

DATA LABEL: PUBLIC



HOUSING SERVICES POLICY DEVELOPMENT AND SCRUTINY PANEL

HOUSING REVENUE ACCOUNT BUDGET 2023/24 TO 2027/28 AND RENT LEVEL 2023/24

REPORT BY DEPUTE CHIEF EXECUTIVE

A. PURPOSE OF REPORT

To advise the Panel of the updated Housing Revenue Account (HRA) financial plan for 2023/24 to 2027/28, as well as the proposed HRA budget, rent and service charges for 2023/24.

B. RECOMMENDATION

It is recommended that the Panel:

1. Notes the proposed 3.5% per annum rent strategy and financial plan for 2023/24 to 2027/28, which will fund service needs and a five year housing capital investment programme;
2. Notes the proposed rent increase of 3.5% for 2023/24 and the associated HRA budgets for 2023/24, as set out in the report;
3. Notes the proposed 3.5% rent strategy for Sheltered Housing and Homelessness properties, as well as related service and support charges, for 2023/24.

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) | <p>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.</p> <p>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.</p> <p>An Integrated Relevance Assessment has been undertaken and is included in Appendix 1.</p> |
| 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)	The proposed 3.5% per annum rent strategy will deliver a balanced HRA budget and capital investment programme for the period 2023/24 to 2027/28.
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 Investment Programme, 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 was originally approved on 10 June 2014, with a review and update approved by Council Executive on 22 February 2022. The updated framework ensures that the council complies with the provisions contained within the Local Government in Scotland Act 2003, and the updated Scottish Government guidance issued in March 2020. The legislation 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.

This report sets out a proposed five year rent strategy with a 3.5% rent increase each year, covering the period from 2023/24 to 2027/28.

D.2 RENT STRATEGY 2023/24 TO 2027/28

Council previously approved both a five year rent strategy and a capital investment strategy in February 2018, following a consultation with tenants in December 2017 and, as such, 2022/23 is the final year of both approved programmes. A new five year strategy is now proposed for the period from 2023/24 to 2027/28.

In developing the new proposed five year financial plan, and in line with the Housing (Scotland) Act 2001, a formal tenants' consultation was undertaken from 25 October 2022 until 12 December 2022 on future housing rent and capital investment strategy. Council Executive agreed on 25 October 2022 to consult with tenants on the proposed rent options of a 3.5% or 4% annual rent increase. Specifically arranged drop in sessions were held and a special edition of Tenant News was produced. All tenants for whom the council has a mobile phone number also received a series of dedicated text messages directing them to the consultation document.

There were 1,765 responses to the consultation, with 1,312 (74%) of those tenants responding expressing a preference for a 3.5% per annum rent increase over the five-year period 2023/24 to 2027/28. The profile of respondents was as follows:

- 50% indicated that they do not receive any assistance towards their rent
- 47% indicated that they receive some or all of their rent paid through Housing Benefits or Universal Credit
- 3% preferred not to answer

Of the respondents who indicated that they do not receive any assistance towards their rent, 82% indicated that their preference was for a 3.5% per annum rent increase.

In accordance with statutory and regulatory requirements, Council approval will be sought for the proposed 2023/24 to 2027/28 HRA budget and an associated rent rise of 3.5% per annum. The proposed 3.5% increase will apply to all HRA properties, garages and garage sites, Sheltered Housing and Homeless properties, and associated service and support charges over the same period.

An Integrated Relevance Assessment has been undertaken on the proposed five year rent strategy and related budget for 2023/24. The assessment reflects the consideration of 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 council can demonstrate a sound approach to income management that is designed to be strongly preventative in terms of mitigating financial hardship at the earliest opportunity, and which also delivers a supportive and reactive service for tenants who may require individual assistance. The council has in place extensive and long-established financial monitoring arrangements, which pay particular attention to the impact of Universal Credit full service

on tenants' ability to pay rent. The combination of a strategic and operational approach to housing finance has led to changes in processes which are now designed to deliver earliest possible interventions to support tenant claimants. The monetary trigger for action on all arrears has been lowered to a level that enables a discussion on arrears between staff and tenants before the loss of two weeks rent is accumulated in most cases.

Work on automation of elements of the rent arrears process has been successful, with low balance arrears triggering an automatic engagement with the tenant, prompting early intervention with housing staff to take swift action before arrears balances accumulate any further.

Full service Universal Credit was introduced in May 2018, and there are currently 2,310 tenants claiming housing costs through Universal Credit. The self-directed, online only method of the claims process presents some difficulties for the council in identifying tenants who are 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 direct input from council officers to ensure all elements of the claim were correct, and enabled early interventions to be made to mitigate delays in the claims process, thus reducing delays and errors.

The council's programme of ongoing income management, including the comprehensive monitoring and reporting at committee and Local Area Committees, demonstrates that the claim process has had a positive impact on claimants' ability to avoid accumulating arrears. The Department for Work and Pensions (DWP) aim to process and make the first payment to claimants within five weeks of a new claim. However, difficulties and further delays can arise where applicants have a change in their circumstances, which results in the 'zeroing' of the process back to the start. This is not unusual for households in temporary accommodation, or when people are in crisis, and, historically, this has resulted in a minimum of five weeks' delay in rent payments. The resulting impact of this is that arrears balances accumulate during this delay and 65.4% of Universal Credit claimants carry some form of arrears balance, with an average value of £867.

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 were reviewed in 2022 to lessen impact on tenants primarily, and on rental 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 council 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.

The move to ensure that monies paid directly to the council for those on managed payments are credited to tenants' accounts more quickly is a positive step in reducing technical rent arrears. The previous system would show tenants in arrears due to processing delays and payments being made on a fixed cycle that did not match rent due dates, which causes avoidable distress. The new process has accelerated the application of payments to accounts, and gives a more accurate view of current arrears with payments reaching tenants' rent accounts closer to rent due dates.

Any additional budgetary proposals or amendments to the rent strategy or rent levels will be screened for IIA relevance where required, or where data indicates any significant shift in income management levels or tenants struggling to pay.

D.3 HRA PROPERTIES AND GARAGE AVERAGE RENT

A 3.5% per annum rent strategy will enable delivery of a balanced HRA revenue budget for 2023/24 to 2027/28 and ensure continued investment in housing infrastructure, improving existing homes and creating new affordable homes.

If the proposed rent increase is approved, and based on the latest stock report as at 1 January 2023, the average weekly rental for homes will be £83.22 in 2023/24, increasing from £80.41 in 2022/23. The equivalent weekly figure for garages is £6.26 in 2023/24, increasing from £6.05 in 2022/23.

In recognition of the cost of living crisis, COSLA has recently committed to keeping the rental and fee increases to an average of less than £5 a week across the country in the next financial year. The current average weekly rent in West Lothian is £80.41 in 2022/23 and the proposed 3.5% increase will result in an average weekly rent increase of £2.81 which will be below the cap proposed by COSLA.

The indicative rent level for HRA properties and garages across the five year period is detailed in the table below:

Table 1: Average Weekly Rent

Average Weekly Rent	2023/24 (£)	2024/25 (£)	2025/26 (£)	2026/27 (£)	2027/28 (£)
HRA Properties	83.22	86.13	89.14	92.26	95.49
Garages	6.26	6.48	6.71	6.94	7.18

If council rents go up by 3.5%, the eligible rent on which the Housing Benefit calculation is based will also go up by 3.5%, so those on full benefit will not suffer further financial detriment. Over 77% of tenants on Universal Credit and/or Housing Benefit receive full housing costs.

The council's focus on rent arrears from a preventative standpoint should assist those who are negatively impacted by the 3.5% raise as Housing officers continue to work in partnership with the Advice Shop to maximise income and improve budgeting skills.

D.4 RENT LEVELS AND AFFORDABILITY

The average weekly rent level in West Lothian for 2022/23 is £80.41, which is comparable to the average rent charged by Scottish Local Authorities of £80.71 and below the average rent charged by local Registered Social Landlords of £96.41.

Affordability of rent remains a priority for the council in a bid to ensure the rent level remains good value when compared to the wider housing sector. It is also a council objective to ensure those most at risk of financial hardship are supported in maintaining their rent payments and avoiding the risk of poverty.

There is no formal guidance on how to define rent affordability. As per Scottish Government guidance, landlords should determine the balance between affordability for the tenants and costs of delivering services and property management. The Scottish Social Housing Charter defined standards and outcomes that all social landlords should aim to achieve:

- Social landlords manage all aspects of their businesses so that: tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay;
- Social landlords set rents and service charges in consultation with their tenants and other customers so that: a balance is struck between the level of services provided, the cost of the services, and how far current and prospective tenants and service users can afford them;
- Tenants receive clear information on how rent and other money is spent, including

details of any individual items of expenditure above thresholds agreed between landlords and tenants.

In order to demonstrate the affordability of the proposed rent strategy, Table 2 below shows an average weekly council house rent in West Lothian and compares this to a gross household income based on a full-time employee who receives the minimum wage (£9.50 per hour for age 23 and over). It is suggested that when housing costs exceed 30%-35% of a household's income, the cost is judged to be unaffordable.

Table 2 – Affordability Levels

	Current Rent Level	3.5% Increase
Average weekly rent	£80.41	£83.22
Minimum wage (gross) – 36 hours/week	£342	£342
Percentage of income spent on rent	23.5%	24.3%

The table shows that current average weekly rent as a proportion of income is below 30%, and the effect of the proposed 3.5% per annum increase is that the rent level remains below 30% in the affordability test. It should be noted that the calculations do not include a national minimum wage increase beyond the current level.

D.5 HOUSING REVENUE ACCOUNT – FIVE YEAR STRATEGY

In formulating the five year strategy, it is assumed that there will be a 3.5% rent increase each year from 2023/24 through to 2027/28, in line with the outcome of the tenants' consultation. This rental increase, along with an increase in housing stock numbers, rising from 14,075 in April 2022 to around 14,425 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 new build additions to the housing stock.

In line with legislative requirements, the council will consult with tenants annually on the rent strategy. However, historically, tenants have not deviated from their initial view in terms of the planned five year programme of planned annual rent increases. This provides the council with reassurance that, for the majority of tenants, their rent remains affordable and that, for those who may struggle, available support can then be more accurately targeted. This also demonstrates how the views of tenants continue to play a key element of key strategic decision making in the council.

Budget assumptions take account of latest information and circumstances, and Table 2 below shows the estimated allocation of revenue resources, and the associated funding generated through a 3.5% rent increase, throughout the five year period covered by the proposed HRA budget strategy.

Table 3: Summary HRA Budget

Expenditure	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Employee Costs	5,511	5,619	5,734	5,851	5,970
Premises Costs	23,735	25,099	26,629	28,217	30,096
Transport Costs	102	107	112	118	124
Supplies & Services	2,673	2,673	2,673	2,673	2,673
Third Party Payments	146	157	169	182	195
Transfer Payments	2,311	2,328	2,347	2,366	2,386
Support Services	2,552	2,552	2,552	2,552	2,552
Capital Financing	16,052	17,305	18,716	20,163	21,712
CFCR	8,098	7,599	7,050	6,376	5,211
Total Expenditure	61,180	63,439	65,982	68,498	70,919

Funding	2022/23 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Housing Rents	(60,033)	(62,301)	(64,834)	(67,313)	(69,673)
Garage Rents	(650)	(673)	(697)	(721)	(746)
Miscellaneous	(497)	(465)	(451)	(464)	(500)
Total Funding	(61,180)	(63,439)	(65,982)	(68,498)	(70,919)

The key expenditure assumptions are as follows:

- A provision for increased staffing costs of 5% in 2023/24 and then 2% per annum;
- Inflation of 10% in 2023/24 for Repairs and Gas Servicing and then 6% per annum;
- A range of inflationary pressures of 2% to 3% per annum for insurance costs and void property costs;
- Capital financing charges will fund 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 2023/24

The proposed HRA Revenue budget for 2023/24 is based on a 3.5% per annum rent strategy, which will enable high quality and responsive housing services to be maintained for tenants and allow key priorities to be delivered. The 2023/24 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. The council will continue to maximise rental income through effective management of council houses and will continue to work to mitigate the impact of the cost of living crisis.

The council continues to be responsive to social housing regulation and inspection, and the council remains in the lowest category of risk following the annual return to the Scottish Housing Regulator. The council will continue to work to improve the quality of life for tenants, assisting individual households and playing an important role in promoting strong and sustainable communities, especially during the cost of living crisis. Performance remains very high, with the collection rate increasing to 98% in 2021/22. Overall, performance in key areas remains stable, with areas of improvement continuing to be identified and progressed.

The 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 also achieving value for money, best practice and identifying possible efficiencies. Building Services has continued to provide emergency and essential repairs throughout the challenges of recent years, prioritised getting empty houses available for re-let, and has maintained good performance despite ongoing challenges.

The summary HRA Budget for 2023/24 of £61.180 million is outlined below.

Table 4: Summary HRA Budget

Expenditure	2023/24 £'000
Employee Costs	5,511
Premises Costs	23,735
Transport Costs	102
Supplies & Services	2,673
Third Party Payments	146
Transfer Payments	2,311
Support Services	2,552
Capital Financing	16,052
CFCR	8,098
Total Expenditure	61,180

Funding	2023/24 £'000
Housing Rents	(60,033)
Garage Rents	(650)
Miscellaneous	(497)
Total Funding	(61,180)

The key expenditure assumptions are as follows:

- A provision for increased staffing costs of 5% in 2023/24;
- Inflation of 10% 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;
- Capital financing charges will fund ongoing prudential borrowing required to support a core housing maintenance and refurbishment programme for existing stock and an increase in the housing supply.

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 2023/24 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 significant pressures on pay awards and price indexation as a result of the current cost of living crisis and potential recession, as well as capital borrowing requirements and associated interest rates. Recruitment and retention of skilled staff continues to be a major risk to delivery of planned works, with availability and cost of both material and subcontractors also remaining uncertain and subject to volatility. 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 and prior year current tenant arrears as at 2 January 2023 was £4.305 million. Although the arrears position remains a challenging and uncertain factor, it should be noted that the in-year cash collection rate for rental income remains positive, at 97% in January 2023.

The council 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.

The increasing compliance demands for properties – with no additional grant available to achieve this – and increasing costs of goods and labour in a post-EU membership landscape presents a very real threat to the council's ability to continue to deliver value for money and the level of property investment enjoyed in previous years. This means that rent levels must reflect the councils' ambitions for the housing stock, the needs of tenants and their families, and factor in these growing strains on the HRA for coming years.

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 2023/24 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 15 November 2022, within the month 6 monitoring report, a breakeven position is forecast for the HRA revenue budget for 2022/23. It is therefore projected that the HRA reserve at 31 March 2023 will remain at £926,000 and there is no provision to augment this during 2023/24.

Given the inherent risk associated with the impact of Universal Credit, the cost of living crisis, 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 2023/24 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 2023/24 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 the Housing Services PDSP, an initial equality relevance assessment has been 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 is not required at this point.

The five year rent strategy was fully consulted on with council tenants, individually and via tenant representative groups. The council will continue to engage with tenants each year on the proposed annual increase to enable comment and feedback on any further potential impacts. Although it is not considered necessary for a full Integrated Impact Assessment to be carried out at this point, any material decline in income levels relating to the current cost of living crisis, or 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 25 October to 12 December 2022. During the consultation period, specifically arranged drop in sessions were held and a special edition of Tenant News was produced. All tenants for whom the council has a mobile phone number also received a series of dedicated text messages directing them to the consultation document. Annual statutory consultations will take place throughout the five year strategy period.

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 25 requires all landlords to establish what percentage of tenants feel that the rent for their property represents good value for money. The council return rate for 2021/22 was good, with 80.63% of tenants answering the question regarding how they feel about the rent they pay responding that they are satisfied/very satisfied that rent levels represented good value for money.

E. CONCLUSION

The proposed HRA Revenue budget strategy provides a balanced financial plan, incorporating a proposed 3.5% 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 2023/24 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

Housing Rent Consultation 2023/24 to 2027/28 – Report by Interim Head of Housing, Customer and Building Services to Council Executive on 25 October 2022

2022/23 Housing Revenue Account - Month 6 Monitoring Report - Report by Depute Chief Executive to Council Executive on 15 November 2022

Rent Consultation 2023/24 to 2027/28 – Report by Interim Head of Housing, Customer and Building Services to Housing Services Policy Development and Scrutiny Panel on 26 January 2023

Appendices/Attachments: One

Appendix 1 – Integrated Relevance Assessment Form

Contact Person: Pamela Bell, Senior Service Accountant
Email: pamela.bell@westlothian.gov.uk, Tel: 01506 281282

Graeme Struthers
Depute Chief Executive
26 January 2023

DATA LABEL: PUBLIC



Integrated Relevance Assessment Form

1. Details of proposal																			
Policy Title (include budget reference number if applicable)	2023/24 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)	Julie Whitelaw, Interim Head of Housing, Customer and Building Services																		
Other Officers/Partners involved (list names, job titles and organisations if applicable)	Kirsty Weir, Service Development Officer Mark Barnes, Service Development Officer Jodie Fullerton, Service Development Officer Alison Smith, Housing Operations & Community Safety Manager Pamela Bell, Senior Service Accountant Tenant participation group and CX surveyed tenants Tenants' Panel																		
Date relevance assessed	11/01/2023																		
2. Does the council have control over how this policy will be implemented?																			
YES	<input checked="" type="checkbox"/> X <input type="checkbox"/> NO																		
<p>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:</p> <ul style="list-style-type: none"> • 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 <p>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)</p> <p>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)</p> <table border="1"> <tr> <td>Age – Older people, young people and children</td> <td><input type="checkbox"/></td> </tr> <tr> <td>Disability – people with disabilities/long standing conditions</td> <td><input type="checkbox"/></td> </tr> <tr> <td>Gender reassignment – Trans/Transgender Identity – anybody who's gender identity or gender expression is different to the sex assigned to them at birth</td> <td><input type="checkbox"/></td> </tr> <tr> <td>Marriage or Civil Partnership – people who are married or in a civil partnership</td> <td><input type="checkbox"/></td> </tr> <tr> <td>Pregnancy and Maternity – woman who are pregnant and/or on maternity leave</td> <td><input type="checkbox"/></td> </tr> <tr> <td>Race – people from black, Asian and minority ethnic communities and different racial backgrounds</td> <td><input type="checkbox"/></td> </tr> <tr> <td>Religion or Belief – people with different religions and beliefs including those with no beliefs</td> <td><input type="checkbox"/></td> </tr> <tr> <td>Sex – Gender Identity - women and men (girls and boys) and those who self-identify their gender</td> <td><input type="checkbox"/></td> </tr> <tr> <td>Sexual Orientation – lesbian, gay, bisexual, heterosexual/straight</td> <td><input type="checkbox"/></td> </tr> </table>		Age – Older people, young people and children	<input type="checkbox"/>	Disability – people with disabilities/long standing conditions	<input type="checkbox"/>	Gender reassignment – Trans/Transgender Identity – anybody who's gender identity or gender expression is different to the sex assigned to them at birth	<input type="checkbox"/>	Marriage or Civil Partnership – people who are married or in a civil partnership	<input type="checkbox"/>	Pregnancy and Maternity – woman who are pregnant and/or on maternity leave	<input type="checkbox"/>	Race – people from black, Asian and minority ethnic communities and different racial backgrounds	<input type="checkbox"/>	Religion or Belief – people with different religions and beliefs including those with no beliefs	<input type="checkbox"/>	Sex – Gender Identity - women and men (girls and boys) and those who self-identify their gender	<input type="checkbox"/>	Sexual Orientation – lesbian, gay, bisexual, heterosexual/straight	<input type="checkbox"/>
Age – Older people, young people and children	<input type="checkbox"/>																		
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Gender reassignment – Trans/Transgender Identity – anybody who's gender identity or gender expression is different to the sex assigned to them at birth	<input type="checkbox"/>																		
Marriage or Civil Partnership – people who are married or in a civil partnership	<input type="checkbox"/>																		
Pregnancy and Maternity – woman who are pregnant and/or on maternity leave	<input type="checkbox"/>																		
Race – people from black, Asian and minority ethnic communities and different racial backgrounds	<input type="checkbox"/>																		
Religion or Belief – people with different religions and beliefs including those with no beliefs	<input type="checkbox"/>																		
Sex – Gender Identity - women and men (girls and boys) and those who self-identify their gender	<input type="checkbox"/>																		
Sexual Orientation – lesbian, gay, bisexual, heterosexual/straight	<input type="checkbox"/>																		

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				
<p>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.</p> <p>Previous related rent setting proposals seeking formal committee approval and IIA screened for relevance are as follows:</p> <ul style="list-style-type: none"> Approval for the proposed rent strategy consulted on with tenants setting out 3.5% increases from 2023/24 to 2027/28. The proposed 2023/24 to 2027/28 HRA 3.5% rent strategy which will fund current service needs and a five-year housing capital investment programme. Approval for the proposed HRA budgets over financial years 2023/24 to 2027/28. Approval for the proposed rent and garage charge changes over financial years 2023/24 to 2027/28. Proposed changes to rents and service and support charges for Sheltered Housing properties and Homeless properties over financial years 2023/24 to 2027/28. <p>This assessment deals with the proposals for 2023/24 which are as follows:</p> <ol style="list-style-type: none"> A rent increase of 3.5% in 2023/2024 which will fund current service needs and the housing capital investment programme; A 3.5% increase in garage rents in 2023/24; An increase of 3.5% in rents and service and support charges for Sheltered Housing and Homelessness properties for 2023/24. 				

Rent Levels

The five-year Rent Strategy has been fully consulted on with council tenants, individually and via tenant representative groups. The council engages with tenants each year on the annual increase to enable comment and feedback on any further impact. The HRA budgets and rent levels being proposed consists of a five-year rent strategy, with a 3.5% per annum rent increase covering the period 2023/24 to 2027/28. The council has undertaken significant investment in its housing stock over recent years. The 3.5% 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 proposed rent increase is approved, and based on the latest stock report as at 1 January 2023, the average weekly rental for homes will be £83.22 in 2023/24, increasing from £80.41 in 2022/23. The equivalent weekly figure for garages is £6.26 in 2023/24, increasing from £6.05 in 2022/23.

In recognition of the cost of living crisis, COSLA has recently committed to keeping the rental and fee increases to an average of less than £5 a week across the country in the next financial year. The current average weekly rent in West Lothian is £80.41 in 2022/23 and the proposed 3.5% increase will result in an average weekly rent increase of £2.81 which will be below the cap proposed by COSLA.

If council rents go up by 3.5%, the eligible rent on which the Housing Benefit calculation is based will also go up by 3.5%, so those on full benefit will not suffer further financial detriment. Over 77% of tenants on Universal Credit and/or Housing Benefit receive full housing costs. The council's focus on rent arrears from a preventative standpoint should assist those who are negatively impacted by the 3.5% raise as Housing officers continue to work in partnership with the Advice Shop to maximise income and improve budgeting skills.

The indicative rent level for HRA properties and garages across the five-year period is detailed in the table below:

Table 1: Average Weekly Rent

Average Weekly Rent	2023/24 (£)	2024/25 (£)	2025/26 (£)	2026/27 (£)	2027/28 (£)
HRA Properties	83.22	86.13	89.14	92.26	95.49
Garages	6.26	6.48	6.71	6.94	7.18

Service and Support Charges

In line with previously agreed strategies, it is proposed that service charges for Sheltered Housing properties will be increased by 3.5% in 2023/24. A 3.5% increase for support charges in relation to Homeless Properties for 2023/24 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 during the period of the Rent Strategy. A ministerial statement on Welfare was issued by the UK Government on 13 January 2020, which announced that this freeze would end in April 2020. Local Housing Allowance rates were increased in line with the Consumer Price Index (CPI). This increase meant the majority of people in receipt of housing support in the Private Rented Sector saw their housing support increase as of mid-2020, on average

benefiting by around £10 per month. This uplift exceeds the rent increase for the vast majority of tenants in receipt of LHA, and will therefore mitigate the impact of a rent increase for most.

Additionally, unlike rents in the private sector, through the Local Housing Allowance limits if council rents go up by 3.5%, the eligible rent on which the Housing Benefit calculation is based will also go up by 3.5%, 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 £103.50 will see their benefit increase to £103.50.

While payment arrangements were impacted by the implementation of Universal Credit in West Lothian in May 2018, a range of initiatives were undertaken separately to manage and mitigate the impact of this. The council continues to monitor the impact of Universal Credit 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.

Increased pressure continues to be placed on Discretionary Housing Payment cash which the council utilises to mitigate the shortfall for those who are in receipt of part benefit. The council's focus on rent arrears from a preventative standpoint should assist those who are negatively impacted by the 3.5% raise as HCBS staff continue to work in partnership with the Advice Shop to maximise income and improve budgeting skills.

Consultation and Engagement

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 25 October 2022 until 12 December 2022. During the consultation period, meetings were held with Tenants Panels, as well as specifically arranged drop in sessions and through a special edition of Tenant News. Annual statutory consultations will also be undertaken throughout each year of the lifetime of the strategy. Additionally, the Tenants' Panel has dedicated half of the programme of its meetings each year (since 2016) to financial scrutiny of service activity budgets to ensure full understanding and transparency of how rent is spent.

Understanding Customer Experiences

In light of the increasing pressures on households, and the need to design services and support around tenant need, the council launched the Customer Experience (CX) Affordability pilot in July 2021. Under the pilot, the service conduct one on one sessions with our tenants to understand their lived experiences of services. The team are building deeper understanding of our customers, their circumstances, pressures and aspirations through virtual sessions, in-depth conversations, and online data gathering. This is reshaping policy and practice to meet customer needs, improve outcomes and enables swift interventions. This is the new approach to collaboration, with ongoing feedback on the developments stemming from our work, building trust, real transformation and better services.

Ensuring affordable social housing in the current landscape of universal credit, food and fuel poverty is crucial. The council has entered into partnership with Housemark Scotland using their sector-leading Affordability Model to enable insight into tenant finance. This ensures future rents and budgets reflect tenants' real life experiences, and balances tenant incomings and outgoings to assess the affordability of the rent they pay.

The CX Affordability project is a key strand of this work. The objectives for the pilot are to undertake surveying activity on a one to one basis with our tenants to understand their experiences, pressures and aspirations. Understanding financial constraints and how affordable the current and planned future rent levels are is integral to achieving this understanding. The CX Affordability pilot will run for a two-year period, and many conversations are with tenants experiencing budget pressures and financial strain. CX officers make immediate referrals to supporting services to get help quickly. This has resulted in many referrals for financial support and further help.

This approach breaks down barriers with historically non-engaging customers to source the support they need and joins up services in the council, and compliments the data driven income management work of the service with real-life experiences. In order to ensure equitable representation of the council's tenants, the approach has been to use a random sampling of all tenants, with parameters to ensure that a

proportionate number of those in arrears, those on Universal Credit, and those who use different methods of payment are included in the sample. This ensures that the views collected on affordability reflect the range of tenants' experiences. In the sample group, 100% of customers stated that, had the team not called, they would not have sought the help they needed due to stigma around mental health, debt and isolation. The team produce a comprehensive report to senior management team at the end of each quarter on the key elements of affordability, financial pressures and tenant views on their income vs outgoings.

Reflecting the recent Fairer Scotland duty, the integrated relevance assessment was refreshed. The council is mindful of the likely impact of Covid-19 on tenants' financial stability, however, to date, performance shows no indication of any significant impact. The council continues to monitor this closely; interventions and links with support continue to be in place for any tenants experiencing financial difficulty in terms of affordability.

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 25 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, combined with CX Survey data during 2021/22. 2215 tenants answered the question regarding how they feel about the rent they pay and 80.63% responding that they are satisfied/very satisfied that rent levels represented good value for money. This is attributable to the intensive work undertaken by the CX team through a continually running affordability project, designed to evaluate tenant financial profile, assess affordability of rents, and identify where interventions and support can be put in place.

The council enables complete transparency of rent and how it is spent each year, and presents this in a manner tenants have told us they prefer – showing what proportion is spent on running costs, and what is spent on investment and improvements to homes – linking into our capital investment plan. This enables tenants to see in practical terms what their rent pays for. The council also ensures that it benchmarks rent levels against other local RSL's, and the private sector, so tenants understand the range of rents in the local housing market.

The CX project will continue, and is projected to grow into more partnership working with our Advice Shop, to access earlier financial interventions and budget support sooner.

The ongoing effect of general economic conditions and Welfare Reform changes, including direct housing costs to tenants on Universal Credit and the cost of living crisis, 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.

As a responsible landlord, the council continues to actively pursue housing arrears and there is a continued focus on reducing arrears balances. The council will continue to maximise rental income through effective management of council houses and work mentioned previously to mitigate the impact of welfare reform. The council is now in year four of the successful launch of a redesigned arrears approach, which involved a move to 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 act 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. 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.

This planned programme of ongoing income management, including the comprehensive monitoring and reporting at committee and Local Area Committees, 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. However, difficulties and further

delays can arise where applicants have to change their circumstances resulting in the 'zeroing' of the process back to the start. This is not unusual for households in temporary accommodation or when people are in crisis. Historically, this has resulted in a minimum of five weeks' delay in rent payments, with the impact that arrears balances accumulate during this delay and 65.4% of Universal Credit claimants carry some form of arrears balance, with an average value of £867.

This is not a process that the council has any control or influence over and the system effectively cuts the council out of the claims process where previously the council had the ability to assist and ensure information was accurate helping to minimise impact and delays. However, the strategy to mitigate the harshest impacts of UK Government welfare reforms on those most vulnerable to poor socio-economic effects has been to radically change the approach to arrears management, lowering trigger points, instigating much earlier interventions and signposting/referring those who need additional financial support and assistance. The council has worked with Anti-poverty partners as a key member of the Anti-Poverty board in planning and delivering activities to lessen impact on those most in need. Campaigns and communication have changed to encourage conversations as early as possible before arrears can accumulate. This has been a successful approach to date. The council has redesigned and reviewed the entire customer arrears journey to ensure critical interventions are aligned with the information available on when tenants begin to become worried about finances and when they retreat from communication with the service. By initiating a discussion early, we can prevent this from happening, maintain better contact, and ensure all possible steps are taken for tenants to get through the claims process as quickly as possible.

The move to ensure monies paid direct to the council for those on managed payments reach tenants' account more quickly is a positive step in reducing technical rent arrears. The previous system would show tenants in arrears due to processing delays and payments being made on a fixed cycle that did not match rent due dates, causing avoidable distress. The reviewed process has accelerated the application of payments to accounts, and gives a more accurate view of current arrears with payments reaching tenants' rent accounts closer to rent due dates.

The current income reporting and monitoring illustrates that there is still little evidence of any material impact on the collection levels as a result of the pandemic or cost of living crisis at this point. The extensive monitoring of revenue and impacts will continue to highlight any new threats to income and tenant finances posed by the wider cost of living situation.

As a result, it is not considered necessary for a full IIA to be carried out at this point, however, any notable decline in income or further budgetary proposals or amendments to the rent strategy or rent levels, will be screened for IIA relevance where required.

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 IIA be carried out at this point.

Signed by Lead Officer	Julie Whitelaw
Designation	Interim Head of Housing, Customer and Building Services
Date	11/01/23
Counter Signature (Head of Service or Depute Chief Executive responsible for the policy)	Graeme Struthers, Depute Chief Executive
Date	11/01/23