



## **Board of Directors**

Thursday, 28 January 2016 at 12.30pm  
To be held in Room S21 at Gateshead Civic Centre,  
Regent Street, Gateshead  
Agenda

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| Item | Business   |
|------|--|
| 1.   | <b>Apologies for Absence</b>   |
| 2.   | <b>Declarations of Interest</b>  |
| 3.   | <b>Minutes</b><br>To approve as a correct record the minutes of the meetings held on 26 November 2015  |
| 4.   | <b>Matters Arising</b>   |
| 5.   | <b>Rent and Service Charge Proposals for 2016/17</b><br>Report of TGHC Head of Corporate Services  |
| 6.   | <b>Date and Time of Next Meeting</b><br>Thursday, 24 March 2016 at 12.30pm in Room S21, Gateshead Civic Centre, Regent Street, Gateshead   |
| 7.   | <b>Exclusion of the Press and Public</b><br>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 |

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**(Company number: 06972673)**

Minutes of meeting of the Board of Directors held in at Gateshead Civic Centre, Regent Street, Gateshead on Thursday, 26 November 2015 at 12.30pm

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**Present:**

**Ordinary Trustees**

Brian Kelly (Chair)  
Joanne Carr  
Anne Connolly  
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)

**1 DECLARATIONS OF INTEREST**

No interests were declared.

**2 MINUTES**

The minutes of the meeting of Keelman Homes held on 17 September 2015 were approved as a correct record.

**3 ACCESS TO INFORMATION RULES**

Keelman Homes will occasionally consider confidential items of business that require the press and public to be excluded from the meeting before they are discussed.

There have never been any formal rules in place that specifically categorise the reasons why the press and public should be excluded from the meeting.

As Keelman Homes activity has diversified in the last couple of years, the number of issues that need to be dealt with more sensitively has increased and it is felt appropriate that Access to Information Rules should now be put in place.

Proposed Access to Information Rules for Keelman Homes were submitted.

RESOLVED – That the Access to Information Rules for Keelman Homes be approved.

#### **4 MANAGEMENT ACCOUNTS – SECOND QUARTER 2015/16**

The Board received the management accounts for the second quarter of the financial year 2015/16.

The accounts show Keelman Homes has made a surplus of £17,365 in the second quarter, compared to the original budget surplus of £33,932.

The year to date variance to budget is mainly due to the timing on the sale of properties at The Lonnen. The budget assumes that these will be split evenly across the financial year. At the end of the second quarter, none of the properties have completed sales; although two properties have had offers accepted and are progressing with legal.

An overall surplus is now expected in this financial year of £118,021 compared to the budgeted surplus of £67,864 (an increase of £50,157). This is mainly due to a forecast underspend on depreciation (£70,056) and staff costs (£19,300), which are partially offset by a forecast overspend on loan interest repayments (£37,234).

RESOLVED – That the financial management of the budgets for the second quarter of the 2015/16 financial year be noted.

#### **5 DATE AND TIME OF MEETINGS 2016**

RESOLVED – That the following schedule of meetings during 2016 be approved: -

Thursday, 28 January 2016 at 12.30pm

Thursday, 24 March 2016 at 12.30pm

Thursday, 26 May 2016 at 12.30pm

Thursday, 28 July 2016 at 12.30pm

Thursday, 29 September 2016 at 12.30pm

Thursday, 24 November 2016 at 12.30pm

#### **6 EXCLUSION OF THE PRESS AND PUBIC**

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



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**Title:** Rent and Service Charge Proposals for 2016/17

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

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### **Purpose of Report**

1. To seek approval from the Board of an update to the Rent and Service Charge Setting Policy.
2. To seek approval from the Board of proposed changes to the rents and service charges for 2016/17, in line with the updated Rent and Service Charge Setting Policy.

### **Background**

3. 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.
4. 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.
5. Keelman Homes Board is asked to approve the rent and service charges each year. The rent and service charges for 2015/16 were approved by the Board at the meeting on 15 January 2015.
6. Tenants need to be provided with 28 days' notice of any changes to their rents and service charges.

### **Rent and Service Charge Setting Policy**

7. A revised Rent and Service Charge Setting Policy is attached in Appendix 1 to this report. Changes from the previous policy have been highlighted.
8. The policy now refers to "rent changes", where previously it had referred to "rent increases".
9. The policy has been updated to state that Keelman Homes' rents are set following the Government's Rent Standard Guidance. The detailed formula previously included for rent setting has been removed.

## **Rent and Service Charges for 2016/17**

10. 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.
11. The rents for the properties currently let and to be let in 2016/17 will be changed in line with the provisions within the Rent and Service Charge Setting Policy. We will undertake the rent changes in line with the guidelines as set out by the Homes and Communities Agency (HCA), as they are within the parameters provided for in our Rent and Service Charge Setting Policy.
12. The rent proposal for 2016/17 is in line with the Welfare Reform and Work Bill of a 1% rent reduction and the detail is set out in Appendix 2. 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.
13. 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.
14. 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.

## **Impact on Tenants**

15. The impact on tenants in relation to changes in rent and service charges are detailed in Appendix 2. The Gateshead Housing Company's Rent and Income Team are available for support and advice to tenants who may have difficulty paying and any welfare reform implications will be discussed directly with them.
16. The Rent and Service Charge Setting Policy provides tenants with the means to appeal any decisions made in relation to their rent and service charges.
17. Any welfare reform implications affecting the tenants will be discussed with them directly by the TGHC Rent and Income Team. Advice and support will be available for these tenants should they require any further intervention

## **Risk Management Implications**

18. The risks associated with the setting of rents and service charges are included within the operational risk register. The Rent and Service Charge Setting Policy ensures that the risk associated with setting incorrect rents is mitigated.

## **Financial Implications**

19. The Rent and Service Charge Setting Policy has financial implications in relation to the income to be received by Keelman Homes. The proposed rent and service charge changes will be built into the Keelman Homes budget for 2016/17. The proposed changes in rents are in line with the provisions set out within the updated policy, guidance from the HCA and Gateshead Council proposals.

### **Health Implications**

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

### **Value for Money Implications**

21. There are no Value for Money implications arising from this report, however, the proposed rent changes are in line with Gateshead Council's proposals.

### **Equality and Diversity Implications**

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

### **Consultation Carried Out**

23. We will be advising all tenants of the 2016/17 changes to their rent and service charges in writing, with 28 days' notice.

### **Recommendation**

24. The Board is recommended to:
- approve the updates to the Rent and Service Charge Setting Policy; and
  - approve the proposed rent and service charge changes for 2016/17.



**Rent & Service Charge Setting Policy**



## 1. Background

1.1. Keelman Homes have developed a rent and service charge setting policy which will assist in setting the rents and service charges in both new build properties which are built by Keelman Homes and also for other properties which are owned by Keelman Homes.

## 2. Scope of the Policy

2.1. The policy will set out the methods used in calculating rents for residential properties owned by Keelman Homes. It will include details of the initial rent calculation and how this will be reviewed annually.

2.2. The policy will also set out the methods for calculating the service charge for properties where additional services are provided. It will also set out details of how this charge will be reviewed annually.

2.3. The policy will comply with the Financial Regulations of Keelman Homes.

2.4. The policy seeks to ensure that rent and service charge setting does not discriminate between residents on any grounds and in particular race, gender, sexual orientation, ethnic origin, religious belief, disability/illness or age.

## 3. Objectives

3.1. Keelman Homes is committed to providing social housing at an affordable and fair rent.

3.2. Keelman Homes provides rented stock for which rents have been set by following the principles of Council owned rent setting and Government guidelines.

## 4. Principles of the Rent Setting Policy

4.1. The overall aim of the policy is to provide a fair and affordable method of calculating rents which ensures that rents charged are sufficient to provide an efficient and effective housing service.

4.2. Objectives:

4.2.1. To provide a method of calculating rent which is consistent for all properties owned by Keelman Homes.

4.2.2. To ensure that the rents charged reflect the amenities of the property.

4.2.3. To ensure that the method of calculation of the rents is transparent and can be easily understood.

4.2.4. To ensure that the rents are set at a level which is sufficient to provide quality services that offer value for money.

#### 4.3. Principles:

- 4.3.1. Keelman Homes will ensure that the policy complies with and reflects legal frameworks and good practice.
- 4.3.2. Rents will be reviewed on an annual basis.
- 4.3.3. The rent reviews will be implemented via Keelman Homes' managing agent who will ensure that letters and communication with customers meets any statutory obligations for implementing rent changes.
- 4.3.4. Keelman Homes will ensure that communication with tenants will be in plain language and will be easily understood.
- 4.3.5. Training will be provided to all employees to ensure that they are aware of their roles.

#### 5. Principles of the Service Charge Setting Policy

5.1. The overall aim of the policy is to ensure that service charges are set based on the actual costs of the services provided which are not covered by the rental income.

#### 5.2. Objectives:

- 5.2.1. To ensure that service charges are based on the actual costs of the services provided.
- 5.2.2. To ensure that the service charges reflect the costs of the replacement items if necessary, as well as the annual servicing/maintenance costs.
- 5.2.3. To ensure that the method of calculation of the service charges is transparent and can be easily understood.

#### 5.3. Principles:

- 5.3.1. Keelman Homes will ensure that the policy complies with and reflects legal frameworks and good practice.
- 5.3.2. Service charges will be reviewed on an annual basis to ensure that the service charges cover actual costs only.
- 5.3.3. The service charge reviews will be implemented via Keelman Homes' managing agent who will ensure that letters and communication with customers meets any statutory obligations for implementing rent increases.
- 5.3.4. Keelman Homes will ensure that communication with tenants will be in plain language and will be easily understood.
- 5.3.5. Training will be provided to all employees to ensure that they are aware of their roles.

6. Legal and Good Practice Framework

6.1. Keelman Homes will ensure that the Policy complies with current legislation and promotes good practice.

6.2. When setting rents Keelman Homes will consider affordability, the costs of managing and maintaining houses, comparability with other social landlords in the area, and the ability to service loans and fulfil contractual obligations.

6.3. Keelman Homes will ensure that service charges are set to ensure that they only cover actual costs incurred in delivering the service.

7. Method for Calculating Rent

7.1. Keelman Homes will calculate rents in line with the Government's Rent Standard Guidance, issued by the Regulator.

8. Method for Calculating Service Charges

8.1. Service Charges will be set based on the actual costs incurred in relation to the services being provided to the tenants.

8.2. Initial service charges will be set based on estimated costs of providing the service or actual costs if known.

8.3. The service charges will be reviewed on an annual basis to ensure that the charges collected relate directly to actual costs incurred.

8.4. An example of the type of calculation used in the calculation of service charges is provided below:-

| Scheme Name                |                 |                     |                            |                            |                                     |  |
|----------------------------|-----------------|---------------------|----------------------------|----------------------------|-------------------------------------|--|
| Total number of properties |                 |                     |                            |                            |                                     |  |
| Service Provided           | Cost to install | Depreciation period | Depreciation cost per year | Annual servicing costs (£) | Total annual service charge         | Individual service charge per tenant over 52 weeks |
|                            | (£)             | (number of years)   | (£)                        |                            | (£ depreciation + annual servicing) |  |
| Warden Call Hardware       |                 |                     |                            |                            |                                     |  |
| Warden Call Repairs        |                 |                     |                            |                            |                                     |  |
| Warden Call Service        |                 |                     |                            |                            |                                     |  |
|                            |                 |                     |                            |                            |                                     |  |
| <b>Total</b>               |                 |                     |                            |                            |                                     |  |

## 9. Changes to Attributes

- 9.1. Keelman Homes will review the rent of a property following a change to any of the attributes used in the calculation of the rent.
- 9.2. Any resulting **change** in rent will be effective from the first Monday in April following the date of change, subject to the first rental period as detailed below. Keelman Homes will provide 28 days written notice of any increase in rent.

## 10. Initial Rental Period

- 10.1. In line with Keelman Homes' tenancy agreements, the first rent charged must be in place for a minimum of 12 months and this cannot be **changed** during this time. Any changes in rent will be effected on the first Monday in April following this 12 month period.

## 11. Review of Rent Levels

- 11.1. Keelman Homes will consider the effect on tenants of any differences in rent levels between existing rents and those calculated under the policy.
- 11.2. Keelman Homes will review its rents annually as part of the budget process. As part of this review process, tenants will be consulted in any proposed rent **changes**.
- 11.3. It is expected that any increases in rent will not be more than 1% above inflation each year.
- 11.4. At least 28 days written notice will be given to tenants in the event of any rent increase.

## 12. Review of Service Charges

- 12.1. Keelman Homes will set service charges based on estimated costs for the year, or actual costs where known.
- 12.2. These estimated costs will be reviewed throughout the year in relation to actual costs incurred and at the year end any additional charges or refunds will be made to ensure that service charges collected cover actual costs incurred.
- 12.3. Service charges in the next year will be based on the actual costs incurred in the prior year and any additional estimates required.

## 13. Collection of Rent and Service Charges

- 13.1. Keelman Homes will collect rent and service charges over a 50 week period, allowing for two rent free weeks annually. These will be set at the weeks over the Christmas and New Year seasonal period.
- 13.2. Rent and service charges will initially be calculated at 52 weeks and then reallocated to detail the rent and service charges to be paid over 50 weeks to enable the two free weeks to be implemented.

13.3. The 50 week rent and service charges will be communicated to tenants in their rent and service charge letter annually.

#### 14. Review of Decisions and Complaints

14.1. Keelman Homes' managing agent will introduce a review process for tenants who are not satisfied with the way their rent has been calculated, on behalf of Keelman Homes.

14.2. Tenants will have the opportunity to request a review of their rent within 28 days from their rent being set.

14.3. Where requested Keelman Homes can also provide details of actual costs incurred to ensure that service charges can be scrutinised by tenants if required.

#### 15. Performance Monitoring

15.1. Keelman Homes will monitor rent levels and rental income generated under this policy.

15.2. Reports will be submitted to Keelman Homes Board as part of the budget setting and monitoring process.

### Kibblesworth Rent Calculation

Rents will be set as follows based on the proposed 1% reduction:

| Property Type             | 2015/16 Rents 52 Wks | 2015/16 Rents 50 Wks | 2016/17 Rents 52 Wks | 2016/17 Rents 50 Wks | Weekly Decrease 52 Wks | Weekly Decrease 50 Wks |
|---------------------------|----------------------|----------------------|----------------------|----------------------|------------------------|------------------------|
| 2 bed house               | £79.87               | £83.06               | £79.08               | £82.25               | £0.79                  | £0.81                  |
| 3 bed house               | £84.20               | £87.57               | £83.36               | £86.70               | £0.84                  | £0.87                  |
| 3 bed corner house        | £85.75               | £89.18               | £84.90               | £88.30               | £0.85                  | £0.88                  |
| 4 bed house               | £92.99               | £96.71               | £92.07               | £95.76               | £0.92                  | £0.95                  |
| 5 bed house               | £97.55               | £101.45              | £96.58               | £100.45              | £0.97                  | £1.00                  |
| 2 bed bungalow            | £77.41               | £80.51               | £76.64               | £79.71               | £0.77                  | £0.80                  |
| 2 bed wheelchair bungalow | £80.53               | £83.75               | £79.73               | £82.92               | £0.80                  | £0.83                  |

Average weekly reduction = £0.85 (52 weeks)

### Kibblesworth Service Charge

Service charges have been increased, due to an increase in the cost of the warden call service. Therefore, the service charges have been set as follows for the varying types of properties:

| Property Type             | 2015/16 Service Charge 52 Wks | 2015/16 Service Charge 50 Wks | 2016/17 Service Charge 52 Wks | 2016/17 Service Charge 50 Wks | Weekly Increase 52 Wks | Weekly Increase 50 Wks |
|---------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|------------------------|------------------------|
| 2 bed bungalow            | £2.16                         | £2.25                         | £2.43                         | £2.53                         | £0.27                  | £0.28                  |
| 2 bed wheelchair bungalow | £4.27                         | £4.44                         | £4.54                         | £4.72                         | £0.27                  | £0.28                  |

### Other Keelman Homes Properties

Rents will be set as follows based on the proposed 1% reduction:

| Property Type | 2015/16 Rents 52 Wks | 2015/16 Rents 50 Wks | 2016/17 Rents 52 Wks | 2016/17 Rents 50 Wks | Weekly Decrease 52 Wks | Weekly Decrease 50 Wks |
|---------------|----------------------|----------------------|----------------------|----------------------|------------------------|------------------------|
| 1 bed flat    | £74.61               | £77.59               | £73.87               | £76.83               | £0.74                  | £0.76                  |
| 2 bed flat    | £90.04               | £93.64               | £89.14               | £92.71               | £0.90                  | £0.93                  |
| 2 bed house   | £90.71               | £94.34               | £89.81               | £93.41               | £0.90                  | £0.93                  |
| 3 bed house   | £99.78               | £103.77              | £98.79               | £102.75              | £0.99                  | £1.02                  |
| 4 bed house   | £117.92              | £122.64              | £116.75              | £121.42              | £1.17                  | £1.22                  |

Average weekly reduction = £0.94 (52 weeks)