

The City of Edinburgh Council

10.00am, Thursday, 21 January 2016

Housing Revenue Account – Budget Strategy 2016/17 – 2020/21 - referral report from the Finance and Resources Committee

Item number	4.1(f)
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 14 January 2016 considered a report on the 2016/17 budget, five year Housing Revenue Account (HRA) budget strategy and the proposed rent levels for 2016/17. The report has been referred to the City of Edinburgh Council for approval on 21 January 2016 as part of the budget setting process.

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Terms of Referral

Housing Revenue Account – Budget Strategy 2016/17 – 2020/21

Terms of referral

- 1.1 The Council is the sixth largest landlord in Scotland with around 20,000 homes in direct management within the Housing Revenue Account (HRA). Another 2,100 homes were managed through private sector leasing and a number of limited liability partnerships (LLPs) established under the Scottish Government's National Housing Trust. In September 2015, the Council approved the development of an additional citywide LLP for the purpose of encouraging the building of new market rented homes.
- 1.2 The HRA sets out the income and expenditure on services to Council tenants. Its investment strategy sets out improvements to tenants' homes and neighbourhoods. The HRA was self-funding, with around 92% of its income from tenants' rents and service charges. It also received some income from the sale or lease of land and properties held on the HRA account. Each year the Council must approve the HRA budget and rent level. This included 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.
- 1.3 The Finance and Resources Committee agreed:
 - 1.3.1 To prioritise investment in measures and services that reduced the cost of living for tenants and expanded the Council led house building programme to 8,000 homes.
 - 1.3.2 To refer the 2016/17 budget, draft five year capital programme and the proposed rent levels for 2016/17, set out in Appendices 1 to 6 of the report, to the Council budget meeting for decision.
 - 1.3.3 To note the Council had made significant progress in improving tenants' homes and establishing one of the largest house building programmes in the country over the last five years.
 - 1.3.4 To note the financial hardship faced by many tenants and the impact of the shortage of affordable homes in the city on those on low to moderate incomes.
 - 1.3.5 To note that at 2.0% the 2015/16 rent increase was the third lowest among Scottish local authorities and was significantly lower than the 8.8% rent increases experienced by private sector tenants.

For Decision/Action

- 2.1 The Finance and Resources Committee has referred the 2016/17 budget, draft five year capital programme and the proposed rent levels for 2016/17, set out in Appendices 1 to 6 of the report, to the Council budget meeting on 21 January 2016 for approval as part of the budget setting process.

Background reading / external references

Minute of the Finance and Resources Committee, 14 January 2016.

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Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

10.00am, Thursday, 14 January 2016

Housing Revenue Account - Budget Strategy 2016/17-2020/21

Item number	7.14
Report number	
Executive/routine	Executive
Wards	All

Executive summary

This report seeks approval of the 2016/17 budget and five year Housing Revenue Account (HRA) budget strategy.

The Council is the sixth largest landlord in the country. Operating on a commercial basis, the HRA is self-funded by tenants' rents and income from its assets. Tenants' satisfaction with their homes and the housing service is amongst the highest in Scotland.

The report notes the significant financial challenges experienced by many tenants and, more widely, the impact of rising housing costs in the private housing market on those on low to moderate incomes. The report also notes that the housing market is failing to address the acute shortage of affordable homes in the city, and to meet the needs of a growing older population and those with complex physical and mental health issues.

The report sets out a new strategy which prioritises future investment in programmes and services that significantly reduce tenants' living costs and which significantly expands the current, Council led, housebuilding programme from 3,000 to 8,000 affordable homes.

At its meeting on 10 November 2015, Health, Social Care and Housing Committee agreed the budget strategy and to further consultation being undertaken with tenants. The proposals set out in the report respond directly to what tenants are saying. The pace and scale of investment over the next five years are based on tenants priorities identified through the budget consultation exercise. The investment will be paid for by reducing running costs and maximising income through greater efficiency in managing assets and other resources, while keeping rent increases affordable.

Links

Coalition pledges	P30 P8
Council outcomes	C10 C16 C25
Single Outcome Agreement	SO2 SO4

Housing Revenue Account - Budget Strategy 2016/17- 2020/21

Recommendations

It is recommended that Finance and Resources Committee:

- 1.1 Agrees to prioritise investment in measures and services that reduce the cost of living for tenants and expand the Council led housebuilding programme to 8,000 homes.
- 1.2 Agrees to refer the 2016/17 budget, draft five year capital programme, and the proposed rent levels for 2016/17, set out in Appendices 1 and 6, to the Council budget meeting for approval.
- 1.3 Notes the Council has made significant progress in improving tenants' homes and establishing one of the largest housebuilding programmes in the country over the last five years.
- 1.4 Notes the financial hardship faced by many tenants and the impact of the shortage of affordable homes in the city on those on low to moderate incomes.
- 1.5 Notes that, at 2.0%, the 2015/16 rent increase was the third lowest among Scottish local authorities and was significantly lower than the 8.8% rent increases experienced by private sector tenants.

Background

- 2.1 The Council is the sixth largest landlord in Scotland with around 20,000 homes in direct management within the HRA. Another 2,100 homes are managed through private sector leasing and a number of limited liability partnerships (LLPs) established under the Scottish Government's National Housing Trust. In September 2015, the Council approved the development of an additional citywide LLP for the purpose of encouraging the building of new market rented homes.
- 2.2 The HRA 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 92% of its income coming from tenants' rents and service charges. It also receives some income from the sale or lease of land and properties held on the HRA account.
- 2.3 Each year Council must approve the HRA budget and rent level. 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.

- 2.4 On 12 February 2015, the Council approved the HRA Budget for 2015/16. It set out a £235 million investment programme over five years. This included £173 million to improve existing tenants' homes and £62 million for new build affordable homes. The Council approved a 2% rent increase. This was the lowest rent increase in Edinburgh in ten years and the third lowest among Scottish local authorities that year. It was also almost a fifth of the average rent increase experienced by private sector tenants in the city.
- 2.5 In May 2015, a sub-group of the Tenants' Panel was established to advise on the development of the HRA budget. This approach was agreed with Edinburgh Tenants Federation (ETF). This 'Rent Matters' group has met on six occasions, up to November 2015. Its remit includes assisting the Council to scrutinise how costs are allocated to the HRA and how tenants can get value for money for the rents they pay. In recent months the main focus of the group has been on how to consult all tenants on their investment priorities.
- 2.6 On 16 June 2015, the Health, Social Care and Housing Committee approved the latest version of the 30 year HRA Business Plan – Invest to Improve, Invest to Grow. The report set out the long-term drivers for the HRA Business Plan which were:
- Increasing the supply and quality of homes.
 - Creating successful communities.
 - Delivering tenant investment priorities.
 - Ensuring value for money for Council tenants.
 - Supporting the Council's Transformation Programme.
 - Supporting health and social care objectives.
- 2.7 The HRA Business Plan includes a 30 year financial model which aims to ensure long-term financial stability for the Housing Service. It is regularly reviewed and assumptions are tested during each budget cycle. It is used to project the planned income and expenditure through the HRA and ensure decisions have a positive impact over the 30 year period. The key Business Plan assumptions are set out in Appendix 2.
- 2.8 The HRA Business Plan was referred on from the Health, Social Care and Housing Committee to the Finance and Resources Committee on 27 August 2015. The Finance and Resources Committee agreed that the options for increasing the HRA contingency and future investment fund over the next five years should be explored. This report sets out the result of that review.
- 2.9 In September 2015, Health, Social Care and Housing Committee approved the 'Housing Service Transformation Plan 2015-17' which sets out an improvement plan for the Housing Service which seeks to respond to the changing needs of customers, in line with the Council's wider strategy for organisational change. The report set out the following five year goals for the Housing Service:

- An exemplar in customer service and outcomes.
 - The most energy cost efficient landlord in Scotland and the UK.
 - The most financially efficient social landlord.
 - Employees and partners who are empowered and supported by their organisations and accountable to their customers and communities.
- 2.10 This report highlighted a series of priorities for the housing service to 2020/21. These include reviewing the management of mixed tenure repairs and improvements as well as improving the support offered to tenants to help them pay rent and prevent debt. Transformation also places more emphasis on planned maintenance and maintaining a good quality environment in the neighbourhoods around Council tenants' homes.
- 2.11 At its meeting on 10 November 2015, Health, Social Care and Housing Committee noted the significant progress over the last five years in improving tenants' homes and establishing one of the largest housebuilding programmes in the country. It also noted the hardship faced by many tenants and the impact of the shortage of affordable homes in the city on those on low to moderate incomes.
- 2.12 Committee supported the approach of prioritising investment in measures and services that would reduce tenants' cost of living. It recommended further consultation with tenants to establish which measures would have the greatest impact on tenants' lives.

Main report

- 3.1 Over the last ten years considerable progress has been made in modernising tenants' homes, improving facilities, making homes cheaper to heat and investing in the surrounding environment.
- 3.2 In the last five years an average of £8,000 has been invested per home. More than 6,500 new kitchens and bathrooms have been installed and over 10,000 homes have benefitted from energy efficiency measures, such as new boilers, heating systems, insulation, windows and external doors. In addition to this, tenants have benefitted from further modernisation investment to common areas including lift car upgrades, stair windows, door entry systems and external fabric improvements.
- 3.3 The impact of investment in homes is reflected in high levels of tenant satisfaction. Tenant satisfaction with the overall housing service, with the quality of their home and with their neighbourhood is amongst the top three local authorities in Scotland. Tenant satisfaction with housing repairs provided by Edinburgh Building Services (EBS) is high at 92% in 2014/15, which compares well with other landlords.

- 3.4 The award winning 21st Century Homes Programme forms the core of the Council's wider housebuilding programme. Combined with Council participation in the National Housing Trust (NHT), nearly 3,000 homes are being delivered at sites across the city. The overall programme is one of the biggest Council led housebuilding programmes in Scotland. Appendix 3 shows the citywide impact of the current programme. Including homes built by housing associations, the annual output of affordable homes has trebled since the recession to over 1,000.

Challenges

- 3.5 Many Council tenants are experiencing real and significant financial hardship and there are not sufficient homes being built in the housing market which meet current need and demand and the challenge of a growing population.
- 3.6 The challenges facing Council tenants are considerable. Independent research shows that since 2008 low income households have seen their incomes decline in real terms by between 10% and 30%. Through consultation and engagement tenants report significant challenges in meeting their day to day essential living costs, including paying for energy, food and clothing.
- 3.7 For households on low to moderate incomes, demand for housing continues to outstrip supply. Over 150 bids are made for every home available to let by the Council and housing associations. To put this in context, recent industry reports suggest that an estimated 22 student households are competing for every available let in the private rented market.
- 3.8 Between 2013/14 and 2014/15, overall homeless presentations fell, but the length of time households spend in temporary accommodation has been increasing. Homeless households struggle to find long-term secure accommodation. In addition, the number of homeless families seeking help has been increasing despite the overall reduction in homelessness.
- 3.9 Over the next twenty five years the population of Edinburgh is predicted to grow by almost 30%. The number of older people over 75 living in the city is expected to grow by over 75% and the number of people requiring intensive levels of support, including those with complex physical and mental health needs, is expected to increase by 61%.
- 3.10 Housing costs in the private sector, in terms of house prices and private rents increased in the previous year by around 9%, making the private sector prohibitively expensive for those on low and many on moderate incomes.

A new strategy – Putting tenants first

- 3.11 This report proposes a new, more ambitious strategy, built on the success of the current HRA investment programme. This seeks to respond directly to what tenants are telling us. It also builds on the Council's commitment to value for money, ongoing service improvement and to improving the neighbourhoods where tenants live.

- 3.12 There are two key elements to this strategy. The first is to align future investment in tenants' homes to measures that significantly reduce the cost of living for tenants and strengthen tenant confidence in the Housing Service.
- 3.13 The second element of the new strategy is to expand significantly the current housebuilding programme from 3,000 to 8,000 affordable homes.

Saving tenants' money

- 3.14 Taking into account the financial hardship many tenants face, the new strategy will seek to prioritise investment in services and improvements to tenants' homes that directly reduce their cost of living.
- 3.15 Since May 2015, a sub-group of the Tenants' Panel has been working with officers to advise on the development of the HRA budget. The 'Rent Matters' working group has met six times to plan, develop and deliver the 2016/17 budget consultation.
- 3.16 In discussions with ETF, the group distilled the consultation into eight core savings options. Tenants were asked to prioritise which options they thought would best contribute to reducing tenants' living costs.
- 3.17 The consultation ran between 19 October and 30 November 2015, receiving 261 responses and around 200 comments on individual measures. This is a significant increase on previous years. The consultation process is detailed in the 'Consultation and Engagement' section of this report. A detailed breakdown of the consultation results can be found in Appendix 5.
- 3.18 Over three quarters of all respondents believed that building new homes, improving the energy efficiency of homes and providing cheaper energy would have a profound impact on their living costs.
- 3.19 Taking these views into account, the proposed five year budget strategy includes £140 million to expand the Council's house building programme and deliver energy efficiency improvements to existing homes. This includes an acceleration of heating and insulation programmes. Up to 3,500 new heating systems will be installed in the next five years along with improvements to the insulation to another 3,700 homes. The current programme assumes an output of 700 new heating systems per year. The programme has been reviewed to accelerate years one to three of the new programme to achieve an average output of 1,000 new heating systems per year. As part of the strategy, feasibility studies will be undertaken in 2016, to examine the potential to use clusters of multi storeys as the anchor for the development of local district heating networks, in partnership with other public sector services and commercial interests.
- 3.20 Options to accelerate the heating and insulation programme further will be explored in 2016 and reported to Health, Social Care and Housing Committee. In addition to this, the Council's partnership with the Edinburgh based social enterprise Our Power will lead to a more stable and affordable energy supply.

- 3.21 The consultation respondents also identified that energy advice and education could also reduce use and costs further. Over a third of respondents believed that targeted energy advice, when used in conjunction with energy efficiency measures and low cost energy, could help reduce costs.
- 3.22 The draft budget therefore also includes funding of a two year pilot project to provide tenants with a dedicated service which would offer an initial audit of their energy use and behaviour and advice and support to minimise energy costs. The advice would be targeted at those tenants most at risk of fuel poverty.
- 3.23 Half of respondents felt that using Council land to support tenants to grow fruit and vegetables could reduce food bills. Tenants also identified the wider social benefits to taking an active role in local community life. Work will be undertaken to explore options for expanding the network of tenant allotments and community gardens developed on HRA land.
- 3.24 Almost half of respondents (49%) felt a discount card could help reduce living costs; however its success would be dependent on the types of goods and services offered. It was also felt that there could be wider community benefits if local shops were involved in the scheme. A tenant discount card is under development and will be introduced in 2016. Options for expanding the range of partners and suppliers prepared to support the tenant discount card will be explored in the first half of 2016.
- 3.25 Most Council tenants live in mixed tenure blocks. Agreement with owners is required for common improvements and repairs. Many home owners in these circumstances are on low incomes and have little capital or savings to pay for these costs. There was broad agreement from tenants that mixed tenure management is challenging, but could not be ignored as the quality of homes are deteriorating and tenants in mixed tenure blocks are unfairly disadvantaged. Over a third of respondents felt that the provision of equity loans to support homeowners could be a way of progressing Council led improvement schemes. However, many respondents felt that loans should only be given to those in most need. The exact criteria of the loans will be developed in consultation with tenants.
- 3.26 Access to the internet offers wide ranging benefits to tenants. The majority of Council services will now be accessible online; as well as this, benefit claims will be made online, most jobs are advertised online and the internet often provides access to cheaper goods and services. There is a risk that some Council tenants will become excluded unless they are supported to become digitally literate. Over a third of respondents felt that access to cheaper broadband would help them save money.
- 3.27 Those tenants who already have access to the internet may not benefit from the additional savings as they already have access to cheaper goods and services; however, they could benefit from significantly reduced service costs when compared to their current provider. Work is underway to explore the feasibility of improving the digital infrastructure to Council homes and providing digital services at no or little cost to tenants.

- 3.28 Based on the outcome of the consultation, investment in building new homes, energy efficiency measures and reducing energy costs will be prioritised and delivered at pace. The remaining options will be scoped in consultation with tenants and the outcome of this work will be reported to Health, Social Care and Housing Committee later in 2016.

Customer focused services, locally delivered

- 3.29 Taking into account the vulnerability of Council tenants and the financial challenges they face both now and in the future, the housing service needs to adapt to meet their needs and expectations.
- 3.30 As a first step, it is envisaged that local housing management teams will adopt a more customer facing, patch based model where lettings, rent collection and debt prevention, repairs and neighbourhood issues will be dealt with by a single local housing officer. Combined with improvements in technology and digitally available services. This approach recognises the vulnerability of many tenants and seeks to strengthen the confidence and reassurance that they gain through a direct relationship with their local housing officer.
- 3.31 This approach has been supported by tenants and reflects the model adopted by many social housing landlords which have strong track records of performance improvement over the last few years. It also responds to the change in the way many tenants will pay their rent in future. Through the implementation of Universal Credit, tenants who had their rent paid directly to their landlord will receive it directly. A more direct relationship with tenants will help prevent arrears and personal debt.
- 3.32 In line with the objectives of the Council's Transformation Programme, staff will be empowered and challenged to provide outstanding customer service and take a high degree of personal responsibility for looking after their local neighbourhoods. It is envisaged that patch based housing officers will significantly strengthen the Council's locality model by building relationships and local knowledge in the areas in which they work.
- 3.33 To deliver to the Council's Transformation Programme the draft budget includes a £400,000 change fund to reshape services to respond to tenant priorities.

Building more affordable homes

- 3.34 The second element of the strategy is to expand the Council led housebuilding programme from 3,000 homes to 8,000 homes. Tenants strongly support building more Council homes, with over 87% of respondents believing it to be one the Council's core investment priorities.
- 3.35 An additional 5,000 affordable Council homes for social and mid-market rent can be funded through the HRA Business Plan within the next 10 years. This HRA led investment would make a significant strategic contribution to housing need in the city and ensure that those homes are built at a price households on low and moderate incomes can afford.

- 3.36 This strategy will make a step change in the Council's strategic response to meeting the high and growing demand for new affordable homes. It also provides an opportunity to plan and target future investment to areas of particular need.
- 3.37 The Council and NHS Lothian have identified the need to invest in specialist housing for people with complex physical and health needs and, more generally, meet the housing and care needs of the city's growing older population.
- 3.38 Working closely with the Integrated Joint Board the Council, and its housing association partners, will be able to support planned investment in new and more specialist housing for these groups.
- 3.39 Work is ongoing with NHS Lothian regarding the potential for HRA led developments, which could provide around 500 homes alongside integrated Health and Social Care facilities. This would add to the current 21st Century Homes Programme to build around 80 accessible homes and two care homes. The need to target investment in older people's housing and homes for those with more complex physical and mental health needs will also form part of the next Strategic Housing Investment Plan.
- 3.40 In addition to completing the existing housebuilding programme over the next two years, new sites will need to be identified for the next phase of Council led housebuilding. This will require a new approach to securing and acquiring land for affordable homes. This will involve strengthening partnerships with other public sector agencies and private sector landowners to deliver more homes, quickly, at a cost that is affordable. Private sector house-builders will be encouraged to build homes for competitive market rents. The Affordable Housing Policy will ensure that a 25% affordable housing contribution is secured when house builders develop housing for market sale or market rent.
- 3.41 Discussions are also taking place with the Council's not-for-profit housing partners to identify how they could match the Council led programme with a similar number of new affordable homes and strengthen the partnership that already exists to deliver affordable housing in the city. It is anticipated that if these discussions are productive, partners could potentially jointly fund the delivery of 16,000 affordable homes over the next 10 years. The Housing Needs and Demand Assessment 2 (HNDA2) estimates that around 4,000 new homes of all tenures are required in Edinburgh each year for ten years to meet current and future demand. Major developers of affordable housing including Places for People and the Wheatley Group have already committed to delivering another 1,000 and 700 affordable homes respectively.
- 3.42 Investment on this scale in new housebuilding will have a positive impact on the wider economy. According to Scottish Government multipliers it is estimated that building 16,000 homes over the next 10 years will generate investment of £4 billion and create over 30,000 jobs. Once the homes are completed, they are expected to bring in additional annual general fund revenue of £18.7 million through Council Tax income. It will also make a significant contribution to the

regeneration of brownfield sites and provide new accessible homes for older people.

- 3.43 The biggest challenge to delivering new affordable homes is securing sites for development. At present, affordable housing developers do not have control of many sites that could be developed. The strategy for accelerating housebuilding must, therefore, incentivise landowners, including public sector landowners, to enter into new partnerships with affordable housing developers to secure long-term returns rather than short-term profit.

Quality and Security

- 3.44 In addition to prioritising measures to reduce the cost of living for tenants and expanding the housebuilding programme, the HRA will continue to invest in improving other aspects of the quality and condition of tenants' homes.
- 3.45 This includes previous commitments made by the Council, including an expansion of the kitchen and bathroom replacement programme which will ensure that no tenant has a kitchen or bathroom over 25 years old by 2016/17 and over 20 years old by 2020.
- 3.46 All homes will meet statutory requirements including the new Energy Efficiency Standard for Social Housing (ESSH). Subject to owner agreement and participation, investment will also be made to bring homes in mixed tenure blocks up to the SHQS by prioritising the installation of secure door entry systems. Nearly 3,000 tenants living in mixed tenure blocks do not have modern secure door entry systems.
- 3.47 Appendix 6 details the five year capital budget which sets out a strategy to reduce tenants' cost of living by up to £1,500, building new affordable homes and planned investment in maintaining the quality and security of existing homes.

Funding investment in tenant priorities

- 3.48 To implement the strategy outlined above, the HRA would need to invest up to £360 million in capital programmes and service improvements over the next five years. This is a 53% increase on the £235 million five year capital programme agreed by Council in 2015. The increase reflects the enhanced capital investment required to deliver 8,000 new affordable homes over the next 10 years.
- 3.49 Income and expenditure in the HRA business plan will be more closely aligned and operating surpluses will be invested "in year" to reduce borrowing costs. While the HRA does not go into deficit throughout the 30 year business plan, the risk of this happening is much greater over the next 10 years. Operating surpluses drop to their lowest at £0.885 million in 2017/18. This will mean the gap between projected income and expenditure will narrow in the first 10 years of the Business Plan.
- 3.50 Appendix 7 shows two graphs setting out the projected income and expenditure, based on the current investment strategy and the investment strategy proposed in this report.

- 3.51 The business plan also assumes the successful implementation of cost saving measures including a 10% reduction in housing management and a 20% reduction in repairs and ICT costs over the next five years. These savings will be achieved partly through the implementation of the Council's Transformation Programme. Savings through procurement in the capital programme will also see costs reducing, whilst maintaining the same output.
- 3.52 As well as delivering savings, the Business Plan assumes an increase in income through the acceleration of the Council's acquisitions and disposals asset consolidation strategy. This pilot exercise achieved a one for one replacement of social rented homes and a significant net capital receipt of around £40,000 per home. The business plan assumes that this programme is expanded to 50 homes a year for the next 10 years.
- 3.53 The business plan assumes a modest 2% annual increase in rents. This assumption is broadly based on long-term inflation projections and is benchmarked against rent increases by other landlords in the social and private sectors.
- 3.54 The budget proposes a rent increase of 2% in 2016/17. This is nearly half the average rent increase implemented by local authorities over the last few years. There are between 16,000 and 17,000 Council tenants who receive help with their rent through Housing Benefit or Universal Credit. This increase should be met by an equivalent increase in the help they receive with their housing costs.
- 3.55 For those that do not receive help with their housing costs the rent increase would be an average additional cost of £1.85 per week. However, the rent increase should be considered alongside the new investment strategy which sets out to reduce most tenants' cost of living by up to £1,500 a year.
- 3.56 Consultation has confirmed that there is strong support for the new approach of prioritising investment to save money. However, 5% of respondents to the survey felt that rents should not be increased, believing that the best way to save tenants money was to keep rents static, even if that means reducing investment in homes and services.
- 3.57 A working group will be set up to further explore the issues around affordability and value for money, specifically aimed at those tenants who do not get help with their rent.

Delivery of the 2016/17 capital investment programme

- 3.58 The 2016/17 draft capital budget includes a £48.508 million capital investment programme.
- 3.59 It should be noted that the completion of the 2015/16 capital programme will be extended to June 2016. The majority of the improvement programme is being delivered through the new HAM framework. The new framework was introduced part way through the year and as a result the 2015/16 programme will now complete in the first quarter of 2016/17. In addition, savings of around 10% have been made across the programme.

3.60 In 2013/14, the general fund capital programme adopted a new budget setting and monitoring process. The HRA capital programme will adopt the same approach and manage capital investment over a two year rolling programme to enable spend to be accelerated where projects are performing well and realigned where delivery is at risk of slipping.

Measures of success

4.1 The measures of success include:

- Significant reductions in the cost of living for tenants;
- Significant increase in the delivery of affordable homes;
- Maintenance of high levels of tenant satisfaction; and
- Greater visibility of the Housing Service locally for tenants.

Financial impact

5.1 The HRA is self-contained and has no direct impact on the Council's general services budget. The HRA is paid entirely from income from tenants' rents or assets held on the HRA account.

5.2 Projected expenditure on the HRA revenue account for 2016/17 is £107.463 million, including £10 million funding for capital investment funded from revenue. A high level summary of the HRA's one and five year budget and the impact it has on reserves is set out below.

Housing Revenue Account	1 Year (2016/17) £ million	5 Years (2016/17- 2020/21) £ million
Revenue (See Appendix 1)		
Operating Income	£107	£551
Operating Expenditure and Debt Costs	£93	£492
Capital Investment funded from revenue	£10	£38
Addition to investment fund	£4	£21
Capital (See Appendix 6)		
Capital investment programme expenditure	£38	£180
21st Century Homes Expenditure	£10	£181
Prudential borrowing	£23	£218
Other income and Capital Funded from Current Revenue	£25	£143
Investment and contingency position		
Investment and contingency fund	£45	£45
Investment fund additions	£4	£21
Investment fund draw downs	£4	£45

- 5.3 The budget projects a modest increase in outstanding debt from £368 million to £379 million. The budget also assumes an increase in income from temporary accommodation as a result of a revised assessment of the impact of welfare reform measures.
- 5.4 The current business plan assumes the development a contingency fund. This is considered prudent given the expansion of the capital programme and the need to have funds in reserve to deal with unforeseen events. The £45 million currently in the investment fund acts as a contingency, but will be increasingly committed to both current and future phases of the housebuilding programme.
- 5.5 Reductions in HRA operating costs will have an impact on the income for services provided by the general fund. These reductions will be phased in over 5 years to mitigate any impacts and ensure they are managed in a way that does not detriment the Council's general fund budget.

Risk, policy, compliance and governance impact

- 6.1 The Housing Service faces significant risks. These are:
- **Investment in growth and improvement is unsustainable.** The enhanced investment strategy set out in the report is underpinned by the HRA Business Plan. The gap between projected income and expenditure narrows in the first 10 years of the Business Plan, with operating surpluses dropping to £0.885m in year two. 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. Capital programmes are set annually by Council, after scrutiny by the relevant committees. There is positive support from the Scottish Government for the Council's approach to expanding 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.** It is anticipated that devolution proposals will give the Scottish Government powers to continue to pay Housing Benefit directly to social landlords. This would help mitigate a significant risk to income collection. However, a number of measures have been introduced to improve the Council's support to those tenants affected by welfare reform. The Business Plan assumes a significant level of set aside to minimise the financial impact of rent arrears from current tenants and minimise the risk of disruption to the cash flow. New measures are being introduced to support teams prioritise early intervention to manage arrears and prevent tenants getting into debt.
 - **Measures introduced in the UK budget to reduce social rents would adversely affect cash flows.** The Government has required all landlords in England to reduce social rents by 1% for four years. This does not apply in Scotland. Reassurances have been given in writing from Scottish Ministers that the Scottish Government has no intention of adopting a similar policy.

- **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 Council's approach to mixed tenure management and the assistance that could be provided to owners will be carried out in 2016.
 - **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.
- 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.

Equalities impact

- 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.

Sustainability impact

- 8.1 Investing in improvements to Council homes will increase energy efficiency and lead to a reduction in carbon emissions.
- 8.2 The Council's partnership with Our Power will help ensure stable and affordable energy prices for tenants.
- 8.3 Strategic acquisitions of homes in mixed tenure blocks will allow the Council to carry out more improvements as the sole owner of the block, with a focus on investing in making homes more energy efficient.

- 8.4 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.

Consultation and engagement

- 9.1 An extensive Tenant Survey was carried out in 2013. The results of this are helping to inform future investment priorities and the shape of the housing service. Over 1,000 tenants were surveyed, with the results being reported to Health, Social Care and Housing Committee on 18 June 2013.
- 9.2 The 'Your Rent, Your Priorities' consultation for Council tenants ran between October 2013 and March 2014. The purpose of the consultation was to identify tenant priorities for investment and views on affordability post-SHQS. The outcome of the consultation informed the 2015/16 budget and five year investment programme, approved by Council in February 2015.
- 9.3 The Council set up a 'Rent Matters' working group of interested tenants to help plan, develop and deliver the 2016/17 budget including how consultation with tenants was designed. The group met six times during summer 2015 to establish how, where, when, where and what would be consulted on.
- 9.4 The group's views were sought on the investment strategy, including the prioritisation of measures to reduce tenants' cost of living and the Council's new approach to setting and benchmarking rent increases. The group showed strong support for this approach and identified a number of other measures which it believed would help reduce tenants' cost of living. These included:
- a. Providing low or no cost digital access in Council homes.
 - b. Offering tenant discount cards to help reduce the cost of everyday expenditure.
 - c. Expanding the network of community gardens and allotments managed by tenants and supporting the development of home grown food.
 - d. Offering equity loans from the HRA to homeowners in mixed tenure blocks to help pay for major improvements like over-cladding and insulation.
- 9.5 These options formed the core content of the consultation. A meeting was held jointly with Edinburgh Tenants Federation in which around 30 tenants participated. There was strong support for a new approach to prioritising investment to support tenants save money through investment in services and their homes. Feedback from this group helped to distil the consultation into eight core savings options. A detailed breakdown of the final cost saving proposals can be found in Appendix 4. A detailed breakdown of the consultation results can be found in Appendix 5.
- 9.6 The consultation took the form of an online planning tool which enabled tenants to prioritise which initiatives they thought would best contribute to reducing tenants' living costs. It also set out the number of tenants that are likely to be helped and the amount households are expected to save.

- 9.7 The consultation was 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, there was a questionnaire in the Council's newsletter, which went out to every tenant in October 2015. Additionally, interested tenants went out to local offices on rent Mondays to promote the consultation. The consultation also piloted approaches to engage better with hard to reach groups. This includes texting younger tenants links to the online survey, carrying out workshops with sheltered housing tenants and displaying posters in different languages to attract non-English speaking tenants.
- 9.8 A tenants' conference to review the HRA budget strategy was held on 24 October 2015. The conference gave tenants the opportunity to prioritise savings proposals and find out they can get more involved in scrutinising the housing service and ensuring they are getting value for money for their rents. There was broad support for the measures outlined in this report.
- 9.9 This innovative collaborative approach to consultation put tenants at the centre of its design and delivery. It ensured the options put forward through the consultation were relevant and accessible, in order to maximise responses. The consultation ran between 19 October and 30 November 2015. The consultation received 261 responses and around 200 comments on individual measures. This is a significant increase on previous years.
- 9.10 Consultation has confirmed that there is strong support for the new approach of prioritising investment to save money. Comments included:
"People are choosing food over heating and hot water."
"People struggle to afford a living on minimum wage."
"Knowing you can help us save money with certain things is a great help"
- 9.11 Over three quarters of all respondents believed that building new homes, improving the energy efficiency of homes and providing cheaper energy would have a profound impact on their living costs. A summary of tenants investment priorities are set out below.

Rank	Option	Percentage of tenants who support each option
1	More Council Homes	87%
2	Cheaper Energy	80%
3	Energy Efficient Homes	76%
4	Community Gardens	50%
5	Discount Cards	49%
6	Loans for Owners	37%

7	Energy Advice	36%
8	Cheaper Broadband	35%

- 9.12 Tenants strongly support building more Council homes, with over 87% of respondents believing it to be one the Council's core investment priorities. Comments included:

"We desperately need more council houses."

"Building energy efficient council homes should be a priority, but with sensitivity as to their location."

"It will help less affluent families and also drive down rent in the private sector."

- 9.13 Over 80% of respondents felt that reducing the unit cost of energy would have a major impact on tenants' cost of living. Comments included:

"Cheaper energy would insure that people on low budgets could afford to use energy without fear of bills being too high, in particular the elderly and infirm."

"Cost of energy is crippling, anything to reduce fuel poverty has to be good."

- 9.14 There was also strong support (76%) for investment in energy efficiency measures to make homes easier to heat. Comments included:

"As well as making homes more comfortable and cheaper to heat, it has the added benefit of being environmentally sustainable. Win-win."

"Easy investment returns and provides comfort for families and less impact on environment."

"I agree with double glazing draught proofing and new heating systems being a must for all old and new housing."

- 9.15 Half of respondents felt that community gardens, which support tenants to grow fruit and vegetables, could reduce food bills. Tenants also identified the wider social benefits to taking an active role in local community life. Comments included:

"This will do much more than save tenants money"

"Get more people involved in producing their own food and taking care and pride in the place where they live."

"Great for improving physical and mental health, as well as financial savings."

- 9.16 Almost half of respondents (49%) felt discount cards could help reduce costs; however its success would be dependent on the types of goods and services offered. It was also felt that there could be wider community benefits if local shops were involved in the scheme.

- 9.17 There was broad agreement from tenants that mixed tenure management is challenging. Around 37% of respondents felt that the provision of equity loans to support homeowners could be a way of progressing Council led improvement

schemes. However, many respondents felt that loans should only be given to those in most need. Comments included:

“Loans should only be given to owners living in the homes, it should be means tested and not offered to landlords.”

“Loans to owners should be income tested.”

“Loans to owners must be repayable.”

- 9.18 Just over a third of respondents believed that targeted energy advice, when used in conjunction with energy efficiency measures and low cost energy, could help reduce costs. Comments included:

“Cost of energy is crippling, anything to reduce fuel poverty has to be good.”

“One to one advice is always better than a one size fits all approach.”

- 9.19 Around 35% of respondents felt that access to cheaper broadband would help them save money. Comments included:

“Everyone should have access to broadband.”

“It is a part of the life these days and should not be considered as entertainment only, as people use it for job purposes too.”

“Digital services are an essential part of modern life.”

- 9.20 Those tenants who already have access to the internet would not benefit from the additional savings as they already have access to cheaper goods and services; however, they could benefit from significantly reduced service costs when compared to their current provider.

- 9.21 On 10 December 2015, the ETF rents group and the Rent Matters working group met to discuss the outcome of the consultation. The success of this year’s approach will be reviewed with the Rent Matters group in the coming months to better shape future consultations and ensure tenants continue to be actively involved in rent setting and investment planning.

- 9.22 The consultation also asked tenants to identify additional options for investment in homes and services that could reduce tenants living costs. These ideas along with the investment priorities identified through the consultation will be developed through the ongoing work of the Rent Matters group. The outcome of this work will be reported to Health, Social Care and Housing Committee later in 2016.

Background reading/external references

[Edinburgh Tenant’s Survey 2013, Health, wellbeing and Housing Committee, 18 June 2013](#)

[Housing Revenue Account Budget 2015-16, City of Edinburgh Council, 12 February 2015](#)

[Investing in Edinburgh’s Council Homes: Housing Revenue Account Capital Programme for 2015/16, City of Edinburgh Council, 16 June 2015](#)

[City Housing Strategy 2012-17 Annual Review, Health, Social Care and Housing Committee, 16 June 2015](#)

[Invest to Improve, Invest to Grow – Edinburgh Housing Revenue Account Business Plan, Health, Social care and Housing Committee, 16 June 2015](#)

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

Paul Lawrence

Executive Director of Place

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Links

Coalition pledges	<p>P30. Continue to maintain a sound financial position including long-term financial planning.</p> <p>P8. Make sure the city's people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites.</p>
Council outcomes	<p>C10. Improved health and reduced inequalities.</p> <p>C16. Well-housed – people live in a good quality home that is affordable and meets their needs in a well-managed neighbourhood</p> <p>C25. The Council has efficient and effective services that deliver on objectives.</p>
Single Outcome Agreement	<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>
Appendices	<p>Appendix 1 – Draft HRA Budget 2016/17(Draft)</p> <p>Appendix 2 – Business Planning – High Level Assumptions</p> <p>Appendix 3 – Citywide Housebuilding Programme</p> <p>Appendix 4 – Analysis of Measures to Reduce Tenant Cost of Living</p> <p>Appendix 5 - 'Invest to Save' Consultation Results</p> <p>Appendix 6 – Draft HRA Capital Investment Programme</p> <p>Appendix 7 – HRA Business Plan – Comparative Analysis</p>

Appendix 1 - Housing Revenue Account Budget 2016/17 (Draft)

Narrative	2015/16 revised budget £m	Change £m	Change %	2016/17 proposed budget £m	Notes
					1
Income					
Net rent income	92.435	1.676	2%	94.111	2
Temporary accommodation	5.092	4.500	88%	9.592	3
Other income	4.082	-0.322	-8%	3.760	4
Total income	101.609	5.854	6%	107.463	
Expenditure					
Housing Management	23.509	-1.253	-5%	22.256	5
Repairs & maintenance	18.418	-0.358	-2%	18.060	6
Debt charges	40.250	-0.871	-2%	39.379	7
Environmental maintenance	2.917	0.058	2%	2.975	8
Temporary accommodation	6.733	2.799	42%	9.532	9
Bad debt provision (set aside)	0.500	0.600	120%	1.100	10
Revenue Investment	9.282	4.879	53%	14.161	11
Total expenditure	101.609	5.854	6%	107.463	
Outturn	0.000	0.000	0%	0.000	

Notes:

- 2016/17 budget figures are based on the 2016/17 HRA Business Plan. The 2015/16 figures are based on the revised HRA budget.
- 'Net rental income' is the total rent that could be collected, minus written off former tenant arrears (0.78%) and rent loss due to empty homes (0.59%). It also takes account of the variation in housing stock numbers and a rent increase of 2.0% for 2016/17.
- This is income from Council homes that are used as managed or dispersed Temporary Accommodation. Due to continued delays in the UK Government's introduction of the Benefit Cap the impact on this income continues to be consistently less than initially anticipated. Current projections suggest there will be a limited impact in 2016/17 and as a result the projected income has been increased to £9.5 million in 2016/17.
- This includes service charges to tenants, non-housing rents and recovered costs from owner occupiers. An inflationary increase of 2.0% has been applied to all 'Other income' for 2016/17, apart from land rent which has not increased. The 8% decrease since 2015/16 is primarily due to the Council no longer receiving hostel deficit grant from Scottish Government.
- 'Housing Management' includes employee costs, central support costs and recharges, premises and other expenditure. The 5% reduction in 2016/17 is due to efficiencies in reduction in housing management costs and the reclassification of temporary accommodation management costs.

6. As a result of investing in improving the quality of homes, the number of repairs required has reduced, therefore the repairs budget has been reduced by 2% in 2016/17. This covers responsive repairs, empty property repairs and sheltered housing repairs. It has also been adjusted to take account of projected stock loss from right to buy sales, additional new homes from the 21st Century Homes programme and an uplift of 2% on costs.

7. 'Debt charges' are capital financing costs (principal repayments, interest & expenses) for HRA debt for existing stock and the planned investment programme. The 2% reduction on 2016/17 debt charges assumes that Capital Funded from Current Revenue (CFCR) will be used to offset the in year borrowing requirement against the capital investment programme.

8. 'Environmental maintenance' comprises grounds maintenance costs, including empty properties, pest control, garden aid and temporary accommodation. These are services that the Housing Service purchases from other parts of the Council. The standard 2% inflationary uplift has been applied.

9. This is the cost of temporary accommodation and core furnished tenancies to the HRA, excluding capital financing and repairs costs, which are included elsewhere in the table. The 42% increase, is presentational only. The managements cost of hostels and dispersed flats have been transferred from the General Fund to match income received into the HRA. Previously the housing management of temporary accommodation was included in overall Housing Management Costs (line 5), this has now been reclassified to match income to expenditure.

10. Rent arrears increased significantly during 2013/14. In 2014/15, additional staff resources and a rent payment advertising campaign were put in place to reduce arrears. The bad debt provision was also reduced to reflect the impact this would have on arrears. The rent arrears position stabilised throughout 2014/15, however not to the same extent as originally projected. Arrears are continuing to grow, to reflect this, the bad debt provision has been increased to £1.1m in 2016/17. This position will be kept under continuous review. Any of the provision which is not required will be used as 'revenue investment'.

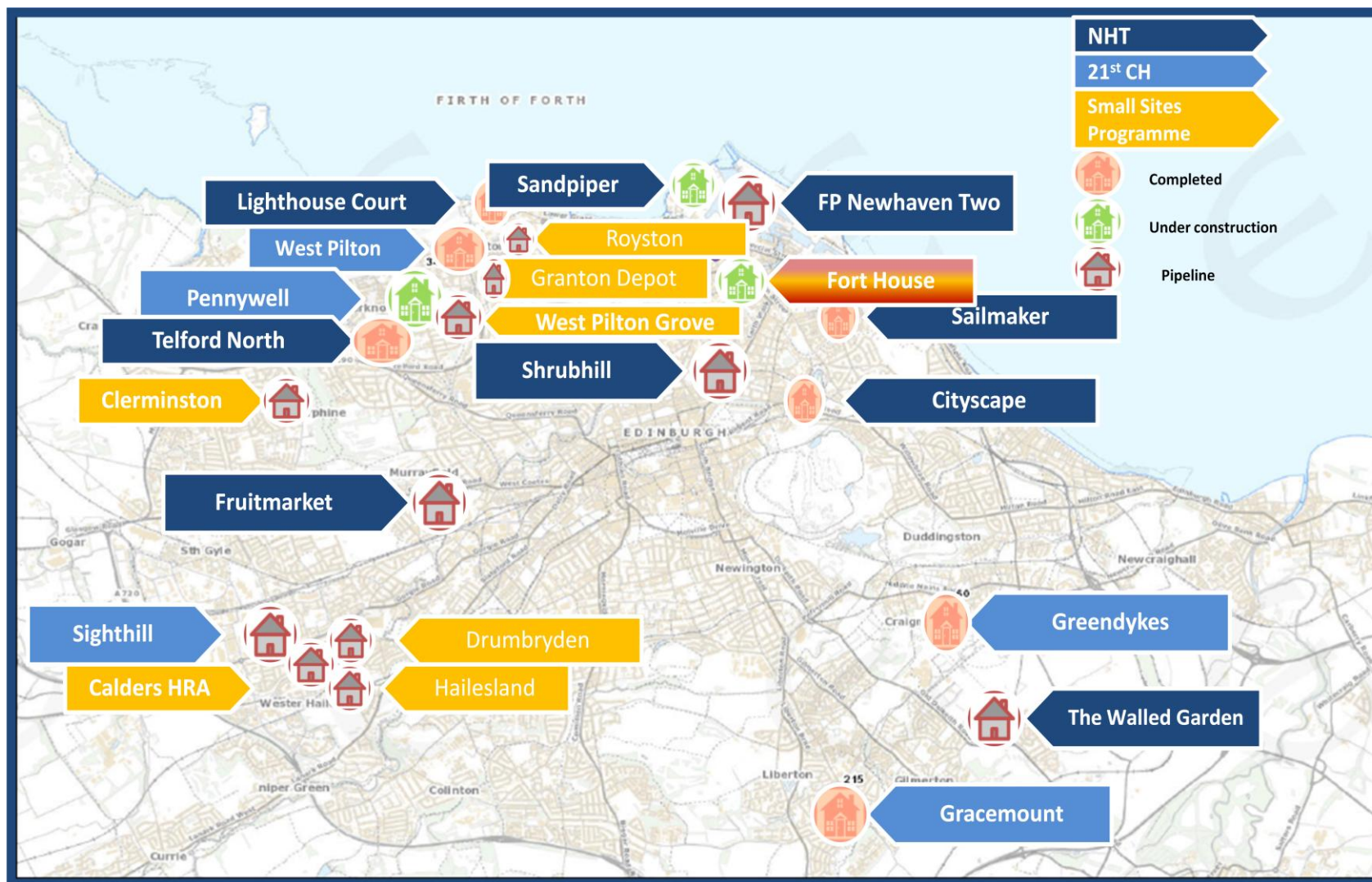
11. 'Revenue Investment' is income in excess of expenditure that is used within the same year to fund new capital investment, repay old HRA debt, maintain a working balance and support 21st Century Homes funding in this or future years.

Appendix 2 – Business Planning - High Level Assumptions

Input	2016/17	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	98.63%	Total projected rental income, minus written off former tenant arrears and rent loss due to empty homes.
Former tenant arrears write off	0.78%	This has been increased to £1.1 million in 2016/17 and 2017/18, based on 2014/15 requirements. From year three onwards it drops by £0.2 million p.a. to £0.5 million by 2020/21.
Rent lost on empty homes	0.59%	This has reduced from 0.75% in 2015/16, based on current performance.
Reduction in Housing Management and Responsive Repairs Costs	£1.120m	20% reduction in repairs costs over 5 years to bring in line with benchmarking. 10% reduction in housing management costs over 5 years.
Reduction in ICT costs	£0.544m	New Council wide ICT contract has been approved and will deliver 20% savings.
Debt level (projected for March 2016)	£379m	£368m at 31 March 2015.
Interest on debt	5.0%	Reduction of 0.1% from 2015/16.

Appendix 3 – Citywide Housebuilding Programme

Largest Council led housebuilding programme in Scotland and one of biggest in UK on 22 brownfield sites.



Appendix 4 – Analysis of Measures to Reduce Tenant Cost of Living

Since May 2015, a group of interested tenants have been working with Council officers, through the Rent Matters working group to help design, develop and deliver a citywide consultation on future investment. The consultation began on 19 October and ran for six weeks. Tenants were asked to prioritise what initiatives they thought would best contribute to reducing tenants' living costs.

The table below sets out the savings options, the estimated savings per household and the number of tenants each saving could to help in one year and over five years.

Measure	Savings per tenant per year up to:	Tenants benefiting per year:	Tenants benefiting over 5 years:
Build more Council homes which are energy efficient and have lower rents than the private sector	£1,500	400	2,000
Invest in energy efficiency measures such as triple glazing, draft proofing and new heating systems to make homes easier to heat	£750	750	3,750
Offer cheaper energy in partnership with a low cost energy supplier	£150	2,100	10,500
Carry out home visits and give one to one advice on how to save energy	£100	1,500	7,500
Offer cheaper broadband and access to digital services	£200	3,500	17,500
Offer tenant discount cards to help reduce the cost of everyday expenditure	£300	5,000	10,000
Use Council land to support tenants to grow fruit and vegetables to reduce food bills	£200	1,200	6,000
Offer loans to owners to help them pay for their share of common works, like insulation, so that tenants in those blocks benefit from improvements	£150	400	2,000

‘Invest to Save’ Consultation Results

HRA Budget Strategy 2016/17- 2020/21

December 2015

Tell us how to spend your rent to save you money

It is very important that you are involved in telling us how tenants are finding it tough as the cost of living continues to rise.

Our last Tenants Survey showed that 34% of tenants in council homes. Tenants' incomes have fallen the most over the last year and many are struggling to pay for essentials like food, heating and electricity.

We need your help to identify the best ways we can invest in our tenants money. In discussions with Tenants Panel we have identified some ways we think that may reduce your bills or increase your savings.

Please tell us how you think we should spend your rent to save you money.

[More info](#)

Start

Invest to Save Consultation 19 October – 30 November 2015

Have your say help us make your rent go further

We know tenants are finding it tough as the cost of living continues to rise. We need your help to tell us the best ways we can invest in our tenants money.

015

Planned by 'Rent Matters' working group – met six times between May and November

✓ You have picked your top 4 options

Household savings each year

Offer cheaper energy in partnership with...
Give one to one advice on how to save energy

More Council Homes

Energy Efficient Homes

Cheaper Energy

Energy Advice

Discount Cards

Cheaper Broadband

Community Gardens

Loans for Owners

Please pick your top 4 savings options (2 chosen so far)

Household savings each year

£450

No

Build more Council homes which are energy efficient and have lower rents than the private sector

What do you think about this savings option?

Do you think this could save you money?

Address

Phone or



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You can get this document in other 40+ languages. Please email us at language.support@edinburgh.gov.uk or call 0131 552 2244. We will also offer free telephone translation services. For more information on our services, please visit www.edinburgh.gov.uk

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How should we spend your rent to save you money?



Council Tenants [have your say](#) by 30 November 2015



Workshops:

- * Tenants Conference
- * Sheltered housing
- * ETF Executive

Texting:

- * Young Tenants

Stalls:

- * North
- * Leith Library
- * South
- * South West
- * ETF parliamentary reception

Social Media:

- * Weekly twitter
- * Weekly facebook
- * Targeted tweets @ community groups



Posters:

- * Neighbourhoods
- * Libraries
- * Concierge offices
- * Community Hubs
- * In Polish
- * Plasma Screens

Emails:

- * Footers – all staff
- * Tenants Panel
- * Community Councils & groups

Articles :

- * Tenants Courier
- * Tenants Voice

Total Responses

262

Total Comments

191

Consultation by numbers

900

Postcards



62

Responses

19,300

Tenants Couriers



61

Responses

350

Posters

250

Emails



6

Email Responses

160

Text Messages

20

Social media posts

86

Online Responses

6

Stalls

3

ETF meetings

2

Workshops

1

Tenants Conference



47

Responses

56%

Female

39%

Male

5%

Preferred not to say

7%

Under 25

26%

26 - 40

50%

41 - 60

17%

Over 61

91%

English/Welsh/
/Northern Irish
Scottish/British

7%

Other White

2%

African








Tenant Priorities

Rank	Option	Proportion
1	More Council Homes	87%
2	Cheaper Energy	80%
3	Energy Efficient Homes	76%
4	Community Gardens	50%
5	Discount Cards	49%
6	Loans for Owners	37%
7	Energy Advice	36%
8	Cheaper Broadband	35%

87%




Build more Council homes which are energy efficient and have lower rents than the private sector



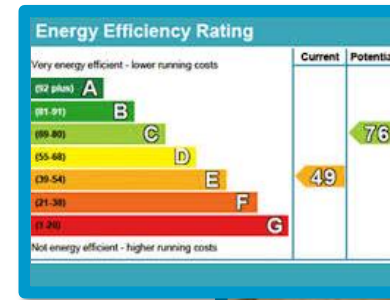
-  ***“This should be the top priority.”***
-  ***“More council homes need to be built. Waiting times are ridiculous.”***
-  ***“Definitely a good idea, but not using the green belt of Edinburgh.”***
-  ***“It is important to build the right size of home.”***
-  ***“Build more homes so people don't have to private rent.”***
-  ***“Building energy efficient council homes should be a priority, but with sensitivity as to their location.”***
-  ***“It will help less affluent families and also drive down rent in the private sector.”***





80% Offer cheaper energy in partnership with a low cost energy supplier



-  ***“Cheaper energy would insure that people on low budgets could afford to use energy without fear of bills being too high, in particular the elderly and infirm.”***
-  ***“...this is only really efficient when other savings from better insulation and better knowledge have been accepted and implemented.”***
-  ***“Cost of energy is crippling, anything to reduce fuel poverty has to be good.”***

76% Invest in energy efficiency measures such as triple glazing, draft proofing & new heating systems to make homes easier to heat



-  *“As well as making homes more comfortable and cheaper to heat, it has the added benefit of being environmentally sustainable. Win-win.”*
-  *“Easy investment returns and provides comfort for families and less impact on environment.”*
-  *“I agree with double glazing draught proofing and new heating systems being a must for all old and new housing.”*
-  *“Only if work is carried out properly without much maintenance required and it will work to save the poorly paid tenants money.”*


50% Use Council land to support tenants to grow fruit and vegetables to reduce food bills



 *“For tenants without gardens this would be a good thing!”*

 *“This will do much more than save tenants money.”*

 *“Get more people involved in producing their own food and taking care and pride in the place where they live.”*

 *“Allotments are a good idea but they shouldn’t be too close to houses as it could feel like an invasion of privacy.”*






 *“Have communal meals to break down isolation and foster community.”*

 *“Classes for those who have never grown before.”*

 *“Great for improving physical and mental health as well as financial savings.”*

49% Offer tenant discount cards to help reduce the cost of everyday expenditure



-  *"As long as it was for tenants who were not in [rent] arrears."*
-  *"As long as discounts could be used in affordable shops."*
-  ***"Would help local shops stay open."***
-  ***"This is a good idea if it is for food and toiletries."***
-  *"They would need to be giving at least 10% off to make them worthwhile."*

37% Offer loans to owners to help them pay for their share of common works, like insulation, so that tenants in those blocks benefit from improvements



“Loans should only be given to owners living in the homes, it should be means tested and not offered to landlords.”



“Loans to owners should be income tested.”



“Give home owners incentives and advice on how to repair common stairs.”



“No. If they own a house the upkeep of it is part and parcel.”









“The Council saying the upstairs house is privately owned is no excuse for lack of service.”



“Loans to owners must be repayable.”

36% Carry out home visits and give one to one advice on how to save energy



-  ***“One to one advice is always better than a one size fits all approach.”***
-  ***“It is a good idea, but it shouldn't be done via door knocking, it should be by referral - maybe through housing officers.”***
-  ***“More labour intensive perhaps but with long-term dividends.”***
-  ***“It isn't guaranteed people will take the advice.”***
-  ***“We had this and at the end of the day still could not afford to be warm.”***
-  ***“Its not about advice, its about the cost of heating.”***

35% Offer cheaper broadband and access to digital services



“Everyone should have access to broadband.”



“It is a part of the life these days and should not be considered as entertainment only, as people use it for job purposes too.”



“Digital services are an essential part of modern life,”



“In 20 years time perhaps.”



“Broadband is good, as you waste so much money on paying for a landline you don't need.”

Less subcontracting

Build more shops

A handyman scheme

Reduce the number of managers

A grass cutting service

Solar panels & wind turbines

Carry out annual inspections

Evening repairs appointments

Make stair cleaning a standard service

Reward tenants who pay their rent

Help to grow vegetables in tenants gardens - growing boxes, soil starter kits & classes

Offer incentives to people who are lowering their carbon footprint

Make rent statements electronic & available online

Help with decoration after improvements

More computers in community buildings where people can get online and get help when needed.

Rent out garages



Other Tenant Proposals







Jobs for tenants

Keeping Rents Affordable

<5%

Respondents in
favour of not
increasing rents

2%
rent increase = **£1.85** **or** **£96.51**
(a week) **(a year)**

-  *“The rent should not be increased in the next year as it is getting impossible to pay bills, especially for a single person working full time on a minimum wage.”*
-  *“No extra services, keep the rents down instead.”*
-  *“My rent has risen a lot in recent years. What's the point of triple glazing if I can't afford my rent and end up homeless? Keep rents affordable. If that means no new kitchens then so be it!”*
-  *“Offer no broadband, discount cards, allotments or loans and keep next year's rent rise down to a minimum.”*
-  *“The Council should consider affordability for those who pay full or partial rent.”*
-  *“Keep Council rents low so people can afford them. Then people on low pensions or income will not be able to pay for heating and food.”*

Five year budget strategy

Based on tenant priorities

- £ 80 million Additional investment in building Council homes

- £ 60 million Investment in making homes more energy efficient (*including new heating systems, new windows and door and insulation*).

- Partnership with **Our Power** to deliver low cost energy.

- Work with tenants to develop proposals for:**

 - Expanding the range of partners and suppliers supporting the tenant discount card.*

 - Expanding the network of tenant allotments and community gardens developed on HRA land.*

 - Providing digital services at no or little cost to tenants.*

 - Offering loans to home owners to progress mixed tenure improvements.*

Next Steps

- **14 January 2016** – Finance and Resources Committee scrutinises the financial detail.
- **21 January 2016** - Council agrees budget in light of tenants consultation, what the Committees say and officer advice.
- **February 2016** – Meet to review consultation process and lessons learned.
- **February 2016** – Work with tenants to develop money saving proposals identified through the consultation.
- **May 2016** – Set up affordability workshop with tenants who don't get help to pay their rent.
- **June 2016** – Begin planning 2017/18 rent consultation.

Appendix 6 – Draft HRA Capital Investment Programme

The 2016/17 Draft Budget and Business Plan are based on the assumptions set out in Appendix 2. Below is the outline draft Capital Investment Programme, which is based on tenant priorities, service performance and statutory investment requirements. The funding strategy may be revised through the year as officers seek to make the best use of any existing and new resources and use the most appropriate funding to generate the best return to the HRA.

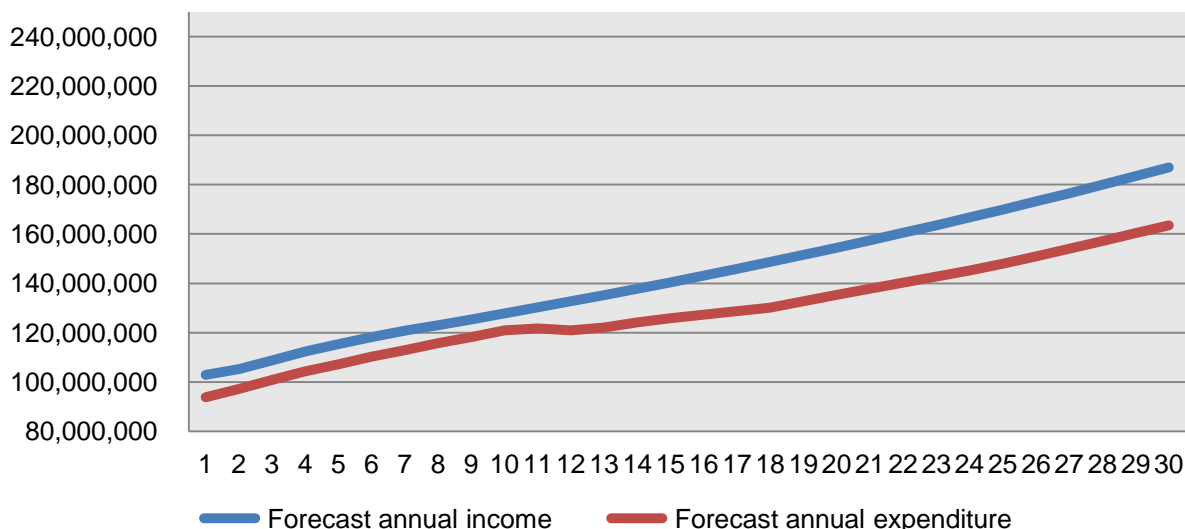
Programme Heading	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£million	£million	£million	£million	£million	
<u>HRA Core programme</u>						
Housing Investment	31.000	31.000	30.000	29.000	26.500	147.500
Neighbourhood Environmental Investment	2.000	2.000	2.000	2.000	2.000	10.000
Community Care	1.550	1.550	1.550	1.550	1.550	7.750
Regeneration	1.000	0.000	0.000	0.000	0.000	1.000
Capital Salaries & CHS	2.700	2.700	2.700	2.700	2.700	13.500
Sub Total	38.250	37.250	36.250	35.250	32.750	179.750
<u>21st Century Homes</u>						
21st Century Homes Investment (current)	10.258	28.128	26.920	23.214	12.942	101.464
21st Century Homes Investment (future)	0.000	0.330	13.330	26.330	39.330	79.320
Total	48.508	65.708	76.500	84.794	85.022	360.534
Funding Source	£ million	£ million	£ million	£ million	£ million	Total
<u>HRA core programme</u>						
Prudential Borrowing	(22.884)	(24.648)	(25.545)	(27.622)	(25.122)	(125.820)
CFCR	(10.256)	(9.231)	(8.205)	(5.128)	(5.128)	(37.949)
Receipts from Council House Sales	(1.739)	(0.000)	(0.000)	(0.000)	(0.000)	(1.739)
Receipts from other HRA assets (Acquisitions, disposals & Land etc.)	(1.750)	(1.750)	(1.750)	(1.750)	(1.750)	(8.750)
Capital Receipts and other income	(1.621)	(1.621)	(0.750)	(0.750)	(0.750)	(5.492)
Sub Total	(38.250)	(37.250)	(36.250)	(35.250)	(32.750)	(179.750)
<u>21st Century Homes</u>						
CFCR and Reserves	(7.193)	(16.160)	(20.018)	(16.625)	(6.325)	(66.320)
Prudential Borrowing	(0.146)	(6.281)	(16.932)	(28.869)	(40.104)	(92.332)
Developers contributions	(2.183)	(1.279)	(0.954)	(0.190)	(0.469)	(5.075)
Scottish Government Subsidy	(0.736)	(4.738)	(2.346)	(3.861)	(5.376)	(17.057)
Sub Total	(10.258)	(28.458)	(40.250)	(49.544)	(52.273)	(180.784)
Total	(48.508)	(65.708)	(76.500)	(84.794)	(85.023)	(360.534)

Appendix 7 – HRA Business Plan – Comparative Analysis

This Appendix sets out the impact of delivering a new, more ambitious, investment strategy over the next 30 years by building on the success of the current HRA investment programme. The strategy seeks to deliver an enhanced investment programme which focuses on building more affordable homes and reducing tenants' cost of living.

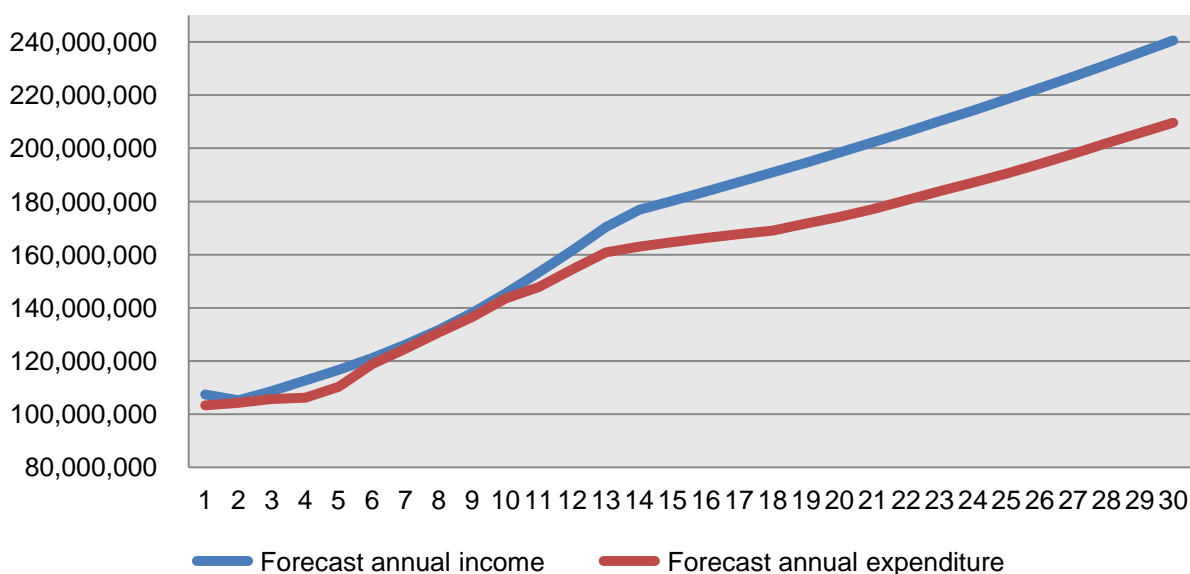
The business plan assumes a 2% annual rent increase in line with inflationary assumptions and below Scottish average local authority increases.

Current Strategy: Income vs Expenditure



The current five year investment programme and 2% annual rent increase is a low risk strategy. There is scope to enhance the investment strategy and deliver an ambitious programme that puts tenants' welfare at the centre of investment and delivery.

Enhanced Strategy: Income vs Expenditure



In order to deliver the enhanced strategy income and expenditure in the HRA business plan will be more closely aligned. This is most visible in the first 10 years due to a significant increase in the Council housebuilding, which aims to deliver an additional 5,000 homes over the next 10 years. Debt repayment is also at its most expensive in the first 10 years.

While the HRA does not go into deficit throughout the 30 year business plan, the risk of this happening is much greater over the next 10 years. Operating surpluses drop to their lowest at £0.885 million in 2017/18. In order to keep the HRA out of deficit operating surpluses will be invested “in year” to reduce borrowing costs. The business plan also assumes the successful implementation of cost saving measures including a 10% reduction in housing management and a 20% reduction in repairs and ICT costs, as well as, an increase in income through the acceleration of the Council’s acquisitions and disposals asset consolidation strategy. Savings through procurement in the core capital investment programme also see costs reducing, whilst output remains high.

Throughout the 30 years the Business Plan maintains a prudent contingency to be able to deal with any significant drop in income or increase in expenditure.