



## **Board of Directors**

Thursday, 2 October 2014 at 10am

To be held in Room S21 at Gateshead Civic Centre,

Regent Street, Gateshead

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 14 July 2014.
4.	<b>Matters Arising</b>
5.	<b>Report of the Board and Financial Statement</b> Report of TGHC Managing Director
6.	<b>Management Accounts – First Quarter 2014/15</b> Report of TGHC Head of Corporate Services
7.	<b>Annual General Meeting</b> Report of Company Secretary
8.	<b>New Build and Development Update</b> Report of TGHC Director of Customers and Communities
9.	<b>Date and Time of Next Meeting</b> Thursday, 20 November 2014 at 12.30pm in Room S21 at Gateshead Civic Centre, Regent Street, Gateshead

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**(Company number: 06972673)**

Minutes of meeting of the Board of Directors held in the Board Room at Keelman House, Fifth Avenue Business Park, Team Valley, Gateshead on Monday, 14 July 2014 at 12.30pm

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**Present:**

**Ordinary Trustees**

Brian Kelly (Chair)  
Joanne Carr  
Anne Connolly  
Paul Foy  
Linda Hitman  
Peter Mole  
Hannah Shepherd

**In attendance**

Jon Mallen-Beadle (Company Secretary and TGHC Managing Director)  
Neil Bouch (TGHC Director of Customers and Communities)  
Natalie Hewitt (TGHC Head of Corporate Services)  
Phil Gallagher (TGHC Head of Investment and Development)  
Julie McCartney (TGHC Head of Neighbourhood Services)  
Stuart Gibson (TGHC Governance and Risk Officer)

**1 DECLARATIONS OF INTEREST**

No interests were declared.

**2 MINUTES**

The minutes of the meeting of Keelman Homes held on 14 April 2014 was approved as a correct record.

**3 KIBBLESWORTH UPDATE**

The Board received an update a year on from the completion of the new build development at Kibblesworth and issues that have come to light since the previous update.

Through the programme, 81 new affordable rented properties were completed and have been let. 11 of the 13 shared ownership properties have completed and been sold. The 54 Keepmoat properties that were earmarked for private sale have all been sold.

All art work on the estate has been completed and details of these were reported.

The properties in the last phase of the development to complete are covered by Keepmoat's 24 month new build warranty and the final property is covered until January 2016.

All of the play equipment on and off site is installed with maintenance and upkeep being provided by Gateshead Council's fixed play team. A 10 year agreement was put in place in 2013 for the ongoing maintenance and upkeep of the play equipment and grass areas within the estate.

Following a nomination by Gateshead Council's Building Control section, the scheme has recently won the LABC Construction Excellence, in the category of best social or affordable housing development. It will now be entered into the National final as regional winners.

In addition, Kibblesworth was one of three schemes shortlisted in the Best New build Category of the NFA Awards which take place as part of the NFA Annual Conference later in July.

RESOLVED – That the Kibblesworth update be noted.

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

The next meeting of Keelman Homes will be held on Wednesday, 17 September 2014 at 2pm in Room S21, Gateshead Civic Centre.

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

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

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

The next meeting of Keelman Homes will be held on Wednesday, 17 September 2014 at 2pm in Room S21, Gateshead Civic Centre.

#### **7 NEW BUILD UPDATE**

The Board received an update on the current two phases of new build activity for Keelman Homes and confirmation of the outline grant bid that was submitted to the Homes and Communities Agency (HCA) for the forthcoming Affordable Homes Programme (2015-18).

As previously reported to the Board, 15 Units are currently being developed in this phase of works, utilising developers' grant and working in partnership with Esh Construction Services.

The re-built unit at 73 Marian Court, Teams, which had previously been the site of a one bed bungalow, has now transferred into Keelman Homes ownership. The property was completed in June, three months ahead of schedule and has been advertised with an affordable rent set at £75.92 per week. The development at Felling Library is currently on site with the transfer of the sites at Strathmore Road and Kirkwood Gardens recently confirmed. Initial site set up at Strathmore Road has been established and this site will follow on from the Felling site in sequence.

All properties in this Phase of works are expected to be complete within the current financial year to comply with HCA grant conditions.

As previously reported, Phase 2 of the new Build programme proposes to provide 29 units across two sites in the West of the borough at the former Lonnen Sheltered Scheme site and a cleared garage site on the Runhead Estate.

Works at the Lonnen commenced at the beginning of June with a draft programme targeting completion in early 2015. The site will include a mix of social rents (14 units) and private sales (6 units).

Following extensive site investigation works, the intention is to continue with the original proposal to deliver nine affordable rented units on the Runhead site. The commencement of works on site has been postponed until October 2014 due to the need to re-route an electrical diversion. Galiford Try Have indicated that although a delayed start on site will potentially mean that this development does not complete by the end of March 2015, they are in discussion with the HCA about the grant conditions to ensure that grant is not put at risk.

The Board received a presentation at the April meeting on an outline bid submission in relation to the above. The bid was submitted prior to the end of April and following discussions with the HCA. The unit numbers in the final bid have reduced significantly from those detailed in the presentation.

Having discussed the various sites and proposals at length with the local HCA, it was recommended that due to uncertainties about the programming of the Clasper Village and Bleach Green regeneration sites, that these should not feature in the bid as firm schemes but should be approached via the continuous market engagement route once a developer has been identified via Gateshead Council.

Discussions with the HCA have indicated that there is likely to be an opportunity to consider further sites as and when they become available through continuous market engagement. Work is ongoing to look at additional sites.

The intention is to apply for Affordable Homes Guarantees borrowing to finance future developments and a separate application for funding will need to be submitted once the outcome of the grant bid is known. It is expected that successful bidder will be notified by the end of July.

RESOLVED – That the update on the new build programme be noted.

## 8 EMPTY HOMES ROUND – UPDATE

The Board received an update on the Empty Homes Programmes that are currently being delivered – the Empty Homes Programme and the Purchase and Repair Scheme.

The target for Empty Homes Leasing Programme is to bring a total of 30 empty properties back into use between April 2012 and March 2015.

The programme had been behind schedule in the third quarter of 2013/14. The take up had slowed due to the high level of renovation costs required to bring properties up to a lettable standard. Additionally, the properties coming forward had not been the type originally envisaged, but were ones where the owners had been unable to sell or able to fund the renovations themselves. The average cost for these properties was significantly above the anticipated £8,000 grant per property.

The Council met with the Homes and Communities Agency (HCA) to review the deliverability of the programme and presented a business case to increase the average allocation per property. On 6 January 2014, the HCA confirmed that a further allocation of £189,090 would be awarded increasing the average award per property to £14,500.

The overall allocation for the current programme has been increased from £245,910 to £435,000. This increase in budget has enabled 10 properties to be completed in 2013/14, with a further five where work is in progress or about to start. There are 10 potential properties waiting to sign the leasing agreement and agree the levels of work required. Effectively this leaves only five more properties to be identified to reach the target of 30 by March 2015.

With regard to the purchase and repair programme, the following progress has been made on properties purchased to date: -

- 81 Hertford (1 bed flat) – The property is located in the Chowdene Ward and was let on 21 April 2014.
- 7 Mallory Place (2 bed House) – The property is located in the Bridges Ward and investment works have now been completed. The property is currently being valued (as per HCA grant conditions) to determine market and subsequently affordable rent level.
- 124 Knightside Gardens (1 bed flat) – The property is located in the Dunston Hill and Whickham East Ward. Property currently receiving works prior to being let.
- 17 Keats Walk, (1 bed flat) – The property is located in the Bridges Ward. The property was scheduled to receive a boiler and heating distribution system with anticipated completion in mid-July.
- 16a Brearley Way, (Shop conversion to 1 bed flat) – Property has not transferred to Keelman Homes ownership yet but works being undertaken ahead of this through design and build scheme with Gateshead Council's Property Services and Local Environmental Services. Estimated completion for conversion works mid-August.

A bid has been submitted to HCA to continue both schemes between 2015-18. The results of the bids will be announced in July 2014.

- RESOLVED –
- (i) That progress made with regard the purchase of the five empty properties be noted.
  - (ii) That progress on the Empty Homes Private Leasing Scheme be noted.
  - (iii) That the Board receive updates on empty homes activity at future meetings.



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

**Report of: TGHC Managing Director**

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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 2014.

### **Background**

2. The report of the board and financial statements will be presented to the Annual General Meeting. There is another report on this agenda proposing that this be held on 20 November 2014.
3. The report of the board and financial statements are for the financial year 1 April 2013 to 31 March 2014. This is the fourth full financial year in which trading activity has taken place within Keelman Homes.
4. In previous years the report of the board and financial statements has been produced following the format set out in the Statement of Recommended Practice: Accounting and Reporting by Charities issued in March 2005. This year we have changed to reporting under the Statement of Recommended Practice: Accounting for Registered Social Housing Providers.
5. As part of this change we have had to restate the comparative financial statements for 2012/13 within this year's accounts.

### **Report of the Board**

6. The Report of the Board must now follow the format as set out in the Statement of Recommended Practice: Accounting for Registered Social Housing Providers, which was updated in October 2010. It must also comply with the Accounting Direction for Private Registered Providers of Social Housing 2012.
7. 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 2014, including the structure, governance and managements arrangements in place, the objectives and activities of Keelman Homes and the achievement and performance in year, as well as highlighting future activities.

## **Financial Statements**

8. The Financial Statements for the year ended 31 March 2014 are included in the appendix to this report.
9. The financial result for the period was a surplus of £69,000 (2013: £34,000 deficit). The surplus was mainly generated by the income from the sales of the shared ownership properties at Kibblesworth, which generated a surplus of £159,000.
10. The Financial Statements show total reserves on the balance sheet at £2,730,000 (2013: £2,661,000). This includes the land value for Kibblesworth and the increase in reserves from the income and expenditure account of £69,000.
11. As these accounts have been prepared under the Statement of Recommended Practice (SORP): Accounting for Registered Social Housing Providers we have applied the principles of the SORP including component accounting for fixed assets. The prior year figures have also been restated as a comparative following the change in accounting policy.
12. 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**

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

## **Risk Management Implications**

14. 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**

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

## **Equality and Diversity Implications**

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

## **Health Implications**

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

## **Value for Money implications**

18. Regular financial monitoring and control will ensure efficiencies are maximised and then utilised in the most appropriate manner.



## **Environmental Implications**

19. 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**

20. No direct consultation has been carried out in relation to this report.

## **Recommendations**

21. The Board is recommended to:
- approve the Report of the Board and Financial Statements for the year ended 31 March 2014;
  - 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

31 March 2014

# Appendix 1

Keelman Homes Limited  
(a company limited by guarantee and not having a share capital)  
Report of the Board and Financial Statements  
31 March 2014

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**Reference and administrative details**

<b>Charity Reference Number</b>	1133321
<b>Company Reference Number</b>	06972673
<b>Registered Provider Number:</b>	4647
<b>Registered Address</b>	Civic Centre Gateshead Regent Centre Gateshead NE8 1JN
<b>Trustees</b>	Richard Armitage (ALMO Trustee) – resigned 31 December 2013 Joanne Carr (ALMO Trustee) - appointed 1 January 2014 Paul Foy (Council Trustee) Peter Mole (Council Trustee) Brian Kelly (Ordinary Trustee) Linda Hitman (Ordinary Trustee) Hannah Shepherd (Ordinary Trustee) Anne Connelly (Ordinary Trustee)
<b>Secretary</b>	Jon Mallen-Beadle
<b>Management Team</b>	Day-to-day management has been delegated to The Gateshead Housing Company
<b>Auditor</b>	KPMG LLP Quayside House 110 Quayside Newcastle upon Tyne NE1 3DX
<b>Banker</b>	The Co-operative Bank 1 <sup>st</sup> Floor, Norfolk House 90 Grey Street Newcastle upon Tyne NE1 6BZ
<b>Solicitor</b>	Gateshead Metropolitan Borough Council Civic Centre Regent Street Gateshead NE8 1HH

## Report of the Board

The Board present their report and financial statements for the period ended 31 March 2014.

### Principal activities

The principal activity of the Company is the development of affordable housing. The company has entered into a management agreement with The Gateshead Housing Company to manage the day-to-day operation of the contractor who will build the new homes and to manage, maintain and improve the properties once built.

### Review of business

Keelman Homes has been set up to enable the development of affordable housing in Gateshead.

#### Kibblesworth Redevelopment

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 and the cost to bring them up to the Government's Decent Homes Standard would have been excessive.

The scheme, which was supported by the Homes and Communities Agency and Gateshead Council, created 81 new affordable homes to rent mainly for existing residents, plus 54 additional homes for sale. In addition, 13 homes will be offered for 'shared ownership'. The scheme was completed during 2013.

The quality of the scheme and the work undertaken in Kibblesworth was recognised in the recent National Federation of ALMO awards where it was successful in winning the Best New Build Scheme.

#### Further new build

Work has commenced this year on the construction of more affordable housing. In partnership with Esh Construction Services and Galliford Try, Keelman Homes is building 38 new affordable homes for rent plus 6 homes for sale over six sites.

#### Managing properties on behalf of other registered providers

In addition to the development of new affordable housing Keelman Homes has also entered into agreements with a group of registered properties not based in Gateshead to manage their properties on behalf of them.

### 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.

### 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.

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 auditor is 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 auditor is aware of that information.

**Report of the Board** *(continued)***Corporate governance** *(continued)*

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

**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.

During the year there was a significant change in the membership of Keelman Homes with The Gateshead Housing Company resigning and the current trustees of Keelman Homes being appointed as members.

As a subsidiary of The Gateshead Housing Company, Keelman Homes was precluded from applying for funding from the Homes and Communities Agency (HCA) affordable homes guarantee programme.

Changing the membership of Keelman Homes allows it access to new potential funding resources from the HCA or the private sector, and with this there is the potential to increase the amount of new affordable housing that Keelman Homes is able to deliver.

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 Managing Director 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.

Brian Kelly retires by rotation and, being eligible, offers himself for re-election.

**Report of the Board** *(continued)***Recruitment and appointment of Trustees** *(continued)*

The Charity's work focuses on the build of new homes 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.

**Organisational structure**

Keelman Homes has a Board made up of 7 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 acts as a managing agent for Keelman Homes in its day-to-day operations including taking responsibility 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.

**Our aims and objectives***Purposes and aims*

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

- (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;

## Report of the Board *(continued)*

### Our aims and objectives *(continued)*

- (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;
- (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.

### Ensuring our work delivers our aims

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 year*

Our objectives for the year ended March 2014 were as follows:

- Complete the regeneration of Kibblesworth
- Look to engage with developers to build further new affordable housing within Gateshead
- Look to provide housing management services on behalf of other registered providers within Gateshead

### Achievement and performance

During the financial year ended 31 March 2014 Keelman Homes completed the regeneration of Kibblesworth and started to build further new affordable homes at a number of sites within Gateshead. The regeneration at Kibblesworth was completed on time and within budget.

### Financial review

Payments have been made to our development partners based on valuations of 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 our partners 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 and are paid a management fee for carrying out these services.



## Report of the Board *(continued)*

### Principal funding sources

The principal funding sources for the building of our new homes are HCA Grants and loans 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.

### 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 have 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.

### Future plans

Keelman Homes will continue to progress opportunities to develop further around its three strategic objectives as follows:

- Look to engage with developers to build further new affordable housing within Gateshead
- Look to provide housing management services on behalf of other registered providers within Gateshead
- Look to purchase empty properties within Gateshead

The progress of these objectives is closely linked to ensuring value for money is achieved.

### Auditor

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

By order of the Board.

**Brian Kelly**  
*Chairman of Trustees*

Civic Centre  
Regent Centre  
Gateshead  
NE8 1JN

2014

## **Statement of the Board of Trustees' responsibilities in respect of the Report of the Board and the financial statements**

Under charity law, the Board of Trustees is responsible for preparing the Board of Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of the surplus or deficit for that period.

In preparing these financial statements, the Board of Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the recommendations of the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the trust deed, 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 association will continue in business.

The Board of Trustees is responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the association at that time and enable the Board of Trustees to ensure that its financial statements comply with the Charities Act 2011, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. The Board of Trustees has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the association 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 2014. 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 association's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008, section 144 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the association'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 association and the association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Board of Trustees and auditor**

As more fully explained in the Statement of Trustees' Responsibilities set out on page 7 the association's Board of Trustees is responsible for the preparation of financial statements which 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 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the association as at 31 March 2014 and of its surplus for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Charities Act 2011, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

**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.

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

2014

## Appendix 1

Keelman Homes Limited  
(a company limited by guarantee and not having a share capital)  
Report of the Board and Financial Statements  
31 March 2014

### Income and expenditure account for the year ended 31 March 2014

	<i>Note</i>	<b>2014</b> <b>£000</b> <b>£</b>	Restated 2013 £000 £
<b>Turnover</b>		<b>841</b>	314
Cost of sales	3	(347)	-
Operating costs		(216)	(170)
		<hr/>	<hr/>
<b>Operating surplus</b>	4	<b>278</b>	144
Interest payable	5	(209)	(178)
		<hr/>	<hr/>
<b>Surplus/(deficit) for the year</b>	10	<b>69</b>	(34)
		<hr/> <hr/>	<hr/> <hr/>

All results derive from continuing activities.

# Appendix 1

Keelman Homes Limited  
(a company limited by guarantee and not having a share capital)  
Report of the Board and Financial Statements  
31 March 2014

## Balance sheet at 31 March 2014

	<i>Note</i>	<b>2014</b> <b>£000</b>	<b>£000</b>	Restated 2013 £000	£000
<b>Fixed assets</b>					
Housing properties – gross cost	6		<b>10,758</b>		10,636
Less:					
Social housing grant			<b>(4,862)</b>		(4,614)
Depreciation			<b>(223)</b>		(122)
			<hr/>		<hr/>
			<b>5,673</b>		5,900
<b>Current assets</b>					
Debtors	7	<b>157</b>		209	
Cash at bank and in hand		<b>1,311</b>		1,343	
		<hr/>		<hr/>	
		<b>1,468</b>		1,552	
<b>Creditors:</b> amounts falling due within one year	8	<b>(207)</b>		<b>(494)</b>	
		<hr/>		<hr/>	
<b>Net current assets</b>			<b>1,261</b>		1,058
<b>Creditors:</b> amounts falling due after more than one year	9		<b>(4,204)</b>		(4,297)
			<hr/>		<hr/>
<b>Net assets</b>			<b>2,730</b>		2,661
			<hr/> <hr/>		<hr/> <hr/>
<b>Reserves</b>					
Revaluation reserve	10	<b>2,700</b>		2,700	
Income and expenditure account	10	<b>30</b>		(39)	
			<hr/>		<hr/>
			<b>2,730</b>		2,661
			<hr/> <hr/>		<hr/> <hr/>

These financial statements on pages 11 to 18 were approved by the Trustees on  
signed on their behalf by:

2014 and were

**Brian Kelly**  
*Chair of Trustees*

**Hannah Shepherd**  
*Trustee*

Registered company number: 06972673

**Notes***(forming part of the financial statements)***1 Accounting policies**

The financial statements have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice (SORP): Accounting for Registered Social Housing Providers Update 2010 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012.

A summary of significant accounting policies is set out below.

***Basis of accounting***

The financial statements are prepared under the historical cost convention. As the company is a wholly owned subsidiary of Gateshead Council, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Gateshead Council, within which this company is included, can be obtained from the address given in note 13.

***Going Concern***

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 2 to 6.

The company meets its day-to-day working capital requirements through the current account held with Gateshead Council, which is cash positive at the year end. The company meets its development programme requirements through a combination of grant and debt funding. Note 9 to the accounts highlights the current level of debt and the repayment terms.

The current economic conditions create uncertainty over the longer term availability of grant and loan finance. The company's forecasts and projections show that the company should be able to continue to operate within the level of its current facilities and no matters have been drawn to its attention to suggest that future funding may not be forthcoming on acceptable terms.

After making enquiries, the Board has 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.

***Turnover***

Turnover represents all rental and service charge income receivable and proceeds from the first tranche of sales of shared ownership properties.

***Taxation***

The company is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by chapter 3 part II of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

***Housing properties***

Housing properties are initially recorded at cost, less applicable grants

Freehold land is not depreciated.

Freehold properties, other than properties under construction, are depreciated so as to write down the cost, less estimated residual value, on a straight line basis. Individual components are depreciated over their expected useful life as follows:-

Roof	50 years	Structure	100 years
Heating systems	40 years	Bathroom	30 years
Electrics	30 years	Kitchen	20 years
Windows and external doors	25 years	Gas boiler	15 years

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

All properties are reviewed for impairment annually in accordance with FRS 11, and when it is deemed they have suffered a permanent diminution in value, the fall in value is recognised after taking account of any related capital grants.

Costs of improvement works to existing properties are only capitalised when there is a demonstrable enhancement of the economic benefits of the asset.

Donated land is included at its valuation on donation. Land is not depreciated.

Housing properties in the course of construction are stated at cost and not depreciated.

***First tranche shared ownership sales***

The company has adopted the accounting treatment in the SORP 2010 under which the costs of shared ownership properties are split between fixed and current assets. The value taken to current assets is the total costs to date of unsold shared ownership properties multiplied by the estimated proportion of the properties that will be sold in the first tranche sales. The remaining costs are included in fixed assets so that any subsequent sale is treated as a disposal or part disposed of a fixed asset.

***Social Housing Grant***

Where developments have been financed wholly or partly by Social Housing Grant, the cost of those developments has been reduced by the amount of the grant receivable. On disposal of properties which have been financed wholly or partly by Social Housing Grant, the grant may become repayable but only as a junior unsecured debt. Social Housing Grant in respect of properties in the course of construction is shown as a current liability to the extent that it has not yet been absorbed by expenditure.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the properties into their intended use.

***Repairs, planned maintenance, major repairs***

The costs of day to day repairs are included in operating expenses, together with expenditure incurred on minor improvements. Non-Social Housing Grant funded major improvements, together with the non-qualifying element of Social Housing Grant assisted major repairs, are charged to capital.

**2 Prior year adjustments**

The comparative figures for 2013 have been restated following the company's registration with the Homes & Communities Agency, which requires the adoption of the SORP: Accounting for Registered Social Housing Providers Update 2010 (the SORP). The company has applied the principles of this SORP including component accounting for its social housing properties and in the accounting treatment of social housing grant. Accordingly, the cost, depreciation and social housing grant in respect of housing properties have been restated due to the two changes in accounting policy required under the SORP.

The SORP requires component accounting to be applied to housing properties. The effect of this change in accounting policy is to reduce the depreciation charge by £10,000 (2013: £35,000) and further details are shown in notes 1 and 6.

The SORP requires social housing grant to be capitalised and released over the period in which the structure of the related schemes is to be depreciated. The net effect of this change in accounting policy is to reduce turnover by £200,000 (2013: £405,000) and to reduce net book value of fixed assets by £4,752,000 (2013: £4,552,000).

The SORP requires certain changes to be made to the presentation of income and expenditure account and balance sheet in addition to the changes described above. The net effect of the above restatements is to reduce net assets by £4,676,000 (2013: £4,485,000).



# Appendix 1

Keelman Homes Limited  
(a company limited by guarantee and not having a share capital)  
Report of the Board and Financial Statements  
31 March 2014

## Notes (continued)

### 3 Surplus on sale of shared ownership land and properties

	2014 £000	2013 £000
Proceeds on sale	506	-
Less: cost of sales	(347)	-
	<hr/>	<hr/>
Surplus on sale of shared ownership land and properties	159	-
	<hr/> <hr/>	<hr/> <hr/>

### 4 Operating surplus/(deficit)

Surplus/(deficit) on ordinary activities is stated after charging:

	2014 £000	Restated 2013 £000
Depreciation of tangible fixed assets owned by the charity	101	98
Auditor's remuneration	7	5
	<hr/> <hr/>	<hr/> <hr/>

During the period, no Trustee received any benefits in kind (2013: £nil) and no expenses were reimbursed to any Trustees.

The charitable company does not employ any staff directly. The management of homes is undertaken by The Gateshead Housing Company (the company's parent undertaking) for a management fee as disclosed in note 12.

### 5 Interest payable

	2014 £000	2013 £000
On loan from Gateshead Council	209	178
	<hr/> <hr/>	<hr/> <hr/>

# Appendix 1

Keelman Homes Limited  
(a company limited by guarantee and not having a share capital)  
Report of the Board and Financial Statements  
31 March 2014

## Notes (continued)

### 6 Tangible fixed assets

	<b>Rented housing properties</b> £000	<b>Land</b> £000	<b>Shared ownership housing properties</b> £000	<b>Housing properties in the course of construction</b> £000	<b>Total</b> £000
<b>Cost or valuation</b>					
At 1 April 2013 (restated)	6,316	2,700	-	1,620	10,636
Additions	30	-	-	92	122
Transfers	905	-	715	1,620	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014	7,251	2,700	715	92	10,758
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
At 1 April 2013 (restated)	122	-	-	-	122
Charge for the year	94	-	7	-	101
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014	216	-	7	-	223
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Social housing grant</b>					
At 1 April 2013 (restated)	4,614	-	-	-	4,614
Additions	248	-	-	-	248
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014	4,862	-	-	-	4,862
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
<b>At 31 March 2014</b>	<b>2,173</b>	<b>2,700</b>	<b>708</b>	<b>92</b>	<b>5,673</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 April 2013 (restated)	1,580	2,700	-	1,620	5,900
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### Number of units under management

	<b>2014 Number</b>	2013 Number
<b>Under development at end of year</b>		
Rented units	15	9
Shared ownership units	-	13
<b>Under management at end of year</b>		
Rented units	87	73
Shared ownership units	13	-
	<hr/> <hr/>	<hr/> <hr/>

# Appendix 1

Keelman Homes Limited  
(a company limited by guarantee and not having a share capital)  
Report of the Board and Financial Statements  
31 March 2014

## Notes (continued)

### 7 Debtors

	2014 £000	2013 £000
Trade debtors: Arrears of rent and service charges	25	2
Less: provision for bad debts	-	-
Shared ownership properties held for sale	85	-
Amounts owed by parent undertaking	47	207
	<u>157</u>	<u>209</u>

### 8 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	57	193
Amounts owed to parent undertaking	8	202
Accruals	49	6
Loan from Gateshead Council (see note 9)	93	93
	<u>207</u>	<u>494</u>

### 9 Creditors: amounts falling due after one year

	2014 £000	2013 £000
Loan from Gateshead Council	4,204	4,297

The loan from Gateshead Council is repayable in equal half yearly instalments of £46,717 over 48 years and accrues interest at 4.59%.

The loan is secured on the Kibblesworth land and housing properties.

### 10 Reserves

	Revaluation reserve £000	Income and expenditure account £000	Total £000
At beginning of year (as restated)	2,700	(39)	2,661
Surplus for the year	-	69	69
	<u>2,700</u>	<u>30</u>	<u>2,730</u>

**Notes** *(continued)***11 Transactions as agent**

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

The Charity received £nil (2013: £433,926) from Gateshead Council which it was legally bound to pay over to Keepmoat Plc and has no responsibility for the ultimate application of these funds. None of this amount was outstanding at the balance sheet date (2013: £nil).

**12 Related parties**

Transactions with The Gateshead Housing Company (TGHC) 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 £8,451 was owed to TGHC (2013: £202,345); and a total of £47,316 was owed by TGHC to Keelman Homes (2013: £206,349).

The ultimate controlling party of Keelman Homes Limited is Gateshead Council.

**13 Ultimate parent undertaking**

The company is a subsidiary undertaking of The Gateshead Housing Company, which is wholly owned by Gateshead Council. The consolidated accounts of the group headed by Gateshead Council are available to the public and may be obtained from Civic Centre, Regent Street, Gateshead, NE8 1HH. This is the only group in which the company's results are consolidated.

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

26 September 2014

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Keelman Homes Limited (“the Association”), for the year ended 31 March 2014, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the state of the Association’s affairs as at 31 March 2014 and of its surplus or deficit for the financial year then ended;
- ii. whether the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- iii. whether the financial statements have been prepared in accordance with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

These financial statements comprise the balance sheet as at 31 March 2014, the statement of financial activities for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

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

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

### **Financial statements**

1. The Board has fulfilled its responsibilities, as set out in the terms of the audit engagement dated 15 February 2010, for the preparation of financial statements that:
  - give a true and fair view of the state of the Association’s affairs as at the end of its financial year and of its surplus or deficit for that financial year;
  - have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
  - have been prepared in accordance with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

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

2. Measurement methods and significant assumptions used by the Board in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which FRS 21 *Events after the balance sheet date* requires adjustment or disclosure have been adjusted or disclosed.
4. In respect of the restatement of the prior year balances which are required as a result of the adoption of the National Housing Federation Housing SORP 2010 and the Accounting Direction for Private Registered Providers of Social Housing 2012, the Board confirms that the restatement is appropriate.

### **Information provided**

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

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

8. The Board has disclosed to you all information in relation to:
  - (a) Fraud or suspected fraud that it is aware of and that affects the Association and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and
  - (b) allegations of fraud, or suspected fraud, affecting the Association's financial statements communicated by employees, former employees, analysts, regulators or others.
9. The Board has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

10. The Board has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with FRS 12 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
11. The Board has disclosed to you the identity of the Association's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with FRS 8 *Related Party Disclosures*.
12. The Board confirms that:
  - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Association's ability to continue as a going concern as required to provide a true and fair view.
  - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Association to continue as a going concern.

This letter was tabled and agreed at the meeting of the Board of Trustees on 26 September 2014.

Yours faithfully,

[Chair of Trustees]

[Trustee]

## **Appendix A to the Board Representation Letter of Keelman Homes Limited: Definitions**

### **Financial Statements**

A complete set of financial statements comprises:

- a Balance Sheet as at the end of the period;
- a Income and Expenditure account for the period;
- a Statement of Total Recognised Surpluses and Deficits for the period;
- [a Cash Flow Statement for the period;] and
- notes, comprising a summary of significant accounting policies and other explanatory information.

### **Material Matters**

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

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

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

### **Fraud**

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

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

### **Error**

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

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

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

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



## **Management**

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

## **Related parties**

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

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

## **Related party transaction**

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



## Report to Board of Directors

2 October 2014

**Title: Management Accounts – First Quarter 2014/15**

**Report of: TGHC Head of Corporate Services**

### Purpose of Report

1. To provide the board with an update on the management accounts for the first quarter of the financial year 2014/15.

### Background

2. The board approved the Keelman Homes budget for 2014/15 at its meeting on 16 January 2014, as part of a 5 year financial forecast.
3. The Accounts Team produces quarterly management accounts which detail actual year to date charges, the budget year to date, any variances to budget and a year end forecast. This report has been included in the Appendix to this report.

### Management Accounts

4. The management accounts for the first quarter of the 2014/15 financial year are shown below:

	YTD Actual (£)	YTD Budget (£)	YTD Variance (£)	Annual Budget (£)	Annual Forecast (£)
Income	138,799	148,489	(9,690)	593,957	584,516
Expenditure	123,163	171,281	48,118	685,122	601,754
<b>Surplus/(Deficit)</b>	<b>15,636</b>	<b>(22,792)</b>	<b>38,428</b>	<b>(91,165)</b>	<b>(17,238)</b>

5. The management accounts show Keelman Homes has made a surplus of £15,636 in the first quarter, compared to the expected deficit of £22,792.
6. We are still expecting to make an overall deficit in this financial year however we are now forecasting that the deficit for the year will be reduced to £17,238 compared to the budgeted deficit of £91,165 (a reduction of £73,927).
7. The decrease in the forecasted deficits (both quarter 1 and year end) is mainly due to a decrease in the cost of loan interest repayments required in year. The budget assumes that new loan financing would be taken early in the year and that two new loan repayments would be required, however, we are now forecasting that the loan won't be taken out until later in the year and that only one new loan repayment will be required.

8. Budgets will continue to be carefully monitored, with income and expenditure forecasts made on a prudent basis, until accurate trend analysis can be established.

#### **Impact on tenants**

9. Whilst this report does not impact on tenants directly, appropriate financial monitoring and control will ensure efficiencies are maximised and redirected to services that directly impact on tenants

#### **Risk Management Implications**

10. Regular and accurate monitoring will ensure that that the strategic risk within the business plan (insufficient available financial resources) is effectively controlled.

#### **Financial Implications**

11. The financial implications are contained within the report.

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

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

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

13. Regular financial monitoring and control will ensure efficiencies are maximised and then utilised in the most appropriate manner.

#### **Health implications**

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

#### **Environmental implications**

15. There are no environmental implications arising from this report.

#### **Consultation carried out**

16. There has been no consultation carried out in relation to this report.

#### **Recommendations**

17. The Board is asked whether it is satisfied with the financial management of the revenue budgets for the first quarter of the 2014/15 financial year.

**Keelman Homes  
Management Accounts – June 2014**

### Executive Summary

1. The overall management accounts for the first quarter of the 2014/15 financial year are shown below:

	YTD Actual (£)	YTD Budget (£)	YTD Variance (£)	Annual Budget (£)	Annual Forecast (£)
Income	138,799	148,489	(9,690)	593,957	584,516
Expenditure	123,163	171,281	48,118	685,122	601,754
<b>Surplus/(Deficit)</b>	<b>15,636</b>	<b>(22,792)</b>	<b>38,428</b>	<b>(91,165)</b>	<b>(17,238)</b>

2. The overall surplus at the end of the first quarter is £15,636 against an expected deficit budget of £22,792, giving a positive variance to budget of £38,428.
3. The original budgeted deficit of £91,165 is now expected to reduce by the year end to £17,238, a variance of £73,927. This is mainly due to a decrease in the forecasted cost of loan repayments in year, as it is now likely that only one new loan repayment will be required, rather than the two new loan payments that were originally budgeted for.

### Income

	YTD Actual (£)	YTD Budget (£)	YTD Variance (£)	Annual Budget (£)	Annual Forecast (£)
Rent	92,808	102,378	(9,570)	409,511	399,941
Service Charges	719	858	(139)	3,432	2,876
Shared Ownership Rent	6,981	8,130	(1,149)	32,519	31,370
Mgmt. of other Properties	15,757	15,535	222	62,140	63,028
Bad Debt	-2,048	-2,048	0	(8,190)	(8,190)
Void Loss	-78	-1,024	946	(4,095)	(3,149)
Release of grant funding	24,660	24,660	0	98,640	98,640
<b>Surplus/(Deficit)</b>	<b>138,799</b>	<b>148,489</b>	<b>(9,690)</b>	<b>593,957</b>	<b>584,516</b>

4. Rental income received for Keelman Homes properties is currently £9,570 less than the budget for the first 3 months and is forecasted to remain under budget by the end of the year. The reduction in rent is due to 3 of the Empty Homes Initiative properties not yet being let. The budget assumed that all of the properties would be let for the full year.
5. Service charge income is less than budget year to date by £139 and is forecasted to be £556 less than budget by the year end. This decrease is due to fewer tenants than budgeted requesting discretionary services such as the gardening scheme and community alarms, for which they must pay a service charge.
6. Shared ownership rent is currently £1,149 less than budget and we have forecasted that income for the year end will remain less than budget. The budget assumed all 13 properties would be sold by the start of the year and we would receive a full year's rental income, however only 10 had been sold at the start of the year. Further sales have been completed in April and July with the final property awaiting completion of sale.

7. The income for management of other properties is a management fee we receive for managing properties that belong to other organisations. The fee is based on a percentage of the net rent and is currently £222 greater than the budget. This is due to some properties coming under management earlier than we had assumed in the budget. If further properties are handed across earlier then the income received may be even greater, but we have taken a prudent view in the forecast that all future properties will be handed across as per the timescale used when setting the budget.
8. We have kept the bad debt provision at the budgeted level, which was 2% of the annual rental income. At this point, we see no need to increase or reduce this provision, however we will continue to monitor the level of arrears and adjust this provision if necessary going forward.
9. Void rent loss for the first quarter has only been £78 against a budget of £1,024. We have prudently forecasted that the void rent loss will be on budget for the remaining months of the year, giving a total loss by the year end of £3,149. It is likely that voids will remain low however and high demand for the new properties should see the void rent loss be lower than the currently forecasted figure by the year end.
10. The grant funding relates to Homes and Communities Agency (HCA) funding we have received for the new build properties at Kibblesworth and for the purchase and repair of properties through the Empty Homes Initiative. All HCA funding has been received for the Kibblesworth properties. We have received partial funding for the Empty Homes properties and expect to receive the remaining funding by the end of the year.

## Expenditure

	YTD Actual (£)	YTD Budget (£)	YTD Variance (£)	Annual Budget (£)	Annual Forecast (£)
Loan Interest Repayments	51,240	92,155	40,915	368,618	286,418
Repair Costs	130	3,301	3,171	13,204	10,033
Void Costs	0	3,301	3,301	13,204	9,903
Management Fee	4,800	4,800	0	19,200	19,200
Depreciation	63,283	63,283	0	253,133	253,133
Legal Costs	518	3,075	2,557	12,300	12,300
External Audit	1,366	1,366	0	5,463	5,463
Shared Ownership sale costs	1,500	0	(1,500)	0	4,000
Bank Charges	25	0	(25)	0	100
Leasehold Service Charges	301	0	(301)	0	1,204
<b>Surplus/(Deficit)</b>	<b>123,163</b>	<b>171,281</b>	<b>48,118</b>	<b>685,122</b>	<b>601,754</b>

11. Loan interest repayments are agreed amounts for the duration of the loan. The next payment is due in September 2014 and a further payment is due in March 2015. When setting the budget we had forecast that the draw down on the new additional loan in 2014/15 would be made early in the year and therefore two repayments would be required in year on this new loan. We are now forecasting that the drawdown will not be until after the first repayment date in September and therefore only one repayment will be made in the year on the new loan. We have reduced the forecast to £286,418 taking this in to consideration.
12. Repair costs for the first quarter are only £130, which is £3,171 under budget. We have prudently forecasted that the next 9 months will come in on budget, however as many items will still be under warranty and the properties should remain in good

condition, it is possible that further savings could be made from this budget by the year end.

13. We have not incurred any costs for void works in Keelman Homes properties in the first quarter. We have forecasted that the next 9 months will come in on budget giving a £3,301 saving for the year. Due to the low void levels at these properties however, and the general condition of the properties, further savings may be made on this budget by the year end.
14. The management fee was agreed at a price per property for The Gateshead Housing Company to manage all of the Keelman Homes properties. We have assumed the properties currently being built will be completed as per the timescales used in setting the budget and therefore the cost will be as budget.
15. The forecast for the depreciation is shown as budget. Once the new build properties currently under development have been completed, and we know the actual final build cost of the properties, we will be able to update the figure to the exact amount. There may also be some scope to review the depreciation policy, which is currently 2%, in consideration of the condition and life cycle of the new properties.
16. In the first quarter we have incurred £518 of legal costs which relate to the sale of a shared ownership property. Although the first quarter spend is under budget, we are forecasting spend at the year end will be on budget. We are expecting further legal charges later in the year from Gateshead Council who only raise Legal Services recharges to Keelman Homes twice a year.
17. As a limited company, Keelman Homes must have its accounts externally audited each year. We have accrued the cost of external audit based on the budget as the exact fee will not be agreed until near year end when planning begins with KPMG for the auditing of the accounts.
18. In order to assist in the sales of the remaining shared ownership properties we have employed the services of an estate agent, Reeds Rains, to advertise the properties on our behalf. On completion of any sale we have to pay them a commission for that sale. During the first quarter, we sold one property and have a further two to sell which may incur commission charges of £4,000 should they both be sold through Reeds Rains.
19. We have also incurred some minor bank charges for making CHAPS payments that were required when Keelman Homes purchased land at The Lonnen, one of the new build sites. Whilst we try to minimise using CHAPS as a payment method to avoid these extra costs it is not always possible.
20. Three of the properties that Keelman Homes purchased as part of the Empty Homes Initiative were former Gateshead Council properties located in a low rise block, meaning we have only purchased the leasehold of the property and not the freehold. As a leaseholder, we have to pay annual services charges to Gateshead Council to cover the shared areas of the building. The current forecast is based on the estimated service charge invoice we have received. We will receive an adjusted actual service charge invoice in the following financial year once all the costs are known.



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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 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. Since Keelman Homes was established, the Gateshead Housing Company (TGHC) has been the sole member of the Charity. As such it had the right to attend general meetings (including the AGM) and exercise all the rights which are reserved to the general members of a company.
4. Keelman Homes Board, TGHC Board and Gateshead Council agreed a report in February 2014 changing the governance structure of Keelman Homes. This has effectively resulted in the ownership of Keelman Homes transferring from TGHC to Keelman Homes' trustees. The new governance arrangements have subsequently been confirmed by the Charities Commission, Companies House and the Homes and Communities Agency (HCA).
5. As such, this means that the AGM is a meeting of Keelman Homes with themselves (the trustees).

### **Timetable**

6. The AGM must be held in the calendar year 2014, not more than 15 months after the last AGM. The last AGM was held on 21 November 2013, therefore the AGM must be held no later 31 December 2014.

### **Business to be transacted**

7. 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;

### **Annual General Meeting**

8. The annual report of the Trustees of the company, together with the audited accounts, will be presented to this meeting for approval by the Board of trustees.
9. 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 20 October 2014.
10. The next scheduled meeting after the Board Meeting in September is on 20 November 2014. It is proposed therefore that the AGM be held immediately after this meeting.
11. The normal company practice is for the Chair of Keelman Homes Board to preside.

### **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. It is proposed 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.

### **Recommendations**

23. It is recommended that: -
- (i) the report be noted;
  - (ii) the Annual General Meeting be held immediately after the Board Meeting on 20 November 2014.
  - (iii) the proposed arrangements for the retirement and subsequent reappointment of a third of the Ordinary Trustees be agreed;
  - (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: New Build and Development Update**

**Report of: TGHC Director of Customers and Communities**

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### **Purpose of Report**

1. The purpose of this is to:-
  - Provide the Board with an update on the current phases of new build activity for Keelman Homes;
  - Provide an update on the Empty Homes Purchase and Repair programme;
  - Notify the Board of the success in securing grant in line with the recent bid to the Homes and Communities Agency (HCA) for the forthcoming Affordable Homes Programme (2015-18);
  - Seek formal board acceptance of the grant conditions associated with both New Build and Empty Homes Purchase and Repair proposals, and;
  - Seek delegated authority in relation to the negotiation of private sales properties as referenced in this report.

### **Background**

2. Further to previous reports that have been presented to this Board outlining progress against New Build Phases 1 and 2, this report provides a further update on progress since the meeting on 14 July 2014.
3. All proposed sites referred to in this report have been subject to a desktop appraisal which included input from working group members, comprising of officers from TGHC, and Gateshead Council, to ensure the sites met the strategic needs of the Council in terms of housing provision, planning requirements and housing need.

### **Update – Phase 1**

4. There are 15 units currently being developed in this phase of works, utilising developers grant and working in partnership with Esh Construction Services. The sites and proposed property mix are included at Appendix 1.
5. The re-built unit at 73 Marian Court, Teams, which had previously been the site of a one bed bungalow has now transferred into Keelman Homes ownership. The property was completed in June, three months ahead of schedule and has now been advertised and let with an affordable rent set at £75.92 per week.
6. The site was transferred at nil value to Keelman Homes and this property has been built by Local Environmental Services, utilising grant allocation from Esh

Construction Services and the remaining capital for the re-build being provided through capital borrowing, in the same way as all other new units in these current phases of activity.

7. The development at Felling Library is currently on site with an anticipated completion in November. The transfer of the sites at Strathmore Road and Kirkwood Gardens completed in June, again at nil value.
8. Works commenced at the Strathmore Road site in July with foundations in place for the two units on this site and a target completion of November.
9. Similarly works are in progress at the Kirkwood Gardens site, with construction activity commencing in August and a target completion of the six units on the site estimated to be in January 2015.
10. All properties in this Phase of works are expected to be complete within the current financial year to comply with HCA grant conditions.

## **Update - Phase 2**

### ***Lonnen site***

11. Phase 2 of the new build programme proposes to provide 29 units across two sites in the West of the borough at the former Lonnen sheltered scheme site and a cleared garage site on the Runhead Estate.
12. The sites and proposed property mix for these units are shown at Appendix 2. As with the first phase of properties, these units are being financed through a combination of capital loan facility and HCA developers grant. In this phase the construction partner is Galliford Try and they are introducing grant into the schemes.
13. Following planning determination being issued on the Lonnen Site, the works commenced at the beginning of June with a draft programme targeting completion in early 2015. The site will include a mix of social rents (14 units) and private sales (6 units).
14. In relation to the private sales properties, the estimated valuations used in the financial model were agreed with the developer and based on local knowledge, recent sales and valuations of similar type properties and were conservative estimates of what was being achieved at the time the scheme was first proposed.
15. The new build properties are now being marketed via Your Move with initial asking prices of £150,000 for the 3 bed houses and £170,000 for the 4 beds. These prices have increased from what was originally factored into financial projections (£150,000 for 3 bed and £130,000 for 4 bed) to reflect improvements in the market and interest will continue to be monitored over the coming months.
16. In line with requirements set out by the Charities Commission, in order to progress with sales and dispose of land as a non-exempt charity, Keelman Homes needs to:-
  - (a) *obtain and consider a written report on the proposed disposition from a qualified surveyor instructed by the trustees and acting exclusively for the charity,*

- (b) advertise the proposed disposition for such period and in such manner as is advised in the surveyor's report (unless it advises that it would not be in the best interests of the charity to advertise the proposed disposition), and*
- (c) decide that they are satisfied, having considered the surveyor's report, that the terms on which the disposition is proposed to be made are the best that can reasonably be obtained for the charity.*

17. As the properties at the Lonnen are currently being marketed based on the local agents estimated valuation and are attracting some interest, it is recommended that the board delegate authority to negotiate sales to the Managing Director and the TGHC Director of Customers and Communities subject to offers and sales being progressed in line with a qualified surveyor's report.

### **Runhead Site**

18. Extensive site investigation works identified the need for an electrical diversion which has had an impact on the timescale for the programme. Additionally the developer have recently had confirmation from Northumbrian Water that there is a sewerage drain cutting across the site which will either need to be diverted or will compromise the number of units than can be achieved on the site.
19. The service issues identified mean that this scheme will not be able to be delivered within the timescales necessary to achieve HCA grant conditions in the current round of allocation. However, Galiford Try have committed to holding their costs and are exploring the possibility of using grant allocation from their 2015-18 award to supplement the scheme costs.
20. Some contingency sums were built into the original model and subject to receiving revised costs from Galliford Try and confirmation that they can match grant contribution from their 2015-18 allocation, we will re-assess the viability of the scheme to ensure it can continue with the proposed number of units.

### **Empty Homes Purchase and Repair**

21. Further to previous reports, outlining the progress on the acquisition and return to market as affordable rents of five empty homes, utilising HCA grant, board are advised that the fifth and final property in this current programme was scheduled for completion in September, six months ahead of the deadline for compliance with grant conditions and within the original budget.
22. The properties acquired to date and budget breakdown are shown at Appendix 3. The final property purchased through this scheme was 16a Brearley Way, which is a 1 bed ground floor flat in Felling. This unit was a conversion of a previously vacant commercial unit and a tenant with mobility needs, requiring level access accommodation has been identified to take on the tenancy. The proposed affordable rent will be approx. £78 per week.
23. Following award of grant in the 2015-18 allocation for the purchase and repair of a further 18 empty properties, work is under way to identify potential acquisitions and we are discussing with the HCA the possibility of commencing with purchases in advance of April 2015 subject to appropriate properties being available.
24. An audit of the first two properties purchased through this programme in relation to compliance with HCA requirements was carried out towards the end of

September and the outcome and any recommendations arising will be brought to future Board meetings.

### **Future phases and Affordable Homes Programme 2015-2018**

25. The board received a presentation at the April meeting on an outline bid submission in relation to the above.
26. The bid was submitted prior to the end of April and following discussions with the HCA, the prospective units and site mix that were bid for are shown at Appendix 4.
27. Board members will note that the unit numbers in the final bid have reduced significantly from those detailed in the presentation.
28. Having discussed the various sites and proposals at length with the local HCA office, it was recommended that due to uncertainties about the programming of the Clasper Village and Bleach Green regeneration sites, that these should not feature in the bid as firm schemes but should be approached via the continuous market engagement route once a developer has been identified via Gateshead Council.
29. Discussions with the HCA have indicated that there is likely to be an opportunity to consider further sites as and when they become available through continuous market engagement. Work is ongoing to look at additional sites.

### **Next Steps**

30. Following confirmation of the HCA grant, work has commenced to arrange transfer of the confirmed sites to Keelman Homes and the planning determination on each sites will need to be progressed. Pre-application advice was obtained on each of the sites and design suggestions incorporated following discussion with the HCA.
31. Offers to provide capital finance for the confirmed sites are currently being considered and legal and procurement advice is being obtained regarding the appointment and selection of a development partner.
32. Consultation with Portfolio Holder, Ward Members and local residents will be carried out in line with the procedure followed on the current schemes being delivered.
33. Additional sites that may be included in a continuous market engagement application to the HCA will be considered by the cross service working group to identify those which have the potential to be delivered within the 2015-18 programme.

### **Risk Management Implications**

34. In relation to the HCA grant for both phase 1 and 2, the final deadline for completion of the homes is March 2015. Esh Construction Services have provided a programme that shows they will be completing all sites in the final quarter of 2013/14.
35. Having commenced discussions at a later date, the timescales for completion on the phase 2 sites with Galliford Try are much tighter. Galiford have however indicated that they intend to complete the properties on the Lonnen site within the

timescale. Due to service issues outlined above, the Runhead site will not be complete by the end of March but Galliford Try are in discussion with the HCA about ensuring grant for the nine units in this scheme can be confirmed from their 2015-18 allocation.

36. With regard HCA grant on all properties in Phases 1 and 2, the risk to the grant remains with the developers and not with Keelman, therefore there will be no financial risk to Keelman of the completions not being done prior to March 2015, other than the loss in rent and sales opportunities should this occur.
37. A number of development principles have been established to ensure that risks of new build development are mitigated.
38. Each scheme will have its own financial model and there will be no cross subsidy between the sites.
39. Each scheme will provide a minimum projected internal rate of return (IRR) of 5%. The financial model for the Lonnen site has been recalculated to take into account the increase in build costs and the model still achieves the minimum required IRR.
40. Each scheme is expected to demonstrate a positive net present value.
41. The same principles in relation to acquisitions will continue to be applied.

### **Financial Implications**

42. These current phases of the new build programme are being financed through a combination of grant funding and capital borrowing from the council as part of the Councils ongoing Capital programme.
43. Financial projections for the next phases of new build have been made on assumed grant rates and on all schemes the grant confirmed reflects what was included in the bid. Financial modelling will be revisited to take into account actual borrowing rates and revised construction costs, although some assumptions have been included in the financial forecasts to reflect these.
44. The affordable rents on all properties set will be subject to review and revaluation on completion of the schemes.
45. The financial model used for all schemes includes management, repair and improvements costs as well as making an allowance for rent losses.

### **Health and Environmental Implications**

46. We will be working with both developers to ensure they fulfil their Social Responsibility Policy which outlines their commitment to ensuring considerate construction, with minimal disruption and environmental impact.
47. The Tyne and Wear Fire Service have confirmed there is funding available to support the installation of sprinkler systems in all of the units provided through phase 1 and phase 2. We have agreed that on future phases we will look to contribute to the cost of sprinkler installations and discuss match funding arrangements with TWFRS.

48. Through targeting vacant sites that have been previously cleared or currently are covered by properties that are not in use, the proposed schemes will significantly improve the local environment.

### **Equality and Diversity Implications**

49. There are no equality and diversity implications. Any accessibility issues will be considered through the design and build phase.

### **Value for Money implications**

50. Throughout the project we will be working closely with the developers to ensure value for money is being achieved on all aspects and specifications of the build.
51. Selection of a development partner for future phases of work will be carried out through an appropriate procurement procedure to ensure value for money is achieved.

### **Consultation carried out**

52. Briefings have been carried out with Portfolio Holders and Ward Councillors in all wards that will benefit from this activity.
53. All Councillors have received briefings on the project. A series of pre-planning consultation events were carried out in relation to the current activity and this process will be replicated on future phases.

### **Recommendations**

54. The Board is asked to: -
- note the update provided on the new build programme and empty homes purchase and repair programme and comment on how satisfied it is with the progress made to date;
  - confirm acceptance of grant conditions in line with the HCA's offer for the 2015-18 Affordable Homes programme (In relation to both New Build and Empty Homes purchase and repair);
  - delegate authority for the negotiation and acceptance of offers on private sales properties to the managing Director and the Director of Customers and Communities, in consultation with the Chair.

### Phase 1 – Revised Property Mix and Financial Projections

Cost Summary and financial projections based on *Affordable Rents*.

Site	Site mix	Units	Cost per unit	Total Cost	IRR	NPV per unit	Cost to Keelman
Kirkwood Gardens	5x2bed flats 1x1bed flat	6	£109,731.00	£ 658,386	5.11%	385	£538,386
Marion Court	1x 1bed bungalow	1	£89,273	£89,273	5.09%	228	£69,273
Strathmore Road	2x 4bed houses	2	£125,600	£ 251,200	5.29%	1450	£211,000
Felling Library	6x 3bed houses	6	£ 115,038	£690,228	5.77%	3519	£570,228
		15		£1,408,887			£1,388,887

- Note that surplus, Internal Rate of Return (IRR) and Net Present Value (NPV) are all shown on a per property basis, over a 50 year period. The IRR is the rate of return expected to be received on the investment. NPV is a standard economic term which shows the present value of net cash inflows generated less the initial investment.



## Phase 2 – Rental Units

Cost Summary and financial projections based on *Affordable Rents*

Site	Site mix	Units	Cost per unit	Total Cost	IRR	NPV per unit	Cost to Keelman
The Lonnen	6x3bed 8x2bed	14	£115,817	£1,621,451	5.38%	1,697	£1341451.58
Runhead	2x4bed 2x3bed 5x2bed	9	£108,884.68	£979,962.15	6.30%	5,443	£799,962.15
		23		£2601413.73			£2,141,413.73

- Note that surplus, Internal Rate of Return (IRR) and Net Present Value (NPV) are all shown on a per property basis, over a 50 year period. The IRR is the rate of return expected to be received on the investment. NPV is a standard economic term which shows the present value of net cash inflows generated less the initial investment.

In relation to the 6 properties that are proposed to be made available for sale, estimated sales values are as follows:

- 2 x 4 Bed at £150,000
- 4 x 3 Bed at £130,000

These estimates have been made based valuations of similar properties and in consultation with developers, although on completion these values will be determined by the current market and local variances and will be subject to a formal valuation.

### Appendix 3 - Budget Breakdown

Property	Type	Ward	Time Empty	Estimated Affordable Rent Level	Estimated Market Value	Purchase Price	Estimated Investment Costs	Management Fee
81 Hertford, Low Fell	1bedflat	Chowdene	12 months	£83	£55,000	£48,000	£4,000	£2,650
7 Malory Place, Central	2bedhouse	Bridges	30 months	£91	£82,000	£55,000	£16,030	£3,602
17 Keates Walk	1bedflat	Bridges	6 months	£78	£48,000	£41,000	£4,000	£2,300
124 knightside Gardens	1bedflat	Dunston Hill & Whickham East	6months	£78	£65,000	£54,500	£9,500	£3,200
16a Brearley Way	1bedflat	Felling	11 years	£78	TBC	£17,500	£36,000	£2,500

<b>Property</b>	<b>Type</b>	<b>Ward</b>	<b>Total Cost</b>	<b>Loan Used</b>	<b>Loan Remaining</b>	<b>Grant Used</b>	<b>Grant Remaining</b>	<b>Total Remaining</b>
					£200,000		£100,000	£300,000
81 Hertford, Low Fell	1bedflat	Chowdene	£54,650	£44,650	£155,350	£10,000	£90,000	£245,350
7 Malory Place, Central	2bedhouse	Bridges	£74,632	£44,632	£110,719	£30,000	£60,000	£170,719
17 Keates Walk	1bedflat	Bridges	£47,300	£27,300	£83,419	£20,000	£40,000	£123,419
124 knightside Gardens	1bedflat	Dunston Hill & Whickham East	£67,200	£47,200	£36,219	£20,000	£20,000	£56,219
16a Brearley Way	1bedflat	Felling	£56,000	£36,000	£219	£20,000	Nil	£219

## Appendix 4 – Final Bid Submission for 2015-2018 - Affordable Homes Programme

Year 1 - 2015/16		Year 2 - 2016/17		Year 3 - 2017/18	
Site	Units	Site	Units	Site	Units
<i>New Build</i> Heddon View (LES depot)  Malton Green	2 x 2 bed houses 4 x 2 bed Flats  4 x 2 bed bungalows	<i>New Build</i> Malton Green  West Park	9 x 2 bed houses  2 x 2 bedroom bungalows  6 x 3 bed houses (Rent)	<i>New build –purchase</i> Clasper  Bleach Green	30 Units  30 Units  <i>(Both sites withdrawn from bid to pursue through continuous market engagement)</i>
Empty Homes Purchase and repair (Various)	6 units	Empty Homes Purchase and repair (Various)	6 units	Empty Homes Purchase and repair (Various)	6 units
<b>Totals</b>	<b>16 Rented Units</b>		<b>23 Rented Units</b>		<b>6 Rented units</b>

**Bid for grant to support provision of 45 Rented Units in total. Year 3 sites at Clasper and Bleach Green to be revisited via continuous market engagement.**

*n.b. Intention is to build an additional 2 units at West Park for private sale to support finance on this scheme.*