

# Health, Social Care and Housing Committee

10.00am, Tuesday, 13 September 2016

## Housing Revenue Account Budget Strategy 2017/18 Update

Item number	7.3
Report number	
Executive/routine	
Wards	All

### Executive Summary

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The purpose of this report is to set out proposals for consultation with tenants in preparation of the 2017/18 HRA budget.

The two principle objectives of the Housing Service strategy were approved by Council on 21 January 2016. These objectives underpin the HRA budget strategy, setting out direct investment of over £1 billion over the next ten years.

The first objective is to expand the Council led house-building programme from 3,000 to 8,000 new affordable homes. The second objective is to prioritise investment in modernising homes and services which reduce the cost of living for tenants.

Since the budget was approved, committee reports have set out more detail on housing association plans to contribute a further 8,000 homes, plans to invest nearly £300 million in new homes and modernisation of existing homes to support health and social care objectives and details of the transformation plans for the Council's Housing Service.

The report builds on the priorities identified through the 'Invest to Save' consultation in 2016/17 and the ways in which tenants are involved in designing and managing the consultation on the Service's behalf.

### Links

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Coalition Pledges	P8, P9, P10, P11, P17, P28, P29
Council Priorities	CP2, CP3, CP4, CP7, CP10, CP12
Single Outcome Agreement	SO1, SO2, SO4

## Housing Revenue Account Budget Strategy 2017/18 Update

### 1. Recommendations

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It is recommended that Health, Social Care and Housing Committee:

- 1.1 Agrees to seek tenants' views on the implementation of the HRA budget strategy in advance of the presentation of the proposed 2017/18 HRA budget.
- 1.2 Agrees that the outcome of that consultation is included in the 2017/18 HRA budget report.
- 1.3 Notes progress in delivering the current HRA budget strategy and the implementation of the new, locally delivered, integrated Housing Service.
- 1.4 Discharges the remit to provide an action plan for completing the insulation of all multi storeys in the city as requested at Committee in April 2016.

### 2. Background

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- 2.1 The HRA budget sets out the income and expenditure on services to Council tenants. Its investment strategy sets out improvements to tenants' homes and neighbourhoods. The HRA is self-funding, with around 97% of its income coming from tenants' rents and service charges. It also receives some income from the sale or lease of surplus land and properties held on the HRA account.
- 2.2 Each year Council must approve the HRA budget and rent levels. This includes consideration of the financial impact of plans for the year ahead, as well as the five year capital programme and the 30 Year Business Plan. It is reviewed annually to ensure that it continues to support tenant priorities and is responding to external changes in the housing market.
- 2.3 The Council Business Plan 2016 to 2020 sets out the strategic direction for the Council. This is centred round a single vision for the city, shared with partners, *to ensure that Edinburgh is a thriving, sustainable capital city in which all forms of deprivation and inequality are reduced*. The Housing Service is committed to delivering this vision.
- 2.4 On 21 January 2016, the Council approved the five year Housing Revenue Account Budget Strategy 2016/17 to 2020/21. The strategy was informed by an extensive consultation with tenants at the end of 2015. The aim of the strategy is to significantly increase the number of affordable homes in the city and invest in services that will reduce tenants' cost of living. Tenant agreed their priorities as:
  - Building more affordable homes

- Improving the energy efficiency of homes
  - Reducing energy costs
  - Introduction of a tenant discount card scheme
  - Tailored energy advice
  - Access to digital services for Council tenants
  - Increasing the network of community gardens and food growing initiatives on HRA land.
- 2.5 This investment will be paid for by reducing housing management and repair costs and maximising income, while keeping rent increases affordable.
- 2.6 In September 2015, Health, Social Care and Housing Committee approved the Housing Service Transformation Plan 2015-17. This report set out a patch based model with around 100 Housing Officers managing local patches, within four locality areas. Officers will have a highly visible, more generic, role involved in all aspects of housing management including, rent collection, lettings and overall customer service. The patch based model is also supported by greater integration of housing management, property and regeneration services.
- 2.7 The Scottish Government has set a target of delivering 50,000 affordable homes over the next 10 years, 35,000 of them to be for social rent, with the remainder being largely for mid market rent and some for low cost home ownership. Council officers and Scottish Government officials have been exploring ways to align the national target with regional and local delivery of new homes.
- 2.8 On 18 December 2014, Economy Committee agreed to develop an outline business case for a City Region Deal Infrastructure Fund, in partnership with East Lothian, Fife, Midlothian Scottish Borders and West Lothian councils. A report on the progress of the Edinburgh and South East Scotland City Region (ESESCR) Deal was considered at full Council on 3 June 2016. This included the development of a regional housing programme. This programme seeks a significant increase in grant funding for social rented homes, an infrastructure fund, powers to on lend to a Council owned housing company and a regional land commission to assess the potential for accelerating house-building on all public sector land, prior to being considered for disposal.

### **3. Main report**

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- 3.1 Over the last five years considerable progress has been made in modernising tenants' homes, improving facilities, making homes cheaper to heat and investing in the surrounding environment. The budget strategy, agreed in January 2016 by Council, goes beyond investment in the built environment and takes a holistic view of improving tenants' quality of life by prioritising investment and service development to reduce the tenants' cost of living.
- 3.2 The award winning 21st Century Homes programme forms the core of the Council's wider house building programme. The expansion of the programme from 3,000 to

8,000 homes over the next ten years makes it the largest Council led house-building programme in the United Kingdom.

- 3.3 The impact of investment in homes is reflected in high levels of tenant satisfaction. The 2015 Tenants Survey revealed 89% of tenants were satisfied with the service they receive from the Council. The average satisfaction with Local Authorities in Scotland is 83%. Only 4% were dissatisfied. Satisfaction with the quality of homes has been maintained at 89% and satisfaction with neighbourhoods also remains high at 89%. These results put the Council on a par with the highest performing landlords in the UK and in the top three local authorities in Scotland.

Innovation Programme - Continuing to put tenants first

- 3.4 The HRA budget 2016/17-2020/21 noted a step change for the Housing Service. It set out long term objectives and an ambitious plan for expanding the number of affordable homes built in the city and for a range of initiatives that put money back in the pockets of tenants and customers. The budget proposal had strong backing from tenants during the consultation and was approved without amendment by Full Council.
- 3.5 The budget consultation asked tenants how to invest in goods and services differently to reduce their living costs. The consultation received treble the responses than in previous years. It proposed four new services: low cost broadband, tailored energy advice, the expansion of a community gardens network and a tenant discount scheme, as well as, the continued support for investment in new homes and making homes more energy efficient. Since the budget was approved, progress has been made in delivering tenants priorities.
- 3.6 The Housing Service has partnered with Our Power, an Edinburgh based social enterprise, to offer low cost energy to tenants. Our Power became operational in April 2016 and the first empty Council homes will be transferred over in October 2016. The 2016/17 Housing Improvement Programme budget includes the acceleration of heating and insulation upgrades across the Council's stock and work is underway to pilot a bespoke energy advice service for between 1,000 and 2,000 tenants a year.
- 3.7 The Housing Service is currently working with its new ICT provider to explore options for providing low cost broadband, access to devices and support and training for tenants to make sure they are maximising the benefits of digital access. Two pilot areas have been identified by the Council's ICT partner and site surveys are currently underway to establish what infrastructure will be required to deliver high quality broadband to all tenants.
- 3.8 The Tenant Discount Card Scheme was launched at the Tenants Conference held on 23 April 2016. Tenants are now able to use their rent payment cards to access discounts in a number of stores across the city. Tenants will be consulted on how best to expand the scheme as part of the 2017/18 budget consultation.
- 3.9 Analysis of the suitability of HRA land for the conversion into community gardens and urban farming is underway. A shortlist of sites in each locality will be identified

based on their proximity to water supply, land suitability and location/accessibility. New community gardens will also be created in planned new Council housing developments in Greendykes and North Edinburgh. The 2017/18 budget consultation will ask tenants what support they need to make community gardens a success in their neighbourhood.

- 3.10 Many Council tenants are experiencing real and significant financial hardship. The 2017/18 strategy therefore aims to continue the delivery of a strong programme of tackling inequality by implementing the cost saving measures identified through last years 'Invest to Save' consultation. It also continues to tackle fuel poverty through investing in improving the energy efficiency of homes and reducing energy costs through social enterprises and renewable energy generation.
- 3.11 In addition to this, the 2017/18 consultation will ask what else can be done to tackle inequality, such as, looking at ways of enabling tenants to get the skills, training and support they need to get into work, and helping tenants tackle debt through financial advice, access to low cost loans and savings programmes.

#### House Building Programme

- 3.12 Edinburgh continues to be a pressured housing market, with a high need and demand for affordable housing. The market is failing to deliver enough new homes at a reasonable cost to meet demand particularly from households on low to moderate incomes.
- 3.13 Building new homes remains top priority for tenants. Reducing the cost of housing for those on low to moderate incomes is one of the most effective ways to spread the positive economic benefits of growth. The investment strategy is also part of a wider regional response to meeting housing need and demand by significantly contributing towards the Scottish Government target of delivering 50,000 new affordable homes over the next five years.
- 3.14 Development of new homes through the Council's 21<sup>st</sup> Century Homes programme will create vibrant new places on disused land. Council led investment will deliver homes for Council rent, market rent and owner occupation through partnership working with developers and local communities. It will also deliver a wide range of community benefits; including apprenticeships and opportunities for community engagement.
- 3.15 The 21st Century Homes programme has 1,426 quality, new energy efficient homes completed, under construction or in procurement. A further 316 homes are at the detailed design stage. A pipeline programme has been identified in conjunction with partners which, assuming the successful transfer of sites, could deliver around 2,500 affordable homes over the next three to five years.
- 3.16 The scale of the housing challenge facing the region cannot be overcome without Government intervention. At present, affordable housing developers do not have control of many sites that could be developed; including public sector sites that are surplus to requirements. More partnership working is required across public sector agencies to deliver new homes and long term value. Land Commissions have been

established in some parts of the UK to identify land for development and help co-ordinate and accelerate the release of land for strategic development opportunities. The potential to establish a Land Commission for the Edinburgh city region is under consideration for the City Deal business case.

- 3.17 In September 2015, the Council sought approval to establish the arms-length company, Edinburgh Homes, to acquire and manage housing for both mid-market and market rent. This will also help to deliver homes at scale by providing a guaranteed purchaser for market homes, enabling some larger sites to be developed out by ensuring site viability through a range of affordable and market housing. Discussions regarding on-lending consents and financial support are at an advanced stage with Scottish Government, with first homes expected to be acquired in 2018.
- 3.18 The delivery of new homes is also dependent on an available and skilled workforce. House building provides an opportunity to create sector skills and increase employability, particularly for lower skilled workers and those that face multiple barriers to employment. Many of this type of client group are also Council tenants. The Housing Service's direct involvement in building these new homes could enable greater sharing of information and forecasting of the employment needs throughout the course of development. There are clear synergies between the ambitions of the housing and employability agendas.
- 3.19 There is also an opportunity to align existing employability programmes to the wider housing investment programme. The Housing Service employs over 600 staff, with an average annual turn over of 7%. The Housing Service also invests, on average, £60 million a year in repairing, maintaining and modernising existing homes.
- 3.20 The Housing service is currently working with employability service colleagues to explore the potential for developing a strategy aimed at using housing investment to invest in better training and skills development and ultimately securing long term jobs for tenants.

#### Modernisation Programme

- 3.21 In addition to prioritising measures to reduce the cost of living for tenants and expand the house building programme, the HRA will continue to invest in modernising its homes. In the last five years approximately £8,500 has been invested per home. Around 6,000 new kitchens and bathrooms have been installed. In 2015/16 the Council agreed the expansion of the kitchen and bathroom replacement programme to ensure that no tenant has a kitchen or bathroom over 25 years old by 2016/17 and over 20 years old by 2020.
- 3.22 Over half of homes have benefitted from energy efficiency measures, such as new boilers, heating systems, insulation, windows and external doors. In addition to this, tenants have benefited from further modernisation investment to common areas including lift car upgrades, stair windows, door entry systems and external fabric improvements.

- 3.23 New Council homes are already built to achieve high levels of energy efficiency; however, it is proposed to further enhance this by adopting Silver Standard as part of the Council's standard specification for new build homes. The Silver Level has eight aspects, many of which are already achieved by the current 21st Century Homes design standards. Raising the specification to full Silver Standard would include more efficient water use, improved sound and thermal insulation and enhanced natural light. The Silver Standard is estimated to cost on average an additional £2,050 per home. Additional Scottish Government Grant funding is available for social rented homes; however, grant funding is not available for mid-market rent homes. Increasing the energy efficiency standards of new homes would help tackle fuel poverty by further reducing energy costs for tenants.
- 3.24 All homes will need to meet the new Energy Efficiency Standard for Social Housing (EESH). Around 90% of homes in multi storeys already meet EESH standards. Work is ongoing to gain a detailed picture of the rest of the housing stock by the end of 2016. The Housing Service has commissioned Changeworks to develop a detailed works programme and costings to ensure all homes not only meet, but where possible, exceed EESH by 2020.
- 3.25 On 16 April 2016, Health Social Care and Housing Committee approved the Heating Replacement and Insulation in Multi Storey Flats strategy. The report set out that 20 of the 22 blocks requiring heating upgrades would be improved over the next five years. Ten of these blocks are currently part of two district heating feasibility studies in Craigmillar and Leith. The outcome of these feasibility studies will be reported to Committee in early 2017.
- 3.26 The report also set out that ten blocks required insulation upgrades. Four blocks (Craigmillar, Hawkhill, Nisbett and Peffermill) are currently undergoing structural investigations, with upgrades expected to be taken forward in the next two to three years. The remaining blocks are considered difficult to upgrade due to ownership mix and construction type. Committee requested a further update on the strategy for installing insulation measures in Cableswynd, Linksvie Court, Westfield Court, Maidenraig and Coillesdene House. A proposed timeline is set out in appendix three.
- 3.27 Cableswynd, Linksvie Court, Maidenraig and Westfield Court are technically difficult and expensive to insulate due to their construction. An appraisal of these blocks, alongside a review of options and approaches taken by other local authorities has been commissioned. The outcome of the options appraisal will be reported to Committee early next year for approval, in advance of any works progressing.
- 3.28 Westfield and Maidenraig have an additional management challenge due to there being a high percentage of owners in these blocks. Taking forward any improvement works therefore requires majority consents, with the Council taking on financial liability for owners' share of the works and the responsibility and associated costs in recouping them.

- 3.29 Upgrade options have already been developed for Colliedene House and owners consulted in 2007. At that time there was limited interest from owners in taking upgrades forward, even though grants towards owner's contributions were available. Original design proposals will be revised in 2017/18 and engagement with owners will commence in 2018/19; with works being carried out in 2019/20, assuming majority agreement is reached.
- 3.30 The majority of homes are fully compliant with the Scottish Housing Quality Standard, however, there are a number of homes classed as being in 'abeyance'. This is where one or more indicators have not been met due to tenants or neighbouring owners choosing not to participate. The majority of these abeyances relate to the lack of secure door entry systems in mixed tenure blocks. Door entry systems can only be fitted in blocks where all residents sign up.
- 3.31 Mixed tenure continues to be a major barrier to investment and improvement, with almost 5,000 Council homes in mixed tenure blocks across the city. The acquisitions and disposals project aims to reduce the number of mixed tenure blocks through the strategic acquisition and disposal of homes.

#### Placemaking

- 3.32 Expansion of the Council's housebuilding programme provides opportunities to engage with local communities in the planning and design of new housing to create places that people will choose to live in, work in or visit. For example, the 21st Century Homes Pennywell development has demonstrated how communities can be engaged in placemaking and oversee the delivery of regeneration through a stakeholder group. HRA investment in the delivery of new Council homes at Pennywell enabled the Council to procure a private sector regeneration partner to develop 700 well designed homes for rent and sale, high quality public realm, support for jobs and wider community benefits. New housing has been successfully integrated with the development of an NHS led partnership centre adjacent to the new Craigroyston Community High School.
- 3.33 Within the next six to eight years, the Pennywell area will become home to over 2,000 new residents and around 200 staff; creating an opportunity for public and private sector investment in a new civic centre for the area. The civic centre will comprise of retail units, new office space for co-location of key services and an additional 160 affordable homes. A business case for this project will be presented to Council in October.
- 3.34 A number of projects are currently in development which will deliver quality new homes and regeneration. In June 2016, Finance and Resources Committee approved the appointment of a developer to build 316 mixed tenure homes at North Sighthill along with investment in public realm, community benefits and 250sqm of commercial/retail space. It is anticipated that construction works will commence on site at North Sighthill in 2017. The commitment to expand the Council led housebuilding programme can therefore support further regeneration, co-location of services, investment in jobs and training.

#### Funding the strategy

- 3.35 The 2015 Tenants Survey showed a large increase in the number of tenants who believe that the accommodation and services provided by the Council provide good value for money. This increased from 65% in 2013, to 79% in 2015. This puts Edinburgh above the Scottish Local Authority average of 77%.
- 3.36 The Council's innovative housing strategy will be funded through the HRA budget strategy which is based on generating efficiencies in the housing service, additional income through a robust asset management strategy and a stable and affordable rent strategy. The 2016/17 to 2020/21 HRA Budget Strategy of increasing the number of affordable homes and reducing tenants living cost was based on an annual 2% rent increase. The 2016/17 was lower than the Scottish Average and half that of registered social landlords.
- 3.37 The HRA Business Plan has been reviewed in light of tenants' priorities and the changing economic climate. A more robust and detailed model of the potential impacts of welfare reforms has now been included in business planning, previously a blanket 20% contingency had been set aside to manage risk. More up to date construction and land costs for the new build programme have now been put in place due to the ongoing progress of the 21<sup>st</sup> Century homes team in developing a pipeline programme.
- 3.38 The HRA budget approved by Council in January 2016 agreed savings of £4.8 million by 2020/21. Savings of over £2 million (42%) are expected to be achieved in year one, with an additional £1.9 million by the end of by 2017/18, following the successful implementation of transformation. These assumptions have been included in the business planning process.

#### **4. Measures of success**

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- 4.1 Greater visibility of the Housing Service locally for tenants.
- 4.2 A significant reduction in the cost of living for tenants
- 4.3 An increase from 3,000 to 8,000 new affordable homes over the next ten years, which are energy efficient and economic to heat.
- 4.4 All Council homes will comply with SHQS and EESSH by 2020.
- 4.5 Tenants continue to receive a good quality and well-valued housing service.
- 4.6 Tenants continue to live in good quality, safe, homes in well managed neighbourhoods.

#### **5. Financial impact**

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- 5.1 The Housing Revenue Account (HRA) is paid entirely from income from tenants' rents or assets held on the HRA account. The HRA budget strategy is based on generating efficiencies in the housing service, additional income through a robust asset management strategy and a stable and affordable rent strategy.

### Expenditure

- 5.2 Over the first 10 years of the plan, around £800 million will be invested in increasing the Council's housing stock by a third. All new homes will now be built to enhanced energy efficiency standards. The housing development programme will bring in approximately £1 billion in additional income over the lifetime of the business plan. Around £40 million will also be invested to help reduce tenants' living costs through new services such as free broadband, community gardens, a tenant discount scheme and an in depth energy advice service.
- 5.3 Expenditure on existing homes is also expected to increase, with a £265 million Housing Improvement Programme over the next 10 years. This aims to improve existing homes and neighbourhoods, with a strong focus on improving the energy efficiency of homes to not only meet, but significantly exceed EESSH.

### Efficiencies

- 5.4 Under the Council's Transformation Programme, the way in which the housing service is being delivered has been redesigned. Transformation enables a more efficient service and will deliver savings through housing management and property services over the next 10 years, supporting planned house building and modernisation programmes.

### Income

- 5.5 The HRA Business Plan assumes an annual 2% rent increase.
- 5.6 The acceleration of the acquisitions and disposals asset consolidation strategy aims to bring in additional income of over £20 million over the next 10 years. As in previous years, officers will seek to maximise any grants for new homes and energy efficiency measures to reduce borrowing requirements.
- 5.7 In year surpluses will also be used to reduce borrowing requirements and keep costs down. In addition to this, the strategic use of reserves (£94 million) in the early years of housing development will reduce the need to borrow until the latter part of the programme, which will be supported by the addition rental income.

## **6. Risk, policy, compliance and governance impact**

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- 6.1 The Housing Service faces significant risks:
- **Investment in improvement is unsustainable.** The HRA budget Strategy is underpinned by the HRA Business Plan. Capital programmes are set annually by Council, after scrutiny by the relevant committees. There is positive support from the Scottish Government for the expansion of affordable housebuilding, evidenced through the expansion of NHT and the approval of grant funding for social rented developments. The HRA Business Plan projects a reasonable operating surplus in future years.
  - **Welfare reform has an adverse impact on rental income.** The Business Plan takes account of the potential risks around under occupation, shared room rate, the four year Local Housing Allowance freeze, the reduction in housing

benefit back dating, universal credit and the potential removal of benefits to under 21 year olds. It is anticipated that when tenants get into more than two months of arrears, Housing Benefit will be paid directly to social landlords. This would help mitigate a significant risk to long term income collection. A number of measures have also been introduced to improve support to those tenants affected by welfare reform. New measures are being introduced to support teams prioritise early intervention to manage arrears and prevent tenants getting into debt.

- **Compliance with regulatory standards is not met.** The extent of mixed tenure ownership means that regulatory measures like the Scottish Housing Quality Standard (SHQS) and Energy Efficiency Standard for Social Housing (EESH) are difficult to achieve for all tenants if co-owners are unwilling or unable to participate. The Scottish Government and Scottish Housing Regulator recognise this in relation to the SHQS. A review of the Housing Service's approach to mixed tenure management and the assistance that could be provided to owners will be carried out.
- **Challenges facing the delivery of the housing investment strategy.** These include land availability, construction capacity, planning, funding models and integrated decision making. These can be addressed by partners taking a collaborative approach to developing new initiatives, funding models and asset management. Prior to any commitment to new housebuilding, approval is sought through Health Social Care and Housing Committee and Finance and Resources Committee backed up by a revised business case and assessment of impact on the HRA Business Plan.
- **Significant changes to housing portfolio.** The HRA strategy sets out an ambitious programme of growing and improving the Council's housing and community assets. This, along with the requirement to reduce the costs of the repairs service, is a significant change in the Council's housing asset base.
- **Future financial pressures can only be met through cutting back on service delivery.** Aligning income and expenditure means that there is not as much financial flexibility to meet the unforeseen costs caused by building failure or particularly severe weather. A contingency fund will be developed to mitigate this risk.
- **Changes in Council Borrowing.** The Local Authority (Capital Financing and Accounting) (Scotland) Regulations 2016 set out new statutory arrangements for local authority borrowing and lending. As a result, in five years time the HRA will switch from borrowing through annuity to Equal Instalments of Principle (EIP). EIP is more expensive in early years of borrowing, but cheaper over the lifetime of the loan. It is therefore a more favourable method for the 30 year business plan; however it does reduce the projected surplus in the first 10 years of the business plan when historic debt is reaching its full term.
- **Changes in tenant priorities.** The money saving initiatives identified through consultation with tenants are being rolled out over the next five years. Should

there be a significant reduction in income, the new services would have to be scaled back or stalled, resulting in explorative and preparative outlays being lost.

- 6.2 All risks are kept under review and significant changes will be highlighted to the Health, Social and Housing Committee, Finance and Resources Committee and Governance, Risk and Best Value Committee.
- 6.3 The Council is required to set Council house rents annually. The Council is required to consult tenants on the rent strategy and inform them in advance of any rent increases prior to their implementation.

## **7. Equalities impact**

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- 7.1 Prioritising investment on services and improvements that reduce the cost of living for tenants will have a significant financial benefit for tenants who are under financial pressure.
- 7.2 Patch based working will mean housing officers will get to know their tenants better. This should improve access to services for vulnerable tenants, as their needs will be more readily identified.
- 7.3 Investment in new homes will help increase the supply of homes built specifically for older people or people who have mobility problems.
- 7.4 The housebuilding programme ensures 10% of all new homes will be built to wheelchair accessible standards.

## **8. Sustainability impact**

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- 8.1 The Council led house building programme seeks to maximise delivery of homes on brownfield sites, reducing pressure on Edinburgh's green belt. New homes are built to high standards in terms of energy efficiency and sustainability.
- 8.2 It is estimated the accelerated house building programme will create 3,000 permanent new jobs an addition of 1.5% in employment created in Edinburgh.
- 8.3 Investing in improvements to Council homes will increase energy efficiency and lead to a reduction in carbon emissions.
- 8.4 There are positive impacts on adaptations, carbon emissions and sustainable development arising from this report.
- 8.5 The Council's partnership with Our Power will help ensure stable and affordable energy prices for tenants.
- 8.6 Strategic acquisitions of homes in mixed tenure blocks will allow the Housing Service to carry out more improvements as the sole owner of the block.
- 8.7 21st Century Homes will deliver new affordable homes on brownfield sites, reducing pressure on Edinburgh's green belt. New homes are built to high standards in terms of energy efficiency and sustainability.
- 8.8 A City Region Deal would provide a mechanism to help drive forward investment in sustainable place making.

8.9 Improving the employability of tenants.

## **9. Consultation and engagement**

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- 9.1 Satisfaction with how the Council involves tenants and keeps them informed has increased significantly over the last two years. Satisfaction with opportunities to participate in decision-making has increased from 66% in 2013 to 81% in 2015. This is now well above the Scottish Local Authority average of 69%. At the same time, satisfaction with how the Council listens to tenants views and acts upon them has increased from 73% to 81%.
- 9.2 The Housing Service set up a 'Rent Matters' working group (RMWG) of interested tenants to help plan, develop and deliver the 2016/17 budget consultation. The six week consultation gained a record number of responses, treble that of previous years.
- 9.3 On 23 April 2016, the Housing Service held its Tenants Conference. The conference was planned in conjunction with Edinburgh Tenants Federation. The conference began a more detailed dialogue with tenants on how new services should be taken forward including, access to digital services and the expansion of the tenant discount scheme, an energy advice pilot and increasing the number of community gardens in the city.
- 9.4 The RMWG met in February 2016 to reflect on the previous year's consultation, lessons learnt and next steps. At this meeting three of the members expressed an interest in finding out what other Local Authorities do to encourage their tenants to respond to the annual rent consultation. These tenants were supported by ETF and the Council's Tenant Participation Officer to carry out their own independent research. They were given access to computers, phones and meetings rooms to carry out the research and presented their findings to a group of senior housing staff in June 2016.
- 9.5 The researchers came back with 12 recommendations on how to build on and improve the rent consultation in future years. Following this, Council officers have reviewed their findings and have accepted all the recommendations, implementing six in year one and working towards implementing the remaining six over the next three years.
- 9.6 The consultation will run between October and November 2016. Similar to last year, it will be advertised in local offices and on notice boards in local shops and community centres, on the Council's website, through social media and email footers. For those tenants not online, the questionnaire will be made available in the tenants' newsletter, which goes out to every tenant. A tenants' conference will also be held in October 2016, giving tenants an opportunity to discuss the consultation options in more detail.
- 9.7 The 2017/18 consultation will also pilot new approaches including a conversation café event and rent road shows. The exact consultation plan and timetable is under development with the RWMG.

## Background reading/external references

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[Housing Improvement Programme: Delivering the Budget Strategy in 2016/17 – Health, Social Care and Housing Committee 21 June 2016](#)

[Edinburgh Tenant’s Survey 2015, Health, Social Care & Housing Committee, 16 April 2016](#)

[Housing Service Transformation Plan 2015-17, Health, Social Care & Housing Committee, 8 September 2015](#)

[Acquisitions and Disposals Project Update, Health, Social Care and Housing Committee, 26 January 2016](#)

[Housing Improvement Programme: Heating Replacement and insulation in Multi Storey Flats, Health, Social Care and Housing Committee, 16 April 2016](#)

[Housing Revenue Account - Budget Strategy 2016-17 - 2020-21, City of Edinburgh Council, 21 January 2016](#)

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### Links

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<b>Coalition Pledges</b>	<p>P8. Make sure the city’s people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites.</p> <p>P30. Continue to maintain a sound financial position including long-term financial planning.</p>
<b>Council Priorities</b>	<p>CP2. Improved health and wellbeing: reduced inequalities</p> <p>CP9. An attractive city</p> <p>CP10. A range of quality housing options</p>
<b>Single Outcome Agreement</b>	<p>SO2. Edinburgh’s citizens experience improved health and wellbeing, with reduced inequalities in health.</p> <p>SO4. Edinburgh’s communities are safer and have improved physical and social fabric.</p>
<b>Appendices</b>	<p>1 – HRA Business Plan – High level Assumptions</p> <p>2- HRA Business Plan - Financial Analysis</p> <p>3 – Multi Storey Insulation improvements – Prospective Timeline</p>

## Appendix 1 – Business Planning - High Level Assumptions

Input	2017/18	Note
Inflationary Increase	2%	Based on Bank of England target inflation rate and Council's long-term financial plan.
Rent Increase	2%	To reflect long-term financial planning and keep rents affordable.
Net Rental income	98.6%	Total projected rental income, minus written off former tenant arrears and rent loss due to empty homes.
Former tenant arrears write off	0.9%	This has been increased to £1.1 million in 2017/18, based on 2015/16 requirements.
Rent lost on empty homes	0.54%	This has reduced from 0.59% in 2016/17, based on current performance.
Housing Transformation savings*	£1.106m	Including central support costs: reductions in corporate overheads.
Housing Efficiencies - Responsive Repairs Costs	£0.810m	20% reduction in repairs costs by 2020/21 (£3.6 million). Approved by Council in January 2016.
Housing Innovation - Capital	£4.460m	Delivery of the 'Invest to Save' initiative including broadband and community gardens infrastructure costs.
Housing Innovation - Revenue	£0.775m	Delivery of the 'Invest to Save' initiative including energy advice, broadband and community gardens revenue costs.
Debt level (projected for March 2017)	£358m	£379m at 31 March 2016.
Interest on debt	5.10%	Same as in 2015/16.

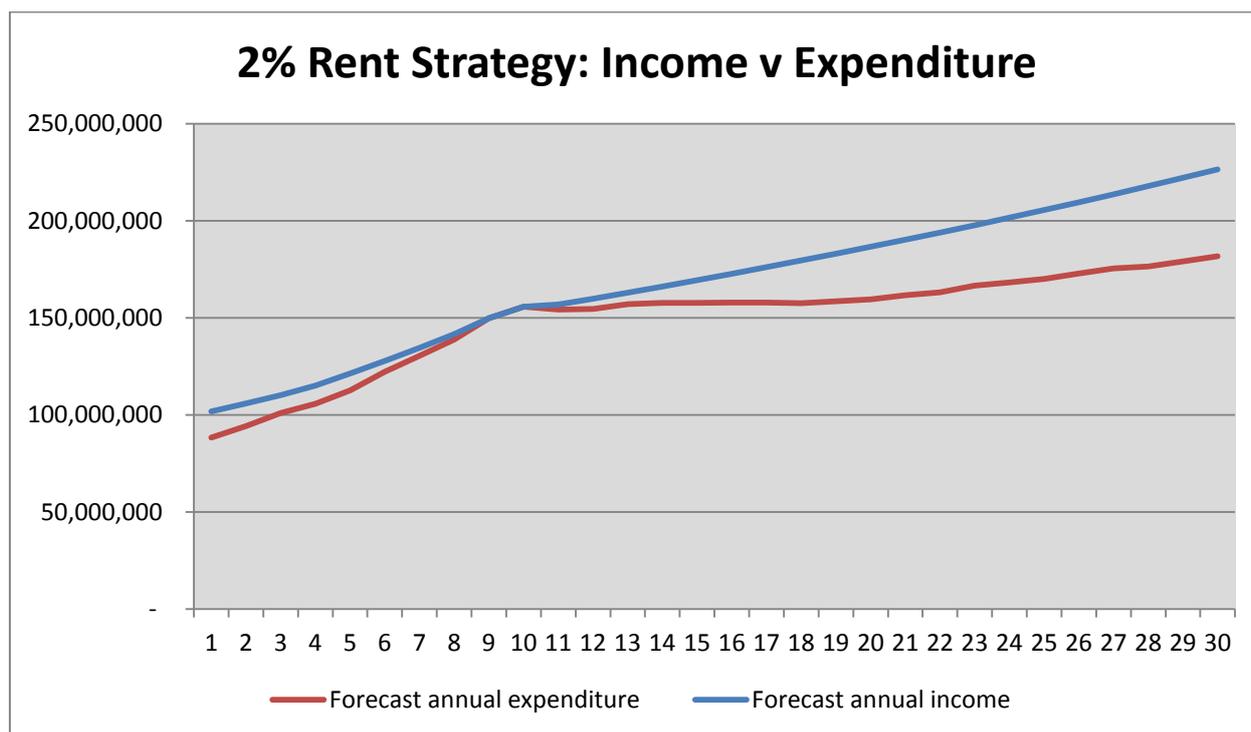
*\*Note: Housing Transformation savings of £1.664m are expected to be achieved by the end of 2016/17 through a 10% reduction in housing management (£1.120m) and a 20% reduction in ICT costs (£0.544m).*

## Appendix 2 – HRA Business Plan – Financial Analysis

This Appendix sets out the impact of delivering 8,000 affordable homes over 10 years and the ambitious innovation strategy which seeks to continue to improve the quality of existing homes and neighbourhoods and deliver new services that will help reduce tenants' cost of living. The business plan assumes a 2% annual rent increase in line with inflationary assumptions and below Scottish average local authority increases.

A review of the HRA Business Plan in light of tenants' priorities and the fluctuating economic climate has resulted in a few changes. This includes a more robust and detailed model of the potential impacts of welfare reforms, more realistic costs of the housing development and innovation programme, an update on Transformation savings and changes to the Council's borrowing strategy.

In order to deliver the investment strategy income and expenditure in the HRA Business Plan will be more closely aligned. This is most visible in the first 11 years due to a significant increase in the Council house building. Debt repayment is also at its most expensive in the first 10 years. In year surpluses are used in the first seven years to keep borrowing affordable, until the full impact of the additional income from the house building programme is realised. Approximately £3 million is required from reserves in years 9 and 10 to ensure the HRA does not go into deficit.



The plan includes the projected impact of under occupation, shared room rate, the four year Local Housing Allowance freeze, the reduction in housing benefit back dating, universal credit and the potential removal of benefits to under 21 year olds based on existing local and national trends. Previously a blanket 20% of annual expenditure was set aside as a contingency to manage this risk. By understanding the year on year impact the HRA can better mitigate the impacts of welfare reform in year, freeing up the use of contingency for other things, such as, the purchase of land for new homes.

It is good financial practise to use reserves to purchase assets that will not start producing a return for several years. The more strategic use of reserves to purchase land, coupled with more up-to-date construction and land costs for the new build programme has reduced the overall cost of the housing development strategy to around £800 million over 10 years. This has helped to offset the additional £6 million investment required to further enhance the energy efficiency of new homes by adopting the 'Silver Standard'. In order to deliver the new build programme and keep rents affordable, £94 million in reserves and Council Tax Discount funding are required, to keep borrowing at reasonable levels.

From year five onwards any new borrowing will be repaid through Equal Instalments of Principle (EIP), instead of the Councils previous annuity arrangement. EIP is more expensive in early years of borrowing, but cheaper over the lifetime of the loan.

The implementation of the innovation programme and the creation of four new services: low cost broadband, tailored energy advice, the expansion of a community gardens network and a tenant discount scheme, are projected to cost the HRA around £40 million, in both revenue and capital over 30 years. These costs may change once detailed consultation has been carried out with tenants and the exact scope of the services is explored. However, prudent assumptions have been included to ensure this can be contained within the annual 2% rent strategy.

The business plan also assumes the successful implementation of the Council's Transformation programme.

### Appendix 3: Multi Storey Insulation improvements – Prospective Timeline

Due to the complex technical and management arrangements in work of this nature it is proposed the installation time table for these blocks be staggered over a five year period; ensuring all blocks are completed in advance of EESSH deadlines. The timescales below are dependent on the outcome of the surveys, committee decisions and owners sign up.

