



## Board of Directors

Thursday, 26 November 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 17 September 2015
4.	<b>Matters Arising</b>
5.	<b>Access to Information Rules</b> Report of Company Secretary
6.	<b>Management Accounts – Second Quarter 2015/16</b> Report of TGHC Head of Corporate Services
7.	<b>Date and Time of Meetings 2016</b> To approve the following schedule of meetings of Keelman Homes for 2016: - <ul style="list-style-type: none"><li>• Thursday, 28 January 2016 at 12.30pm</li><li>• Thursday, 24 March 2016 at 12.30pm</li><li>• Thursday, 26 May 2016 at 12.30pm</li><li>• Thursday, 28 July 2016 at 12.30pm</li><li>• Thursday, 29 September 2016 at 12.30pm</li><li>• Thursday, 24 November 2016 at 12.30pm</li></ul>

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Item	Business
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8.	<b>Exclusion of the Press and Public</b>
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**(Company number: 06972673)**

Minutes of meeting of the Board of Directors held in at Gateshead Civic Centre, Regent Street, Gateshead on Thursday, 17 September 2015 at 12.30pm

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**Present:**

**Ordinary Trustees**

Brian Kelly (Chair)  
Joanne Carr  
Anne Connolly  
Hannah Shepherd

**In attendance**

Neil Bouch (TGHC Director of Customers and Communities)  
Natalie Hewitt (TGHC Head of Corporate Services)  
Julie McCartney (TGHC Head of Neighbourhood Services)  
Phil Gallagher (TGHC Head of Investment and Development)  
Amanda Gallagher (Keelman Homes Development and Investment Manager)  
Kelly Davis (Keelman Homes Finance Manager)  
Stuart Gibson (TGHC Governance and Risk Officer)

**Apologies**

Linda Hitman  
Peter Mole

**1 DECLARATIONS OF INTEREST**

No interests were declared.

**2 MINUTES**

The minutes of the meeting of Keelman Homes held on 2 July 2015 were approved as a correct record.

**3 ANNUAL GENERAL MEETING**

The Board considered the arrangements for the Charity's Annual General Meeting ("AGM") and the process for the retirement of one third of the Ordinary Trustees.

The AGM must be held in the calendar year 2015, not more than 15 months after the last AGM. The last AGM was held on 20 November 2014, therefore the AGM must be held no later 31 December 2015.

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 9 October 2015.

The next scheduled meeting after the Board Meeting in September is on 19 November 2015. It is proposed therefore that the AGM be held immediately after this meeting.

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.

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.

Keelman Homes currently has a vacancy for an Ordinary Trustee following the resignation of Hannah Shepherd after the Board Meeting on 2 July 2015.

The TGHC Board appointed Tracy Harrison as an Independent Director at its meeting on 15 January 2015. At the same time, the Board also appointed Ronnie Harris as a Reserve for one year. It was also considered that Ronnie would be a suitable appointment onto Keelman Homes Board should a vacancy arrive.

Ronnie Harris met with the Chair of Keelman Homes and the Company Secretary on 2 September 2015 and following this meeting, it is proposed that Ronnie be appointed onto Keelman Homes Board.

Should Keelman Homes approve the appointment of Ronnie Harris, the Board will have a full composition of four Ordinary Trustees. It is proposed that the retiring Ordinary Trustee, if willing to act, be reappointed at the AGM.

- RESOLVED –
- (i) That the report be noted.
  - (ii) That the Annual General Meeting be held immediately after the Board Meeting on 19 November 2015.
  - (iii) That Ronnie Harris be appointed onto the Board as an Ordinary Trustee.
  - (iv) That the proposed arrangements for the retirement and subsequent reappointment of a third of the Ordinary Trustees be agreed.
  - (v) That the longest serving Ordinary Trustee retire at the next AGM and if willing to act, be reappointed at that meeting.

#### **4 REPORT OF THE BOARD AND FINANCIAL STATEMENTS**

The report of the board and financial statements for the financial year 1 April 2014 to 31 March 2015 were submitted.

The report of the board details the principle activities of Keelman Homes for the financial year ended 31 March 2015, including the structure, governance and management arrangements in place. The report includes the objectives and activities of Keelman Homes and the achievement and performance in year, as well as highlighting future activities.

RESOLVED – (i) That the Report of the Board and Financial Statements for the year ended 31 March 2015 be approved.

(ii) That the Chair of the Board be authorised sign the Report of the Board and Financial Statements as a correct record.

#### **5 BUSINESS PLAN 2016-21 DEVELOPMENT**

The Board received an update on the planned activity to develop the Keelman Homes five year business plan.

Business planning assists with prioritising business activities, monitoring milestones, projecting growth and staffing needs, and it details a company's Corporate objectives and values. A business plan should take into account a company's Risk and Growth Strategy, Performance Management Framework, Vision, and other relevant operational and strategic plans as well as external strategies. In order to review, plan and detail Keelman Homes vision and objectives going forward, it is proposed to develop a five year Business Plan.

In addition, the development of a five year business plan for Keelman Homes could also be a useful tool for attracting investment and raising the company's profile.

A Board Away Day is being held on 5 November 2015 to develop the Keelman Homes Business Plan 2016-20.

Board Members will be asked to review and approve key strategic objectives and the Company's direction, taking into account local and national government agenda. Establishing risk appetite will also be an important factor in planning future activities and growth.

RESOLVED – That the update on the planned activity to develop the Keelman Homes five year business plan be noted.

#### **6 MANAGEMENT ACCOUNTS – FIRST QUARTER 2015/16**

The management accounts for the first quarter of the financial year 2015/16 were submitted.

The management accounts show Keelman Homes has made a surplus of £8,969 in the first quarter, compared to the original budget surplus of £16,966.

The year to date variance to budget is mainly due to the timing on the sale of properties at The Lonnen. The budget assumes that these will be split evenly across the financial year however at the end of the first quarter none of the properties had been sold.

Keelman Homes is now expecting to make an overall surplus in this financial year of £108,544 compared to the budgeted surplus of £67,864 (an increase of £40,680). This is mainly due to a forecast underspend on depreciation (£71,470) and staff costs (£19,950), which are partially offset by a forecast overspend on loan interest repayments (£42,499).

RESOLVED – That the Board is satisfied with the financial management of the budgets for the first quarter of the financial year 2015/16.

## **7 CONTRACT PROCEDURE RULES**

The current Contract Procedure Rules in place to date have been adopted from TGHC.

Due to the expanding activities of Keelman Homes, it is now considered necessary for Keelman Homes to have its own set of Contract Procedure Rules approved by the Board.

Proposed Contract Procedure Rules were submitted. The Rules cover the way the company contracts with suppliers for goods, supplies and services.

RESOLVED – That the Contract Procedure Rules be approved.

## **8 THE LONNEN SALES UPDATE**

The Board received an update of sales activity on the six properties being offered for sale at The Lonnen.

A launch event was held on 1 August 2015 and facilitated by the local sales agent 'Your Move', based in Ryton. The event was well attended with 10 viewings carried out that day, resulting in a reservation being placed on plot 17 at the full asking price of £150,000. This has now progressed to the legal stage with Solicitors instructed, and a 'Sold' sign has now been erected at the plot.

Due to the success of the launch event, open days have continued to be held at the development every Saturday. A total of 16 viewings have been carried out as a result of the open days.

In addition to the open days, 26 separate viewings have been arranged and carried out by the sales agent outside of these days. This is a total of 42 viewings to date (up to and including 24 August 2015). Of the 42 viewings only four were requests to view the 4-bed houses, whilst in contrast the 3-bed houses are proving much more popular.

Keelman Homes was approved as a Help to Buy vendor with contractual status in May 2015 and enables the company to market sales properties on the site as being available under the Help to Buy Scheme.

The Lonnen is included in the Help to Buy Team's 'Buyers' newsletter, which is sent out to approximately 9,000 people (across the NE, Yorkshire and Humberside) who have expressed an interest in buying a property. The Lonnen will also be included in their 'Sign-Up' newsletter. The Lonnen has been described as 'Development of the Month' in both the newsletters and added onto the home page of the Help to Buy NEYH website.

A high quality leaflet has been produced and distributed to the Dunston and Blaydon housing offices. Door to door distribution of the leaflet to approximately 8,000 is planned in early September in the West Gateshead area.

The leaflet has also been used as a template for a one-off full page advert placed in the Metro newspaper.

A full page advert has been included in the Council News, which has recently been distributed to 106,000 households and businesses across Gateshead and is available at all libraries, leisure centres and offices.

All the marketing activity will direct any responses to Keelman Homes in the first instance in order for reach and response rates to be monitored. This will assist us in testing out what works best and what the associated costs are, so that a blueprint for future sales/shared ownership marketing can be planned out in advance and marketing budgets can be included in development costs from the outset. A review of sales at The Lonnen will be carried out in the future to learn from lessons and inform future working.

RESOLVED – That the information be noted.

## **9 EMPTY HOMES PURCHASE & REPAIR PROGRAMME**

The Board received an update on current activity and progress made on 2015-18 Empty Homes Purchase and Repair Programme.

Since receiving certainty and contractual assurance about the grant, work has begun to identify suitable empty homes.

To date, there have been four properties identified and surveyed that have been deemed as viable according to Keelman Homes development principles. These have been progressed to acquisition stage with solicitors instructed. Approval from the Chair is sought for individual acquisitions, as and when properties are identified.

There are a number of other properties being considered, which are currently in the process of being surveyed to identify investment needs and demand for lettings.

Discussions with TGHC lettings team has estimated up to 50% of the 18 properties forecast within the current programme could potentially require major repairs.

Discussions were then held with the Council's Construction Services (CS) team, who were asked to provide realistic timescales in which major repairs could be completed on a property. CS confirmed they are able to complete any required works within a 7-14 day period from completion of sale. Works rates quoted by

CS are based on the Council's 'maintaining decency' rates and a current 2.25% mark up on works has been negotiated, which is very competitive against the 10% mark up currently paid to TGHC for major repairs.

It is proposed that the Development and Investment Manager has the authority to negotiate up to a maximum of 10% mark up on works, in line with mark up currently paid to TGHC, to allow for potential future supply chain price increases.

It is proposed that CS is procured to deliver any required major repairs to properties purchased as part of the 2015-18 Empty Homes Purchase and Repair Programme, including any properties that may be acquired using additional grant obtained through the HCA's Continuous Market Engagement pot.

Keelman Homes has taken into account the impact of the recent Budget announcement that rents over the next four years reduce by 1%, and ensured that the financial model is still viable for each property it proposes for acquisition as part of the programme.

Further to the impact of the Budget, it is proposed to bring forward the programme to assist the company's financial position and deliver the first 12 properties in 2015/16, with the remaining six delivered in the first six months of 2016/17. Should the programme be completed early it is hoped that additional grant could be secured through the HCA's Continuous Market Engagement (CME) and additional homes can be brought back into use.

- RESOLVED – (i) That the progress made be noted.
- (ii) That the procurement of Gateshead Council's Construction Services, under Exemption 3.1.3 of the Contract Procedure Rules, to carry out any required major works to properties purchased as part of the 2015-18 Empty Homes Purchase and Repair Programme, including any properties that may be acquired using additional grant obtained through CME, and delegate authority to the Development and Investment Manager to negotiate mark up on works up to a maximum of 10%.
- (iii) That the programme be brought forward to assist the company's financial position and delivery the first 12 properties in 2015/16, with remaining six delivered in the first six months of 2016/17.

## **10 HOUSING MANAGEMENT – PROPERTIES OWNED BY OTHERS**

The Board received an update on the performance and management of properties owned by other landlords, including landlords within the Thirteen Group and Gateshead Council's Empty Homes (Lease and Repair) Initiative (EHI).

Keelman Homes is currently providing housing management services to 135 properties within Gateshead on behalf of the Thirteen Group. A further 33 new build properties at Clavering Court were initially due to be handed over by March 2015, though this is now likely to be by the end of the financial year due to delays in receiving the appropriate certification from Thirteen Group.

Since the Board approved the revised management agreement with Thirteen Group and the proposed performance template on 15 January 2015, key performance indicators have been reported to the Thirteen Group on a monthly and quarterly basis. The performance report for 2014/15 was submitted.

Keelman Homes is currently providing housing management services to 19 properties on behalf of Gateshead Council's EHI. A further seven properties in Wrekenton are due to be handed over late September 2015, which will be part of a supported living scheme for people with low level learning disabilities.

Since the Board approved the management agreement with Gateshead Council, key performance indicators have been reported to the Council on a quarterly basis. In addition, a monthly financial report is provided to the Council due to the requirements for grant funding. The performance report for 2014/15 was submitted.

Bi-annual performance reports will be presented to the Board in line with the frequency proposed for Keelman Homes own property stock.

It is proposed that the housing management business function is continued to be split into two Board reports going forward, one being Keelman Homes capital assets and the other being Keelman Homes fee based income received for managing properties owned by other landlords. This will ensure the important differences between the two income streams are highlighted.

It is also proposed that performance reporting is included in each of the housing management Board reports, rather than a separate report dedicated only to performance reporting, which will ensure that performance is shown in context.

It is proposed that housing management reports will be presented on a bi-annual basis, to align with performance reporting. Should any information need to be shared or approvals need to be sought outside of these times, an additional report will be presented to the Board as and when necessary.

- RESOLVED – (i) That the current position of the management of properties owned by other landlords and performance reported for 2014/15 be noted.
- (ii) That the format for updating the Board on its housing management business streams going forward be approved.

## **11 HOUSING MANAGEMENT – PROPERTIES OWNED BY KHL**

The Board received an update on the current position of management of Keelman Homes own property stock.

The property stock owned by Keelman Homes totals 135 properties, of which six at The Lonnen development were built for sale and a capital income is expected from these properties during 2015/16.

Performance measures are collected by TGHC for the Council's housing stock. These are also collected by TGHC for the properties Keelman Homes' manages on behalf of others, in line with the management agreements currently in place.

Key indicators proposed to be reported were submitted which are in line with TGHC performance data collection processes.

It is proposed that performance reports will be presented to the Board for Keelman Homes own property stock on a bi-annual basis.

An initial collection of data will be carried out at the end of the second quarter and presented to the Board at its November 2015 meeting. This will be used to test the processes involved in reporting the proposed indicators and ensure any issues are resolved.

It is proposed that the housing management business function is continued to be split into two Board reports going forward, one being Keelman Homes capital assets and the other being Keelman Homes fee based income received for managing properties owned by other landlords. This will ensure the important differences between the two income streams are highlighted.

It is also proposed that performance reporting is included in each of the housing management Board reports, rather than a separate report dedicated only to performance reporting, which will ensure that performance is shown in context.

It is proposed that housing management reports will be presented on a bi-annual basis, to align with performance reporting. Should any information need to be shared or approvals need to be sought outside of these times, an additional report will be presented to the Board as and when necessary.

- RESOLVED –
- (i) That the current position of the management of Keelman Homes own property stock be noted.
  - (ii) That the proposed set of key performance indicators for Keelman Homes own property stock and the timescales for reporting be approved.
  - (iii) That the format for updating the Board on its housing management business streams going forward be approved.

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

The next meeting of Keelman Homes will be held on Thursday, 19 November 2015 at 12.30pm in Room S20 at Gateshead Civic Centre, Regent Street, Gateshead.

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

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



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**Title:** Access to Information Rules

**Report of:** Company Secretary

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**Purpose of Report**

1. To approve Access to Information Rules for Keelman Homes.

**Background**

2. Keelman Homes will occasionally consider confidential items of business that require the press and public to be excluded from the meeting before they are discussed.
3. There have never been any formal rules in place that specifically categorise the reasons why the press and public should be excluded from the meeting.
4. As Keelman Homes activity has diversified in the last couple of years, the number of issues that need to be dealt with more sensitively has increased and it is felt appropriate that Access to Information Rules should now be put in place.
5. Proposed Access to Information Rules for Keelman Homes are attached at the Appendix to this report.

**Equality and Diversity Implications**

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

**Financial Implications**

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

**Impact on Customers**

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

**Risk Management Implications**

9. Access to Information Rules for Keelman Homes will mitigate the risk of any confidential information being disclosed that could damage the reputation of the Company or one of its stakeholders.

### **Value for Money Implications**

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

### **Health Implications**

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

### **Environmental Implications**

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

### **Recommendation**

13. It is recommended that the Access to Information Rules for Keelman Homes be approved.



## **ACCESS TO INFORMATION RULES**

### **1. SCOPE**

These rules apply to all meetings of the Board and to any general meetings of Keelman Homes, hereafter referred to as 'the Company', (together called meetings)".

### **2. RIGHTS TO ATTEND MEETINGS**

Members of the public may attend all meetings subject only to the exceptions in these rules.

### **3. NOTICES OF MEETING**

The Company will give at least five clear days notice of any meeting by posting details of the meeting at its registered office.

### **4. ACCESS TO AGENDA AND REPORTS BEFORE THE MEETING**

The Company will make copies of the agenda and reports open to the public available for inspection at its registered office at least five clear days before the meeting. If an item is added to the agenda later, the revised agenda and reports will be open to inspection from the time the item is added to the agenda.

### **5. SUPPLY OF COPIES**

The Company will supply copies of any agenda and reports which do not contain personal or commercially sensitive information to any person on payment of a charge for postage and any other associated costs.

### **6. ACCESS TO MINUTES AND OTHER DOCUMENTS AFTER THE MEETING**

The Company will make available copies of the following for six years after a meeting:

- (a) the minutes of the meeting or records of decisions taken, together with reasons, for all meetings of the Board excluding any part of the minutes of proceedings when the meeting was not open to the public;
- (b) the agenda for the meeting, and
- (c) reports relating to items considered when the meeting was open to the public.

## **7. EXCLUSION OF ACCESS BY THE PUBLIC TO MEETINGS**

The public may be excluded from meetings whenever it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that any of the following categories of information would be disclosed:

1. Information relating to a particular employee or applicant to become an employee of, or a director, former trustee or applicant to become a trustee of, the Company.
2. Information relating to any particular occupier or former occupier of, or applicant for, accommodation owned or managed by the Company.
3. Information relating to any particular applicant for, or recipient or former recipient of any service provided by the Company.
4. Information relating to the financial or business affairs of any particular person (other than the Company).
5. The amount of any expenditure proposed to be incurred by the Company under any particular contract for the acquisition of property or the supply of goods or services.
6. Any terms proposed or to be proposed by or to the Company in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.
7. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matters arising between the Company and its employees.
8. Any instructions to counsel and any opinion of counsel (whether or not in connection with any proceedings) and any advice received, information obtained or action to be taken in connection with:
  - (a) any legal proceedings by or against the Company, or
  - (b) the determination of any matter affecting the Company, whether, in either case, proceedings have been commenced or are in contemplation.

## **8. EXCLUSION OF ACCESS BY THE PUBLIC TO REPORTS**

If the Company Secretary thinks fit, the public will be excluded from access to reports which in his/her opinion relate to items during which, in accordance with Rule 7, the meeting is likely not to be open to the public. Such reports will be marked "not for publication" together with the Rule 7 category number which relates to the information likely to be disclosed.



**Report to Board of Directors**  
**26 November 2015**

**Title: Management Accounts – Second Quarter 2015/16**

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

### **Purpose of Report**

1. To provide the board with the management accounts for the second quarter of the financial year 2015/16.

### **Background**

2. The board approved the Keelman Homes budget for 2015/16 at its meeting on 21 May 2015, as part of a 10 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 second quarter of the 2015/16 financial year are shown below:

	<b>YTD Actual (£)</b>	<b>YTD Budget (£)</b>	<b>YTD Variance (£)</b>	<b>Annual Budget (£)</b>	<b>Annual Forecast (£)</b>
Income	375,843	453,289	(77,446)	906,578	949,708
Expenditure	358,478	419,357	(60,879)	838,714	831,687
<b>Surplus/(Deficit)</b>	<b>17,365</b>	<b>33,932</b>	<b>(16,567)</b>	<b>67,864</b>	<b>118,021</b>

5. The management accounts show Keelman Homes has made a surplus of £17,365 in the second quarter, compared to the original budget surplus of £33,932.
6. The year to date variance to budget is mainly due to the timing on the sale of properties at The Lonnen. The budget assumes that these will be split evenly across the financial year. At the end of the second quarter none of the properties have completed sales; although two properties have had offers accepted and are progressing with legal.
7. We are now expecting to make an overall surplus in this financial year of £118,021 compared to the budgeted surplus of £67,864 (an increase of £50,157). This is mainly due to a forecast underspend on depreciation (£70,056) and staff costs (£19,300), which are partially offset by a forecast overspend on loan interest repayments (£37,234).

### **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 the strategic risk within the risk register (failure to manage the company's finances) 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.

### **Recommendation**

16. The Board's views are sought as to whether it is satisfied with the financial management of the budgets for the second quarter of the 2015/16 financial year.

**Keelman Homes  
Management Accounts – September 2015**

**Executive Summary**

1. The overall management accounts for the second quarter of the 2015/16 financial year are shown below:

	YTD Actual (£)	YTD Budget (£)	YTD Variance (£)	Annual Budget (£)	Annual Forecast (£)
Income	375,843	453,289	(77,446)	906,578	949,708
Expenditure	358,478	419,357	(60,879)	838,714	831,687
<b>Surplus/(Deficit)</b>	<b>17,365</b>	<b>33,932</b>	<b>(16,567)</b>	<b>67,864</b>	<b>118,021</b>

2. The overall surplus at the end of the second quarter is £17,365 against an expected surplus budget of £33,392, giving a £16,567 deficit compared to the original budget.
3. However, we are now expecting to make an overall surplus in this financial year of £118,021 compared to the budgeted surplus of £67,864 (an increase of £50,157). This is mainly due to a forecast underspend on depreciation (£70,056) and staff costs (£19,300), which are partially offset by a forecast overspend on loan interest repayments (£37,234).

**Income**

	YTD Actual (£)	YTD Budget (£)	YTD Variance (£)	Annual Budget (£)	Annual Forecast (£)
Rent	276,904	265,633	11,272	531,266	531,266
Service Charges	1,389	1,491	(102)	2,982	2,880
Shared Ownership Rent	17,182	18,273	(1,091)	36,545	34,364
Mgmt. Fee for Other Properties	48,327	43,842	4,486	87,684	94,419
Recharge of works to Other Properties	11,234	0	11,234	0	42,077
Bad Debt	(5,313)	(5,313)	0	(10,625)	(10,625)
Void Loss	(1,084)	(2,656)	1,572	(5,313)	(5,313)
Release of Grant Funding	25,439	28,020	(2,582)	56,040	50,877
Interest	1,763	0	1,763	0	1,763
Sales Profit	0	104,000	(104,000)	208,000	208,000
<b>Surplus/(Deficit)</b>	<b>375,843</b>	<b>453,289</b>	<b>(77,446)</b>	<b>906,578</b>	<b>949,708</b>

4. Rental income received for Keelman Homes properties is currently showing a surplus of £11,272 compared to budget for the first quarter due to a difference in the timing of rents in comparison to budget (50 v's 52 weeks). Rents are forecast to be in-line with budget for the full year.
5. Service charges relate to discretionary services that tenants can request, for which they have to pay a service charge, such as the gardening scheme and community alarms. This is slightly under budget year to date and is expected to be slightly under budget at the year end.
6. Shared ownership rent is currently £1,091 less than budget and we have forecast that income for the full year will remain less than budget. This is due to the actual rent increase being slightly lower than the rate that the budget had assumed.

7. Management of other properties is the management fee we receive for managing properties that belong to other organisations. The actual received is higher than the budget year to date and is expected to be higher than budget at the year end as new properties have come into management that had not originally been anticipated.
8. Repair and void works completed on the properties that we manage for other organisations can be recharged back to these organisations, as per the contract agreements. These had previously not been included in the budget as they had been recharged to the other organisations by TGHC. Additional costs have also been included in the annual forecast to offset this.
9. We have kept the bad debt provision at the budgeted level, which was 2% of the annual rent 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.
10. Void rent loss for the quarter has been £1,084 compared to a budget of £2,656. We have prudently forecast that the void rent loss will be on budget for the full year; however it is likely that voids will remain low due to the high demand for new properties.
11. The grant funding relates to the Homes and Communities Agency (HCA) funding we receive towards the building of new properties and the purchase and repair of properties through the Empty Homes Initiative (EHI). This funding is released over 100 years, in line with the time period that the structure of the properties is depreciated over. Properties are only depreciated and grant released against them once they have been fully built. Depreciation and grant release is not charged on properties under construction. Due to the delayed timing of new build schemes for 2015/16 at Runhead, Heddon View and Malton Green, the amount of grant to release in this financial year has been reduced, as these properties will not be completed by the year end. There is also a corresponding reduction in depreciation charges.
12. Sales profit relates to the surplus we will earn on selling the six properties at The Lonnen. At the end of the second quarter none of these properties have sales completed, however we are still forecasting that they will be sold and complete during this financial year.

## Expenditure

	YTD Actual (£)	YTD Budget (£)	YTD Variance (£)	Annual Budget (£)	Annual Forecast (£)
Staff and Overheads	36,816	51,250	(14,434)	102,500	83,200
Loan Interest Repayments	166,127	149,633	16,494	299,266	336,500
Repair costs (KH own properties)	7,387	8,918	(1,530)	17,835	17,835
Void costs (KH own properties)	1,558	8,918	(7,359)	17,835	17,835
Repair & Voids Costs Managed Properties	10,205	0	10,205	0	38,252
Management Fee	28,188	28,188	0	56,375	56,375
Depreciation	89,250	124,278	(35,028)	248,556	178,500
Legal Costs	1,814	6,790	(4,975)	13,579	13,579
Audit Fee	10,834	4,334	6,500	8,668	15,168
Marketing & Property Sales	0	5,250	(5,250)	10,500	10,500
Leasehold Service Charges	737	615	122	1,230	1,572
Consultancy	1,143	2,844	(1,701)	5,688	5,688
Other Fees & Charges	4,418	7,541	(3,124)	15,083	15,083
Corporation Tax	0	20,800	(20,800)	41,600	41,600
<b>Surplus/(Deficit)</b>	<b>358,478</b>	<b>419,357</b>	<b>(60,879)</b>	<b>838,714</b>	<b>831,687</b>

13. Staff costs relate to the salaries and on-costs of the Development and Investment Manager and the Finance Manager. There is an underspend in actual costs compared to budget due to the Development and Investment Manager post not being filled until June, whereas the budget assumed this position would be filled for the full year. The annual forecast has been updated to reflect the actual cost, now that both positions have been filled.
14. The annual forecast for loan interest repayments has been based on payments in relation to the following loans:
- £4.5 million for Kibblesworth
  - £1.7 million drawn down in October 2014
  - £1.5 million drawn down in April 2015
  - Expected draw down of £0.5 million in the fourth quarter of 2015/16
15. Following on from the 2014/15 year end audit, the full year forecast has been updated to include interest payments accrued on these loans although they are not due to be paid until after the period end. This means that the loan interest payments are currently forecast to be over-spent against the full year budget, as the budget had been based on the timing of cash flows. The requirement for a further loan drawn down during this financial year is under review and this will have an impact on the amount of interest to be accrued at the year end.
16. Repair costs are the costs recharged from The Gateshead Housing Company (TGHC) for repairs completed on Keelman Homes properties. Repair costs for the second quarter are £7,387, which is £1,530 under budget. Repairs are forecast to come in on budget for the full year.
17. Void costs are £1,558, which is £7,359 under budget, as the numbers of voids on Keelman Homes properties remains low. We have prudently forecast that this budget will come in on budget for the full year, however further savings may be made on this budget by year end.
18. Keelman Homes incurs repair and void costs on the properties that we manage for other organisations. These have not been included in the budget previously. These

costs are recharged back to the relevant organisation. The income received is included in the full year forecast to offset this overspend.

19. The management fee is an agreed price per property that is paid to TGHC for them to manage all of Keelman Homes properties. This is in line with budget year to date and is expected to remain in line with budget for the full year.
20. The depreciation charge is £35,028 under budget year to date and is forecast to be under budget by year end. Properties are only depreciated (and grant released against them) once they have been fully built; depreciation is not charged on properties under construction. Due to the delayed timing of new build schemes for 2015/16 at Runhead, Heddon View and Malton Green, the amount of depreciation in this financial year has been reduced, as these properties are not forecast to be completed by the year end. This corresponds to the reduced release of grant funding above.
21. Legal costs relate to various activities including land transfers for new build sites and the purchase of EHI properties. Year to date we have underspent on the budget, however in the full year we are forecasting to spend in-line with the budget, due to legal work required in relation to the purchase of EHI properties and the sale of properties at The Lonnen.
22. Keelman Homes is required to have its accounts externally audited each year and also to produce a corporation tax return. We have accrued the cost of these services based on the budget. The exact fee will not be agreed until near year end when planning begins with KPMG for undertaking these services. The budget has overspent year to date and is forecasting to overspend by year end due to the additional cost of a one-off audit in relation to Keelman Homes development controls.
23. The budget for marketing and property sales costs is in relation to the sale of six properties at The Lonnen. These fees will be payable to the estate agent on completion of a sale. At the end of the second quarter none of these properties have sales completed, however we are still forecasting that they will be sold and complete during this financial year.
24. A number of the properties that Keelman Homes has purchased under EHI were leasehold, meaning that we have to pay annual service charges to Gateshead Council to cover the cost of the shared areas of these buildings. The current forecast is based on the estimated service charge invoices that we have received. We will receive an adjusted actual service charge in the following financial year once all of the costs are known.
25. Consultancy costs relate to advice and guidance received from Judy Mackley, a housing funding consultant, on HCA grant funding issues.
26. Keelman Homes has a budget for other small items, including miscellaneous fees and charges. Year to date costs that have been incurred include the Independent Housing Ombudsman Annual Subscription, bank charges for CHAPS payments, planning fees for Malton Green and Heddon View, local searches in relation to the purchase of EHI properties and carpets at the two sales properties at The Lonnen. These will be monitored as the year progresses, but we are currently forecasting spend in line with the budget.

27. The sale of the six properties at The Lonnen will incur corporation tax, as this is not classed as “primary purpose trading” to attain the charities tax exemption. At the end of the second quarter none of these properties have sales completed, however we are still forecasting that they will be sold and complete during this financial year