



Board of Directors

Tuesday, 14 May 2013 at 4.30pm

To be held at Keelman House, Fifth Avenue Business Park,
Team Valley, Gateshead, Tyne and Wear

Agenda

| Item | Business |
|------|---|
| 1. | Apologies for Absence |
| 2. | Declarations of Interest |
| 3. | Minutes To approve as a correct record the minutes of the meeting held on 30 January 2013 |
| 4. | Matters Arising |
| 5. | New Build and Development Update Presentation by TGHC Head of Investment and Development |
| 6. | Kibblesworth Regeneration Update Report of TGHC Managing Director |
| 7. | Kibblesworth Development Finance Update Report of TGHC Head of Corporate Services |
| 8. | Kibblesworth Shared Ownership Update Report of TGHC Head of Corporate Services |
| 9. | Keelman Homes Statistics – End of year 2012/13 TGHC Head of Customer Services |
| 10. | Date and Time of Next Meeting To agree the frequency of future meetings |
| 11. | Exclusion of the Press and Public |



(Company number: 06972673)

Minutes of meeting of the Board of Directors held at Keelman House, Fifth Avenue Business Park, Fifth Avenue, Team Valley, Gateshead on Wednesday 30 January 2013 at 12 noon

Present:

Ordinary Trustees

Brian Kelly (Chair)
Joanne Carr
Anne Connolly
Peter Mole
Hannah Shepherd

Co-optee

Bob Harrison

In attendance

Jon Mallen-Beadle (Company Secretary and TGHC Managing Director)
Neil Bouch (TGHC Director of Customers and Communities)
Sarah Thompson (TGHC Head of Finance)
Jim Charlton (TGHC Investment Manager)
Stuart Gibson (TGHC Governance and Risk Officer)

Apologies

Paul Foy
Linda Hitman

1 DECLARATIONS OF INTEREST

No interests were declared.

2 MINUTES

The minutes of the last meeting of Keelman Homes held on 9 August 2012 were approved as a correct record.

3 PROPOSED RENT INCREASES FOR 2013/14

The rent and service charge setting policy was approved by the Board at a meeting on 21 January 2010 and a subsequent update was reported on 12 May 2010.

The rent and service charge setting policy details that the initial rent period for an assured tenancy must be in place for a minimum of 12 months. Any properties let during 2012/13, will not see a rent increase in April 2013.

The rents for the properties let in 2010/11, 2011/12 and to be let in 2013/14 will be increased in line with the provisions within the rent and service charge setting policy which allow for rents to be increased by inflation plus a maximum of 1%. The Charity will undertake the rent increase in line with the guidelines as set out by the Homes and Communities Agency (HCA) as they are within the parameters provided for in the rent and service charge setting policy.

The rent increase has been proposed in line with the HCA guidelines of RPI + 0.5%. RPI in September was 2.6%. This provides an increase of 3.1%, which is an average weekly rental increase of £2.42.

There is no proposed increase in service charges recommended for 2013/14.

- RESOLVED –
- (i) That the proposed rent increases for 2013/14 be approved.
 - (ii) That there be no increase to service charges for 2013/14.

4 PROPOSED BUDGET FOR 2013/14

This is the first year a budget has been produced for Keelman Homes. Previous financial information has been managed by way of a cashflow as the main income for Keelman Homes was grant income from the Homes and Communities Agency and loan income from Gateshead Council. The main expenditure was costs in relation to the construction of properties.

However, during 2013/14 all of the properties will be built and rental income will be received. Expenditure will generally be in relation to any repair costs, void costs or any enforcement costs around tenancies. The main costs will be in relation to the loan repayments which are 6-monthly, depreciation of the construction costs (which is an annual charge of the costs to build the properties) and the annual management fee paid to The Gateshead Housing Company to provide housing management services on behalf of Keelman Homes.

A statement showing the proposed budget for 2013/14 and estimated budgets for 2014/15 and 2015/16 was submitted.

The overall budget position shows a deficit of £28,127. Projections have been included for 2014/15 and 2015/16 which show that the budget will move into surplus within years 2 and 3.

The projections are based on an increase in rents of 3% per annum and an increase in repair and void costs of 2.5% per annum. No increase has been assumed on the shared ownership rents, other than receiving a full years rent in year 2 and 3. There may be reductions in income in relation to these as individuals purchase further shares on their property. Any change in these assumptions will change the surplus/deficit position.

- RESOLVED –
- (i) That the proposed revenue budget for 2013/14 be approved.
 - (ii) That the estimated budgets for 2014/15 and 2015/16 be noted.
 - (iii) That the Board receive management accounts progress reports at all future meetings.
 - (iv) That the Board receive an update on Welfare Reform and the impact on Keelman Homes tenants at its next meeting.

5 KIBBLESWORTH DEVELOPMENT FINANCE UPDATE

The Board received an update on the financial element of the Kibblesworth development.

The total cost of the Kibblesworth development is forecast to be £9.3million. This is being funded through a grant from the Homes and Communities Agency of £4.8million and a loan from the Council of £4.5million.

A revised cashflow for the project to update on actual costs was reported. The cash balance at the end of the third quarter has been kept at a level to ensure that the £129,012 due to Keepmoat in January can be paid.

To date, Keepmoat has paid £7.5m out of the expected total of £8.4m, including the payment outstanding in January 2013 of £129,012.

Gateshead Council has been paid £32,500 to deliver the art work at the site, £11,600 towards the offsite play area at Kibblesworth and £52,737 for the fixed play area at Kibblesworth. Kibblesworth School has been paid £2,500 to deliver a mural for the site.

A contingency of £234,940 is included in the budget to deal with any unforeseen areas of expenditure.

- RESOLVED – That the revised cashflow forecast for the Kibblesworth development be noted.

6 KIBBLESWORTH REGENERATION UPDATE

The Board received an update regarding the progress on site and issues that have come to light since the previous update.

Of the 81 properties, phases 1, 2a, 2b, 3a, 3b and 3c are fully occupied. Phase properties are programmed to be completed by 31 March 2013.

In addition, there are 13 properties due to be completed within Phase 4 which will be marketed as Shared Ownership properties.

Of the 54 Keepmoat sales properties, they have sold 42 and have reservations on the remaining 12.

The Public Art is being led by Gateshead Council's art team. Artists have been appointed who have worked with the local community to develop five individual pieces of art work that will be sited within the new development and some parts of the existing village. All art should be complete and installed by May 2013. Details of these were reported.

The on site fixed play area within phase 4 has now been developed and will be installed by approximately May 2013. The off site play equipment has been installed within Kibblesworth Park.

To mark National Tree Planting week, a tree planting event was held 30 November 2012, involving Keepmoat and the local primary school. The tree has been planted in the new play area site.

Beamish Museum Ltd have dismantled and removed from site a block of four Airey properties that will hopefully form part of a proposed 1950's themed exhibit in the future at the museum.

To date, 101 home loss payments have been made, this equates to £474,000 less any outstanding debt due to rent arrears, water rates, Council tax arrears, or any other court costs or rechargeable repairs. Disturbance payments of £39,700 have also been made to pay for out of pocket moving expenses. These payments are made by the Council.

RESOLVED – That the information be noted.

7 SHARED OWNERSHIP PROPERTIES

The Board received an update on the marketing, allocation, price and customer interest in the following 13 shared ownership properties at Kibblesworth: -

| | |
|------------------------|------------------------|
| 6x 2 Bed Semi Detached | 1x 3 Bed Mid Terrace |
| 1x 4 Bed Detached | 2x 3 Bed Semi Detached |
| 1x 5 Bed Detached | 2x 3 Bed End Terrace |

Marketing commenced in April 2012 and has continued by various means throughout the year. Additional marketing through local estate agents could be considered if, interest is low, the cost of which is £900 per sale. A new press release is being produced and proactive marketing of those individuals registered on Tyne and Wear Homes will be undertaken.

Details of the process for allocating the properties were reported. If by the end of March 2013 there has been insufficient interest to allocate all the 13 homes, the properties will be re-advertised as rent to buy.

Under HCA guidelines all valuations on the shared ownership properties must be carried out by a RICS qualified valuer. The properties must be valued every three months at a cost of £180 per valuation, which will reduce as sales progress. Three valuations have been undertaken to date, details of which were reported.

To date 75 customers have expressed an interest and five completed applications have been assessed by Isos, of which all have been approved.

From the approved applications, four sales have been agreed. One application is awaiting nomination from the housing company's letting's team.

Reservations fees have been received from two applicants and referred to Gateshead Council's Legal Services to commence the sale of the property – this is for the 4-bed and a 3-bed property. Reservation fees are awaited from remaining two customers where sales have been agreed – this is for a 2-bed and a 3-bed property.

Isos charge £180 (plus VAT) for an assessment of eligibility.

The Council has been instructed to draft plans which will be attached to the lease of each property. The cost of this work is £1,625 to provide 13 plans for the leasehold sales.

The Council's Legal Services have been commissioned to complete all legal conveyance of the sale at a rate of £432 per property.

Any incentives provided to encourage a sale will be either carpets or white goods and these have been budgeted at a maximum of £2,000 per property.

RESOLVED – That progress made to date on the marketing, allocation and sale of the shared ownership properties be noted.

8 KEELMAN HOMES – THE NEXT STEPS

The Board received a presentation from the TGHC Managing Director on the next steps for Keelman Homes following the completion of the properties in Kibblesworth.

In particular, more New Build, managing properties on behalf of other registered providers, other opportunities, financing and governance were discussed.

RESOLVED – (i) That the presentation be noted.

(ii) That the National Federation of ALMOs report: Lets get Building be sent to all members of the Board.

9 DATE AND TIME OF NEXT MEETING

To be agreed.

10 SARAH THOMPSON, TGHC HEAD OF FINANCE

The Board was informed that this was Sarah Thompson, TGHC Head of Finance's last meeting of the Board before she left the housing company to take up employment with the Northern Housing Consortium.

RESOLVED – That the Board place on record its thanks to Sarah for all her work for Keelman Homes and to wish her every success for the future.

11 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED – That the press and public be excluded from the meeting during consideration of the remaining business.



Title: Kibblesworth Development Finance Update

Report of: TGHC Head of Corporate Services

Purpose of Report

1. To provide the Board with an update on the financial element of the Kibblesworth development.

Background

2. The total cost of the Kibblesworth development is forecast to be £9.3million. This is being funded through a grant from the Homes and Communities Agency of £4.8million and a loan from the Council of £4.5million.

Summary

3. The original budget and funding for the scheme and the updated budget is detailed in the table below.

| | Original Budget £ | Amended Budget Jan 13 £ | Amended Budget May 13 £ |
|-----------------------------|--------------------------|--------------------------------|--------------------------------|
| Funding | | | |
| Loan from GMBC | 4,500,000 | 4,500,000 | 4,500,000 |
| HCA Grant | 4,832,000 | 4,832,000 | 4,832,000 |
| Forecast Expenditure | | | |
| Contractor Build Costs | 8,170,000 | 8,435,060 | 8,243,870 |
| Contractor Contingency | 500,000 | 234,940 | 426,130 |
| Management Fee | 450,000 | 450,000 | 450,000 |
| Other Adhoc Costs | 212,000 | 212,000 | 212,000 |
| Surplus / (Deficit) | NIL | NIL | NIL |

4. The original budget was amended in January 2013 to detail the updated expected spend on Kibblesworth. The original contingency was reduced due to increased spend required on asbestos removal, which was not known in the pricing of the scheme.

5. The amended budget has now been further updated for May 2013 due to revised contractor costs being received. The contractor build costs have now reduced to £8,243,870 therefore the contingency has increased to £426,130.

Detailed Funding Summary

6. The first tranche of HCA grant was received in April 2010 – this was 75% of the overall £4.8m. A total of £3.6m was received by Keelman Homes on 1 June 2010. As detailed in a previous update in June 2010, this money was invested in appropriate short term deposits in line with our expected payment schedule.
7. These grant monies have been utilised over the first year of the scheme to cover the costs of Keepmoat's invoices.
8. We drew down our first tranche of the loan from Gateshead Council on 27 May 2011. The first tranche we drew down was £1.5m.
9. We completed Phase 1 of the Kibblesworth development and therefore drew down the full tranche of Phase 1 funding; the 25% balance of £550,000 was received in September 2011.
10. We drew down our second tranche of loan on 9 February 2012 for a further £1.5m. The Council have agreed to amalgamate the first and second tranche of loan and include as one loan. This has an interest payable rate of 4.86% which is the Council's Consolidated Rate of Interest (CRI). The amalgamated loan is repayable in six monthly intervals from 1 March 2012.
11. We drew down the third and final tranche of loan of £1.5m in September 2012. This has an interest payable rate of 4.59% which is the Council's Consolidated Rate of Interest (CRI). The next repayment of the full loan is due on 1 September 2013.

Detailed Expenditure Summary

12. To date we have paid Keepmoat £7.8m out of the expected total of £8.2m, this includes the latest payment in April 2013 of £138,812.
13. We have paid Gateshead Council £32,500 to deliver the art work at the site, £11,661 towards the offsite play area at Kibblesworth and £52,737 for the fixed play area at Kibblesworth. We have also paid Kibblesworth School £2,500 to deliver a mural for the site.

Impact on tenants

14. Whilst this report does not impact on tenants directly, appropriate financial monitoring and control will ensure efficiencies are maximised and that any spare resources are appropriately utilised.

Risk Management Implications

15. The risk of interest rate fluctuations has been removed by fixing the interest rate when the loans are taken out.
16. A positive cash flow is maintained throughout the life of the development.

Financial Implications

17. The financial implications are contained within the report. A contingency of £426,130 is included in the budget to deal with any unforeseen areas of expenditure.

Equality and Diversity Implications

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

Health Implications

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

Value for Money implications

20. The preferential loan terms and conditions represent value for money for Keelman Homes. The interest payable on the loan is set at a fixed rate equivalent to the Council's consolidated rate of interest at the time the loan is drawn down. The interest on the loan drawn down has been fixed at 4.86% for £3m of the loan and 4.59% for the final £1.5m.

Environmental Implications

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

Consultation carried out

22. No consultation has been carried out directly as a result of this report.

Recommendation

23. The Board is asked to note the revised financial position for the Kibblesworth development.



Title: Kibblesworth Shared Ownership Update

Report of: TGHC Head of Corporate Services

Purpose of Report

1. To provide the board with an update on the marketing, allocation, price and customer interest in the shared ownership properties at Kibblesworth.

Background

2. Shared ownership is part of a government funded part buy/part rent scheme to help first-time buyers to become home owners.
3. Initially customers can purchase a share of between 25% and 75% of their new home and pay rent on its remaining share.
4. Potential customers will be assessed by Isos (the HomeBuy agent approved by government for the North East region) to ensure they are eligible for shared ownership.
5. The assessment undertaken by Isos will look at the applicants' ability to meet the basic criteria of the HomeBuy scheme.
6. The details of those accepted will then be forwarded to The Gateshead Housing Company to assess who is eligible for a property by utilising the shared ownership allocation policy.
7. There are 13 homes being built on the Kibblesworth development that are to be marketed as shared ownership properties.

6x 2 Bed Semi Detached
1x 4 Bed Detached
1x 5 Bed Detached

1x 3 Bed Mid Terrace
2x 3 Bed Semi Detached
2x 3 Bed End Terrace

8. Due to poor weather conditions throughout the winter months the properties did not become available for sale in line with previous timescales. It is now anticipated that all properties will become available for sale in June 2013.

Marketing

9. Marketing has continued using the following methods, which is expected to continue throughout the year:

- The Gateshead Housing Company News
 - The Gateshead Housing Company website
 - Leasehold News
 - Evening Chronicle
 - Isos HomeBuy Agent Website
 - Tyne & Wear Homes website
 - Twitter and Facebook
10. To support the marketing of the properties the company has produced a 'frequently asked questions' brochure and shared ownership booklet. These are available on the website and in paper format where required. Additional marketing through local estate agents could be considered if interest is low, however the cost of this is £900 per sale. As customer interest in the properties has continued this option has not yet been required.
11. Various press releases have been produced by the communications team and proactive marketing of those individuals registered on Tyne and Wear Homes.
12. The Leasehold Services team have attended local events to further promote the shared ownership scheme and the local housing office has delivered leaflets in the local area.

Price

13. Under HCA guidelines all valuations on the shared ownership properties must be carried out by a RICS qualified valuer. The properties must be valued every 3 months. Four valuations have been undertaken to date:

| | Valuation Date 13 June 2012 | Valuation Date 12 September 2012 | Valuation Date 12 December 2012 | Valuation Date 12 March 2013 |
|-------------------|-----------------------------------|---|--|------------------------------------|
| 2 bed semi | £115,000 | £115,000 | £115,000 | £115,000 |
| 2 bed mid-terrace | £128,000 | £126,000 | £126,000 | £126,000 |
| 3 bed semi | £134,000 | £132,000 | £132,000 | £132,000 |
| 4 bed detached | £168,000 | £168,000 | Sale agreed | Sale Agreed |
| 5 bed detached | £175,000 | £175,000 | £175,000 | £175,000 |

Customer Interest

14. To date ninety-one customers have expressed an interest and eight completed applications have been assessed by Isos.
15. Six applications have been approved and two rejected. Six sales have been agreed. One application was rejected because the prospective buyer's income was insufficient to purchase the minimum 25%. The second rejected application

was as a result of an outstanding individual voluntary agreement which required the buyer to pay inheritance funds back to his creditors and would reduce the amount of income he would have to purchase the property.

16. Reservations fees have been received from all six approved applicants and referred to Legal Services to commence the sale of the property. This is for three 2-bed properties, two 3-bed properties and one 4-bed property.
17. Legal Services have commenced the conveyance process for all applications and it is anticipated that the first sale will complete this month.
18. Three customers have shown an interest in the 5-bed property. Following completion of the property viewing will be arranged.
19. Four customers are in the process of applying to Isos for an assessment and viewings have been arranged for the 2 and 3-bed properties.
20. Decisions as to whether to provide incentives are being undertaken on a property by property basis. The incentives agreed to date are either carpets or white goods. No incentives have been necessary to sell the shared ownership properties to date.

Impact on Tenants

21. All tenants have the opportunity to apply for one of the shared ownership properties if they pass the financial assessment undertaken by Isos.

Financial Implications

22. Isos charge £180 (plus VAT) for an assessment of eligibility. To date Isos have been paid £1,260 for 7 assessments.
23. Gateshead Council has drafted the plans for the 13 shared ownership properties and has been paid £1,625.
24. Property re-valuations are required every 3 months and must be carried out by a RICS qualified surveyor at a cost of £180 per valuation, this will reduce as sales progress.
25. Gateshead Council Legal Services have been commissioned to complete all legal conveyance of the sale, at a rate of £432 per property. No sales have been completed to date.
26. Any incentives provided to encourage a sale will be either carpets or white goods and these have been budgeted at a maximum of £2,000 per property.

Risk Management Implications

27. There is a risk that the properties are not completed in the timescales as specified by the Homes and Communities Agency grant conditions. Keepmoat have provided a revised programme showing the completion of the properties by 7 June 2013, which is not in line with grant conditions. Discussions are ongoing with the HCA regarding slippage of the grant.

28. There is a risk that the properties will not be sold under Shared Ownership. If this occurred then agreement has been reached with the HCA to market these properties as Rent to Buy.

Value for Money Implications

29. Regular meetings are held with Keepmoat to ensure value for money is achieved on all solutions.
30. Three quotes were obtained in relation to the cost of property valuations and the most advantageous quote was agreed.

Equality and Diversity Implications

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

Health implications

32. Keepmoat are aware that dust and noise have potential health implications. This is mitigated by the site being part of the 'Considerate Constructor Scheme' which monitors these and other matters.

Consultation Carried Out

33. No consultation has been carried out directly in respect of this report.

Recommendation

34. The views of the Board are sought as to whether they are satisfied with the progress made to date on the marketing, allocation and sale of the shared ownership properties.



Title: Keelman Homes Statistics – End of year 2012/13

Report of: TGHC Head of Customers and Communities

Purpose of Report

1. To provide statistics relating to Keelman Homes at the end of 2012/13.

Background

2. Keelman Homes is now well established as a provider of homes in Kibblesworth. With an increasing number of tenants, the end of year provides an opportunity to summarise some key statistical information, and to update the Board on issues such as rent collection.
3. The impact of various aspects of welfare reform is also gradually becoming clearer and an update on the impact for Keelman Homes tenants is included.

Statistics

4. The appendix to this report shows information on:
 - Property stock
 - Rent collection and arrears
 - Welfare reform / under-occupation penalty
 - Lettings / tenancy terminations

Impact on Tenants

5. There were 72 tenants living in Keelman Homes properties as at 31 March 2013. One tenant is affected by the under-occupation penalty. More tenancies will be created in 2013/14 as more new properties are let.

Risk Management Implications

6. 55% of rent is currently received via Housing Benefit. The transition to Universal Credit will mean that responsibility for making rent payments will fall to tenants. This increases the risk of non-payment. In 2012/13 collection rates were excellent - 100.76% of the rent due was collected.

Financial Implications

7. There are no financial implications directly arising from this report, but the impact of welfare reform will continue to be monitored.

Health Implications

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

Value for Money Implications

9. There are no Value for Money implications arising from this report.

Equality and Diversity Implications

10. There are no equality and diversity implications with this report.

Consultation Carried Out

11. There was no consultation carried out for this report

Recommendations

12. The Board is recommended to note the information on Keelman Homes property stock, rent collection, welfare reform and lettings.

Keelman Homes Statistics 2012/13

Property Stock

| Property Type | For rent: | Shared ownership | Total |
|--------------------|------------|------------------|-----------|
| 2 bedroom bungalow | 18 | | 18 |
| 2 bedroom house | 13 | 6 | 19 |
| 3 bedroom house | 40 | 5 | 45 |
| 4 bedroom house | 9 | 1 | 10 |
| 5 bedroom house | 1 | 1 | 2 |
| Total | 81* | 13 | 94 |

*72 of the 81 were occupied at year-end. The remaining 9 are now scheduled for completion in June 2013, with the 13 properties to be marketed as shared ownership.

Rent Collection and Arrears

| | |
|----------------------------------|----------------|
| Rent falling due during the year | £266,874 |
| Rent collected during the year* | £268,915 |
| Rent Collection | 100.76% |

*Note: Rent payments made by tenants: £121,239 (45%)
Rent received from housing benefit: £147,676 (55%)

| | |
|-------------------------------|--------|
| Rent arrears at start of year | £5,208 |
| Rent arrears at end of year | £5,439 |

| | |
|------------------------------|--------|
| Prepayments at start of year | £2,463 |
| Prepayments at end of year | £4,735 |

Welfare reform / Under-occupation penalty

55% of rental income is currently received from housing benefit payments sent directly to Keelman Homes. With the planned roll-out of Universal Credit from October 2013, more tenants will be given responsibility for making their own rent payments from their monthly Credit. Evidence from national pilot schemes is that arrears will increase.

One tenant of a 3 bedroom house is affected by the under-occupation penalty – with a 14% reduction in the eligible amount for housing benefit from 1 April 2013 (additional payable rent = £12.15 per week).

(The family includes a boy and a girl both aged under 10, who are expected to share a room under new welfare regulations. The eldest child is 8, so if there are no other changes of circumstances then the eligibility for benefit would revert to 3 bedrooms within 2 years. They intend to stay and pay the additional sum.)

Lettings / Tenancy Terminations

22 new tenancies were created as first lets of new-build properties (many at the start of the year): 1 x 5 bed house; 3 x 4 bed houses; 15 x 3 bed houses ; 3 x 2 bed houses. There were no tenancy terminations during the year.