy
John Hamilton
Peter Mole
Joachim Moussounda Mouanda
Bill Patterson
Sarah Woolley

Advisers

Bill Fullen Chief Executive
Jon Mallen-Beadle Director of Corporate Services
Stuart Gibson Company Administrator

Also Present

John Walker Gentoo
Stuart Smith Woodholmes

Apologies for Absence

Joanne Carr
Pauline Dillon
Gordon Spring

1 **CO-REGULATION MODEL (INDEPENDENT TENANTS ORGANISATION)**

The Board received a presentation from John Walker (Gentoo) and Stuart Smith (Woodholmes) on the development of a Co-Regulation Model.

In particular, the project milestones, progress to date, engagement themes, funding, the structure of the proposed body, powers of review, regulatory compliance and consultation timeframe were highlighted.

The next steps include the following: -

- Consideration of the consultation framework by Gateshead Council's Cabinet in June 2011
- Publicity and recruitment
- Training and mentoring of new tenant body
- Embedding into co-regulation framework
- Ongoing independent mentoring of tenants body.

RESOLVED – That the information be noted.

2 DECLARATION OF INTERESTS

No interests were declared.

3 MINUTES

The minutes of the last meeting of the Board held on 8 March 2011 were approved as a correct record.

4 MATTERS ARISING

(a) Gas Servicing

The company achieved 100% in gas servicing performance at year end.

(b) Customer Service Excellence Accreditation

The company had successfully achieved Customer Service Excellence Accreditation and was awaiting the final report.

5 DELIVERY PLAN 2011/12

The committee received a presentation from the Chief Executive on the updated company delivery Plan covering the period 2011/12.

- RESOLVED –
- (i) That the Delivery Plan 2011/12 be approved, subject to an explanatory note underneath each of the performance indicator graphs, the 2010/11 unaudited results being included and the results for the North not including the TGHC figure.
 - (ii) That a copy of the Delivery Plan 2011/12 be forwarded as an update to the Council for its approval.
 - (iii) That any minor amendments to be made as a result of resolution (ii) above be delegated to the Chief Executive, following consultation with the Chair of the Board.

6 REVIEW OF PERFORMANCE INDICATORS AND FUTURE TARGETS 2011/12 – 2013/14

Each year the company reviews the performance indicators it reports and the performance targets which have been set. It is important to review

existing indicators and targets to ensure that they remain relevant, challenging and achievable.

The company is also required to take into consideration any changes made by the Government to the reporting requirements and updated comparative information. Consideration can also be given to adding or deleting any indicators.

The company has undertaken a review of all of the key performance indicators currently reported by it and future targets have been set for the next three years.

These indicators and targets will need to be agreed with the Council as part of the Delivery Plan 2011/12.

- RESOLVED – (i) That the target indicators set for the 2011/12 to 2013/14 period be approved.
- (ii) That the Chief Executive be authorised to make any amendments to the proposed indicators following final consultation with the Council.

7 ANNUAL GENERAL MEETING

The committee considered arrangements for the company's seventh Annual General Meeting (AGM) and the process for the retirement of a Tenant and an Independent Director at that meeting.

The requirements for the company's AGM are governed largely by the provisions of the Companies Act 1985 and the company's Articles of Association. Article 4 requires the Council to nominate a representative to attend and act on its behalf at general meetings of the company, including the AGM. The Council has nominated Dave Bunce, Group Director, Community Based Services, for this purpose.

Tenant and Independent Directors are entitled to hold office for a period of no more than 10 consecutive years or four consecutive terms of office, whichever is the lesser. The Articles require that the longest serving Tenant and the longest serving Independent Directors shall retire from office at the AGM.

The AGM must be held in the calendar year 2011, not more than 15 months after the last AGM. The last AGM was held on 23 September 2010, therefore the next AGM must be held no later than 22 December 2011.

At the AGM, the Council Member will consider the company's annual accounts. If these accounts are not available in audited form, the AGM must still be held by the due date and then adjourned, to be reconvened when audited accounts are available.

Routine business at the AGM will be the annual report and accounts; re-election (if any) or election of directors and re-appointment of auditors and fixing their remuneration. Any other business will be special business, the purpose of

which needs to be specified in the notice of the meeting to be given to the Council.

It is anticipated that the annual report of the directors of the company, together with the audited accounts, will be presented to the Board for approval on 14 July 2011.

21 clear days' notice of the AGM must be given to the Council, calling the AGM. Therefore, it would need to be held no earlier than 8 August 2011. It is proposed that the meeting be held immediately before or after the Board Meeting on 22 September 2011. The normal company practice is for the Chair of the Board to preside.

When the accounts are laid at the AGM, the company's Chair of Resources and Audit Committee should attend to be available to answer questions. The accounts are not to be approved by the Council Member. The requirement is merely that they be laid before the meeting.

The longest serving Tenant and Independent Director shall retire from office at the AGM. In the event of more than one person becoming director on the same day, the Tenant Directors and Independent Directors must agree amongst themselves the persons to retire and notify the Company Secretary in writing and not less than 28 days before the AGM or failing such an agreement, to choose by lot.

Whilst in previous years the Council has agreed that the retiring tenant and independent director may be reappointed, last year it requested that an appropriate selection process was put in place.

However, given the current review of the company, the Council Member has agreed that, for this year, no direct or indirect elections should take place and therefore the Tenant and Independent Directors retiring at the next AGM, if willing to act, will be appointed at that meeting.

- RESOLVED –
- (i) That the information be noted.
 - (ii) That the next Annual General Meeting be held immediately before or after the Board Meeting on 22 September 2011.
 - (iii) That the proposed arrangements for the retirement/appointment of a Tenant and Independent Director be noted.
 - (iv) That the longest serving Tenant and Independent Director retire at the next AGM and if willing to act, be reappointed at that meeting.

8 BOARD TRAINING AND DEVELOPMENT PLAN 2011/12

The Board, at its meeting held on 8 March 2011, was informed that training and development needs for the whole Board identified during individual

appraisals in 2010 would make up part of the 2011/12 Training and Development Plan.

The Board also noted that the company had agreed with Your Homes Newcastle, East Durham Homes and Dale Valley Homes to develop a joint Board Development Programme. The 'Board Academy' would be delivered by Anthony Collins Solicitors and facilitate the local delivery of a high quality and cost effective Board development resource through the creation of a series of geographical clusters. The programme would consist of a series of four joint training sessions during the course of the year, with each of the ALMOs hosting one session.

The Governance Officers at each of the respective ALMOs have agreed with Anthony Collins Solicitors the first year's Board Academy training programme and timetable. This has been incorporated into the 2011/12 Training and Development Plan. The cost of the joint training is £2,500 which can be met from within existing resources.

In addition, it is proposed that refresher training in financial and risk management is also delivered during the year.

RESOLVED – That the 2011/12 Board Training and Development Plan be approved.

9 GOVERNANCE PERFORMANCE INDICATORS AND TARGETS

The Board, at its meeting held on 12 May 2010, considered performance indicators around governance for the first time. 2009/10 was the baseline year and targets were set for the next three years.

Details of all the performance results together with proposed targets for the next three years were submitted.

RESOLVED – That the Governance Performance Indicator results for 2010/11 be noted and the targets for the next three years be approved, subject to the customer profile information not being recorded as a target for Board representation.

10 COMPLAINTS SCRUTINY PANEL

The Board considered a report seeking approval for the setting up of a Complaints Scrutiny Panel and approving its terms of reference, following a series of recommendations by the Customers and Communities Committee on 4 May 2011.

RESOLVED – (i) That the setting up of the Complaints Scrutiny Panel be approved.

(ii) That the terms of reference of the panel be approved.

(iii) That in respect of the recruitment of the panel members

- no current or ex Board Members/employees or Gateshead Councillor are able to apply until four years after their resignation;
- no person can serve on the panel:
 - that is currently employed by The Gateshead Housing Company or Gateshead Council in work directly associated with monitoring the company is able to apply
 - that Gateshead Council has got a current court order against that person, or commenced legal proceedings beyond Notice of Seeking Possession for arrears of rent and that person has not been keeping to a regular repayment plan, or have more than two months arrears.
 - that Gateshead Council has issued that person with a Notice of Seeking Possession because he/she has broken one or more of the conditions of his/her tenancy agreement other than for rent arrears
 - is a persistent or vexatious complainant;
- the Board Profiles and competencies be used when shortlisting and these be adopted for members of the Panel;
- Pauline Dillon sits on the Interview Panel.

11 MINUTES OF CUSTOMERS AND COMMUNITIES COMMITTEE

The minutes of the meeting of Customers and Communities Committee held on 4 May 2011 were submitted.

RESOLVED – That the minutes be noted.

12 MINUTES OF RESOURCES AND AUDIT COMMITTEE

The minutes of the meeting of Resources and Audit Committee held on 28 April 2011 were submitted.

RESOLVED – That the minutes be noted.

13 CAPITAL PROGRAMME

The Board, at its meeting held on 12 May 2010, were given the detailed capital programme for 2010/11 and 2011/12.

The Asset Management Committee on 15 December 2010 was advised of the Council's decision not to commit to any schemes (that had not already started) funded from prudential borrowing unless they were required to ensure the health and safety of tenants.

The Council's Cabinet approved an allocation of prudential borrowing on 1 March 2011 for the financial year ending 31 March 2012. As the government

has not provided the final £10 million of decent homes funding, the Council has agreed to provide this via prudential borrowing.

As the level of prudential borrowing is capped other works such as retrospective window replacements have been deferred. The Council has however agreed to fund the following schemes out of the prudential borrowing allocation: -

- Balance of the Decent Homes Programme.
- Delivery of phase 1 of the older persons strategy
- Additional doors and windows replacement for properties being made decent that originally did not need doors and windows
- Fire Safety & DDA works.

RESOLVED – (i) That the 2011/12 Capital Programme be noted and the capital spend be monitored by the Asset Management Committee on a quarterly basis.

(ii) That a report be submitted to a future meeting of Asset Management Committee on the implications of Right to Buy on the capital programme.

14 PERFORMANCE – YEAR END 2010/11

The year end performance results for 2010/11 were reported.

There are currently 42 key performance indicators included within the delivery plan and which are monitored and reported to the Board on a quarterly basis.

At the end of the year: -

- 24 indicators were traffic lighted green, which showed that the company are on target to achieve the annual target set for these indicators. This was up from 15 in the third quarter and also up from 21 at the 2009/10 year end.
- Three indicators were traffic lighted amber, which showed that the company had not met the target set to date although performance had improved on prior year. This was down from seven indicators in the third quarter and up from one indicator at the 2009/10 year end.
- Nine indicators were traffic lighted red, which showed that the company had not met the target set and performance had fallen compared to the prior year. This was up from five indicators in the third quarter and up from four indicators at the 2009/10 year end.
- Six indicators were not yet measurable/baseline year, down from 15 in the third quarter and seven at the 2009/10 year end. Of these, four indicators were a baseline target year in 2010/11 and therefore, the result could not be compared to any targets set or prior year results. One indicator was not measureable as it related to the status survey which had been suspended by government and this indicator had not been collected. One indicator was not measureable as the results were not available.

The analysis therefore indicated that at the year end, performance relating to 27 out of the 36 measureable performance indicators could be traffic lighted as on target or improving. This equated to 64%75% of performance indicators showing as being on target or improving.

RESOLVED – That the information be noted.

15 SERVICE STANDARDS PERFORMANCE – YEAR END 2010/11

The year end performance results against the company's service standards for 2010/11 were reported.

The company currently had 62 service standard performance indicators which were included within the Guide to Services documents for both tenants and leaseholders.

At the end of the year, performance showed that the company had been able to measure 51 of the service standard performance indicators. It would use the results of these indicators to improve the services provided to tenants and leaseholders. Where there were no targets set, the results would form the benchmark for performance for 2011/12.

These service standard indicator results were reported to customers to enable them to judge how well the company was performing against the service standards that were set.

- RESOLVED – (i) That the year end service standard performance results be noted.
- (ii) That instead of including within the agendas, in future all information items only be available to download from the company's website and there be a link to them on Board agendas.

16 PETITIONS UPDATE

The Board received an update on progress with petitions received since its last update on 20 January 2011.

RESOLVED – That progress be noted.

17 OUTSTANDING ISSUES

The Board was informed of the outstanding issues it has requested a further report on.

RESOLVED – That the information be noted.

18 FORWARD PLAN

The committee received a forward plan of reports which will be presented to the Board during the next year.

RESOLVED – That the forward plan be noted.

19 FEEDBACK FROM OUTSIDE BODIES AND EVENTS

The following feedback from outside bodies and events were reported: -

- Robert Buckley had recently attended a couple of voluntary sector Boards and suggested the company host an event to voluntary sector organisations on how it had reduced sickness absence.

RESOLVED – (i) That the information be noted.

- (ii) That GVOC be contacted about the company hosting an event for voluntary sector organisations on how it has reduced sickness absence.

20 DATE AND TIME OF NEXT MEETING

The next Board Meeting will be held on Thursday 14 July 2011 at 10am in the Board Room at Keelman House, Fifth Avenue Business Park, Fifth Avenue, Team Valley Trading Estate, Gateshead.

21 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 the indicated categories of the company's Access to Information Rules.

22 MINUTES OF RESOURCES AND AUDIT COMMITTEE (Categories 1 and 4)

The minutes of the meetings of Resources and Audit Committee held on 21 and 28 April 2011 were submitted.

RESOLVED – That the minutes be noted.

23 MINUTES OF EMPLOYEE FORUM

The minutes of the meeting of the Employee Forum held on 22 February 2011 were submitted.

RESOLVED – That the minutes be noted.



Report to the Board

14 July 2011

Title: Board Appraisal

Report of: Director of Corporate Services

Purpose of report

1. To inform the Board of the outcome of the 360 degree appraisal single topic group meeting and to agree a process for introducing 360 degree appraisals in 2012.

Background

2. The Board, at its meeting held on 8 March 2011, noted a proposal to introduce 360 degree appraisals. The proposal assumed that the Board, Corporate Management Team, Heads of Service and middle managers were included in the work.
3. The Board agreed that given the significant step change this will bring to the organisation and to consider in detail the financial implications and the level at which it should initially be introduced, a Board single topic group be established to look at the detail and its findings be reported back to the Board in July 2011. It was further agreed that any decision on Board appraisals in 2011 would be deferred pending the group's findings.

360 Degree Appraisals – Board Single Topic Group

4. A Board single topic group met on 14 June 2011 to discuss the proposals. The group felt that 360 degree appraisals should be initially introduced for members of the Board and Corporate Management Team only. In addition to this they felt that it should not be introduced until April 2012 pending the outcome of the consultation on the future provision of housing services. The group also felt that Board appraisals in 2011 should be postponed.

Link to Values

5. This report relates to the following company values: -
 - Being honest, accountable and transparent.
 - Being motivated, trained and committed
 - Embracing equality.

Equality and Diversity Implications

6. There are no equality and diversity implication directly arising from this report.

Financial Implications

7. Drummonds have been requested to submit a revised proposal based on introducing 360 degree appraisals to members of the Board and Corporate Management Team from April 2012.

Risk Management Implications

8. By carrying out Board appraisals, the operational risk of a Board without the right mix of skills is reduced.

Value for Money Implications

9. There are no value for money implications directly arising from this report.

Health Implications

10. A well trained Board makes better decisions which will have a positive impact on the health and well being of Gateshead residents.

Impact on Customers

11. There is a positive impact on tenants. A well trained Board makes better decisions resulting in improved services for tenants.

Consultation Carried Out

12. Following the single topic group meeting, Drummonds have been requested to submit a revised quote for the introduction of 360 degree appraisals.

Recommendations

13. It is recommended that
 - 360 degree appraisals be introduced for members of the Board and Corporate Management Team in April 2012 pending the outcome of the consultation on the future provision of housing services;
 - Board appraisals in 2011 be postponed;
 - a further report be submitted to the Board in November 2011 on the detail of the 360 degree appraisal process.



Report to the Board

14 July 2011

Title: Strategic Risk Register

Report of: Director of Corporate Services

Purpose of Report

1. To agree an updated Strategic Risk Register for the company.

Background

2. The Board, at its meeting held on 11 November 2010, approved an updated Strategic Risk Register following a review of risk management by Price Waterhouse Coopers.
3. The Board, at its meeting held on 8 July 2010, approved an updated Risk Management Policy. The Policy requires the strategic risk register to be reviewed by the Board three times every year.

Strategic Risk Register

4. Strategic risks are those which are critical to the direction of an organisation. Strategic risks may be driven by government policy, competition or a change in stakeholder requirements.
5. An annual planning session was held with the Board on 18 February 2011 during which a full review of the strategic risks took place to identify any emerging risks and to update the current risks proposed.
6. The Resources and Audit Committee, at its meeting held on 28 April 2011, approved an updated Operational Risk Register for Housing Management Directorate. There were no risks that the Committee felt needed escalating to the Strategic Risk Register.
7. The Strategic Risk Register has been reviewed and updated with a copy of the updated Register attached at the Appendix to this report. Any changes to the register are highlighted in blue.
8. The following four scale matrix has been used for impact and likelihood: -

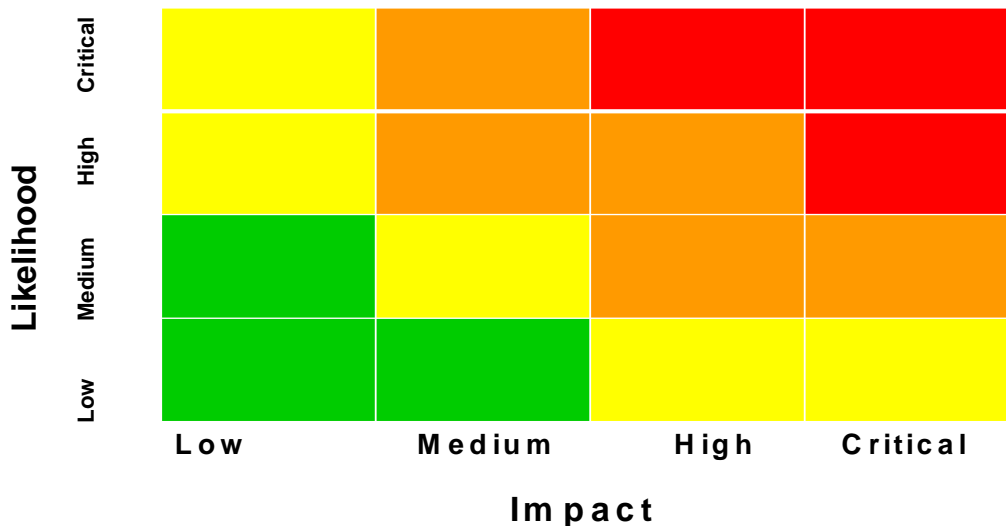
Likelihood

Scoring	Definition	Timing of occurrence
4	Almost certain	Less than 3 months
3	Likely	3 – 6 months
2	Moderate	6 – 12 months
1	Unlikely	In excess of 12 months

Impact – Strategic Risks

Scoring	Definition	Example of impact
4	Critical	Total service loss for significant period Fatality Financial loss over £500,000 Government / Council intervention
3	High	Significant service disruption Major/disabling injury Financial loss over £100,000 Adverse national media coverage
2	Medium	Service disruption Loss time injury Financial loss over £50,000 Adverse local media coverage / lots of service user complaints
1	Low	Minor service disruption / short term inconvenience Minor injury Financial loss under £50,000 Isolated service user complaints

5. The following four scale matrix demonstrates how the risks will be assessed using a traffic light system: -



Link to Values

9. This report links to the following corporate values: -
- Being a listening and learning organisation
 - Being honest, accountable and transparent

- Being motivated, trained and committed
- Being customer focused, innovative and professional
- Embracing equality

Risk Management Implications

13. The risk management implications are identified throughout this report.

Financial Implications

14. There are no financial implications directly arising from this report, however financial risks are identified in the risk register.

Equality and Diversity Implications

15. There are no equality and diversity implications directly arising from this report.

Health Implications

16. Although there are no implications directly arising from this report, the successful implementation of the recommendations will have a positive impact on the health and well being of Gateshead residents.

Environmental Implications

17. There are no environmental implications directly arising from this report.

Value for Money Implications

18. There are no value for money implications directly arising from this report.

Consultation carried out

19. The Board reviewed the strategic risks as part of its annual planning session on 18 February 2011.

Impact on Customers

20. An effective risk management process will maintain the delivery of services to customers.

Recommendation

21. The Board is recommended to approve the updated Strategic Risk Register.

Strategic Risk Register

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale for implementation
SR1	<p>Changes to government policy adversely impacting on TGHC</p> <ul style="list-style-type: none"> • HRA review • Abolition of TSA & Audit Commission • Impact of CSR <p>Will lead to TGHC being unable to fulfil its statutory duties.</p>	<p>Monitor and respond to government consultation</p> <p>Member of the NFA</p> <p>Chair & CEO on NFA board</p>	3	4	Bill Fullen	<ul style="list-style-type: none"> • Shape TGHC to fit into new government agenda 	31/12/11
SR2	<p>Failure to maximise rental income via Financial Inclusion initiatives.</p> <ul style="list-style-type: none"> ○ Lack of company-wide commitment ○ Impending restructure ○ Comprehensive Spending Review fallout ○ Adverse impact of Government's proposed review of benefits system ○ Issues relating to Government's proposals under Localism Bill with particular reference to the reform of Council Housing 	<p>Financial Inclusion Strategy.</p> <p>Membership of various Council-led partnership groups.</p> <p>Partnership arrangements with public, private and third sector agencies.</p> <p>Management and monitoring database. Effective targeting of resources based on data analysis of social deprivation.</p> <p>Specialist teams provide information advice and guidance, arrears</p>	3	4	Neil Bouch	<ul style="list-style-type: none"> ○ Maximise partnership working ○ Maximise operational procedures that can be embedded in mainline service delivery ○ Possibility of finding additional external financial support ○ Developing marketing and communication mechanisms ○ Develop in partnership with the Council a 30 year business plan once the HRA self financing proposals are published 	<p>Financial Inclusion Strategy review due by March 2012</p> <p>March 2012</p>

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale for implementation
	finance o Demand for these types of interventions likely to increase significantly The company may be unable to meet increased demand for Financial Inclusion services leading to tenants being unsupported and thereby adversely affected. That in turn could increase social unrest and company income. Any significant reduction in company income could have major implications under self-financing proposals.	prevention and recovery services and referral.					
SR3	Data Protection Incident Risk that company or customer data loss discovered reported in press, by customers or to the ICO – impact on Company reputation.	Company ICT policy specifically refers to the data protection act and the responsibilities of employees to adhere to it. Internal systems are audited annually by internal audit to ensure appropriate management of data. Data Protection brief sent out via Intranet July 2010 to all employees Other controls in place	2	4	Jon Mallen-Beadle	<ul style="list-style-type: none"> • Northgate review • DP review (list tasks) • USB Lockdown • ICT policy review • Increased use of secure email and ftp • 3rd Party Data sharing & Security agreements 	30/09/11 30/09/11 30/09/11 31/03/12 31/03/12 31/03/12

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale for implementation
		<p>include</p> <ul style="list-style-type: none"> • Encrypted USB Memory Sticks • Secure Shredding contract in place • Laptop encryption and physical locks • User permissions are allocated as identified by department allowing permission for relevant staff only to specific information. 					
SR4	<p>Insufficient financial resources available</p> <p>Will lead to TGHC being unable to meet its budgetary requirements, within the revenue, repairs and capital budgets</p>	<p>Regular, accurate revenue budget monitoring</p> <p>Regular, accurate monitoring of investment programme</p> <p>Financial regulations/contract procedure rules</p> <p>Systems evaluation by both internal and external auditors</p> <p>Robust insurance arrangements</p> <p>Medium term financial strategy in place</p> <p>Restructure programme</p>	2	3	Jon Mallen-Beadle	<ul style="list-style-type: none"> • Agree future fees levels with the Council (11/12 fee now agreed but need to consider 12/13 and beyond fees) • Update the medium term financial strategy • Deliver restructure programme 	<p>31/03/12</p> <p>31/12/11</p> <p>31/12/11</p>

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale for implementation
		in place					
SR5	<p>Reduction in stock/stock availability</p> <p>Will lead to the company receiving reduced resources from the Council and have an impact on management fee discussions</p>	<p>Quarterly review with Council on effect of investment programme on sales and demolitions 5 year management agreement in place until December 2013</p> <p>Keelman Homes established to develop new build programme in Kibblesworth</p> <p>TGHC and Council new build</p> <p>Implementation of Older Persons Strategy</p>	1	4	Bill Fullen	<ul style="list-style-type: none"> • Completion of Kibblesworth new build programme • Implementation of Phase 2 of Older Persons Strategy • Review of management agreement 	<p>31/03/13</p> <p>31/12/11</p>
SR6	<p>Change of relationship with Council</p> <p>Will lead to a loss in confidence of the ability of TGHC to manage the Council's housing stock</p>	<p>Monthly meetings with the Council</p> <p>5 year management agreement in place until December 2013</p> <p>Policies & performance developed in partnership with the Council</p>	1	4	Bill Fullen	<ul style="list-style-type: none"> • Review the management agreement 	31/12/11
SR7	<p>Risk of Senior employees / Directors charged with Corporate Manslaughter.</p> <p>Could lead to criminal charges, severe sentences and claims</p>	<p>Policies, procedures and compliance monitoring for H&S and HR.</p> <p>HR and H&S advisors in place.</p> <p>Mandatory training in place for staff and</p>	1	4	Bill Fullen	<ul style="list-style-type: none"> • Annual training refresh 	31/12/11

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale for implementation
	for compensation plus loss of Company reputation	Directors					
SR8	<p>Failure to achieve & maintain Decent Homes</p> <p>Will lead to reduction in the quality of the stock and levels of customer satisfaction</p>	<p>Strategic partners appointed</p> <p>Revised approach to fit in with available funding</p> <p>Only 1,500 homes non decent</p> <p>Agreed prudential borrowing funding should final tranche of ALMO funding not be available</p> <p>VFM exercise carried out resulting in significant efficiency savings</p>	1	3	Jon Mallen-Beadle	<ul style="list-style-type: none"> • Agree final year's programme (now agreed) • Five year future capital programme currently being developed • Update Asset Management Strategy • Develop 30 year asset management programme 	<p>31/03/12</p> <p>31/03/12</p> <p>31/03/12</p>
SR9	<p>Failure to engage with tenants</p> <p>Will lead to a reduction in customer satisfaction and not having tenants involved in decision making processes.</p>	<p>Dedicated Tenant Involvement team</p> <p>Network of local offices</p> <p>Annual tenants survey</p> <p>Annual tenants conference</p> <p>Customer Service team dedicated to dealing with complaints</p> <p>SIG's in place</p>	1	3	Neil Bouch	<ul style="list-style-type: none"> • Carry out annual survey • Review tenants conference • Further develop the complaints system • Review of SIG's • Development of ITO • Development of local offers 	<p>31/03/12</p> <p>30/06/11</p> <p>31/03/12</p> <p>30/09/11</p> <p>31/03/12</p> <p>31/03/12</p>
SR10	<p>Failure to recruit and retain suitable staff</p> <p>Will lead to reduced performance and levels</p>	<p>A number of WLB policies & initiatives are in place</p> <p>Significant training</p>	1	3	Jon Mallen-Beadle	<ul style="list-style-type: none"> • Review of WLB policies • Retender of HR advisor 	<p>31/03/12</p> <p>31/03/12</p>

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale for implementation
	of customer service provided.	budget in place HR advisor in place					
SR11	Failure to maintain service improvements Will lead to reduced customer satisfaction and levels of service	Delivery plan produced & agreed annually Performance management framework in place Performance Indicators set & agreed annually SIG's in place	1	2	Jon Mallen-Beadle	<ul style="list-style-type: none"> • Agree local offers • Review self assessment • Develop service review programme • Review SIG's • Customer Service Excellence Award – now successful 	31/03/12 31/03/12 30/09/11 30/09/11 30/06/11



Report to the Board

14 July 2011

Title: Directors' Report and Financial Statements – 2010/11

Report of: Director of Corporate Services

Purpose of Report

1. To approve the directors' report and financial statements for the year ended 31 March 2011.

Background

2. The directors' report and financial statements for 2010/11 will be presented to the company's Annual General Meeting, which will be held before the meeting of the Board on 23 September 2011.
3. The fourth quarter management report presenting the provisional outturn of expenditure against budget was considered by the committee at its meeting on 28 April 2011.
4. The Resources and Audit Committee, at its meeting held on 7 July, recommended that these financial statements be approved.

Statement of Accounts

5. A report including the financial statements as agreed with the auditors, KPMG is attached at the Appendix to this report.
6. The financial result for the period was a surplus of £3,718,000 (2010: £653,000 deficit). The fourth quarter management accounts indicated that the financial result was an expected deficit of £6,000.
7. The large surplus at the financial year end was due to a pension adjustment required to the accounts due to the change in the measure of inflation used to increase pension benefits from the retail prices index (RPI) to consumer prices index (CPI).
8. Excluding this adjustment, the underlying deficit before tax and interest was £4,000.

9. The surplus was made up as follows:

	£	
Operating surplus/(deficit)	(4,000)	<i>This is the deficit on the management accounts (before interest)- note this reduced from an expected £6,000 deficit to a £4,000 deficit</i>
Pension Scheme Adjustment	3,740,000	<i>This is the net adjustment required to the accounts following the change in the measure of inflation.</i>
Pre Tax and Interest Surplus	3,736,000	
Interest Receivable	2,000	<i>This is the interest received on the cash balance during the year</i>
Pension Scheme Finance Costs	(20,000)	<i>This is an accounting adjustment in relation to the pension scheme</i>
Financial Statements Surplus	3,718,000	

10. The company achieved a pre-tax and interest surplus in the year of £3,736,000 prior to interest receivable of £2,000 and pension scheme finance costs of £20,000 (2010: interest receivable of £2,000; finance costs of £580,000).
11. The balance sheet has been reduced due to the deficit and the actuarial losses in the pension scheme, resulting in closing revenue reserves excluding net pension provisions of £607,000 (2010: £609,000). The directors and management continue to implement efficiency savings ahead of targets and as a result believe the company is in a strong financial position to deliver its strategic and operational goals.
12. In line with last year's accounts, it has been necessary under FRS 17 (a financial reporting standard) to adjust the accounts for the pension fund liability attributable to the company's employees. The net pension liability was £8.27m as at 31 March 2011 (£11.2m as at 31 March 2010) as calculated by the Pension Fund's actuary.
13. KPMG produced a management report following the audit they have carried out. The management report is included as a separate report.

Link to values

14. 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

15. Appropriate financial monitoring and control will ensure efficiencies are maximised and redirected to services that directly impact on tenants.

Risk Management Implications

16. The external audit carried out by KPMG is one element of the controls in place to ensure that the strategic risk within the business plan (Insufficient available financial resources) is effectively controlled.

Financial Implications

17. The financial implications are contained within the report and Appendix.

Equality and Diversity Implications

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

Health Implications

19. There are no direct health implications arising from this report.

Value for Money implications

20. The implementation of efficiency savings ahead of targets will continue to drive value for money throughout the organisation.

Environmental Implications

21. Environmental consideration is given during the day to day management of financial resources through the drive to ensure that purchasing methods are sustainable and through the reduction of energy costs through energy efficient measures being introduced in working practices.

Consultation carried out

22. None directly for this report.

Recommendation

23. The Board is requested to approve the Directors Report and Financial Statements for the year ended 31 March 2011 to the Board.

The Gateshead Housing Company Limited

Directors' report and financial
statements

Registered number 04944719

Draft - 31 March 2011

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Directors' and advisors

Council Directors

Pauline Dillon
Kathryn Ferdinand
Paul Foy
John Walter Hamilton
Peter Mole

Tenant Directors

Robert Buckley
Stanley Dawson
Dr Joachim Moussounda Mouanda
Gordon Spring (appointed 23 September 2010)
William Patterson (reappointed 23 September 2010)
James Willis (resigned 26 August 2010)

Independent Directors

Richard Armitage
Joanne Carr (appointed 23 September 2010)
George Clark (appointed 23 September 2010)
Allan Curry (not reappointed to Board 21 September 2010)
Barbara Elaine Dennis (Chair)
Valerie Ann Hodge (resigned 21 July 2010)
Sara Woolley

Secretary and Registered Office

Jon Mallen-Beadle (Company secretary)
Keelman House
Fifth Avenue Business Park
Fifth Avenue, Team Valley Trading Estate
Gateshead, NE11 0XA

Auditor

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne, NE1 3DX

Internal Auditors

Gateshead Council
Civic Centre
Regent Centre
Gateshead, NE8 1HH

Bankers

Co-operative Bank plc
53-57 Blandford Square
Newcastle upon Tyne, NE99 1AN

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2011.

Principal activities

The principal activity of the Company is the day to day management, maintenance and improvement of the housing stock of Gateshead Council and Keelman Homes. The building of new properties to be owned and managed by the Company as well as the management of new build programmes for both Gateshead Council and Keelman Homes. The Company also provide housing management services for a number of properties which are owned by Fabrick.

Result for the year

The financial result for the year was a surplus of £3,718,000 (2010: £653,000 deficit).

The Company achieved a pre-tax and interest surplus in the year of £3,736,000 prior to interest receivable of £2,000 and pension scheme finance costs of £20,000 (2010: interest receivable of £2,000; finance costs of £580,000). This large surplus was due to a pension adjustment required to the accounts due to the change in the measure of inflation used to increase pension benefits from RPI and CPI. Excluding this adjustment, the underlying deficit was £4,000.

The balance sheet has been slightly reduced due to the underlying deficit and the actuarial losses in the pension scheme, resulting in closing revenue reserves excluding net pension provisions of £607,000 (2010: £609,000). The directors and management continue to implement efficiency savings ahead of targets and as a result believe the Company is in a strong financial position to deliver its strategic and operational goals.

Review of business

We continued to provide the day to day management for the housing stock owned by Gateshead Council; however, we also expanded our principal activities during the year to include the completion of the new build of three properties to be owned by the Company. These properties are owned and managed directly by the Company. Our charitable subsidiary also began trading during the year and work started on the building of 94 properties to be owned by Keelman Homes in Kibblesworth. Keelman Homes and the Company signed a management agreement for the Company to provide the day to day management, maintenance and improvement of these properties.

Our services continued to develop during 2010/11 in line with customer priorities identified as part of the 2010 tenant survey. Importantly the work of the Service Improvement Groups continued to drive services forward.

Achievements during the year can be linked to each of our strategic objectives:

Continue to deliver excellent housing services

Our main contact with tenants is via our repairs service, with over 64,000 repairs orders being raised annually. Satisfaction with the repairs service has increased from 95% in 2008/09 to 98% in 2010/11.

Performance by our repairs partner has continued to increase and we completed over 99% of all emergency, urgent and routine repairs within the timescales we set, this was an excellent result when considering the difficult conditions we faced throughout the whole of December, with the inclement weather.

We increased customer involvement in managing estates through Estate Tours, from 66% in 2009/10 to 74% in 2010/11. In total we carried out nearly 1,000 Estate Tours.

During October 2010, in partnership with Safer Gateshead we launched the ARCH hate crime reporting system, and trained staff to take and log reports (our housing offices are reporting centres).

Directors' report *(continued)*

We launched the Guide to Services you can expect from The Gateshead Housing Company with employees and customers. This guide was provided to customers in our quarterly newspaper.

Customers were involved in setting these service standards and agreeing the performance measures to be monitored.

We produced the first Annual Report for Tenants and Leaseholders in conjunction with Gateshead Council which provided our customers with a report of how we meet the TSA standards as well as reviewing our performance for the prior year.

We carried out nearly 700 involvement events and activities including Service Improvement Groups, forums, working groups, estate tours, grounds maintenance monitoring meetings, drop in sessions, mystery shopping, and attending community events, involving Customers on 10,000 occasions

Our Moving Forward Training programme saw over 250 customers attending training courses, with 30 courses taking place in total. This included basic DIY courses, advice on managing money and scam awareness and capacity building training such as confidence building, communication skills and equality and diversity training

We were awarded the government's national standard for customer service excellence in recognition of the high quality services delivered to our customer's everyday. On awarding the Company the highly regarded Customer Service Excellence Standard the assessor stated:

“It was clear from the evidence presented that the needs of tenants and leaseholders are central to everything that is done at the company. All of its employees showed a passion for what they do and a genuine desire to make sure that the company delivers the best possible services to all its customers.”

■ Effectively manage housing assets to achieve sustainable homes and neighbourhoods

We successfully completed this year's Decent Homes programme. By the end of the year over 20,000 properties had met the decent homes standard, and over £294 million has been invested in the stock during the lifetime of the programme.

Work continues on the Kibblesworth New Build programme which will create up to 154 new homes in the village of which 94 will be affordable, with the first tenants moving in September 2010.

The company also delivered the Council's Homes and Communities Agency (“HCA”) funded new build programme with the following schemes:

- 8 two bedroom bungalows at Hallgarth Road, Winlaton were completed and let.
- At Harlow Green 45 two bedroom extra care flats and 6 two bedroom bungalows will be completed and let in July 2011.
- Four 3 bedroom bungalows are to be completed at Norfolk Avenue, Barley Mow by July 2011.
- Work has started on the construction of 17 new bungalows at Cranesville, Cresthaven and Portobello. These are expected to be completed towards the end of July 2011.

We also completed the construction of 3 of our own new family homes at High Lanes. These homes were let to families, with existing overcrowding problems.

We also achieved 100% in the servicing of all gas and solid fuel heating appliances.

Directors report *(continued)*

■ Secure adequate resources both human and financial to effectively support our business

We embarked on a restructure of the company so that we have a company that is fit for the future and can maintain the excellent services that we provide to our customers and stakeholders.

We worked closely with the Council to review the new self-financing proposals which will replace the Housing Subsidy System. We have worked together to create a 30-year business plan to determine whether self-financing is achievable. This plan provides a basis to ensure we can continue to maintain decency and make further stock investments within the self-financing regime

Our focus on work life balance for employees has resulted in sickness levels reducing with a year end result of 8.3 days per employee, a significant reduction from last years 10.4 days and nearly half when compared to the 15.1 days in 2008/09.

The company continued to receive recognition for specific services including winning the 2010 TPAS Equality and Diversity award for the Northern region.

We became the first ALMO in the North East to be awarded the ISO 14001 international standard for environmental management. The award means that we have demonstrated that we have a robust system for monitoring, managing and reducing our impact on the local environment.

We continue to manage properties on behalf of Fabrick at Staiths South Banks, Dunston. Whilst the number of properties managed is low this introduces some welcome income diversification for the company.

We have established a positive track record of improving performance and customer satisfaction. Through developing staff and managerial resources, working effectively in partnership with others and a willingness to learn, capacity to support planned improvements is strong.

Customer Priorities

Our customer priorities are the most important challenge in ensuring that we spend our money in the most appropriate way. Our 2010 annual survey asked customers what their top priorities were and the following table set out what they said.

	2010 Survey
Priority 1	Tackling anti-social behaviour
Priority 2	High quality, timely repairs
Priority 3	Well maintained environment outside the home

Our key actions in 2010/11 were undertaken to address these customer priorities to ensure that we provided services which meet our customers' needs.

Directors' report *(continued)*

Policy and practice and payment of creditors

As a controlled Company of a local authority, the Company adheres to BVPI8 which requires the payment of undisputed creditor invoices within 30 days of receipt of the invoice. Where disputes arise we attempt to resolve them promptly and amicably to ensure delays in payment are kept to a minimum.

We are currently participating in the local authorities scheme to generate the local economy by paying local suppliers within 10 days of receipt of the invoice.

Future developments

Working closely with the Council we provided evidence to the Council's investigation into options for increasing social housing in the Borough. Financial modelling of a number of potential sites has identified how new build could be adequately funded and a number of new build developments obtained funding from the Homes and Communities Agency in 2009/10 and 2010/11. Some of these sites were completed in 2010/11 as detailed above and work on further sites will continue in the future.

We have also undertaken an appraisal of the self-financing model in relation to the HRA which was consulted on by the Communities and Local Government. We have produced a 30-year business model in conjunction with the Council to determine whether self-financing would benefit the tenants of Gateshead. We have and continue to participate fully in the consultation exercises produced by the CLG.

The Board and Executive Officers

Under guidance for the setting up of Arms Length Management Organisations, issued by the Office of the Deputy Prime Minister ("ODPM"), the Company's Board of non-executive directors has equal representation of Tenant, Council and Independent members. Council Directors are appointed and removed directly by the Council, whilst Tenant Directors are appointed through interview by tenants and leaseholders living in Gateshead. Independent Directors are selected by the Board. Tenant and Independent Directors are subject to rotational retirement rules contained in the Company's Articles of Association.

The operational day to day running of the Company is delegated to paid Strategic Employees by the Board, through the Company's Scheme of Delegation and in the first instance, to the Company's Chief Executive. None of the Corporate Management Team are Board members.

Corporate Governance

The Company signs up to the principles of the Combined Code in so far as they are applicable to an organisation of its size and structure. As well as having robust codes of conduct for Board members, the Company has a clear Risk Strategy in place which underlies its key decisions.

In addition to the main Board, the Company has a number of formal Board Committees as follows:

- Customers and Communities
- Asset Management
- Resources and Audit
- Executive Overview

The committees have been aligned to the objectives within the Company's Business Plan. Each committee has clear terms of reference detailing their functions, together with decisions that should be referred to the Board for approval and those that have been delegated. All the Company's corporate governance arrangements are set out in a Governance Handbook issued to all Board members. The Company continues to review its governance arrangements annually to ensure that the needs of the organisation are being met effectively.

Directors' report *(continued)*

Statement of Board on Internal Controls

The Board acknowledge their ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Company or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposal.

It is the Board's responsibility to establish and maintain systems of internal control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the Company's assets;
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the Board and managers to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures by the Board following scrutiny by the relevant Board committees;
- the Board reviews reports for management, from internal auditors, from the external auditors and from its own Resources and Audit Committee to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Company; and
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

Fair employment policies for disabled persons

The Company, as part of its Equal Opportunities Policy;

- welcomes job applications from people with disabilities
- does not discriminate unlawfully when it decides who to employ
- advertises widely to ensure it receives as many applications as possible, especially from disadvantaged groups
- reviews and monitors its recruitment and selection procedures to ensure it does not discriminate against people with disabilities
- encourages all employees to reach their full potential
- wherever possible, provides a workplace that is accessible to people with disabilities
- where possible, retains in suitable employment those employees who become disabled
- when required, ensures additional provision in the form of access, or transport costs, is available for people with disabilities to enable them to fully participate in interviews and training.

Directors' report *(continued)*

Employee involvement

The Company:

- shares ideas and information with its employees
- maintains a genuine exchange of views between managers and employees or their representatives
- negotiates with employees or their representatives on any proposed changes to terms and conditions of employment
- has an Employee Forum, with representation from representatives of the workforce, to ensure that employees are informed about the company's economic situation and are informed and consulted about decisions likely to lead to substantial changes in work organisation

The Employee Forum also:

- deals with consultation issues such as terms and conditions, employment policies and other employment issues specific to employees
- develops the Company's employment policies.

An appraisal process is used for all employees, linked to individual employees' needs and performance against agreed objectives and targets, comprising two meetings each year for individuals and their line manager to appraise and review performance, to help employees to;

- get feedback on how they are doing and recognition for their achievements
- understand what is expected of them
- understand how what they do fits in with what the company is trying to achieve
- talk about the issues facing them over the next 12 months
- agree what training and development they need to do their job well.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor is deemed to be reappointed and KPMG LLP will therefore continue in office.

The directors' report was approved on 14 July 2011 and signed on its behalf by:

B Dennis
Chair

J Mallen-Beadle
Company Secretary

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the little company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**KPMG LLP**

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditor's report to the members of The Gateshead Housing Company Limited

We have audited the financial statements of The Gateshead Housing Company Limited for the year ended 31 March 2011 set out on pages 11 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its surplus for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of The Gateshead Housing Company Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

MR Thompson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

2011

Income and Expenditure Account*for the year ended 31 March 2011*

	<i>Note</i>	2011 £000	2010 £000
Turnover	2	35,592	37,435
Operating costs (including exceptional past service credit of £3,850,000 (2009: £nil) in respect of pension change from RPI to CPI)	2	(31,856)	(37,510)
Operating surplus/(deficit)	2-5	3,736	(75)
Interest receivable and similar income	6	2	2
Other finance costs	7	(20)	(580)
Surplus/(deficit) on ordinary activities before taxation		3,718	(653)
Taxation on surplus/(deficit) from ordinary activities	8	-	-
Surplus/(deficit) for the financial year	15	3,718	(653)

All amounts relate to continuing activities.

Statement of Total Recognised Surpluses and Deficits*for the year ended 31 March 2011*

	2011 £000	2010 £000
Surplus/(deficit) for the financial year	3,718	(653)
Actuarial loss recognised in the pension scheme	(760)	(2,930)
Total recognised surplus/(deficit) relating to the period	2,958	(3,583)

Balance Sheet*as at 31 March 2011*

	<i>Note</i>	2011	2010
		£000	£000
Fixed assets			
Tangible assets	9	1,091	987
Current assets			
Debtors	11	2,919	4,778
Cash at bank and in hand		3,751	7,876
		6,670	12,654
Creditors: amounts falling due within one year	12	(6,872)	(12,653)
Net current (liabilities)/assets		(202)	1
Provisions for liabilities	13	(282)	(379)
Total assets less current liabilities		607	609
Creditors: amounts falling due after more than one year			
Net pension liability	17	8,270	11,230
Capital and reserves			
Revenue reserves excluding net pension costs		607	609
Net pension liability		(8,270)	(11,230)
Revenue reserve including pension liability	15	(7,663)	(10,621)
Total long term liabilities, capital and reserves		607	609

These financial statements were approved by the Board of directors on 14 July 2011 and were signed on its behalf by:

B Dennis*Chair*

Company registered number: 04944719

Cash Flow Statement*for the year ended 31 March 2011*

	<i>Note</i>	2011 £000	2010 £000
Net cash (outflow)/inflow from operating activities	<i>18a</i>	(3,726)	2,712
Returns on investments and servicing of finance			
Interest received		<u>2</u>	<u>2</u>
		(3,724)	2,714
Capital expenditure			
Purchase of tangible fixed assets		<u>(401)</u>	<u>(434)</u>
(Decrease)/increase in cash	<i>18b</i>	<u>(4,125)</u>	<u>2,280</u>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under historical cost accounting rules.

The company is exempt by virtue of S400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report on pages 2 to 7.

The company has cash at bank and in hand of £3,751,000 at the end of the year, with no external debt. The company's primary customer is Gateshead Council with whom there is a management agreement in place for the company to provide services until 31 December 2013. As a consequence the Directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

As the company is a wholly owned subsidiary of Gateshead Council, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Gateshead Council, within which this company is included, can be obtained from the address given in note 20.

After making enquiries, the directors have a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their useful economic lives as follows:

Buildings	-	50 years
Leasehold improvements	-	life of lease
Fixtures and fittings	-	2-4 years
IT	-	4 years

Freehold land is not depreciated.

Operating leases

Operating lease rentals are charged to the income and expenditure account on a straight line basis over the period of the lease.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the income and expenditure account over the estimated useful economic lives of the assets to which they relate.

Notes *(continued)***1 Accounting policies** *(continued)****Retirement benefits***

The Company participates in the Tyne and Wear Pension Fund. The scheme is a final salary Local Government Pension Scheme and retirement benefits to employees of the Company are funded by contributions from all participating employers and employees in the scheme. The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents primarily management fees received from Gateshead Council for the management and maintenance of Gateshead Council's housing stock and is stated net of value added tax.

Income is recognised on an accruals basis.

The Company acts as agent on behalf of Gateshead Council in respect of capital work and as such only includes the commission receivable within turnover.

Cash at bank and in hand

Cash at bank represents the Company's share of bank balances managed on its behalf by Gateshead Council.

Notes (continued)

2 Analysis of turnover, operating costs and operating surplus/(deficit)

	2011 £000	2010 £000
Turnover		
Management fee	31,391	33,583
External funding	89	64
Capital fees	2,500	3,000
Other	1,612	788
	<u>35,592</u>	<u>37,435</u>
Operating costs		
Management of housing stock	11,640	15,335
Repairs and maintenance of housing stock	17,716	19,175
Revenue expenditure supporting capital programme	2,500	3,000
	<u>31,856</u>	<u>37,510</u>
Operating surplus/(deficit)	<u>3,736</u>	<u>(75)</u>

3 Notes to the income and expenditure account

	2011 £000	2010 £000
<i>Surplus/(deficit) on ordinary activities before taxation is stated after charging:</i>		
Depreciation on tangible fixed assets – owned	297	319
Hire of other assets – operating leases	327	305
	<u> </u>	<u> </u>
<i>Auditor's remuneration:</i>		
Audit of these financial statements	17	15
	<u> </u>	<u> </u>

4 Remuneration of directors

The aggregate amount of emoluments and expenses paid to Board Members was £18,016 (2010: £19,201).

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the Company during the year, expressed as equivalent full time employees was:

	Number of employees	
	2011	2010
Housing management	229	233
Administrative and clerical	140	154
	<hr/> 369 <hr/>	<hr/> 387 <hr/>

The aggregate payroll costs of these persons were as follows:

	2011	2010
	£000	£000
Wages and salaries	9,688	9,689
Social security costs	646	694
Other pension costs (note 17)	1,866	2,114
Exceptional past service credit (note 17)	(3,850)	-
	<hr/> 8,350 <hr/>	<hr/> 12,497 <hr/>

On 22 June 2010, the government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than as previously, the Retail Price Index (RPI). The directors have considered the LGPS Tyne and Wear Pension Scheme rules and associated members' literature and have concluded that this is a change in benefits and has recognised the resulting credit in the income and expenditure account, in accordance with UITF 48.

6 Interest receivable and similar income

	2011	2010
	£000	£000
Bank interest	2	2
	<hr/> 2 <hr/>	<hr/> 2 <hr/>

Notes (continued)

7 Other finance costs

	2011 £000	2010 £000
Expected return on pension scheme assets	1,820	1,050
Interest on pension scheme liabilities	(1,840)	(1,630)
	<u>(20)</u>	<u>(580)</u>

8 Taxation

In January 2008 HMRC agreed that the Company is able to take advantage of the beneficial tax treatment described in HMRC's guidance.

Analysis of charge in period

	2011 £000	2010 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Total current tax	-	-
Deferred tax	-	-
Tax on surplus on ordinary activities	-	-

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the standard rate of corporation tax in the UK of 28% (2010: 28%). The differences are explained below:

	2011 £000	2010 £000
<i>Current tax reconciliation</i>		
Deficit on ordinary activities before tax		(653)
Current tax at 28% (2010: 28%)		(183)
<i>Effects of:</i>		
Non allowable losses		183
Expenses not deductible for tax purposes		-
Non taxable income		-
Total current tax charge (see above)		-

Notes (continued)

9 Tangible fixed assets

	Land and Buildings	Leasehold improvements £000	Fixtures and fittings £000	IT £000	Total £000
<i>Cost</i>					
At beginning of year	-	583	70	1,081	1,734
Additions	343	-	-	58	401
At end of year	343	583	70	1,139	2,135
<i>Depreciation</i>					
At beginning of year	-	116	70	561	747
Charge for year	-	39	-	258	297
At end of year	-	155	70	819	1,044
<i>Net book value</i>					
At 31 March 2011	343	428	-	320	1,091
At 31 March 2010	-	467	-	520	987

10 Fixed asset investments

	Interest in group undertaking 2011 £000
<i>Cost and net book value</i>	
At beginning and end of year	-

The company is the sole member of Keelman Homes Limited, a charitable company which is limited by guarantee, which is incorporated in England. The company's liability in respect of Keelman Homes Limited is restricted to £10. The principal activity of Keelman Homes Limited is the construction and management of social housing in Kibblesworth.

Notes (continued)

11 Debtors

	2011	2010
	£000	£000
Amounts owed by parent undertaking	948	2,844
Amounts owed by other group undertakings	170	-
Trade debtors	1,417	1,002
Prepayments and accrued income	384	932
	<hr/> 2,919 <hr/>	<hr/> 4,778 <hr/>

All debtor balances are due within one year.

Deferred tax assets of £ (2010: £3,144,000), arising on the pension scheme deficit have not been recognised due to uncertainty surrounding their future recoverability against taxable profits.

12 Creditors: amounts falling due within one year

	2011	2010
	£000	£000
Amounts owed to parent undertaking	2,327	4,045
Amounts owed to other group undertakings	12	-
Trade creditors	977	2,798
Other taxation and social security	1,174	3,231
Accruals and deferred income	2,382	2,579
	<hr/> 6,872 <hr/>	<hr/> 12,653 <hr/>

Notes (continued)**13 Provisions for liabilities**

	Insurance provision £000
At beginning of year	379
Utilised during year	(93)
Released during the year	(4)
	<hr/>
At end of year	282
	<hr/> <hr/>

Provisions relate to amounts held to cover insurance claims, which fall below the current excess limit on the company's insurance policy.

14 Share capital

The Company does not have any share capital as it is limited by guarantee of £1 per member. Membership at 31 March 2011 was 1 (2010: 1).

15 Revenue reserves

	Revenue Reserves £000
Balance at 1 April 2010	(10,621)
Surplus from income and expenditure	3,718
Actuarial loss recognised in the pension scheme	(760)
	<hr/>
Balance at 31 March 2011	(7,663)
	<hr/> <hr/>

16 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2011		2010	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
In the second to fifth years inclusive	305	22	-	22
Over five years	-	-	305	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

17 Pensions

The Company participates in the Tyne and Wear Pension Fund, a Local Government Pension Scheme ('LGPS'), which is a funded defined benefit scheme based on members final pensionable pay. The latest full actuarial valuation was carried out by Hewitt Bacon and Woodrow Limited at 31 March 2008 and was updated for FRS 17 purposes to 31 March 2010 and 31 March 2011 by Aon Hewitt Limited a qualified independent actuary.

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

	2011 £000	2010 £000
Present value of funded defined benefit obligations	(36,970)	(35,740)
Fair value of plan assets	28,700	24,510
Deficit	(8,270)	(11,230)
Related deferred tax asset	-	-
Net liability	(8,270)	(11,230)

Movements in present value of defined benefit obligation

	2011 £000	2010 £000
At 1 April	35,740	24,400
Current service cost	1,540	1,270
Past service (credit)/cost	(3,850)	560
Interest cost	1,840	1,630
Actuarial losses	1,740	8,290
Contributions by members	510	550
Benefits paid	(550)	(960)
At 31 March	36,970	35,740

Movements in fair value of plan assets

	2011 £000	2010 £000
At 1 April	24,510	16,680
Expected return on plan assets	1,820	1,050
Actuarial gains	980	5,360
Contributions by employer	1,430	1,830
Contributions by members	510	550
Benefits paid	(550)	(960)
	28,700	24,510

Notes (continued)**17 Pension schemes** (continued)*(Income)/expense recognised in the income and expenditure account*

	2011	2010
	£000	£000
Current service cost	1,540	1,270
Past service (credit)/cost	(3,850)	560
Interest on defined benefit pension plan obligation	1,840	1,630
Expected return on defined benefit pension plan assets	(1,820)	(1,050)
	<hr/>	<hr/>
Total	(2,290)	2,410
	<hr/> <hr/>	<hr/> <hr/>

The (income)/expense is recognised in the following line items in the income and expenditure account:

	2011	2010
	£000	£000
Operating costs	(2,310)	1,830
Other finance costs	20	580
	<hr/>	<hr/>
	(2,290)	2,410
	<hr/> <hr/>	<hr/> <hr/>

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £760,000 loss (2010: £2,930,000 loss).

Cumulative actuarial gains/losses reported in the statement of total recognised gains and losses for accounting periods ending from 31 March 2006 are £9,162,000 loss (2010: £8,402,000 loss).

The fair value of the plan assets and the return on those assets were as follows:

	2011	2010
	Fair value	Fair value
	£000	£000
Equities	19,516	16,618
Government bonds	2,009	2,279
Corporate bonds	3,358	2,794
Property	2,325	1,814
Cash	344	319
Other	1,148	686
	<hr/>	<hr/>
	28,700	24,510
	<hr/> <hr/>	<hr/> <hr/>
Expected return on assets	1,820	1,050
Actuarial gain on assets	980	5,360
	<hr/>	<hr/>
Actual return on plan assets	2,800	6,410
	<hr/> <hr/>	<hr/> <hr/>

Gateshead Housing Company employs a block building approach in determining the rate of return on fund assets. Historical markets are standard and assets with higher volatility assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each class of asset is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at 31 March 2011.

Notes (continued)

17 Pension schemes (continued)

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2011 %	2010 %
Discount rate	5.4	5.5
Rate of increase in pensions in payment	2.8	3.9
Rate of increase to deferred pensions	2.8	3.9
Future salary increases	5.2	5.4
Inflation increase		
- RPI	3.7	3.9
- CPI	2.8	n/a

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.5 years (male), 23.7 years (female).
- Future retiree upon reaching 65: 23.3 years (male), 25.6 years (female).

History of plans

The history of the plans for the current and prior periods is as follows:

Balance sheet

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Present value of scheme liabilities	(36,970)	(35,740)	(24,400)	(20,270)	(19,180)
Fair value of scheme assets	28,700	24,510	16,680	18,960	16,200
Deficit	(8,270)	(11,230)	(7,720)	(1,310)	(2,980)

Experience adjustments

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Experience adjustments on scheme liabilities	(2,490)	5,360	(20)	(1,860)	-
Experience adjustments on scheme assets	980	60	(5,010)	180	(90)
	(1,510)	5,420	(5,030)	(1,680)	(90)

The Company expects to contribute approximately £1,210,000 to its defined benefit plans in the next financial year.

Notes (continued)

18 Notes to the cash flow statement

a) Reconciliation of operating surplus/(deficit) to net cash inflow/(outflow) from operating activities

	2011	2010
	£000	£000
Operating surplus/(deficit)	3,736	(75)
Depreciation	297	319
Decrease/(increase) in debtors	1,859	(3,632)
(Decrease)/increase in creditors	(5,781)	6,085
Increase/(decrease) in provisions	(97)	15
Credit in relation to FRS 17 pension adjustment	(3,740)	
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(3,726)	2,712
	<hr/> <hr/>	<hr/> <hr/>

b) Reconciliation of net cash inflow to movement in net debt

	£000	£000
(Decrease)/increase in cash in the year	(4,125)	2,280
Net funds at start of year	7,876	5,596
	<hr/>	<hr/>
Net funds at end of year	3,751	7,876
	<hr/> <hr/>	<hr/> <hr/>

c) Analysis of changes in net debt

	At start of year £000	Cash flows £000	At end of year £000
Cash at bank and in hand	7,876	(4,125)	3,751
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

19 Related party transactions

The Company's main source of income is management fees and charges from Gateshead Council, its ultimate parent undertaking. Income from Gateshead Council amounted to £32,697,000 (2010: £37,438,000) in the period. The amount outstanding at the year end was £948,000 (2010: £2,844,000).

The company purchases goods and services from Gateshead Council as part of its operating activities. No profit is made on these transactions. The balance outstanding at the year end, and due to be paid over to Gateshead Council was £2,327,000 (2010: £4,045,000).

20 Ultimate parent undertaking

The Company is a subsidiary undertaking of Gateshead Council. The consolidated accounts of the group are available to the public and may be obtained from Gateshead Council, Civic Centre, Regent Street, Gateshead, NE8 1HH.



Report to the Board

14 July 2011

Title: KPMG Representation Letter – Year Ended 31 March 2011

Report of: Director of Corporate Services

Purpose of Report

1. To authorise the Chair and the Company Secretary to sign the management representation letter on behalf of the Board.

Background

2. The company's external auditors KPMG carried out an audit of the report and financial statements for 2010/11 during June 2011.
3. A report presenting their findings was approved by Resources and Audit Committee at its meeting on 7 July 2011.

Management Report

4. KPMG produced a management report following the audit they have carried out.
5. There were no significant issues raised in the report and all of the recommendations have been responded to by the company.

Management Representation Letter

6. As part of the audit, KPMG require the letter attached at the Appendix to be signed by the Chair and the Company Secretary on behalf of the Board. Resources and Audit Committee, at its meeting on 7 July 2011, recommended that the Board authorise the Chair and Company Secretary to sign the letter on its behalf.

Link to values

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

Impact on tenants

8. Appropriate financial monitoring and control will ensure efficiencies are maximised and redirected to services that directly impact on tenants.

Risk Management Implications

9. The external audit carried out by KPMG is one element of the controls in place to ensure that the strategic risk within the business plan (Insufficient available financial resources) is effectively controlled.

Financial Implications

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

Equality and Diversity Implications

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

Value for Money implications

12. There are no value for money implications arising from this report.

Health Implications

13. There are no direct health implications arising from this report.

Environmental Implications

14. There are no direct environmental implications arising from this report.

Consultation carried out

15. None directly for this report.

Recommendation

16. It is recommended that the Chair and the Company Secretary be authorised to sign the management representation letter on behalf of the Board.

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

14 July 2011

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of The Gateshead Housing Company Limited (“the Company”), for the year ended 31 March 2011, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the state of the Company’s affairs as at 31 March 2011 and of its surplus or deficit for the financial year then ended;
- ii. whether the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- iii. whether the financial statements have been prepared in accordance with the Companies Act 2006.

These financial statements comprise the balance sheet as at 31 March 2011, the income and expenditure account, statement of total recognised surpluses and deficits for the year then ended, cash flow statement and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Board confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Board confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Board has fulfilled its responsibilities, as set out in the terms of the audit engagement letter dated 4 November 2009, for the preparation of financial statements that:
 - give a true and fair view of the state of the Company’s affairs as at the end of its financial year and of its surplus or deficit for that financial year;
 - have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the Companies Act 2006.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Board in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which FRS 21 *Events after the balance sheet date* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Board has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Board for the purpose of the audit; and
 - unrestricted access to persons within the Company from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Board acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Board acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Board has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

8. The Board has disclosed to you all information in relation to:

- (a) Fraud or suspected fraud that it is aware of and that affects the Company and involves:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
- (b) allegations of fraud, or suspected fraud, affecting the Company's financial statements communicated by employees, former employees, analysts, regulators or others.
9. The Board has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements. Further, the Board has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with UK Generally Accepted Accounting Practice all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Board has disclosed to you the identity of the Company's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with FRS 8 *Related party disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Board understands them and as defined in FRS 8.

11. The Board confirms that:
- (a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the company's ability to continue as a going concern as required to provide a true and fair view.
- (b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Company to continue as a going concern.
12. On the basis of the process established by the Board and having made appropriate enquiries, the Board is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

The Board further confirms that:

- (a) all significant retirement benefits, including any arrangements that are:
- statutory, contractual or implicit in the employer's actions;

- arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,
- have been identified and properly accounted for; and all settlements and curtailments have been identified and properly accounted for

13. On the basis of reviewing the LGPS Tyne & Wear Pension Fund scheme rules and pension scheme literature, we consider it appropriate to treat the government's announcement to change future pension increases from RPI to CPI as a change in benefits moving forward.

This letter was tabled and agreed at the meeting of the Board of Directors on 14 July 2011.

Yours faithfully,

Chair

Appendix A to the Board Representation Letter of The Gateshead Housing Company Limited: Definitions

Financial Statements

A complete set of financial statements comprises:

- a balance sheet as at the end of the period;
- an income and expenditure account for the period;
- a statement of total recognised surpluses and deficits for the period;
- a cash flow statement for the period; and
- notes, comprising a summary of significant accounting policies and other explanatory information.

Material Matters

Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related party

A party is related to an entity if:

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the entity that gives it significant influence over the entity; or
 - (iii) has joint control over the entity;
- (b) the party is an associate (as defined in *FRS 9 Associates and Joint Ventures*) of the entity;
- (c) the party is a joint venture in which the entity is a venturer (as defined in *FRS 9 Associates and Joint Ventures*);
- (d) the party is a member of the key management personnel of the entity or its parent;
- (e) the party is a close member of the family of any individual referred to in subparagraph (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Related party transaction

A transfer of assets, or liabilities or the performance of services by, to or for a related party irrespective of whether a price is charged.



RESOURCES AND AUDIT COMMITTEE

7 July 2011

PRESENT:

Directors

John Hamilton (Chair)
 Richard Armitage
 George Clark
 Stan Dawson
 Peter Mole

Advisers

Bill Fullen	Chief Executive
Jon Mallen-Beadle	Director of Finance
Sarah Thompson	Finance Manager
Mick Thompson	KPMG
Alex Keelty	KPMG
Stuart Gibson	Governance and Risk Officer

22 DECLARATIONS OF INTEREST

There were no declarations of interest.

23 REPORT ON THE STATEMENT OF INTERNAL CONTROL – 2010/11

It is a requirement under the UK Corporate Governance Code that companies undertake at least annually a review of the effectiveness of their systems of internal control. A company's board should undertake this review for the purposes of making its public Statement of Internal Control which is published as part of the financial statements.

The statement of internal control as published as part of the financial statements was submitted, covering the following areas: -

- Governance and Risk Management
- Performance Management
- Financial Management
- Internal Audit
- External Audit

The report is designed to provide assurance that the information as stated within the statement of internal control is accurate and reliable and can be published as part of the financial statements.

The review of the effectiveness of internal control has been carried out by the Director of Corporate Services in his key responsibilities as detailed in the Governance Handbook.

RESOLVED – That the Board be recommended to approve the Statement of Internal Control contained within the Financial Statements for the year ended 31 March 2011.

24 DRAFT DIRECTORS' REPORT AND FINANCIAL STATEMENTS – 2010/11

A report including the financial statements as agreed with the auditors, KPMG was submitted.

The financial result for the period was a surplus of £3,718,000 (2010: £653,000 deficit). The fourth quarter management accounts indicated that the financial result was an expected deficit of £6,000.

The large surplus at the financial year end was due to a pension adjustment required to the accounts due to the change in the measure of inflation used to increase pension benefits from the retail prices index (RPI) to consumer prices index (CPI).

Excluding this adjustment, the underlying deficit before tax and interest was £4,000. A breakdown of the surplus was submitted.

The company achieved a pre-tax and interest surplus in the year of £3,736,000 prior to interest receivable of £2,000 and pension scheme finance costs of £20,000 (2010: interest receivable of £2,000; finance costs of £580,000).

The balance sheet has been reduced due to the deficit and the actuarial losses in the pension scheme, resulting in closing revenue reserves excluding net pension provisions of £607,000 (2010: £609,000). The directors and management continue to implement efficiency savings ahead of targets and as a result believe the company is in a strong financial position to deliver its strategic and operational goals.

In line with last year's accounts, it has been necessary under FRS 17 (a financial reporting standard) to adjust the accounts for the pension fund liability attributable to the company's employees. The net pension liability was £8.27m as at 31 March 2011 (£11.2m as at 31 March 2010) as calculated by the Pension Fund's actuary.

The report and financial statements for 2010/11 will be presented to the company's Annual General Meeting, which will be held before the meeting of the Board on 23 September 2011.

RESOLVED – That the Board be recommended to approve the Directors Report and Financial Statements for the year ended 31 March 2011.

25 KPMG MANAGEMENT REPORT – YEAR ENDED 31 MARCH 2011

The company's external auditors KPMG carried out an audit of the report and financial statements for 2010/11 during June 2011. A report presenting their findings was submitted.

There were no significant issues raised in the report and all of the recommendations have been responded to by the company.

As part of the audit, KPMG require the management representation letter to be signed by the Chair and the Company Secretary on behalf of the Board. A copy of this was also submitted.

- RESOLVED – (i) That the management report for the year ended 31 March 2011 be approved.
- (ii) That the Board be recommended to authorise the Chair and the Company Secretary to sign the management representation letter on behalf of the Board.



ASSET MANAGEMENT COMMITTEE

30 June 2011

PRESENT:

Directors

Sara Woolley (Chair)
 Robert Buckley
 Joanne Carr
 Stan Dawson
 Peter Mole
 Gordon Spring
 Sara Woolley

Advisers

Jon Mallen-Beadle	Director of Corporate Services
Neil Bouch	Director of Customers and Communities
Stuart Gibson	Governance and Risk Officer

Apologies

Bill Patterson

1 MINUTES

The minutes of the last meeting of the committee held on 24 February 2011 were approved as a correct record.

2 CONDENSING BOILERS – FROZEN CONDENSATE PIPES

Following the Severe Weather report presented to the Board on 20 January 2011, it was proposed that officers review the issues surrounding the condensate pipes in the condensing boilers.

As part of the general investment programme, any boilers which require replacement must be replaced with a highly energy efficient condensing combination boiler. This follows Government policy and is an integral part of the drive to cut energy emissions.

In Britain there are around eight million condensing boilers installed and in Gateshead 12,291 properties have a condensing boiler. A key element of these boilers is a condensate pipe which is part of the flue system and expels condensate fluid and flue gases. Therefore, it must be sealed throughout its entire length and terminate to an external source.

Between 2005 and 2009, the company did not encounter any issues with the freezing of this external element of pipework. However, due to the sub-zero weather conditions which were experienced in the winters of 2010, a number of properties with condensing boilers found that the external pipework froze, rendering the boiler inoperable.

There were three periods of extreme sub-zero weather conditions in 2010. During these periods, there were 193, 147 and 409 standard gas repairs and 1,036, 283 and 2,420 condensate boiler repairs respectively.

A review of the boilers which had frozen pipework has found that there are no specific trends as to the type of boilers which have had the most issues. Much of the work to the condensate boilers was around defrosting the pipework and in extreme situations disconnecting the condensate pipe at the point it exits the building.

In the period of 29 November to 30 December, the company disconnected 294 condensate pipes to prevent the problem from reoccurring. The company needed to implement an immediate solution to these. It could have reconnected these at a cost of £12,000. However, due to the fact that these had required the action of disconnecting the pipework to stop the problem in the winter of 2010 it did not feel this would be an appropriate response. Therefore, it decided that a more risk based approach would be to reinstall all pipework for these 294 boilers internally to ensure that they do not freeze should we experience sub-zero temperatures in the future. This has a cost of £69,000.

To reduce the future risk of the pipework freezing in sub-zero temperatures, the company also proposes to implement the following changes to how it currently fits new boilers: -

- All new boiler installations must have the condensate pipes run internally, and
- Priority of the boiler position and condensate pipe should override a kitchen design.

The solution to the issue of freezing pipework can potentially be addressed through the reinstallation of all external condensate pipes internally. However, upon further review of this solution it was found that the cost of this work was £2.88m.

Even if pipework is routed internally there may still be an issue which would require a pump to be installed at a cost of £51 per pump. The requirement for a pump would not be known until the rerouting of the pipework is being undertaken. Therefore, there is a potential that if all condensate boilers needed the pump, the additional cost would be £627,000.

The risks of not carrying out this course of action are that there may be further instances of freezing condensate pipes if sub-zero temperatures were experienced in the future. However, the company cannot predict where or when these will occur. The company is also unable to predict

with any certainty whether sub-zero temperatures will be experienced again.

The company will review the need to include this solution into the capital programme for 2012/13 or a hybrid solution of rerouting the pipework of those properties which are in rural areas following the 2011 winter period. It will continue to prioritise the loss of heating as a priority repair in the winter months. This approach is in line with other housing providers we have discussed this issue with.

RESOLVED – That the following proposed solution be approved: -

- rerouting the pipework internally for the 294 boilers which had the condensate pipework disconnected;
- reviewing the proposed option of rerouting all pipework internally during the capital budget proposals for 2012/13;
- all alternative options also be explored.

3 DISTRICT HEATING SCHEME

On 12 April 2011, the Council's Cabinet approved the start of a procurement process to find a private partner to finance, install and operate biomass heating systems for tower blocks managed by the company, subject to soft-market testing being completed.

Soft market testing was completed, giving a strong indication that private sector companies, in particular the large power companies, were interested in financing and delivering this sort of scheme. Key factors that were cited in influencing financial viability included: -

- availability of grant funding is restricted to certain areas in Gateshead;
- the size of tower blocks, as larger blocks, with more flats, are more viable, because more tenants can be supplied from the same heating plant;
- the scheme would need to be delivered by Oct 2012 to benefit from grant funding.

There are 13 Gateshead tower blocks with electrical heating (night storage heaters) in individual tenant flats. The current heating systems have high carbon emissions and high running costs, placing low income and elderly tenants at risk of health problems and fuel poverty.

Detailed feasibility studies at a typical tower block as well as soft market testing involving several tower blocks have confirmed that it is technically and financially feasible to retrofit biomass/gas based communal heating systems in relevant council tower blocks.

The proposed scheme would provide tenants with modernised replacement space heating in the form of radiators along with hot water to all flats.

Redheugh and Eslington Courts and Bensham Court have been identified as the most suitable private sector investment opportunities for an initial scheme. The proposed business model and finances for these were reported. The benefits to residents and the Council/company were also reported.

The contract will be awarded to a private sector energy services company for a period of 15 years with an optional five year extension. It is anticipated the scheme will be funded by the private sector partner in a number of ways, using grant funding from the Government's national Community Energy Saving Programme (CESP) Funding, selling heat directly to tenants, and retaining the Renewable Heat Incentive (RHI) payments, which have been confirmed by Government in March 2011 for biomass-fuelled installations.

The Council has produced briefing documents as well as a frequently asked questions document which will be presented to a number of groups.

Tenant consultation would then be undertaken. The proposed timetable for this consultation was submitted.

The invitation to tender will be published mid July, with the aim of appointing the contract by December 2011.

The company will work with the Council to minimise disruption to tenants throughout the process and co-ordinate works with the fire safety works where possible.

RESOLVED – That the information be noted and the committee receive an update at its next meeting and a further report on the outcome of the tendering process.

4 REPAIRS RETENDER

The current repairs contract with existing contractor, Morrison, comes to an end on 31 March 2012. In partnership with the Council the options available to ensure that any future repairs contract delivers the best possible service to tenants and leaseholders whilst achieving efficiency savings in light of the current economic climate has been considered.

The Council's Cabinet approved a proposal at their meeting on 24 May 2011 to retender the Housing Repairs Contract in open competition to secure best value for tenants and leaseholders. The contract will be tendered for three years with an option to extend for a further two years. The annual value of the new contract is estimated to be £18 million.

Due to the legal and pension complexities of the existing contract, the new contract will be in the name of the Council rather than the company's. The company will still have a significant role in the retender and have set up an internal team to work with the Council through the tender process. The new contract will be delivered by the company as it is now.

Under the terms of the current management agreement the procurement of the repairs contract is delegated to the company. The Council has formally requested this delegation is amended to a joint responsibility. Ultimately the Council's Corporate Housing Group (both the Company's Chief Executive and Director of Corporate Services are members of this group) will have oversight of the project and make recommendations to Cabinet through the Council's Strategy Group.

A Contract Project Group has been set up to manage the tender process and report into the Council's Corporate Housing Group. The company are represented by a number of employees on this group who all have a key role to play in the tender process.

There are a number of key dates that need to be met to ensure that the new contract is in place for 1 April 2012, details of which were reported.

Progress to date has been swift and the PQQ was advertised on 22 June 2011. The group is currently working on information that is needed for the invitation to tender and at present there is no reason to expect deadlines to be missed.

RESOLVED – That the information be noted and the committee receive further progress reports including an update at its next meeting.

5 FIRE SAFETY IMPROVEMENT WORKS TO MULTI STOREY BLOCKS

Since 2005, the company's Health & Safety Team has conducted annual joint fire risk assessments with the Tyne & Wear Fire and Rescue Service ("TWFRS") in all multi-storey blocks.

The most recent fire risk assessments produced in 2010 identified a number of 'deficiencies' that resulted in deficiency notices being served by TWFRS. The deficiency items that are identified in the fire risk assessments require the company along with the Council to rectify and remove the risk that will ensure an increased level of fire safety in its blocks. The Council has prioritised funding for multi-storeys to address deficiencies during the current financial year.

The company has agreed in writing with TWFRS to remove deficient items by the end of 2012. Should it continue to allow deficiencies to remain after this date, then the company and the Council could face prosecution, a large fine and the potential for multi-storey blocks to be closed.

Details of the proposed programme were submitted. Works will commence in late June 2011 and are due to be completed by March 2012. The programme has been formulated by looking at the number of deficiencies and risks present.

The Chandless multi-storeys are excluded from the proposed programme, as it has been agreed with the TWFRS to omit these buildings from the programme and manage them under the fire risk assessment and security process for voids properties during the decanting of the residents within these blocks.

Regent Court is not currently included in the programme, as this block requires a full options appraisal with regard to fire safety works, which will be carried out in July 2011.

Details of how the works are to be carried out were reported although it was noted that the actual work content will vary from block to block.

The contract will be delivered through the Council's Local Environmental Services, who will engage the relevant specialist sub-contractors as necessary. The company will deliver the tenant liaison function.

There is likely to be a high level of tenant liaison involvement as it is anticipated that levels of no-access upwards of 10% from past experience of Decent Homes and gas safety work. A no-access procedure is in place, which will ultimately result in a warrant being served should access not be given. The Council's Environmental Health Service will provide similar warrants to those issued for gas safety.

The budget for the Fire Safety Improvement Works is £4million this financial year and has been provided by the Council from the prudential borrowing budget.

Value for money has been demonstrated by using in-house tenant liaison, rather than the traditional approach of using the contractors service. This has saved the budget £100,000.

RESOLVED – That the information be noted and the committee receive updates on progress at each meeting.

6 ESTATE REGENERATION – CLASPER VILLAGE

It is a requirement of Decent Homes investment to consider the long term sustainability of stock. With the Council the company needs to consider future investment needs and options in respect of Clasper Village before carrying out any works.

Clasper Village is programmed to have Decent Homes work undertaken in 2011/12. The estate requires significant investment and has a number of issues relating to the structure of the buildings and the design of the estate, and performs poorly on a number of tenancy and estate management measures when compared to the borough average.

The Cabinet agreed on 21 June 2011 to consult residents and seek their views on the following two options: -

- carrying out decent homes work to all homes; or
- not doing decent homes work, not letting properties on the estate and awarding rehousing priority to enable residents to move to an area of their choice. A regeneration plan would be developed in consultation with local residents and properties would be demolished at an appropriate time after they are empty.

Over 279 homes, including 21 leaseholders and 37 garage tenants are affected by this consultation, of which 60 homes are currently void.

Neighbourhood Management is consulting with the shop owner on the estate as any future plans will impact on them.

Consultation with residents will close on 8 July 2011 and their views will be fed back to the Council who will make a final recommendation on the future of the estate in August.

RESOLVED – That the information be noted and the committee receive a further update report at its next meeting.

7 SHELTERED HOUSING PHASE 2

The Board received a report in May 2009 updating it on the Council's review of Sheltered Housing schemes. Whilst approval was given to carry out decent homes and conversion works to schemes in phase 1 (Birtley Villa's, Pleasant Place and McErlane Square), consultation with residents in the phase 2 schemes was deferred until housing options were clearer.

It is a requirement of Decent Homes investment to consider the long term sustainability of stock. With the Council the company needs to consider future investment needs and options in respect of these schemes before carrying out any works. These schemes are programmed to have Decent Homes work undertaken in 2011/12.

The company needs to ensure that the remaining sheltered schemes meet the current and future needs of older people and can be made compliant with the Disability Discrimination Act (the statutory duties are now incorporated in the Equalities Act 2010).

The options appraisal has shown that the structure and layout of these schemes do not lend themselves easily to conversion and that they wouldn't be sustainable in the long term. In addition, there is a high turnover of tenancies and bedsit particularly are difficult to let.

The Cabinet agreed on 21 June 2011 to consult residents in Derwentside, Sunhill, West Park and Victoria House sheltered housing schemes and seek views on the following two options: -

- carry out Decent Homes work and make communal areas compliant with the Equalities Act 2010 but explain that this would be unlikely to provide a long term solution to the issues associated with these schemes ; or
- do not carry out decent homes work, do not let properties at the scheme and award rehousing priority to enable residents to move. The buildings would be demolished when empty.

Over 130 tenants will be affected by the consultation. Due to the age and frailty of older tenants, families and advocacy services will be involved throughout the consultation period to provide support and ensure tenant's views are fully represented.

Consultation with residents will close on 8 July 2011 and their views will be fed back to the Council who will make a final recommendation on the future of the estate in August.

RESOLVED – That the information be noted and the committee received a further update in September 2011.

8 KEELMAN HOUSE – NORTH EAST PURCHASING ORGANISATION

The company moved into Keelman House in Autumn 2007. At the time the space available within the building was just sufficient for the number of staff that the company needed to accommodate.

During the last six months, nearly 50 employees have left through the voluntary redundancy programme. This has included approximately 30 employees who were based at Keelman House. This programme will be completed by 30 June 2011.

Consideration has been given to how best to utilise the space that has been created by the employees who have left Keelman House.

The company has been approached via the Council to consider allowing the North East Purchasing Organisation (NEPO) to move into the space vacated. The proposal would mean that NEPO would share all of the facilities at Keelman House and base around 20 of their employees at Keelman House.

NEPO are prepared to pay £37,500 per annum for their share of the rent and service charges. A licence for NEPO to occupy the building has been drawn up by the Council's Legal Services that means should the company wish to terminate the agreement it only has to give two months notice. The Council's Legal Services has also confirmed that the company is entitled to grant an underlease of part of Keelman House.

A joint working group is currently working through the implications of the move, but the company is hopeful that NEPO will be able to move in during July 2011.

RESOLVED – That the information be noted.

9 CAPITAL BUDGET MONITORING 2010/11

A monitoring statement of capital expenditure against the budget for 2010/11 and an analysis of the Decent Homes portion of the capital budget broken down by strategic partner was submitted.

The capital allocation for housing investment works in 2010/11 was £28.5m. 3088 tenants benefited from having the Decent Homes work to their homes in 2010/11. Tenant satisfaction with investment works is 98.56%.

RESOLVED – That the capital monitoring statement for 2010/11 be noted.

10 PLANNED INVESTMENT IN HOUSING GUIDE 2011/12

Historically, an annual guide was produced to summarise each years' housing investment programme, the last guide was produced in 2005/06.

After 2006 the widely publicised Decent Homes programme and the scale of the work being delivered meant that the guide was not practical to produce.

2011/12 is the final year of the Decent Homes programme that was agreed with customers and provides the ideal opportunity to reintroduce the guide. It will help ensure that stakeholders, who may receive enquiries regarding planned investment, have accurate summarised details about the planned work.

A copy of the proposed guide summarising the Decent Homes investment schemes planned for 2011/12, including addresses and details of previous investment work, was submitted. The guide also includes details of the external painting programme, sheltered housing bedsit conversions and fire safety works.

- RESOLVED – (i) That the Planned Investment in Housing Guide 2011/12 be noted.
- (ii) That a paragraph be included at the front of the guide about maintaining decency.

11 FORWARD PLAN

A forward plan of reports that will be presented to meetings of this committee during the next year was submitted.

RESOLVED – That the forward plan be noted.

12 DATE AND TIME OF NEXT MEETING

The next meeting of the committee will be held on Thursday 20 October 2011 at 9.30am in Board Room 2, Keelman House, Fifth Avenue Business Park, Fifth Avenue, Team Valley Trading Estate, Gateshead.

Report to the Board

14 July 2011



Title: Management Agreement - Variation

Report of: Chief Executive

Purpose of Report

1. To report to the Board a variation to the Management Agreement between the company and Gateshead Council.

Summary

2. The current management agreement between the company and the Council sets out the expectations of both parties. Annex Three to the agreement sets out: the functions delegated to the company; the functions retained by the Council and those where there is a shared responsibility.
3. The letting of contracts in relation to the repairs service was delegated to the company.
4. Under the terms of Clause 62.1 of the agreement the Council can require changes to be made to the services provided by the company by giving reasonable notice.
5. The current management agreement expires at 31 December 2013. The proposed term of the new repairs and maintenance contract will extend beyond this date and the Council have resolved that on this occasion, the Council rather than the company will enter into a contract with the successful tenderer.
6. The Council have therefore requested a variation to the Management Agreement in accordance with Clause 62.1 and require that the Schedule of Delegations is amended so that the responsibility for letting of contracts is now identified to sit with both the company and the Council.
7. The Council have indicated that there is no intention for it to take responsibility for the letting of contracts relating to any other company delegated activities.
8. Whilst the Council will be the contracting authority for the repairs and maintenance service, the procurement process will continue to be a joint exercise between the company and the Council.

Link to values

9. This report is consistent with the company value of being honest, accountable and transparent.

Impact on tenants

10. None directly from this report.

Risk Management Implications

11. None directly from this report.

Financial Implications

12. None directly from this report.

Equality and Diversity Implications

13. None directly from this report.

Value for Money Implications

14. None directly from this report.

Health Implications

15. None directly from this report.

Environmental Implications

16. None directly from this report.

Consultation carried out

17. Officers of the company were consulted on the proposed variation.

Recommendation

18. The Board is recommended to note the variation to the Management Agreement.