

## INTRODUCTION

In March 2014 the Scottish Government published 'Guidance on the Operation of Local Authority Housing Revenue Accounts (HRAs) in Scotland'. The guidance covers the role of the HRA, how it must operate and how it benefits tenants and the expected outcomes. It supports the Scottish Social Housing Charter principals including the role of tenant scrutiny in the running of housing services within local authorities.

### Introduction to the project

After discussions between the Scottish Government and Scotland's Housing Network (SHN) about implementing the guidance, it was agreed to establish officers and tenants working groups (with SHN as facilitators). As part of the partnering arrangement, the funding committed by SHN was supplemented by a contribution from the Scottish Government.

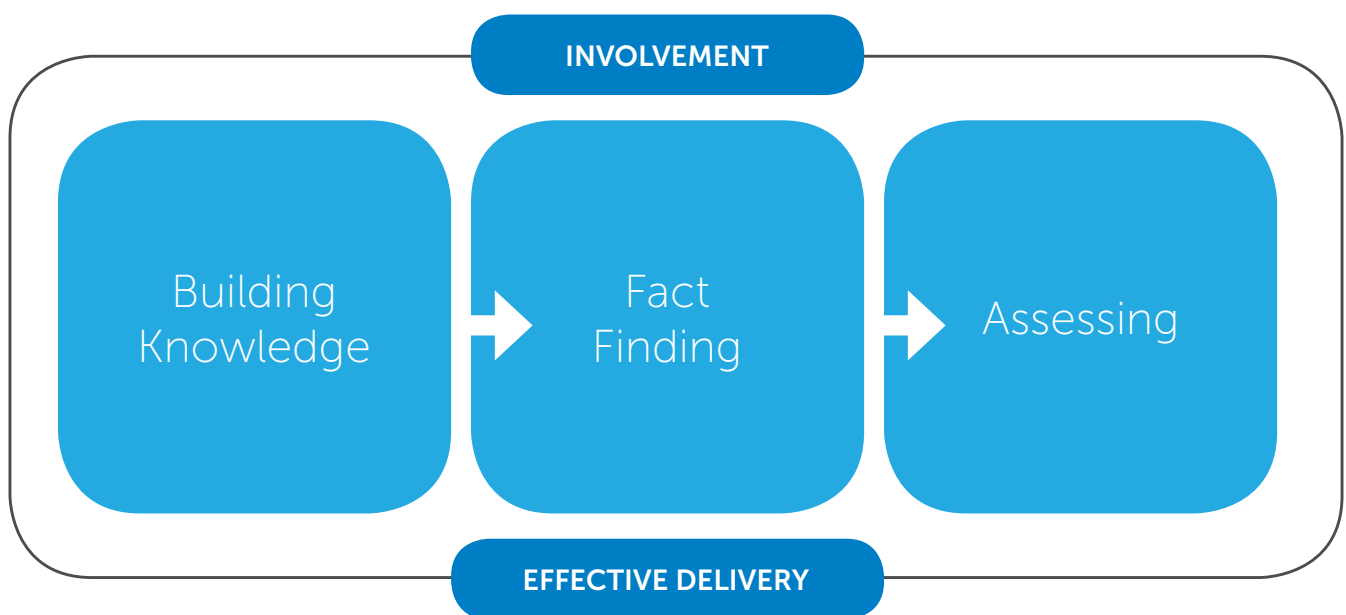
The aim of the tenants' group was to identify practical ways to support their involvement in their landlord's HRA activities. Tenants in the working group were drawn from the SHN membership and from regional networks. The group met four times between February and July 2015.

The HRA guidance recognises that effective tenant involvement is best achieved where tenants and Landlords work together. Tenants in the working group indicated that having face-to-face contact with their Landlord was of benefit to them understanding business matters. This is of particular relevance to HRA processes given the scale of its implementation and concepts that are potentially difficult to understand in one go. The group indicated that a staged approach would be useful for their involvement (whether as part of HRA decision making and/or reviews).

Scotland's Housing Network thanks the Scottish Government for part funding this work

## A FRAMEWORK FOR SUPPORTING TENANT INVOLVEMENT IN THE IMPLEMENTATION OF HRA

The framework provides tenants with a practical base to start to plan their involvement in HRA implementation or have conversations that will support their involvement. There are three ways in which the framework may be used as shown in the following diagram.



**The 'Building Knowledge' section** can be used by people who have not been involved in their landlord's business structures or have limited knowledge about the HRA. There are three sheets in this section covering

- The HRA
- Involvement
- Scrutiny

**The 'Fact Finding' section** can be used by people who are not clear about what their landlord is doing round the guidance/HRA or are not sure about how to get involved. This section is made up of finding out whether the landlord

- Has written procedures for how HRA costs are worked out
- Gathers tenants' views about the operation of the HRA
- Can demonstrate that the HRA benefits its tenants

**The 'Assessment' section** can be used by people who want to be involved in reviewing the landlord's operation of the HRA. This section contains tables

- Setting out how to prepare for doing an assessment and identifying the resources that will be needed
- With criteria for carrying out the assessment
- For reporting back on what has been found

It is expected that discussions between tenants and landlords will take place to agree how any of these arrangements best suits tenants and the organisation

# BUILDING KNOWLEDGE ABOUT THE HRA GUIDANCE

The 'Guidance on the Operation of Local Authority Housing Revenue Accounts (HRAs) in Scotland', was published by the Scottish Government in March 2014. This sheet provides some basic details about the content and structure of the guidance.

## The aim of the guidance is...

*'to ensure that tenants of local authorities receive the maximum benefit from their rents and ultimately the best standards of service'*

(Source: *The Guidance Foreword, page 3*)

## The guidance is...

55 pages long with a mixture of words, tables, diagrams and checklists. It is split into 10 sections which are

### SECTION 1: BACKGROUND AND PURPOSE

(The Guidance, pages 4 and 5)

### SECTION 2: SUMMARY OF THE KEY HRA OPERATING PRINCIPLES

(The Guidance, pages 5 to 7)

### SECTION 3: THE RATIONALE FOR HRA GUIDANCE

(The Guidance, pages 8 to 10)

### SECTION 4: WHAT SHOULD THE HRA BE DELIVERING FOR TENANTS?

(The Guidance, pages 11 to 13)

### SECTION 5: COMPLYING WITH LEGISLATION, STATUTORY GUIDANCE CODES OF PRACTICE AND SERVICE EXPENDITURE ANALYSIS

(The Guidance, pages 13 to 20)

### SECTION 6: HRA ASSETS PROVIDING BENEFITS TO COUNCIL TENANTS

(The Guidance, pages 21 and 22)

### SECTION 7: COSTS AND REVENUE ALLOCATION TO THE HRA AND OUTSIDE THE HRA

(The Guidance, pages 23 to 33)

### SECTION 8: LANDLORD-TENANT DISCUSSIONS ON FINANCIAL TRANSPARENCY WITHIN THE HRA

(The Guidance, pages 34 to 38)

### SECTION 9: CHARGING NON-COUNCIL TENANTS FOR THE PROVISION OF SHARED SERVICES AND THE REPAIR AND MAINTENANCE OF COMMON AREAS

(The Guidance, pages 38 to 40)

### SECTION 10: REVIEWING AND MONITORING THE APPLICATION OF THIS HRA GUIDANCE

(The Guidance, pages 41 and 42)

Pages 43 to the end contain a series of appendices.

## The purpose of the guidance is...

*'to consolidate information on the role of the housing revenue account (HRA): how it must operate; who the resources contained within it are meant to benefit; and what outcomes can be expected from those resources.'*

(The Guidance, page 4)

*The guidance 'does not replace, the original statutory requirement for authorities to account for the costs associated with the HRA as set out in the Housing (Scotland) Act 1987.'*

(The Guidance, page 4)

### **The guidance links the operation of the HRA with outcomes in The Charter**

(The Guidance, pages 11 to 13 and 35 to 38)

### **In connection to Charter Outcome 3 'Participation, the guidance explains this relationship as follows:**

*'councils must take account of council tenants' views and be able to demonstrate that they have taken account of them. This can extend to the way in which the HRA operates if tenants feel it is not operating in accordance with the law, statutory guidance, codes of practice or to their satisfaction. Councils must also be able to demonstrate how they are encouraging tenants to offer their views more readily in future. This includes views on the operation of the HRA and on the use of HRA assets.'*

(The Guidance, pages 36/37)

### **Key concepts**

*The operation of the HRA needs to be compliant with legislation and take regard of statutory guidance and good practice covering financial matters.*

### **SECTION 5: COMPLYING WITH LEGISLATION, STATUTORY GUIDANCE CODES OF PRACTICE AND SERVICE EXPENDITURE ANALYSIS**

*The operation of the HRA must benefit tenants.*

### **SECTION 6: HRA ASSETS PROVIDING BENEFITS TO COUNCIL TENANTS EITHER DIRECTLY OR AS AN INVESTMENT PROPERTY PROVIDING A FINANCIAL RETURN**

*The methods for calculating and allocating HRA costs are written down.*

### **SECTION 7: COSTS AND REVENUE ALLOCATION TO THE HRA AND OUTSIDE THE HRA**

*Landlords should have clear methods in place for consulting with their tenants about the HRA and they should consult with them.*

### **SECTION 8: LANDLORD-TENANT DISCUSSIONS ON FINANCIAL TRANSPARENCY WITHIN THE HRA**

*The HRA and the framework supporting its operation need to be transparent for tenants to understand.*

### **SECTION 8: LANDLORD-TENANT DISCUSSIONS ON FINANCIAL TRANSPARENCY WITHIN THE HRA**

*The landlord should have policies in place for charging non-council tenants for services paid for from the HRA and implement these charges where necessary.*

### **SECTION 9: CHARGING NON-COUNCIL TENANTS FOR THE PROVISION OF SHARED SERVICES AND THERE PAIR AND MAINTENANCE OF COMMON AREAS**

#### **HOW CAN PEOPLE USE THE GUIDANCE?**

Find out more about the key guidance principles (The Guidance page 5) and think about how these are applied in practice.

Find out about the roles and responsibilities of different stakeholders (The Guidance pages 6 and 7)

Read the checklist on pages 32/33 to familiarise yourself with areas that are 'useful for those that are considering reviewing the way their HRA operates' (The Guidance page 32) <http://www.gov.scot/Resource/0044/00445684.pdf>

Discuss with your landlord about their plans for implementing the guidance and how they can involve you in these processes

# BUILDING KNOWLEDGE ABOUT INVOLVEMENT

## SUPPORTING TENANT INVOLVEMENT

The working group discussed this issue at length, how involvement should happen and what was needed to support tenant involvement. Understanding the logistics of and practising involvement was considered as important for supporting a culture that places tenants at the heart of the HRA decision-making processes. The tenants made the following points to reflect on how that could happen:

- Information about the operation of the HRA should be clear and laid out simply
- There should be a range of information sheets/ materials about different topics relating to HRA, stock, finance, processes and methods for calculating costs etc
- Core terms should be described in jargon free ways
- Processes relating to the HRA should be transparent
- It should be clear to tenants who they can go to, to ask questions
- Tenants like to talk directly with officers and elected members
- Structures that support involvement should be clear and provide easy access to opportunities
- There should be different forms of communication about involvement opportunities and involvement itself, e.g. social media, email and text 'consultation'
- Learning and training opportunities are important elements to support involvement as are adequate and appropriate resources and equipment (office space, access to computers)
- It is important to recognise tenants' commitments and the unique perspective they offer.

## GETTING INVOLVED QUICK THINK

**Write down** the areas you are interested in e.g. internal recharges, particular expenditure headings, mixed tenure cost recovery

**Ask yourself** what will be expected of me e.g. the time this will take and how many meetings will there be, can I be involved in part of this process

**Write down** what you will need for taking part e.g. spreadsheet training, an introduction to how accounts are laid out, time to prepare, out of pocket expenses

**Speak to someone** about what you can offer in time, skills and knowledge e.g. bookkeeping skills from previous job

**Ask the landlord** how they will use the input of tenant involvement in their HRA decision making processes

## PARTICIPATION AND CONSULTATION

These activities are enshrined in legislation and regulatory processes. Since the Housing (Scotland) Act 2001, duties were placed on landlords with regards to participation, including consultation. The then Scottish Executive published guidance about tenant participation in 2002.

### Section 77 of that guidance reads

...the landlord will take the views of tenants into account as to what would be acceptable in terms of methods and levels of consultation. These might include:

- public meetings, conferences and seminars;
- tenants forums;
- special taskforces of tenants and housing officers to review policy or management of services;
- questionnaires and surveys;
- “walkabouts” with tenants to look at particular areas;
- information leaflets/letters/posters;
- newsletters;
- open days/exhibitions/roadshows; or
- development of internet sites where tenants can receive information and report their views.

Source: *Housing (Scotland) Act 2001 Guidance on Tenant Participation (2002)*, p16

The HRA guidance brings together the spirit of the 2001 legislation, the Charter outcomes about participation and involvement to ensure that the operation of the HRA takes full account of tenants, their views and their participation.

### In section 8 of the HRA guidance, it states

*“In addition to the existing statutory obligations, local authorities must have clear, published mechanisms and procedures for consulting with council tenants and/or registered tenant representatives on any matters of financial transparency relating to the HRA in accordance with outcomes 2 and 3 of the Scottish Social Housing Charter.”*

Source: *Guidance on the Operation of Local Authority Housing Revenue Accounts (HRAs) in Scotland (2014)*, p34

### In section 8 of the HRA guidance, it states

*“Landlords should have regular, open discussions with their tenants about financial transparency e.g. this includes what is and isn't being debited and credited to the HRA and whether these individual debits and credits are at levels reflecting the functions of the HRA. These discussions must be based around what is allowable under the legal and accounting frameworks as outlined in section 5.”*

Source: *Guidance on the Operation of Local Authority Housing Revenue Accounts (HRAs) in Scotland (2014)*, p37

### In summary, Landlords should

- use consultation methods that are agreed with tenants and review these with tenants
- be systematic in consulting with tenants about the HRA
- accommodate tenants with specific needs and interests in their discussions/consultations
- encourage tenants to raise queries or make complaints about their involvement in HRA decision making

# BUILDING KNOWLEDGE ABOUT ANALYSING SERVICE PERFORMANCE

## INTRODUCTION

There are many ways Landlords analyse the performance of their services for example: internal service reviews, self-assessments, tenant led scrutiny. There are also national bodies that measure how well services are performing through direct work and data collections e.g. the Scottish Government (statistical analysis), Audit Scotland (reviews and statistical analysis) and the Scottish Housing Regulator (inspection and regulation).

As well as measuring their own performance, Landlords also compare their figures with other similar Landlords. This activity is called **benchmarking**. The data for benchmarking is made up of numbers (**data benchmarking**) and facts (**process benchmarking**). SHN members carry out benchmarking exercise through an online query tool, individual performance visits and sharing information in practice exchange forums. As well as gathering its own information, SHN works with other agencies to pull together performance figures for analysis.

Another way that Landlords measure their performance is asking customers for their views. The Charter contains indicators measuring customer satisfaction. Landlords also ask customers how

satisfied they are with particular services e.g. repairs (**transactional survey**) and/or to find out what tenants thought about the whole service (**large scale surveys**). SHN provide members with formats to carry out both types of surveys as well as working with organisations like Ipsos MORI to develop this area of work. Although the above activities are robust when conducted on their own, many organisations bring all these elements together to form a **performance framework**. Some Landlords seek validation of their performance activities through recognised accreditation organisations. Examples of these forms of assessment are: **EFQM Excellence Model**, Association for Public Service Association (**APSE**) and Public Sector Improvement Framework (**PSIF**). The Tenant Participation Advisory Service (**TPAS**) also accredit Landlord's performance in tenant participation. SHN and the Tenant Information Service (**TIS**) will soon be launching an accreditation scheme focusing entirely on a Landlord's scrutiny frameworks.

A good performance framework also contains structures supporting regular assessment processes (including service reviews) for Landlords who constantly strive to develop better services (**continuous improvement**).

## SELF-ASSESSMENT

SHN has a fifteen-year history of working with members to conduct self-assessments focused on different elements of the housing service.

SHN's self-assessment framework includes on-site assessments of practice using review teams made up of officers, tenants and homelessness service users (**peer review**), self-directed assessments and a web based repository. All SHN's self-assessment processes have measured performance against customer experience, operational structures, and leadership criteria.

SHN currently offers members thirteen models of self-assessment (and further models are in development). The five steps in the framework are

- planning the self-assessment activity (who will be involved, what it is hoped to achieve, what resources will be required)
- conducting a SWOT analysis in relation to the service area you wish to assess (forming a baseline to measure against). In a SWOT process, the service 'Strengths', 'Weaknesses', 'Opportunities' and 'Threats' are analysed.
- conducting the assessment itself
- producing evidence to support the assessment
- action planning (to incorporate the findings from the assessment in planning service improvements)

## SCRUTINY

Scrutiny is a newer term to describe a formal approach to analysing service performance. TIS note

*"Tenant scrutiny gives tenants an active stake in the running of their landlord's business rather than being the passive recipient of services. It enables staff and tenants to work in partnership to achieve better performance and improved outcomes"*

Source: page 6 *A Guide to Developing Tenant Scrutiny in Scotland (2012)*

SHN stated in its original proposal to the Scottish Government, *"The Housing Charter and the Regulatory Framework clearly set out the requirement on social landlords to develop effective tenant scrutiny arrangements."*

In the working group, members noted the following scrutiny activities that they were involved in

- tenant led inspections
- performance groups
- estate management walkabouts

Group members also noted that they had been involved in scoping the area to be assessed, planning, conducting the review and presenting their findings to their landlord.

People who have been involved in scrutiny activities speak about the benefits of working with other people, learning new things and getting a better understanding of how services operate.



## FACT FINDING THEME: GATHERING TENANTS' VIEWS

### IN SECTION 8 OF THE HRA GUIDANCE, IT STATES

*"In addition to the existing statutory obligations, local authorities must have clear, published mechanisms and procedures for discussing with council tenants and/or (RTOs) any matters of financial transparency relating to the HRA in accordance with outcomes 2 and 3 of the Scottish Social Housing Charter."*

Source: *Guidance on the Operation of Local Authority Housing Revenue Accounts (HRAs) in Scotland (2014)*, p34

### OUTCOME 2 OF THE CHARTER READS

Social landlords manage their businesses so that:

- tenants and other customers find it easy to communicate with their landlord and get the information they need about their landlord, how and why it makes decisions and the services it provides.

Source: *The Scottish Social Housing Charter (2012)*, p5

### OUTCOME 32 OF THE CHARTER READS

Social landlords manage their businesses so that:

- tenants and other customers find it easy to participate in and influence their landlord's decisions at a level they feel comfortable with.

Source: *The Scottish Social Housing Charter (2012)*, p6

### SECTION 44 OF THE TP GUIDANCE READS

Section 53(2)(a) of the H(S)A 2001 recognises that participation is a two-way process and that this means landlords asking tenants for their views before they formulate proposals on which they will be required to consult their tenants. This means that tenants are engaged in the agenda setting process.

Source: *Housing (Scotland) Act 2001 Guidance on Tenant Participation (2002)*, p9

### IN SECTION 8 OF THE HRA GUIDANCE, IT STATES

*"...councils must take account of council tenants' views and be able to demonstrate that they have taken account of them. This can extend to the way in which the HRA operates if tenants feel it is not operating in accordance with the law, statutory guidance, codes of practice or to their satisfaction."*

Source: *Guidance on the Operation of Local Authority Housing Revenue Accounts (HRAs) in Scotland (2014)*, p36/37

Here are a series of questions you could ask your Landlord, with space to jot down answers

How do you gather tenants' views about the HRA operation?	How do you decide the ways you will use to get tenants' views	What do you gather tenants' views about?

How do you use tenants' views?	What changes have you made as a result of tenants' views?	How do you tell tenants about how their views have been used?

How could I give my views?

Please explain to me what the following terms means

Tenant participation framework	Registered tenants organisation	Service review
Consultation within the 2001 Act	Consultation interest groups	Tenant Officer Working Group

## FACT FINDING THEME: WRITTEN HRA COST PROCESSES

### IN SECTION 7 OF THE HRA GUIDANCE, IT STATES

*"There must be robust, written methodology for calculating and allocating HRA costs (including internal costs charged by the Council to the HRA) in sufficient financial detail for tenants to understand why costs are charged to the HRA and who is benefiting from the services these HRA costs relate to. This must include the allocation to the HRA of the appropriate proportion of council Trading Operation surpluses attributable to council housing activities."*

Source: *Guidance on the Operation of Local Authority Housing Revenue Accounts (HRAs) in Scotland (2014)*, p23

This means that Landlords should produce written materials, simply describing to people how the HRA operates. This includes working papers to show how priorities were set and decisions reached as well as signposting interested tenants to guidance, codes of practice and guides from professional organisations.

As the HRA is an umbrella term covering a wide range of actions, the working group discussed what areas the Landlord could explain in a written document.

### THE FOLLOWING LIST INCLUDES SOME OF THE POINTS MADE BY THE GROUP

- The funds coming into and monies going out of the HRA
- Decision making processes about spending
- How priorities for spending are set
- The formulas that are used to work out costs
- How value for money is assessed (looking at the relationship between effectiveness of services and their costs)
- Stock service costs (spending repairs to individual houses and big project costs such as new kitchens and bathrooms, heating systems)
- Spending on new builds
- Salaries
- The sums of money agreed in service level agreements (where one department buys a service from another)
- The way that costs increase and decrease within a budget (projected costs against actual spend)
- Reserve funds
- Service charges

### POINT FIVE OF THE HRA GUIDANCE CHECKLIST, STATES

*"If councils or tenants are not satisfied with current methodology (content or transparency), councils should meet with tenants to discuss the issues and agree a programme with tenants for improvement if required."*

Source: *Guidance on the Operation of Local Authority Housing Revenue Accounts (HRAs) in Scotland (2014)*, p32

Here are a series of questions you could ask your Landlord, with space to jot down answers

What written materials do you produce to support the operation of the HRA?	What do these say about HRA costs?	Where are these available for people to look at?

How often do you review these written materials?	What type of review is carried out?	What factors are considered in the reviews?

Please explain to me what the following terms means

Housing Needs Assessment	Financial modelling	Life cycles
Tendering processes	SHQS	Recharge policies
Budget Surplus	Other service costs charged to the HRA	





Here are a series of questions you could ask your Landlord, with space to jot down answers

How are housing assets identified?	Do all assets benefit tenants?	Who decides on this?

Are housing assets disposed of?	Why is this done?	Who decides when this should be done?

Where is information kept about asset disposal and retention?	What does it tell me?	How are disposals and retentions reviewed?

Please explain to me what the following terms means

Assets	An asset that doesn't benefit tenants	An asset with no financial return