



The Gateshead Housing Company Board of Directors

Thursday 19 July 2012 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>PRESENTATION AND ITEM FOR DISCUSSION</u>
3.	TALISMAN (Tenant and Leaseholder Independent Management) Presentation by TALISMAN on the role of the Group
	<u>ITEMS FOR DECISION</u>
4.	Minutes (Pages 3-10) To approve as a correct record the minutes of the last meeting of the Board held on 17 May 2012
5.	Matters Arising
6.	Directors' Report and Financial Statements – 2011/12 (Pages 11-41) Report of Acting Chief Executive
7.	KPMG Representation Letter – Year Ended 31 March 2012 (Pages 42-48) Report of Acting Chief Executive

Item Business

ITEMS FOR INFORMATION

8. **Severe Weather Update (Pages 49-54)**
Report of Acting Chief Executive
9. **Minutes of Asset Management Committee held on 19 June 2012 (Pages 55-58)**
Attached
10. **Minutes of Resources and Audit Committee held on 10 July 2012 (Pages 59-61)**
Attached
11. **Information Items on Website**
The following information item is available to download from the company's website: -
 - (i) **Forward Plan**
Report of Acting Chief Executive
12. **Feedback from Outside Bodies and Events**
13. **Date and Time of Next Meeting**
Thursday 20 September 2012 at 10am in the Board Room, Keelman House, Fifth Avenue Business Park, Fifth Avenue, Team Valley, Gateshead
14. **Exclusion of the Press and Public**
The Board may wish to exclude the press and public during consideration of the remaining business in accordance with the categories of the company's Access to Information Rules



BOARD OF DIRECTORS

17 May 2012

PRESENT:

Directors

Barbara Dennis (Chair)
 Robert Buckley
 Joanne Carr
 Pauline Dillon
 Kathryn Ferdinand
 John Hamilton
 Peter Mole
 Joachim Moussounda Mouanda

Advisers

Jon Mallen-Beadle	Director of Corporate Services
Neil Bouch	Director of Customers and Communities
Sarah Thompson	Head of Finance
Phil Gallagher	Head of Support Services
Stuart Gibson	Governance and Risk Officer

Apologies for Absence

Richard Armitage
 Stan Dawson
 George Clark
 Paul Foy
 Gordon Spring
 Sara Woolley

1 DECLARATIONS OF INTEREST

No interests were declared.

2 REVISED REGULATORY FRAMEWORK

The Board received a presentation and report on the revised regulatory framework for social housing in England applicable from 1 April 2012.

The Localism Act 2011 legislation amends the parts of the Housing and Regeneration Act 2008 which established the objectives and certain powers of the social housing regulator. The Localism Act came into effect on 1 April 2012. The act has changed responsibility for social housing regulation from the Tenant Services Authority to the Homes and Communities Agency (HCA) Regulation Committee.

The regulator has produced an updated set of regulatory standards which contain specific outcomes that providers are expected to achieve as well as details of the role of the regulator. The standards are classified as either 'economic' or 'consumer' and some have changed significantly. Each standard is defined in terms of required outcomes with some specific expectations.

Details of the key changes to the regulatory framework, the principles of co-regulation and how the company will respond to the framework were reported.

RESOLVED – That the information be noted.

3 MINUTES

The minutes of the Board Meeting held on 15 March 2012 were approved as a correct record.

4 DELIVERY PLAN 2012/13

The updated company delivery plan covering the period 2012/13 was submitted. The plan covers the following areas: -

- Outputs for the company
- Key performance requirements and standards
- Financial and staffing resources required to perform the agreed services.

RESOLVED – (i) That the Delivery Plan 2012/13 be approved.

(ii) That a copy of the Delivery Plan 2012/13 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 Director of Corporate Services, following consultation with the Chair of the Board.

(iv) That the Board receive a presentation at a future meeting on the work carried out to date by TALISMAN.

5 TRANSFER OF FORMER CARETAKERS HOUSES TO THE HOUSING COMPANY FOR RESIDENTIAL USE

On 15 September 2010, the Council's Cabinet approved the disposal of Mulberry Street, Gateshead and Dominies Close, Rowlands Gill to the company on the basis that the company would then improve, manage and maintain the homes and as part of the transfer the Council would receive 100% nomination rights in perpetuity.

The proposals contained within the Cabinet report were considered by the Board on 15 December 2010. At this meeting, it was agreed that before accepting the transfer of any properties, the Board would receive a further report detailing the business case for the transfer of homes including the financial implications for the company.

On 27 July 2011, the Council received Department of Education approval under section 35a of the Education Act 1996 to transfer the properties to the company.

The Council wish to transfer the following properties: -

- Former Caretakers House Mulberry Street – to be let as a 2 bed house on an assured tenancy (Appendix 1 & 3).
- Former Caretakers House Dominies Close – to be let as a 2 bed house on an assured tenancy (Appendix 2 & 4).

At first let, it is proposed that preference for the Mulberry Street property be given to a nomination from existing Council tenants living on the Flowershow Field Estate Felling. Tenants on the Flowershow Field estate have been awarded urgent priority need to assist with rehousing. The Flowershow Field estate is being decommissioned by the Council in advance of redevelopment. There will be no Right to Buy at either of the properties.

A sum of £27,000 has been identified from within the company's reserves to enable the Mulberry Street property to be made ready to let. Similarly a sum of £17,000 has been identified for the Dominies Close property. These sums will also cover the legal costs and any disbursements associated with the transfers.

The capital costs for the properties together with the legal costs/disbursements associated with the transfers can be met from company reserves.

The rents for the properties have been set in accordance with the company's rent setting policy.

RESOLVED – That the transfer of Mulberry Street and Dominie Close to be let on assured tenancies.

6 ANNUAL GENERAL MEETING

The Board considered arrangements for the company's eighth 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 David 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 2012, not more than 15 months after the last AGM. The last AGM was held on 22 September 2011, therefore the next AGM must be held no later than 21 December 2012.

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; 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 proposed that the AGM be held immediately before or after the Board Meeting on 20 September 2012.

The longest serving Tenant 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 must agree amongst themselves the person 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.

Article 15(3) of the company's Articles of Association provide for direct or indirect elections to be held among Tenants (defined to mean those who hold secure tenancies or leases of residential properties owned by the Council, or members of their household who have resided in the property for a minimum of 12 months).

The longest serving Independent Director shall retire from office at the AGM. In the event of more than one person becoming director on the same day, the Independent Directors must agree amongst themselves the person 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.

In 2011, the Council Member agreed that given that the stock options review was currently taking place, no direct or indirect elections should take place for the appointment of a Tenant or Independent Director. Given that the future of the company is still uncertain, the Council Member has agreed again that, for this year, no direct or indirect elections should take place again 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 20 September 2012.
 - (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.

7 BOARD TRAINING AND DEVELOPMENT 2012/13

The Board, at its meeting held on 12 May 2011, approved its 2011/12 Training and Development Plan. The majority of this training was based around a joint Board Development Programme with Your Homes Newcastle, East Durham Homes and Dale and Valley Homes which was delivered by Anthony Collins Solicitors. In addition, members of the Resources and Audit Committee have received refresher training in risk management.

The Board, at its meeting held on 14 July 2011, agreed to postpone appraisals in 2011 pending the outcome of the stock options review. As a consequence, no individual training and development needs have been identified.

Although the general feedback after every Board Academy session has been good, representation from Board Members from the company was poor with an average of four directors at each session.

Although the cost of the four sessions did represent value for month, there was also a view however that the sessions were not stretching enough to justify the time. The Board felt therefore that it should not be a part of the Board Academy in 2012/13.

The Governance and Risk Officer has discussed these concerns and agreed that should the company wish to continue, the sessions should be linked to specific topics.

The following outline programme had been suggested: -

- A workshop on self-financing
- A workshop on changes to the welfare benefit scheme
- A repeat session on roles, responsibilities and duties of Board Members
- An open session for Board members to raise their own questions, concerns and topics for discussion

The Board felt that instead this should form an in-house programme.

The Board will continue to receive presentations and be kept up to date around future policy/national issues.

Interactive equality and diversity training sessions are currently being delivered to all members of staff in the company by an external provider. The cost of delivering a separate session to all members of the Board is being looked into.

RESOLVED – (i) That a training and development plan for 2012/13 based around the four topics identified in the outline programme be produced.

8 GOVERNANCE PERFORMANCE INDICATORS AND TARGETS

The Board received details of the governance performance indicator results for 2011/12 and considered targets for the next three years.

RESOLVED – That the 2011/12 performance indicator results be noted and the targets for the next three years be agreed, subject to rewording of the Board Diversity target to say “to be more representative of Gateshead”.

9 CUSTOMER SERVICE EXCELLENCE ACCREDITATION

The Board received details of the successful achievement of Customer Service Excellence Re-accreditation in March 2012.

The report described how the company has moved forward in relation to the three partial compliances identified in 2011, demonstrated full compliance in all areas and also demonstrating a number of areas of compliance plus.

The report concluded that the company continues to be a very customer focused organisation with good leadership that listens to customers and staff and empowers them to deliver. Notwithstanding the already high standard of service, the company continues to develop and improve.

The assessor did highlight some areas of continuous improvement, details of which were reported.

Certification lasts for three years subject to successful 12 & 24 month monitoring visits. A further re assessment is scheduled for March 2013.

- RESOLVED –
- (i) That the successful re-accreditation of Customer Service Excellence be noted.
 - (ii) That all members of staff involved in the achievement be congratulated.

10 PERFORMANCE – FINAL QUARTER 2011/12

The Board was informed of the following year end performance results for 2011/12: -

- 25 indicators traffic lighted green, which shows that annual target set for these indicators has been achieved. This is up from 18 in the third quarter and up from 22 at 2010/11 year end.
- Two indicators are traffic lighted amber, which shows that the target set has not been met although performance is improved on previous year. This is down from three in the third quarter and three in the 2010/11 year end result.
- Nine indicators are traffic lighted red, which shows that the target set has not been met and performance has fallen compared to the previous year. This is down from 10 indicators in the third quarter and up from seven indicators in 2010/11.
- Seven indicators are not yet measurable/baseline year, which is down from 12 at the third quarter.

The analysis therefore indicates that at the end of the year, performance relating to 27 out of the 36 measureable performance indicators can be traffic lighted as on target or improving which relates to 75% of indicators

(a similar level to last year). This shows a fairly positive position in relation to performance and the company will continue to drive performance improvements during 2012/13.

RESOLVED – That the information be noted.

11 SERVICE STANDARD PERFORMANCE – FINAL QUARTER UPDATE 2011/12

The Board was informed of the following year end performance results against service standards for 2011/12.

- 30 indicators were traffic lighted green, which shows that the targets set for them have been met.
- 17 indicators were traffic lighted red, which shows that the company has failed to meet the targets set and performance was worse than in the previous year.
- Six indicators were not measurable against a target at the end of the year.

Overall, the company has been able to measure 47 of the service standard performance indicators of which approximately two thirds are on target. The company will use the results of these indicators to improve the services it provides to tenants and leaseholders. Where there were no targets set, the results will form the benchmark for performance for 2012/13.

The service standards have been reviewed during 2011/12 to ensure they remain in line with the customer service the company is trying to provide. The performance indicators aligned to these standards have also been reviewed. A report will be brought to the next Board meeting detailing the new service standards and updated performance indicators.

RESOLVED – That the information be noted.

12 MINUTES OF COMMITTEES

The minutes of the following committees were submitted: -

- Customers and Communities Committee – 2 May 2012
- Resources and Audit Committee – 10 May 2012

RESOLVED – That the minutes be noted.

13 INFORMATION ITEMS ON WEBSITE

The following reports were posted on the company's website for information: -

- Business Continuity Plan – Action Cards
- Petitions Update
- Outstanding Issues
- Forward Plan

RESOLVED – That the reports be noted.

14 FEEDBACK FROM OUTSIDE BODIES AND EVENTS

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

- .A Members Seminar around sub-regional choice based lettings is taking place on 28 May. North Tyneside went live on 10 May. Newcastle is going live today.
- A tendering exercise is currently taking place for management agent for the NFA. It had previously always been HQN.

RESOLVED – That the information be noted.

15 DATE AND TIME OF NEXT MEETING

The next Board Meeting will be held on Thursday 19 July 2012 at 10am in the Board Room, Keelman House, Fifth Avenue Business Park, Team Valley, Gateshead.

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

17 MINUTES OF RESOURCES AND AUDIT COMMITTEE (Category 1)

The minutes of the meeting of Resources and Audit Committee held on 10 May 2012 were submitted.

RESOLVED – That the minutes be noted.

18 MINUTES OF EMPLOYEE FORUM (Category 1)

The minutes of the meeting of the Employee Forum held on 10 May 2012 were submitted.

RESOLVED – That the minutes be noted.

19 MINUTES (Categories 1, 4, 5 and 6)

The minutes of the Board Meeting held on 15 March 2012 were approved as a correct record.



Report to the Board

19 July 2012

Title: Directors' Report and Financial Statements – 2011/12

Report of: Acting Chief Executive

Purpose of Report

1. To approve the directors' report and financial statements for the year ended 31 March 2012.

Background

2. The Resources and Audit Committee, at its meeting held on 10 July 2012, scrutinised the report and statements and recommended that they be approved by the Board
3. The report and financial statements for 2011/12 will be presented to the company's Annual General Meeting, which will be held before the meeting of the Board on 20 September 2012.

Statement of Accounts

4. A report including the financial statements as agreed with the auditors, KPMG is attached at the Appendix to this report.
5. The financial result for the period was a deficit of £99,000 (2011: £3,718,000 surplus). The fourth quarter management accounts indicated that the financial result was an expected deficit of £34,000. Below is a table that explains how the management accounts are reconciled to the statutory accounts.

6. The deficit was made up as follows:

	2011/12 £	2010/11 £	
Operating surplus/(deficit)	(21,000)	(4,000)	<i>This is the deficit on the management accounts (before interest)- note this changed from an expected £34,000 deficit to a £21,000 deficit</i>
Pension Scheme Adjustment	(240,000)	3,740,000	<i>This is the net operating cost adjustment for pension costs. In 2010/11 this included a change in the measure of inflation.</i>
Pre Tax and Interest Surplus/(deficit)	(261,000)	3,736,000	
Interest Receivable	2,000	2,000	<i>This is the interest received on the cash balance during the year</i>
Pension Scheme Finance (Income / Costs)	160,000	(20,000)	<i>This is an accounting adjustment in relation to the pension scheme</i>
Financial Statements Surplus/(deficit)	(99,000)	3,718,000	

7. The company achieved a pre-tax and interest deficit in the year of £261,000 prior to interest receivable of £2,000 and pension scheme finance income costs of £160,000 (2011: interest receivable of £2,000; finance costs of £20,000).

8. 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 £588,000 (2011: £607,000). 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.

9. 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 £13.85m as at 31 March 2012 (£8.27m as at 31 March 2011) as calculated by the Pension Fund's actuary.

10. KPMG produced a management report following the audit they have carried out. The management report is included as a separate report.

Link to values

11. 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

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

Risk Management Implications

13. 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

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

Equality and Diversity Implications

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

Health Implications

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

Value for Money implications

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

Environmental Implications

18. 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

19. None directly for this report.

Recommendation

20. To approve the Directors Report and Financial Statements for the year ended 31 March 2012.

The Gateshead Housing Company Limited

Directors' report and financial
statements

Registered number 04944719

31 March 2012

Contents

Directors and advisors	1
Report of the Board for the year ended 31 March 2012	2
Statement of directors' responsibilities in respect of the directors' report and the financial statements	9
Independent auditor's report to the members of The Gateshead Housing Company Limited	10
Income and Expenditure Account	12
Statement of Total Recognised Surpluses and Deficits	12
Balance Sheet	13
Cash Flow Statement	14
Notes	15

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 (reappointed 22 September 2011)
Gordon Spring
William Patterson (resigned 10 November 2011)

Independent Directors

Richard Armitage (reappointed 22 September 2011)
Joanne Carr
George Clark
Barbara Elaine Dennis (Chair)
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

Report of the Board for the year ended 31 March 2012

The Board present their Board report and financial statements for the year ended 31 March 2012.

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 Company provides housing management services for a number of properties which are owned by other registered providers.

The Company also manages the building of new properties to be owned and managed by the Company and manages new build programmes for both Gateshead Council and Keelman Homes when required.

Result for the year

The financial result for the period was a deficit of £99,000 (2011: £3,718,000 surplus due to the change in the measure of inflation used to increase pension benefits from RPI to CPI. Excluding this adjustment of £3,850,000, other FRS 17 pension cost adjustments of £130,000 and interest receivable of £2,000, the underlying deficit in 2010/11 was £4,000).

The Company achieved a pre-tax and interest deficit in the year of £261,000 prior to interest receivable of £2,000 and pension scheme finance income of £160,000 (2011: interest receivable of £2,000; finance costs of £20,000). The deficit in 2011/12 is due to FRS17 pension operating cost adjustments that are required in the profit and loss account, excluding this, the underlying deficit is £19,000.

The balance sheet has been reduced due to the underlying deficit and the actuarial losses in the pension scheme, resulting in closing revenue reserves excluding net pension provisions of £588,000 (2011: £607,000). 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 as well as those properties owned directly by the Company and the housing stock owned by Keelman Homes, our charitable subsidiary. The Company have management agreements with both Gateshead Council and Keelman Homes covering the day to day management, maintenance and improvement of these properties..

Our services were delivered in line with customer priorities identified as part of the 2011 annual survey and the work of the Service Improvement Groups continued to drive services forward.

We implemented a Customer Complaints Panel consisting of tenants and leaseholders who assist in driving forward service improvements and learning from our complaints.

We also worked closely with the Council to consult with customers around the introduction of a scrutiny panel to scrutinise housing services provided by both the Company and the Council. Appointments were made to the scrutiny panel during the year, training was delivered and they embarked on their first scrutiny exercise. The scrutiny panel importantly chose a name and an identity for themselves to show their independence from the Company and the Council.

- The Tenant and Leaseholder Independent Scrutiny Management (TALISMAN)

There were also, a number of significant projects which were embarked on or completed during the year. The most significant was a review of the delivery of housing services. The Company worked with the Council to develop the consultation and work around the review of who should deliver housing services in the future. A test of opinion was carried out with all tenants and leaseholders and the results of the review will be published in 2012/13.

Also during 2011/12 the Company embarked on a procurement exercise with the Council to retender the repairs and maintenance contract. A new contractor was appointed and Mears began their new contract on 1 April 2012.

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

Report of the Board for the year ended 31 March 2012 (*continued*)

▪ Continue to deliver excellent housing services

The majority of our contacts with customers are via our repairs service, with around 62,000 repairs orders being raised annually. Satisfaction with the repairs service has increased from 95% in 2008/09 to 97.2% in 2011/12.

Performance by our repairs partner continued to improve during 2011/12 with 98.8% of all emergency, urgent and routine repairs completed within the timescales we set. This was an excellent result when considering the fact that the repairs contractor changed in April 2012 and a demobilisation period of 3 months took place within the year.

The estate tours that we carried out during 2011/12 were attended by customers 73.5% of the time. In total we carried out 792 Estate Tours.

Service Standards are outlined in "The Guide to Services you can expect from The Gateshead Housing Company" and during 2011/12 this guide was revised and updated to ensure it was measuring the most appropriate service standards. Customers were involved in reviewing the appropriateness of the service standards and agreeing the relevant performance measures to be monitored. This revised version was launched in May 2012.

The Company and the Council produced the second Annual Report for Tenants and Leaseholders which provided our customers with a report of how we were meeting the Tenants Services Authority ("TSA") standards as well as reviewing our performance for the previous year. Customers were involved in interviewing our employees as part of this report.

We carried out 402 involvement events and activities ranging from Service Improvement Groups, forums, roadshows, mystery shopping and sheltered scheme meetings. Customers were involved on more than 8,500 occasions.

Our Moving Forward Training programme saw 227 customers attending training courses, with 25 courses taking place in total. This included help with employment courses, gardening and basic DIY courses, advice on managing money and scam awareness and understanding health improvement. In addition, some tenants were supported to attend national conferences held by the Northern Housing Consortium and the Chartered Institute of Housing.

We retained the government's national standard for customer service excellence in recognition of the high quality services delivered to our customers every day.

We piloted the Customer Assessment Tool (CAT) and this will now be implemented across all neighbourhoods in 2012/13. This will enhance our approach to supporting vulnerable victims of anti-social behaviour.

▪ Effectively manage housing assets to achieve sustainable homes and neighbourhoods

We successfully completed the Decent Homes programme during 2011/12. By the end of the year over 21,000 properties had met the decent homes standard, and over £330 million has been invested in the stock during the lifetime of the programme.

Work continues on the Kibblesworth New Build programme being delivered through Keelman Homes. This will create up to 154 new homes in the village of which 94 will be owned by Keelman Homes and managed by the Company. The scheme is scheduled for completion in December 2012.

Report of the Board for the year ended 31 March 2012 (*continued*)

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

- At Harlow Green 45 two bedroom extra care flats and 6 two bedroom bungalows were completed and let.
- 4 three bedroom bungalows were completed and let at Norfolk Avenue, Barley Mow.
- 12 new bungalows at Cranesville, Cresthaven and 5 family homes at Portobello were also completed and let during the year.

In 2011/12 we delivered 43 Neighbourhood Pride projects investing £50,000 of TGHC funding. This attracted a total of £131,041 other funding enabling us to develop a joint approach to delivering safer, cleaner, greener and stronger communities.

For the second year in a row we achieved 100% in the servicing of all gas and solid fuel heating appliances.

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

Throughout 2011/12 we worked in partnership with Gateshead Council in their housing stock options review, involving customers in an appraisal over future management arrangements of the housing stock. We carried out a number of consultation events with the Council and the Independent Tenants Advisor ("Woodholmes"), jointly producing a number of documents informing tenants and leaseholders of the review which cumulated in a test of opinion document that was sent to all customers in early 2012. The test of opinion will be one part of a number of factors considered when determining future management arrangements of council housing.

Following two rounds of voluntary redundancies, we completed a restructure of the company, strengthening in key areas to ensure we can maintain the customer focused services that we provide to our customers and stakeholders.

We worked closely with the Council to review the self-financing proposals which replace the Housing Subsidy System in April 2012. We have worked together to create a 30-year business plan using the known debt settlement figures, as well as agreeing and including regeneration schemes within the Borough. This plan provides a basis to ensure we can continue to maintain decency 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 8.47 days per employee, nearly half when compared to the 15.1 days in 2008/09.

We continue to be committed to environmental standards and retained the ISO 14001 international standard for environmental management. A successfully passed audit confirmed we are conforming to the standard and demonstrated that we have a robust system for monitoring, managing and reducing our impact on the local environment.

Customer Priorities

Our customer priorities are the most important challenge in ensuring that we spend our money in the most appropriate way. Our 2011 annual survey asked customers what their top priorities were, these were as follows:-

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

Our key actions in 2011/12 were undertaken to address these customer priorities to ensure that we provided services which meet our customers' needs.

Report of the Board for the year ended 31 March 2012 (*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 assist the local economy by paying local suppliers within 10 days of receipt of the invoice.

Future Developments

Work continues on the redevelopment of the area of Kibblesworth by our charitable subsidiary, Keelman Homes. As part of this redevelopment scheme, the Company are managing the new build project on behalf of Keelman Homes and will also provide the day-to-day management of the properties as part of their management agreement.

Self-financing for the Housing Revenue Account was introduced by the Department of Communities and Local Government. We assisted the Council in the production of their 30-year business model to inform the future financing requirements for the management, maintenance and investment in the housing stock. This assisted with the production of the capital programme for the next 5 years.

The Decent Homes Programme has now been completed and the Company are now embarking on a programme of maintaining decency in all the properties they manage to ensure that they meet the statutory requirements as set out by the Homes and Communities Agency.

The Homes and Communities Agency Framework around regulation for Social Housing, was issued in April 2012. This focuses heavily on transparency, the need for true engagement with customers and tenant scrutiny at all levels within an organisation and perhaps most significantly value for money to be at the forefront of all we do.

The Welfare Reform Bill attained Royal Assent during 2012 meaning we are on the cusp of the most significant and radical changes to the benefits system for over 50 years. The impact for many customers will be significant and whilst some of the detail has yet to be confirmed, it is inevitable that the changes will have a detrimental impact on the rental income that Gateshead receives.

More fundamental changes are planned from 2013 with the introduction of Universal Credit. This single benefit will be paid to claimants directly, in arrears and will replace a number of means tested benefits, including Housing Benefit. A key focus this year therefore is to educate customers and staff about the changes and we anticipate that resources will need to be redirected to ensure the impact is minimised.

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.

Report of the Board for the year ended 31 March 2012 (*continued*)

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.

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 the internal auditor, from the external auditor 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.

Report of the Board for the year ended 31 March 2012 (*continued*)

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.

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 perform their job effectively.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Report of the Board for the year ended 31 March 2012 (*continued*)

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 19 July 2012 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 surplus or deficit 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 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 the 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 2012 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 8, 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 website 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 2012 and of its deficit 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

19 July 2012

Income and Expenditure Account
for the year ended 31 March 2012

	<i>Note</i>	2012	2011
		£000	£000
Turnover	2	35,608	35,592
Operating costs (including exceptional past service credit of £nil (2011: £3,850,000) in respect of pension change from RPI to CPI)	2	(35,869)	(31,856)
Operating (deficit)/surplus	2-5	(261)	3,736
Interest receivable and similar income	6	2	2
Other finance income/(costs)	7	160	(20)
(Deficit)/surplus on ordinary activities before taxation		(99)	3,718
Taxation on (deficit)/surplus from ordinary activities	8	-	-
(Deficit)/surplus for the financial year	15	(99)	3,718

All amounts relate to continuing activities.

Statement of Total Recognised Surpluses and Deficits
for the year ended 31 March 2012

	2012	2011
	£000	£000
(Deficit)/surplus for the financial year	(99)	3,718
Actuarial loss recognised in the pension scheme	(5,500)	(760)
Total recognised (deficit)/surplus relating to the period	(5,599)	2,958

Balance Sheet
as at 31 March 2012

	<i>Note</i>		2012		2011	
		£000	£000		£000	£000
Fixed assets						
Tangible assets	9		1,004			1,091
Current assets						
Debtors	11	1,179			2,919	
Cash at bank and in hand		6,501			3,751	
		<u>7,680</u>			<u>6,670</u>	
Creditors: amounts falling due within one year	12	(7,878)			(6,872)	
Net current liabilities			(198)			(202)
Provisions for liabilities	13		(218)			(282)
			<u>588</u>			<u>607</u>
Total assets less current liabilities			<u>588</u>			<u>607</u>
Creditors: amounts falling due after more than one year						
Net pension liability	17		13,850			8,270
Capital and reserves						
Revenue reserves excluding net pension costs		588			607	
Net pension liability		(13,850)			(8,270)	
			<u>588</u>		<u>607</u>	
Revenue reserve including pension liability	15		(13,262)			(7,663)
			<u>588</u>			<u>607</u>
Total long term liabilities, capital and reserves			<u>588</u>			<u>607</u>

These financial statements were approved by the Board of directors on 19 July 2012 and were signed on its behalf by:

B Dennis
Chair

Company registered number: 04944719

Cash Flow Statement

for the year ended 31 March 2012

	<i>Note</i>	2012 £000	2011 £000
Net cash inflow/(outflow) from operating activities	<i>18a</i>	2,892	(3,726)
Returns on investments and servicing of finance			
Interest received		<u>2</u>	<u>2</u>
		2,894	(3,724)
Capital expenditure			
Purchase of tangible fixed assets		<u>(144)</u>	<u>(401)</u>
Increase/(decrease) in cash	<i>18b</i>	2,750	(4,125)

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 8.

The company has cash at bank and in hand of £6,501,000 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 FRS 8 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 19.

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 (deficit)/surplus

	2012 £000	2011 £000
Turnover		
Management fee	30,433	31,391
External funding	34	89
Capital fees	2,100	2,500
Other	3,041	1,612
	35,608	35,592
	35,608	35,592
Operating costs		
Management of housing stock	14,711	11,640
Repairs and maintenance of housing stock	19,058	17,716
Revenue expenditure supporting capital programme	2,100	2,500
	35,869	31,856
	35,869	31,856
Operating (deficit)/surplus	(261)	3,736

3 Notes to the income and expenditure account

	2012 £000	2011 £000
<i>(Deficit)/surplus on ordinary activities before taxation is stated after charging:</i>		
Depreciation on tangible fixed assets – owned	231	297
Hire of plant and equipment – operating leases	25	25
Hire of other assets – operating leases	330	327
	586	649
	586	649
<i>Auditor's remuneration:</i>		
Audit of these financial statements	16	17
	16	17
	16	17

4 Remuneration of directors

The aggregate amount of emoluments and expenses paid to Board Members was £25,597 (2011: £18,016).

Notes (continued)

5 Staff numbers and costs

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

	Number of employees	
	2012	2011
Housing management	210	229
Administrative and clerical	124	140
	334	369

The aggregate payroll costs of these persons were as follows:

	2012	2011
	£000	£000
Wages and salaries	8,925	9,688
Social security costs	576	646
Other pension costs (note 17)	1,361	1,866
Exceptional past service credit (note 17)	-	(3,850)
	10,862	8,350

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 considered the LGPS Tyne and Wear Pension Scheme rules and associated members' literature and concluded that this was a change in benefits and recognised the resulting credit in the income and expenditure account, in accordance with UITF 48.

6 Interest receivable and similar income

	2012	2011
	£000	£000
Bank interest	2	2
	2	2

Notes (continued)

7 Other finance income/(costs)

	2012 £000	2011 £000
Expected return on pension scheme assets	2,160	1,820
Interest on pension scheme liabilities	(2,000)	(1,840)
	<hr/> 160 <hr/>	<hr/> (20) <hr/>

8 Taxation

In January 2007 HMRC agreed that the Company is able to take advantage of the beneficial tax treatment described in HMRC's guidance due to there being insufficient commerciality between the ALMO and its parent Council.

Analysis of charge in period

	2012 £000	2011 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
	<hr/>	<hr/>
Total current tax	-	-
Deferred tax	-	-
	<hr/>	<hr/>
Tax on (deficit)/surplus on ordinary activities	-	-
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the small company's rate of corporation tax in the UK of 20 % (2011: 21%). The differences are explained below:

	2012 £000	2011 £000
<i>Current tax reconciliation</i>		
(Deficit)/surplus on ordinary activities before tax	(99)	3,718
	<hr/>	<hr/>
Current tax at 20 % (2011: 21%)	(20)	781
<i>Effects of:</i>		
Expenses not deductible for tax purposes	45	62
Non taxable income	(25)	(843)
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

9 Tangible fixed assets

	Land and buildings	Leasehold improvements £000	Fixtures and fittings £000	IT equipment £000	Total £000
<i>Cost</i>					
At beginning of year	343	583	70	1,139	2,135
Additions	144	-	-	-	144
At end of year	487	583	70	1,139	2,279
<i>Depreciation</i>					
At beginning of year	-	155	70	819	1,044
Charge for year	10	39	-	182	231
At end of year	10	194	70	1,001	1,275
<i>Net book value</i>					
At 31 March 2012	477	389	-	138	1,004
At 31 March 2011	343	428	-	320	1,091

10 Fixed asset investments

	Interest in group undertaking
	2012 £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

	2012 £000	2011 £000
Amounts owed by parent undertaking	541	948
Amounts owed by other group undertakings	177	170
Trade debtors	28	1,417
Prepayments and accrued income	433	384
	1,179	2,919
	1,179	2,919

All debtor balances are due within one year.

Deferred tax assets of £2,770,000 (2011: £1,737,000), 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

	2012 £000	2011 £000
Amounts owed to parent undertaking	4,000	2,327
Amounts owed to other group undertakings	75	12
Trade creditors	802	977
Other taxation and social security	1,717	1,174
Accruals and deferred income	1,284	2,382
	7,878	6,872
	7,878	6,872

Notes (continued)

13 Provisions for liabilities

	Insurance provision £000
At beginning of year	282
Utilised during year	(57)
Released during the year	(7)
	<hr/>
At end of year	218
	<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 2012 was 1 (2011: 1).

15 Revenue reserves

	Revenue reserves £000
Balance at 1 April 2011	(7,663)
Deficit from income and expenditure	(99)
Actuarial loss recognised in the pension scheme	(5,500)
	<hr/>
Balance at 31 March 2012	(13,262)
	<hr/> <hr/>

16 Commitments

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

	2012		2011	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	12	-	-
In the second to fifth years inclusive	305	4	305	22
Over five years	-	-	-	-
	<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 Aon Hewitt Limited at 31 March 2010 and was updated for FRS 17 purposes to 31 March 2011 and 31 March 2012 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.

	2012	2011
	£000	£000
Present value of funded defined benefit obligations	(42,850)	(36,970)
Fair value of plan assets	29,000	28,700
	<hr/>	<hr/>
Deficit	(13,850)	(8,270)
Related deferred tax asset	-	-
	<hr/>	<hr/>
Net liability	(13,850)	(8,270)
	<hr/> <hr/>	<hr/> <hr/>

Movements in present value of defined benefit obligation

	2012	2011
	£000	£000
At 1 April	36,970	35,740
Current service cost	1,260	1,540
Past service cost/(credit)	420	(3,850)
Interest cost	2,000	1,840
Actuarial losses	3,810	1,740
Contributions by members	440	510
Benefits paid	(2,050)	(550)
	<hr/>	<hr/>
At 31 March	42,850	36,970
	<hr/> <hr/>	<hr/> <hr/>

Movements in fair value of plan assets

	2012	2011
	£000	£000
At 1 April	28,700	24,510
Expected return on plan assets	2,160	1,820
Actuarial (losses)/gains	(1,690)	980
Contributions by employer	1,440	1,430
Contributions by members	440	510
Benefits paid	(2,050)	(550)
	<hr/>	<hr/>
At 31 March	29,000	28,700
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

17 Pension schemes (continued)

Expense/(income) recognised in the income and expenditure account

	2012	2011
	£000	£000
Current service cost	1,260	1,540
Past service cost/(credit)	420	(3,850)
Interest on defined benefit pension plan obligation	2,000	1,840
Expected return on defined benefit pension plan assets	(2,160)	(1,820)
	<hr/>	<hr/>
Total	1,520	(2,290)
	<hr/> <hr/>	<hr/> <hr/>

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

	2012	2011
	£000	£000
Operating costs	1,680	(2,310)
Other finance (income)/costs	(160)	20
	<hr/>	<hr/>
Total	1,520	(2,290)
	<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 £5,500,000 loss (2011: £760,000 loss).

Cumulative actuarial losses reported in the statement of total recognised gains and losses for accounting periods ending from 31 March 2006 are £14,662,000 (2011: £9,162,000).

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

	2012	2011
	Fair value	Fair value
	£000	£000
Equities	19,866	19,516
Government bonds	2,059	2,009
Corporate bonds	3,364	3,358
Property	2,668	2,325
Cash	551	344
Other	492	1,148
	<hr/>	<hr/>
Total	29,000	28,700
	<hr/> <hr/>	<hr/> <hr/>
Expected return on assets	2,160	1,820
Actuarial (loss)/gain on assets	(1,690)	980
	<hr/>	<hr/>
Actual return on plan assets	470	2,800
	<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 2012.

Notes (continued)

17 Pension schemes (continued)

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

	2012 %	2011 %
Discount rate	4.8	5.4
Rate of increase in pensions in payment	2.6	2.8
Rate of increase to deferred pensions	2.6	2.8
Future salary increases	5.1	5.2
Inflation increase		
- RPI	3.6	3.7
- CPI	2.6	2.8

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: 21.6 years (male), 23.8 years (female).
- Future retiree upon reaching 65: 23.4 years (male), 25.7 years (female).

History of plans

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

Balance sheet

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Present value of scheme liabilities	(42,850)	(36,970)	(35,740)	(24,400)	(20,270)
Fair value of scheme assets	29,000	28,700	24,510	16,680	18,960
Deficit	(13,850)	(8,270)	(11,230)	(7,720)	(1,310)

Experience adjustments

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Experience adjustments on scheme liabilities	(1,690)	(2,490)	5,360	(20)	(1,860)
Experience adjustments on scheme assets	(110)	980	60	(5,010)	180
	(1,800)	(1,510)	5,420	(5,030)	(1,680)

The Company expects to contribute approximately £1,070,000 to its defined benefit plans in the next financial year.

Notes (continued)

18 Notes to the cash flow statement

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

	2012	2011
	£000	£000
Operating (deficit)/surplus	(261)	3,736
Depreciation	231	297
Decrease in debtors	1,740	1,859
Increase/(decrease) in creditors	1,006	(5,781)
Decrease in provisions	(64)	(97)
Charge/(credit) in relation to FRS 17 pension adjustment	240	(3,740)
	2,892	(3,726)
	2,892	(3,726)

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

	£000	£000
Increase/(decrease) in cash in the year	2,750	(4,125)
Net funds at start of year	3,751	7,876
	6,501	3,751
	6,501	3,751

c) Analysis of changes in net funds

	At start of year £000	Cash flows £000	At end of year £000
Cash at bank and in hand	3,751	2,750	6,501
	3,751	2,750	6,501

19 Ultimate parent undertaking

The Company is a subsidiary undertaking of Gateshead Council which is considered to be the ultimate parent undertaking. 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

19 July 2012

Title: KPMG Representation Letter – Year Ended 31 March 2012

Report of: Acting Chief Executive

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 2011/12 during June 2012.
3. A report presenting their findings was approved by Resources and Audit Committee at its meeting on 10 July 2012.

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 10 July 2012, 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

19 July 2012

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 2012, 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 2012 and of the Company’s profit or loss 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 requirements of the Companies Act 2006.

These financial statements comprise the Balance Sheet, the Income and Expenditure Account, the Cash Flow Statement, the Statement of Total Recognised Surpluses and Deficits, 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 dated 4 November 2009, for the preparation of financial statements that:
 - i. 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;
 - ii. have been properly prepared in accordance with UK Generally Accepted Accounting Practice (“UK GAAP”); and
 - iii. have been prepared in accordance with the requirements of 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 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.

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.
10. The Board has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with FRS 12 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation

and claims whose effects should be considered when preparing the financial statements.

11. 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. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with FRS 8 *Related Party Disclosures*.

12. 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.

13. 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
- b) all settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Board of Directors on 19 July 2012

Yours faithfully,

Director

Appendix 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;
- a Profit and Loss account for the period;
- a Statement of Total Recognised Gains and Losses for the period;
- a Cash Flow Statement for the period;
- a Reconciliation of Movement of Shareholders' Funds; and
- notes, comprising a summary of significant accounting policies and other explanatory information.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

The ASB's *Statement of Principles for Financial Reporting* states that:

“An item of information is material to the financial statements if its misstatement or omission might reasonably be expected to influence the economic decisions of users of those financial statements, including their assessments of management's stewardship.”

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.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

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

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in FRS 8 *Related Party Disclosures* as the “reporting entity”).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a retirement benefit scheme for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a scheme, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Related party transaction

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

Report to the Board**19 July 2012**

Title: Severe Weather Update

Report of: Acting Chief Executive

Purpose of Report

1. To provide the Board with an update on the impact of the severe weather that occurred on the night of Thursday 28 June and the actions undertaken to date to deal with the consequences of the weather.
2. This report provides an update as of Thursday 12 July. During the presentation of this report we will provide a more up to date report highlighting the further progress made between 12 July and the actual Board meeting.

Background

3. At around 4pm on Thursday 28 June Gateshead was hit by a downpour the likes of which were unprecedented. A months worth of rainfall fell within a 2 hour period. Unfortunately it was not possible for the drains to cope with this level of intense rainfall, which resulted in some of the worst floods ever experienced in the borough.
4. In total there have been over 330 properties affected to some extent by the flooding. In addition the ground floor of Keelman Homes was also flooded. Although the flooding issues were widespread and there were a number of properties spread across the borough affected; the main areas of the borough worst affected were
 - Greenlane Gardens & Eastwood Gardens, Nest Estate, Felling
 - Whitehouse Crescent, Springwell
 - Fallowfeld, Ridgeway and Underwood, Leam Lane
 - Ermine Crescent, Causeway and Pottersway, Sheriff Hill
 - Clasper Village

Initial reaction to the flood and work carried out up to Monday 2 July

5. A number of senior officers of the Company were at Keelman House on Thursday 28 June when the floods happened. The initial response was co-ordinated and agreed by the Director of Customers & Communities. In order to respond to the volume of telephone calls being received by both TGHC and

Gateshead Council, it was agreed that Mears would handle the emergency calls to TGHC's HomeRepairs number from 7pm on 28 June 2012.

6. TGHC employees worked into the early hours of 29 June alongside the Major Incident Team at the Civic Centre as well as at various locations across the borough where residents were affected. This work focused on responding to the immediate rehousing needs of those residents whose homes were flooded and ensured a coordinated response from Mears.
7. The impact of the flood damage to properties started being assessed on 29 June and work to provide temporary accommodation for 58 households was undertaken. A variety of solutions were provided including hotels, residential care establishments or family/friends. Regular contact with customers affected has been maintained.
8. Northumbria Police provided additional patrols and public reassurance in the localities affected.
9. Over the weekend a number of employees worked to continue to assist in ensuring properties were safely secured and customers had somewhere safe to stay. On Saturday afternoon the Right Honourable Caroline Spelman MP (Secretary of State for Environment, Food and Rural Affairs) visited a number of our tenants and their properties.
10. A number of employees worked way above and beyond what is normally expected of them during these four days. These employees have been written to and thanked for the work that they carried out in this period.

Setup of recovery team

11. A recovery team was setup on Friday 29 June. The recovery team is chaired by the Acting Chief Executive and consists of the management team who each have specific roles as follows:

Liaison (Neil Bouch – Director of Customers & Communities)

- Neil is liaising with Council staff, the police, fire authority, MEARS and other relevant stakeholders to ensure we have a co-ordinated approach.

Properties (Sarah Thompson – Head of Finance)

- Sarah is responsible for all property related issues. She has setup a team whose remit is to visit all affected (and potentially affected) properties and to assess the levels of damage that has occurred. This team will also be supervising the clean up and repair works that need to be carried out.

Customers (Kevin Johnson – Head of Customer Services)

- Kevin is responsible for all customer related issues. He has setup a team whose remit is to ensure that all customers who are unable to remain in their properties have suitable accommodation, and that all customers who were affected by the flood receive advice and support.

Keelman House (Phil Gallagher – Head of Support Services)

- Phil is responsible for the impact of the severe weather on Keelman House. He has setup a team to deal with the consequences of the ground floor being flooded.

Neighbourhood Services (Julie McCartney – Head of Neighbourhood Services)

- Julie is responsible for ensuring that the housing office network is kept up to date with progress being made and ensuring that the housing offices have the most up to date information to share with customers that contact their housing office directly.

The Recovery team continued to meet on a daily basis up until 10 July 2012.

Current situation

Properties

- Currently there are 333 properties which we have assessed for flood damage. This is an overall number of properties where we have been in contact with the tenants either by telephone or in person. This includes properties which we have visited as they are in known flood risk areas. This also includes a number of properties which received sandbags on the 28 June from Mears and therefore, we have contacted these tenants to determine whether they were affected by the flood waters.
- Of all of the properties, we are aware of 98 which were not impacted upon and therefore, require no further works. There are still 17 properties which we are attempting to gain access to so we can assess any damage or whether they were affected.
- This leaves a total of 220 properties which require further works. All of these properties will be sanitised and deep cleaned by our contractor DryRite. Properties were started in Green Lane Gardens on 10 July.
- A number of properties have been provided with dehumidifiers and we will be assessing whether these are effective or whether a more intensive drying method will be required. This assessment will be carried out by DryRite who will report back to us with their findings. Following this report we will agree on the next stage for drying out the property.
- The gas and electrics have been/will be checked in all of our properties affected to ensure all circuits and pipeworks are safe. If meters have been submerged in flood water, these need to be changed by the tenants' utility provider. Unfortunately we are unable to carry out this replacement and tenants must contact their provider directly.
- We are currently assessing all affected properties to determine the level of repair works required. Following this full assessment we will draw up scope of works for the properties, which will be graded as low, medium and high. The scope of works will be completed by 13 July.

- Properties detailed as high include those which need the most works. We will prioritise the properties with low levels of work required as tenants can return to these properties or get these back to a full liveable standard as soon as possible.
- We will then programme works to the medium and high properties with our contractors, however, some of the properties may take up to 6 months before they are fully habitable.

Customers

- At least 220 tenants have suffered some level of damage to their property, and 58 have so far needed to be temporarily accommodated. More tenants may need to relocate whilst work is carried out. The priority to date has been supporting those customers who could not remain in their properties. For those tenants who will not be able to return for some time, moves to other council properties on a temporary basis are now being offered. In a small number of cases and where appropriate permanent moves are being offered.
- Information to date shows that over 100 of the affected tenants are without insurance. Gateshead Council have asked GVOC on behalf of the voluntary sector to help co-ordinate a response to the difficult situation that residents are encountering.

Neighbourhood Services

- Teams are responding to any customer enquiries locally and signposting to the relevant services. Estate Officers have been jointly visiting affected homes with inspectors and are liaising with customers on the condition of their homes.
- Estate Officers and Handypersons have inspected affected streets to ensure that any debris and rubbish has been removed, and that the safety and cleanliness of estates has been maintained.
- Work is in underway to start the clean up of gardens at Springwell, Old Fold and Leam Lane in order to remove furniture and furnishings but only with the permission of tenants and where an insurance assessment has been completed.

Keelman House

- Flood water infiltrated the floor-box space on the ground floor on both the north and south sides of Keelman House. The damage on the north side was restricted to power cabling but on the south side, both power and data cables and terminals have been damaged and will all need to be renewed.
- Temporary power has now been established on the north side, allowing this space to be brought back into use for TGHC employees and the NEPO team who were temporarily displaced. There has been no disruption to services delivered by employees at Keelman House. All available space within the remainder of the building has been utilised to avoid employees having to work remotely.

- The Ground floor south has been left vacant to enable L.E.S. to carry out remedial works. Timescales have not yet been confirmed but it is expected this work will take several weeks to complete. Once this side of the building is fully operational we intend to move staff back in there. The renewal of a permanent power supply in the ground floor north section will be done over a weekend to minimise further disruption to employees.
- We are in discussions with the loss adjusters to ensure that the costs of all remedial works are included in any subsequent insurance claim.

HomeChoice

12. For the two weeks after the flood it has been necessary to suspend the HomeChoice lettings scheme. This has been so that available properties could be utilised to assist with emergency and temporary rehousing alongside other housing priorities. HomeChoice is expected to resume from Thursday 19th July with a limited supply of properties for general advert, and there will be continue to be some limitations on numbers of available properties for several weeks.

Communication

13. Throughout this period we have kept in communication with all tenants, leaseholders, the Council, NEPO and employees.
14. Communication to all our customers has been critical. Regular updates have been provided on our and the Council's website and through our facebook and twitter feeds. In addition to this a one off edition of TGHC news has also been sent out to all customers.
15. Employees and key officers of the Council have also been kept up to date by the way of daily updates being emailed to them and also daily editions of HomeWork (our internal e-newsletter)
16. Councillors have been updated on the numbers of Council properties affected and that the HomeChoice newspaper had been suspended for the two weeks following the flood.

Links to Values

17. This report is in line with the following values of the company: -
 - Being a listening and learning organisation
 - Being customer focused, innovative and professional
 - Being caring and respectful

Equalities and Diversity Implications

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

Financial Implications

19. There are a number of financial implications associated with the flood damage. We are liaising with the Council to ensure that all recoverable costs are recovered.

Health Implications

20. There are a number of health implications associated with floods and particularly where the flood waters include any sewerage. Tenant's properties have potentially been contaminated with flood waters and we are undertaking sanitisation and deep clean within each property affected and will receive a hygiene certificate for each property sanitised.

Impact on Customers

21. The priority for Customers directly affected by the severe weather has been to find them a temporary solution whilst we have assessed the severity of the damage to their homes. We have teams of staff working with these customers to provide the best possible solution in both the short and long term.
22. In addition to this there are a number of areas that have indirectly impacted on customers primarily relating to the suspension of HomeChoice and only carrying out emergency repairs for a short period of time.
23. All customers have been regularly kept up to date and in general there has been a great deal of understanding and sympathy for the reasons behind these suspensions. Since 3 July we have been taking all categories of repairs and HomeChoice will recommence from 19 July.

Risk Management Implications

24. The risk of flooding was not previously identified on the company's strategic risk register as none of our properties are identified as being on a major flood plain.
25. However, this risk will be added to the operational risk register for Asset Management as we need to ensure that we are aware of the risks associated with this type of incident. We will also ensure that this is included within our business continuity plan so that we have an action plan in place for any future events.

Value for Money Implications

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

Consultation carried out

27. In carrying the actions highlighted above we have kept customers, employees, the Council and other stakeholders updated on a regular basis.

Recommendations

28. The Board is recommended to note the impact of the severe weather on our customers and employees.
29. The views of the Board are sought on whether the Board is satisfied with the actions undertaken to date.



ASSET MANAGEMENT COMMITTEE

19 June 2012

PRESENT:

Directors

Sara Woolley (Chair)
 Robert Buckley
 Joanne Carr
 Pauline Dillon
 Peter Mole
 Gordon Spring

Advisers

Jon Mallen-Beadle	Acting Chief Executive
Neil Bouch	Director of Customers and Communities
Sarah Thompson	Head of Finance
Stuart Gibson	Governance and Risk Officer

Apologies

Stan Dawson

1 MINUTES

The minutes of the last meeting of the committee held on 23 February 2012 were approved as a correct record.

2 MATTERS ARISING

The committee will receive the Asset Management Strategy at its next meeting.

3 AIR SOURCE HEAT PUMP TRIALS

Air Source Heat Pumps (ASHP's) are relatively new heating technology in Britain although they have been used in Europe as a method of heating for decades. It is classed as renewable technology as it relies upon air rather than a fossil fuel in the form of gas. With gas supplies continuing to diminish and prices rising, the company has a responsibility to explore renewable technologies and alternative forms of heating.

The systems have a life-expectancy of 20 years. A condensing boiler has a life expectancy of 10-15 years. Recent figures produced by Gateshead Council, suggest that ASHP are cheaper to run than a condensing boiler and produce less carbon emissions. The company has previously installed 17

ASHP's as part of its new build programme to bungalows in Cranesville, Norfolk Place and Hallgarth.

To promote the use of ASHP, particularly in social housing, DECC (Department of Energy and Climate Change) have funded a project at Chopwell Gardens and Charlton Walk called Customer Led Network Revolution (CLNR). The project is aimed at promoting the installations of ASHP's and to conduct extensive monitoring on the usage and impact of the systems on the National Grid.

The funding for the scheme comes in the way of a grant for the cost of the ASHP and related equipment. This means the company is only paying for the installation of the equipment. Further CESP (Community Energy Saving Programme) funding is available to reduce the cost by around 10%. The total grant received for the project is £61,366, against an overall scheme cost of £114, 695.97 (overall scheme is 53% grant funded).

The Government is also actively supporting the installation of ASHP's and have announced they will be included as part of the new RHI (Renewable Heat Incentive) to be implemented this Autumn. This will mean the company (or Council) will receive an ongoing payment from these installations. This is unlikely to be at similar levels as previous feed-in-tariffs, but it is still likely to be a substantial contribution to the cost of installation.

Sixteen ASHP will be installed to properties that currently have inefficient warm air systems fitted. These particular properties were selected due to the location, type of heating and eligibility for funding.

The design and installation will be carried out by British Gas. It is a condition of the funding that British Gas must carry out the work. LES have been offered training opportunities to build their skills for potential future installations.

As part of the works, a monitoring device will be installed to the ASHP so that data can be fed back to Durham University. Customers will be rewarded with £100 shopping vouchers for taking part in the monitoring aspect of the scheme.

As this is a new type of heating for many customers, full instructions will be provided on how to use the system correctly and efficiently. Through the Customer Led network Revolution, the systems will be monitored and support offered to customers for the duration of the project.

RESOLVED – That the information be noted and a further update be received on completion of the scheme and Durham University's evaluation exercise.

4 2012/13 MAINTAINING DECENCY CONTRACT – PROCUREMENT OF SUPPLY CHAIN

In 2008, the company undertook a procurement exercise to establish a direct supply chain that would provide the required materials and products to deliver the Decent Homes refurbishment contract. The procurement exercise resulted in TGHC obtaining preferential material and product rates endorsed through supply chain agreements for the fixed period 2008 to 2012.

On completion of each financial year, company officers met with the supply chain to review and agree any material and product price increases being proposed. The Asset & Procurement Team have procured a supply chain for the current financial year 2012/13.

The company has established successful relationships with its supply chain companies over a number of years. Each of these suppliers were offered an opportunity to price new supply schedules for the forthcoming year based on estimated commodity volumes. As a result, a number of suppliers have been procured and an analysis of the overall percentage increases and decreases offered against 2011/12 rates were reported.

RESOLVED – That the information be noted.

5 WARMZONE INSULATION WORK

Progress of insulation works through the partnership with WarmZone was reported.

Through partnership with WarmZone it has been identified that there are still 2,788 households that are yet to benefit from free cavity wall and/or loft insulation.

To raise awareness of the scheme amongst those customers who are yet to benefit, a postcard has been issued by the company to encourage take-up.

The company will assess the impact of the postcards and officer intervention with WarmZone. Further action will then be taken to try and reach those customers who are still to receive these works.

RESOLVED – That the information be noted.

6 CAPITAL UPDATE 2012/13

The committee received a monitoring statement of the capital expenditure budget for 2012/13 and the progress update on housing investment work.

The capital budget for 2012/13 is £22,985,000. There is also a carry forward of £5,467,000 relating to a number of 2011/12 schemes which have been carried forward into 2012/13.

Details of the schemes which the company will be managing, in partnership with its delivery partner, were reported.

The first tranche of the delivery programme is due to start in early June 2012, commencing in the West Neighbourhood followed by Inner West, Central, East then finally Neighbourhood South.

Tranche one includes works to 788 properties, covering individual elements such as rewires, kitchen replacements, bathroom replacements and central heating and boiler replacements.

Tranche 2 works affecting 830 properties and will be predominantly central heating boiler replacements to 609 properties across the 5 Neighbourhood

areas. It is expected that the address lists and full scopes will be released in June.

An analysis of the budget spend around health and safety obligations, other priorities and 2011/12 carry forward schemes was also reported.

RESOLVED – That the information be noted.

7 FORWARD PLAN

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

RESOLVED – That the information be noted, subject to tender for domestic sprinkler system at Regent Court being added to the Forward Plan for October 2012.

8 DATE AND TIME OF NEXT MEETING

To be agreed.



RESOURCES AND AUDIT COMMITTEE

10 July 2012

PRESENT:

Directors

John Hamilton (Chair)
 George Clark
 Paul Foy
 Peter Mole
 Joachim Mouanda Moussounda

Advisers

Jon Mallen-Beadle Director of Corporate Services
 Sarah Thompson Head of Finance
 Louise Woodhead KPMG
 Stuart Gibson Governance and Risk Officer

Apologies

Richard Armitage
 Stan Dawson

17 DECLARATIONS OF INTEREST

No declarations of interest were declared.

18 REPORT ON THE STATEMENT OF INTERNAL CONTROL – 2011/12

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 – (i) That the Board be recommended to approve the Statement of Internal Control contained within the Financial Statements for the year ended 31 March 2012.
- (ii) That Officers carry out an assessment of the Internal Auditors self-assessment to ensure its work does meet the standards set out in the CIPFA Code of practice for Internal Audit.

19 DRAFT DIRECTORS' REPORT AND FINANCIAL STATEMENTS – 2011/12

The draft directors' report and financial statements for the year ended 31 March 2012 were submitted.

The financial result for the period was a deficit of £99,000 (*2011: £3,718,000 surplus*). The fourth quarter management accounts indicated that the financial result was an expected deficit of £34,000.

The company achieved a pre-tax and interest deficit in the year of £261,000 prior to interest receivable of £2,000 and pension scheme finance income costs of £160,000 (*2011: interest receivable of £2,000; finance costs of £20,000*).

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 £588,000 (*2011: £607,000*). 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 £13.85m as at 31 March 2012 (£8.27m as at 31 March 2011) as calculated by the Pension Fund's actuary.

- RESOLVED – That the Board be recommended to approve the Directors Report and Financial Statements for the year ended 31 March 2012 to the Board.

20 KPMG MANAGEMENT REPORT – YEAR ENDED 31 MARCH 2012

The company's external auditors KPMG carried out an audit of the report and financial statements for 2011/12 during June 2012. 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 letter to be signed by the Chair and the Company Secretary on behalf of the Board.

- RESOLVED – (i) That the management report for the year ended 31 March 2012 be approved.
- (ii) That the Board be recommend to authorise the Chair and the Company Secretary to sign the management representation letter on behalf of the Board.