



## The Gateshead Housing Company Board of Directors

Thursday 19 January 2012 at 10am

To be held in the Board Room, Keelman House, Fifth Avenue  
Business Park, Fifth Avenue, Team Valley Trading Estate,  
Gateshead, Tyne and Wear

### *Agenda*

---

Item	Business
1.	<b>Apologies for Absence</b>
2.	<b>Declarations of Interest</b>
	<b><u>ITEMS FOR DECISION</u></b>
3.	<b>Minutes (Pages 3-9)</b> To approve as a correct record the minutes of the last meeting of the Board held on 10 November 2011
4.	<b>Matters Arising</b>
5.	<b>Proposed Rent Increases in 2012/13 (Pages 10-12)</b> Report of Director of Corporate Services
6.	<b>Statutory Consultation on the Revised Regulatory Framework (Pages 13-23)</b> Report of Director of Corporate Services
	<b><u>ITEMS FOR INFORMATION</u></b>
7.	<b>Welfare Reform – Update (Pages 24-28)</b> Report of Director of Customers and Communities

---

Contact: Stuart Gibson Tel: (0191) 433 5308 Date: 12 January 2012

---

Item 8.	<p>Business</p> <p><b><i>The following information item is available to download from the company's website: -</i></b></p> <p><b>(i) Response to Government Consultation on Feed in Tariffs for Solar PV</b> Report of Director of Corporate Services</p> <p><b>(ii) Laying the Foundations : A Housing Strategy for England</b> Report of Director of Corporate Services</p> <p><b>(iii) Petitions Update</b> Report of Director of Corporate Services</p> <p><b>(iv) Outstanding Issues</b> Report of Director of Corporate Services</p> <p><b>(v) Forward Plan</b> Report of Director of Corporate Services</p> <p style="text-align: center;"><b><u><a href="#">ITEM FOR DISCUSSION</a></u></b></p> <p>9. <b>Self-Financing</b> Presentation by Director of Corporate Services</p> <p>10. <b>Feedback from Outside Bodies and Events</b></p> <p>11. <b>Date and Time of Next Meeting</b> Thursday 15 March 2012 at 10am in the Board Room, Keelman House, Fifth Avenue Business Park, Fifth Avenue, Team Valley, Gateshead</p> <p>12. <b>Exclusion of the Press and Public</b> The Board may wish to exclude the press and public during consideration of the remaining business in accordance with the categories of the company's Access to Information Rules</p>
------------	---



## BOARD OF DIRECTORS

10 November 2011

### PRESENT:

#### Directors

Barbara Dennis (Chair)  
Joanne Carr  
George Clark  
Stan Dawson  
Pauline Dillon  
Kathryn Ferdinand  
John Hamilton  
Peter Mole  
Joachim Moussounda Mouanda  
Gordon Spring

#### Advisers

Bill Fullen	Chief Executive
Jon Mallen-Beadle	Director of Corporate Services
Neil Bouch	Director of Customers and Communities
Stuart Gibson	Governance and Risk Officer

#### Apologies for Absence

Robert Buckley  
Sara Woolley

### 61 ROBERT BUCKLEY

The Board wished to place on record their deepest condolences to Robert Buckley on the recent deaths in his family.

### 62 DECLARATIONS OF INTEREST

No interests were declared.

### 63 DECENT HOMES PROGRAMME

The Board received a presentation from the Chief Executive on the Decent Homes Programme which was completed in September 2011. In particular, a background to decency, the Gateshead Standard, investment explosion, delivery of decency, the partnering and the cost, the customer experience, complaints, satisfaction and what has been achieved were highlighted.

RESOLVED – (i) That the information be noted.

- (ii) That all the staff involved in delivery of the involvement programme be congratulated on this excellent achievement, of achieving decency.

## **64 MINUTES**

The minutes of the meeting of the Board held on 22 September 2011 were approved as a correct record.

## **65 BOARD MEMBERSHIP**

Bill Patterson wrote to the company on 22 September 2011 tendering his resignation from the Board as a Tenant Director.

A letter has been sent to Bill Patterson from the Chair on behalf of the Board thanking him for his work and commitment he gave to the company and wishing him its sincerest best wishes for the future.

Given the current uncertainty over the future of the company, it was proposed that any arrangements for filling the vacancy be deferred until the stock options review had been completed.

RESOLVED – That the resignation of Bill Patterson as a Tenant Director be noted and arrangements for filling the vacancy be deferred pending the outcome of the stock options review.

## **66 BOARD MEMBER APPLICATIONS TO BE REAPPOINTED BEYOND THE MAXIMUM TERM OF OFFICE**

The Board, at its meeting held on 12 May 2009, recommended to the Council amendments to the Articles of Association whereby increasing the maximum period of office in relation to a Board Member (other than a Council Board Member) to no more than ten consecutive years or four consecutive terms of office, whichever is the lesser. In addition, it recommended that on application to the Board, the Board may allow a Board Member to serve beyond the maximum period of office on such terms as it deems fit, subject to approval by the shareholder. These recommendations were subsequently endorsed by the Council and the Articles of Association were amended accordingly.

The Board also requested that the Director of Finance draws up criteria for considering Board Member applications to be reappointed beyond the maximum term of office.

The company has sought advice from Trowers and Hamlin who has suggested that the criteria for disapplying the maximum period should be as follows: -

“Exceptional circumstances exist that make disapplication of the maximum term in the best interests of the organisation for example the retiring board member has particular skill, which cannot be replaced at the proposed time of retirement. When disapplying the maximum term the board will consider the appropriate terms of reappointment of that board member which should include a fixed term of appointment of no more than three years.”

RESOLVED – That the company adopts the above criteria for disapplying the maximum period of office.

## 67 REVIEW OF BOARD AND COMMITTEE STRUCTURE

With the exception of January and September, the Board always meets bi-monthly on the second Thursday in the month. These arrangements have been in place since the Board and committee structure was reviewed in 2006.

The Board, at its meeting held on 12 May 2011, agreed that only decision items would be included in future agendas and information items would be available to download from the company's website with a link to them on Board agendas.

The size of Board agendas will therefore be reduced significantly for future meetings. The number of items requiring decisions has also reduced since it was agreed to hold meetings bi-monthly in 2006. At that time, the delegations to committees was amended to increase the level of decision making taken at committees.

The current cycle does sometimes result in information not being provided for the Board on a timely basis. For example, the first quarter's performance results aren't available for discussion until September's Board Meeting. The Board need to consider if the current cycle is still appropriate.

The Board currently has a planning day in February each year to inform the next year's Delivery Plan. The feedback from these meetings has always been very positive.

The current committee structure was approved by the Board on 24 September 2009 based on the three broad business areas when the following committees were established: -

- Resources and Audit
- Customers and Communities
- Asset Management

The company has now introduced a new organisational structure based around the following two broad areas: -

- Customers and Communities
- Corporate Services

At it's meeting on 14 July 2011, the Board agreed to set up a single topic group to look at the current frequency of Board Meetings and the current committee structure. The Board considered a series of proposals arising from this group.

RESOLVED – That the following recommendations made by the single topic group be approved: -

- To move Board meetings to the third Thursday of the month (except the July meeting that would remain on the second Thursday of the month).

- To establish three committees, Corporate Services Committee, Customers & Communities Committee and Audit Committee.
- To retain the Executive Overview Committee.
- To introduce the proposed changes from 1 April 2012 (subject to the outcome of the Council's stock options appraisal).
- To agree the timetable of Board meetings and committees for the period of 1 January 2012 to 31 March 2013.
- To keep the existing chairs and vice chairs of the current committees until April 2012 and to agree chairs and vice chairs for the new committees in the first quarter of 2012.
- To appoint an independent chair of the Audit Committee.
- To establish a separate Appeal Panel to hear all appeals and this be made up of the Chair and any three other members of Resources and Audit Committee.
- To hold two planning days, one in January/February and one in September/October.

## **68 STRATEGIC RISK REGISTER**

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.

An annual planning session was held with the Board on 18 February 2011 during which a full review of the strategic risks took place to identify any emerging risks and to update the current risks proposed.

The Resources and Audit Committee, at its meeting held on 27 October 2011, approved an updated Operational Risk Register for the two new directorates. There were no risks that the committee felt needed escalating to the Strategic Risk Register.

The Strategic Risk Register has been reviewed and an updated Register was submitted.

RESOLVED – That the updated Strategic Risk Register be approved.

## **69 TRANSFER OF ACCOUNTS – FORMER TENANT ARREARS**

Periodically the Council transfers former tenants arrears considered irrecoverable into a debtors account. This entails setting off an amount against bad debts provision held in the Housing Revenue Account.

The last transfer was effected in March 2011 and amounted to £257,396 owed by 295 former tenants.

During this financial year, the sum of £140,485 has been recovered from former tenants, including £29,898 relating to previously transferred accounts, which have been reinstated for recovery purposes.

Using the agreed criteria, it is proposed that 2,792 cases totalling £396,954 in value are proposed for transfer.

Since April 2008, 695 cases considered unrecoverable through the internal recovery team and totalling £1,501,748 have been passed to external debt collection agencies. These agencies have managed to collect £68,090 so far from transferred cases.

The agency's fees are set at a flat rate of 22% regardless of their contact method. As a result we will be passing more cases regarded unrecoverable or uneconomic to pursue internally as a further stage before being considered for transfer to a debtors account.

There are currently 192 cases where tenants have been declared bankrupt or have applied for debt relief orders and debts on their rent accounts have been transferred to separate bankruptcy accounts. The total outstanding on these accounts is £207,491. None of the debts on bankruptcy accounts have previously been transferred to a debtors account. We are currently in discussion with the Council as to how these accounts will be treated in the future.

RESOLVED – That Gateshead Council be recommended to transfer £396,954 of former tenants arrears into a debtors account.

## **70 MINUTES OF ASSET MANAGEMENT COMMITTEE**

The minutes of the meeting of Asset Management Committee held on 20 October 2011 were submitted.

RESOLVED – That the minutes be noted.

## **71 MINUTES OF RESOURCES AND AUDIT COMMITTEE**

The minutes of the meeting of Resources and Audit Committee held on 27 October 2011 were submitted.

RESOLVED – That the minutes be noted.

## **72 MINUTES OF CUSTOMERS AND COMMUNITIES COMMITTEE**

The minutes of the meeting of Customers and Communities Committee held on 2 November 2011 were submitted.

RESOLVED – That the minutes be noted.

## **73 PERFORMANCE – 2<sup>ND</sup> QUARTER 2011/12**

The Board was informed of the results of the second quarter performance results for 2011/12.

At the end of the second quarter: -

- 22 indicators were traffic lighted green, which showed that the company was on target to achieve the annual target set for these indicators. This was up from 17 in the second quarter in 2010/11.
- Three indicators were traffic lighted amber, which showed that the company had not met the target set to date although performance was improved on prior year. This was up from two indicators in the second quarter in 2010/11.
- Nine indicators were traffic lighted red, which showed that the company had not met the target set and performance has fallen compared to the prior year. This was down from eleven indicators in the second quarter in 2010/11.
- Nine indicators were not yet measurable/baseline year, down from 13 in the second quarter in 2010/11.

The analysis therefore indicated that at the second quarter, performance relating to 25 out of the 34 measureable performance indicators could be traffic lighted as on target or improving.

RESOLVED – That the information be noted.

#### **74 SERVICE STANDARDS PERFORMANCE – SIX-MONTHLY UPDATE 2011/12**

The Board was informed of the results of the six month performance results against service standards for 2011/12.

The company currently had 58 service standard performance indicators which were included within the Guide to Services documents for both tenants and leaseholders.

At the end of the first six months, performance showed that the company had been able to measure 40 service standard performance indicators. The results would be used to improve services to tenants and leaseholders. Where there were no targets set, the results would form the baseline for performance for 2012/13.

RESOLVED – The information be noted.

#### **75 INFORMATION ITEMS**

The following information item was posted on the company's website: -

- Forward Plan.

RESOLVED – That the information be noted.

#### **76 FEEDBACK FROM OUTSIDE BODIES AND EVENTS**

The following feedback from outside bodies and events was reported: -

- Bill Fullen, Chief Executive gave an update on the content of the draft joint Core Strategy and urban Core Area Action Plan and the consultation processes for these joint documents. The report has been posted on the Board Members Website.
- Morrison is writing to all tenants to apologise for the adverse publicity as a result of the video showing the incorrect use of a ladder system by one of their safety advisers which was posted on YouTube.
- Jon Mallen-Beadle, Director of Corporate Services and Brian Kelly, Chair of Keelman Homes attended to the UK Housing Awards on 9 November 2011. The company was unsuccessful in the Excellence in Housing Finance and Development for the Kibblesworth Regeneration category in which it was shortlisted.

RESOLVED – That the feedback be noted.

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

The next Board Meeting will be held on Thursday 19 January 2012 at 10am in the Board Room at Keelman House, Fifth Avenue Business Park, Team Valley, Gateshead.

## **78 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.



**Report to the Board  
19 January 2012**

---

**Title:** Proposed Rent Increase for 2012/13

**Report of:** Director of Corporate Services

---

**Purpose of Report**

1. To seek approval of the proposed increase to the rents for 2012/13 for The Gateshead Housing Company owned properties.

**Background**

2. The rent and service charge setting policy was approved by the Board of Directors at its meeting on 21 January 2010 and a subsequent update was improved on 12 May 2010.
3. The rent and service charge setting policy details that the initial rent period for an assured tenancy must be in place for a minimum of 12 months, therefore the properties let during 2011/12, will not see a rent increase in April 2012.
4. However, we will increase the rents should any properties become void as the new tenants would be due to pay rent at the 2012/13 rental costs. These rents will be increased in line with the provisions within the rent and service charge setting policy which allow for rents to be increased by inflation plus a maximum of 1%. We will undertake the rent increase in line with the guidelines as set out by the Homes and Communities Agency as they are within the parameters provided for in our rent and service charge setting policy.

**Proposed increase**

5. The rent increase has been proposed in line with the HCA guidelines of RPI + 0.5% and is included in the Appendix. RPI in November was 5.2%; this provides an increase of 5.7%, which is an average weekly rental increase of £4.82.

**Impact on Tenants**

6. The impact on tenants is in relation to the increased rents and service charges which will be charged which are detailed within the Appendix. TGHC's rent and income team are available for support and advice to tenants who may have difficulty paying.

7. The rent and service charge setting policy details the reviews in relation to the rents and service charges and also provides tenants with the means to appeal any decisions made in relation to their rents and service charges.

### **Risk Management Implications**

8. The risks associated with the setting of rents and service charges are included within the risk register for the new build project. The Rent and Service Charge Setting Policy will ensure that rents are set at a level to reduce the risks associated with setting incorrect rents.

### **Financial Implications**

9. The Rent and Service Charge Setting Policy has financial implications in relation to the income to be received by the Housing Company – the rents have been set initially at a level that will ensure we can cover the amount provided from reserves and also to ensure that these are not substantially higher than current rents paid for similar properties in the Gateshead area.

### **Health Implications**

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

### **Value for Money Implications**

11. There are no Value for Money implications arising from this report, however, this increase compares favourably with the average expected Council increase.

### **Equality and Diversity Implications**

12. There are no equality and diversity implications with this report.

### **Consultation Carried Out**

13. We advised tenants at the outset of their tenancy that they would not see an increase during 2011/12. We will be advising all tenants of the 2012/13 increase in writing where appropriate with 28 days notice

### **Recommendation**

14. The Board is recommended to approve the proposed rent increases for TGHC owned properties for 2012/13.

**St Cuthbert's Rent Increase Calculation**

Rents have been increased by 5.7%. Therefore, the rents have been set as follows for the varying types of properties:

<b><u>Property Type</u></b>	<b><u>2011/12 Rents 52 weeks</u></b>	<b><u>2012/13 Rents 52 Weeks</u></b>	<b><u>Weekly increase</u></b>
4 bed	£84.53	£89.34	£4.82



## Report to the Board

19 January 2012

---

**Title:** Statutory Consultation on the Revised Regulatory Framework

**Report of:** Director of Corporate Services

---

### **Purpose of Report**

1. To inform the Board of our proposed response to the TSA's formal statutory consultation on a revised regulatory framework covering all registered providers.

### **Background**

2. The Localism Act sets out the legislative framework for substantial changes to social housing regulation. From April 2012, the Homes and Communities Agency, the social housing regulator will exercise regulation functions through an Independent Regulation Committee as specified in the Act.
3. The legislation establishes a distinction between the economic and consumer regulation functions of the regulator. It will continue to set standards, and will continue to have a proactive economic regulation function, including a new standard in relation to value for money. However, the regulator will have a backstop role in relation to consumer regulation, and will act only where it considers there is risk of serious detriment or harm to tenants.
4. The consultation document sets out how the regulatory framework will be revised to give effect to these changes.

### **Consultation**

5. There are three documents that comprise the statutory consultation package. These are the statutory consultation on the revisions to the regulatory framework document and its two annexes: the Rent standard guidance; and Guidance notes on use of the regulator's powers. These documents are available on the TSA website by using this link: [www.tenantservicesauthority.org/consultation](http://www.tenantservicesauthority.org/consultation).
6. The key points to the changes to the regulatory framework are:
  - the regulator will have a backstop role for consumer standards and may only consider intervention where it judges that there is serious harm, or a risk of serious harm to tenants;

- for breaches of regulatory standards that do not give rise to serious detriment, tenants will have to look to others – local tenant panels, councillors and MPs – to intervene if necessary;
  - the regulator's main role will now be on economic regulation of private registered providers;
  - the regulator will retain its focus on governance and viability of providers which is trusted by stakeholders and provides assurance to lenders and providers ; and
  - the regulator will have a new role on value for money in private registered providers.
7. The closing date for responses is 10 February 2012. A copy of the proposed response is attached as an Appendix to this report.

### **Links to Values**

8. This report is consistent with the value of being honest, accountable and transparent.

### **Impact on Tenants**

9. Tenants, partners and stakeholders will be made aware of this consultation, and the implications for them.

### **Risk Management**

10. Changes to government policy adversely impacting on the company has been identified as a strategic risk and controls are in place to mitigate this risk.

### **Financial Implications**

11. There are no financial implications arising from this report.

### **Equality and Diversity Implications**

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

### **Value for Money Implications**

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

### **Health Implications**

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

### **Environmental Implications**

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

### **Consultation Carried Out**

16. Consultation will take place with tenants, partners and stakeholders.

## **Recommendation**

17. The Board is asked to agree the housing company's proposed response to the formal statutory consultation on a new regulatory framework.

**The revised regulatory framework for social housing in England from April 2012 - Response to the Statutory Consultation**

<b>Consultation questions</b>	
<b>1:</b>	<p><b>Are these the right principles, in the context of changes brought about by the Localism Act?</b></p> <hr/> <p><u>I. Boards and councillors who govern providers are responsible and accountable for delivering their organisation's social housing objectives</u></p> <p>We are committed to the current principles of self-regulation by Boards and councillors and effective tenant involvement. We agree in principle with the above however, we do have some questions in relation to this.</p> <p>Our Board are currently accountable for delivering our organisations social housing objectives to our tenants and leaseholders. Due to the make-up of the ALMO board we have 5 councillor representatives on our Board; however, we would question whether the remainder of the Councillor body should have any influence on the setting of social housing objectives in the ALMO? Also, we would question how the TSA expects local authorities to be involved in the setting of social housing objectives by ALMO's and other registered providers and how this can be managed effectively to ensure that ALMO's and registered providers retain autonomy? Do the TSA intend to issue guidance on how the governance arrangement should work?</p> <p><u>II. Providers must meet the regulatory standards.</u></p> <p>We agree with the principles around the splitting of the standards into Consumer and Economic and see the benefits that this will have on the ability of the TSA to regulate the Economic standards more closely.</p> <p>However, we would question the Value for Money standard being solely for the private registered provider and would suggest that this should equally apply to the local authorities and ALMO's (see further information in question 3)</p> <p>We would also question whether there is a place for the TSA/HCA to provide 'best practice' rather than providers having to pay to join benchmarking groups to obtain best practice information. This may have the effect of making the provision of service unequal in those smaller providers who may not be able to afford the fees associated with the benchmarking groups.</p> <p><u>III. Transparency and accountability is central to co-regulation</u></p> <p>We agree with this principle. However, we would question the ability to empower all tenants with the ability to scrutinise our services and the likely effect that this may have on officer time in answering potential queries posed by our tenants and leaseholders.</p> <p>Again we would question the effect of the removal of external challenge by the TSA which is likely to result in organisations paying for external reviews to be undertaken and as above this may result in unequal provision of services</p>

	<p>between those organisations who pay for external challenge and those who do not and depending on which benchmarking organisations a provider uses. Given that organisations may choose different organisations to carry out external reviews, will this also lead to inconsistencies in the levels and assessment of service standards and may pose difficulties in benchmarking.</p> <p><u>IV. Tenants should have opportunities to shape service delivery and to hold the responsible boards and councillors to account</u></p> <p>Again we agree in principle with this standard. However, we would question the ability to empower all tenants with the ability to scrutinise our services and influence future service provision. It should be noted that this is likely to be extremely time consuming for officers who will develop services in line with tenant expectations and in line with local priorities. Tenants and leaseholders will all have differing views of the services provided and of the priorities for the services which is likely to cause challenges for the providers. In particular this will provide a challenge for some providers in the current economic climate where tough decisions about service provision may need to be made. Certain key services could become vulnerable in this scenario due to their specific target client group, for example supported accommodation, where the service may be heavily subsidised by the provider but may only benefit a few individuals. This should be noted by the TSA as tenants may be unsatisfied with outcomes if their priorities are not adopted or were there are reduced standards of service provision in line with budget reductions.</p> <p>As this regulatory framework is also coupled with the reduction in regulation, it means that it could lead to bigger divides between the landlords committed to involving tenants to shape services and those who don't. Should a provider fail to provide these opportunities, there is no clear route for their tenants to raise this with the regulator as it is not likely to fall within the terms of 'serious detriment'</p> <p><u>V. Providers should understand the particular needs of their tenants</u></p> <p>We fully support this principle.</p> <p><u>VI. Value for money goes to the heart of how providers ensure current and future delivery of their objectives</u></p> <p>We agree with this principle and would welcome any additional Value for Money requirements imposed on local authorities in this context as well as registered providers.</p> <p>However, the TSA should be aware that this principle may be at odds with the principle of tenants shaping service delivery as they may chose a service which does not add value to the organisation and which cannot be run in a cost effective way.</p>
<p><b>2:</b></p>	<p><b>Does the revised Governance and Financial Viability standard:</b></p> <ul style="list-style-type: none"> <li>• <b>Effectively take into account amendments required by the Localism Act?</b></li> </ul>

	<ul style="list-style-type: none"> <li>• <b>Give providers sufficient flexibility to run their businesses?</b></li> <li>• <b>Enable the regulator to provide adequate protection to taxpayers' interests, and to maintain the confidence of lenders and stakeholders in the regulator's economic role?</b></li> <li>• <b>Express requirements of providers in a way that is clear, succinct and as outcome focussed as possible?</b></li> </ul>
	<p>As an ALMO this standard does not directly impact on us.</p> <p>However, the revised standard appears to meet the outcomes required by the regulator.</p> <p>A sanction may be required to enable adequate protection of taxpayer's interests if providers do not meet the specific expectations around 1.1 and 1.2.</p>
3:	<p><b>Does the revised Value for Money standard:</b></p> <ul style="list-style-type: none"> <li>• <b>Effectively take into account amendments required by the Localism Act?</b></li> <li>• <b>Give providers sufficient flexibility to run their businesses?</b></li> <li>• <b>Enable the regulator to provide adequate protection to taxpayers' interests, and to maintain the confidence of lenders and stakeholders in the regulator's economic role?</b></li> <li>• <b>Express requirements of providers in a way that is clear, succinct and as outcome focussed as possible?</b></li> </ul>
	<p>As an ALMO this standard does not directly impact on us.</p> <p>However, the revised standard is obviously more comprehensive and prescriptive in its approach to value for money. The revised standard makes it more explicit that the Value for Money approach should be intrinsically linked to the objectives of the registered provider. This is a positive step and it is queried as to whether the required outcome could not also be applied to local authorities.</p> <p>Within the specific expectations however, we do not agree that the standard provides flexibility in how to run the business but rather restricts the running of the business to be focused on value for money. The current value for money standard is explicit in ensuring that value for money is considered in meeting all of the standards but the revised standard makes the registered provider consider value for money separately. This may have a negative impact.</p> <p>The requirement to produce an annual self assessment has not been detailed as being part of the annual report and it may be considered as an additional requirement which will cause an increased administrative burden on the registered provider.</p> <p>The revised standard puts value for money at the heart of decision making and more comprehensive and robust assessments will need to be made before</p>

	<p>decisions are made. However, this may be contradictory in comparison to the consumer standards which put tenants' priorities at the heart of decision making. Trying to merge these two philosophies may prove to be difficult for registered providers.</p> <p>Again the costs associated with benchmarking clubs and gaining assurance may lead to unequal provision of services across registered providers.</p>
<p>4:</p>	<p><b>Does the revised Rent standard (and associated Rent Standard Guidance in Annex E of this consultation document):</b></p> <ul style="list-style-type: none"> <li>• <b>Effectively take into account the Government's direction to the regulator and amendments required by the Localism Act?</b></li> <li>• <b>Give providers sufficient flexibility to run their businesses?</b></li> <li>• <b>Enable the regulator to provide adequate protection to taxpayers' interests, and to maintain the confidence of lenders and stakeholders in the regulator's economic role?</b></li> <li>• <b>Express requirements of providers in a way that is clear, succinct and as outcome focussed as possible?</b></li> </ul>
	<p>As an ALMO this standard does not directly impact on us.</p> <p>However, the revised standard appears to meet the outcomes required by the regulator.</p>
<p>5:</p>	<p><b>Does the revised Tenant Involvement and Empowerment standard:</b></p> <ul style="list-style-type: none"> <li>• <b>Effectively take into account the Government's direction to the regulator and amendments required by the Localism Act?</b></li> <li>• <b>Express requirements of providers in a way that is clear, succinct and as outcome focussed as possible?</b></li> </ul>
	<p>There seems to be a disconnect between the economic standards and the consumer standards. There does not appear to be the fluidity that exists in the current standards.</p> <p>The revised standard does seem to take into account the requirements of the Localism Act by providing more direction around tenant involvement and empowerment and the specific requirements of co-regulation.</p> <p>However, the revised standard appears to become more prescriptive in terms of requirements for the content of the Annual Report as well as the type of support and involvement providers should encourage tenants to participate in. This appears to be at odds with the Localism Act which seeks to devolve the scrutiny to tenants to determine how they should be involved.</p> <p>Whilst the requirements of providers are expressed in a clear and succinct way, the revised standard is more likely to encourage registered providers to show how they are meeting the standards rather than the outcomes this will have</p>

	<p>for our tenants and leaseholders. This may lead to registered providers doing things just to meet the revised standard and not necessarily for the benefit of tenants.</p> <p>We also think that this standard could have been strengthened in relation to responding to diverse needs to ensure that it fully reflects the requirements of the equality act.</p>
<p><b>6:</b></p>	<p><b>Does the revised Home standard:</b></p> <ul style="list-style-type: none"> <li>• <b>Effectively take into account the Government’s direction to the regulator and amendments required by the Localism Act?</b></li> <li>• <b>Express requirements of providers in a way that is clear, succinct and as outcome focussed as possible?</b></li> </ul>
	<p>The revised standard takes into account the amendments required by the Localism Act and also expresses requirements in a clear and succinct way.</p>
<p><b>7:</b></p>	<p><b>Does the revised Tenancy standard:</b></p> <ul style="list-style-type: none"> <li>• <b>Effectively take into account the Government’s intended direction to the regulator and amendments required by the Localism Act?</b></li> <li>• <b>Express requirements of providers in a way that is clear, succinct and as outcome focussed as possible?</b></li> </ul>
	<p>The revised standard in relation to mutual exchanges takes into account the amendments required by the Localism Act. However, this potentially places an administration and additional cost implication onto registered providers who do not have a current internet-based system in place. This is a potentially onerous requirement and is prescriptive in detail, which appears to contradict the diktat of the regulator.</p> <p>The revised standard in relation to the specific expectations of tenure are prescriptive in format and again appear to contradict the diktat of the regulator that the standards support co-regulation. The requirements of this standard may place an administrative burden and additional cost (given the higher turnover of properties) onto registered providers and this may cause the inequality in tenure provision across registered providers, as well as impacts to health of tenants and sustainability of communities where flexible tenancies are used.</p> <p>Whilst the requirements of providers are expressed in a clear and succinct way, the revised standard is more likely to encourage registered providers to show how they are meeting the standards rather than the outcomes this will have for our tenants and leaseholders. This may lead to registered providers doing things just to meet the revised standard and not necessarily for the benefit of tenants.</p>

8:	<p><b>Does the revised Neighbourhood and community standard:</b></p> <ul style="list-style-type: none"> <li>• <b>Express requirements of providers in a way that is clear, succinct and as outcome focussed as possible?</b></li> </ul>
	<p>The revised standard expresses requirements in a clear and succinct way. However the revised standard appears to be more prescriptive around the mechanisms for neighbourhood management and local area co-operation in setting policy rather than providing more direction around tenant involvement in the development and setting of local priorities and outcomes.</p> <p>There needs to be a stronger link to the requirements of the Localism Act around tenant involvement and empowerment to ensure tenants are a key part of the planning and review of outcomes. Without this there appears to be no requirement other than for Registered Providers to consult with tenants at the beginning of the planning cycle and may lead to inconsistent approaches in providing feedback and scrutiny on outcomes within neighbourhoods.</p>
9:	<p><b>Does the proposed approach to regulating the economic standards seem reasonable, taking into account the regulator's statutory objectives and future duty to minimise interference?</b></p>
	<p>The approach to regulating the economic standards do not affect us.</p> <p>However, on review of the approach we would question to what form the approach will take as the further details have not yet been developed. There is no detail as to when the regulator will intervene to use their statutory powers and what form this would take.</p> <p>Whilst it appears reasonable that the financial returns required to be submitted have been consolidated into one form, the regulator states that they could request additional documents such as the business plan and associated documents. However, there is no mention of what those associated documents may be.</p> <p>As detailed earlier the need to produce an annual assessment against the Value for Money standard for the regulator may create an additional administrative burden if this is found to not fully fit within the production of an annual report.</p> <p>The expectation that the regulator will use 'existing knowledge' and 'discussions with key staff at the provider' does not give an indication of the likely timescales that will be required to gain this knowledge. Also the annual engagement with providers does not detail what form this will take and what the burden is likely to be on the provider.</p> <p>Also, the reduced regulation on the smaller providers may make it more difficult for those providers to raise finance. Although the burden should be</p>

	<p>less for these providers, the reduced regulation should not have a detrimental effect on their stakeholders.</p>
<p><b>10:</b></p>	<p><b>Does the proposed approach to regulating the consumer standards seem reasonable, taking into account the regulator’s future statutory duty to minimise interference and the serious detriment test introduced in the Localism Act?</b></p>
	<p>Minimising interference in the consumer standards is welcomed by us. However the move away from regulation does remove the possibility of testing and sharing good practice as easily. As previously mentioned, in order to demonstrate compliance with the standards, increased reliance of volunteers through tenants’ panels is required to scrutinise services or the use of costly benchmarking or peer challenge opportunities. This in itself can lead to differential services based on which organisations sign up to the various organisations claiming to offer these services.</p> <p>There are questions over how the serious detriment test will be applied in practice and whether the decision that serious detriment could be applied will be discussed with the provider in advance of the review.</p> <p>Will the regulator be providing guidance to the third parties who can make external referrals to the regulator about how they should try and rectify issues with providers in the first instance and will they provider guidance as to how to refer?</p> <p>As the regulator does not look at the economic regulations in local authorities – do they propose to have a ‘whistleblowing’ route for local authority staff members to use. If so are they going to submit guidance around how and when this should be used?</p> <p>How will the regulator approve the tenants’ panels that they will recognise? Will this involve providers?</p> <p>Further information is needed around the types of investigations that may need to be undertaken in relation to the serious detriment test and how providers will be involved in these investigations.</p>
<p><b>11:</b></p>	<p><b>Do the proposed principles underpinning the use of the regulator’s intervention and enforcement powers, and the associated guidance notes for each power (in Annex F of this consultation document) seem reasonable?</b></p>
	<p>There are a number of intervention and enforcement powers that the regulator is entitled to use (although not all powers are in relation to local authority providers). The proposed principles underpinning the use of these powers appear to be reasonable and in line with the duties placed upon it in the Localism Act.</p>

	<p>However, the ability of the regulator to use any of these powers as they see fit with little or no notice to the provider causes some concern that the powers may not be used reasonably or objectively.</p>
<p><b>12:</b></p>	<p><b>Does the proposed approach to registration and deregistration seem reasonable?</b></p>
	<p>The approach to registration and deregistration appears reasonable.</p>

Report to the Board

19 January 2012



---

**Title:** Welfare Reform - Update

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

---

**Purpose of Report**

1. To update the Board on the progress of the Welfare Reform Bill through Parliament and on the range of communications and briefings that have taken place on this subject locally.

**Background**

2. On 22 September 2011 the Board received a report and presentation on the potential impact of proposals contained in the Welfare Reform Bill. The Bill was progressing through the House of Lords at the time and was about to enter the Committee stage, which ultimately comprised 17 sessions and lasted until the end of November.
3. The Bill contains a range of proposals, but there are two that will have a significant impact on the amount of rent tenants will be expected to pay, and that present a risk to predicted levels of rental income: -
  - (i) Reductions in Housing Benefit for working age tenants who under-occupy their homes (from April 2013)
  - (ii) The introduction of "Universal Credit" paid monthly directly to tenants (phased in from Oct 2013)
4. The proposed reforms would have a significant impact in Gateshead as: -
  - (i) 3,748 tenants of working age who claim housing benefit under-occupy their homes under the proposals originally set out in the bill.
  - (ii) Around two-thirds of tenants currently have housing benefit credited directly to rent accounts, accounting for over 55% of rental income (in 2010/11 this equated to around £41 million of a total £72 million).
5. The Bill is expected to receive Royal Assent in the coming months, although the detailed regulations that will arise from the bill are not expected until around April 2012. This will allow one year before the key reforms start to take effect.

6. The proposed levels of benefit deduction are not finalised, but latest information from DWP and CLG officials suggests that a reduction of 14% for one spare room and 25% for two or more rooms is likely.

### **Amendment to the Welfare Reform Bill**

7. On 14 December 2011, in an amendment proposed by Lord Best, peers voted by 258 to 190 to limit the penalty for under-occupation to only those households with two or more spare bedrooms, and those with one extra room who have been offered suitable alternative accommodation.
8. In Gateshead, if this amendment were to remain then 815 tenants of working age with two or more spare rooms would still face reductions to their housing benefit. Up to 2,933 tenants in Gateshead with one spare bedroom may avoid the penalty.
9. Without the amendment to the bill, a tenant with one spare room would have to contribute around £10 more to their rent payment each week. Those with two spare rooms would have to contribute around £17. These figures relate to current rent levels, and would rise to £11 and £19.50 by the time the proposals would come into force in April 2013.
10. Over a full year the original proposals on under-occupation would lead to an additional £2.1 million rent to collect. If Lord Best's amendment were to remain then this reduces to around £700,000. (These figures would rise to £2.4 million and £790,000 by April 2013)
11. Following a third reading in the House of Lords, the Welfare Reform Bill will return to the House of Commons where MPs may have a further vote on this amendment – which could be overturned.

### **Communications and Briefings on Welfare Reform**

12. Following the report and presentation to Board in September, officers have taken part in a number of briefings and workshops, and have begun to advise customers of the coming reforms: -
  - There have been two workshops for Councillors (21 November and 10 January), led by the Portfolio holder for Housing, and a Members briefing has been issued. An Advisory Panel will take place on 9 February.
  - MPs Dave Anderson and Ian Mearns have received briefings on the proposals and implications for council tenants.
  - A report was taken to the Central Area Forum on 5 September, focusing on the particular impact in the Central Area due to the significant number of two bed multi storey flats there.
  - A workshop event for partners, advice centres and other housing providers was held at Keelman House on 21 October.
  - A report was presented to the Economy, Skills, Housing and Transport Partnership on 10 November
  - A report will be presented to the Childrens Trust later today (19 January)
  - Applicants for housing and tenants have been informed about the proposals through newsletters and applicants are advised at sign up stage for a new home

- Promotion and advice on mutual exchanges has been increased as this is an option that may assist some customers to move
  - A “Money Matters” newspapers supplement is being produced which will be distributed to all customers. This includes information on welfare reform and on the range of advice and support available, including employment training.
13. Because of the research and partnership work undertaken by The Gateshead Housing Company since the proposals were announced we were invited to join a working group of Northern Landlords to work alongside the CLG and DWP on the delivery of the proposals. The working group began by identifying the range of potential impacts that the proposals might have on Local Authorities, Landlords, Housing Management Services, Tenants, Applicants and Regeneration.

### **Potential next steps**

14. We will continue to monitor the progress of the Welfare Reform Bill as it returns to the House of Commons, and will support Gateshead Council in a range of measures in response to the bill. These could include: -
- Working with other local social landlords on reducing under-occupation
  - The Localism Act provides the opportunity to review housing registers, lettings and transfer policies, as well as options for how the local authority may discharge its duties under homeless legislation.
  - Subject to data sharing protocols being established for tenant profiling and housing benefit claimants, to specifically target advice regarding income maximisation and financial inclusion work.
  - Reviewing support and incentives available for tenants who under-occupy.

### **Link to values**

15. This report is aligned to the following company values: -
- Being a listening and learning organisation
  - Being honest, accountable and transparent
  - Being customer focused, innovative and professional

### **Impact on tenants**

16. Proposals for welfare benefit reform could have far-reaching impact. Currently around 14,000 tenants receive some level of housing benefit and would be affected by the move to Universal Credit and expectation that they would manage a full rent payment. 3,748 tenants of working age who claim housing benefit currently under-occupy their home.

### **Risk Management Implications**

17. This report relates to the strategic risks for The Gateshead Housing Company and the Council around financial resources and the impact of welfare benefit reform.

## **Financial Implications**

18. The proposals for welfare reform bring a significant risk of reduced rental income – particularly in the move to Universal Credit. At current trends in Gateshead there could be a 3% reduction in collection rates (around £2 million each year). There are also potential budgetary implications around increased transaction costs, increased void loss and void costs.

## **Equality and Diversity Implications**

19. Equality and diversity monitoring around rent payments and rent arrears has shown that tenants aged 18-25 and some BME tenants are at higher risk of accruing rent arrears.
20. The DWP's own assessment shows that the following are more likely to be impacted upon: -
  - Rural areas
  - Areas with lower concentrations of social rented housing
  - People of Older Working Age
  - Long standing tenants
  - Households without children.
21. Of the 3,748 current claimants of housing benefit who are of working age are currently under-occupying their council tenancy in Gateshead 3,560 (96.5%) are over 25 and 1,563 (41%) are households of more than one person.

## **Value for Money Implications**

22. The proposed introduction of Universal Credit would potentially increase the volume and sum of rent transactions and require a value for money assessment of rent payment methods.

## **Health Implications**

23. There are negative health implications if tenants experience difficulties managing income or have to consider moving home.

## **Environmental Implications**

24. There are no environmental implications directly associated with this report

## **Consultation carried out**

25. The range of consultation carried out to date is set out in this report (See 12 above)

## **Recommendation**

26. The views of the Board are sought on whether it is satisfied with the progress of the Welfare Reform Bill.

---

Contact: Kevin Johnson, Head of Customer Services

Tel No: (0191) 433 5378

---