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West Lothian Council

SERVICES FOR THE COMMUNITY POLICY DEVELOPMENT AND SCRUTINY PANEL

HOUSING REVENUE ACCOUNT BUDGET AND RENT LEVEL 2020/21 to 2022/23

REPORT BY DEPUTE CHIEF EXECUTIVE

A. PURPOSE OF REPORT

To advise the Panel of the updated Housing Revenue Account (HRA) financial plan for the period 2020/21 to 2022/23, as well as the proposed HRA budget, rent and service charges for 2020/21.

B. RECOMMENDATION

It is recommended that the Panel:

1. Notes the proposed 3% rent strategy for the period 2020/21 to 2022/23, encompassing HRA properties and garages, which will fund service needs and the Housing Capital investment programme;
2. Notes the proposed 3% rent strategy for Sheltered Housing and Homelessness properties, as well as related service and support charges, for the period 2020/21 to 2022/23;
3. Notes the proposed rent increase of 3% in 2020/21 and the updated 2020/21 to 2022/23 HRA budget.

C. SUMMARY OF IMPLICATIONS

I.	**Council Values**	Focusing on customers' needs, being honest, open and accountable, making best use of our resources, working in partnership.
II.	**Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)**	This report complies with legal requirements under the Housing (Scotland) Act 1987. The HRA budget and associated rent increase is reported to the Council annually for approval. The equality impact of the budget has been assessed in compliance with public sector duty requirements, as set out in the Equality Act 2010, the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 and Fairer Scotland Duty, Part 1 of the Equality Act 2010. An Integrated Relevance Assessment has been undertaken and is included in Appendix 1.
III.	**Implications for Scheme of Delegations to Officers**	None.
IV.	**Impact on performance and performance Indicators**	None.

V.	**Relevance to New Single Outcome Agreement**	Outcome 10 – We live in well designed, sustainable places where we are able to access the services we need.
VI.	**Resources - (Financial, Staffing and Property)**	Continuation of the 3% per annum rent strategy agreed by Council on 13 February 2018 will deliver a balanced HRA Budget and a capital investment programme over the three year period from 2020/21 to 2022/23.
VII.	**Consideration at PDSP**	Not applicable.
VIII.	**Other consultations**	A formal rent consultation has taken place with all tenants. Discussion with the Head of Finance and Property Services.

D. TERMS OF REPORT

D.1 GOVERNANCE

The Housing Revenue Account (HRA) budget setting process is subject to statutory, regulatory and governance requirements. Section 25 of the Housing (Scotland) Act 2001 requires landlords to give tenants at least four weeks' notice of any increased rent due to be paid, while section 53 of the Act requires a tenant participation strategy to be in place. The council's financial regulations state that the Depute Chief Executive (Corporate, Operational and Housing Services) is responsible for presenting the HRA Revenue Budget to a meeting of the full council.

The HRA Revenue Budget, alongside the Housing Capital budget, forms part of the council's integrated approach to financial strategy, corporate planning, delivery of outcomes and performance monitoring. The activity budget, along with service management plans, links activities, resources, outputs and outcomes which enables the council to demonstrate Best Value in the use of resources. The activity budget is published on the council's intranet.

The council has continued to build a resilient culture of effective planning and governance, with strong evidence to demonstrate how the council meets the defined best value characteristics. The council's Best Value Framework, which was approved on 10 June 2014, ensures that the council complies with the provisions contained within the Local Government in Scotland Act 2003. The 2003 Act requires the council to:

- Secure best value in the performance of its functions;
- Balance the quality and cost of the performance of its functions and the cost of council services to service users;
- Have regard to efficiency, effectiveness, economy and the need to meet equal opportunity requirements in maintaining that balance;
- Fully discharge its duty to secure best value in a way which contributes to the achievements of sustainable development.

The Public Sector Equality Duty (PSED) (often referred to as the 'general duty') requires public bodies in the exercise of their functions, to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other prohibited conduct;
- Advance equality of opportunity between those who share a protected characteristic and those who do not;
- Foster good relations between those who share a protected characteristic and those who do not.

Supplementary legislation (the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012), requires the council to be proactive in meeting the general duty of eliminating unlawful discrimination, advancing equality and fostering good relations. In addition, the Fairer Scotland Duty, part 1 of the Equality Act 2010, places a legal responsibility on councils to pay due regard to how they can reduce inequalities of outcome, caused by socioeconomic disadvantage, when making strategic decisions. The Fairer Scotland Duty came into effect from 1 April 2018, therefore it is not a retrospective duty and does not apply to decisions taken before that date.

In line with statutory and regulatory requirements, this report advises the Panel of the proposed HRA revenue budget and rent levels for 2020/21, in line with the five year rent strategy approved by Council on 13 February 2018.

D.2 FIVE YEAR RENT STRATEGY

In developing the existing five year financial plan, and in line with the Housing (Scotland) Act 2001, a formal tenants' consultation was undertaken during 2017 on future housing rent and capital investment strategy. The outcome was reported to the Services for the Community Policy Development and Scrutiny Panel on 12 December 2017, and indicated that tenants favoured a 3% rent increase per annum over the five year period to 2022/23. Tenants also indicated they would be willing to fund future council housing investment and supply.

In accordance with statutory and regulatory requirements, Council approval will be sought for the proposed 2020/21 HRA budget and an associated rent rise of 3%, in line with the five year rent strategy approved on 13 February 2018. The 3% increase will apply to all HRA properties, garage and garage sites, as well as Sheltered Housing and Homeless properties and associated service and support charges for 2020/21. An Integrated Relevance Assessment has been undertaken on the proposed updated three year rent strategy and related budget for 2020/21. The assessment gave consideration to the three key general duties and it is deemed unnecessary that a full Integrated Impact Assessment (IIA) be carried out.

In terms of managing a disproportionate impact of rent levels on tenants, the income management approach and monitoring arrangements implemented by Housing, Customer and Building Services pay particular attention to the impact of Universal Credit full service on tenants' ability to pay rent. This has led to changes in processes which now focus on the earliest possible intervention to support tenant claimants, and the service has lowered the trigger for action on all arrears to a level that enables discussion on arrears to happen before the loss of two weeks rent is accumulated in most cases.

Full service was introduced in May 2018, and there are now more than 2,000 tenants claiming housing costs through Universal Credit. The self-directed, online only method of the claims process presents difficulties for the council in identifying tenants in the process of making Universal Credit claims, and for tenants themselves in providing the exact amount of housing costs to claim for. The previous process of claiming Housing Benefit involved council officers and enabled early interventions to be made to mitigate delays in the claims process and verification of housing costs, reducing delays and errors.

Whilst this is still a relatively new process, ongoing monitoring of rent income demonstrates that the claim process has had an impact on claimants' ability to avoid accumulating arrears. The processing time can vary as any change in circumstances results in further delays. The Department for Work and Pensions (DWP) aim to process and make the first payment to claimants within five weeks of a new claim. The latest figures provided by the DWP show that in July 2019, of the households making new claims, 89% received their first payment by the fifth week of the claim, which is an improvement on 79% in July 2018. However, for most tenants making a claim, this has resulted in a minimum of five weeks' delay in rent payments, resulting in arrears balances accumulating.

The council's approach to managing this impact includes monitoring historical and new arrears for tenants in receipt of Universal Credit, however the lack of council involvement in the new process means that the data on the number of claimants is not reported in real time, and accuracy is reduced as a result. In order to mitigate this, all processes in relation to income management have been reviewed in light of the changes in the claims process to mitigate impact on tenants primarily, and on the service income. This work has become a priority in terms of housing staff operational activity, with workstreams dedicated to wide communication of processes and support, early interventions as the service becomes aware of new or potential claims, and specific multi-service processes have been created to provide financial and individual support to tenants navigating the claims journey.

As the full impact of Universal Credit full service becomes clearer through the ability to identify trends in impact on tenants, it may be necessary to conduct a further IIA in order to identify and mitigate negative impacts on tenants with specific protected characteristics.

Any further budgetary proposals or amendments to the rent strategy or rent levels will be screened for IIA relevance where required.

D.3 HRA PROPERTIES AND GARAGE AVERAGE RENT

A continuation of the 3% per annum rent strategy will enable delivery of a balanced HRA revenue budget over the period 2020/21 to 2022/23 and ensure continued investment in our housing infrastructure, improving existing homes and creating new affordable homes over the three year timeframe.

If the proposed rent increase is approved, and based on the latest stock report as at 1 January 2020, the average weekly rental for homes will be £75.74 in 2020/21, increasing from £73.53 in 2019/20. The equivalent weekly figure for garages is £5.70 in 2020/21, increasing from £5.53 in 2019/20.

The Scottish Housing Regulator Return on the Charter data has shown for four consecutive years, that West Lothian Council rents are lower than the national average (£79.07 in 2018/19), other medium sized local authorities, and significantly lower than other local Registered Social Landlords. The indicative rent level for HRA properties and garages for 2020/21 is detailed in the table below:

Table 1: Average Weekly Rent

Average Weekly Rent	2019/20 (£)	Increase (£)	2020/21 (£)	Increase (%)
HRA Properties	73.53	2.21	75.74	3.00
Garages	5.53	0.17	5.70	3.00

D.4 LOANS FUND REVIEW

A review of both the General Fund and HRA loans fund advance repayments was carried out following the update of the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016, and discussions were held with the council's treasury advisors. After reviewing and considering the options and recommendations resulting from the Loans Fund Review, officers proposed a number of changes to the way that the statutory loans fund was operated, which were approved by Council on 19 February 2019 and 24 September 2019.

Debt repayments for future years have been recalculated as a result of this decision, meaning that they will be repaid over a longer period of time to ensure that the payments can be assessed as prudent and to ensure that the repayments reasonably reflect the period over which the community receives the economic benefit of assets that are now lasting longer than originally assumed. It also means that loans fund repayments that have effectively been over provided for in prior years will be adjusted, with an under provision in future repayments being made to offset the previous over provision.

Taking into account potential additional loans fund costs, the reprofiling of loans fund repayments will generate one off net cash flow savings for the Housing Revenue Account in the short to medium term, as set out below:

Table 2: Net Impact of Loans Fund Review Reprofiling of Debt Repayments

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2019/20 to 2022/23 £m	2023/24 to 2027/28 £m	Total £m
Loans Fund Review	1.630	4.181	4.245	4.284	**14.340**	11.660	**26.000**
Additional Loans Fund Costs	(0.150)	(0.150)	(0.150)	(0.150)	**(0.600)**	(0.750)	**(1.350)**
Net Loans Fund Review Surplus	**1.480**	**4.031**	**4.095**	**4.134**	**13.740**	**10.910**	**24.650**

As approved by Council, options as to how to utilise the one off HRA resources for 2019/20 to 2022/23 of £13.740 million from the reprofiling of the loans fund repayments within the HRA have been considered in the context of the current HRA rent strategy and capital programme. The remaining one off surplus of £10.910 million available for 2023/24 to 2027/28 will be considered as part of future rent strategy and capital planning for the next five year strategy period.

Detailed proposals for the use of the £13.740 million net cash flow saving for 2019/20 to 2022/23 are set out in the updated three year Housing Capital Investment Programme, also presented to the Panel today for consideration.

D.5 HOUSING REVENUE ACCOUNT – UPDATED THREE YEAR STRATEGY

In formulating the five year strategy approved in February 2018, it was assumed that there would be a 3% rent increase each year from 2018/19 through to 2022/23, in line with the outcome of the tenants' consultation. Consultation on the 3% strategy included housing network meetings, tenants, the tenants' panel and social media. The consultation carried out in 2017 as part of the strategy process showed that 69% of respondents were in favour of building more council houses even if this meant an increase to rent, 81% were in favour of investment in existing stock even if this meant an increase to rent, 73% felt that their rent was affordable, and 85% noted a preference for a 3% rent increase.

The service embarked on further engagement with tenants in October 2019. This was designed specifically to determine views on the proposed rent increase for 2020/21, and targeted tenant networks, the tenants' panel, the online focus group, tenants' news and social media on a rolling programme of feedback. There have been no additional comments made, with the panels and network members agreeing that the 3% agreed during the initial budget strategy consultation is still appropriate. The feedback from the networks and panel was that they felt strongly that the increase allows the council to continue to invest in stock, and support tenants to the standard they expect.

This rental increase, along with an increase in housing stock numbers, forecast to rise from 13,678 in March 2019 to around 14,286 in 2022/23, will generate additional income to the Housing Revenue Account and enable a balanced budget to be delivered. It will also support capital investment over the medium term. Income assumptions also take into account estimates of mortgage to rent and open market acquisitions, as well as increases to the new housing supply. It is assumed that there will be no overall change in the number of policy void properties and temporary tenancies, with numbers being maintained at 2019/20 levels.

As noted in Section D.4, forecasts of capital financing charges have been updated following implementation of the recommendations resulting from the review of loans fund operations. Although the levels of borrowing required to fund the agreed capital programme have not changed, the change in repayment methodology has resulted in a reduction in the revenue capital financing budgets for 2020/21 to 2022/23. It is proposed that the Capital Funded from Current Revenue (CFCR) budget is increased to provide this additional funding for the capital programme.

Budget assumptions have been updated to take account of latest information and circumstances, and Table 3 below shows the updated estimated allocation of revenue resources, and the associated funding generated through a 3% rent increase, throughout the remaining three year period covered by the HRA budget strategy.

Table 3: Summary Three Year HRA Budget

Expenditure	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**
Employee Costs	5,282	5,388	5,497
Premises Costs	17,899	18,715	19,399
Transport Costs	142	149	156
Supplies & Services	3,296	3,291	3,296
Third Party Payments	118	127	136
Transfer Payments	2,095	2,314	2,534
Support Services	2,552	2,552	2,552
Capital Financing	12,687	13,924	14,970
CFCR	10,379	10,328	10,378
Total Expenditure	**54,450**	**56,788**	**58,918**

Funding	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**
Housing Rents	(53,581)	(55,881)	(57,972)
Garage Rents	(602)	(620)	(639)
Miscellaneous	(267)	(287)	(307)
Total Funding	**(54,450)**	**(56,788)**	**(58,918)**

The key expenditure assumptions are as follows:

- A pay increase of 3% for employees in 2020/21, followed by a 2% pay award in 2021/22 and 2022/23;
- An increase to employers' pension contributions of 2.4% in 2020/21 and 2.3% in 2021/22 and 2022/23;
- Inflation of 5% per annum for Repairs, Gas Servicing and Transport costs;
- A range of inflationary pressures of 2% to 3% per annum for insurance costs and void property costs;
- Additional increase in bad debt provision of £150,000 per annum, to take account of the ongoing impact of Universal Credit;
- Although capital financing charges are now forecast to be lower as a result of the loans fund review, they will continue to increase year on year from 2019/20 to 2022/23 due to ongoing prudential borrowing required to support a core housing maintenance and refurbishment programme for existing stock and an increase in the housing supply.

D.6 HRA REVENUE BUDGET 2020/21

The proposed HRA Revenue budget for 2020/21 is based on the 3% per annum rent strategy approved in February 2018, which will enable high quality and responsive housing services to be maintained for tenants and allow key priorities to be delivered. The 2020/21 budget will enable financial resources to be directed towards the efficient management of the council's housing stock and tenancies, with customer focused services delivered by local housing teams. Targeted resources will support tenant participation, including tenants' panels, networks and other groups, as well as tenant led inspections.

The service will continue to maximise rental income through effective management of council houses, and will continue to work to mitigate the impact of welfare reform. A successful pilot scheme has now been implemented to automate a proportion of the rent arrears process, where low balance arrears trigger an automatic engagement with the tenant, prompting early intervention with housing staff to take action before the arrears balance accumulates any further.

The service continues to be responsive to social housing regulation and inspection, and received positive feedback from the Regulation Manager following a visit in August 2019 to discuss the service approach to management of stock, tenancies and areas for improvement. West Lothian Council will continue to work to improve the quality of life for tenants, assisting individual households as well as playing an important role in promoting strong and sustainable communities.

West Lothian Council remains committed to providing high quality, value for money housing services. The programme of service development is focused on good outcomes for tenants, whilst achieving value for money, best practice and identifying possible efficiencies. Building Services are currently developing proposals designed to modernise their service delivery model and deliver a more cost efficient service, bringing a wider service offering and benefits to customers. The service attended 38,420 repairs and services for customers in 2019, with 100% of properties receiving annual gas inspections and servicing.

The service continues to work towards meeting the 2020 standard for home energy efficiency in Scotland through a programme of improvement and investment works. Some of the recognised achievements of the service in the past year have included:

- The Housing, Customer and Building Services (HCBS) range of initiatives to promote tenant scrutiny in 2018/19 won the Tenant Information Service (TIS) National Excellence Awards 2019, under the Danny Mullen Scrutiny Excellence category for the partnership of HCBS and the Tenant Editorial Panel.
- Recognition at Celebrating Success with awards for the Syrian Refugee project and enabling Tenant Scrutiny.
- Successful reviews of the Allocations policy, repairs and maintenance process reviews, and full review and redesign of the void model.
- Completion of the redesign of the Safer Neighbourhood Team as a result of the Transforming Your Council project.
- Completion of the seventh Scottish Housing Regulator Annual Return to the Charter, where the service remains in the lowest category of risk for approach and delivery of the services provided to tenants and applicants for housing.

Planned service developments and improvements continue for Housing, Customer and Building Services in 2020/21. Enablement of tenant led scrutiny across service development, finance and practice continues to be recognised as best practice in utilising user needs and views to shape services, and widening customer access in sharing views and experiences is a priority.

The review of all key customer journeys focusses on the redesign of processes and policy in partnership with customers, in order to meet customer needs and to reflect the changes in the wider sector and within the council which demand that services reshape approaches as technology and legislation evolve.

Targeted resources as part of the service's customer experience project will focus on a programme of high quality, time intensive engagement with tenants. This will provide a range of information that will inform strategies, plans and practices, provide quality advice and support tenant participation, including tenants' panels, networks and other groups, as well as tenant led inspections.

The digital transformation of the service is underway, with the digitisation of all records and customer access to services in housing need, repairs and tenancy management. User and tenant experiences are critical to the service approach to how service delivery is redesigned in collaboration with those in receipt of a service. Future developments facilitating further self-service and increased access options are planned for the coming year, and will prioritise the customer journeys that users prefer.

The summary HRA Budget for 2020/21 of £54.45 million is outlined below.

Table 4: 2020/21 HRA Budget

	2020/21 £'000
Rents	54,183
Other Income	267
Total Funding	**54,450**
Employee Costs	5,282
Premises Costs	17,899
Transport Costs	142
Supplies & Services	3,296
Third Party Payments	118
Transfer Payments	2,095
Support Services	2,552
Capital Financing Costs	23,066
Total Expenditure	**54,450**

As detailed in Section D.5, the proposed budget takes account of a number of cost pressures and assumptions including:

- 3% rental increase for council houses and garages.
- A pay increase of 3% for employees and allowance for incremental pay progression.
- Indexation pressures, such as energy costs.
- Updated capital financing charges relating to the Housing Capital Programme.
- Ongoing impact of Welfare Reform and introduction of Universal Credit in May 2018.

While the Housing Scotland Act 1987 requires local authorities to maintain a ring fenced HRA, the HRA revenue budget also forms part of the council's integrated approach to corporate planning and performance management. In setting a balanced budget, the council is committed to delivering a well maintained housing stock and efficient management services to support tenants and their communities.

D.7 RISKS AND UNCERTAINTIES

In developing the 2020/21 HRA Budget, it is recognised that there are a number of risks and uncertainties that could impact on the level of financial resource required. This would include potential variances to pay and price indexation as well as capital borrowing requirements and associated interest rates. Resources for reactive repairs remain subject to demand for services and potential impact of winter weather.

The ongoing effect of Welfare Reform changes continue to present risk and uncertainty to all social landlords. While the council continues to actively pursue housing arrears as a priority activity, the value of current tenant arrears as at 5 January 2020 was £2.98 million. Although the arrears position remains a challenging and uncertain factor, it should be noted that the cash collection rate for rental income remains positive, at 97% in January 2020.

The Scottish Government have stated that they would wish to take advantage of provisions within the Scotland Act 2016 in relation to Welfare Benefits, however making these changes can take time to come into regulatory effect.

As of 4 October 2017, Universal Credit claimants in Scotland have been able to request that payments are made every two weeks, instead of once a month, with the housing element of their payment sent directly to their landlord.

The Scottish Government could also utilise its new welfare flexibilities, to effect change which could positively impact on plans to withdraw housing support to single people aged 18-21. The service takes a proactive approach by contacting tenants already in arrears who are moving to Universal Credit to ensure they understand the system of claims, and to suggest the direct payment and increased frequency options may be a better option for them to assist in budgeting and ensuring payment of rent.

Appropriate steps will be taken to mitigate against risks and contain expenditure within available resources during the financial year. Quarterly monitoring reports will be provided to Council Executive during 2020/21 to provide updates on the financial position and actions to ensure risks are appropriately managed.

D.8 HOUSING RESERVES

Local authority accounting standards require that, in setting budgets, the Council receives details of reserves, their proposed use and an opinion as to the adequacy of the reserves for the forthcoming year.

As reported to Council Executive on 4 February 2020, within the month 9 monitoring report, a breakeven position is forecast for the HRA revenue budget for 2019/20. It is therefore projected that the HRA reserve at 31 March 2020 will remain at £926,000 and there is no provision to augment this during 2020/21.

Given the inherent risk associated with the impact of Universal Credit, extreme weather conditions and other risks and uncertainties, it will be recommended that this balance be maintained and the level is considered adequate to meet with unforeseen demands on resources. The proposed budget for 2020/21 does not assume any use of this reserve.

D.9 PRUDENTIAL CODE IMPLICATIONS

The Prudential Code provides the council with local discretion in investment levels for Housing, provided it ensures that capital spending and associated borrowing are at levels that are affordable, prudent and sustainable.

To demonstrate this, the Code sets prudential indicators that are designed to support and record local decision making. The Head of Finance and Property Services is responsible for reporting these indicators for both the General Fund and the HRA. For this reason, the Prudential Indicators will be reported in detail by the Head of Finance and Property Services in the 2020/21 General Fund Revenue Budget, presented to the Council budget setting meeting.

A key Prudential Indicator is affordability, which assesses the incremental impact of capital spending on rent levels. Under the proposed budget, increases to loans charges arising from borrowing are fully funded within the HRA. This area will continue to be closely monitored, particularly in relation to affordability of housing arrears and remaining procurement costs for the planned new build projects.

D.10 INTEGRATED EQUALITY IMPACT ASSESSMENT

Following the key principles of relevance and proportionality within the Equality Act 2010, an integrated equality impact assessment of policies and decisions of the councils is a requirement of the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012. This process is well established within the council's budget setting process.

Prior to presentation of the five year financial plan to Council in February 2018, an initial equality relevance assessment was undertaken on the budget and rent proposals. This assessment identified if a full impact assessment was required to ensure appropriate consideration was given to the impact of proposals on protected groups, with judgements being undertaken regarding relevance and proportionality. The assessment determined that a full equality impact assessment was not required at that time.

The five year Rent Strategy was fully consulted on with council tenants, individually and via tenant representative groups. The service engages with tenants each year on the annual increase to enable comment and feedback on any further impact.

Reflecting the recent Fairer Scotland duty, the integrated relevance assessment was refreshed. It is not considered necessary for a full Integrated Impact Assessment to be carried out at this point, however any further budgetary proposals or amendments to the rent strategy or rent levels will be screened for IIA relevance where required.

D.11 CONSULTATION

Under Section 25 of the Housing (Scotland) Act 2001, the council has a statutory duty to inform and consult tenants on its rent policy. Formal consultation on the five year strategy took place from 9 October to 8 December 2017. During the consultation period, meetings were held with Tenants Panels and Tenant networks, as well as specifically arranged drop in sessions and through a special edition of Tenant News.

The Scottish Social Housing Charter sets the standards and outcomes that all social landlords should aim to achieve when performing their core housing activities. Indicator 29 requires all landlords to establish what percentage of tenants feel that the rent for their property represents good value for money. The biennial tenant satisfaction survey was conducted between October 2019 and January 2020, with 2,184 tenants answering the question regarding how they feel about the rent they pay and 80.67% responding that they are satisfied/very satisfied that rent levels represented good value for money. A total of 2,339 tenants completed the survey, the highest response level to the tenant satisfaction survey to date, and an improvement of over 500 responses from the same survey carried out in 2017.

E. CONCLUSION

The proposed updated three year HRA Revenue budget strategy provides a balanced financial plan, incorporating a proposed 3% per annum rent increase, which will allow the council to continue to provide value for money services to tenants and to be responsive to customers' needs. It also enables continued investment in existing housing stock and infrastructure, as well as the expansion of new housing supply.

The balanced budget for 2020/21 includes continued investment and funding of housing infrastructure, to meet the needs of existing and future tenants, as well as enabling the delivery of key priorities and allowing the people of West Lothian to continue to be supported to find a suitable place to live and have quality housing options available to them.

F. BACKGROUND REFERENCES

Rent Consultation – Report by Head of Housing, Customer and Building Services to Services for the Community PDSP on 12 December 2017

Housing Revenue Account Budget and Rent Levels 2018/19 to 2022/23 – Report by Depute Chief Executive to Council on 13 February 2018

Treasury Management Plan 2019/20 – Report by Head of Finance and Property Services to West Lothian Council on 19 February 2019

Update on Review of the Loans Fund, Insurance Fund and Modernisation Fund – Report by Head of Finance and Property Services to West Lothian Council on 24 September 2019

2019/20 Housing Revenue Account - Month 9 Monitoring Report - Report by Depute Chief Executive to Council Executive on 4 February 2020

Housing Capital Investment Programme 2020/21 to 2022/23 – Report by Depute Chief Executive to Services for the Community Policy Development and Scrutiny Panel on 4 February 2020

Appendices/Attachments: One

Appendix 1 – Integrated Relevance Assessment Form

Contact Person: Pamela Bell, Senior Service Accountant
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Graeme Struthers
Depute Chief Executive
4 February 2020

West Lothian Council

Integrated Relevance Assessment Form

1. Details of proposal	
Policy Title (include budget reference number if applicable)	2020/21 to 2022/23 Housing Revenue Account Budget and Rent Level
Service Area (detail which service area and section this relates to)	Housing, Customer and Building Services
Lead Officer (Name and job title)	AnnMarie Carr, Head of Housing, Customer and Building Services
Other Officers/Partners involved (list names, job titles and organisations if applicable)	Sarah Kelly, Performance and Change Manager Kirsty Weir, Service Development Officer Alison Smith, Housing Operations & Community Safety Manager Pamela Bell, Senior Service Accountant Tenant Participation Stakeholders Tenants' Panel
Date relevance assessed	05/01/2020

2. Does the council have control over how this policy will be implemented?

YES	X	NO	

3. The General Duty of the Equality Act 2010 requires public authorities, in the exercise of their functions, to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other prohibited conduct
- Advance equality of opportunity between those who share a protected characteristic and those who do not; and
- Foster good relations between those who share a protected characteristic and those who do not

NB: In this section you must also consider the Human Rights Act and the key PANEL (Participation, Accountability, Non-Discrimination, Empowerment and Legality) principles of Human Rights (further detail on what these are, are provided in the guidance document)

Which groups of people do you think will be, or potentially could be, impacted upon by the implementation of this policy? You should consider employees, clients, customers and service users (Please tick below as appropriate)

Age – Older people, young people and children	
Disability – people with disabilities/long standing conditions	
Gender reassignment – Trans/Transgender Identity – anybody who's gender identity or gender expression is different to the sex assigned to them at birth	
Marriage or Civil Partnership – people who are married or in a civil partnership	
Pregnancy and Maternity – woman who are pregnant and/or on maternity leave	
Race – people from black, Asian and minority ethnic communities and different racial backgrounds	
Religion or Belief – people with different religions and beliefs including those with no beliefs	
Sex – Gender Identity - women and men (girls and boys) and those who self-identify their gender	
Sexual Orientation – lesbian, gay, bisexual, heterosexual/straight	

4. Do you have evidence or reason to believe that this policy will or may impact on socio-economic inequalities? Consideration must be given particularly to children and families	
Socio-economic Disadvantage	Impact – please tick below as appropriate)
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	✓
Low and/or no wealth – enough money to meet basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure and hobbies	
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	
Socioeconomic Background – social class i.e. parents education, employment and income	

5. Integrated impact assessment required? (Two **ticks (✓)** above = full assessment necessary)				
YES		NO	✓	

6. Decision rationale – if you have ticked no above, use this section to evidence why a full IIA is not required

The Equality and Human Rights Commission (EHRC) Non-Statutory Guidance on “Making Fair Financial Decisions” 2015 outlines a duty to consider the impact of fiscal planning decisions on equality. The impact for tenants of the ongoing UK Government Welfare Reform Act roll-out, Universal Credit in particular, places a duty of care and an ethical obligation as a responsible landlord on the council to consider the social-economic impact of financial decisions on the local economic climate. In particular, there is a duty to consider the needs of those vulnerable to financial hardship or poverty as a result of these decisions. It should be noted that a separate IIA has been conducted on the implementation of Universal Credit in West Lothian during May 2018.

Previous related rent setting proposals seeking formal committee approval and IIA screened for relevance are as follows:

- Approval for the rent strategy consulted on with tenants setting out 3% increases from 2012-17.
- The 2017 rent consultation with tenants on proposed rent changes from 2018/19 to 2022/23.
- The 2018/19 to 2022/23 HRA 3% rent strategy which will fund current service needs and a five year Housing Capital programme.
- Approval for the HRA budgets over financial years 2013/14 to 2019/20.
- Approval for rent and garage charge changes over financial years 2013/14 to 2019/20.
- Changes to service and support charges for Sheltered Housing properties including rents, service and support charges for Homeless properties over financial years 2013/14 to 2019/20.

This assessment deals with the proposals for 2020/21 to 2022/23 which are as follows:

1. A rent increase of 3% in 2020/21 which will fund current service needs and the remaining three years of the five year Housing Capital programme as agreed with tenants and approved by council in February 2018;
2. A 3% increase in garage rents in 2020/21;
3. An increase of 3% in rents and service and support charges for Sheltered Housing and Homelessness properties for 2020/21.

Rent Levels

The five year Rent Strategy has been fully consulted on with council tenants, individually and via tenant representative groups. The service engages with tenants each year on the annual increase to enable comment and feedback on any further impact. The HRA and rent levels being proposed for 2020/21 to 2022/23 remain in line with the previous strategy. The council has undertaken significant investment in its housing stock over recent years. The 3% increase will enable delivery of a balanced HRA revenue budget, and will allow high quality and responsive housing services to be maintained for tenants and ensure continued investment in housing infrastructure, improving existing homes and new build programme all of which will have a positive impact on equality and support for those within various protected characteristics.

Delivering affordable, socially rented accommodation built to a high standard of specification helps the council meet some of the rising demand for such accommodation within the community and increases housing options for vulnerable people. By investing significantly in our existing stock to meet SHQS and EESSH standards, regenerating local communities, and investing in energy efficiency improvement works, the service will mitigate the effects of rent increases through improving the energy efficiency of older properties that cost more to heat – working towards the outcome of helping vulnerable tenants avoid the threat of fuel poverty.

If the rent increase is approved, and based on the latest stock report at 1 January 2020, the average weekly rental for homes will be £75.74 in 2020/21, increasing from £73.53 in 2019/20. The equivalent weekly figure for garages is £5.70 in 2020/21, increasing from £5.53 in 2019/20. The indicative rent level for HRA properties and garages across the four year period is detailed in the table below.

Average Weekly Rent	**2019/20 (£)**	**2020/21 (£)**	**2021/22 (£)**	**2022/23 (£)**
HRA Properties	73.53	75.74	78.01	80.35
Garages	5.53	5.70	5.87	6.05

Service and Support Charges

In line with previously agreed strategies, it is proposed that service charges for Sheltered Housing properties will be increased by 3% in 2020/21. A 3% increase for support charges in relation to Homeless Properties for 2020/21 is also proposed.

Other Factors

As a result of either a freeze or minimal uprating for most working-age benefits from 2016 to 2020, the financial situation for benefit tenants has been challenging. A ministerial statement on Welfare was issued by the UK Government on 13 January 2020, which announced that this freeze will be lifted as of April 2020. Local Housing Allowance rates will therefore be increased in line with the Consumer Price Index (CPI). This increase will mean the majority of people in receipt of housing support in the Private Rented Sector will see their housing support increase, on average benefiting by around £10 per month. This uplift will exceed the rent increase for the vast majority of tenants in receipt of LHA, and will therefore mitigate the impact of a rent increase.

Additionally, unlike rents in the private sector, through the Local Housing Allowance limits if council rents go up by 3%, the eligible rent on which the Housing Benefit calculation is based will also go up by 3%, so those on full benefit will not suffer further financial detriment. Someone entitled to full Housing Benefit with a £100 rent whose rent increases to £103 will see their benefit increase to £103. While payment arrangements were impacted by the implementation of Universal Credit (UC) in West Lothian in May 2018, a range of initiatives were undertaken separately to manage and mitigate the impact of this. The service continues to monitor the impact of UC on tenants weekly as part of the income management approach. Affordability in terms of council tenants on benefits is unlikely to be affected, but rather the process for payment.

Those on part benefit, who may have to pay a portion of their rent just now, will see that amount increase, and those already subject to under occupancy charge (bedroom tax) who currently have their £100 Housing Benefit award reduced by £14, will see their £103 award reduced by £14.42 – increased pressure continues to be placed on our Discretionary Housing Payment cash which the council utilises to mitigate this shortfall. The council's focus on rent arrears from a preventative standpoint should assist those who are negatively impacted by the 3% raise as Housing officers continue to work in partnership with the Advice Shop to maximise income and improve budgeting skills.

At the time of the rent consultation in 2017, an exercise was undertaken using the Scottish Federation of Housing Associations (SFHA) rent affordability tool to assess the impact of the proposed rent strategy. The affordability tool presumes that landlords are not able to set affordable rents for every single tenant, but examines the impact of rent on moderate incomes. A low affordability ratio, represented by 25% of net income, is the measure for affordability of social rents. Based on the current highest council rent, for one, two and three bedroom properties, all rents are viewed as being affordable for all household types. Assuming a rental increase of 3% per annum over five years, and a modest income increase of 1% per annum, all average rents are judged to fall within the affordable range over the period of the rent strategy.

This exercise has provided useful evidence to demonstrate the impact of the proposed rent strategy on council tenants going forward. The service has plans to build on this exercise in 2020-2022 through a project designed to conduct intensive profiling of the council's customers, with affordability of rent forming a critical area of focus. The intelligence gained from spending time with customers conducting this study will provide invaluable data to inform future plans on rent setting and will shape our strategic direction.

The service embarked on further engagement with our tenants in October 2019, which was designed specifically to determine views on the agreed rent increase for 2020/21 from tenant networks, the tenants' panel, the online focus group, tenants' news and across social media on a rolling programme of feedback. There have been no additional comments made, with the panels and network members agreeing that the 3% agreed during the initial budget strategy consultation is still appropriate. The feedback from the networks and panel was that they felt strongly that the increase allows the service to continue to invest in stock, and support tenants to the standard they expect.

The ongoing effect of general economic conditions and Welfare Reform changes, including direct housing costs to tenants on Universal Credit, continue to present risk and uncertainty to all social landlords. Pressure on rent collection will be closely monitored following the implementation of Universal Credit within West Lothian.

The council continues to actively pursue housing arrears and there is a continued focus on reducing arrears balances. The service will continue to maximise rental income through effective management of council houses, and work to mitigate the impact of welfare reform. This year has seen the successful pilot and roll-out of the automation of a proportion of the rent arrears process, where low balance arrears trigger an automatic engagement with the tenant, prompting early intervention with housing staff to take action before the balance accumulates any further. The first focus for council staff is to provide support, advice and interventions as soon as possible for any tenant experiencing arrears, and the evidence to date this year is that this approach is seeing improved outcomes and is helping to mitigate the impact of Universal Credit, with non-UC related arrears being reduced, and support to tenants through arrangements and alternative payment methods proving beneficial in managing finances. A corporate approach to debt continues to be taken forward, to ensure resources are most appropriately targeted and that services are working in partnership to break the cycle of debt in complex and high level arrears cases where tenants have instances of multiple debts.

Housing, Customer and Building Services Senior Management Team, the Senior Service Accountant, income management staff and the service equality lead were involved in the consultation of this assessment. The details of the budget proposals within this report support these findings and it is unnecessary that a full Integrated Impact Assessment be carried out at this point. It is however recommended that any further budgetary proposals or amendments to the rent strategy or rent levels be screened for IIA relevance where required.

Signed by Lead Officer	AnnMarie Carr
Designation	Head of Housing, Customer and Building Services
Date	15/01/2020
Counter Signature (Head of Service or Depute Chief Executive responsible for the policy)	
Date	