



Board of Trustees

Thursday, 24 March 2016 at 12.30pm
To be held in Room S21 at Gateshead Civic Centre,
Regent Street, Gateshead
Agenda

Item	Business
1.	Apologies for Absence
2.	Declarations of Interest
3.	Minutes and Matters Arising To approve as a correct record the minutes of the meetings held on 28 January 2015
4.	SME Bungalow Build Model Presentation by Graham Scanlon, Director of VS Northern Solutions
5.	Loan Agreement Report of TGHC Head of Corporate Services
6.	Strategic and Operational Risk Registers Report of Keelman Homes Development and Investment Manager
7.	Management Accounts – Quarter 3 2015/16 Report of TGHC Head of Corporate Services
8.	Date and Time of Next Meeting Thursday, 26 May 2016 at 12.30pm in Room S21, Gateshead Civic Centre, Regent Street, Gateshead
9.	Exclusion of the Press and Public The Board may wish to consider excluding the press and public from the meeting during consideration of the remaining business in accordance with the indicated categories of the Company's Access to Information Rules



(Company number: 06972673)

Minutes of meeting of the Board of Directors held in at Gateshead Civic Centre, Regent Street, Gateshead on Thursday, 28 January 2016 at 12.30pm

Present:

Ordinary Trustees

Brian Kelly (Chair)
Joanne Carr
Paul Foy
Ronny Harris
Linda Hitman
Peter Mole

In attendance

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

Apologies

Anne Connolly

1 DECLARATIONS OF INTEREST

No interests were declared.

2 MINUTES

The minutes of the meeting of Keelman Homes held on 26 November 2015 were approved as a correct record.

3 RENT AND SERVICE CHARGE PROPOSALS FOR 2016/17

The Rent and Service Charge Setting Policy was approved by the Board at the meeting on 21 January 2010 with a subsequent update on 12 May 2010. The policy was subject to an internal review in December 2014 and no changes were made at this time.

Due to changes in Government Policy around rent setting, a review of the Rent and Service Charge Setting Policy has been deemed necessary for 2016/17 rent and service charge setting.

A revised Rent and Service Charge Setting Policy was submitted.

The updated Rent and Service Charge Setting Policy details that the initial rent for a Keelman Homes tenancy must be in place for a minimum of 12 months. Any properties let during 2015/16 will not see a rent change in April 2016.

The rent proposal for 2016/17 is in line with the Welfare Reform and Work Bill of a 1% rent reduction. This is an average weekly rental reduction of £0.85 at Kibblesworth (social rent) and £0.94 for other Keelman Properties (affordable rent), based on 52 weeks rental charges.

Service charges are based on the actual costs of the service provided. For 2016/17, it will be necessary to increase the warden call service element of the service charge to cover the proposed increased cost of this service. The cost of this service is proposed to be increasing from £0.95 per week, per tenant to £1.22 per week, per tenant (over 52 weeks). This is a weekly increase of £0.27.

Rents for new build properties not yet completed and any Empty Homes property purchases will be determined by valuation on completion. They will be the subject of future board reports as the schemes progress throughout the year.

- RESOLVED – (i) That the updates to the Rent and Service Charge Setting Policy be approved.
- (ii) That the proposed rent and service charge changes for 2016/17 be approved.

4 DATE AND TIME OF NEXT MEETING

The next meeting of the Keelman Homes will be held on Thursday, 24 March 2016 at 12.30pm in Room S21, Gateshead Civic Centre, Regent Street, Gateshead

5 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED – That the press and public be excluded from the meeting during consideration of the remaining business in accordance with the indicated categories of the Company's Access to Information Rules.



Title: Loan Agreement

Report of: TGHC Head of Corporate Services

Purpose of Report

1. To seek approval from the Board of the terms and conditions of a loan agreement between Gateshead Council and Keelman Homes to provide funding for the Company's current and proposed projects.

Background

2. Keelman Homes received part of the funding for the Kibblesworth development via a loan from Gateshead Council. The Board were advised of the terms and conditions of the Kibblesworth loan agreement in January 2010. The total loan drawn down was £4.5 million, which is repayable over a period of 50 years.
3. Keelman Homes have since received additional loan funding from Gateshead Council to fund its more recent projects. £1.7 million was received in October 2014 and a further £1.5 million was received in April 2015.
4. It is now necessary to formalise the loan agreement between Keelman Homes and Gateshead Council, to cover the most recent loans received and also future loans.

Loan Agreement

5. The draft loan agreement is attached as an Appendix to this report.
6. This agreement has been drafted by Gateshead Council's legal team and an independent solicitor has been working on behalf of Keelman Homes.
7. The loan agreement allows Keelman Homes to draw down a loan or loans up to a maximum value of £7 million, for the purpose of developing affordable housing in Gateshead. The minimum amount that can be drawn down on each occasion is £500,000.
8. The £7 million is based on an original £4.5 million agreed in principle with the Council for the first phase of the new build programme and then the potential for the additional £2.5m that was identified as part of the second phase to deliver schemes included within the 2015-18 HCA programme. This reflects the position within the Council's Capital Programme.

9. To date Keelman Homes have already drawn down £3.2 million, meaning there is a remaining balance of £3.8 million that can still be drawn down in the future.
10. The loan facility is subject to a number of conditions before the Council authorise the drawdown of funds, which include the provision of minutes, financial statements and scheme development documents.
11. The amount of interest to be paid and the repayment terms will be agreed in advance of each individual drawdown. The loan agreement indicates that the interest is likely to be at a fixed rate which is equal to the rate currently charged to the Council for its consolidated borrowings and that repayment terms will be by way of six-monthly instalments, however there is no guarantee that these terms will be offered for every drawdown.

Impact on tenants

12. 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

13. The signing of the loan agreement will assist in ensuring that the risk of insufficient available financial resources is effectively managed.
14. The risk of interest rate fluctuations has been removed by the fixing of the interest rate when each loan drawn down is taken out.

Financial Implications

15. Each project is assessed for financial viability and, where a loan draw down is required, the financial viability must demonstrate that the cost of the project including loan repayments can be covered by income received.

Equality and Diversity Implications

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

Value for Money implications

17. The loan terms and conditions represent value for money for Keelman Homes. Our ability to obtain a loan on the open market, in the current economic climate, with our lack of track record, makes any other option at the present time not viable.
18. The interest payable on the loan will be set at a rate equivalent to the Council's consolidated rate of interest.

Health Implications

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

Environmental implications

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

Consultation carried out

21. No consultation has been carried out whilst developing this loan agreement.

Recommendations

22. It is recommended that the Board approve the terms and conditions of the loan agreement with Gateshead Council.

DATED

2016

THE BOROUGH COUNCIL OF GATESHEAD

and

KEELMAN HOMES LIMITED

LOAN FACILITY AGREEMENT

Legal & Corporate Services,
Borough Council of Gateshead
Civic Centre,
Gateshead
NE8 1HH

THIS AGREEMENT is made the day of 2016

BETWEEN

THE BOROUGH COUNCIL OF GATESHEAD of Civic Centre, Gateshead NE8 1HH (“the Council”) and

KEELMAN HOMES LIMITED, a charity and company limited by guarantee (CRN:06972673) of Civic Centre, Regent Street, Gateshead NE8 1JN (“the Borrower”)

BACKGROUND

- (1) The Borrower is Keelman Homes Ltd, a registered provider of affordable housing, whose primary place of business is within the Borough of Gateshead.
- (2) The Council has agreed to provide a loan facility to the Borrower in order to help fund the development, construction and conversion of properties, with a view to increasing the amount of affordable housing located in the Borough of Gateshead.

It is agreed as follows:

DEFINITIONS AND INTERPRETATION

Definitions:

In this agreement, unless the context otherwise requires, the following expressions shall have the following meanings:

Business Days: a day other than a Saturday, Sunday or public holiday in England when banks are open for business.

Drawdown Date: the date on which a Loan is made, or is to be made.

Drawdown Request: a drawdown request, substantially in the form set out in Schedule 1

Effective Date: 1st October 2014

Event of Default: any event or circumstance listed in clauses 9.1.1 to 9.1.4

Facility: the term loan facility made available under this agreement.

Interest Rate: the rate of interest payable by the Borrower as specified in the relevant Drawdown Request

Loan: a loan made or to be made by the Council to the Borrower under this agreement

Repayment Date: the date(s) specified in the relevant Drawdown Request for repayment of the Loan.

Security: any mortgage, charge (whether fixed or floating, legal or equitable), pledge, lien, assignment by way of security or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

Trustees: The directors of the Borrower being the persons who have the general control and management of its administration.

Interpretation:

- (a) unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular;
- (b) a reference to a statute or statutory provision is a reference to it as amended, extended or re-enacted from time to time;
- (c) clause, Schedule and paragraph headings shall not affect the interpretation of this agreement;
- (d) a reference to a document in agreed form is to that document in the form agreed by the Council and the Borrower and initialled by or on their behalf for identification.

1. LOAN FACILITY

The Council grants the Borrower a loan facility of a total principal amount not exceeding the sum of £7,000,000 (seven million pounds), subject to the terms and conditions of this agreement. This Agreement shall take effect from the Effective Date.

2. PURPOSE

- 2.1 The Borrower shall use all money borrowed by it under this agreement for the development of housing within the Borough of Gateshead.
- 2.2 The Council is not obliged to monitor or verify how any amount borrowed under this agreement is used.

3. CONDITIONS PRECEDENT

- 3.1 The Borrower shall be entitled to drawdown from the Facility from the Council subject to the provision of the following documents and evidence, in a form satisfactory to the Council:
 - 3.1.1 copies of the minutes from the relevant board and/or Trustees meeting of the Borrower, agreeing to the provision of the Loan and any associated Security;
 - 3.1.2 evidence from the Borrower that the Trustees have obtained and considered appropriate independent written financial advice regarding provision of the Loan and any associated Security, in accordance with the requirements of s124 of the Charities Act 2011;
 - 3.1.3 copies of a detailed development appraisal relating to the scheme of development which the drawdown of a Loan is due to finance;

- 3.1.4 copies of up to date constitutional documents of the Borrower;
 - 3.1.5 a copy of the Borrower's latest available audited financial statements;
 - 3.1.5 all ancillary information as reasonably requested by the Council in relation to the provision of the Loan.
- 3.2 The Council's obligation to provide a Loan is subject to the further conditions precedent, that on both the date of the Drawdown Request and the Drawdown Date:
- 3.2.1 all the commercial parameters of the Loan, including but not limited to the interest rate, the repayment date, and any applicable Security have been agreed between the Council and the Borrower, and are accurately set out in the Drawdown Request,
 - 3.2.2 the representations and warranties set out in the Drawdown Request are true and correct in all material respects and will be true and correct in all material respects immediately after the Council has made the proposed Loan; and
 - 3.2.3 no Event of Default or potential Event of Default is continuing or would result from the proposed Loan.
 - 3.2.4 the Council is satisfied in its complete discretion that the Loan can be provided in a manner which is compliant with state aid rules.
- 3.3 The conditions specified in this clause 3 are inserted solely for the Council's benefit. The Council may waive them, in whole or in part and with or without conditions, without prejudicing the Council's right to require subsequent fulfilment of such conditions.

4. DRAWDOWN

- 4.1 From the Effective Date, the Borrower shall be able to draw down funds from the Council up to the maximum amount of the Facility, subject to the following provisions:
- 4.1.1 The Borrower may request a Loan by delivering a completed Drawdown Request no less than 30 days prior to the proposed Drawdown Date
 - 4.1.2 The Borrower shall only be entitled to draw down funds within a period of 5 years from the date when the Borrower is in receipt of funds from the initial drawdown (the Availability Period).
 - 4.1.3 If any amount of the Facility is not drawn during the Availability Period, that undrawn amount shall be cancelled automatically at the end of the Availability Period.
 - 4.1.4 The amount of each drawing shall not be less than £500,000 (five hundred thousand pounds).

5. INTEREST

- 5.1 The Borrower shall pay interest on the Loan at the rate and in such manner as agreed by the parties and set out in the Drawdown Request.
- 5.2 If at any time the Interest Rate applied to any Loan made under this agreement is determined to constitute an interest rate subsidy, and an aid to the Borrower which the Council is required to recover, then the Borrower is required to repay any aid element to the Council on demand, with such amount recoverable as a debt. The Council shall not be liable to the Borrower for any loss, expense, claim or proceedings consequent upon the Council exercising its rights under this clause of the agreement.

6. REPAYMENT

The Borrower shall repay the Loans on the terms set out in the relevant Drawdown Request.

7. SECURITY

- 7.1 By way of security for the discharge of its obligations under this agreement, and the repayment of any Loan, the Borrower shall provide the Council with such Security as specifically set out in the Drawdown Request to which the Loan relates.
- 7.2 The Borrower shall not, whilst any part of the Loan is outstanding, create or permit to subsist any mortgage, charge, or any other security interest over any part of its undertaking or assets, present or future without the prior written consent of the Council.

8. CONDITIONS

- 8.1 The Council shall not be obliged to make any payment to any person other than the Borrower.
- 8.2 The Borrower shall not without the prior written consent of the Council sell, transfer or otherwise dispose of the whole or any substantial part of its business assets.
- 8.3 The Borrower may not assign or transfer any of its rights or obligations under this agreement without the prior written consent of the Council.
- 8.4 The Borrower covenants with the Council that so long as any part of the Loan (or any interest due in respect of the Loan) is outstanding it will keep the Council informed of the progress of its business, and will give the Council any information about its business to the extent and in the form and detail the Council requires.
- 8.5 The Council may at any time set off any liability of the Borrower to the Council against any liability of the Council to the Borrower, whether or not the liability arises under this agreement. Any exercise by the Council of its rights under this clause 8.5 shall not limit or affect any other rights or remedies available to the Council under this agreement or otherwise. If the set off rights under this clause are exercised, the Council shall promptly notify the Borrower of the set-off that has been made.

9. DEFAULT

- 9.1 If any of the circumstances set out at clauses 9.1.1 to 9.1.4 arise (“an Event of Default”) occurs, the Council may by notice to the Borrower cancel any obligation to advance any amount not yet paid and/or declare that all the Loans and all unpaid interest accrued under the Loans which have been drawn under this agreement be immediately payable on demand.
- 9.1.1 the Borrower fails to pay any money due in relation to any Loan on the due date (unless its failure to pay is caused solely by an administrative error or technical problem and payment is made within 14 days of its due date);
- 9.1.2 an order is made or an effective resolution is passed for winding up the Borrower;
- 9.1.3 the Borrower goes into administration, or enters into any agreement on arrangement with its creditors or any group of them;
- 9.1.4 the Borrower commits any breach of this agreement, and in the case of any breach capable of remedy fails to remedy the breach within 14 days of being required in writing by the Council to do so;
- 9.2 The Borrower will reimburse the Council on demand and on a full indemnity basis for all costs and expenses (including legal fees) properly incurred by it in connection with the exercise, preservation and/or enforcement of any of its rights or Security contemplated by this agreement or any proceedings instituted against the Council as a consequence of enforcing such rights.

10. MISCELLANEOUS

- 10.1 Any notice given pursuant to this agreement shall be in writing and shall either delivered personally, sent by pre-paid first class post addressed to that party at the party's registered office, or sent by fax to the fax number of the party concerned as set out in this clause:
- The Council fax no. – 0191 433 2103 Attention – Martin Harrison
- The Borrower fax no. – 0191 433 5354 Attention – Natalie Porthouse
- 10.2 Any notice given in accordance with clause 10.1 shall be deemed served:
- 10.2.1 if delivered personally, when left at the address referred to above;
- 10.2.2 if sent by pre-paid first class post, two days after posting it;
- 10.2.3 if sent by fax, on the same day on which it were sent.
- 10.3 This agreement shall be governed by and construed in accordance with the law of England and Wales, and both parties agree to submit to the exclusive jurisdiction of the English Courts.

Signed for and on behalf of THE BOROUGH COUNCIL OF GATESHEAD

Signature:

Print Name:

Position:

Date:

Signed for and on behalf of KEELMAN HOMES LIMITED

Signature:

Print Name:

Position:

Date:

Schedule 1

Drawdown Request

To: Gateshead Council
Attention: [NAME] Department
Date: [DATE]

Keelman Homes Limited

£7,000,000 Facility Agreement dated 2016 between The Borough Council of Gateshead and Keelman Homes Limited

We refer to the above agreement, and give you notice that we wish to draw down the following Loan on the terms and conditions of the agreement, and subject to the further terms below:

Proposal

[Insert details of development / conversion of properties etc. which the proposed loan is due to fund]

Amount of Loan:

[tbc]

Drawdown Date:

[tbc]

Interest Rate:

[To be determined by the Council, but the general position is that a fixed interest rate will be prescribed which is equal to the consolidated rate of interest charged to the Council in respect of its own borrowings, as at the date of the respective drawdown of funds.]

All interest payable pursuant to this Loan will accrue on a daily basis, and shall be paid in accordance with the schedule of repayment annexed to this Drawdown Request

Interest Period:

[Six months]

Term of Loan and Repayment Date:

The Borrower agrees to make repayments to the Council by instalments in accordance with the schedule of repayment annexed to this Drawdown Request, which shall include repayment of [equal instalments of capital and interest calculated based on the balance outstanding at the beginning of the relevant interest period.]

[The first repayment is to be made six months from the date of the initial drawdown of funds. All future repayments will be made at six monthly intervals.]

Security:

[To be agreed between the Council and the Borrower]

Representations and Warranties:

- The Borrower has the power to enter into, deliver and perform, and has taken all necessary action to authorise its entry into, delivery and performance of the Facility Agreement and the obligations associated with the provision of any Loan.
- The Borrower is the sole legal and beneficial owner of, and has good, valid and marketable title to all its assets specified as Security.
- No Event of Default and, or potential Event of Default, is continuing or might reasonably be expected to result from the making of a Loan.

Payment:

The Loan is to be made available by credit to [ACCOUNT DETAILS].

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For and on behalf of
KEELMAN HOMES LIMITED

.....

For and on behalf of
THE BOROUGH COUNCIL OF GATESHEAD



Title: Strategic and Operational Risk Registers

Report of: Keelman Homes Development & Investment Manager

Purpose of Report

1. To seek approval from the Board of the updated Strategic and Operational Risk Registers.

Background

2. At its meetings on 19 March, 21 May and 2 July 2015, the Board approved an updated Operational Risk Register, a Risk Management Policy and a Strategic Risk Register.
3. Some of the risks identified in these documents and policies will be mitigated by the development of Keelman Homes' five-year Business Plan, which is currently underway.
4. In addition, some of the risks identified in these documents and policies will be mitigated by the development of Keelman Homes' Project Management Framework, which is currently underway.
5. A periodic review of the Operational Risk Register and Strategic Risk Register was carried out in February 2016 and both documents have been updated.
6. The Development and Investment Manager will continue to periodically review both risk registers to identify emerging risks and recommend to the Board any risks that should be escalated.

Strategic Risk Register

7. Strategic risks are 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. 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.
9. Strategic risks are assessed for severity using a four level scoring matrix, which is located within the register.

10. The updated Strategic Risk Register is attached to this report as Appendix 1.
11. Changes made are relatively minor to reflect that there is now a dedicated team in place and highlight the current challenges faced by the housing sector.

Operational Risk Register

12. Operational risks are those which are encountered during the day to day running of the company.
13. Operational risks are assessed for severity using a four level matrix, which is located within the register.
14. The updated Operational Risk Register is attached to this report as Appendix 2.
15. Changes have been made to reflect accountability now that there is now a dedicated Keelman Homes team in place and in line with objectives set out in the approved Risk Management Policy, specifically in relation to *“establishing clear roles, responsibilities and reporting lines within the Company for risk management”*.
16. Many of the risks identified in the Operational Risk Register, particularly development risks, will be dealt with by the implementation of a Project Management Framework and its associated documentation e.g. individual Project Risk Registers and Pre-Commencement Checklists. In the meantime, these risks have remained on the Operational Risk Register to ensure consistency during the development of the framework.
17. Once the formal Project Management Framework is developed fully and approved by Board the Operational Risk Register will then be reviewed again to transfer some of the identified risks so as to avoid duplication. The updated Operational Risk Register will be presented to a future Board for approval.
18. It is likely the Risk Management Policy will need to be updated to reflect the implementation of the formal Project Management Framework and impact on risk registers. The updated Risk Management Policy will be presented to a future Board for approval.
19. All identified operational risks are currently shown on the Operational Risk Register, it is proposed that in future any green risks are referred to in the covering report and removed from the Register. These risks would then continue to be monitored internally, due to how low they are. Should the score increase for any of these risks in the future they would go back on the register and be reported to the committee. The Board is asked to approve the removal of green risks from the Operational Risk Register during future reviews.

Impact on tenants

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

Risk Management Implications

21. The risk management implications are contained in the report and appendix.

Financial Implications

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

Equality and Diversity Implications

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

Value for Money implications

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

Health Implications

25. Effective control measures in place should reduce significantly the likelihood and impact of Health and Safety associated risks occurring.

Environmental implications

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

Consultation carried out

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

Recommendation

28. The Board is asked to approve:
- updated Operational and Strategic Risk Registers;
 - removal of green risks from the Operational Risk Register during future reviews.



Keelman Homes
Strategic Risks
Current Heat map as at February 2016

Likelihood	Almost certain				
	Likely			1	1
	Moderate		1	4	4
	Unlikely		1	1	
		Low	Medium	High	Critical
		Impact			

Risk No	Risk	Current		Owner	Future	
		Likelihood	Impact		Likelihood	Impact
KH1	Failure to manage the Company's finances	2	4	Finance Manager	2	4
KH2	Failure to deliver on new build and investment projects	2	3	Development and Investment Manager	1	3
KH3	Failure to deliver effective asset management	1	2	Development and Investment Manager	1	2
KH4	Failure to maintain a positive reputation	2	3	Development and Investment Manager	1	3
KH5	Failure to focus on the customer	2	2	Development and Investment Manager	1	2
KH6	Failure to effectively manage business continuity	1	3	Development and Investment Manager	1	3
KH7	Failure to manage effective corporate governance	2	4	Development and Investment Manager	1	4
KH8	Failure to deliver on management agreement with other providers and landlords	2	3	Development and Investment Manager	2	3
KH9	Failure to maintain supply chain	2	3	Development and Investment Manager	1	3
KH10	Failure to react appropriately to the political environment	3	3	Development and Investment Manager	3	3
KH11	Adverse impact of welfare reform legislation	3	4	Development and Investment Manager	2	4
KH12	Adverse impact of right to buy	2	4	Development and Investment Manager	2	4
KH13	Failure to access sources of funding	2	4	Finance Manager	2	4

Scoring Matrix

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 £100,000 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
1	Low	Minor service disruption / short term inconvenience Minor injury Financial loss under £25,000 Isolated service user complaints

KH1	Failure to manage the Company's finances	Finance Manager
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Consequence of the risk	Financial loss to the Company that we are unable to meet through our reserves and an inability to deliver services.
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Current Likelihood	Current Impact
2	4

Existing Controls

1	Regular, accurate budget monitoring scrutinised by the Board
2	Annual Budgets approved by the Board
3	Comprehensive Internal Audit programme
4	External Audit carried out annually
5	Robust insurance arrangements in place
6	Qualified Finance Team in place
7	Financial Regulations in place that have been approved by the Board
8	Regular management team meetings to monitor financial activity
9	Monitoring of political environment and external influences that may impact the Company's financial position

Planned Controls

No additional controls planned

KH2	Failure to deliver on new build and investment projects	Development and Investment Manager
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Consequence of the risk	Negative impact on Keelman Homes financial position, reduced opportunities to generate additional income and build asset base. Loss of reputation with the Council, partner agencies, the public and other stakeholders.
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Current Likelihood	Current Impact
2	3

Existing Controls

1	Specific projects or new ventures are subject to Board approval
2	Development principles in place and adhered to for new build projects
3	Informal systems in place to ensure accountability and resources identified to support new projects
4	Dedicated role of Development and Investment Manager now in place, to source land opportunities, housing development finance and develop alternative ways of working in light of the current challenges faced by the housing sector

Planned Controls

		Timescale
1	Risk appetite to be developed and agreed by the Board	30 Sep 2016
2	Implement formal project management systems, including risk management, to deliver new projects and services	31 Dec 2016
3	Introduce sensitivity analysis as part of project development appraisals	31 Dec 2016

Future Likelihood	Future Impact
1	3

The planned controls will ensure that this risk is appropriately managed and likelihood reduced.

KH3	Failure to deliver effective asset management	Development and Investment Manager
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Consequence of the risk	Properties will fall into non decency, increasing corporate complaints and potential for negative publicity and reputational damage. Sustainability of tenancies and neighbourhoods will be adversely affected. Without effective asset management, investment decisions will be ill informed and priorities for the stock not addressed jeopardising longer term sustainability.
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Current Likelihood	Current Impact
1	2

Existing Controls

1	Keelman Homes financial model takes into consideration the need for future asset investment
2	The Board provide scrutiny to asset management decisions
3	Regular meetings and close working relationship with the Managing Agent ensures that maintenance issues are identified at earliest opportunity and factored into decisions

Planned Controls

		Timescale
1	Produce and implement asset management strategy, to be agreed by the Board	31 Dec 2016

Future Likelihood	Future Impact
1	2

The planned controls will ensure that this risk continues to be appropriately managed.

KH4	Failure to maintain a positive reputation	Development and Investment Manager
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Consequence of the risk	Loss of confidence from the management partner, Council, funding providers and our customers. Negative press stories could lead to reduced opportunities to generate additional income.
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Current Likelihood	Current Impact
2	3

Existing Controls

1	Management agreement with The Gateshead Housing Company approved by the Board; current agreement runs from January 2016 to December 2018, with an option to extend
2	As part of the management agreement, the Managing Agent provides regular involvement opportunities for customers with a number of different options available to them
3	As part of the management agreement, the Managing Agent provides the services of a communications team. The communications team provides positive press stories and reacts to negative stories
4	Quarterly review meetings and relationship management with Homes and Communities Agency
5	Keelman Homes website

Planned Controls

		Timescale
1	Develop and implement PR and communications plan, to be approved by the Board	31 Dec 2016
2	Further development to Keelman Homes website	31 Dec 2016

Future Likelihood	Future Impact
1	3

The planned controls will ensure that this risk is appropriately managed and likelihood reduced.

KH5	Failure to focus on the customer	Development and Investment Manager
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Consequence of the risk	Risk of poor standards of service leading to customer dissatisfaction and loss of customers to other housing providers.
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Current Likelihood	Current Impact
2	2

Existing Controls

1	Management agreement with The Gateshead Housing Company approved by the Board; current agreement runs from January 2016 to December 2018, with an option to extend
2	As part of the management agreement, the Managing Agent provides services including customer satisfaction surveys, service delivery reviews and complaints monitoring
3	Key Performance Indicator monitoring approved by the Board, with bi-annual performance reporting

Planned Controls

		Timescale
1	Business plan to be developed and approved by the Board	30 Sep 2016

Future Likelihood	Future Impact
1	2

The planned controls will ensure that this risk is appropriately managed and likelihood reduced.

KH6	Failure to effectively manage business continuity	Development and Investment Manager
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Consequence of the risk	Inability to deliver services, leading to an impact on customer satisfaction and potential financial losses.
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Current Likelihood	Current Impact
1	3

Existing Controls

1	Due to co-location with Gateshead Council and The Gateshead Housing Company, for office arrangements, the business continuity plans of these organisations have been adopted
2	For day-to-day housing management issues, the business continuity plan of the Managing Agent (The Gateshead Housing Company) has been adopted

Planned Controls

		Timescale
1	Review Keelman Homes specific business continuity requirements. As appropriate, with Board approval, produce and implement Keelman Homes business continuity plan	31 Dec 2016

Future Likelihood	Future Impact
1	3

The planned controls will ensure that this risk continues to be appropriately managed.

KH7	Failure to manage effective corporate governance	Development and Investment Manager
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Consequence of the risk	Failure to manage effective corporate governance could lead to poor strategic decision making, reputational damage to the Company and could ultimately lead to the Company ceasing trading.
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Current Likelihood	Current Impact
2	4

Existing Controls

1	Board consisting of 7 members with appropriate skills and experience, including 1 nominated by The Gateshead Housing Company, 2 nominated by Gateshead Council and 4 independent members
2	Board members appointed in line with the Company's Articles of Association
3	Board members code of conduct in place
4	Internal and external audits of the Company undertaken
5	Annual appraisal programme in place for all Board Members, highlighting training needs
6	Induction plan for all new Board members

Planned Controls

		Timescale
1	Business plan to be developed and approved by the Board	30 Sep 2016
2	Governance handbook to be reviewed	30 Sep 2016

Future Likelihood	Future Impact
1	4

The planned controls will ensure that this risk is appropriately managed and likelihood reduced.

KH8	Failure to deliver on management agreement with other providers and landlords	Development and Investment Manager
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Consequence of the risk	Loss of reputation with the Council, partner agencies and stakeholders leading to reduced opportunities to generate additional income.
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Current Likelihood	Current Impact
2	3

Existing Controls

1	Formal Management Agreements with other providers and landlords in place
2	Management Agreements include provision of performance information and six month termination clause
3	Regular update and review meetings held with other providers and landlords
4	Keelman Homes Managing Agent has robust policies and procedures in place
5	Keelman Homes management team includes representatives from the Managing Agent to ensure issues are identified at the earliest opportunity and resolved in a timely manner

Planned Controls

No additional controls required

KH9	Failure to maintain supply chain	Development and Investment Manager
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Consequence of the risk	Inability to deliver our service and breakdown of partnerships leading to an impact on customer satisfaction, loss of reputation and potential loss of income.
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Current Likelihood	Current Impact
2	3

Existing Controls

1	Management Agreement with The Gateshead Housing Company approved by the Board; current agreement runs from January 2016 to December 2018, with an option to extend
2	Contracts in place with existing suppliers
3	Regular update and review meetings held with suppliers
4	Contract Procedure Rules approved by the Board
5	Keelman Homes management team includes representatives from the Managing Agent to ensure issues are identified at the earliest opportunity and resolved in a timely manner

Planned Controls

		Timescale
1	Project management systems, including formal supplier monitoring and meeting schedules implemented	31 Dec 2016

Future Likelihood	Future Impact
1	3

The planned controls will ensure that this risk is appropriately managed and likelihood reduced.

KH10	Failure to react appropriately to the political environment	Development and Investment Manager
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Consequence of the risk	Loss of confidence from Gateshead Council, partner agencies and stakeholders and an inability to maintain reputation, potentially leading to financial losses and reduced opportunities.
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Current Likelihood	Current Impact
3	3

Existing Controls

1	Understanding of local politics, policies and potential pressures faced by Gateshead Council and it's ALMO
2	Understanding of national political direction and emerging policies
3	Make up of Board ensures political knowledge and objectivity
4	Partnering arrangement with The Gateshead Housing Company ensures strategic alignment
5	Regular meetings with Keelman Homes Board, Gateshead Council, The Gateshead Housing Company, local councillors and ward members
6	Quarterly review meetings and relationship management with Homes and Communities Agency
7	Active networking and comparison of industry responses to political challenges

Planned Controls

No additional controls planned

KH11	Adverse impact of welfare reform legislation	Development and Investment Manager
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Consequence of the risk	Tenants unable or not willing to pay rent. Company unable to meet requests for assistance. Mismatch between demand and supply of appropriately sized properties. Increase in levels of voids, with associated increase in demands on resources. Rental income may be reduced due to increased rent arrears and void rent loss leading to the Company being unable to meet budgetary requirements.
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Current Likelihood	Current Impact
3	4

Existing Controls

1	As part of the management agreement, the Managing Agent provides services including support and advice for tenants, specialist teams and partnership arrangements with external agencies
2	Systems in place to understand housing demand when reviewing new build and investment projects
3	Facility for any day direct debits in place, so tenants can link rent payment day to Universal Credit day

Planned Controls

		Timescale
1	Comprehensive review to understand in detail the actual impact of welfare reform on Keelman Homes tenants	31 May 2016

Future Likelihood	Future Impact
2	4

The planned controls will ensure that this risk is appropriately managed and likelihood reduced.

KH12	Adverse impact of Right to Buy	Development and Investment Manager
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Consequence of the risk	Reduction in stock numbers, with subsequent impact on the Company's financial model and business plan.
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Current Likelihood	Current Impact
2	4

Existing Controls

1	Business direction is to continue increasing assets through new build and empty homes schemes
2	Strong relationships with organisations who can provide advice and guidance such as The Gateshead Housing Company, Gateshead Council and the HCA
3	Monitor publicity and external research surrounding right to buy legislation updates

Planned Controls

		Timescale
1	Review and understand the potential impact of changes in right to buy legislation on Keelman Homes stock	30 Nov 2016

Future Likelihood	Future Impact
2	4

Planned controls will ensure that the risk is appropriately managed, however the potential impact will continue to be high.

KH13	Failure to access sources of funding	Finance Manager
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Consequence of the risk	Unable to commence new projects which would generate additional income and increase asset base. Loss of reputation with the Council, partner agencies, the public and other stakeholders.
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Current Likelihood	Current Impact
2	4

Existing Controls

1	Monitoring of political environment and external influences that may impact the Company's financial position
2	Quarterly review meetings and relationship management with Homes and Communities Agency
3	Quarterly capital monitoring completed for Gateshead Council detailing future loan drawdown requirements
4	Regular monitoring of financial markets and review of funding options, availability and suitability

Planned Controls

		Timescale
1	Business plan to be developed and approved by the Board	30 Sept 2016
2	Formal loan agreement with Gateshead Council to be developed and approved by the Board	31 Mar 2016
3	Review of Homes and Communities Agency prospectus for Affordable Homes Programme 2016-21, to understand future grant funding available	30 Sept 2016

Future Likelihood	Future Impact
2	4

Planned controls will ensure that the risk is appropriately managed, however the potential impact will continue to be high.



**Keelman Homes
Operational Risks
Current Heat map as at February 2016**

Almost Certain				
Likely		1	2	1
Moderate	1	1	8	6
Unlikely		4	3	6
	Low	Medium	High	Critical

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 £100,000 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
1	Low	Minor service disruption / short term inconvenience Minor injury Financial loss under £25,000 Isolated service user complaints

Risk No	Risk	Likelihood	Impact	Owner	Residual Likelihood	Residual Impact
Communications						
COM1	Communication Issues	2	4	Amanda Gallagher	1	3
COM2	Reputation tarnished if scheme outcomes not delivered	2	3	Amanda Gallagher	1	2
Development						
DEV1	Statutory Authority Risks (gas, water, electric, telecom etc.)	2	4	Jim Charlton	2	4
DEV2	Programme Slippage	2	4	Jim Charlton	2	4
DEV3	Project Management on site	3	3	Jim Charlton	3	3
DEV4	Party Wall Risks	2	3	Jim Charlton	2	3
DEV5	Security risks to properties, site and compound	2	3	Jim Charlton	2	3
DEV6	Achieving agreement on estate layout / traffic management / road names	1	4	Jim Charlton	1	4
DEV7	Scheme Appraisals not being accurate	1	4	Amanda Gallagher	1	3
DEV8	Delay or inability to supply materials part way through programme	1	3	Jim Charlton	1	3
DEV9	Environmental problems on site e.g. unknown contamination	1	2	Jim Charlton	1	2
DEV10	Loss of key records	1	2	Amanda Gallagher	1	2
Finance						
FIN1	Budget issues – cost overrun	2	4	Kelly Davis	2	4
FIN2	Financial impact from contractor(s) failing	2	4	Amanda Gallagher	2	4
FIN3	Cash Flow	2	4	Kelly Davis	2	4
FIN4	Market Sales properties left unsold	3	4	Amanda Gallagher	2	3
FIN5	Grant funding requirements fail to be met	2	3	Amanda Gallagher	2	3
FIN6	Collection of Shared Ownership charges	2	1	Kelly Davis	1	1
FIN7	Inaccurate rent and service charge provision	1	2	Kelly Davis	1	2
FIN8	Shared Ownership repurchase	2	3	Kelly Davis	2	2
FIN9	Procurement processes not carried out correctly	2	3	Kelly Davis	2	3
FIN10	Incorrect treatment of VAT and Corporation Tax	3	2	Kelly Davis	3	2
FIN11	Inaccurate performance reporting	2	2	Kelly Davis	2	2
Housing Management						
HM1	Cost of providing Housing Management Services to Other Landlords exceeds income from Landlords	1	3	Amanda Gallagher	1	3
HM2	Failure to deliver Housing Management Services to Other Landlord Properties	1	2	Amanda Gallagher	1	2
HM3	Termination of Other Landlord Management Agreement	2	3	Amanda Gallagher	2	3
Human Resources						
HR1	Health and safety	1	4	Amanda Gallagher	1	4
HR2	HSE prosecution	1	4	Amanda Gallagher	1	4
HR3	Staff recruitment and retention	3	3	Amanda Gallagher	2	3
HR4	Data protection issues	1	4	Amanda Gallagher	1	4
HR5	Failure to comply with the Freedom of Information/ Data Protection Act	1	4	Amanda Gallagher	1	4
ICT						
ICT1	Failure to identify and implement ICT requirements	1	3	Kelly Davis	1	3
ICT2	ICT systems failure	2	3	Kelly Davis	2	3

Keelman Homes – Risk Register

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
COMMUNICATIONS									
COM 1	<p>Communication issues</p> <p>Reputation of company tarnished and working relationships with existing tenants affected.</p>	<p>Effective communications strategy to identify key consultation requirements and appropriate forms of communication.</p> <p>Keelman Homes Website has link to all Keelman Homes Board meeting papers.</p>	2	4	Amanda Gallagher (supported by TGHC Kerrie Slavin)	Further development required in relation to Keelman Homes website and communications strategy.	Dec 2016	1	3
COM 2	<p>Reputation tarnished if scheme outcomes not delivered</p> <p>Reduced customer satisfaction.</p> <p>If delivery delayed this may impact on future HCA funding.</p>	<p>Resident and member consultation at the outset and regular updates provided through press releases once works have commenced on site.</p> <p>‘Considerate Contractor’ policy sought from each contractor agreement.</p>	2	3	Amanda Gallagher (supported by TGHC Kerrie Slavin)	<p>Further development required in relation to Keelman Homes communications strategy and PR policy to be developed.</p> <p>Formal project management framework for scheme delivery to be developed and implemented. This will include scheme communication and PR plans, so expectations are clear and realistic.</p>	Dec 2016	1	2
DEVELOPMENT									

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
DEV1	<p>Statutory Authority Risks (gas, water, electric, telecom etc)</p> <p>The utilities all need to be available to be used by the contractor during the build project and prior to the tenant moving in. The cost of providing the ability to use these utilities needs to be built into the budget for each scheme.</p>	<p>Design and Build Commission on new build schemes with utility connections being explicit in the contract documentation as Contractor responsibility.</p> <p>Discussions held with all utility companies prior to any project being drawn up to ensure that all utilities can be provided and to ensure any costs associated with these are built into the budgets.</p> <p>Considered on an individual scheme basis</p>	2	4	Jim Charlton	<p>The controls focus on maintenance of current systems and preventative measures rather than significant changes, therefore the residual score remains the same.</p> <p>Formal project management framework for scheme delivery to be developed. This will include robust individual Project Risk Registers, to highlight risks from all partners, the level of severity and identify mitigation routes.</p>	Dec 2016	2	4

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
DEV2	Programme slippage Failure to deliver new homes on time	Programme reviewed and managed through regular monthly contractor meetings and site meetings. As part of a robust procurement procedure this is addressed by checking the contractor's track record	2	4	Jim Charlton	Continue to monitor each scheme on an individual basis. Formal project management framework for scheme delivery to be developed. This will include robust individual Project Risk Registers, to highlight risks from all partners, the level of severity and identify mitigation routes.	Dec 2016	2	4
DEV3	Project Management on site Late delivery of a project	Regular monthly site meetings to manage a project and focus on any issues that affect the programme	3	3	Jim Charlton	Continue to monitor on an individual scheme basis. Formal project management framework for scheme delivery to be developed. This will include robust individual Project Risk Registers, to highlight risks from all partners, the level of severity and identify mitigation routes.	Dec 2016	3	3

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
DEV4	<p>Party Wall Risks Delays to projects.</p> <p>Future risk of claims from third parties for subsidence etc.</p>	<p>Early identification of any party walls.</p> <p>Legal advice followed and Party Wall Act is invoked. Photographs taken of all adjacent properties prior to commencement of works on site.</p>	2	3	Jim Charlton	Formal project management framework for scheme delivery to be developed. This will include robust individual Project Risk Registers, to effectively manage and deliver new projects and services.	Dec 2016	2	3
DEV5	<p>Security risks to properties, site and compound Loss due to vandalism and theft. Impact on neighbouring residents in the area.</p>	<p>As part of a robust procurement procedure this is addressed by checking the contractor's track record when they are on site.</p> <p>Materials or tools not stored with a resale value on site.</p> <p>Site compounds are secured overnight.</p>	2	3	Jim Charlton	<p>Work with police and local housing office to address issues of vandalism on site.</p> <p>Formal project management framework for scheme delivery to be developed. This will include robust individual Project Risk Registers, to highlight risks from all partners, the level of severity and identify mitigation routes.</p>	Dec 2016	2	3

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
DEV6	<p>Achieving agreement on estate layout / traffic management / road names</p> <p>Resulting in delay or making the development unworkable</p>	<p>Addressed as part of the planning process and through independent communication by TGHC with local residents.</p> <p>Key stakeholders for each scheme to be identified</p>	1	4	Jim Charlton	<p>Key contacts within the Council and with partners to be identified at the outset of the scheme.</p> <p>Formal project management framework for scheme delivery to be developed. This will include stages and gateways, and robust individual Project Risk Registers to effectively manage and deliver new projects and services.</p>	Dec 2016	1	4

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
DEV7	<p>Scheme Appraisals not being accurate</p> <p>Risk that inaccurate initial scheme appraisal will slow down, stop or make new developments unaffordable or a risk to the overall Keelman Homes Business plan.</p>	<p>All schemes run through a business model which has been benchmarked with other developing Registered Providers.</p> <p>Assumptions clarified around management, investment and repairs costs have also been benchmarked.</p> <p>Guiding principles for investment outcomes agreed at Keelman Homes Board in relation to minimum IRR, Positive NPV and no cross subsidy between sites.</p>	1	4	Amanda Gallagher	<p>As this is an emerging market, further investigation of available business models and benchmarking tools is to be undertaken.</p> <p>Formal project management framework for scheme delivery to be developed. This will include stages and gateways (e.g. feasibility), and project management documentation (e.g. Business Case).</p>	Dec 2016	1	3
DEV8	<p>Delay or inability to supply materials part way through programme</p> <p>Delay on completion of scheme, additional costs may be incurred.</p>	<p>Alternative suppliers for all materials. Suppliers are not nominated allowing alternatives to be used and passing the risk to the contractor.</p> <p>Robust tender process in place for all schemes.</p>	1	3	Jim Charlton	<p>Formal project management framework for scheme delivery to be developed. This will include robust individual Project Risk Registers, to highlight risks from all partners, the level of severity and identify mitigation routes.</p>	Dec 2016	1	3

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
DEV9	Environmental problems on site e.g. unknown contamination Delays in delivering the development and increased cost of a scheme.	Early site investigation - desk top and on site. Remedial measures identified and built into the project plan	1	2	Jim Charlton	Formal project management framework for scheme delivery to be developed. This will include robust individual Project Risk Registers and Pre-Commencement Project Plans to assist with planning timelines for early site investigations.	Dec 2016	1	2
DEV10	Loss of Key Records Risk of loss of key records such as property deeds, contracts and building plans etc.	All documentation retained both electronically and backed up via Council Network systems. Hard copies also retained and stored at Civic Centre offices. Keelman Homes specific shared electronic filing system in place.	1	2	Amanda Gallagher	Formal project management framework for scheme delivery to be developed. This will include document storage and change control processes.	Dec 2016	1	2

FINANCE

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
FIN1	<p>Budget issues - cost overrun</p> <p>Overall Company budgets overspend.</p> <p>Specific project budgets overspend.</p> <p>If budgets overrun then the company may face financial difficulty and there would be no funding available.</p> <p>Company may not be able to pay contractors.</p>	<p>All budgets and cash flow are closely monitored on a regular basis.</p> <p>Dedicated Finance Manager in place.</p> <p>Loan facility is provided through Gateshead Council and regular cash flow projections are provided.</p>	2	4	Kelly Davis	<p>Budgets and cash flow continue to be monitored on a regular basis.</p> <p>Formal project management framework for scheme delivery to be developed and implemented. This will include individual project risk registers and budget monitoring.</p>	<p>Ongoing</p> <p>Dec 2016</p>	2	4

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
FIN2	<p>Financial impact from Contractor(s) failing</p> <p>Keelman Homes could lose grant funding if schemes are not completed in line with the milestones as agreed with the HCA.</p> <p>Keelman Homes could lose any advances paid to contractors. Schemes may be undeliverable if contractor goes bankrupt / into administration</p>	<p>Robust procurement process for new build contractors. Early consideration of any risks associated with specific contractors or potential contractors for each scheme.</p> <p>Company ensures that Insurance and Collateral Warranties are in place for each contractor.</p> <p>Sufficient retention to ensure cost of transferring works to a new contractor can be met.</p>	2	4	Amanda Gallagher	Continue to monitor on an ongoing basis	Ongoing throughout each project	2	4

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
FIN3	<p>Cash Flow</p> <p>If the cash flow is not managed effectively then Keelman Homes may not be able to meet its financial commitments as they become due.</p> <p>Keelman Homes needs to ensure that the funds are available to make loan repayments to Gateshead Council on a six monthly basis.</p> <p>Cash flow needs to be managed to ensure that loan drawdowns are made in a timely manner.</p>	<p>Cash flow forecasts are carried out on a monthly basis and aligned with the Keelman Business Model.</p> <p>Monthly bank reconciliations are undertaken.</p> <p>Quarterly monitoring completed for Gateshead Council around capital spending and loan requirements.</p>	2	4	Kelly Davis	Continue to monitor on an ongoing basis	Ongoing	2	4

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
FIN4	<p>Market Sales Properties Left Unsold</p> <p>If properties remain unsold there is a financial risk that Keelman Homes will not be able to meet its financial liabilities.</p>	<p>Sales Policy in place.</p> <p>Considered as part of initial project appraisal.</p> <p>Keelman Homes has subscribed to Help to Buy Scheme to maximise opportunities for making sales properties affordable to first time buyers.</p> <p>Dedicated Development and Investment Manager role in place to prioritise sales.</p> <p>Built into individual scheme business model and aligned with overall Keelman Homes business model.</p>	3	4	Amanda Gallagher	Formal project management framework for scheme delivery to be developed and implemented. This will include robust risk monitoring and individual market sales strategies for relevant projects.	Dec 2016	2	3
FIN5	<p>Grant funding requirements fail to be met</p> <p>Company could lose funding if schemes are not completed in line with conditions as agreed with the HCA or other funders.</p>	<p>Detailed legal advice on grant agreement prior to signing. Checks in place via pre contract and post contract project plan to ensure conditions precedent are met.</p> <p>Dedicated Development and Investment Manager in place.</p> <p>In-house expertise on HCA funding monitoring system (IMS).</p>	2	3	Amanda Gallagher	Formal project management framework for scheme delivery to be developed and implemented. This will include key milestones to ensure projects delivered on time.	Dec 2016	2	3

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
FIN6	<p>Collection of Shared Ownership Charges</p> <p>Income may be reduced if accounts are not created and managed in line with the lease agreement.</p> <p>Cash flow impact if cash is not collected.</p>	<p>Policy and income management procedure developed.</p> <p>Monthly monitoring of income collected including arrears management.</p> <p>KPI reporting in place to monitor rent collection.</p>	2	1	Kelly Davis (with support from TGHC Janice Adams)	Monthly monitoring of income collected including arrears management.	Ongoing	1	1
FIN7	<p>Inaccurate rent and service charge provision</p> <p>Rent and service charges set too low could lead to costs outweighing income received. This may restrict the repairs/improvement works that can be carried out at these properties.</p>	<p>Detailed costings are produced before individual schemes are considered.</p> <p>Rent and Service charge policy in place.</p> <p>Individual scheme forecasts are aligned with the overall Keelman Homes 5 year Business Model.</p> <p>Rent setting and service charges are reviewed each year in line with HCA Guidelines.</p>	1	2	Kelly Davis (with support from TGHC Jeff Tudor)	Carry out a benchmarking exercise to review Keelman Homes rents against other local providers.	March 2017	1	2

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
FIN8	<p>Shared Ownership Repurchase</p> <p>If a Shared Owner with 80% or more share of a property wishes to sell Keelman Homes must repurchase the property.</p> <p>Company would be required to fund the repurchase.</p> <p>If funding isn't available Keelman Homes would have to offer the property to another Registered Housing Provider to purchase instead.</p>	Purchase of further Shares 'Staircasing' Procedure in place	2	3	Kelly Davis (with support from TGHC Janice Adams)	Develop and implement a reserves policy	September 2016	2	2

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
FIN9	<p>Procurement processes not being carried out in accordance with the Contract Procedure Rules and Financial Regulations</p> <p>Legal challenge from a supplier.</p> <p>Contract being awarded incorrectly.</p>	<p>Financial Regulations approved by the Board in July 2015.</p> <p>Contract Procedure Rules approved by the Board in September 2015.</p> <p>Financial Regulations and tender limits are in place to ensure that procurement activities are carried out appropriately.</p> <p>OJEU requirements followed for any procurement which meets these limits.</p> <p>Board approves procurement decisions.</p>	2	3	Kelly Davis	Annual review of spend with each supplier.	Annual	2	3

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
FIN10	<p>Incorrect treatment of VAT and Corporation Tax</p> <p>Fines and interest payments to HMRC.</p>	<p>VAT return is prepared by the Finance Manager and reviewed by TGHC Head of Corporate Services prior to submission.</p> <p>Guidance and advice sought from KPMG in relation to VAT and Corporation Tax implications of any new areas of business.</p> <p>Finance Manager attends annual social housing finance forum that provides updates on key issues and changes including VAT and Corporation Tax.</p> <p>Meeting in October 2015 with HMRC confirming use of VAT partial exemption method.</p> <p>Corporation Tax return is prepared by KPMG and reviewed by the Finance Manager prior to submission.</p>	3	2	Kelly Davis	Work closely with KPMG to produce Corporation Tax return for year ending 31 March 2016, as new activity will lead to an increase in the Corporation Tax due.	Dec 2016	3	2

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
FIN11	<p>Inaccurate performance reporting through inaccurate working papers</p> <p>Inaccurate customer expectations of service provision.</p> <p>Damage to Company reputation.</p> <p>Inappropriate decisions being taken in relation to incorrect data.</p>	<p>TGHC performance management team monitor and audit the performance data.</p> <p>Gateshead Council's APEX performance monitoring system is now being used to allow a streamlined process and quick access to performance information.</p>	2	2	Kelly Davis			2	2
HOUSING MANAGEMENT									

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
HM1	Cost of providing Housing Management Services to Other Landlords exceeds income from Landlords	<p>Housing management services provided via management agreement with TGHC, including use of policies and procedures.</p> <p>Business monitoring in place to assess cost effectiveness.</p> <p>Management fees and SLA set at full cost recovery rate.</p> <p>Termination notice built into the management agreement.</p> <p>Keelman management team meetings include representation from TGHC, so that issues are raised and resolved in a timely manner.</p>	1	3	Amanda Gallagher (with support from TGHC Julie McCartney)	Carry out annual cost benefit analysis	January 2017	1	3

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
HM2	Failure to deliver Housing Management Services to Other Landlord Properties	<p>Housing management services provided via management agreement with TGHC, including use of policies and procedures.</p> <p>Formal Management Agreements in place with Gateshead Council and Tees Valley Housing including monitoring arrangements.</p> <p>Performance reported monthly and quarterly to landlords and six monthly to Keelman Homes Board.</p> <p>Keelman management team meetings include representation from TGHC, so that issues are raised and resolved in a timely manner.</p>	1	2	Amanda Gallagher (with support from TGHC Julie McCartney)			1	2

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
HM3	Termination of Other Landlord Management Agreement	<p>Six month termination notice built into management agreement.</p> <p>TGHC carry out regular monitoring meetings with other landlords as part of management agreement.</p> <p>Performance reported monthly and quarterly to landlords and six monthly to Keelman Homes Board.</p>	2	3	Amanda Gallagher (with support from TGHC Julie McCartney)			2	3
HUMAN RESOURCES									
HR1	Health and Safety Injury to employees and the public.	<p>Employee training identified and carried out.</p> <p>PPE supplied for employees.</p> <p>CDM regulations adhered to on all construction and refurbishment projects.</p>	1	4	Amanda Gallagher (with support from TGHC Jennifer Aston)	Continue to monitor on an ongoing basis.	Ongoing throughout each individual project	1	4
HR2	HSE Prosecution Reputational impact. Financial impact.	<p>CDM regulations adhered to on all construction and refurbishment projects.</p>	1	4	Amanda Gallagher (with support from TGHC Jennifer Aston)	Continue to monitor on an ongoing basis.	Ongoing throughout each individual project	1	4

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
HR3	<p>Staff recruitment and retention</p> <p>Loss of skills, knowledge and experience.</p> <p>Disruption to day-to-day Company management during recruitment timescales.</p>	<p>Required employee skills and experience identified and appointed through the recruitment process.</p> <p>Employee appraisal processes and support in place to retain employees (TGHC).</p>	3	3	<p>Amanda Gallagher (with support from TGHC Jennifer Aston)</p>	<p>Keelman Homes specific employee appraisal/support process.</p> <p>Business Plan development - identifying roles, responsibilities, required resources and governance arrangements.</p>	<p>March 2017</p> <p>Sep 2016</p>	2	3

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
HR4	<p>Data protection issues</p> <p>Legal action or fines from the Information Commissioner.</p>	<p>Management agreements with TGHC and Gateshead Council include section on both parties complying with DPA.</p> <p>Management agreement with Tees Valley Housing includes data processing agreement.</p> <p>Website updated with information around privacy, data protection and the use of cookies.</p> <p>Managing Agent employees all undertook data protection training during 2015.</p> <p>Customers “opting in” to receive information from TGHC and other partners as part of customer profile.</p> <p>TGHC communications team use a secure data transfer method (dropbox).</p>	1	4	Amanda Gallagher			1	4

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
HR5	<p>Failure to comply with the Freedom of Information/ Data Protection Act</p> <p>Investigation by the Information Commissioner or legal action being taken against the Company.</p> <p>Legal action or fines from the Information Commissioner.</p>	<p>Management Agreements with TGHC and other landlords include provision for parties to assist each other in the event of requests for information under the Freedom of Information Act or the Data Protection Act.</p> <p>Advice from Gateshead Council's legal services.</p> <p>Employees made aware of protocol within the company for dealing with Freedom of Information/ Data Protection requests.</p> <p>TGHC has a central contact to coordinate all requests and timescales for responding to requests.</p>	1	4	Amanda Gallagher			1	4
ICT									

Risk No	Risk	Controls	Likelihood	Impact	Owner	Future Actions	Timescale	Residual Likelihood	Residual Impact
ICT1	<p>Failure to identify and implement ICT requirements</p> <p>If ICT development does not receive agreed accurate requirements for ICT changes the systems will not be aligned to Company requirements.</p>	<p>Procedures in place for the update of new properties within the Housing Management System.</p> <p>Training provided to key employees to be cascaded to all relevant employees.</p>	1	3	Kelly Davis (with support from TGHC Andrew Curtis)			1	3
ICT2	<p>ICT systems failure</p> <p>Failure of ICT systems in part or entirety affecting internal and customer processes and transactions.</p>	<p>ICT systems managed as part of management agreement with TGHC.</p> <p>TGHC complete daily system checks.</p> <p>A fully functional helpdesk system through TGHC allows control and administration of ICT issues avoid incidences becoming problems.</p> <p>TGHC Business Continuity Plan includes ICT disaster recovery plan.</p>	2	3	Kelly Davis (with support from TGHC Andrew Curtis)	Keelman Homes specific Business Continuity Plan.	Dec 2016	2	3



Report to Board of Trustees

24 March 2016

Title: Management Accounts – Third Quarter 2015/16

Report of: TGHC Head of Corporate Services

Purpose of Report

1. To provide the board with the management accounts for the third 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 third quarter of the 2015/16 financial year are shown below:

	YTD Actual (£)	YTD Budget (£)	YTD Variance (£)	Annual Budget (£)	Annual Forecast (£)
Income	707,348	679,934	27,414	906,578	952,356
Expenditure	625,117	629,036	(3,918)	838,714	839,753
Surplus/(Deficit)	82,231	50,898	31,333	67,864	112,604

5. The management accounts show Keelman Homes has made a surplus of £82,231 in the third quarter, compared to the original budget surplus of £50,898.
6. The year to date variance to budget is mainly due to additional income received in relation to Feed in Tariffs from the Solar PV panels installed on some of the properties at Kibblesworth.
7. We are now expecting to make an overall surplus in this financial year of £112,604 compared to the budgeted surplus of £67,864 (an increase of £44,740). This is mainly due to forecast underspends on staff costs and depreciation and the additional income received for Feed in Tariffs. Forecast underspends have been partially offset by the delay in selling properties at The Lonnen and a forecast overspend on loan repayments.

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 and Appendix.

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 budgets for the third quarter of the 2015/16 financial year.

**Keelman Homes
Management Accounts – December 2015**

Executive Summary

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

	YTD Actual (£)	YTD Budget (£)	YTD Variance (£)	Annual Budget (£)	Annual Forecast (£)
Income	707,348	679,934	27,414	906,578	952,356
Expenditure	625,117	629,036	(3,918)	838,714	839,753
Surplus/(Deficit)	82,231	50,898	31,333	67,864	112,604

2. The overall surplus at the end of the third quarter is £82,231 against an expected surplus budget of £50,898, giving a positive variance of £31,333 compared to the original budget.
3. We are now expecting to make an overall surplus in this financial year of £112,604, compared to the budgeted surplus of £67,864 (an increase of £44,740). This is mainly due to forecast underspends on staff costs and depreciation and additional income received for Feed in Tariffs. Forecast underspends have been partially offset by the delay in selling properties at The Lonnen and a forecast overspend on loan repayments.

Income

	YTD Actual (£)	YTD Budget (£)	YTD Variance (£)	Annual Budget (£)	Annual Forecast (£)
Rent	395,186	398,449	(3,263)	531,266	531,266
Service Charges	1,756	2,236	(480)	2,982	2,341
Shared Ownership Rent	25,656	27,409	(1,753)	36,545	34,058
Mgmt. Fee for Other Properties	70,189	65,763	4,426	87,684	97,265
Recharge of Repairs for Other Properties	21,164	0	21,164	0	27,950
Bad Debt	(7,969)	(7,969)	0	(10,625)	(10,625)
Void Loss	(1,568)	(3,984)	2,417	(5,313)	(5,313)
Release of Grant Funding	38,844	42,030	(3,186)	56,040	51,792
Interest	1,935	0	1,935	0	1,935
FiT Income	59,083	0	59,083	0	59,083
Shared Ownership Staircasing Surplus	3,216	0	3,216	0	11,250
Sales Surplus	99,856	156,000	(56,144)	208,000	151,355
Surplus/(Deficit)	707,348	679,934	27,414	906,578	952,356

4. Rental income received for Keelman Homes properties is currently showing a deficit of £3,263 compared to budget for the third quarter due to a difference in the timing of rents on the Empty Homes Initiative (EHI) purchase and repair properties. 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 £1,753 less than budget and we have forecast that income for the full year will remain less than budget. This is due to shared owners purchasing further shares in their properties during the year (Staircasing). This means that the rent they pay on the portion of the property that they don't own has reduced, on a pro-rata basis. One Staircasing transaction completed during October 2015 and a second transaction is expected to complete during the final quarter of this financial year.
7. Management of other properties income is the management fee we receive for managing properties that belong to other organisations. The actual fee 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 in the year to date has been £1,568 compared to a budget of £3,984. 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 EHI scheme. 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 compared to the timing assumptions included within the budget, the amount of grant to release in this financial year has been reduced. There is also a corresponding reduction in depreciation charges.
12. Keelman Homes has earned a small amount of bank interest in the year to date, as surplus funds were invested in fixed rate deposit accounts. It is not anticipated that any further interest will be earned in the final quarter of this financial year.
13. Keelman Homes installed Solar PV panels on a number of its properties at the Kibblesworth development. Keelman Homes is entitled to receive Feed in Tariff (FiT) income from these properties. FiT income is a payment made as an incentive to encourage the take up of renewable technology. Processes have

been implemented to ensure that Keelman Homes claims the income it is due. During 2015, Keelman Homes has claimed backdated funds that it was due from 2011 up to the year to date. In the future, the FiT income is estimated to be around £400 per property, per year. Keelman Homes will have to pay Corporation Tax on any surpluses generated from this activity, which has also been included in the annual forecast.

14. During 2015/16 two shared owners have requested to purchase additional shares in their property, through Staircasing. One shared owner purchased additional shares in their property in October 2015. A second shared owner is expected to complete on the purchase of additional shares in their property during the fourth quarter of this financial year. The forecast has been updated to include the surplus on these transactions. These are the first requests that have been received in relation to Staircasing.
15. Sales surplus relates to the surplus we will earn on selling the properties at The Lonnen. At the end of the third quarter, two of these properties have sales completed and we are forecasting the completion of a third sale before the year end. The full year forecast has been updated to reflect the surplus generated on the sale of the three properties.

Expenditure

	YTD Actual (£)	YTD Budget (£)	YTD Variance (£)	Annual Budget (£)	Annual Forecast (£)
Staff and Overheads	59,926	76,875	(16,949)	102,500	83,200
Loan Interest Repayments	248,634	224,449	24,185	299,266	331,140
Repair costs (KH own properties)	11,166	13,376	(2,210)	17,835	15,625
Void costs (KH own properties)	1,558	13,376	(11,818)	17,835	6,017
Repair & Voids Costs Managed Properties	19,057	0	19,057	0	25,409
Management Fee	42,281	42,281	0	56,375	56,375
Depreciation	136,036	186,417	(50,381)	248,556	181,381
Legal Costs	7,257	10,184	(2,927)	13,579	13,579
Audit Fee	13,001	6,501	6,500	8,668	15,168
Marketing & Property Sales	3,000	7,875	(4,875)	10,500	4,500
Leasehold Service Charges	1,478	923	555	1,230	2,500
Consultancy	3,040	4,266	(1,227)	5,688	5,688
Unrecoverable VAT	37,337	0	37,337	0	42,000
Other Fees & Charges	9,559	11,312	(1,754)	15,083	15,083
Corporation Tax	31,788	31,200	588	41,600	42,088
Surplus/(Deficit)	625,117	629,036	(3,918)	838,714	839,753

16. 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.

17. 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
18. 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 overspent against the full year budget, as the budget had been based on the timing of cash flows. It is currently anticipated that no further loan drawdown will be required before the year end.
19. Repair costs are the costs recharged from The Gateshead Housing Company (TGHC) for repairs completed on Keelman Homes properties. Repair costs for the third quarter are £11,166, which is £2,210 under budget. We have forecast to spend the budget remainder (one quarter of the annual budget) in the final quarter, meaning repairs costs are forecast to be £2,210 under budget in the full year.
20. Void costs are £1,558, which is £11,818 under budget, as the numbers of voids on Keelman Homes properties remains low. We have forecast to spend the budget remainder (one quarter of the annual budget) in the final quarter, however further savings may be made on this budget by the year end.
21. 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.
22. 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.
23. The depreciation charge is £50,381 under budget year to date and is forecast to be under budget by the 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, compared to the timing assumed in the budget, 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.
24. 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.
25. 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.

26. The budget for marketing and property sales costs is in relation to the sale of properties at The Lonnen. These fees will be payable to the estate agent on completion of a sale. At the end of the third quarter two of these properties have sales completed and we are forecasting that there will be a third completion during this financial year.
27. 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. At the beginning of 2015/16 Keelman Homes owned 4 leasehold properties. An additional 3 properties have been purchased during the year. 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.
28. Consultancy costs relate to advice and guidance received from Judy Mackley, a housing funding consultant, on HCA grant funding issues. It is forecast that these costs will be in line with budget in the full year, however these services are being reduced, as the expertise required to do this has now been developed in-house.
29. Keelman Homes is VAT registered, but due to the nature of the Company's activities, it is only able to part recover VAT. Any VAT that cannot be recovered is required to be written off. An estimate has been made for this and included in the forecast.
30. 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, local searches in relation to the purchase of EHI properties, carpets at sales properties at The Lonnen and council tax on the sales properties at The Lonnen whilst they remain unsold. These will be monitored as the year progresses, but we are currently forecasting spend in line with the budget.
31. The sale of the 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 third quarter, two of these properties have sales completed and we are forecasting that there will be a third completion before the end of this financial year. Corporation Tax will also be payable on the FiT income received and the forecast has been updated to reflect this.