



## **Board of Directors**

Thursday 9 August 2012 at 10am

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

### *Agenda*

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Item	Business
1.	<b>Apologies for Absence</b>
2.	<b>Declarations of Interest</b>
3.	<b>Minutes</b> To approve as a correct record the minutes of the meetings held on  (a) 19 January 2012 (b) 15 March 2012
4.	<b>Matters Arising</b>
5.	<b>Annual General Meeting</b> Report of Company Secretary
6.	<b>Report of the Board and Financial Statement</b> Report of TGHC Head of Finance
7.	<b>Kibblesworth Development Finance Update</b> Report of TGHC Head of Finance
8.	<b>Kibblesworth Development Update</b> Report of TGHC Acting Chief Executive
9.	<b>Date and Time of Next Meeting</b> Thursday 20 September 2012 at 12.30pm at Keelman House, Fifth Avenue Business Park, Team Valley, Gateshead
10.	<b>Exclusion of the Press and Public</b>

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**(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 Thursday 19 January 2012 at 12.30pm

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**Present:**

**Ordinary Trustees**

Brian Kelly (Chair)  
Richard Armitage  
Anne Connolly  
Linda Hitman

**Co-optee**

Bob Harrison

**In attendance**

Jon Mallen-Beadle (Company Secretary and TGHC Director of Corporate Services)  
Neil Bouch (TGHC Director of Customers and Communities)  
Sarah Thompson (TGHC Head of Finance)  
Peter Smith (TGHC New Build and Regeneration Manager)  
Stuart Gibson (TGHC Governance and Risk Officer)

**Apologies**

Paul Foy  
Peter Mole  
Hannah Shepherd

**19 DECLARATIONS OF INTEREST**

No interests were declared.

**20 MINUTES**

The minutes of the Board Meeting of Keelman Homes held on 4 October 2011 were approved as a correct record.

## **21 MATTERS ARISING – UK HOUSING AWARD**

The Gateshead Housing Company was unsuccessful after being shortlisted for a UK Housing Award for the Excellence in Housing Finance and Development for Kibblesworth Regeneration.

## **22 PROPOSED RENT INCREASE FOR 2012/13**

The rent and service charge setting policy was approved by the Board of Directors at a meeting on 21 January 2010 and a subsequent update 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. Properties let during 2011/12 will not see a rent increase in April 2012.

The rents for the properties let in 2011/12 and to be let in 2012/13 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%. Keelman Homes will undertake the rent increase in line with the guidelines as set out by the Homes and Communities Agency 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 November was 5.2%. This provides an increase of 5.7%, which is an average weekly rental increase of £4.22. Currently there is no proposed increase in service charges for 2012/13.

Tenants have been advised at the outset of their tenancy that they would not see an increase during 2011/12. They will be advised of the 2012/13 increase in writing where appropriate with 28 days notice.

RESOLVED – That the proposed rent increases for 2012/13 be approved.

## **23 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.

The original budget and funding for the scheme and the updated budget was submitted.

The original budget has been amended to detail the expected spend on Kibblesworth. The contingency was reduced due to spend required on asbestos removal which was not known at the pricing of the scheme. However, this has not been further reduced since it was previously reported to the Board.

A revised cashflow for the project to update on actual costs was also submitted.

The Board received a summary of the funding at its last meeting. Since that meeting, the charity has submitted to Gateshead Council a 30-day notice of the draw down of the second tranche of loan and requested the draw down £1.5m which will initially be invested in short and medium term deposits.

To date, the charity has paid Keepmoat £5.4m out of the expected total of £8.4m, including the payment outstanding at the beginning of January 2012 of £343,000. It has also paid Gateshead Council £6,300 to deliver the art work at the site and Kibblesworth School £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.

The Director of Corporate Services is taking action to ensure that surplus balances generate interest at no risk to the underlying capital received.

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

## **24 KIBBLESWORTH DEVELOPMENT UPDATE**

The Board received an update regarding the progress on site and any issues that have come to light since the previous update on 4 October 2011.

A summary of the progress made to date on each of the phases was submitted.

In addition, Keepmoat have sold two houses and four are under reservation, the brief for the Public Art has gone to various local artists and their responses were due back 22 December 2011 (these are to be reviewed and then discussed) and the Open Space Consultation will start early in 2012.

All tenants who have requested to continue to live in Kibblesworth have been given priority. Across Phase 3 there are eight unallocated properties which will be advertised through HomeChoice and allocated in line with the local lettings plan.

The programme onsite is currently running about 17 weeks behind the contract programme.

During the construction of Phase 3 and the new sewer works, due to the intensive and disruptive nature of the works, there have been a number of complaints from the residents of Greenford. These have been monitored and dealt with as they have occurred.

RESOLVED – That the information be noted.

## 25 RENT TO BUY LEASES

The Board received an update on the Rent to Buy leases and the options available to the Board in relation to these leases.

There are 13 Rent to Buy homes being built on the Kibblesworth development during 2012. These are programmed to be completed by October 2012 and marketing of these properties is likely to start in April 2012.

The Rent to Buy scheme enables purchasers to rent before they buy. Prospective purchasers will be assessed on their eligibility for the scheme and must demonstrate that they can afford and sustain rent payments but are also able to save towards a deposit for the future purchase.

Prospective purchasers wanting a Rent to Buy property will initially rent their home as an assured shorthold tenant. This can be up to a maximum of five years. During this period, they will be expected to save a deposit towards the partial purchase of a share in the property. The minimum share they can initially purchase is 25% and then they can staircase (add to their shares) in tranches of a minimum of 10%.

When a share of the property is purchased then the tenant becomes a shared owner and signs a lease for their property. They then pay rent on the unpurchased percentage of the property.

The Kibblesworth development site is classed by the Homes and Communities Agency as a Protected Area. This means that the area is exempt from the Right to Acquire. The HCA want the Protected Area policy to still deliver Shared Ownership (in Kibblesworth this would be Rent to Buy) within these areas but it aims to ensure that low cost home ownership in difficult to replace areas is retained for the benefit of local people.

A key aspect of this legislation for the Rent to Buy properties is that the leases issued must contain certain clauses to retain the properties as 'shared ownership' for future purchasers.

The Rent to Buy leases must contain conditions: -

- To enable the shared owner to acquire at least 80% of the total shares of the equity in the property.
- That where the lease enables the shared owner to acquire more than 80% of the shares in the property and the shared owner wishes to sell those shares, the shares must be sold to the landlord or its nominee and,
- That the sale must be at market value as prescribed in the Regulations.

Therefore, there are effectively two schemes which could be offered within the Rent to Buy lease.

The first scheme offered by the HCA is that the shared owner is only allowed to purchase up to 80% then the landlord retains 20% ownership.

One aspect of this scheme is that the landlord can take, as the law presently stands, possession proceedings under the Housing Act 1988 if the shared owner defaults on the rent on the unpurchased portion.

The problem with this option is that, if the shared owner is only allowed to purchase up to 80%, then as there is reluctance on many mortgage lenders to lend moneys on properties where there are restrictive covenants, especially when it is this type, the shared owner may have difficulty securing a mortgage and purchasing their first, or any subsequent, percentages.

The second scheme offered by HCA is for the shared owner to be permitted to purchase more than 80% with the proviso that there is a mandatory obligation on the Landlord to re-purchase the lease at the market value if the shared owner wants to sell up, or to nominate a housing association or registered provider to do so, thereby keeping it in perpetuity in the social housing arena.

If the landlord cannot afford to purchase from its own Recycled Capital Grant Fund (RCGF), or they cannot find a party to nominate, or they can not raise the money through a private loan, then there is a possibility that they can apply to the HCA for grant funding. Here the landlord can still take, as the law presently stands, possession proceedings under the Housing Act 1988 if the shared owner defaults on the rent on the unpurchased portion though this will not apply once the 100% is obtained.

In addition to this, because the property is in a protected area the leaseholders can never enfranchise (i.e. purchase the freehold) even if they actually purchase up to 100%.

It is proposed that TGHC officers on behalf of Keelman Homes Board undertake more detailed meetings with lenders to determine whether they would be willing to provide mortgage products for shared owners if they could only obtain a maximum of 80% share. This information should then be used to make a decision as to whether Keelman Homes offer the Rent to Buy properties based on an 80% or 100% equity share.

- RESOLVED – (i) That officers of The Gateshead Housing Company meet with lenders to discuss their products in more detail.
- (ii) That a special meeting be held in March 2012 to agree the findings of these meetings and approve the lease to be offered with the Rent to Buy scheme.
- (iii) That the Board receive a future report on the marketing strategy for the Rent to Buy properties.
- (iv) That the Board receive a future report on the proposed rents and valuations for the Rent to Buy properties.

## **26 OPERATIONAL RISK REGISTER**

The Board received an updated Operational Risk Register which is based on the four scale matrix for impact and likelihood/assessed using a traffic lighting system.

The only update is to the risk around Intermediate Rent Management where the likelihood has increased from a 2 to 3 and the following future action added: -

- Meetings to be held with Isos – Homebuy agents – to obtain more understanding of the requirements for the marketing and management of Intermediate Rent properties – March 2012

RESOLVED – (i) That the Operational Risk Register be approved.

- (ii) That the Risk Register be reviewed and monitored periodically by the TGHC Governance and Risk Officer and updates be presented to the Board for approval.

## **27 DATE AND TIME OF NEXT MEETING**

The next ordinary meeting of Keelman Homes will be held on Thursday 17 May 2012 at 12.30pm at Keelman House, Fifth Avenue Business Park, Fifth Avenue, Team Valley, Gateshead.

## **28 EXCLUSION OF THE PRESS AND PUBLIC**

The press and public were excluded from the meeting during consideration of the remaining business.



**(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 Thursday 15 March 2012 at 12.30pm

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**Present:**

**Ordinary Trustees**

Brian Kelly (Chair)  
Richard Armitage  
Linda Hitman  
Peter Mole  
Hannah Shepherd

**Co-optee**

Bob Harrison

**In attendance**

Jon Mallen-Beadle (Company Secretary and TGHC Director of Corporate Services)  
Neil Bouch (TGHC Director of Customers and Communities)  
Sarah Thompson (TGHC Head of Finance)  
Peter Smith (TGHC New Build and Regeneration Manager)  
Stuart Gibson (TGHC Governance and Risk Officer)

**Apologies**

Anne Connolly

**32 DECLARATIONS OF INTEREST**

No interests were declared.

**33 INTERMEDIATE RENT PROPERTIES**

The Board received an update on the properties which were allocated as Intermediate Rent when the HCA grant funding was awarded (Minute 25 – 19 January 2012).

Keelman Homes were aware that whilst the grant funding was provided for Intermediate Rent properties, this did not necessarily facilitate the Low Cost

Home Ownership that was preferred by the Homes and Communities. Therefore, a meeting took place with the HCA to discuss options.

Intermediate rent would lead to renting the property at 80% market rent on an assured shorthold tenancy, initially for six months. However, this would be regularly reviewed but could in effect lead to someone being in this property at Intermediate Rent in perpetuity. Keelman Homes do not expect there to be a large amount of interest in this type of tenancy.

Discussions with the HCA centred around marketing the properties on a 'Shared Ownership' basis initially and if shared ownership was not an option for individuals who were interested then they would also be marketed as Rent to Buy properties, for a maximum of five years.

Discussions also focused around the potential for a change in use for the properties. This would look to retain the properties as a social rented product. The HCA were not averse to this proposal, however, they requested that Keelman Homes attempted to market the properties as Shared Ownership or Rent to Buy first. If it were unsuccessful in gaining interest in these schemes, then they would be willing to reopen discussions around the change of use. It has been agreed that this will be reviewed in December 2012.

Isos are the HomeBuy agents that must be used to market and assess the prospective purchasers/tenants for the properties. They are the HomeBuy agents for Tyne and Wear and Northumberland and were appointed by the HCA. It costs £180 (plus VAT) for an assessment of eligibility.

Initial discussions have taken place with Isos regarding the marketing of these properties and initial marketing is likely to take place from April/May 2012.

Decisions need to be taken over whether to offer any incentives for prospective purchasers. These could include carpets, white goods or vouchers for purchasers who obtain at least a 25% share of the property.

If tenants were on a Rent to Buy tenancy then incentives such as 'part of your rent back for a deposit' could be looked at. However, this type of initiative would need to be looked at in more detail.

At the Kibblesworth site, Keelman Homes will be looking to provide a show home to allow prospective tenants and purchasers the chance to look around the property.

A meeting has taken place with Leeds Building Society who has made it clear that they would not be willing to lend if the prospective purchaser could only acquire a maximum of 80% of their property. Therefore a lease will be provided that enables the shared owner to acquire more than 80 per cent of the shares in the property. Keelman Homes (or a nominated provider) would then be required to repurchase the property if the shared owner wished to sell.

There are grants available from the HCA to assist providers if they are unable to raise the funding to repurchase the home. Otherwise Keelman Homes could maintain a percentage of the funding that it receives from the sale of shared ownership leases to facilitate any future repurchase.

A prospective lease has been drawn up by legal representatives at Gateshead Council. This lease would cover all those shared owners when they have purchased a share in the property as they become leaseholders for the unpurchased share.

Work now needs to be undertaken to ensure that the properties can be marketed on a shared ownership basis and on a rent to buy basis if shared ownership proves unsuccessful. Full details of the attempts to market the properties will be retained should Keelman Homes need to go back to the HCA to review the nature of the properties.

A service level agreement needs to be signed with the HomeBuy Agents Isos to enable the marketing of the properties to begin. Further discussions will be held with Isos around their process and the documents that need to be provided by Keelman Homes.

The properties will be progressed on site with a standard specification for the kitchen and door choices. Further discussions will be held around incentives.

- RESOLVED –
- (i) That the properties be marketed as Shared Ownership.
  - (ii) That the properties revert to Rent to Buy properties with a maximum tenancy period of five years prior to a purchase of the property if shared ownership is unsuccessful.
  - (iii) That discussions are held with the HCA around reverting the properties back to social housing should the properties be unsuccessful as Shared Ownership or Rent to Buy.
  - (iv) That the properties be offered an equity share of up to 100% following the meeting and intimation from lenders.
  - (v) That the lease as developed by Gateshead Council's legal section be approved.
  - (vi) That the properties be built to a standard specification.
  - (vii) That a future report on the marketing strategy and incentive schemes offered for the properties be received.
  - (viii) That a future report on the proposed rents and valuations for the properties be received.

## **34 KIBBLESWORTH PUBLIC ART PROJECT**

The Board received a presentation from Peter Smith, TGHC New Build and Regeneration Manager on the Kibblesworth Public Art Project. The Board also received an update on the development of the play areas and links to the art project.

RESOLVED – That the information be noted.

**35 DATE AND TIME OF NEXT MEETING**

The next meeting of Keelman Homes will be held on Thursday 17 May 2012 at 12.30pm at Keelman House, Fifth Avenue Business Park, Team Valley, Gateshead.



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**Title: Annual General Meeting**

**Report of: Company Secretary**

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### **Purpose of Report**

1. To agree arrangements for the Charity's third Annual General Meeting ("AGM") and the process for the retirement of one third of the Ordinary Trustees.

### **Background**

2. The requirements for the Charity's AGM are governed largely by the provisions of the Companies Act 2005 and the Charity's Articles of Association.
3. The Gateshead Housing Company (TGHC) is the sole member of Keelman Homes. As such it has the right to attend general meetings (including the AGM) and exercise all the rights which are reserved to the general members of a company. Since TGHC is a corporate entity, it will need to rely on authorised individuals carrying out these functions on its behalf. The TGHC Chair of Board has been nominated as the representative to act on its behalf for this purpose.

### **Timetable**

4. The AGM must be held in the calendar year 2012, not more than 15 months after the last AGM.
5. The last AGM was held on 10 November 2011, therefore the next AGM must be held no later than 21 December 2012 in order to take place in the calendar year 2012.

### **Business to be transacted**

6. At the AGM, the members: -
  - receive the accounts of the Charity for the previous financial year;
  - receive the Trustees' report on the Charity's activities since the previous AGM;
  - accept the retirement of those Ordinary Trustees who wish to retire or who are retiring by rotation;
  - appoint or if appropriate elect Ordinary Trustees to fill the vacancies arising;
  - appoint auditors for the Charity;
  - may discuss and determine any issues of policy or deal with any other business put before them by the Trustees.

## **Annual General Meeting**

7. The annual report of the Trustees of the company, together with the audited accounts, will be presented to the Board for approval at this meeting of the Board of Directors.
8. 21 clear days' notice of the AGM must be given to TGHC, calling the AGM. Therefore, it would need to be held no earlier than 31 August 2012.
9. The Board currently meets three times a year and the next scheduled meeting is 20 September 2012. It is proposed therefore that the AGM be held immediately after this meeting.
10. The normal company practice is for the Chair of Keelman Homes Board to preside.
11. The accounts are not to be approved by the TGHC Member. The requirement is merely that they be laid before the meeting.

## **Proposed Process for Retirement/Election of Ordinary Trustees**

12. One third (or the number nearest to one third) of the Ordinary Trustees must retire at each AGM, those longest in office retiring first and the choice between any of equal service being made by drawing lots.
13. If the members of the Charity, at the meeting at which a Trustee retires in the above manner, do not fill the vacancy, the Trustee shall, if willing to act, be deemed to have been reappointed unless at the meeting it is expressly resolved on to fill the vacancy.
14. The Trustees have the power at any time to appoint any person to be an Ordinary Trustee, either to fill a casual vacancy or as an addition to the existing Trustees but so that the total number of Ordinary Trustees shall not at any time exceed the maximum number which in accordance with the Articles is fixed at four.
15. Keelman Homes currently has a full composition of four Ordinary Trustees. Given that the longest serving Trustee has served on the Board for less than 2½ years, the TGHC Member has agreed that the retiring Ordinary Trustee, if willing to act, be reappointed.

## **Equality and Diversity Implications**

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

## **Financial Implications**

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

## **Impact on Customers**

18. There was no impact on customers as a result of compiling this report.

### **Risk Management Implications**

19. Appropriate controls are in place to mitigate any inability to fill positions on the Board.

### **Value for Money Implications**

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

### **Health Implications**

21. There are no health implications directly arising from this report.

### **Environmental Implications**

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

### **Consultation Carried Out**

23. The TGHC Member has agreed that the retiring Ordinary Trustee, if willing to act, be reappointed.

### **Recommendations**

24. It is recommended that: -
- (i) the report be noted;
  - (ii) the third Annual General Meeting be held immediately after the Board Meeting on 20 September 2012.
  - (iii) the proposed arrangements for the retirement and subsequent reappointment of a third of the Ordinary Trustees be noted;
  - (iv) the longest serving Ordinary Trustee retire at the next AGM and if willing to act, be reappointed at that meeting.



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**Title: Report of the Board and Financial Statement**

**Report of: TGHC Head of Finance**

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### **Purpose of Report**

1. To seek approval of the report of the board and financial statements for the year ended 31 March 2012.

### **Background**

2. The report of the board and financial statements will be presented to the Annual General Meeting which will be held on 20 September 2012 (subject to approval at this meeting – agenda item 5).
3. The report of the board and financial statements are for the financial year 1 April 2011 to 31 March 2012. This is the second full financial year in which trading activity has taken place within Keelman Homes.

### **Report of the Board**

4. The Report of the Board must follow the format as set out in the Statement of Recommended Practice: Accounting and Reporting by Charities issued in March 2005 and as set out in the Companies Act 2006.
5. The Report of the Board has been prepared in accordance with these standards and is attached in the Appendix. This report details the principle activities of Keelman Homes for the financial year ended 31 March 2012 including the structure, governance and managements arrangements in place, the objectives and activities of Keelman Homes and the achievement and performance in the year as well as highlighting the future activities.

### **Financial Statements**

6. The Financial Statements for the year ended 31 March 2012 are included in the appendix to this report.
7. The Financial Statements show total funds in the balance sheet at £6.8million (2011: £6.3million). This includes the land value and the first and second tranches of grant received from the Homes and Communities Agency.
8. The financial activities during the year show that the unrestricted funds carried forward were £127,191 (2011: £16,600). Restricted funds carried forward are

£6,683,354 (2011: £6,299,867). Restricted fund is the grant income received from the Homes and Communities Agency to build the properties at Kibblesworth. Unrestricted funds include the rent and service charge income as well as investment income through investing our cash balances in short term deposits.

9. Expenditure during the year is also split between restricted and unrestricted funds. The restricted expenditure relates to the depreciation charge on our properties and the loan interest repayment charge. Unrestricted spend relates to the management fee payable to The Gateshead Housing Company who manage the properties on behalf of Keelman Homes, as well as the auditors fee and additional spend on the arts project undertaken at the Kibblesworth site.
10. These accounts have been audited by KPMG as our external auditors and they have been signed off as a true and accurate record.

#### **Impact on tenants**

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

#### **Risk Management Implications**

12. The external audit carried out by KPMG is one element of the controls in place to ensure that the strategic risk associated with budget issues - cost overruns is effectively controlled.

#### **Financial Implications**

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

#### **Equality and Diversity Implications**

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

#### **Health Implications**

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

#### **Value for Money implications**

16. Value for money was a factor in the procurement of Keepmoat Plc as the contractor for the new build.

#### **Environmental Implications**

17. 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**

18. None directly for this report.

## **Recommendations**

19. The Board is recommended to:

- approve the Report of the Board and Financial Statements for the year ended 31 March 2012, and
- approve the Chair of the Board to sign the Report of the Board and Financial Statements as a correct record.

**Keelman Homes Limited**  
(a company limited by guarantee and not having a share  
capital)

**Report of the Board and Financial  
Statements**

Registered company number 06972673

Registered charity number 1133321

Draft - 31 March 2012

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## Report of the Board

The Board present their report and financial statements of the Charity for the year ended 31 March 2012 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

### Reference and administrative details

**Charity Name** Keelman Homes Limited

**Charity Reference Number** 113321

**Company Reference Number** 06972673

**Registered Address of the Charity**  
Keelman House  
Fifth Avenue Business Park  
Fifth Avenue  
Team Valley Trading Estate  
Gateshead  
NE11 0XA

**Charity Trustees**

Richard Armitage	(ALMO Trustee)
Paul Foy	(Council Trustee)
Peter Mole	(Council Trustee)
Brian Kelly	(Ordinary Trustee)
Linda Hitman	(Ordinary Trustee)
Hannah Hoskins	(Ordinary Trustee)
Anne Connolly	(Ordinary Trustee)

**Secretary** Jon Mallen-Beadle

**Management Team** Day-to-day management has been delegated to The Gateshead Housing Company

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

**Bankers** The Co-Operative Bank  
1<sup>st</sup> Floor, Norfolk House  
90 Grey Street  
Newcastle upon Tyne  
NE1 6BZ

**Solicitors** Gateshead Metropolitan Borough Council  
Civic Centre  
Regent Street  
Gateshead  
NE8 1HH

## **Report of the Board** *(continued)*

### **Structure, Governance and Management**

#### *Governing document*

Keelman Homes is a charitable company limited by guarantee; it was incorporated as a private company on 25 July 2009 and received charitable status on 16 December 2009. The organisation was established under a Memorandum of Association which established the objects and powers of the company and is governed under the Articles of Association. There is one member of Keelman Homes; this is The Gateshead Housing Company (TGHC). TGHC is an arms-length management organisation (ALMO) providing social housing management services to Gateshead Council. TGHC has the right to attend all general meetings and can exercise all rights which are reserved to the general members of a company. The TGHC Chair of the Board has been nominated the representative to act on its behalf as TGHC is a Corporate Entity. In the event of the Charity being dissolved, every member must pay up to £10 towards the cost of dissolution and the liabilities incurred by the Charity.

#### *Recruitment and appointment of Trustees*

The Trustees as charity trustees control the Company and its property and funds and are known as the Board. The Trustees consist of at least four and not more than seven individuals, comprising one individual nominated by the ALMO in accordance with article 4.3.2 (the ALMO Trustees), two individuals nominated by the Council in accordance with article 4.3.3 (the Council Trustees) and four individuals appointed or elected in accordance with article 4.3.4 (the Ordinary Trustees).

The ALMO Trustees shall be appointed by the ALMO to serve for such period of office as shall be confirmed by the ALMO. A written notice delivered by the Chief Executive of the ALMO (or such other authorised individual) of the ALMO to the Secretary shall be conclusive as to who has been appointed as an ALMO Trustee and for what period of time. The ALMO may remove and replace the Trustees at any time provided written notice is given to the Secretary.

The Council Trustees shall be appointed by the Council to serve for such period of office as shall be confirmed by the Council. One of the Council Trustees shall be an employee or elected member of the Council and one of the Council Trustees shall be an existing Council-nominated board member of the ALMO. A written notice delivered by the Chief Executive (or such other authorised individual) of the Council to the Secretary shall be conclusive as to who has been appointed as a Council Trustee and for what period of time. The Council may remove and replace either or both of the Council Trustees at any time provided written notice is given to the Secretary.

The Ordinary Trustees would be appointed by the Board to fill a casual vacancy until the company's next Annual General Meeting (Article 4.6). Every Trustee after appointment or reappointment must sign a declaration of willingness to act as a charity trustee of the Charity before he or she may vote at any meeting of the Trustees. One third (or the number nearest to one third) of the Ordinary Trustees must retire at each AGM, those longest in office retiring first and the choice between any of equal service being made by drawing lots and can be re-elected at the AGM should they wish.

Mrs Hannah Hoskins retires by rotation and, being eligible, offers herself for re-election.

The Charity's work focuses on the build of new homes within Kibblesworth and the subsequent management of these homes once they have been let. Therefore, we have looked to ensure we have a mix of Trustees with appropriate skill sets. The ALMO Trustee and Council Trustees have skills in relation to the management of social housing and performance management; we have also ensured that the Ordinary Trustees have a good mix of skills in relation to housing management, communications and tenant involvement.

#### *Induction and training of Trustees*

Once the Trustees have been appointed they are invited to meet with the Company Secretary to familiarise themselves with the work of the Charity, the context in which it operates and the role of the Trustee. They are also provided with the Memorandum and Articles of Association for the Charity, as well as the Code of Conduct for the Trustees. Trustees are also continually being offered the opportunity to undertake training that they feel is necessary to their roles and they have been provided with the opportunity for further learning in relation to new build.

## **Report of the Board** *(continued)*

### **Structure, Governance and Management** *(continued)*

#### *Organisational structure*

Keelman Homes has a Board made up of seven Trustees who meet bi-monthly and are responsible for all decisions taken by the Company. Keelman Homes has a management agreement with The Gateshead Housing Company to manage the new build and manage the properties once built and let. The Gateshead Housing Company therefore, has responsibility for the day-to-day management of the operations being undertaken by Keelman Homes.

#### *Related parties*

The Charity is guided by the Charities Act and Companies Act and is guided by both National and Local policy. The Gateshead Housing Company as parent company acts as managing agents for Keelman Homes in its day-to-day management of operations. The Gateshead Housing Company is an Arms Length Management Organisation of Gateshead Council and is responsible for the day-to-day management, maintenance and improvement of the Gateshead Council Housing Stock.

The Board has considered the internal control environment of The Gateshead Housing Company and considers that the systems of internal control are effective and appropriate.

#### *Risk Management*

The Board conducted a review of the major risks to which Keelman Homes are exposed and produced a risk register which is updated on a six-monthly basis. Systems and procedures have been established to mitigate the risks Keelman Homes faces where appropriate.

### **Objectives and Activities**

#### *Summary of the objects of the Charity*

The principal activity of the Company is the introduction of new housing stock within the Kibblesworth area.

In setting our objectives and planning our activities the Board has given careful consideration to the Charity Commission's general guidance on public benefit, including the guidance on public benefit and fee charging.

Keelman Homes' purpose as set out in the objects contained within the Company's memorandum of association are:

- (a) to provide houses or hostels or other residential accommodation and any associated amenities for persons in necessitous circumstances upon terms appropriate to their means;
- (b) to provide for aged, disabled (whether physically or mentally), or chronically sick persons in need thereof houses or hostels or other residential accommodation and any associated amenities specially designed or adapted to meet the disabilities and requirements of such persons;
- (c) to provide services, advice or assistance upon terms appropriate to their means to aged, disabled (whether physically or mentally) or chronically sick persons or other persons in necessitous circumstances in need thereof and providing any associated amenities specially designed or adapted to meet the disabilities and requirements of such persons;
- (d) the provision of recreation or other leisure facilities in the interest of social welfare with the object of improving the conditions of life for the residents of the area of benefit;
- (e) the relief of poverty amongst the residents of the area of benefit;
- (f) the advancement of education, training or retraining, particularly among unemployed people and providing unemployed people with work experience;

## **Report of the Board** *(continued)*

### **Objectives and Activities** *(continued)*

#### *Summary of the objects of the Charity (continued)*

(g) the maintenance, improvement or provision of public amenities for the public benefit in the interests of regeneration in areas of social and economic deprivation in which the Charity owns or manages housing stock; and

(h) such other charitable purposes beneficial to the public consistent with the objects above as the Trustees shall in their absolute discretion determine.

Keelman Homes aims to provide new housing in Gateshead and neighbouring Local Authority areas for social housing letting and intermediate rent and to provide housing management services for our tenants in this area. Our aims reflect the purposes Keelman Homes was set up for.

#### *Aims and objectives*

Keelman Homes was set up in July 2009 and we set our aims and objectives for that year to ensure that the foundations were in place to obtain funding for new houses to be built within the Kibblesworth area so that we could meet the objects set within our memorandum of association to provide homes for persons in necessitous circumstances.

Every year we review the aims and objectives set as well as review the activity undertaken in the prior year to ensure that we continue to meet the objects as detailed above.

#### *Our objectives for the previous year*

Our main objectives for the year ended March 2011 were to complete Phase 1 and Phase 2A of the new development at Kibblesworth. We received the first amount of the HCA funding and used this funding to meet the objectives of developing Phase 1 of our programme of works for the Kibblesworth site. This involved the new build of 5 bungalows on a previously vacant site. Phase 2A of the scheme was also started within this year, which involved the decanting of tenants, the demolition of properties and construction of 10 houses. The remaining 5 houses within Phase 2A were completed in 2011/12.

#### *Our objectives for the current year*

Our objectives for the year ended March 2012 were to continue the demolition and rebuild of properties across the Kibblesworth site. We completed Phase 2A, 2B and 2C and all properties were handed over during the year. Phase 3 was started and a number of properties were completed and handed over before the year end. In total we were handed 39 properties during 2011/12, which makes overall 50 properties which have been completed and handed over to end March 2012.

We drew down part of the loan provided by Gateshead Council during the year to continue to fund the development programme at Kibblesworth. We drew the loan in two separate loan amounts of £1.5m, combining to make a total loan to date of £3m. The remaining £1.5m will be drawn down during 2012/13. The interest rate payable on the loan is the consolidated rate of interest at the date of draw down.

### **Achievement and performance**

Keelman Homes has been set up to enable the development of new homes in Kibblesworth in Gateshead.

Planning permission was received from Gateshead Council to build almost 150 new homes within the Kibblesworth Estate.

The Airey homes were built in the 1940s as a short-term measure as the cost to bring them up to the Government's Decent Homes Standard would have been excessive.

Keelman Homes will now replace these existing properties with new homes to create a more sustainable estate. Keelman Homes appointed construction firm Keepmoat PLC to redevelop the 11.4 acre site at the Kibblesworth Estate.

## **Report of the Board** *(continued)*

### **Achievement and performance** *(continued)*

A number of the estate's prefabricated 'Airey' properties have been demolished during 2011/12 and the remaining properties will be demolished during 2012/13.

The scheme, which is supported by the Homes and Communities Agency and Gateshead Council, will create 81 new affordable homes to rent for existing residents, plus 54 additional homes for sale.

In addition, 13 homes will be offered for 'shared ownership' - a unique and flexible way for first-time buyers to get on the housing ladder. First-time buyers can purchase a minimum 25% share of the property and pay rent on the remaining share of the property. They can then increase their share in the property by 'staircasing', which is purchasing additional shares in the property at a minimum of 10%.

Keelman Homes Board approved the appointment of Keepmoat PLC at its Board meeting on 9 September 2009 to demolish the existing Council owned Airey Houses at Kibblesworth and develop a mixed tenure scheme to include 81 properties for rent and 13 properties for shared ownership.

At its meeting on 21 January 2010, the Board received confirmation of the company being awarded charitable status and agreed the Management Agreement between TGHC and Keelman Homes.

The HCA grant and the loan from Gateshead Council were confirmed and approved in January 2010. The first 75% of the HCA grant was received by Keelman Homes in June 2010, with the remaining 25% for Phase 1 and Phase 2 of the grant being received in November 2011. Part draw down of the loan was completed in May 2011 and February 2012. The remaining loan will be drawn down in 2012/13.

The programme of work was split into Phases. Phase 1 consists of the build of 5 bungalows and Phase 2 consists of 24 houses, 7 bungalows and 4 disabled bungalows. Phase 1 was completed in 2010/11, as well as 6 properties from Phase 2, the remaining 29 properties in Phase 2 were completed during 2011/12. Phase 2 also consisted of 5 properties for sale by the contractor Keepmoat PLC.

The remaining phases of the development - Phase 3 and Phase 4 began during 2011/12. Ten properties in Phase 3 were completed and handed over in 2011/12. The remaining 22 properties from Phase 3 will be completed in 2012/13. The final nine rented properties in Phase 4 will also be completed in 2012/13, as well as the 13 shared ownership properties. Phase 3 has 24 properties for sale and Phase 4 has 25 properties for sale by Keepmoat.

Overall a total of 50 properties are now being managed by the housing company on our behalf. The remaining demolition and build continues on the site.

Also during 2011/12, Beamish Museum were offered a block of four Airey houses from Coltspool. Beamish agreed and the homes will become part of a new 1950's era in a typical north eastern post-war urban development. The block is being painstakingly deconstructed, loaded onto pallets and transported to Beamish. The whole deconstruction project will be completed by late June 2012.

### **Financial review**

Keelman Homes began trading in April 2010 once the HCA grant was received. Payments have been made to the contractor Keepmoat PLC on valuations based on the work carried out.

The HCA grant was invested in accordance with our investment policy and through review of our expected cashflow required to pay the contractor and any other miscellaneous supplies.

The Gateshead Housing Company manages the properties on behalf of Keelman Homes in accordance with the management agreement. They collect the rent and any service charges associated with the properties and pass this income over to Keelman Homes. They are paid a management fee for this activity.

## **Report of the Board** *(continued)*

### **Financial review** *(continued)*

#### *Principal funding sources*

The principal funding sources for the building of the new homes at Kibblesworth is HCA Grant and a loan from Gateshead Council.

Once the properties are built and are let, the principal funding sources will be from the rental income and service charge income for these properties.

#### *Investment policy*

We received 75% of the HCA grant in advance of the build and this was invested in fixed term deposit accounts for the period between receipt and expenditure. Part of the loan was drawn down from the Council in 2011/12 and was invested in short and long term investments in accordance with our cashflow targets. These investments are made in fixed term accounts through our bank manager.

#### *Reserves policy*

Our reserves policy will be further developed once the properties owned by the Charity are fully constructed and occupied, however, the reserves in relation to the new build has been built into the expenditure in relation to the contract. We believe that we have secured funding sufficient to cover the costs of the new build properties and to allow a £500,000 reserve to be retained at the end of the project as a contingency fund. This will be shown within reserves.

In relation to the reserves required once properties are let, we will develop a reserves policy based on a month's rent per property per year.

#### *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.

### **Future plans**

During the next year Keelman Homes will complete the build of the new homes at Kibblesworth which will consist of a further 31 new homes which will be let to tenants - these properties will be let to the current social housing tenants of the Kibblesworth properties which are being demolished to make way for the new build properties and to tenants according to Gateshead Council's lettings policy.

Keelman Homes will also complete the build of 13 shared ownership properties which will be advertised to first time buyers as a way to get on the property ladder. Shared ownership is part of a government funded part-buy/part-rent scheme to help first-time buyers to become home owners. First-time buyers could initially purchase between 25% and 75% of one of the new homes and pay rent on its remaining share.

The Gateshead Housing Company will be managing these homes on a day-to-day basis once the tenants move into the newly built properties. The Gateshead Housing Company will also be managing the shared ownership properties, ensuring that valuations are received when necessary.

### **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.

The Company has a main Board which is suitable for all current activity; we continue to review our governance arrangements to ensure the needs of the organisation are being met effectively.

## **Report of the Board** *(continued)*

### **Disclosure of information to auditor**

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

In line with the statutory requirements for a limited company, a copy of these accounts will be filed with Companies House.

### **Auditors**

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 board's report was approved on 9 August 2012 and signed by:

By order of the Board.

**Brian Kelly**  
*Chairman of Trustees*

Keelman House  
Fifth Avenue Business Park  
Fifth Avenue  
Team Valley Trading Estate  
Gateshead  
Tyne and Wear  
NE11 OXA

9 August 2012

## **Statement of Trustees' responsibilities in respect of the Report of the Board and the Financial Statements**

The Trustees are responsible for preparing the Boards Annual Report and the financial statements in accordance with applicable law and regulations.

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

Under company law the Trustees 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 charitable company and of the excess of income over expenditure for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 charitable company will continue its activities.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable 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 charitable company and to prevent and detect fraud and other irregularities.



## KPMG LLP

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

### **Independent auditor's report to the members of Keelman Homes Limited**

We have audited the financial statements of Keelman Homes Limited for the year ended 31 March 2012 set out on pages 11 to 18. 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 charitable 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 charitable 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 charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of trustees and auditor**

As explained more fully in the Statement of Trustees' Responsibilities set out on page 8, the trustees (who are also the directors of the charitable company for the purposes of company law) 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](http://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 charitable company's affairs as at 31 March 2012 and of its incoming resources and application of resources, including its income and expenditure, 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 Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information in the Boards Annual 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 Keelman Homes 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:

- the charitable company has not kept adequate accounting records 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 trustees' 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

2012

**Statement of financial activities (incorporating income and expenditure account)**  
*for the year ended 31 March 2012*

	<i>Note</i>	Unrestricted funds General funds 2012 £	Restricted Fixed asset funds 2012 £	Total funds 2012 £	Total funds 2011 £
<b>Incoming resources</b>					
<b>Incoming resources from generated funds</b>					
Investment income	2	5,615	-	5,615	15,554
<b>Incoming resources from charitable activities</b>					
Provision of social housing	3	124,387	550,000	674,387	6,334,867
<b>Other incoming resources</b>					
		-	-	-	1,981
<b>Total incoming resources</b>		<b>130,002</b>	<b>550,000</b>	<b>680,002</b>	<b>6,352,402</b>
<b>Resources expended</b>					
Charitable activities	4	7,200	499	7,699	1,511
Other resources expenses	4	7,211	166,014	173,225	29,924
Governance costs	5	5,000	-	5,000	4,500
<b>Total resources expended</b>		<b>19,411</b>	<b>166,513</b>	<b>185,924</b>	<b>35,935</b>
<b>Net incoming resources and net movement in funds for the year</b>		<b>110,591</b>	<b>383,487</b>	<b>494,078</b>	<b>6,316,467</b>
<b>Reconciliation of funds</b>					
Total funds brought forward		16,600	6,299,867	6,316,467	-
<b>Total funds carried forward</b>	<i>11</i>	<b>127,191</b>	<b>6,683,354</b>	<b>6,810,545</b>	<b>6,316,467</b>

All of the above results are derived from continuing activities.

The charitable company has no recognised gains or losses other than those stated above.

**Balance sheet**  
*at 31 March 2012*

	<i>Note</i>	<b>2012</b>		2011	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7		<b>8,929,868</b>		5,856,738
			<hr/>		<hr/>
<b>Current assets</b>					
Debtors	8	<b>73,790</b>		12,847	
Cash at bank and in hand		<b>1,172,811</b>		984,931	
			<hr/>	<hr/>	
<b>Creditors:</b> amounts falling due within one year	9	<b>1,246,601</b>		997,778	
		<b>(458,708)</b>		(538,049)	
			<hr/>	<hr/>	
<b>Net current assets</b>			<b>787,893</b>		459,729
<b>Creditors:</b> amounts falling due after more than one year	10		<b>(2,907,216)</b>		-
			<hr/>		<hr/>
<b>Net assets</b>			<b>6,810,545</b>		6,316,467
			<hr/> <hr/>		<hr/> <hr/>
<b>Charity Funds</b>					
Restricted funds	11		<b>6,683,354</b>		6,299,867
General funds	11		<b>127,191</b>		16,600
			<hr/>		<hr/>
Total funds			<b>6,810,545</b>		6,316,467
			<hr/> <hr/>		<hr/> <hr/>

These financial statements on pages 11 to 17 were approved by the Trustees on 9 August 2012 and were signed on their behalf by:

**Brian Kelly**  
*Chair of Trustees*

Registered company number: 06972673

## **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***

These financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with the Companies Act 2006 and the Statement of Recommended Practice: 'Accounting and Reporting by Charities' (SORP 2005) issued in March 2005 and applicable accounting standards.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Report of the Board on pages 1 to 7.

The company's primary supplier is Keepmoat PLC with whom they have a construction contract until 31/03/2013 which is funded through a Homes and Communities Agency grant and a loan from Gateshead Council. As a consequence the trustees believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the trustees have a reasonable expectation that the company has 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.

#### ***Company status***

The Charity is a company limited by guarantee. The Trustees are those named on page 1. In the event of the Charity being wound up, the liability in respect of the guarantee is limited to £10 per Trustee.

#### ***Fund accounting***

Restricted funds are funds subject to specific restrictive conditions imposed by donors. Grant income received from the Homes and Communities Agency has been designated as restricted income to be used for the development of new properties on the Kibblesworth site only. Income received from the letting of properties and any other income received by Keelman Homes is held as unrestricted income general. Loan income has not yet been received during the year, however, this will be designated as unrestricted income.

The purpose and use of the restricted funds are also set out in note 11.

#### ***Resources expended***

All expenditure is recognised on the accruals basis. Where costs cannot be directly attributed they have been allocated to activities on a basis consistent with use of the resources.

All income and expenditure is shown in the Statement of Financial Activities.

#### ***Governance costs***

Governance costs include those costs incurred in the governance of the charity and are primarily associated with statutory requirements.

**Notes** *(continued)*

**1 Accounting policies** *(continued)*

***Tangible fixed assets and depreciation***

Freehold properties, other than properties in the course of construction, are stated at cost and depreciated over their useful economic life, which is estimated to be 50 years.

Additions and disposals are recognised when all contractual obligations have been met. The costs of minor additions and those costing below £1,000 are not capitalised.

***Donated land***

Donated land is recognised at valuation at the point of transfer. No depreciation is provided on this land.

***Taxation***

The Charity is a registered charity and as such is exempt from taxation on profits or capital gains.

**2 Investment income**

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total 2012 £	Total 2011 £
Bank and other interest	5,615	-	5,615	15,554
	<u>5,615</u>	<u>-</u>	<u>5,615</u>	<u>15,554</u>

**3 Incoming resources from charitable activities**

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total 2012 £	Total 2011 £
Homes and communities grant	-	550,000	550,000	3,624,000
Donated Land	-	-	-	2,700,000
Rental income	121,718	-	121,718	10,563
Service charge income	2,669	-	2,669	304
	<u>124,387</u>	<u>550,000</u>	<u>674,387</u>	<u>6,334,867</u>

**Notes** *(continued)*

**4 Analysis of expenditure**

	Unrestricted 2012 £	Restricted 2012 £	Total 2012 £	Total 2011 £
<b>Charitable activities</b>				
New build works	-	499	499	1,011
Housing management costs	7,200	-	7,200	500
	<u>7,200</u>	<u>499</u>	<u>7,699</u>	<u>1,511</u>
<b>Other resources expenses</b>				
Depreciation charge	-	93,114	93,114	23,122
Other costs	211	-	211	552
Art project fees	7,000	-	7,000	6,250
Loan interest	-	72,900	72,900	-
	<u>7,211</u>	<u>166,014</u>	<u>173,225</u>	<u>29,924</u>

**5 Governance costs**

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total 2012 £	Total 2011 £
Auditor's remuneration	5,000	-	5,000	4,500
	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>4,500</u>

**6 Net incoming resources**

This is stated after charging:

	2012 £	2011 £
Depreciation of tangible fixed assets owned by the charity	93,114	23,122
Auditor's remuneration	5,000	4,500
	<u>98,114</u>	<u>27,622</u>

During the period, no Trustee received any benefits in kind (2011: £nil) and no expenses were reimbursed to any Trustees.

The charity does not employ any staff directly. The management of homes is undertaken by The Gateshead Housing Company (its ultimate parent) for a management fee as disclosed in note 4.

**Notes** (continued)

**7 Tangible fixed assets**

	Housing properties £	Land £	Assets under construction £	Total £
<i>Cost or valuation</i>				
At beginning of year	1,156,096	2,700,000	2,023,764	5,879,860
Additions	-	-	3,166,244	3,166,244
Transfers	3,499,626	-	(3,499,626)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	4,655,722	2,700,000	1,690,382	9,046,104
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	23,122	-	-	23,122
Charge for the year	93,114	-	-	93,114
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	116,236	-	-	116,236
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
<b>At 31 March 2012</b>	<b>4,539,486</b>	<b>2,700,000</b>	<b>1,690,382</b>	<b>8,929,868</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2011	1,132,974	2,700,000	2,023,764	5,856,738
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**8 Debtors**

	2012 £	2011 £
Trade debtors: Arrears of rent and service charges	100	1,129
Amounts owed by parent undertaking	73,690	11,718
	<hr/>	<hr/>
	<b>73,790</b>	12,847
	<hr/> <hr/>	<hr/> <hr/>

**9 Creditors: amounts falling due within one year**

	2012 £	2011 £
Trade creditors	210,630	364,027
Amounts owed to parent undertaking	181,222	169,522
Accruals	5,000	4,500
Loan	61,856	-
	<hr/>	<hr/>
	<b>458,708</b>	538,049
	<hr/> <hr/>	<hr/> <hr/>

**Notes** *(continued)*

**10 Creditors: amounts falling due after one year**

	2012 £	2011 £
Loan	2,907,216	-
	2,907,216	-

The loan from Gateshead Council is repayable in equal half yearly instalments of £30,928 over 48 years and bears a consolidated rate of interest of 4.86%.

The loan is secured on the Kibblesworth land.

**11 Funds**

	Brought forward £	Incoming resources £	Resources expended £	Carried forward £
<b>General funds</b>				
General funds	16,600	130,002	(19,411)	127,191
	16,600	130,002	(19,411)	127,191
<b>Restricted funds</b>				
Restricted fixed asset fund	3,599,867	550,000	(166,513)	3,983,354
Donation of land	2,700,000	-	-	2,700,000
	6,299,867	550,000	(166,513)	6,683,354
Total restricted funds	6,299,867	550,000	(166,513)	6,683,354
Total funds	6,316,467	680,002	(185,924)	6,810,545

**Restricted funds**

***Donation of land***

This represents the land donated by Gateshead Council to Keelman Homes at nil cost which was brought into the accounts at valuation of £2,700,000.

***Restricted fixed asset fund***

The Homes and Communities Agency grant received to enable the building of 94 homes in Kibblesworth has been recognised as restricted income.

**12 Analysis of net assets between funds**

	General funds £	Restricted funds £	Total £
Tangible fixed assets	-	8,929,868	8,929,868
Current assets	132,191	1,114,410	1,246,601
Creditors due within one year	(5,000)	(453,708)	(458,708)
Creditors due after one year	-	(2,907,216)	(2,907,216)
	127,191	6,683,354	6,810,545
	127,191	6,683,354	6,810,545

## **Notes** *(continued)*

### **12 Related Parties**

Transactions with The Gateshead Housing Company are classed as related party transactions as it has the right to appoint a Trustee to the Board of Keelman Homes. At the year end £181,222 was owed to TGHC (2011:£169,522); and a total of £73,690 was owed by TGHC to Keelman Homes (2011: £11,718).

The ultimate controlling party of The Gateshead Housing Company is Gateshead Council. Gateshead Council donated land valued at £2,700,000 to Keelman Homes in 2010/11.

### **13 Ultimate parent undertaking**

The company is a subsidiary undertaking of The Gateshead Housing Company. The consolidated accounts of the group are available to the public and may be obtained from The Gateshead Housing Company, Keelman House, Fifth Avenue Business Park, Fifth Avenue, Team Valley Trading Estate, NE11 0XA.

### **14 Taxation**

The company is a registered charity. As such it is entitled to certain tax exemptions on income and profits from investments and surpluses on any trading activities carried on in furtherance of the charity's primary objectives provided that these profits and surpluses are applied solely for charitable purposes.

### **15 Agent**

During the year the Charity acted as an agent between Gateshead Council and Keepmoat Plc.

The Charity received £232,524 from Gateshead Council which it was legally bound to pay over to Keepmoat Plc and has no responsibility for their ultimate application.



**Title: Kibblesworth Development Finance Update**

**Report of: TGHC Head of Finance**

### 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.

	<b>Original budget £</b>	<b>Amended Budget £</b>
<b>Funding</b>		
Loan from GMBC	4,500,000	4,500,000
HCA Grant	4,832,000	4,832,000
<b>Forecast Expenditure</b>		
Contractor Build Costs	8,170,000	8,435,060
Contractor Contingency	500,000	234,940
Management Fee	450,000	450,000
Other Adhoc Costs	212,000	212,000
<b>Surplus / (Deficit)</b>	<b>NIL</b>	<b>NIL</b>

4. The original budget has been amended to detail the expected spend on Kibblesworth. The contingency was reduced due to spend required on asbestos removal which was not known at the pricing of the scheme. However, this has not been further reduced since the previous report.
5. A revised cashflow for the project to update on actual costs is included in the Appendix to the report. The cash balance at the end of the first quarter is

highlighted in grey. This cash balance has been kept at a level to ensure that the £300,000 due to Keepmoat in June and July can be paid.

### **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 £3.6million 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 £1.5million. This again was initially invested in short term deposits, before being utilised to cover Keepmoat's invoices.
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. This was utilised to cover the costs of Keepmoat's invoices.
10. We drew down our second tranche of loan on 9 February 2012. We drew down a further £1.5million. 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") and a rate that the Company would not be able to obtain from private lenders. The amalgamated loan is repayable in six monthly intervals from 1 March 2012. The next repayment is due on 1 September 2012.

### **Detailed Expenditure Summary**

11. To date we have paid Keepmoat £6.6m out of the expected total of £8.4million, this includes the payment outstanding in June and July of £300,000.
12. We have also paid Gateshead Council £32,500 to deliver the art work at the site and Kibblesworth School £2,500 to deliver a mural for the site. We have also paid £11,600 towards the offsite play area at Kibblesworth.

### **Impact on tenants**

13. 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**

14. The risk of interest rate fluctuations has been removed by fixing the interest rate when the loans are taken out.
15. The attached forecast shows that we will maintain a positive cashflow throughout the life of the development.

### **Financial Implications**

16. The financial implications are contained within the report and Appendix, a contingency of £234,940 is included in the budget to deal with any unforeseen areas of expenditure.

### **Equality and Diversity Implications**

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

### **Health Implications**

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

### **Value for Money implications**

19. The preferential loan terms and conditions represent value for money for Keelman Homes. The interest payable on the loan will be 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 to date has been fixed at 4.86%.

### **Environmental Implications**

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

### **Consultation carried out**

21. None directly for this report.

### **Recommendations**

22. The Board is asked to note
- (i) the revised cashflow forecast for the Kibblesworth development;
  - (ii) the actions taken by the Acting Chief Executive (TGHC) to ensure that surplus balances generate interest at no risk to the underlying capital received.

Actual Income	£	2010/11				2011/12				2012/13				2013/14				Total
		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	
HCA Grant	4,832,000	3,624,000					550,000					440,000		218,000				4,832,000
Loan	4,500,000				1,500,000	7,785	8,604	8,746	38,445	29,981		1,500,000						4,500,000
Rent and Benefit Payments																		93,561
Investment - returns			1,480,000	3,795,000	2,790,000	700,000	1,150,000	1,050,000	200,000				200,000	854,000				12,219,000
Interest Receivable			3,151	1,250	11,154	1,549	3,241	682	144									21,170
	<b>9,332,000</b>	3,624,000	1,483,151	3,796,250	2,801,154	2,209,333	1,161,845	1,609,428	1,738,589	29,981	-	440,000	1,500,000	418,000	854,000	-	-	<b>21,665,731</b>
<b>Actual Spend</b>	<b>£</b>																	
Investments		-2,969,000	-1,000,000	-3,000,000	-2,000,000	-1,450,000		900,000	-				-900,000					-12,219,000
Loan Repayment									103,828		103,076		102,235		101,573		100,822	511,534
5% Management Fee	450,000														450,000			450,000
Other Costs	212,000				375	6,311	137	2,550		26,200	60,899		67,515			48,013		212,000
FHM Contingency	234,940														234,940			234,940
FHM	8,435,060	-650,123	-475,067	-805,693	-723,364	-759,694	-984,765	-703,771	-870,260	-304,139	-446,952	-435,774	-353,979	-559,429	-362,050			8,435,060
	<b>9,332,000</b>	-3,619,123	-1,475,067	-3,805,693	-2,723,739	-2,216,005	-984,902	-1,606,321	-974,088	-330,339	-610,927	-435,774	-1,423,729	-559,429	-1,148,563	-48,013	-100,822	<b>-22,062,534</b>
<b>Actual Cumulative Cashflow</b>	<b>-</b>	<b>4,877</b>	<b>12,961</b>	<b>3,518</b>	<b>80,932</b>	<b>74,261</b>	<b>251,204</b>	<b>254,311</b>	<b>1,018,811</b>	<b>718,454</b>	<b>107,527</b>	<b>111,753</b>	<b>188,024</b>	<b>46,595</b>	<b>-247,968</b>	<b>-295,981</b>	<b>-396,803</b>	<b>396,803</b>

Actual Income	£	2010/11				2011/12				2012/13				2013/14				Total
		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	
HCA Grant	4,832,000	3,624,000					550,000					440,000		218,000				4,832,000
Loan	4,500,000				1,500,000	7,785	8,604	8,746	38,445	29,981		1,500,000						4,500,000
Rent and Benefit Payments																		93,561
Investment - returns			1,480,000	3,795,000	2,790,000	700,000	1,150,000	1,050,000	200,000				200,000	854,000				12,219,000
Interest Receivable			3,151	1,250	11,154	1,549	3,241	682	144									21,170
	<b>9,332,000</b>	3,624,000	1,483,151	3,796,250	2,801,154	2,209,333	1,161,845	1,609,428	1,738,589	29,981	-	440,000	1,500,000	418,000	854,000	-	-	<b>21,665,731</b>
<b>Actual Spend</b>	<b>£</b>																	
Investments		-2,969,000	-1,000,000	-3,000,000	-2,000,000	-1,450,000		900,000	-				-900,000					-12,219,000
Loan Repayment									103,828		103,076		102,235		101,573		100,822	511,534
5% Management Fee	450,000														450,000			450,000
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	<b>9,332,000</b>	-3,619,123	-1,475,067	-3,805,693	-2,723,739	-2,216,005	-984,902	-1,606,321	-974,088	-330,339	-610,927	-435,774	-1,423,729	-559,429	-1,148,563	-48,013	-100,822	<b>-22,062,534</b>
<b>Actual Cumulative Cashflow</b>	<b>-</b>	<b>4,877</b>	<b>12,961</b>	<b>3,518</b>	<b>80,932</b>	<b>74,261</b>	<b>251,204</b>	<b>254,311</b>	<b>1,018,811</b>	<b>718,454</b>	<b>107,527</b>	<b>111,753</b>	<b>188,024</b>	<b>46,595</b>	<b>-247,968</b>	<b>-295,981</b>	<b>-396,803</b>	<b>396,803</b>



**Title:** Kibblesworth Regeneration Update

**Report of:** TGHC Acting Chief Executive

### **Purpose of Report**

1. To provide the Board with an update regarding the progress on site and highlight any issues that have come to light since the previous update

### **Background**

2. The Airey properties are a system built property type with a reinforced concrete frame and concrete slab external cladding. Structural surveys at Kibblesworth have highlighted defects in the reinforced concrete frame compromising the structural integrity of the properties.
3. Following an options appraisal of the houses and the area overall, along with consultation with the residents, it was decided that the best option was demolition and reprovion of new homes that were suitable for modern living.
4. Extensive consultation has been carried out with the tenants and the wider area throughout the process. Planning permission for the new properties was achieved on 15 January 2010 and the approved constructor ("Keepmoat") started on site on 29 March 2010.

### **Summary**

5. The table below summarises the progress made to date on each of the phases for the social rented stock:

Phase 1	5	Fully Occupied
Phase 2a	15	Fully Occupied
Phase 2b	20	Fully Occupied
Phase 3a	15	Fully Occupied
Phase 3b	9	Fully Occupied

Phase 3c	8	Properties completed handovers anticipated within four weeks
Phase 4	9	Demolition underway completion of properties programmed for 31 <sup>st</sup> March 2013
	<b>81</b>	

6. In addition, there are 13 properties due to be completed within Phase 4 which will be marketed as Shared Ownership properties. Marketing has started on these properties and a number of customers have contacted Keelman Homes stating their interest in these properties. These potential customers will be assessed by Isos (the HomeBuy Agent approved by Central Government for the North East Region) to ensure they are eligible for shared ownership. These properties are expected to be complete between December 2012 and February 2013.
7. In addition to this:
- Of the 54 Keepmoat sales properties they have sold 25 and have reservations on 20 with only 9 still available.
  - The Public Art is being led by Gateshead Council's art team. Artists have been appointed for several individual pieces of work.

### **Impact on Tenants**

8. All tenants who have requested to continue to live in Kibblesworth have been given priority.

### **Financial Implications**

9. So far home loss payments have been made to 88 tenants, this equates to £413,600 less any outstanding debt due to rent arrears, water rates, Council tax arrears, or any other court costs or rechargeable repairs. Disturbance payments of £32,199 have also been made to pay for out of pocket moving expenses. These payments are made by the Council.
10. Within the above figures we have had to pay ten tenants twice due to them being in a temporary decanted property for over 12 months.
11. The cumulative value of works carried out by Keepmoat to date is £6,901,486 which is inclusive of the latest valuation. All valuations will be paid less 5% retention. It has been agreed to release half of the allocated retention at completion of each phase, with the balance being released after 12 months.
12. We have agreed a maximum contract value of £8,435,060. This figure may however still change due to the addition or omission of specified items.

### **Risk Management Implications**

13. 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 Keelman Homes properties by 31<sup>st</sup> March 2013 which is in line with grant conditions.

### **Value for Money Implications**

14. Regular meetings are held with Keepmoat to ensure value for money is achieved on all solutions.

### **Equality and Diversity Implications**

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

### **Health implications**

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

### **Consultation Carried Out**

17. Keepmoat and the TGHC Housing Management team are in regular contact with affected tenants on an individual basis regarding the current phases.

### **Recommendation**

18. The views of the Board are sought as to whether they are satisfied with the progress made to date.