



**Report to Board
31 January 2019**

Title: Rent and Service Charge Proposals for 2019/20

Report of: Interim Managing Director

Purpose of Report

1. To seek approval from the Board of proposed changes to the rents and service charges for 2019/20, in line with the Rent and Service Charge Setting Policy, for TGHC owned properties.

Background

2. 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.
3. Due to changes in Government Policy around rent setting, a review of the Rent and Service Charge Setting Policy is required annual for rent and service charge setting.
4. The TGHC Board is asked to approve the rent and service charges each year. The rent and service charges for 2018/19 and the updated Rent and Service Charge Setting Policy were approved by the Board at its meeting on 25 January 2018.
5. The Rent and Service Charge Setting Policy is attached in Appendix 1 to this report. The policy has been reviewed and no further updates have been required for 2019/20.
6. Tenants need to be provided with 28 days' notice of any changes to their rents and service charges.

Rent and Service Charges for 2019/20

7. The updated Rent and Service Charge Setting Policy details that the initial rent for a TGHC tenancy must be in place for a minimum of 12 months. Any properties let during 2018/19 will not see a rent change in April 2019.

8. The rents for the properties currently let and to be let in 2019/20 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 Homes England as they are within the parameters provided for in our Rent and Service Charge Setting Policy.
9. The rent proposal for 2019/20 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 £0.92, based on 52 weeks rental charges.

Universal Credit

10. Every six to seven years 53 Mondays fall in a financial year and this will be the case in 2019/20. As rent debits are raised on Mondays this means that we ordinarily benefit from an 'extra' week's rent when there are 53 Mondays in a year. This creates two issues to be addressed:
 - Compliance with the Welfare Reform Act 2016 to ensure 1% rent reductions. The definition within the legislation states that rent payable "in respect of that relevant year" shall be calculated on a daily basis and allows for 53 weeks to be charged as normal.
 - UC claimants will not receive additional funding to cover the additional weeks charge. This issue has been raised with the Department of Work and Pensions (DWP) to find a suitable long-term solution and the authority will make suitable arrangements once guidance has been received.

Link to Values

11. This report is in line with the following values of the company:
 - Fair
 - Customer focused
 - Open and honest
 - Accountable

Impact on Tenants

12. 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.
13. 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.

Risk Management Implications

14. 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

15. The Rent and Service Charge Setting Policy has financial implications in relation to the income to be received by TGHC. The proposed rent and service charge changes will be built into the TGHC budget for 2019/20. The proposed changes in rents are in line with the provisions set out within the updated policy, guidance from Homes England and Gateshead Council proposals.

Health Implications

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

Value for Money Implications

17. There are no Value for Money implications arising from this report, however, the changes are comparable with the average expected Council changes.

Equality and Diversity Implications

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

Consultation Carried Out

19. We will be advising all tenants of the 2019/20 charges in writing, where appropriate, with 28 days' notice.

Recommendation

20. The Board is recommended to approve the proposed rent and service charge changes for 2019/20.



Rent & Service Charge Setting Policy

1. Background

- 1.1. The Gateshead Housing Company has developed a rent and service charge setting policy which will assist in setting the rents and service charges for properties which are owned and managed by The Gateshead Housing Company, which fall outside of the HRA.
- 1.2. HRA Properties will still follow the Council's rent and service charge setting policy.

2. Scope of the Policy

- 2.1. The policy will set out the methods used in calculating rents for residential properties owned by The Gateshead Housing Company. 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 Rent and Service Charge Setting Policy will comply with the Financial Regulations of The Gateshead Housing Company.
- 2.4. The policy seeks to ensure that rent 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. The Gateshead Housing Company is committed to providing social housing at an affordable and fair rent.
- 3.2. The Gateshead Housing Company provides both Council owned rented stock, which is provided at an affordable level set within government targets, and their own 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 The Gateshead Housing Company.
 - 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 and that offers value for money.

4.3. Principles:

- 4.3.1. The Gateshead Housing Company 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 Gateshead Housing Company will ensure that letters and communication with customers meets any statutory obligations for implementing rent changes.
- 4.3.4. The Gateshead Housing Company 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. The Gateshead Housing Company will ensure that the policy complies with and reflects the legal framework 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 by The Gateshead Housing Company who will ensure that letters and communication with customers meets any statutory obligations for implementing rent increases.
- 5.3.4. The Gateshead Housing Company 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. The Gateshead Housing Company will ensure that the Policy complies with current legislation and promotes good practice.
- 6.2. The Gateshead Housing Company will set rents that take account of affordability, the costs of managing and maintaining houses, comparability with other social landlords in the area, and the ability for The Gateshead Housing Company to service loans and fulfil contractual obligations.
- 6.3. The Gateshead Housing Company 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. The Gateshead Housing Company will calculate rents in line with the Government's Rent Standard Guidance, as 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						
Total						

9. Changes to Attributes

- 9.1. The Gateshead Housing Company 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. The Gateshead Housing Company will provide 28 days written notice of any change in rent.

10. Initial Rental Period

- 10.1. In line with tenancy agreements, the first rent charged on an assured tenancy must be in place for a minimum of 12 months and 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. The Gateshead Housing Company will consider the effect on tenants of any differences in rent levels between existing rents and those calculated under the policy.
- 11.2. The Gateshead Housing Company 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. At least 28 days written notice will be given to tenants in the event of any change in rent.

12. Review of Service Charges

- 12.1. The Gateshead Housing Company 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. The Gateshead Housing Company 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. The Gateshead Housing Company will introduce a review process for tenants who are not satisfied with the way their rent has been calculated.
- 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, The Gateshead Housing Company will also provide details of actual costs incurred to ensure that service charges can be scrutinised by tenants if required.

15. Performance Monitoring

- 15.1. The Gateshead Housing Company will monitor rent levels and rental income generated under this policy.
- 15.2. Reports will be submitted to Resources and Audit Committee as part of the budget setting and monitoring process.

Rent Calculation

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

<u>Property Type</u>	<u>2018/19 Rents 52 Wks</u>	<u>2018/19 Rents 50 Wks</u>	<u>2019/20 Rents 52 Wks</u>	<u>2019/20 Rents 50 Wks</u>	<u>Weekly Decrease 52 Wks</u>	<u>Weekly Decrease 50 Wks</u>
3 x St Cuthbert's Drive	£94.74	£98.53	£93.79	£97.54	£0.95	£0.99
Victoria Bungalow	£85.05	£88.45	£84.20	£87.57	£0.85	£0.88
105 Dominies Close	£92.09	£95.77	£91.17	£94.81	£0.92	£0.96
1a Mulberry Street	£92.09	£95.77	£91.17	£94.81	£0.92	£0.96
48a Grange Street	£88.95	£92.51	£88.06	£91.58	£0.89	£0.93
Chopwell Bungalow	£96.28	£100.13	£95.32	£99.13	£0.96	£1.00

Average weekly reduction = £0.92 (52 weeks)