

# RENT CONSULTATION

## 2021 - 2022



October 2020

Dear Resident,



## **Rent Consultation 2021-22**

I am writing to you to ask you to take part in this year's rent consultation. Last year, 721 residents responded (18%), which was a similar level of response to the previous year, and the result of the vote was 51.9% in favour of 3.0%.

The consultation will again be a two stage process. The first stage, this leaflet, will provide you with the proposal for the percentage increase to be applied to rent for 2021-22. I hope that the information contained will assist you in the consideration of the proposal. It highlights the main areas of expenditure and the key influences that impact upon them. The consultation period will close on Tuesday 3 November 2020.

Enclosed with this leaflet is a freepost postcard for you to have your say. As part of this consultation, we'd be keen to hear your comments and would wish to encourage you to let us know what you think.

All the views and comments from the returned postcards will be added to a report which our Board will consider at their meeting on Thursday 26 November 2020, when it will make the decision on what the rent increase will be.

The second stage of the consultation will be the issue of your formal statutory rent and service charge notice that will include the service charge applied to your development.

In November 2019, Hanover entered into a transfer of engagements with Arklet Housing Association which added 391 new tenancies to Hanover's operations. Although, a separate rents arrangement is in place to reduce the majority of former Arklet tenants' rents to achieve parity with similar Hanover properties, we would encourage these new Hanover tenants to participate in the consultation.

Everyone pays rent, even if you are in receipt of housing benefit, so it is important to receive feedback from as many residents as possible. If you have any questions about the information provided, then please do get in touch.

Yours sincerely

**Donna Henderson**

**Director of Strategic Finance**

## **Rent consultation: Annual review of rent and service charges**

2020-21 has been a very challenging year for everyone with the COVID-19 pandemic affecting all aspects of our lives. The Board recognises that the impact on tenants has been particularly hard and that Hanover's ability to deliver its normal services has changed over recent months as a result, whether this be the delivery of daily housing management tasks, the undertaking of repairs or the replacement of components such as kitchens and bathrooms.

Since the pandemic began, staff have continued to deliver essential services. Staff were engaged in providing key support to tenants, including checking on the welfare of tenants and providing telephone calls to those in isolation. Officers also assisted in transporting essential protective equipment to where it was needed. The safety and welfare of our tenants was and continues to be a key focus during the pandemic.

Repairs to homes were restricted to essential works only during lockdown and our expected spend on replacement components and planned maintenance is significantly reduced this year due to the restrictions. These repairs and component replacement works will be completed once there is a safe environment for tenants and contractors to do so.

Hanover's finances have been adversely impacted by a reduction in income when properties that became vacant during lockdown couldn't be re-let. As lockdown has eased, letting has resumed, however the income lost cannot be recovered.

The income generated from rent determines the money available to invest in our properties and as the majority of Hanover's properties are 20-35 years old we are in a peak period of planned works including kitchens, bathrooms and central heating upgrades. The pandemic has changed the landscape of our existing 30 year plan and will make the next 2-3 years very challenging in terms of our ability to adapt to the uncertain outlook, determine which projects be progressed as restrictions allow and how we fund the postponed works and existing programme to catch up.

Hanover continues to face increasing regulatory requirements such as the Energy Efficiency Standard for Social Housing (EESHS), Scottish Housing Quality Standard (SHQS), fire safety regulations and General Data Protection Regulation (GDPR). This also has to be balanced with ensuring that the services tenants receive provides value for money.

Clearly, no-one wants to pay more for the services they receive, but it is vital that we have enough income to meet the costs of delivering high quality accommodation and services that are affordable to you and ensure that we remain financially viable.



Improving value for money for our tenants is a key focus. We do this by keeping our rent increases as low as possible; comparing our performance and costs with other social landlords; and by putting the customer first on service improvements and delivering the priorities that are important to you.

As a “not for profit” organisation, any financial gains made in the year go back into maintaining our homes for you and future generations.

Due to the COVID-19 pandemic, the data normally taken from Scotland’s Housing Regulators ARC Return to demonstrate how our average weekly rent and service charges compare against our peer group has been delayed and was not available at the time of producing this leaflet.

### What are we planning to do this year?

In the current year 2020-21, due to restrictions, we intend to spend in the region of £6.1m on investment in Hanover’s stock which will consist primarily on revenue projects with less spend this year on replacement components within tenants’ homes. This includes spending:

- £1.1m on fire safety including smoke & heat detection and alarms
- £0.6m on external grounds including paving, fencing and landscaping
- £0.5m on building works including roofing, gutters and painting
- £0.4m on gas connections and boiler installations
- £0.3m on replacement lighting projects

### Rent proposal for 2021-22

Hanover’s Board discussed in September 2020 the proposals for consultation based on a revised scheduled of works for the 30 year planned maintenance programme and are recommending either a 2% rent increase or a 2.4% rent increase.

### What does this mean for you?

Size	Current Average Rent 2020-21	Average Rent 2% increase	Average Rent 2.4% increase	Difference
1 Bedroom	£82.97	£84.63	£84.96	£0.33
2 Bedroom	£96.01	£97.93	£98.31	£0.38
3 Bedroom	£102.68	£104.73	£105.14	£0.41

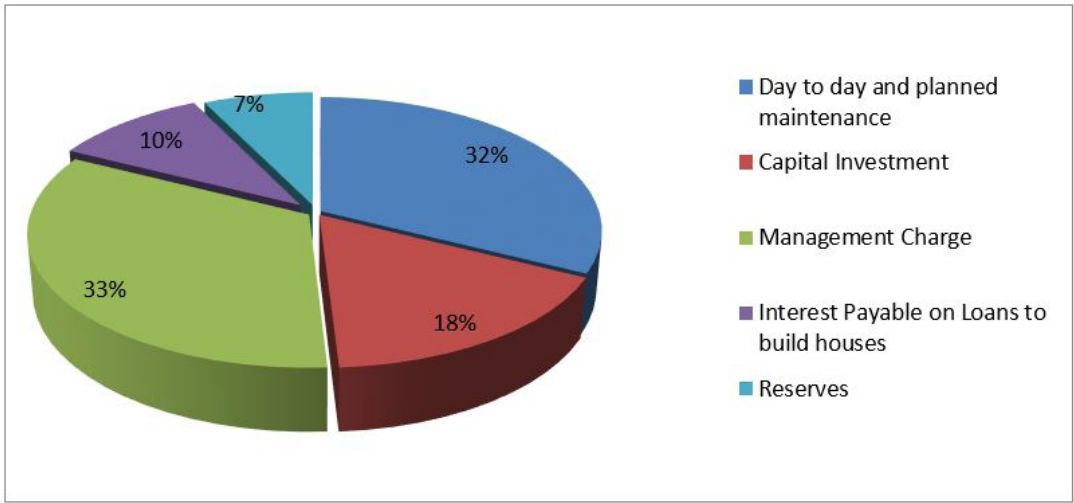
The above table shows the average weekly rent per property size for the two proposed percentage increases and the difference in pence between the two proposed rates.

**What is the impact on “investment in existing properties”?**

In 2021-22, in order to realign with Hanover’s 30 year plan following the restricted spend enforced this year, Hanover wishes to spend £10m on investment in Hanover’s stock. If the lower rent increase proposal of 2% is accepted, this would result in an income reduction of approximately £80,000 in the year compared to 2.4% which in maintenance terms equates to a reduction in the investment programme of 16 bathrooms, 21 kitchens or 16 heating upgrades. A lower percentage increase in rent this year will also result in reduced income next year and in all subsequent years.

**With the £10.0m we would plan to:**

- Replace 260 bathrooms on 9 developments
- Upgrade 150 kitchens on 5 developments
- Replace windows on 4 developments
- Upgrade heating systems in 295 homes on 15 developments



The chart above shows how we spend our income from rent. The largest amount we spend (50%) is on maintenance and capital investment in our existing properties. The Management Charge covers the costs of managing the business, including our office staff and premises costs.

**Service charges**

Following consultation with its external auditors, Hanover re-introduced Service Charge Equalisation Accounts in 2019-20. These account balances existed until 2011-12 when they ceased to be formally recognised in the financial statements but have been maintained on a notional basis since.

Service charges are intended to cover the expected costs of the services provided in each year. Whilst the charges are set to break even, inevitably there will always be some variation in actual costs incurred. The purpose of the Service Charge Equalisation Accounts is to carry forward any resulting surpluses or deficits and to adjust future service charges to reflect any excess or shortfall in funds collected in previous years.

The balances in Replacement of Furnishings and Equipment Funds have been combined with the Service Equalisation Account to ensure that tenants have full transparency over their service charge and the expenditure incurred.

Income and expenditure in relation to personal heating charges have been separated from the rest of the service charges at developments in order to assist with the implementation of upcoming Heat Metering Regulations as well as to increase transparency and equity with the levying of these charges.

Your service charge will be included in your rent notice when a decision is finalised on the rent increase.

### **Heating and energy costs**

Where we provide heating and energy to common areas and heating to properties with a central boiler, we employ energy consultants to monitor the energy market, recommend the best time to purchase future supplies and advise on prices.

Last year, Hanover negotiated a new contract with Gazprom, fixing prices for the next three years. This constituted an increase in prices in last year's service charge but was still around 30% lower than normal domestic rates and follows a four year period where there had been no increase in gas charges. This contract ends on 31 March 2023.

A new electricity contract was negotiated last year starting on 1 October 2019, which fixed prices for the next three years. A small increase should be expected to reflect the full year at the new increased rate but the new rate is around 20% lower than normal domestic rates and follows a two year period where prices had been fixed. This contract ends on 30 September 2022.

### **Overhead Cost Savings**

To improve value for money Hanover will commit to achieving savings in 2021/22 of £250,000 as agreed by the Board. A full and comprehensive review of overhead will be undertaken and the use of technology and lean working will feature heavily in helping reach the target.

### **Contents insurance**

Hanover has reviewed insurance premiums for the forthcoming year with our insurance provider Zurich Municipal. The contract continues to provide a significant saving on contents insurance premiums and we propose to hold the charge from 1 April 2021 at £1.50 per month (£18 per year). If you wish to pay your contents insurance premium annually, please contact our offices on 0800 111 4646.