



## **Board of Directors**

Thursday, 21 May 2015 at 12.30pm

To be held in Room S20 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 19 March 2015.
4.	<b>Matters Arising</b>
5.	<b>Management Accounts – Fourth Quarter 2014/15</b> Report of TGHC Head of Corporate Services
6.	<b>10 Year Financial Forecast</b> Report of TGHC Head of Corporate Services
7.	<b>Draft Sales Policy</b> Report of TGHC Director of Customers and Communities
8.	<b>Risk Management Policy</b> Report of TGHC Head of Corporate Services
9.	<b>Internal Audit Report</b> Report of TGHC Head of Corporate Services
10.	<b>Annual Activity Report 2014/15</b> Report of TGHC Managing Director

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Contact: Stuart Gibson Tel: (0191) 433 5308 Date: 15 May 2015

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Item	Business
11.	<b>Date and Time of Next Meeting</b> The next meeting of Keelman Homes will be held on Thursday, 9 July 2015 at 12.30pm in Room S21 at Gateshead Civic Centre, Regent Street, Gateshead
12.	<b>Exclusion of the Press and Public</b>



**(Company number: 06972673)**

Minutes of meeting of the Board of Directors held in at Gateshead Civic Centre, Regent Street, Gateshead on Thursday, 19 March 2015 at 12.30pm

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**Present:**

**Ordinary Trustees**

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

**In attendance**

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)

**Apologies**

Hannah Shepherd

**1 DECLARATIONS OF INTEREST**

No interests were declared.

**2 MINUTES**

The minutes of the meeting of Keelman Homes held on 15 January 2015 were approved as a correct record.

**3 MATTERS ARISING – MANAGEMENT OF THIRTEEN HOUSING GROUP PROPERTIES**

The Board was informed at its last meeting that 34 new build properties at Clavering Court were due to be handed over by March 2015. It was noted that there were still a number of unresolved issues and TGHC Officers did not think that it would be right to take over the management of these properties until these issues had been resolved. The Board felt that this was a sensible approach and

agreed with this course of action. It was also agreed that the Chair would be kept updated of any developments.

#### **4 NEW BUILD AND DEVELOPMENT UPDATE**

The Board received an update on the current phases of new build activity.

Phase 1 is being delivered in partnership with Esh Construction Services and will deliver 15 new affordable units, utilising HCA grant that is being introduced by the developer.

Works are continuing at the Kirkwood Gardens site, with completion of the six units estimated to be 27 March 2015. Properties are expected to be let in April.

Phase 2 of the new build programme initially proposed 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 commenced at the Lonnen Site beginning of June 2014 and the site was expected to be completed before the end of March 2015. Galiford Try has now advised that the site completion is delayed and not likely to be practically completed until late April. Due to the late completion of the 20 properties, a charge of £2,400 per week will be claimed from Galiford Try in line with the penalties for late completion that were included in the contract.

The sales properties are being marketed via Your Move with initial asking prices of £150,000 for the 3 bed houses and £170,000 for the 4 beds.

There have been a number of interested parties in the sales properties, although the agent has advised that feedback has been that potential buyers have indicated they want to see the properties built before committing. Additionally two potential buyers have enquired about the availability of the Help to Buy scheme in relation to these properties.

Further to Board approval at the January 2015 meeting, an application was submitted for Keelman to be registered as a Help to Buy vendor and a draft agreement for the Help To Buy scheme has been received and is currently being considered by Gatetshead Council's Legal Services.

As there are potentially going to be other sales and shared ownership schemes going forward, it is proposed to bring a Sales Policy to the next Board Meeting with a recommendation that any sales properties are progressed in line with the policy and that adherence with the policy is formally adopted as a development principle.

Further to the previous board reports advising that the Runhead scheme had been deferred to be delivered in 2015, discussion have been held with both Galiford Try and the HCA to establish the level of grant can be achieved through the HCA's continuous market engagement process. As the initial preparatory work and planning have been achieved, the indications are that an application for this scheme would be viewed positively as a confirmed, ready to commence development.

Further to discussion with Galiford Try, they have now advised that they are not prepared to deliver the project for the agreed scheme quotation. A revised summary showing just the Lonnen Scheme was submitted.

Discussions have continued with the HCA to agree design and quality standards and to ensure local office support for a submission for grant through continuous market engagement. A grant application for £25,000 per property was submitted on 6 March. This is a higher grant request than was originally being introduced by Galiford Try to reflect the abnormal costs associated with service diversions that have emerged on this site.

Subject to grant being approved through the continuous market engagement route, the scheme is proposed to be delivered as part of a package with the first phase of sites to be included in the 2015-18 programme.

As detailed in previous board reports, grant has been secured to support delivery of a further 28 new build units during the 2015 -18 programme. The signed contract has been received.

Following confirmation of the HCA grant, work has commenced to arrange transfer of the confirmed sites to Keelman Homes and planning applications have been submitted in relation to sites that will be developed in 2015. The Runhead Scheme achieved planning last year. Planning approval was granted for Heddon View and Malton Green in January and March this year respectively.

To ensure that these sites can be delivered in 2015, the Board is being requested to formally agree to the transfer of the sites at Runhead Estate, Heddon View and Malton Green at nil value, subject to grant funding of the Runhead scheme being approved.

Legal and procurement advice has been sought regarding the appointment and selection of a development partner. A number of developers have indicated that the sites are of a scale that would not fit with their business model and as such have excluded themselves from consideration.

The Two Castles Framework that was used to appoint Esh remains valid until December 2015 and they have confirmed they have capacity to deliver further works in 2015-16, once the current phase of new build concludes. Continuing with Esh would provide some continuity and assurance around value for money as framework rates would be honoured.

It is proposed therefore to continue with Esh as the delivery partner for schemes at Heddon View, Malton Green and Runhead Estate during 2015, under the Two Castles Framework. A full financial appraisal of the schemes will be brought to the next Board Meeting when the Runhead Scheme is expected to have been confirmed.

In relation to the next site to be delivered in 2016, work has started on the development of the proposed scheme at West Park.

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. The draft contract for the Empty Homes element of the 2015-18 programme has

not yet been issued but available empty properties are being identified in anticipation of the contract commencing.

- RESOLVED –
- (i) That New Build and Development Update be noted.
  - (ii) That the acquisition of sites at Malton Green and Heddon View at nil value be approved.
  - (iii) That the acquisition of the site at Runhead Estate at nil value be approved, subject to confirmation of the grant funding.
  - (iv) That the continued appointment of Esh Construction as the Keelman Homes delivery partner for the next phase of development be approved, subject to scheme costs being finalised.
  - (v) That financial appraisals for each scheme to be delivered in 2015 be brought to the next Board Meeting.
  - (vi) That a Sales Policy be brought to the next Board Meeting.

## **5 MANAGEMENT ACCOUNTS – THIRD QUARTER 2014/15**

The Board received an update on the management accounts for the third quarter of the financial year 2014/15.

The management accounts show Keelman Homes has made a surplus of £68,776 in the third quarter, compared to the expected deficit of £68,375.

An overall surplus is expected in this financial year of £38,310 compared to the budgeted deficit of £91,165 (a reduction of £129,475). This is mainly due to a decrease in the cost of loan interest repayments required in year.

RESOLVED – That the financial management of the revenue budgets for the third quarter of the 2014/15 financial year be noted.

## **6 5 YEAR FINANCIAL FORECAST**

On 16 January 2014, the Board approved the budget for 2014/15 and was asked to note the estimated budgets for 2015/16 and 2018/19.

Since the budget was set in 2014, there have been some changes to the forecasted activities of Keelman Homes. The company is nearing completion on a programme of new build for 2014/15, with a further programme of new build due to commence in 2015/16. In addition, Keelman Homes has now taken on the management of other properties on behalf of other housing organisations. These activities have had a financial impact and a revised budget has now been set for 2015/16 as part of revised 5 year forecast.

A statement showing the proposed budget for 2015/16 – 2019/20 was submitted.

The overall budget position shows a surplus of £41,521 in 2015/16. The surplus is due to the sales income from the six properties at The Lonnen. Any delays on the

sale of these properties beyond the end of 2015/16 would have a significant impact on the financial position in 2015/16.

The 5 year forecast shows that the company will make a deficit the following year (2016/17), but will produce a surplus from 2017/18 onwards. The reserves held by Keelman Homes will cover the deficit incurred during 2016/17.

RESOLVED – (i) That the revenue budget for 2015/16 be approved.

(ii) That the estimated budgets for 2015/16 to 2019/20 be noted.

## **7 OPERATIONAL RISK REGISTER**

Following completion of the Kibblesworth programme and Keelman Homes now being involved in a number of new developments, the Operational Risk Register has been comprehensively reviewed. The updated register was submitted.

RESOLVED – That the updated Keelman Homes Operational Risk Register be approved.

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

The next meeting of Keelman Homes will be held on Thursday, 21 May 2015 at 12.30pm in Room S20 at Gateshead Civic Centre.



**Title: Management Accounts – Fourth 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 fourth 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 Finance Team produces quarterly management accounts which detail actual year to date charges, the budget year to date and any variances. This report has been included in the Appendix to this report.

### **Management Accounts**

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

	<b>Actual (£)</b>	<b>Budget (£)</b>	<b>Variance (£)</b>
Income	594,224	593,957	267
Expenditure	480,409	685,122	204,713
<b>Surplus/(Deficit)</b>	<b>113,815</b>	<b>(91,165)</b>	<b>204,980</b>

5. The management accounts show Keelman Homes has made a surplus of £113,815 in the fourth quarter, compared to the original budget deficit of £91,165. This is subject to review which will be carried out by the external auditor, KPMG.
6. The positive variance to budget is mainly due to a decrease in the cost of loan interest repayments required in year. The budget assumed that new loan financing would be taken early in the year and that two new loan repayments would be required. The new loan wasn't required to be taken out until October therefore no repayments on the new loan are required.
7. The accounts have also been impacted by the change from producing our statutory accounts under the Charities Statement of Recommended Practice (SORP) to the Housing SORP, in conjunction with our external auditors KPMG. This change in accounting policy was implemented when producing the 2013/14 statutory accounts and has an impact on the management accounts in relation to

depreciation. Component accounting in relation to our fixed assets has now been implemented and this has seen a reduction in the depreciation charge and in the corresponding released grant funding.

### **Impact on tenants**

8. 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**

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

### **Financial Implications**

10. The financial implications are contained within the report.

### **Equality and Diversity Implications**

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

### **Value for Money implications**

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

### **Health implications**

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

### **Environmental implications**

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

### **Consultation carried out**

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

### **Recommendations**

16. The Board's views are sought as to whether it is satisfied with the financial management of the revenue budgets for the fourth quarter of the 2014/15 financial year.

**Keelman Homes  
Management Accounts – March 2015**

**Executive Summary**

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

	<b>Actual (£)</b>	<b>Budget (£)</b>	<b>Variance (£)</b>
Income	594,224	593,957	267
Expenditure	480,409	685,122	204,713
<b>Surplus/(Deficit)</b>	<b>113,815</b>	<b>(91,165)</b>	<b>204,980</b>

2. The overall surplus at the end of the fourth quarter is £113,815 against an expected deficit budget of £91,165, giving a positive variance to budget of £204,980.
3. The positive variance to budget is mainly due to a decrease in the forecasted cost of loan repayments in year, due to not drawing down new loan financing until October. No repayments were therefore due on the new loan compared to the two new loan repayments that were originally budgeted for.

**Income**

	<b>Actual (£)</b>	<b>Budget (£)</b>	<b>Variance (£)</b>
Rent	379,916	409,511	(29,595)
Service Charges	2,741	3,432	(691)
Shared Ownership Rent	30,810	32,519	(1,709)
Mgmt. of Other Properties	89,342	62,140	27,202
Bad Debt	0	(8,190)	8,190
Void Loss	(1,574)	(4,095)	2,521
Shared Ownership Sales	43,375	0	43,375
Release of Grant Funding	49,614	98,640	(49,026)
<b>Surplus/(Deficit)</b>	<b>594,224</b>	<b>593,957</b>	<b>267</b>

4. Rental income received for Keelman Homes properties is £29,595 less than the budget. The reduction in rent is due to three of the Empty Homes Initiative (EHI) properties not being let until during the third quarter. The budget assumed that all of the properties would be let for the full year. The budget also assumed that nine properties at Runhead would be complete and let for three months of this financial year. This did not happen due to site issues, further reducing the rental income.
5. Service charge income is less than budget by £691. 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 £1,709 less than budget. The budget assumed all thirteen properties would be sold by the start of the year and we would receive a full year's rental income, however only ten had been sold at the start of the year. Further sales were completed in April and July, with the final property completing in November.

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 £27,202 greater than the budget. £9,792 is due to some properties that we manage coming under management earlier than we had forecast in the original budget. £9,172 is due to 2013/14 fees that have been transferred from The Gateshead Housing Company (TGHC). The remaining £8,238 is due to fees in relation to EHI properties that had not been included in the budget.
8. The rent arrears for March 2015 have been reviewed and we currently have no need for a bad debt 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 year has only been £1,574 against a budget of £4,095. Void loss was low due to high demand for the new properties.
10. The three remaining shared ownership properties were sold during the 2014/15 financial year. There was a surplus on the sale of these properties of £43,375.
11. 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 EHI. All HCA funding due has now been received for both the Kibblesworth properties and the EHI Properties. Due to the decision to change reporting from the Charities SORP to the Housing SORP, the period over which we release the grant funding has increased from 50 years to 100 years. This is to match the period the structure of the properties are now being depreciated over and means the level of grant funding released this year is half of the budgeted amount.

## Expenditure

	Actual (£)	Budget (£)	Variance (£)
Loan Interest Repayments	203,846	368,618	164,772
Repair Costs	10,639	13,204	2,565
Void Costs	9,833	13,204	3,371
Management Fee	44,824	19,200	(25,624)
Salaries	3,120	0	(3,120)
Depreciation	145,590	253,133	107,543
Legal Costs	13,776	12,300	(1,476)
External Audit	14,381	5,463	(8,918)
Shared Ownership sale costs	4,700	0	(4,700)
Bank Charges	86	0	(86)
Leasehold Service Charges	1,510	0	(1,510)
NNDR	895	0	(895)
Subscriptions	619	0	(619)
CDMC Services	1,800	0	(1,800)
Marketing	500	0	(500)
Consultancy	4,162	0	(4,162)
HCA Audit Fee	895	0	(895)
Planning Fees	16,585	0	(16,585)
Award Ceremonies	400	0	(400)
HCA Grant Funding Fees	2,248	0	(2,248)
<b>Surplus/(Deficit)</b>	<b>480,409</b>	<b>685,122</b>	<b>204,713</b>

12. Loan interest repayments are agreed amounts for the duration of the loan. The first loan repayment was made in September 2014 and a further payment was made 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. The new loan was not actually drawn down until October; therefore no repayments were due in the year on the new loan.

13. Repair costs for the fourth quarter are £10,639, which is £2,565 under budget. Repairs costs were low as many items are still under warranty and the new properties remain in good condition.

14. Void costs are £9,833, which is £3,371 under budget. This cost relates to void works at five properties, including high value works required on one EHI property. (Works were completed at two properties on the Kibblesworth Estate and three EHI properties in total).

15. The management fee was agreed at a price per property for TGHC to manage all of the Keelman Homes properties. This fee has overspent on budget due to the inclusion of Thirteen and EHI properties which had not been included in the budget.

16. The Keelman Homes Finance Manager commenced work at the beginning of March. One month's salary costs have been charged to the management accounts.

17. The depreciation charge is £107,543 under budget. This is due to the implementation of component accounting following the change to reporting under the Housing SORP. Component accounting means that each component of a property

is depreciated over its individual life, rather than the whole property being depreciated at the same rate. The charge for the new build properties has been based on actual costs incurred. This is lower than expected, as a number of properties have not been completed and are therefore classed as assets under construction, which are not depreciated.

18. Keelman Homes has incurred £13,776 of legal costs during the year. These relate to various activities including the sale of a shared ownership property, the purchase of EHI properties and land transfers for the new build sites.
19. As a limited company, Keelman Homes must have its accounts externally audited each year. We have accrued the cost of external audit for 2014/15 based on a quote received from KPMG. This also includes the cost of the corporation tax return. The budget has overspent due to additional costs incurred on the 2013/14 audit. This was due to the work required for the change from the Charities SORP to the Housing SORP and costs in completing a corporation tax return for the first time.
20. In order to assist in the sales of the remaining shared ownership properties at Kibblesworth we employed the services of an estate agent (Reeds Rains) to advertise the properties on our behalf. During the year, the final three shared ownership properties have been sold and incurred commission charges of £4,000. As part of the HCA requirements on sales of shared ownership properties we must get an independent valuation of the properties every three months. Due to the delay in selling the last few properties we had to get the properties revalued at a cost of £150. We have also had the six properties we are planning to sell at the current development on The Lonnen site valued at cost of £550.
21. We have 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 and 16A Brearley Way, an EHI property. Whilst we try to minimise using CHAPS as a payment method to avoid these extra costs it is not always possible. We have also incurred bank charges for an audit report from our bank which KPMG requested as part of the external audit.
22. Three of the properties that Keelman Homes purchased as part of the EHI were former Gateshead Council properties located in a low rise block, meaning we have 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.
23. We have had to pay National Non Domestic Rates (NNDR) for the new build site at Felling Library. When we took ownership of the site the library building was still standing, meaning we were liable for business rates until demolition began.
24. Keelman Homes has subscribed to the North East Chamber of Commerce and the Independent Housing Ombudsman during the year. Both of these subscriptions will be annual costs going forward and have been built in to future year's budgets.
25. Due to a lack of expertise internally, we have had to contract an external company to carry out the Construction Design Management Coordinator (CDMC) role on the new build sites. The cost incurred in 2014/15 for The Lonnen new build site was £1,800.

26. The new build site at The Lonnen contains six properties for sale. In order to promote these properties, we have paid £500 for advance marketing material. Sales are forecast to complete in the next financial year.
27. Consultancy costs relate to advice and guidance received from Judy Mackley, a Housing Funding Consultant, on grant funding issues.
28. We were required by the HCA to carry out a compliance audit this year. The audit has been carried out on the EHI during September/October by an independent consultant for an agreed fee of £895.
29. We have also incurred planning fees in 2014/15 in relation to the new build developments that will start in 2015/16, to the value of £8,335. It has also been necessary to write off planning costs that had previously been capitalised to the value of £8,249. This was in relation to a new build site that will not be pursued.
30. Keelman Homes Kibblesworth Development was nominated and won an award, from the Northern Finals of the Local Authority Building Control Awards, for the best social or affordable new housing development. Winning this award meant we were entered in to the national finals and sent representatives down to London to attend the awards on behalf of the company. The cost of attending the awards was £150 per delegate. The Kibblesworth development also made the shortlist for the Northern Silver Screen Awards, again we sent delegates to represent the company at a cost of £50 per delegate.
31. Other costs of £2,248 relate to a fee to obtain grant funding (via ESH) to contribute towards the cost of rebuilding 73 Marian Court, recruitment costs for the new Lead Officer post and the fee for filing the accounts at Companies House.



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**Title: 10 Year Financial Forecast**

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

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### **Purpose of Report**

1. To provide the Board with a revised budget for 2015/16 and to note the financial forecast for the 10 year period from 2015/16.

### **Background**

2. On 19 March 2015, the board approved the budget for 2015/16 and was asked to note the financial forecast for 2015/16 to 2018/19.
3. Since the budget for 2015/16 was approved, there has been some progress with the forecasted activities of Keelman Homes which affects the budget and the future financial forecasts. These include the agreement of the first 2015/16 loan drawdown with Gateshead Council and a review of corporation tax with the external auditors, KPMG.
4. The Board is therefore asked to review the amended budgets and future forecasts and approve the variations.
5. A statement showing the revised budget for 2015/16 – 2024/25 is attached at the Appendix to this report.

### **Changes to the Budget - Income**

6. The income for the management of other properties has been increased to include the management of the Empty Homes Initiative properties on behalf of Gateshead Council. There are now 19 properties being managed, generating an income of £9,500 per annum.

### **Changes to the Budget – Expenditure**

7. The first loan drawdown has now been agreed with Gateshead Council for 2015/16 and it is forecast that a second loan drawdown will be required later in the year. The original budget assumed that a loan of £3m would be taken in April 2015, however only £1.5m was required. Due to the change in the timing of loan drawdowns, this has reduced the number of interest payments required in 2015/16 and the budget has been amended accordingly.

8. The original budget for 2015/16 assumed that the interest rate on loans from Gateshead Council would be 4%, as per previous loans. However, the most recent loan drawdown rate is 4.25%, which has increased the interest payments required in year. The forecasted budget assumptions in future years have also been updated to use the higher rate of 4.25% going forward.
9. As per the management agreement between TGHC and Keelman Homes, the management fee has been budgeted for at an annual cost of £200 per property. Costs totalling £31,160 in relation to the management of properties on behalf of Thirteen Group and the Empty Homes Initiative properties have now been included in the budget for 2015/16 and future years.
10. As a private limited company, Keelman Homes must have its accounts externally audited each year. The fees for 2014/15 have now been agreed with the external auditor, KPMG, and assumptions have been updated for future years. An additional cost of £2,994 now needs to be included in the budgets in relation to corporation tax and accounts tagging, which will also be carried out by KPMG.
11. The sale of properties on the open market will incur corporation tax, as this is not classed as “primary purpose trading” to attain the charities tax exemption. We are expecting to sell 6 properties at The Lonnen in 2015/16 and 4 properties at West Park in 2017/18. The budget has been updated to include corporation tax at 20% on the sales surplus for these properties. Further guidance has been requested from our external auditors, KPMG, in relation to our corporation tax liabilities.

### **Changes to Budget – overall**

12. The revised budget position shows a surplus of £67,864 in 2015/16. The surplus is due to the sales income from the properties at The Lonnen. Any delays on the sale of these properties beyond the end of 2015/16 would have a significant impact on the financial position in 2015/16.
13. The 10 year forecast shows that the company will make a deficit in the following 4 years (2016/17 to 2019/20) but will return to surplus from 2020/21. The reserves held by Keelman Homes will cover the deficit in these years.

### **Impact on tenants**

14. 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**

15. Regular and accurate monitoring will ensure that that the strategic risk within the business plan (insufficient available financial resources) is effectively controlled.
16. Progress on the sale of properties at The Lonnen will be closely monitored to reduce the risk of slippage into the next financial year.

### **Financial Implications**

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

### **Equality and Diversity Implications**

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

### **Value for Money implications**

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

### **Health implications**

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

### **Environmental implications**

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

### **Consultation carried out**

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

### **Recommendations**

23. The Board is asked to:
- approve the revised budget for 2015/16;
  - note the forecasts for 2016/17 to 2024/25.

## Keelman Homes 10 Year Forecast

## APPENDIX

Budget	10 Year Forecast									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£	£	£	£	£	£	£	£	£	£
<b>Income</b>										
Rent	531,266	718,791	798,393	838,933	857,390	876,253	895,530	915,232	935,367	955,945
Service Charges	2,982	3,047	3,114	3,183	3,253	3,325	3,398	3,472	3,549	3,627
Shared Ownership Rent	36,545	37,349	38,171	39,011	39,869	40,746	41,642	42,559	43,495	44,452
Management of Other Properties	87,684	89,613	91,584	93,599	95,658	97,763	99,913	102,111	104,358	106,654
Bad Debt	-10,625	-14,376	-15,968	-16,779	-17,148	-17,525	-17,911	-18,305	-18,707	-19,119
Void Loss	-5,313	-7,188	-7,984	-8,389	-8,574	-8,763	-8,955	-9,152	-9,354	-9,559
Release of Grant Funding	56,040	58,320	59,520	59,520	59,520	59,520	59,520	59,520	59,520	59,520
Sales Surplus	208,000	0	61,702	0	0	0	0	0	0	0
<b>Total Income</b>	<b>906,578</b>	<b>885,557</b>	<b>1,028,533</b>	<b>1,009,078</b>	<b>1,029,968</b>	<b>1,051,318</b>	<b>1,073,138</b>	<b>1,095,437</b>	<b>1,118,228</b>	<b>1,141,519</b>
<b>Expenditure</b>										
Staff and Overheads	-102,500	-105,063	-107,689	-110,381	-113,141	-115,969	-118,869	-121,840	-124,886	-128,008
Loan Interest Repayments	-299,266	-463,407	-484,091	-479,635	-475,179	-470,724	-466,268	-461,812	-457,357	-452,901
Repair Costs	-17,835	-23,639	-26,168	-27,816	-28,511	-29,224	-29,955	-30,704	-31,471	-32,258
Void Costs	-17,835	-23,639	-26,168	-27,816	-28,511	-29,224	-29,955	-30,704	-31,471	-32,258
Management Fee	-56,375	-63,773	-67,629	-70,644	-72,410	-74,220	-76,076	-77,978	-79,927	-81,925
Depreciation	-248,556	-269,498	-280,807	-280,807	-280,807	-280,807	-280,807	-280,807	-280,807	-280,807
Legal Costs	-13,579	-13,919	-14,267	-14,623	-14,989	-15,364	-15,748	-16,141	-16,545	-16,959
Audit Fee	-8,668	-8,884	-9,106	-9,334	-9,567	-9,807	-10,052	-10,303	-10,561	-10,825
Marketing & Property Sales	-10,500	0	-7,000	0	0	0	0	0	0	0
Leasehold Service Charges	-1,230	-1,261	-1,292	-1,325	-1,358	-1,392	-1,426	-1,462	-1,499	-1,536
Consultancy	-5,688	-5,830	-5,976	-6,125	-6,279	-6,436	-6,596	-6,761	-6,930	-7,104
Misc Fees & Charges	-15,083	-15,460	-15,846	-16,243	-16,649	-17,065	-17,492	-17,929	-18,377	-18,836
<b>Total Expenditure</b>	<b>-797,114</b>	<b>-994,373</b>	<b>-1,046,040</b>	<b>-1,044,749</b>	<b>-1,047,401</b>	<b>-1,050,231</b>	<b>-1,053,243</b>	<b>-1,056,441</b>	<b>-1,059,831</b>	<b>-1,063,417</b>
<b>Corporation Tax</b>	<b>-41,600</b>	<b>0</b>	<b>-12,340</b>	<b>0</b>						
<b>Surplus/(Deficit)</b>	<b>67,864</b>	<b>-108,816</b>	<b>-29,847</b>	<b>-35,671</b>	<b>-17,433</b>	<b>1,087</b>	<b>19,895</b>	<b>38,996</b>	<b>58,396</b>	<b>78,102</b>
<b>Reserves Opening</b>	<b>143,173</b>	<b>211,037</b>	<b>102,221</b>	<b>72,374</b>	<b>36,703</b>	<b>19,270</b>	<b>20,357</b>	<b>40,252</b>	<b>79,248</b>	<b>137,644</b>
<b>Reserves Closing</b>	<b>211,037</b>	<b>102,221</b>	<b>72,374</b>	<b>36,703</b>	<b>19,270</b>	<b>20,357</b>	<b>40,252</b>	<b>79,248</b>	<b>137,644</b>	<b>215,745</b>



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**Title:** Draft Sales Policy

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

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### **Purpose of Report**

1. The purpose of this report is to provide the Board with a formal policy relating to properties that Keelman Homes will be selling, either through market sales, help to buy, or any low cost home ownership initiatives.

### **Background**

2. Keelman Homes has successfully sold properties in the past, under the Shared Ownership scheme at Kibblesworth. Whilst shared ownership is not currently being considered for properties in development, there are properties being marketed for outright sale at the Lonnen site and it is anticipated that there may be a need to consider further sales approaches on future sites going forward.
3. To support the approach and increase options for prospective buyers, part of the strategy at the Lonnen site has been to make the sales properties available through the Help to Buy scheme.
4. The activity in relation to sales properties to date and the potential to include further sales units on future schemes has identified the need to have in place a formal sales policy, to provide clear guidance for officers, board members and potential customers in relation to sales.

### **Policy**

5. In order to ensure that Keelman Homes is complying with regulatory requirements from both the HCA and the Charities Commission, and remaining true to Keelman Homes development principles and charitable objectives, a draft policy has been produced to provide a framework for any sales activity. The draft policy is included as an appendix to this report.

### **Risk Management Implications**

6. This policy will assist in managing the risk of incurring additional financial costs where properties remain unsold. It will also assist in managing reputational risk for Keelman Homes by having properties standing empty for long periods.

## **Financial Implications**

7. Where income projections based on sales have been factored into site appraisals and the overall Keelman Homes business model, this policy will assist in ensuring that appropriate sales values are achieved in a timely manner with minimum impact on the forecast cash flow.

## **Health and Environmental Implications**

8. Whilst affordable rented homes remain the primary focus of Keelman Homes development plans, it is recognised that a mixed tenure approach may be required not only from a financial perspective but to support longer term sustainability on larger sites.

9.

## **Equality and Diversity Implications**

10. There are no equality and diversity implications arising from this report. The policy will increase options for all customers to access home ownership.

## **Value for Money implications**

11. With regard to the construction of any sales properties, these will be included in the procurement of a developer to ensure prices remain competitive and value for money is achieved.
12. Similarly, when agents or surveyors are appointed to support sales activity, existing procurement policies will be followed.

## **Consultation carried out**

13. The following officers have been consulted with regard to this policy:
  - Managing Director TGHC
  - Director of Customers and Communities TGHC
  - Head of Corporate Services
  - Finance Manager
  - Head of Neighbourhood Services
  - Head of Customer Services.
14. All Ward Councillors have been updated on the Lonnen site and the inclusion of sales properties. Any future sites where sales are considered will also include briefings on the site proposals for Ward Councillors.

## **Recommendation**

15. The Board is asked to note approve sales policy.



## **Sales Policy May 2015**

### **1. Introduction**

Keelman Homes (the Company) aims to provide new housing in Gateshead and to provide housing management services for tenants and other registered providers in this area. In order to support this aim the Company may choose to sell properties on the open market.

This policy covers the process for the sale of properties specifically built for sale on the open market.

Properties for sale under shared ownership are covered in a separate Shared Ownership Policy.

The Company is committed to completing property sales in a fair and transparent manner.

Keelman Homes is required to follow guidance from the Homes and Communities Agency (HCA) and the Charities Commission. This policy has been written to reflect these requirements.

Keelman Homes should comply with the covenants of any grants received and any loans taken. It may be necessary to seek the permission of other parties before selling properties. Clarification should be sought on any specific agreements before proceeding with sales.

Where the Managing Director, Director of Customer and Communities or other employees are referred to, these include the employees of Keelman Homes and the employees of The Gateshead Housing Company (TGHC) who have been given authority to act on behalf of Keelman Homes.

### **2. Property Valuation**

In order to determine the value of a property for sale, Keelman Homes should obtain a written valuation report from a qualified surveyor. This must be a person who is professionally qualified; for example, a Member or Fellow of the Royal Institution of

Chartered Surveyors (RICS). The surveyor must be experienced in valuing properties of this particular kind, in this geographical area.

The surveyor's valuation report should comply with the Charities (Qualified Surveyors' Reports) Regulations 1992.

This should be completed at an acceptable cost to Keelman Homes.

The valuation report should be considered by the Board at the next appropriate meeting.

If the time scales result in potential loss of opportunity (i.e. the delay in the Board reviewing the report would result in loss of sales), the Board delegates authority for the report to be reviewed by the Managing Director, the Director of Customers and Communities and the Head of Corporate Services. These parties should then report back to the Board at the next appropriate meeting.

In reviewing the surveyor's valuation report, the Board should decide that they are satisfied that the terms on which the sale is proposed to be made are the best that can reasonably be obtained for the Company.

If the surveyor's report suggests that an alternative course of action (other than sale) would result in the best outcome for the Company, then further actions should be reviewed and determined by the Board.

### **3. Advertising the Property**

If the sale is to proceed, the property must be advertised for such period and in such manner as is advised in the surveyor's valuation report (unless it advises that it would not be in the best interests of the Company to advertise the proposed sale).

Keelman Homes should advertise the property at the price determined by the surveyor's valuation report.

The Company may appoint a sales agent to advertise the properties on its behalf. The appointment of a sales agent must be in line with the Company's procurement policy. The use of a sales agent and associated cost will be agreed by the Managing Director and / or Director Of Customers and Communities.

### **4. Review of Sales**

Regular updates should be provided to the Board on the progress of sales.

If, after a reasonable time period (3 months), the property has not been sold at the price advertised, a sales update should be provided to the Board.

It may be necessary at this point to commission a second surveyors report. The options considered should always be those where the outcome is the best that can reasonably be obtained for the Company. Where alternate options are identified these will not be taken forward without board approval.

## **Negotiating Sales Value**

Sales should always be made at a price that is considered to be the best that can reasonably be obtained for the Company.

The price should only be reduced if all of the requirements for advertising and time scales per the surveyor's valuation report have been complied with.

If the best outcome for the Company is deemed to be a price reduction, the Board should review the sales price and determine the appropriate price reduction.

Factors to consider in determining a price reduction may include, but are not limited to:

- Feedback from agents appointed to manage the sale
- Feedback from potential buyers
- Sales price of other properties in the same scheme that have completed sales
- Recent sales prices of other similar properties in the local area
- Overall financial position of Keelman Homes and the financial models specifically relating to the property in question
- Considering another option other than sales (e.g. shared ownership, rent)
- General market and environment conditions

If the timing is not appropriate, (i.e. the delay in the Board review would result in loss of sales), the Board delegate authority to negotiate sales price, up to a reduction of 5% of the surveyor's valuation, to the Managing Director, the Director of Customers and Communities and the Head of Corporate Services. Two of the three parties must be in agreement to reduce the price.

If the price is reduced by the delegated parties, it must be reported to the Board at the next meeting, with an explanation of the reasons for the reduction and the agreed amount.

The delegated authorities have power to reduce the sales price by 5%. Any price reductions of more than 5% of the surveyor's value must be agreed by the Board.

## **5. Sales Incentives**

Through prior agreement with developers, sales incentives can be included within the sales properties and should be implicit in any contract signed. If properties are proving difficult to sell then Keelman Homes may consider additional fixtures and fittings that exceed what is normally expected in properties for sale, to help marketability. Typical incentives may include carpets or white goods.

Where additional incentives are considered to be necessary beyond those provided in the contract, the value of these incentives will be agreed in consultation but would not exceed 5% of the properties advertised price and should be included in any price reduction as referred to above.

## **6. Selling to Connected Persons**

Before proceeding with a sale, Keelman Homes should determine if the potential purchaser is a connected person.

A connected person is a person or organisation closely connected to or associated with the Company, as determined by law.

For Keelman Homes, this includes, but is not limited to:

- The trustees
- A donor of land
- Employees or officers of Keelman Homes , TGHC or Gateshead Council
- TGHC Board Members
- The spouse or civil partner of any of the above
- Close relatives of any of the above
- Institutions or companies controlled by such people or in which such people have a substantial interest

If Keelman Homes wishes to sell to a connected person it is a legal requirement (under section 117(1) of the Charities Act) to obtain an order of authority, from the Charities Commission, to proceed with the sale.

This provides assurance that the Company has carried out the transaction openly and transparently and that the sale is in the best interests of the Company. In such cases, the Charities Commission needs to be sure the Company has taken the correct measures to manage any conflict of interest and to achieve the best terms for the sale.

If the potential purchaser is a connected person the permission of the Board should be sought in order to continue with the sale.

If the time scales result in potential loss of sales, the Board delegates authority for the sale to be reviewed by the Managing Director, the Director of Customers and Communities and the Head of Corporate Services. Two of the three parties must be in agreement to proceed with the sale to a connected person.

If Keelman Homes wishes to continue with the sale to a connected person, the order of authority should be obtained from the Charities Commission, through the correct legal channels.

The form can be found on the following website (correct April 2015):

<https://www.gov.uk/sell-or-lease-property-to-someone-connected-to-your-charity>

Only when the order of authority from the Charities Commission has been received can the sale proceed.

## **7. Sales Restrictions**

Keelman Homes may not sell properties to institutions or companies whose objectives conflict with the charitable objectives of Keelman Homes.

Consideration should be given to any potential offers that would be in conflict with Keelman Homes development principles, specifically with regard to the tenure composition on the development site of the property that the offer has been received on. Where proposed offers are received that are contrary to the original proposals for tenure on a given site, these will not be taken forward without full Board approval.

## **8. Responsibility**

The responsibility for the implementation of this policy is with:

- The Managing Director
- The Director of Customers and Communities
- The Keelman Homes Lead Officer
- The Head of Corporate Services

## **9. Evidence of Compliance**

Compliance with this policy will be evidenced by:

- The existence and implementation of a sales policy
- Surveyor's valuation reports
- Sales documentation
- Minutes from Keelman Homes Board
- Internal audit reports

## **10. Communication**

The Policy will be published on Keelman homes internet site and the TGHC intranet.

## **11. Review of Policy**

This policy will be monitored and reviewed annually with the next review date being March 2016. , Additionally, when strategic, procedural or legislative changes occur or any significant changes are made by the HCA or the Charities Commission the policy will be revisited and any changes brought back to the board for implementation.

Keelman Homes Board will approve the document and any substantial changes to it.



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**Title: Risk Management Policy**

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

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**Purpose of Report**

1. To seek approval from the Board of a Risk Management Policy.

**Background**

2. The Board, at its meeting on 19 March 2015, approved an updated Operational Risk Register.
3. Although an Operational Risk Register is in place, no formal Risk Management Policy has been in place in relation to Keelman Homes. The TGHC Risk Management Policy has previously been adopted.
4. As part of its review in March 2015, the Internal Audit Service has now recommended the introduction of a specific Keelman Homes Risk Management Policy.

**Risk Management Policy**

5. A new Risk Management Policy is attached as the Appendix to this report.
6. The policy provides the framework within which Keelman Homes will manage the risks associated with the provision of its wide range of services.
7. Risk management, performed rigorously and comprehensively, creates stability, contributes to the achievement of the company's strategic objectives and enhances the value of the services it provides to the community.
8. The Lead Officer will periodically review the risk register to identify emerging risks and recommend to the Board any risks that should be escalated.

**Impact on tenants**

9. Failure to identify and manage risk could have a significant impact on tenants.

### **Risk Management Implications**

10. The risk management implications are identified in the Risk Management Policy attached as an appendix to this report and in the operational risk register.

### **Financial Implications**

11. Failure to identify and manage risk could have a significant impact on the financial position of Keelman Homes.

### **Equality and Diversity Implications**

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

### **Value for Money implications**

13. Efficient and effective control measures in place should reduce significantly the likelihood and impact of the risks occurring.

### **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. It has not been necessary to carry out any consultation when compiling this report.

### **Recommendations**

17. It is recommended that the Board approve the Risk Management Policy.



**RISK MANAGEMENT POLICY**

## **RISK MANAGEMENT POLICY STATEMENT**

**Keelman Homes (the Company) will adopt the principles of risk management to protect the health, safety and welfare of its employees and the people it serves, to protect its property, assets and other resources and to maintain its reputation and good standing in the wider community.**

The Company aims to provide new housing in Gateshead and to provide housing management services for tenants and other registered providers in this area, all of which give rise to some level of risk. We are fully committed to regularly identifying and assessing these risks and taking appropriate action to prevent, or minimise their impact on service delivery. In this way the Company will better achieve its corporate objectives and enhance the value of the services it provides to the community.

### **The Company's risk management strategy objectives are to:**

- Integrate risk management into the culture of the Company
- Manage risk in accordance with best practice
- Anticipate and respond to changing social, environmental, economic and legislative risks – including opportunities as well as threats
- Prevent injury, damage and losses and reduce the cost of risk
- Raise awareness of the need for risk management by all those connected with the delivery of services
- Support sustainable improvements in service and the achievement of best value

### **These objectives will be achieved by:**

- Establishing clear roles, responsibilities and reporting lines within the Company for risk management
- Providing opportunities for shared learning on risk management across the Company
- Offering a framework for allocating resources to identified priority risk areas
- Reinforcing the importance of effective risk management as part of the everyday work of employees through training
- Monitoring risk management arrangements and seeking opportunities through effective risk management, on an ongoing basis

# **RISK MANAGEMENT POLICY**

## **General**

1. This Policy provides the framework within which the Company will manage the risks associated with the provision of its wide range of services.
2. Risk management, performed rigorously and comprehensively, creates stability, contributes to the achievement of the company's strategic objectives and enhances the value of the services it provides to the community.
3. Where the Management Team, Heads of Service or other employees are referred to, these include the employees of Keelman Homes and the employees of The Gateshead Housing Company (TGHC) who have been given authority to act on behalf of Keelman Homes.

## **Definition**

3. The Audit Commission's paper "Worth the risk" defines risk as the following: -  
  
"The threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. Risk management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements."

## **When does Risk Management apply?**

5. Risk management will apply throughout the Company's operations and strategic objectives, the following situations are examples of where risk management is essential: -
  - Making corporate, strategic and service planning arrangements
  - Priority setting
  - Developing policies and supporting strategies
  - Planning service delivery and operational activities
  - Considering new legislation
  - Project planning and managing
  - Procuring or undertaking options appraisals
  - Partnership and joint working arrangements
  - Performance management framework

## **Benefits of Risk Management**

6. There are a number of benefits which can be gained through an effective and robust risk management process: -
  - Enabling future activity to take place in a consistent and controlled manner
  - Improving decision making, planning and prioritisation by the use of a comprehensive and structured understanding of business activity, volatility and project opportunity/threat

- Contributing to more efficient use of capital and resources within the organisation
- Reducing volatility in the non-essential areas of the business
- Protecting and enhancing assets and Company image
- Developing and supporting people and the organisation's knowledge base.
- Optimising operational efficiency

### Risk types

7. **Strategic risks** - those which are critical to the direction of an organisation. Strategic risks may be driven by government policy, competition or a change in stakeholder requirements.
8. **Operational risks** - those which are encountered during the day to day running of the Company.
9. **Specific project risks** - will also be identified and managed through the project management process and will be recorded within the operational risk register.

### Risk Register

10. Risk registers will be maintained by the Lead Officer and approved by the Keelman Homes Board.
11. An example of the template risk register which is used is shown at Appendix 1.

### Risk Scoring

12. The risks are prioritised based on likelihood and impact using a traffic light system.

#### Likelihood

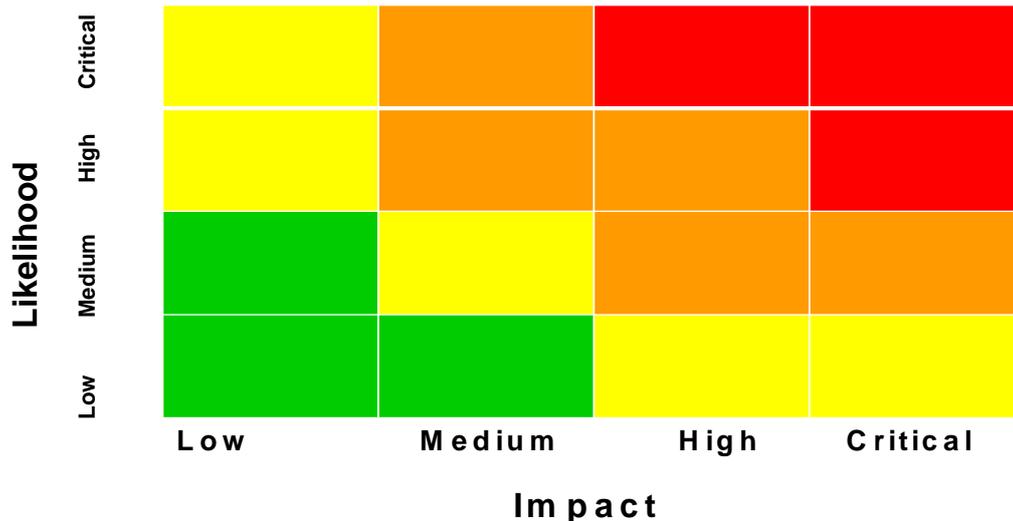
Scoring	Definition	Timing of occurrence
4	Almost certain	Less than 3 months
3	Likely	3 – 6 months
2	Moderate	6 – 12 months
1	Unlikely	In excess of 12 months

#### Impact

Scoring	Definition	Example of impact
4	Critical	Total service loss for significant period Fatality Financial loss over £200,000 Government / Council intervention
3	High	Significant service disruption Major/disabling injury Financial loss over £50,000 Adverse national media coverage
2	Medium	Service disruption Loss time injury Financial loss over £25,000 Adverse local media coverage / lots of service user complaints

Scoring	Definition	Example of impact
1	Low	Minor service disruption / short term inconvenience Minor injury Financial loss under £25,000 Isolated service user complaints

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



### Cost Effectiveness of Future Actions

14. When reviewing the risk register, future actions and timescales will be identified.
15. A residual likelihood and impact score, after the future actions have been implemented, will be identified. In addition, this will also include details of the cost effectiveness of implementing the future actions, where relevant, to highlight that they offer value for money.

### Risk Identification

16. It is the responsibility of the Board and every risk owner within the Company to identify emerging risks. Risk management should be integrated into the culture of the Company.
17. The next section identifies how this process will be managed and monitored.

### Monitoring of Risks

#### *The Board*

18. The risk registers will be scrutinised by the Board at least once a year.

### *Lead Officer*

19. The Lead Officer will periodically review the risk register and recommend to the Board any risks that should be escalated.
20. The review will include but not be limited to: -
  - A gap analysis of the organisations functional risks which are not covered by the risk register
  - Challenge to the officers to ensure that scoring is accurate and consistent and that prioritisation is appropriate
  - To ensure that mitigating actions which were proposed have been undertaken or that appropriate revised timescales have been provided
21. The Lead Officer is responsible for implementation of this Policy.
22. The Lead Officer will submit the risk register to the Board within the timescales outlined above.

### *Risk Owners*

23. Risk owners will be responsible for updating their risk register every six months and identifying any new risks. Risk owners will be requested to report on progress as required.

### **How to Treat a Risk**

24. There are potentially four ways that a risk should be treated: -
  - Tolerate – Done enough, cannot do anymore, monitor risk closely
  - Transfer – Try to move the risk to another organisation, for example outsourcing, insure against risk
  - Terminate – Stop doing the activity
  - Treat – Put in place additional controls and monitoring arrangements
25. These decisions will be taken at the appropriate level of the governance structure depending on the severity of the risk.

### **Training**

26. Those involved with the risk management process will receive appropriate training and periodic refresher training.

### **Internal Audit**

27. Periodically, risks will be reviewed and tested by internal audit. Any changes or discrepancies noted will be updated on the relevant risk register by the Risk Manager.

### **Responsibility**

28. The responsibility for the implementation of the Policy is as follows:-

- The Lead Officer will make the necessary arrangements to facilitate the implementation, monitoring and auditing of the Company's Corporate Risk Management Policy
- The Lead Officer will be responsible for identifying emerging risks, assessing significant risks arising from service activities and for reporting all new and amended risks to the Board
- All risk owners have a responsibility to implement and monitor adherence to the policy in the everyday activities of their specific service areas

### **Evidence of Compliance**

29. Compliance will be evidenced by: -

- The existence and implementation of a Risk Management Policy
- Related policy statements and documented procedures
- A Risk Register for all of the Company's activities
- Minutes from the Keelman Homes Board
- Internal Audit reports

### **Communication**

30. The Policy will be published on Keelman Homes Internet site and the TGHC Intranet.

### **Review of Policy**

31. The Policy will be reviewed and updated periodically.





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**Title: Internal Audit Report**

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

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### **Purpose of Report**

1. To provide the Board with feedback following an internal audit carried out on Keelman Homes.

### **Background**

2. As part of the 2014/15 internal audit plan an audit was completed in relation to Keelman Homes. The audit was carried out from January to March 2015.
3. The objective of the audit was to ensure:
  - Effective governance arrangements are in place
  - All income and expenditure is adequately controlled and properly accounted for
  - Budgeting and accounting arrangements are adequate and effective
  - Strategic and operational risks have been identified, monitored and controlled
  - Recommendations made at the previous audit have been implemented
4. The last audit in this area was completed in 2013.

### **Internal Audit Report**

5. The internal audit report and action plan is attached as the appendix to this report.
6. The audit concluded that the control systems and procedures in place were operating well. The four medium priority recommendations made during the previous audit have been implemented.
7. As a result of the audit there was one best practice finding. A review of the Keelman Homes policies and procedures found that a performance framework, business plan and risk strategy were not in place.
8. A risk management policy has now been developed and is provided to Board for approval.

9. An action plan with timescales has been established for the Keelman Homes Lead Officer to develop a business plan and performance framework, in line with the best practice recommendation.

#### **Impact on tenants**

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

#### **Risk Management Implications**

11. The completion of audits and the implementation of audit recommendations will ensure effective risk management is undertaken.

#### **Financial Implications**

12. The completion of audits and the implementation of audit recommendations will ensure that all income and expenditure is adequately controlled and properly accounted for. It will also ensure that budgeting and accounting arrangements are adequate and effective.

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

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

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

14. The completion of audits and the implementation of audit recommendations will assist in identifying efficiencies and achieving value for money.

#### **Health implications**

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

#### **Environmental implications**

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

#### **Consultation carried out**

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

#### **Recommendation**

18. The Board's views are sought as to whether it is satisfied with the outcome and action plan from the internal audit.



## INTERNAL AUDIT AND RISK SERVICE

PRIVATE AND CONFIDENTIAL

### Gateshead Housing Company Keelman Homes

**REPORT AGREED & ACTION PLAN COMPLETED**

Completed by: Kelly Davis

Position: Finance Manager

Head of Service Approval: Natalie Hewitt

Date: 06/05/2015

**Please return to:**

Chief Internal Auditor  
Internal Audit and Risk  
Gateshead Council

Contact: Claire Shepherd  
Ext: 3608  
Report Ref: 276/2015.bf  
Date Issued: March 2015

## 1. Introduction

As part of the 2014/15 audit plan an audit was completed on Keelman Homes. The audit was carried out from January to March 2015.

The objective of the audit was to ensure:

- Effective governance arrangements are in place.
- All income and expenditure is adequately controlled and properly accounted for.
- Budgeting and accounting arrangements are adequate and effective.
- Strategic and operational risks have been identified, monitored and controlled.
- Recommendations made at the previous audit have been implemented.

The last audit in this area was completed in 2013

It is the responsibility of management to install and maintain effective internal control systems. The role of the Internal Audit and Risk Service, as outlined in the Audit Charter, is to assist managers in the effective discharge of this responsibility and in so doing, deliver the objectives of the Company.

## 2. Scope of the Audit and Materiality of System

The audit assessed the adequacy of current controls in operation against the objectives listed above. The audit process involved discussion with key members of staff, analysis of relevant policy and procedure, and sample testing on transactions, documentation and financial data from the previous twelve month period.

## 3. Conclusions

The control systems and procedures in place were operating well. The four medium priority recommendations made during the previous audit have been implemented. As a result of the audit there was one best practice finding. This is detailed in the attached Action Plan which will assist with the implementation of the report's recommendations.

The categorisation of the priorities is as follows:

<b>High</b>	These are fundamental weaknesses, which represent a major risk to the organisation or service and immediate remedial action is imperative.
<b>Medium</b>	These are weaknesses, which represent a considerable risk to the organisation, service or establishment and urgent remedial action is necessary.
<b>Best Practice</b>	These issues merit attention and their implementation will enhance the control environment or promote value for money.

The implementation of recommendations is monitored by the Audit Committee on a quarterly basis and the Internal Audit and Risk Service will undertake testing at the next audit visit to ensure all recommendations have been satisfactorily addressed.

## ACTION PLAN: Keelman Homes

Ref	Finding	Risk	Recommendation	Priority	Management Response
<b>Objective: To ensure effective governance arrangements are in place.</b>					
01	<p><b>Policies and Procedures</b></p> <p>A review of the policies and procedures in place for Keelman Homes found the following were not in place:</p> <ul style="list-style-type: none"> <li>• Performance Framework;</li> <li>• Business Plan; and</li> <li>• Risk Strategy</li> </ul>	Ineffective governance arrangements could lead to inconsistent or incorrect decision making.	The Keelman Homes Lead Officer should ensure that policies and procedures are in place.	Best Practice	<p><b>Responsible Officer:</b> Keelman Homes Lead Officer</p> <p><b>Implementation Date:</b> July 2015</p> <p><b>Comments:</b> The risk management policy has now been developed to go to Board for approval in May 2015. The performance framework and business plan will be developed following the commencement of the Keelman Homes Lead Officer in June 2015.</p>



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**Title:** Annual Activity Report 2014/15

**Report of:** TGHC Managing Director

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### **Purpose of Report**

1. To provide the Board with statistical and other information relating to key activities carried out across Keelman Homes during 2014/15.

### **Background**

2. A range of statistical information is collected each year. This report enables comparisons to be made with 2013/14.

### **Summary**

3. The statistical information relating to the key activities shown below are included in the Appendix to this report:
  - Property Stock
  - Rent Payments

### **Overview of Key Activities**

4. Some of the highlights of the appendix have been included below with commentary in relation to the statistical information.
5. At the end of March 2015, Keelman Homes owned 96 completed properties. This is made up of 81 properties at Kibblesworth, one property at 73 Marian Court, six properties purchased under the Empty Homes Initiative plus eight further new build properties (Strathmore Road and Nugent Row, Felling).
6. In addition to this, properties are under construction on sites at The Lonnen and Kirkwood.
7. There are also a further 13 shared ownership properties at Kibblesworth that are part owned by Keelman Homes.
8. Rent collection during the 2014/15 was good, with 100.24% of the rent collected. This is in comparison to 98.7% collected in 2013/14.
9. Rent arrears have decreased from £6,395 at the beginning of the year, to £5,481 at the end of the year.

**Impact on tenants**

10. There is no direct impact on tenants arising from this report.

**Risk Management Implications**

11. There are no risk management implications arising from this report.

**Financial Implications**

12. There are no direct financial implications arising from this report.

**Health Implications**

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

**Equality and Diversity Implications**

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

**Value for Money implications**

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

**Environmental Implications**

16. There are no environmental implications associated with this report.

**Consultation carried out**

17. There was no consultation carried out in the preparation of this report

**Recommendation**

18. The Board is recommended to note the information contained in this report.

## Keelman Homes – Annual Activity 2014/15

### Property Stock

<b>Stock Profile</b>	<b>Start of Year</b>	<b>End of Year</b>
Total Rented Properties	72	96
New Build Properties	24*	
Properties managed on behalf of another provider	152**	

\* 17 new build properties, 6 Empty Homes purchases plus acquisition of Marian Court

\*\* 133 managed on behalf of Thirteen Group plus 19 Empty Homes on behalf of Gateshead Council

		<b>Start of Year</b>	<b>End of Year</b>
Bungalow	0 BED		
	1 BED		1
	2 BED	16	18
	3 BED		
	4 BED		
<b>Total Bungalows</b>		<b>16</b>	<b>19</b>
Flat	0 BED		
	1 BED		4
	2 BED		
	3 BED		
	4 BED		
<b>Total Flats</b>			<b>4</b>
House	1 BED		
	2 BED	6	14
	3 BED	40	47
	4 BED	9	11
	5 BED	1	1
	8 BED		
<b>Total Houses</b>		<b>56</b>	<b>73</b>
<b>SUM</b>		<b>72</b>	<b>96</b>

## Rent Payments

These figures relate to Keelman Homes properties only and do not include properties managed on behalf of other providers.

	2013/14	2014/15
Total rent to collect	326,322.67	379,366.19
Total rent collected	322,080.83	380,280.93
Rent arrears at the start of year	2,154.05	6,395.89
Rent arrears at the end of year	6,395.89	5,481.15
Rent Arrears written off during the year	0	0
Notices of Seeking Possession served	0	0
Evictions for rent arrears	0	0
Rent loss due to vacant properties	1,717.15	1,573.84

## Rent Payment Methods Analysed by Tenancy

	No of tenancies	% of total tenants
Direct Debit	16	16.7%
Standing Order	6	6.3%
Office	18	18.8%
Post Office / PayPoint	30	31.3%
Wages Deds	1	1%
DWP	0	0%
Internet/ Touch Tone	25	26%
Emolument	0	0%
<b>Totals</b>	<b>96</b>	<b>100%</b>

### Total Rent Transactions Analysed by Transaction Type

	<b>No of transactions</b>	<b>% of total transactions</b>
Direct Debit	134	9.6%
Standing Order	135	9.7%
Office	255	18.3%
Post Office / PayPoint	628	45.1%
Wages Deds	12	0.9%
DWP	0	0%
Internet/ Touch Tone	230	16.5%
Emolument	0	0%
<b>Totals</b>	<b>1,394</b>	<b>100%</b>