

The City of Edinburgh Council

10.00am, Thursday 9 February 2017

Housing Revenue Account – Budget Strategy 2017 – 22 – referral report from the Finance and Resources Committee

Item number 4.1(d)
Report number
Executive/routine
Wards

Executive Summary

On the 19 January 2017 the Finance and Resources Committee considered a report that proposed a Housing Revenue Account (HRA) budget for 2017/18 to accelerate delivery of the strategy agreed by Council at its meeting on 21 January 2016. The report has been referred to The City of Edinburgh Council's budget meeting on 9 February 2017 for approval of the HRA Budget, draft five year capital programme and rent levels for 2017/18.

Links

Coalition Pledges	See attached report
Council Priorities	See attached report
Single Outcome Agreement	See attached report

Terms of Referral

Housing Revenue Account – Budget Strategy 2017-22

Terms of Referral

- 1.1 The Housing Revenue Account (HRA) set out the income and expenditure on services to Council tenants. Its Investment Strategy set out improvements to tenants' homes, services and neighbourhoods. The HRA was self-funding, with around 92% of its income coming 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.
- 1.2 Analysis showed that many Council and Housing Association tenants were facing significant hardship. Since 2008 the incomes of the bottom two deciles had reduced by almost one third in Edinburgh (in comparison, those of the highest earning deciles had increased by around 2%). At the same time, housing costs in the private market had continued to rise. Average private rents were now around £1,000 per month in the city and were the highest by a significant margin of any city in Scotland. Average private rents were double the amount of Council rents in Edinburgh.
- 1.3 These factors combined with insecure temporary employment, the regular application of sanctions in the benefit system and increasing household expenses were making life extremely difficult for the Council's tenants. In response to this, the report proposed further measures to strengthen the approach to reduce the cost of living for tenants agreed by Council last year.
- 1.4 The Finance and Resources Committee agreed:
 - 1.4.1 To refer the 2017/18 Housing Revenue Account (HRA) budget, draft five year capital programme and the rent levels for 2017/18 set out in Appendices 1 and 4 of the report to the Council budget meeting on 9 February 2017 for approval.
 - 1.4.2 To note the progress being made on delivery of Council commitments to tenants, particularly in the construction of new affordable and low cost homes and the acceleration of replacement heating systems.
 - 1.4.3 To approve the approach of securing a robust pipeline of development projects to accelerate further the construction of affordable and low cost market housing.
 - 1.4.4 To approve the development of a Housing Service apprenticeship programme and other measures outlined in the report to support tenants and their children secure employment.

For Decision/Action

- 2.1 The City of Edinburgh Council is asked to approve the 2017/18 Housing Revenue Account (HRA) budget, draft five year capital programme and the rent levels for 2017/18 set out in Appendices 1 and 4 of the report.

Background reading/external references

Minute of the Finance and Resources Committee, 19 January 2017

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Links

Coalition Pledges	See attached report
Council Priorities	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Finance and Resources Committee

10.00am, Thursday, 19 January 2017

Housing Revenue Account - Budget Strategy 2017-22

Item number	7.8
Report number	
Executive/routine	Executive
Wards	All

Executive Summary

This report proposes a Housing Revenue Account (HRA) budget for 2017/18 to accelerate the delivery of the strategy agreed by Council at its meeting on [21 January 2016](#). The two aims of the strategy are to expand and accelerate the Council's affordable and low cost house-building programme and, secondly, to prioritise investment in services that reduce the cost of living for tenants.

This report notes the economic and social hardship experienced by many of our customers and seeks to build on the strategy agreed by Council. The report proposes further measures to improve the quality of life for current and future tenants. These include:

- Measures to secure a robust pipeline of development projects to deliver, with partners, 16,000 affordable and low cost market homes over the next ten years, of which half are Council led. The strategy aims to deliver at least 8,000 homes by 2021/22.
- Further acceleration of replacement heating programmes and insulation measures to directly reduce the cost of living to tenants.
- Introduction of measures to help increase tenants' income by supporting them into employment, as identified as part of the 2017/18 budget consultation exercise.

Consultation with tenants shows high levels of overall satisfaction with the Housing Service, including value for money and support for the strategy set out in this report.

Links

Coalition Pledges	P8 P30
Council Priorities	CP2 CP10
Single Outcome Agreement	SO2 SO4

Housing Revenue Account - Budget Strategy 2017–22

1. Recommendations

It is recommended that Finance and Resources Committee:

- 1.1 Agrees to refer the 2017/18 budget, draft five year capital programme, and the rent levels for 2017/18 set out in Appendices 1 and 4 to the Council budget meeting for approval.
- 1.2 Notes the progress being made on delivery of Council commitments to tenants, particularly in the construction of new affordable and low cost homes and the acceleration of replacement heating systems.
- 1.3 Approves the approach of securing a robust pipeline of development projects to accelerate further the construction of affordable and low cost market housing.
- 1.4 Approves the development of a Housing Service apprenticeship programme and other measures outlined in the report, to support tenants and their children secure employment.

2. Background

- 2.1 On [21 January 2016](#), the Council approved the five year Housing Revenue Account Budget Strategy. The strategy set out to significantly expand the Council's house-building programme to 8,000 new homes and prioritise investment in tenants' homes to reduce the cost of living. The strategy was informed by an extensive consultation with tenants which took place in 2015.
- 2.2 Delivery in 2016/17 has been strong. The city's main developing housing associations have since matched the Council's house-building target. This partnership has agreed to deliver 16,000 new affordable and low cost homes over the next ten years, making it one of the largest Council led house-building programmes in the UK.
- 2.3 Following consultation with housing associations both Health, Social Care and Housing Committee and the Integration Joint Board of the Health and Social Care Partnership have agreed that at least 3,000 of those 16,000 homes will be built to increase capacity for better integrated housing and care services for older people and people with complex health problems.
- 2.4 In light of that commitment Council and housing association house building programmes have been reviewed and a new Strategic Housing Investment Plan

(SHIP) was approved by Committee on [15 November 2016](#). The SHIP sets out the delivery programme over the next five years and shows a 50% increase in the number of homes to be delivered to 6,000 homes. There are currently around 4,000 affordable and low cost homes under construction by the Council and housing associations on almost 70 sites across the city.

- 2.5 On 17 September 2015, Council approved the creation of an arms length market housing company with the Scottish Futures Trust (SFT). Negotiations with Scottish Government officials have been positive and there is strong interest in this new and innovative approach to accelerating house-building. In return for wider powers to invest in these measures and wider financial support for the housing strategy Scottish Government needs reassurance that the delivery pipeline of housing projects is robust. Measures to improve delivery are outlined later in the report.
- 2.6 Progress on measures to reduce tenants' cost of living has also been strong. The heating replacement programme has accelerated delivery by 40% and the kitchen and bathroom programme by 50% on 2015/16 levels. New initiatives, identified through the 2016/17 budget consultation, such as the tenants discount card and new, lower cost energy suppliers, have been introduced and will, along with the food growing programme and energy advice services be further expanded in 2017/18.
- 2.7 On [13 September 2016](#), Health Social Care and Housing Committee approved the 2017/18 budget strategy and agreed to further consultation with tenants on the timeline for delivery and rent options. It also noted the hardship faced by many tenants and the impact of the shortage of affordable homes in the city for those on low to moderate incomes. Committee supported the approach of continued investment in measures and services to reduce tenants' living costs and agreed that the consultation should also seek to identify what else could be done to help tenants on low incomes.
- 2.8 In 2016, like many other areas of the Council, the Housing Service has undergone a transformational change process, adopting a new service model. The twin objectives of increasing efficiency and delivering better integrated local services have driven this transition and the service is now moving to a patch based model. There are around 100 patches across Localities, with an average of 200 tenants per patch. Each patch will have a dedicated housing officer. This model of working has been heavily shaped by feedback from customers and other local residents
- 2.9 Tenant satisfaction is consistently high with satisfaction on the overall Housing Service and quality of homes amongst the top three local authorities in Scotland. Satisfaction with the quality of communication between the Housing Service and its tenants has improved significantly and now has the highest satisfaction rate amongst all local authority landlords. There have also been increased in satisfaction with opportunities to participate in decision making and with the repairs and maintenance service. In addition to these measures there is an extensive programme of tenant inspections and surveys, alongside the Council's own audit processes, that ensure that any areas of concern with the service can be identified and measures put in place to address any problems.

3. Main report

- 3.1 The HRA sets out the income and expenditure on services to Council tenants. Its investment strategy sets out improvements to tenants' homes, services 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.
- 3.2 Each year Council approves 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.

Challenges – Our customers

- 3.3 Analysis shows that many Council and Housing Association tenants are facing significant hardship. Since 2008 the incomes of the bottom two deciles have reduced by almost one third in Edinburgh (in comparison those of the highest earning deciles have increased by around 2%).
- 3.4 At the same time housing costs in the private market have continued to rise. Average private rents are now around £1,000 a month in the city and are the highest by a significant margin of any city in Scotland. Average private rents are double Council rents in Edinburgh.
- 3.5 Despite the very high levels of demand for affordable and low cost homes the private market is not responding with an acceleration of house building at prices people can afford. A UK study found that more than 70% of those in lowest incomes in the private rented sector are spending more than a third of their net income on housing costs. Growth in house building remains sluggish as the barriers for first time buyer home ownership are becoming insurmountable.
- 3.6 Falling incomes and rising housing costs in the private market are the main drivers of economic inequality in the city. Most predictions this year suggest that continued downward pressure on wages, upward pressure on inflation and economic uncertainty will have the greatest impact on those already worst affected.
- 3.7 These factors combined with insecure temporary employment, the regular application of sanctions in the benefit system and increasing household expenses are making life extremely difficult for our tenants. In response to this, the report proposes further measures to strengthen the approach to reduce the cost of living for tenants agreed by Council last year.

Challenges – Our homes

- 3.8 For many years asset management of Council homes has been led by two principle drivers. These are that Council homes should meet statutory compliance standards and that replacements should be made at the end of manufacturers' life cycles.
- 3.9 While these factors are important objectives in any asset strategy they can be limiting. The current approach cannot be easily adapted to respond to the changing needs and expectations of residents. In addition it does not consider the total estate, which means it is unable to maximise added benefits to residents of carrying

out complimentary improvements at the same time, such as replacing windows and upgrading heating systems. A more holistic flexible approach needs to be developed to meet modern aspirations while continuing to deliver value to the Council.

- 3.10 The new asset management strategy also needs to address the fact that more than half the homes in flatted blocks have been sold. Most blocks are now in mixed ownership; including the Council, private landlords and homeowners. This tenure mix can be extremely challenging when trying to proceed with essential common repairs, let alone significant enhancement and improvements. Committee has already been advised that options for a new approach to asset management will be developed and reported to committee in 2017.

Challenges – Our staff

- 3.11 Frontline housing staff are meeting tenants every day. These continuous interactions help to build a more accurate picture of the significant challenges facing many tenants. Staff report frustrations at their inability to react in a timely and practical way help to tenants in times of crisis. A review of cases and research into other exemplar landlords has identified options to assist in these circumstances. The Wheatley Group, for example, have granted housing officers discretion to respond to those in exceptional need.
- 3.12 This report proposes taking forward a similar scheme on a pilot basis in 2017/18 with a view to rolling that out in 2018/19. Detailed proposals will be taken to the Health, Social Care and Housing Committee later in 2017.

Meeting the challenges

- 3.13 In January 2016 Council approved a £1 billion investment programme that aims to reduce living costs for tenants by up to £1,500 each year and substantially increase the number of new homes built in the city. Further consultation with tenants in 2016 has bolstered support for the plan and identified other areas for innovation and improvement.
- 3.14 The budget strategy has three core delivery strands:
- **Increased supply** –Radical acceleration of the Council led house-building programme to deliver 8,000 new homes over the next ten years, for people on low to moderate incomes; including homes integrated with health and social care services to deliver better outcomes for those with enhanced health and support needs.
 - **Improvement** - Investment in improving the condition of homes and neighbourhoods, including security and modern facilities, delivered by a transformed and integrated Housing Service.
 - **Innovation** - Policies and services to eradicate inequality and financial hardship, developed in collaboration with tenants and community groups to have the greatest positive impact on their cost of living.

- 3.15 Consultation on the 2017/18 budget and five year strategy ran between 10 October and 30 November 2016, receiving 334 responses and 284 individual comments, a 27% increase on the previous year. Tenants were asked what they thought of the plan, what else was affecting their living costs and whether they wanted the current plan to be delivered over the next five years, to speed up improvements or slow them down. There was overwhelming support for the plan, with over 80% of tenants who responded saying that they supported the current plan and/or agreed that the delivery of these new services should be speeded up over the next five years at a minimum 2% rent increase.

Increased supply

- 3.16 Building new homes remains the top priority for tenants. The Council's investment strategy is 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.
- 3.17 The 21st Century Homes programme has around 1,800 quality, new energy efficient homes completed, under construction or in procurement. A further 660 homes are at the detailed design stage. The proposed 2017/18 housing development budget is £31.7 million, with an additional £10.5 million for the acquisition of sites for future development. This 400% increase on 2016/17 expenditure will enable the construction of 213 homes at Pennywell and Leith Fort and 654 site starts at North Sighthill, Greendykes and seven small sites across the city.
- 3.18 The SHIP, approved at Health Social Care and Housing Committee in November 2016, identified an approval pipeline of 5,700 affordable homes and 5,921 potential completions by 2021/22. In addition to this mid market homes delivered through 21st Century homes and National Housing Trust Phase 3 brings the wider affordable housing development pipeline programme up to 8,000 homes by 2020/21, assuming acquisition of sites for affordable housing development. The city wide affordable house building programme is set out in Appendix 3.
- 3.19 It is essential that the Council and other public sector land owners make land available for the accelerated development of low cost and affordable homes. Strategic partnerships need to be established with public sector landowners to ensure the longer-term objectives of positive, sustainable growth are prioritised over short-term capital returns. There are ongoing negotiations with public sector partners to identify further sites for house building and the quick release of land for other public services. A Regional Land and Property Commission proposal is under development as part of the city deal. This responds to the challenge of securing sites for development of affordable housing.
- 3.20 The significant investment in house building also provides an opportunity to strengthen joint working between housing and health and social care partners to develop homes and integrate services in a more planned and strategic way. A Housing, Health and Social Care forum will be set up early next year and will report to the Integration Joint Board.

- 3.21 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. Two Limited Liability Partnerships will be set up in early 2017: one for market rent and one for affordable, mid-market rent. The pipeline and acquisitions strategy for Edinburgh Homes is twofold. Edinburgh Homes LLPs could enter into partnerships with private sector house builders and developers as an end purchaser of homes and the Council could develop new homes for the Edinburgh Homes LLPs. It is anticipated that Edinburgh Homes will accelerate the delivery of more than 2,000 homes for people on low to moderate incomes.
- 3.22 In relation to HRA sites, 21st Century Homes will act as the Council's developer; securing the construction of homes and delivery of placemaking and regeneration objectives. Social rented homes developed on these sites will be retained by the Council, with mid market and market rent homes sold to the LLP. The first homes are expected to be acquired by the LLP in early 2018.

Improvement

- 3.23 The five year capital investment plan (as set out in appendix 4) includes £180 million investment in current homes and neighbourhoods. This includes the commitment that by 2020 no home will have a kitchen and bathroom over 20 years old and all homes will meet the Energy Efficiency Standard for Social Housing (EESH).
- 3.24 The cost of energy continues to be a major concern for many tenants. Significant acceleration of the heating replacement programme has taken place this year with output projected to deliver more than 1,700 new efficient heating systems for tenants, over 40% more than the 1,234 target at the start of the year. This targeted investment in improving the energy efficiency of homes will continue at pace in 2017/18. The Council has also set a target to ensure that, where possible, Council homes will be brought up to a minimum Energy Performance Certificate of C, which will significantly exceed EESH targets and ensure more Council homes than ever before are energy efficient and affordable to heat.
- 3.25 As well as improving existing homes, all new homes will be built to the Silver Standard and will incorporate solar PV into their design, maximising the benefits of renewable energy generation for tenants. The Housing Service will also continue to work with Scottish Government to maximise funding to improve the energy efficiency of homes across the city. As a result of these initiatives almost 2,100 private and social homes receive investment of £3.75 million to improve their energy efficiency in 2016.
- 3.26 The Council has also partnered with Our Power, a new not-for-profit member owned energy company to provide low cost energy. Council homes are now being switched to Our Power when they become empty and current tenants are also now able to switch. Those who have made the change have already commented on lower fuel bills and the excellent customer service.
- 3.27 In addition the Housing Service has partnered with Tower Power, a new community service company that is developing a new model for communities to collectively

bulk buy their energy. Through smart connected metering, and with the potential to install renewable energy generation, the project will help tenants in Dumbiedykes to reduce their fuel bills in 2017/18.

- 3.28 A new Asset Management strategy is currently under development that proposes a fundamental shift to include a wider locality approach. Mixed tenure management continues to be an issue, with a number of home owners in these blocks on low incomes, with little capital or savings to pay for common improvements. The last tenants' survey showed that 69% of tenants felt that it was appropriate for the Housing Service to carry out common repairs and then claim the money back from owners, even if the total cost cannot be reclaimed.
- 3.29 The strategy must balance meeting the needs and aspirations of residents, being flexible enough to respond to shifting priorities, whilst continuing to deliver value for money. It is therefore proposed that different approaches to mixed tenure management be piloted in 2017/18 to help inform the further development of the asset management strategy. These could include:
- Use of Council HRA account to fund mixed tenure works to allow projects to be progressed expeditiously.
 - Exploring the options of providing loans to private owners over extended repayment periods to provide owners with support and allow projects to be progressed expeditiously.
- 3.30 A report on the Asset Management strategy and a proposal for a mixed tenure pilot will be brought back to Health, Social Care and Housing Committee later in 2017.
- 3.31 The Neighbourhood Environment Programme will also form part of this wider locality planning approach. Tenant led investment has always been an essential and integral part of this process. Tenants and residents will be involved in planning projects that fit into wider locality regeneration, whilst still developing smaller stand alone projects.
- 3.32 Improving the safety and security of homes and neighbourhoods is essential in developing thriving localities. The Housing Service is currently reviewing the provision of its CCTV cameras. It is proposing to upgrade existing CCTV with HDTV ready cameras that can be networked to a central location. Monitors will still be retained in local community hubs, whilst introducing an element of flexibility, as concierges will no longer be solely responsible for monitoring, freeing them up to be more actively involved in wider estate management and customer service. The project will also seek to expand the network to areas of greatest need and develop a process that will allow for the responsive deployment of CCTV in locality 'hot spots'. These will be identified and initiated through the localities as needs emerge.
- 3.33 Committee approved the Housing Service Transformation plan in November 2015. Since then, the Housing Service has redesigned its delivery model. Investing in frontline services and staff development will be essential as the Housing Service seeks to maintain its high levels of customer service. This personal service also provides unique opportunities for enhanced customer engagement. A regular

programme of market research will also be developed with the aim of developing a culture of scrutiny strongly connected to performance management.

- 3.34 The Housing Service will also explore initiatives such as Glasgow Housing Association's 'Think Yes' policy, which empowers staff to facilitate personalised solutions for customers where they identify an immediate need. By having access to a local budget, staff are able to use their initiative and professional judgement to resolve customer issues "on the spot".
- 3.35 Technology will also be key in effective patch working. The new Housing Officer role will see staff working in their patch for the majority of the day. Work is underway with CGI, the Council's ICT provider, to source the right devices and ensure the right infrastructure is in place to support this.

Innovation

- 3.36 The 2016/17 budget consultation identified the introduction of three new services (broadband, discount scheme and energy advice) and the expansion of community garden network to help reduce tenants' cost of living. Proposals for the procurement of an energy advice service and the expansion of the discount scheme and the community gardens network will be taken back to Health, Social Care and Committee in 2017.
- 3.37 A pilot project to supply high speed broadband to around 1,000 Council Tenants is current under development in partnership with CGI. The pilot will be carried out in two areas in the city in 2017/18. The areas have been selected based on housing mix and the high proportion of Council homes. The pilot will be used to establish the appropriate infrastructure, devices and training to ensure tenants can maximise the benefits of getting online. Following a period of monitoring and review, a detailed business case will be developed for consideration at Committee on the phased roll out across all Council homes.
- 3.38 The 2017/18 consultation asked tenants to confirm they were happy with the current investment plan, it also asked if there was anything else that could be done to help improve their quality of life. One of the emerging themes was employment.
- 3.39 The Housing Service employs over 600 staff, with an average annual turn over of 7%. There is a unique opportunity to get tenants into work through targeted advertising of Council jobs through a variety of engagement channels. Furthermore, these engagement channels can be utilised to inform new tenants and homeless households of wider employability, jobs and training services.
- 3.40 It is however recognised that many tenants will not be 'job ready' and face multiple barriers to gaining employment. Early intervention support from Edinburgh's network of employability providers, linking into the citywide employability hubs and collaboration with the Council's Economic Development service can help remove barriers to employment and provide tenants with access to employment support services.

- 3.41 There are currently many work shadowing placements and apprenticeships across the Council. The 2017/18 budget includes funding for 12 new Modern Apprenticeships that will be promoted to tenants.
- 3.42 There is a further opportunity to align existing employability programmes to the wider housing investment programme. Edinburgh has a highly skilled workforce, but skill gaps remain in key sectors, including the construction sector. Over a third of employers with vacancies report difficulties in finding appropriately skilled applicants. The scale of the new build and investment programmes anticipated in Edinburgh means that these shortages are likely to be a key issue facing the cost and pace of housing delivery. In response to this challenge, a Construction and Housing Skills Supply group has recently been established to develop a response to the projected skills shortage.

Funding the strategy

- 3.43 To implement the strategy outlined above, the HRA would need to invest up to £530 million over the next five years. Maximising investment in current and new homes and delivering new services, means income and expenditure is more closely aligned. This is most visible in years ten to 12 due to the significant investment in the new house building programme and an increase in debt repayment due to historic debt coming to term. Approximately £2.3 million is required from the housing investment fund to ensure the HRA does not go into deficit in these years. Appendix 7 shows the projected income and expenditure, based on the current investment strategy proposed in this report.
- 3.44 The business plan assumes a modest 2% annual increase in rents. It is almost half 2017/18 inflation estimates and is benchmarked against rent increases by other landlords in social and private sectors. In 2016/17 Edinburgh's 2% increase was below the Scottish social rent average. The annual 2% rent increase aims to keep rents affordable and stable for tenants against fluctuating inflation levels.
- 3.45 Each year, around 85% of tenants receive some help with their rent through Housing Benefit. For those not receiving help a 2% rent increase would mean around £2 extra a week.
- 3.46 Affordability to pay rent was raised by the 'Rent Matters' working group. In order to develop a better understanding of this issue the consultation offered tenants the choice of rent levels that were clearly linked to the pace and scale of investment. Over 80% of all tenants who responded said that they supported a minimum 2% rent increase that would enable improvements to be delivered over the next five years. Almost a third of tenants actually said they would be willing to pay more rent if investment could be delivered quicker.
- 3.47 The consultation also asked respondents to indicate if they were in receipt of housing benefit or not and then to vote on their preferred investment option. Of those who indicated that they had to pay some or all of their rent themselves, 76% said they would either like the current investment plan (2% increase over the next five years) or to speed up the plan (over 2% rent increase).

- 3.48 Focus groups will be held in early 2017 with these respondents to have more detailed discussions on what is considered affordable. 'Rent Matters' working group tenant volunteers will help facilitate this.

4. Measures of success

- 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

- 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 There have been significant changes since the 2016/17 budget was approved. This is primarily due to Housing Service transformation and the transfer of the temporary accommodation service to Stronger and Safer Communities. The HRA now receives rental income for the temporary accommodation units that sit on the HRA.
- 5.3 The HRA has already achieved a 10% reduction in management costs in 2016/17. Further efficiencies in housing management overheads have resulted in further reductions in 2017/18. Housing repairs and maintenance costs are due to reduce by 20% by 2021. Reductions in HRA operating costs will have an impact on the income for services provided by the general fund. These reductions are being phased over five years to mitigate any impacts and ensure they are managed in a way that does not detriment the Council's general fund budget.
- 5.4 Projected expenditure on the HRA revenue account for 2017/18 is £101.8 million, including £13.5 million contribution to the Strategic Housing Investment Fund. A high level summary of the HRA's one and five year budget and the impact the housing investment fund is set out below.

Housing Revenue Account	1 Year £m (2017/18)	5 year £m (2017/18 - 2021/22)
Revenue (See Appendix 1)		
Operating Income	£102	£554
Operating Expenditure and Debt Costs	£88	£494
Capital Investment funded from revenue	£13	£58
Addition to investment fund	£1	£2
Capital (See Appendix 4)		
Capital investment programme expenditure	£37	£180
21st Century Homes Expenditure	£42	£351
Prudential borrowing	£42	£322
Other income and Capital Funded from Current Revenue	£37	£209
Strategic Housing Investment Fund (Repairs and Renewals)		
Opening Strategic Housing Investment Fund (SHIF) balance	£52	£52
SHIF additions	£1	£2
SHIF draw downs	£10	£41
Closing SHIF balance	£43	£13

- 5.5 The Strategic Housing Investment Fund (SHIF) is an amalgam of income from the Repairs and Renewals fund and the Council Tax Discount Fund. It is fully earmarked for the delivery of the plan which focuses on increasing Council homes by a third over the next 10 years and investing in services to reduce tenants living costs. The element relating to the Repairs and Renewals fund is detailed above.
- 5.6 As a result of the accelerated house-building programme all reserves are currently committed in the first ten years of the business plan. Following this the business plan assumes reserves will be built up to a minimum of 10% of in year operating costs to manage risks. This is considered prudent given the expansion of the capital programme and the need to have funds in reserve to deal with unforeseen events.
- 5.7 Due to prudent treasury management and in year surpluses being used to offset capital borrowing requirements, the debt levels have actually decreased by £11 million over the last five years, whilst still delivering a £190 million capital investment programme. This prudent financial management will be key to ensuring the enhanced housing investment programme remains affordable.

6. Risk, policy, compliance and governance impact

6.1 The Housing Service faces significant risks:

- **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. A number of measures have been introduced to improve support to those tenants affected by welfare reform. New measures are being introduced to support teams in prioritising early intervention to manage arrears and prevent tenants getting into debt.
- **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 house-building. The HRA Business Plan projects a reasonable operating surplus in future years.
- **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.
- **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.
- **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 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

- 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 and partnership working as part of Health and Social Care integration will help increase the supply of homes built specifically for older people or people with complex health needs.
- 7.4 The house-building programme ensures 10% of all new homes will be built to wheelchair accessible standards.

8. Sustainability impact

- 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 A City Region Deal would provide a mechanism to help drive forward investment in sustainable place making.
- 8.8 Improving employment options of tenants and their families.

9. Consultation and engagement

- 9.1 Building on the success of the 2016/17 the 2017/18 'Investing in your future' consultation, co-produced by the Rent Matters working group, received almost a third more responses than the previous year. Tenants were asked what they thought of the Councils' five year investment plan to build more homes and reduce living costs, what else was affecting their living costs and whether they wanted the current plan to be delivered over the next five years, to speed up improvements or slow them down. Tenants were asked to choose between:
- The Current Plan: Increasing rents by around £2 a week to invest in homes and services.
 - Speed Up: Increase rents by more than £2 a week and invest even more in homes and services.
 - Slow Down: Increase rents by less than £2 a week but slow down investment in homes and services.

The results

- 9.2 Over 80% of tenants who responded supported the current delivery plan or for improvements to be sped up. 18% said they would like the plan to slow down and rent to go up by less than 2%. The Edinburgh Tenants Federation stated their support for the consultation, both in terms of its design and delivery and the high quality of the responses received.
- 9.3 Consultation has confirmed that there is strong support for the current plan. Comments included:

"Excellent idea. Everything in life is costing more every year and wages are not keeping up with those rises."

"Very good. I think it is a very good plan. £2 more a week is ok."

"I think it is a good idea, it will help people who are struggling and make life a little easier for them."

"As a pensioner anything that lowers our cost of living has to be a plus."

"It is needed to help people live and give everyone access to a warm house and the benefits of the internet."

- 9.4 For those tenants who chose to have improvements slowed down, comments included:

"It's good if it concerns every council/social tenant. Some live in a new house and some live in old houses. And to state that, some buildings are quite bad and need renovation, just like our own building."

"Might be ok if work was up to standard. From my experience and from what I've seen it sometimes isn't."

“I understand why many would want to speed up the current plan however, by doing this it would majorly affect those who pay full rent and receive no help through housing benefit.”

- 9.5 Tenants were also asked what else was affecting their living costs and what other services could be invested in to save them money. There were some key themes which came out of the consultation. Tenants highlighted that the costs of energy was still a major concern and also that access to low cost broadband would help reduce costs. In addition to the current investment plan suggestions included:
- Low cost child care
 - Travel concessions
 - Food
 - Leisure activities e.g. swimming
- 9.6 These options will be explored in the coming months and proposals will be taken back to Health, Social Care and Housing Committee as part of the detailed 2017/18 capital investment programme in June 2017.
- 9.7 The consultation also highlighted that many tenants would benefit from discounts in essential services such as glasses, dental work and prescriptions. For many tenants on benefits, they should already be able to access concessions to help with these costs. To ensure tenants are aware of the help available to them, the Housing Service and Edinburgh Tenants Federation will run a joint communications campaign providing jargon-free advice.

The process

- 9.8 Following the conclusion of the 2016/17 consultation three members of the ‘Rent Matters’ group were supported by officers to carry out research into how other local authorities carried out consultation. They presented their findings to a group of senior managers and made 14 recommendations. Thirteen of these were taken forward and implemented as part of this years’ consultation.
- 9.9 The working group met ten times in the last year to establish how, where, when and what would be consulted. The consultation built upon lesson learned in previous years and piloted new approaches to try and increase the response rate.
- 9.10 Tenants were able to respond in variety of ways including a ‘cut-out’ in the Tenants Courier, postcards, online surveys, ballot papers and via email or telephone. The consultation was advertised in local offices and on notice boards in local shops, libraries and community centres, on the Council’s website and email footers. Five road shows were held in the local offices across the city on Mondays to attract tenants coming in to pay their rent. The budget consultation was also promoted at Sheltered Housing Conference in October 2016.
- 9.11 An expanded social media campaign sent out daily messages and a pilot of Facebook advertising was successfully used to target tenants. A short animation video was also developed to ensure that the consultation was as accessible as possible, and was promoted online by the Council and partners. Over 30 Registered Tenant Organisations received information packs and 230 Tenant Panel

members received information either by email, text or letter. Over 1,000 self adhesive freepost postcards were delivered to tenants by housing officers, concierge staff and heating engineers. A lamppost wrap-around advertising campaign was also piloted North West locality to target the more remote areas of Edinburgh where tenants have less access to community centres and libraries.

- 9.12 The budget consultation was the focus of the Tenants Conference, held on 29 October 2016. Workshops were held for tenants to discuss their views of the Council's invest programme and provide comprehensive feedback. At the end of the discussion sessions attendees were invited to vote for which rent option they preferred via a ballot paper.
- 9.13 For the first time a conversation café was hosted at the Drumbrae Hub with tenants able to attend a number of discussion sessions held from 10am to 7pm. Developed with the 'Rent Matters' working group, the event was designed to provide a relaxed setting for tenants to come, have refreshments and share their views.
- 9.14 The rent consultation was also discussed at a meeting of the ETF Federation on 23 November 2016. Officers presented the approach, key messages, consultation questions and the results to date. The meeting was attended by 11 Resident Tenant Organisation representatives and 14 individual tenants. At the end of the meeting ETF held a ballot on the rent consultation. Those tenants who were representing an RTO were asked to vote once as a representative and once as an individual tenant. It was acknowledged that some individuals had not had time to consult with their groups in advance of casting a vote.
- 9.15 The ballot included the three rent options that had been designed and agreed by the 'Rent Matters' working group, plus an additional option of a rent freeze. Almost a third of the votes cast were in favour of the current plan funded by a 2% rent increase; however 69% (25 votes) were in favour of a rent freeze. This analysis has not been included in the final results listed in Appendix 4 as the options are not in line with the questions asked as part of the city wide consultation.

10. Background reading/external references

- 10.1 [Housing Revenue Account – Budget Strategy 2016-17 – 2020-21, City of Edinburgh Council, 21 January 2016](#)
- 10.2 [Housing Improvement Programme: Delivering the Budget Strategy in 2016/17, Health, Social Care and Housing Committee, 21 June 2016](#)
- 10.3 [Housing Service Tenant Survey 2015, Health, Social Care and Housing Committee, 19 April 2016](#)
- 10.4 [City Housing Strategy Update, Health, Social Care and Housing Committee, 13 September 2016](#)
- 10.5 [Housing Revenue Account Budget Strategy 2017/18 Update, Health, Social Care and Housing Committee, 13 September 2016](#)
- 10.6 [Strategic Housing Investment Plan \(SHIP\) 2017/18 – 2021/22, Health, Social Care and Housing Committee, 15 November 2016](#)

- 10.7 [21st Century Homes: Housing Development at Fountainbridge and Meadowbank, Health, Social Care and Housing Committee, 19 April 2016](#)
- 10.8 [Housing Investment to Support Health and Social Care Priorities, Health, Social Care and Housing Committee, 19 April 2016](#)
- 10.9 [Integrated Housing, Health, Care and Support Services, Health, Social Care and Housing Committee, 15 November 2016](#)
- 10.10 [Pennywell-Muirhouse Civic Centre Redevelopment, City of Edinburgh Council, 27 October 2016](#)

Paul Lawrence

Executive Director of Place

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11. Links

Coalition Pledges	<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>
Council Priorities	<p>CP2. Improved health and wellbeing: reduced inequalities.</p> <p>CP10. A range of quality housing options.</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 2017/18(Draft)</p> <p>Appendix 2 – Business Planning – High Level Assumptions</p> <p>Appendix 3 – Citywide House-building Programme</p> <p>Appendix 4 – Draft 5 Year HRA Capital Investment Programme</p> <p>Appendix 5 - ‘Investing in your future’ Consultation Results</p> <p>Appendix 6 – Current Context</p> <p>Appendix 7 – HRA Business Plan – Financial Analysis</p>

Appendix 1 - Housing Revenue Account Budget 2017/18 (Draft)

There have been significant changes in the 2016/17 budget primarily due to Housing Service transformation and the transfer of the temporary accommodation service to Stronger and Safer Communities. The HRA now receives rental income for the temporary accommodation units that sit on the HRA.

	Revised Budget 2016/17 £m	Proposed Budget 2017/18 £m	Movement £m	Movement %	Note
					1
Income					
Net rental income	93.519	95.624	2.105	2%	2
Safer and Stronger Communities	2.100	2.100	0	0%	3
Other income	4.075	4.083	0.008	0%	4
Total income	99.694	101.807	2.113	2%	
Expenditure					
Housing Management	28.878	28.088	-0.790	-3%	5
Service Transformation	0	0.690	0.690	100%	6
Repairs & maintenance	18.130	17.528	-0.602	-3%	7
Debt charges	36.400	38.292	1.892	5%	8
Environmental maintenance	2.885	2.698	-0.187	-6%	9
Movement in bad debt provision	1.100	1.000	-0.100	-9%	10
Strategic Housing Investment	12.301	13.511	1.210	10%	11
Total expenditure	99.694	101.807	2.133	2%	

Note 1

Between the approved and revised 2016/17 budget temporary accommodation was moved from the HRA to the general fund, a voluntary debt repayment of £10m was made and a budget realignment exercise was conducted post the transformation programme.

Note 2

'Net rental income' is the total rent that could be collected, minus written off former tenant arrears (0.90%) and rent loss due to empty homes (0.49%). It also takes account of the variation in housing stock numbers including right to buy and 21st Century Homes as well as a rent increase of 2.0% for 2017/18.

Note 3

This is income from Council homes that are used as managed or dispersed Temporary Accommodation received from Safer and Stronger Communities.

Note 4

This includes service charges to tenants, non-housing rents and recovered costs from owner occupiers. A freeze has been applied to all 'Other income' for 2017/18.

Note 5

'Housing Management' includes employee costs, central support costs and recharges, premises and other expenditure. A 10% reduction in employee costs was achieved at the start of 2016/17. Further efficiencies in housing management overheads have resulted in further reductions in 2017/18, at the same time, the housing service has delivered an increase in frontline staff in line with patch working and a 1% increase in salaries.

Housing management also includes the HRA contribution to the advice, support and sheltered housing services managed within Safer and Stronger Communities.

Note 6

This includes new services to reduce tenants' cost of living including broadband, energy advice, community food growing initiatives and housing apprenticeships.

Note 7

As a part of transformation a 20% reduction target in repairs and maintenance by 2020 had been set to bring in line with benchmarking.

Note 8

'Debt charges' are capital financing costs (principal repayments, interest & management expenses) for HRA debt for existing stock and the planned investment programme. Over the last 5 years total debt has reduced by £11 million, whilst at the same time investment of £190 million has been delivered in existing and new homes. Debt charges are expected to increase in 2017/18. This is due to the accelerated house building programme, that will see the Capital investment increase by over 50% on 2016/17 levels.

Note 9

'Environmental maintenance' comprises grounds maintenance costs, including empty properties, pest control and garden aid. These are services that the Housing Service purchases from other parts of the Council. The standard 2% inflationary uplift has been applied as well as the HRA's share of the taskforce transformation saving.

Note 10

Rent arrears were projected to grow in 2016/17. To reflect this, the bad debt provision was increased by £1.1m. A number of initiatives have been introduced to improve support to those tenants affected by welfare reform. New measures and the move to patch working aims to prioritise early intervention to manage arrears and prevent tenants getting into debt. This risk has been kept under continuous review and an additional £1.000 million has been set aside in the 2017/18 budget to continue to manage this.

Note 11

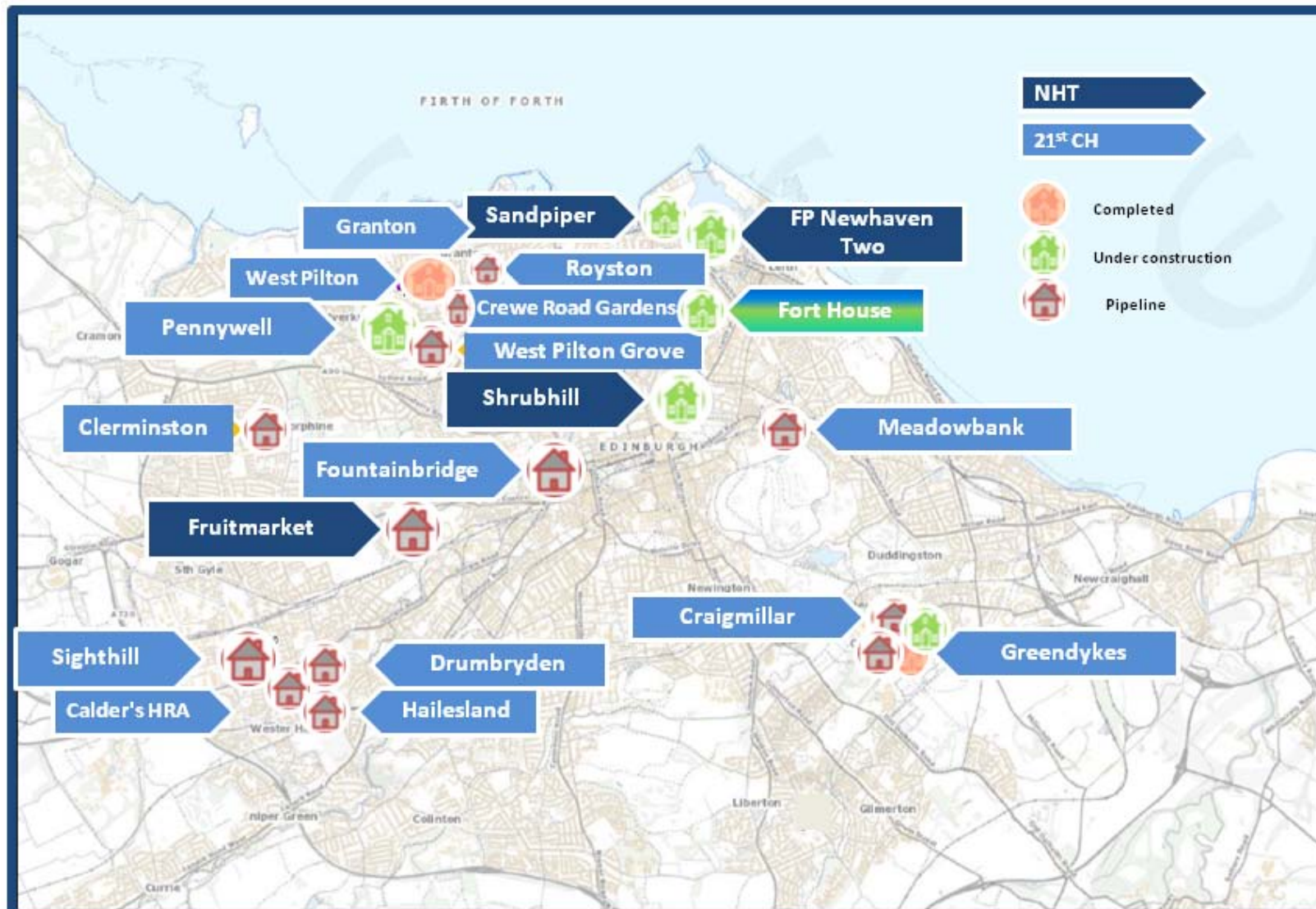
'Strategic Housing Investment' relates to income in excess of operating expenditure. It can be used within the same year to fund new capital investment (CFCR), repay old HRA debt or mitigate unforeseen risks. It can also be transferred to the Repairs and Renewals fund to support the new build programme in future years. The Strategic Housing Investment Fund is an amalgam of the Repairs and Renewals Fund and the Council Tax Discount Fund.

Appendix 2 – 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. Current inflation estimates for 2017/18 are between 3.5% and 4%.
Net Rental income	98.61%	Total projected rental income, minus written off former tenant arrears and rent loss due to empty homes.
Former tenant arrears write off	0.90%	This has been set at £0.850 million in 2017/18, based on current performance.
Rent lost on empty homes	0.49%	This has reduced from 0.59% in 2016/17, based on current performance.
Reduction Responsive Repairs Costs	£0.810m	20% reduction in repairs costs over 5 years to bring in line with benchmarking.
Debt level (projected for March 2017)	£357m	£358m at 31 March 2016. This reduction is due to £17 million debt repayment at the end of 2015/16 and a limited borrowing requirement in 2016/17.
Interest on debt	5.1%	Increase of 0.1% from 2016/17. Primarily due to the fact that there was limited borrowing carried out during 2016/17.

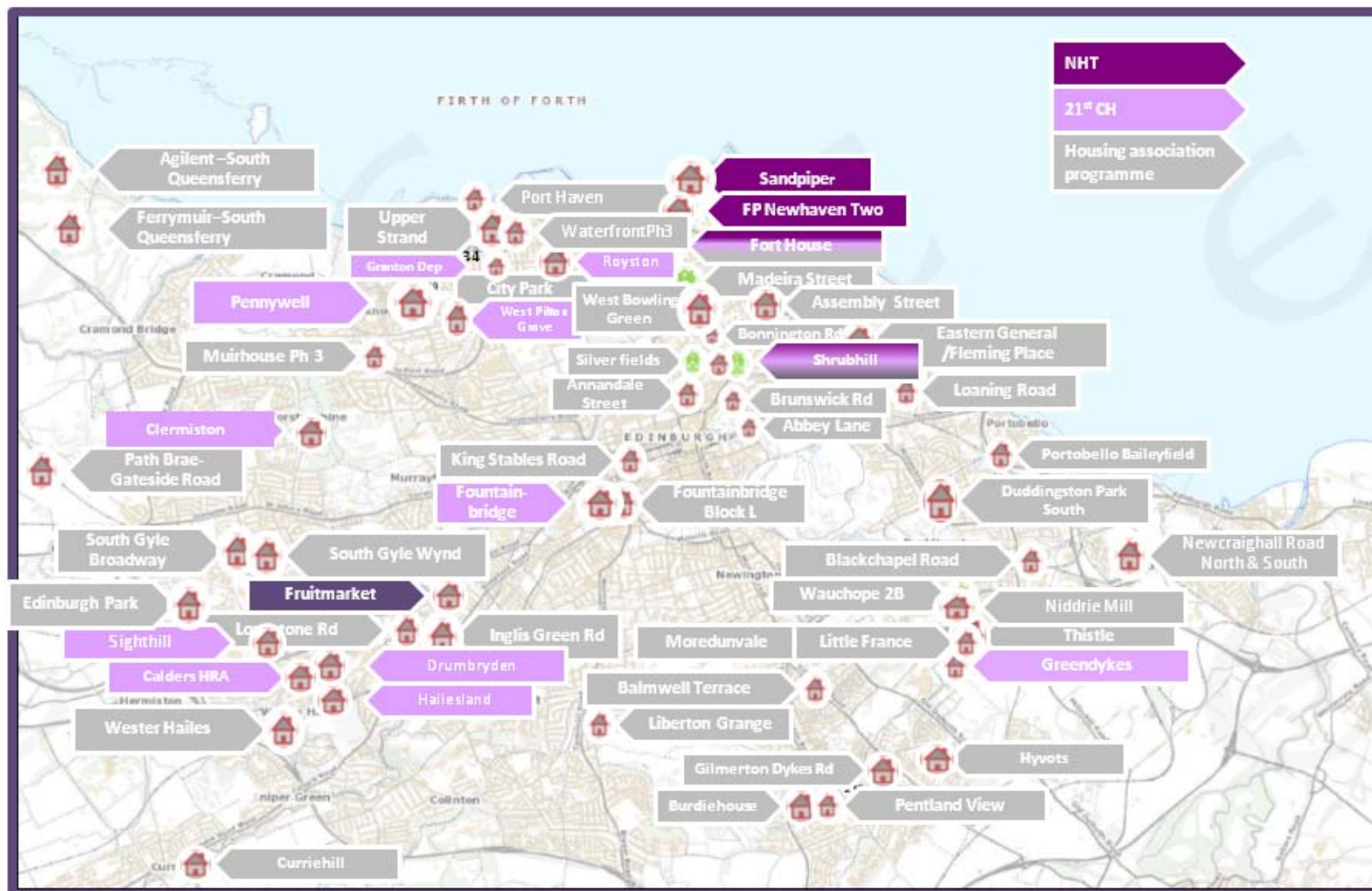
Appendix 3a – City Wide House Building Programme

Council led house-building programme – 2,000 homes on 20 sites complete, on site or under construction in next 12 months



Appendix 3b – City Wide House Building Programme

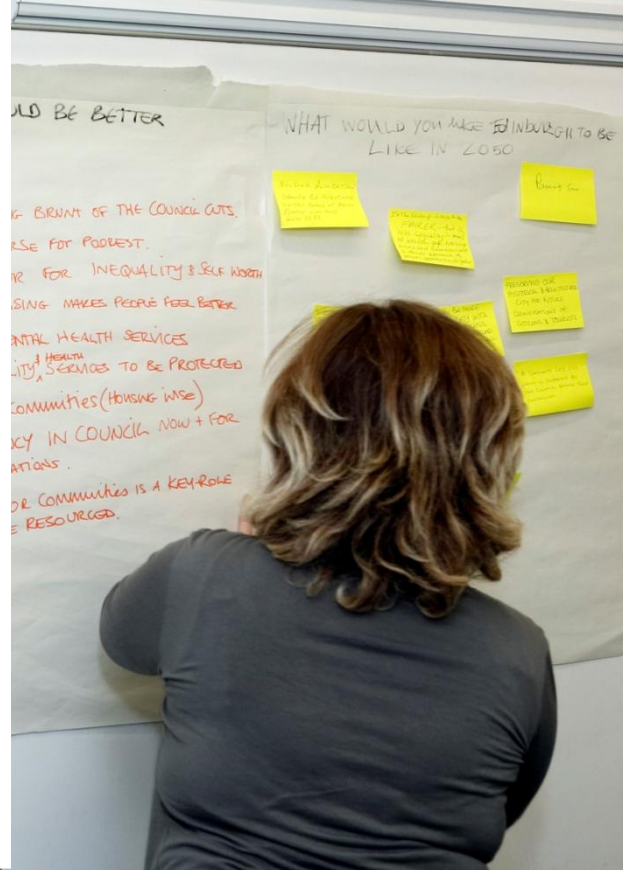
Council & Housing Association led house-building programme of around 4,000 homes on 60 sites complete, on site or under construction in next 12 months



Appendix 4 – Draft HRA Capital Investment Programme

The 2017/18 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	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£	£	£	£	£	
<i>HRA Core programme</i>						
Housing investment	27,936,500	27,171,500	25,686,500	24,336,500	21,623,345	126,754,345
Service Transformation	1,415,000	4,791,250	4,791,250	4,791,250	4,887,075	20,675,825
Neighbourhood Environmental Investment	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	10,000,000
Community Care	1,550,000	1,550,000	1,550,000	1,550,000	1,550,000	7,750,000
Capital Salaries & CHS	1,919,000	1,938,190	1,957,572	1,977,148	1,996,919	9,788,829
Place making	2,500,000	2,500,000	0	0	0	5,000,000
Sub Total	37,320,500	39,950,940	35,985,322	34,654,898	32,057,339	179,968,999
<i>21st Century Homes</i>						
21st Century Homes investment	42,138,981	60,981,898	61,428,509	71,194,351	115,331,143	351,074,882
Sub Total	42,138,981	60,981,898	61,428,509	71,194,351	115,331,143	351,074,882
Total	79,459,481	100,932,838	97,413,831	105,849,249	147,388,482	531,043,881
Funding Source	£	£	£	£	£	Total
<i>HRA Core programme</i>						
Prudential Borrowing	19,460,500	21,900,940	19,935,322	18,604,898	16,507,339	96,408,999
CFCR	12,500,000	13,000,000	11,000,000	11,000,000	10,500,000	58,000,000
Receipts from other HRA Assets (Acquisitions, disposals & Land etc.)	1,560,000	2,250,000	2,250,000	2,250,000	2,250,000	10,560,000
Capital Receipts and other income	3,800,000	2,800,000	2,800,000	2,800,000	2,800,000	15,000,000
Sub Total	37,320,500	39,950,940	35,985,322	34,654,898	32,057,339	179,968,999
<i>21st Century Homes</i>						
Strategic Housing Investment Fund	9,500,000	17,740,000	2,000,000	7,500,000	15,480,000	52,220,000
Prudential Borrowing	22,985,156	35,879,608	53,225,352	43,145,314	70,341,904	225,577,334
Developers contributions	1,438,825	1,541,290	332,157	3,848,037	6,972,239	14,132,548
Scottish Government Subsidy	8,215,000	5,821,000	5,871,000	16,701,000	22,537,000	59,145,000
Sub Total	42,138,981	60,981,898	61,428,509	71,194,351	115,331,143	351,074,882
Total	79,459,481	100,932,838	97,413,831	105,849,249	147,388,482	531,043,881



2017/18 Invest in Your Future Consultation Results

HRA Budget Strategy 2018/17 – 2021/22

December 2016

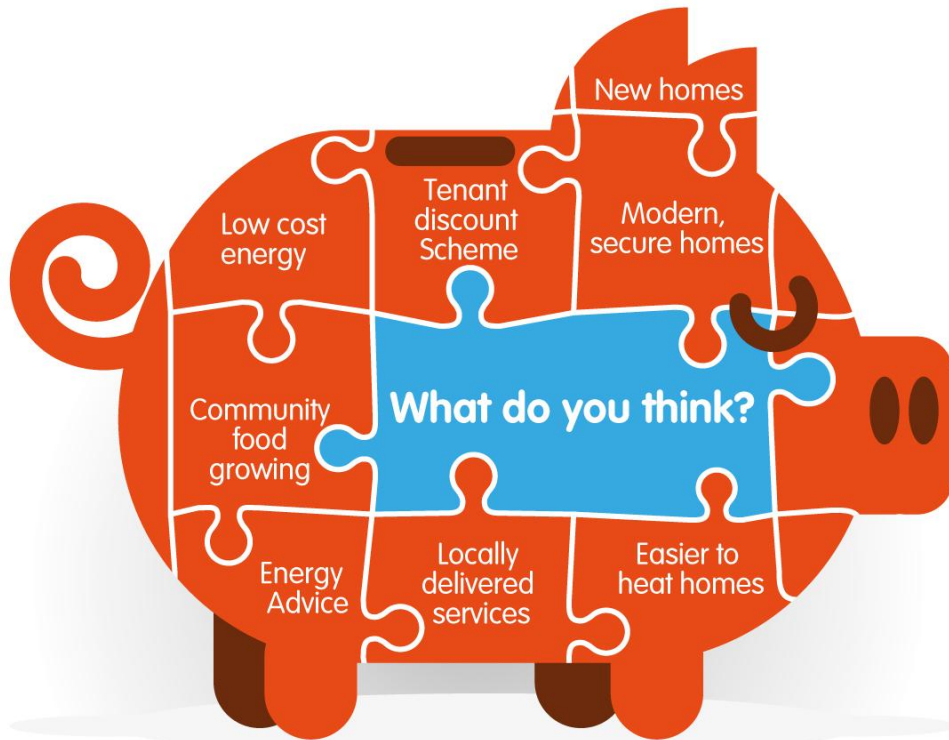
Total Responses

334

Total Comments

284





1. What do you think of the plan to reduce your living costs by 2020?
2. What else is affecting your cost of living? What else can we do to help?
3. Do you want the current plan to speed up improvements or slow them down?

What was asked

30% increase in advertising and encouraging tenants to get involved
27% increase on last year's responses

Promotion



Neighbourhood stalls



Lampost wraps



Animation



Tenants Conference



Texting



Posters



Workshops



Tenants newsletter



Media Articles



Conversation cafe



Emails



+330
Responses

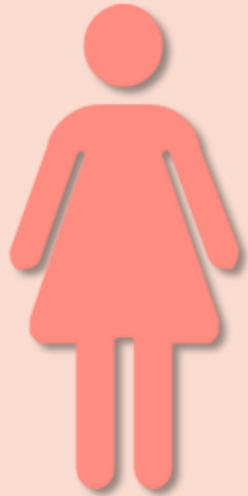


Social Media



Prize draw

Who responded



52%

*5% preferred not to say



43%

18 to 24

65 to 74

18%

25 to 34

11%

35 to 44

20%

Age

23%

55 to 64

23%

45 to 54

Location

North West

22%

North East

32%

South West

36%

South East

10%

Disability

18%

72%

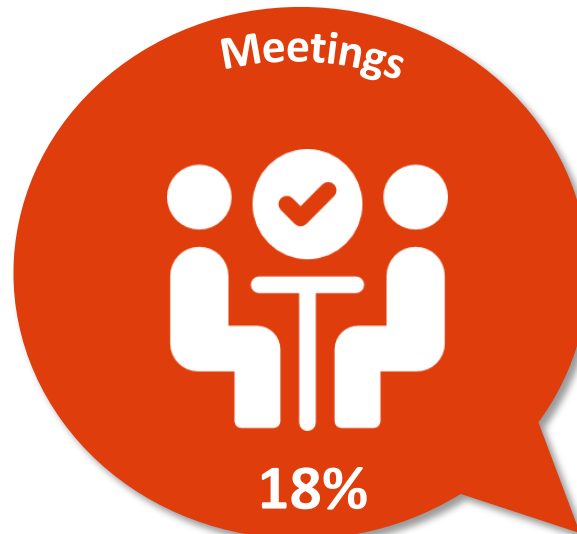
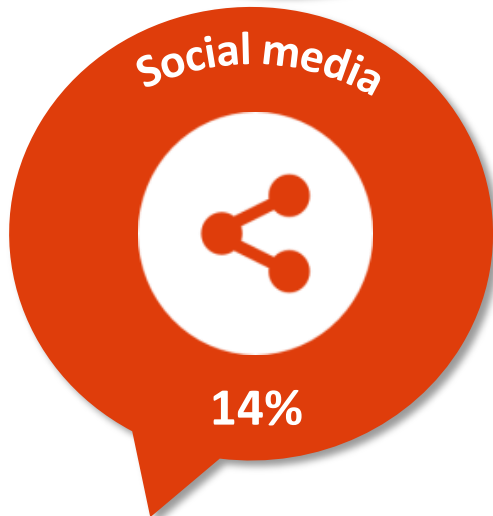
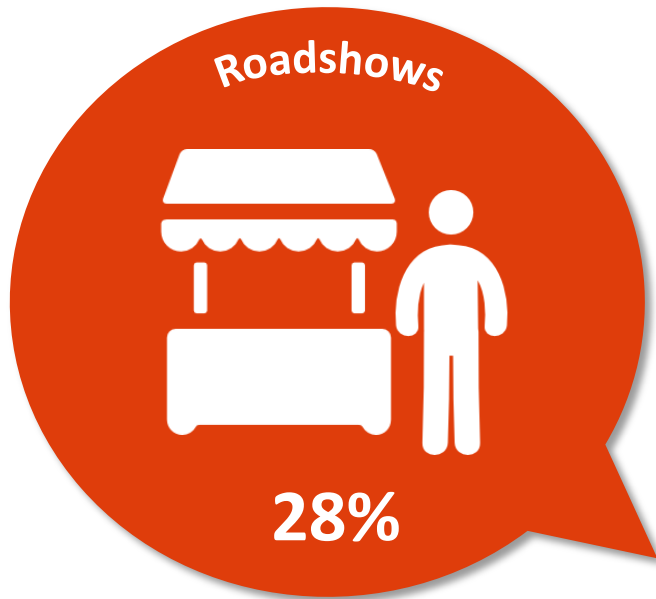
10%

Yes

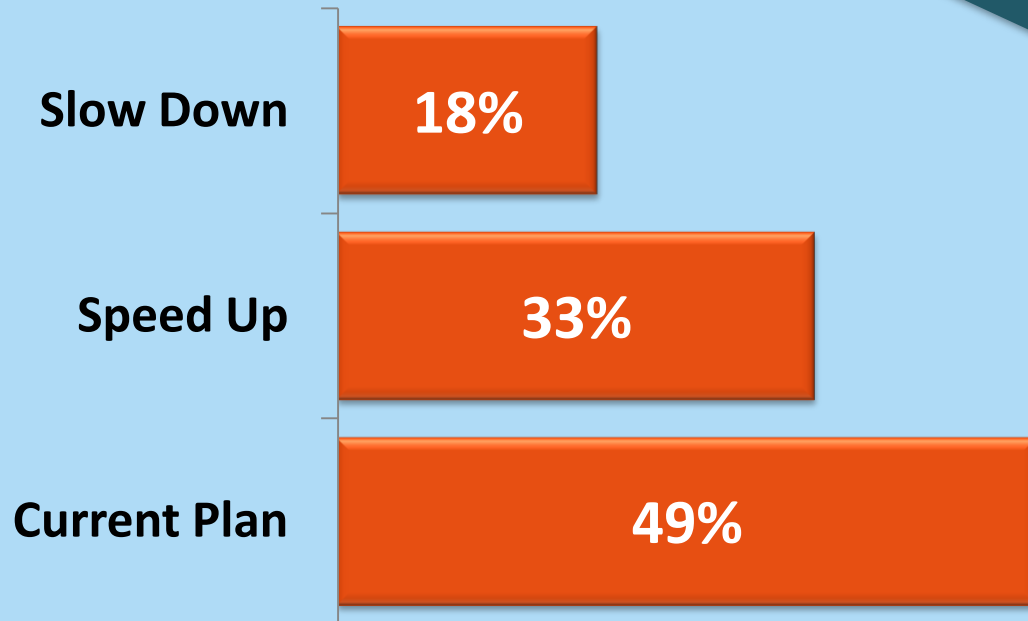
No

Prefer not to say














How tenants responded



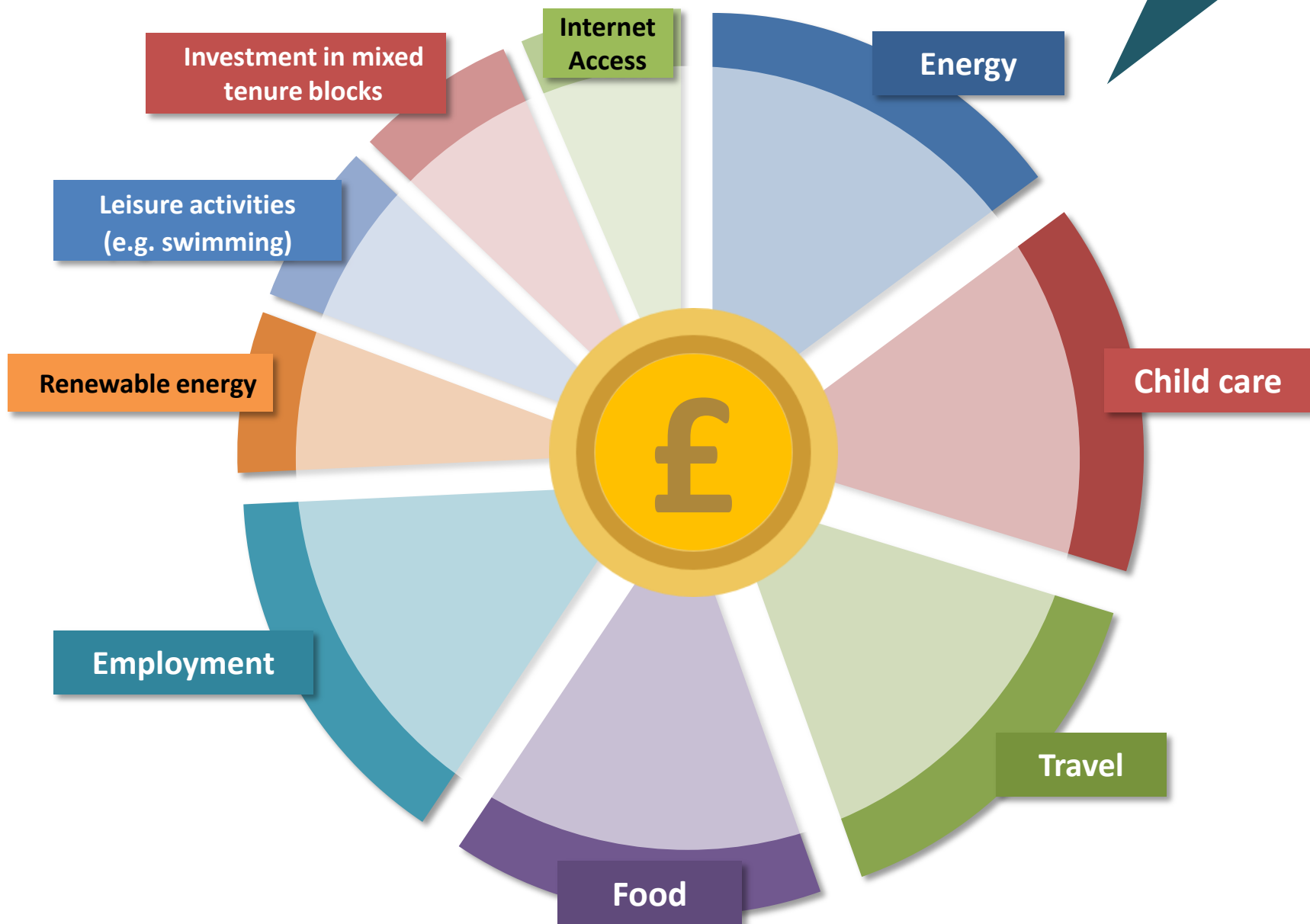
Do you want the current plan, to speed up improvements or slow them down?



What do you think of the plan?

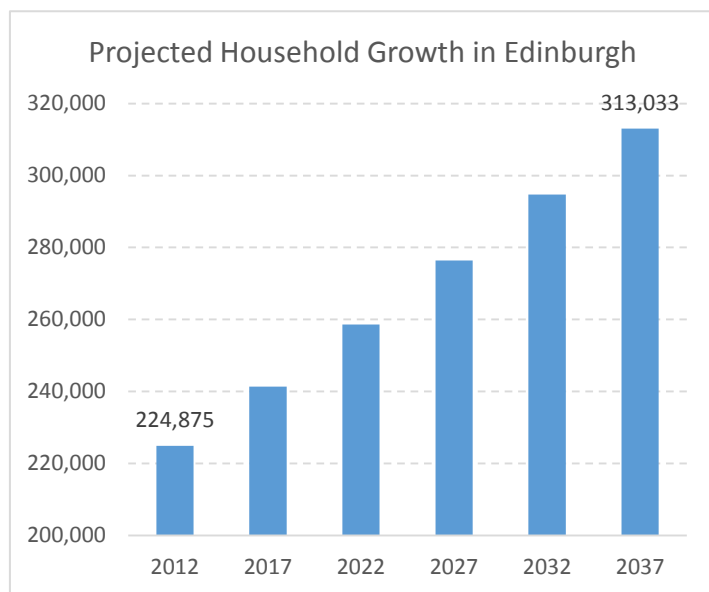
-  **“Excellent idea. Everything in life is costing more every year & wages are not keeping up with those rises.”**
-  **“Very good. I think it is a very good plan. £2 more a week is ok.”**
-  **“I think it is a good idea, it will help people who are struggling & make life a little easier for them.”**
-  **“The faster the plan is completed, the faster and bigger the returns/improvements are, the cheaper the cost is.”**
-  **“As a pensioner anything that lowers our cost of living has to be a plus.”**
-  **“Lower energy costs would help very much as now being 70+ we are in the house more & therefore using more energy”**
-  **“It is needed to help people live and give everyone access to a warm house and the benefits of the internet.”**
-  **“it's good if it concerns every council/social tenant. Some live in a new house and some live in old houses. And to state that, some buildings are quite bad and need renovation, just like our own building.”**
-  **“Might be ok if work was up to standard. From my experience and from what I've seen it sometimes isn't..”**
-  **“I understand why many would want to speed up the current plan however, by doing this it would majorly affect those who pay full rent and receive no help through housing benefit. Those who receive housing benefit would not fully understand the effect it would have on the rest of the tenants.”**
-  **“I am 90 years old, £2 a week is too much for me. I don't get any benefits, only my pension. I can't afford a rent increase.”**
-  **“Rent is sky high as it is”**
-  **“Rents should only go up by inflation levels, the rents are the highest in Scotland already ...CEC should make their tenants aware why work is not progressing on some blocks rather than just putting the rent up. Meanwhile, the blocks turn into ghettos with tenants ashamed about inviting friends etc to visit.”**

What else is affecting you living costs? What else would help?



Appendix 6: Current market context

1. Edinburgh has the fastest projected household growth amongst all Scottish local authorities

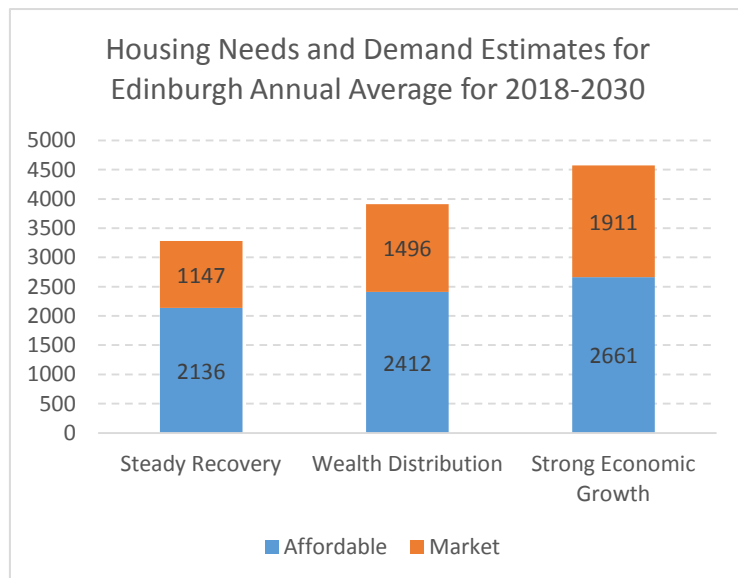


The number of households living in Edinburgh is projected to increase by 39% over the next 15 years (from 224,875 in 2012 to 313,033 in 2037). It has the fastest projected growth amongst all Scottish local authorities.

The overall number of households in Scotland is projected to increase over the same period by 17%.

Source: National Records of Scotland (2012 based projection)

2. It is estimated that Edinburgh will need between 3,300 and 4,600 new homes every year for the next 15 years to accommodate household growth



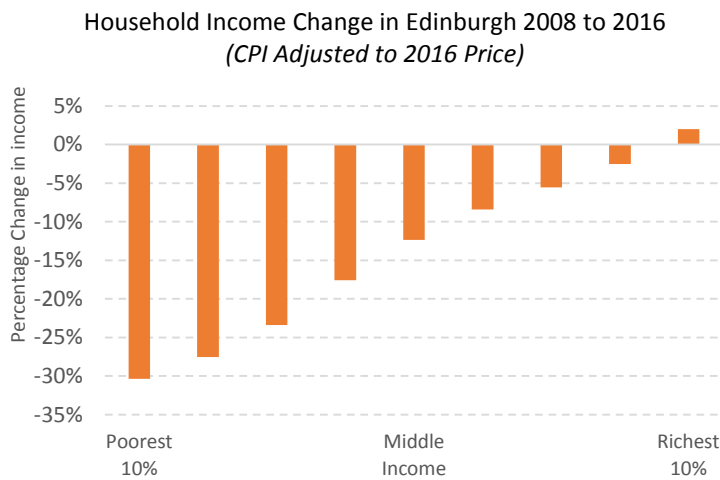
The South East Scotland Housing Needs and Demand Assessment 2015 estimated that Edinburgh would need between 3,300 and 4,600 new homes every year to accommodate its household growth.

The majority of these homes need to be affordable.

The numbers vary depending on the assumptions used on economic growth.

Source: South East Scotland Housing Needs and Demand Assessment 2015

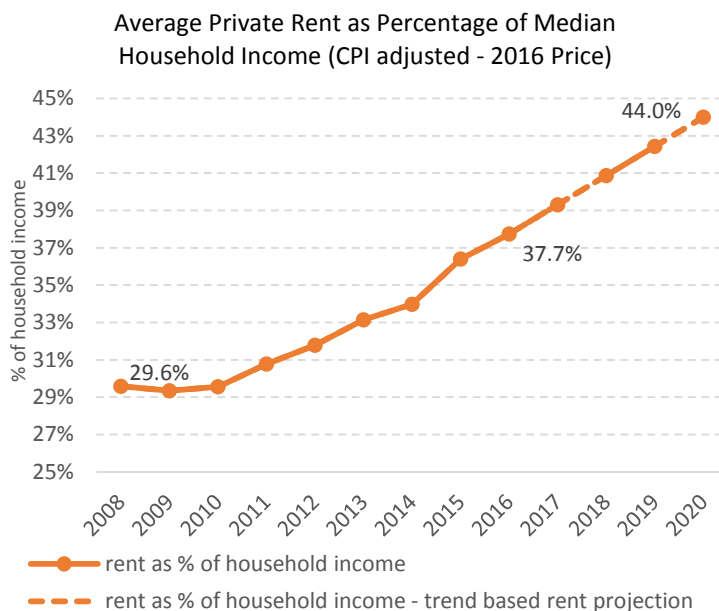
3. The poorest households have experienced the greatest reduction (between £4k & £6k) in their household income since 2008



Between 2008 and 2016 incomes have fallen for those already on low incomes. The poorest third of the households have seen their incomes reduced by as much as £6,300 a year in real terms.

Source: CACI Paycheck

4. Average monthly private rent in Edinburgh is £1,000. It is projected that rent will account for 45% of average income by 2020

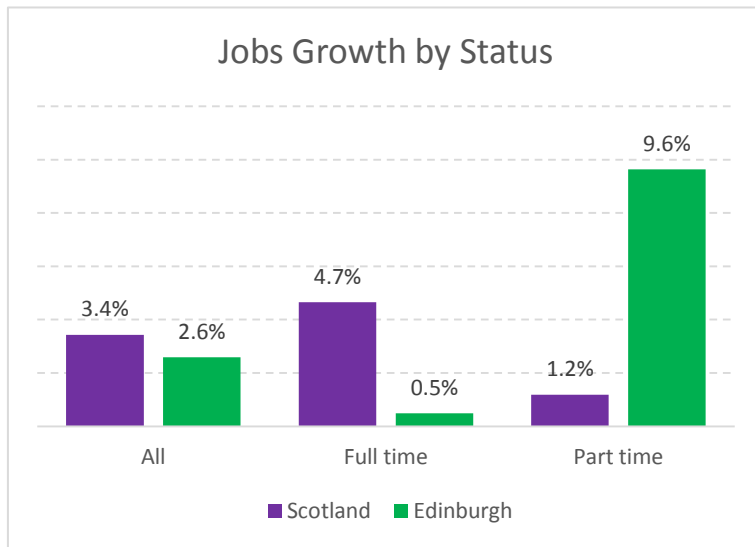


In 2008, a middle earning household would be paying approximately 30% of its income for an average private let in the city, which was deemed affordable. This has increased to 38% in 2016, more than a third of the household income.

When projecting forward with stagnating/reducing income, the same household would be spending 44% its income to rent an average property in 2020.

Source: CACI Paycheck and Citylets

5. The number of part time jobs has grown more quickly than full time jobs

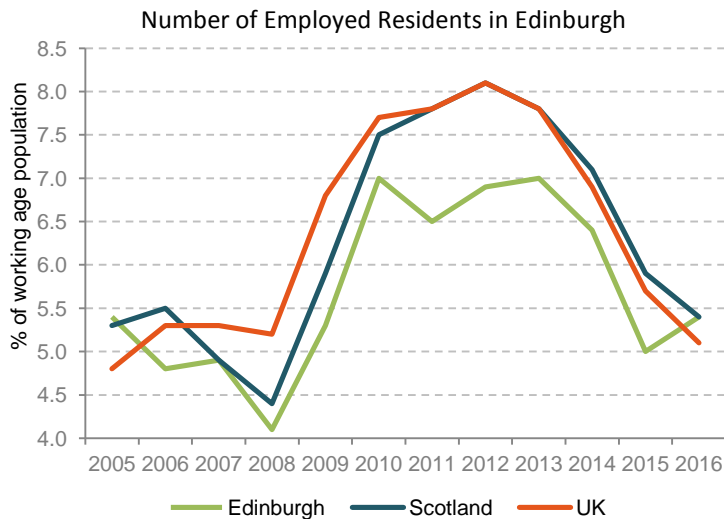


Jobs growth has been strongest in part time employment over the last three years, meaning the total number of hours worked in the city remains relatively stagnant.

Although the growth in jobs has helped to improve the employment rate, it has done little to enhance the quality of jobs available, in relation to pay and contracted hours.

Source: Annual People Survey

6. Unemployment levels in the city remain higher than pre recession levels

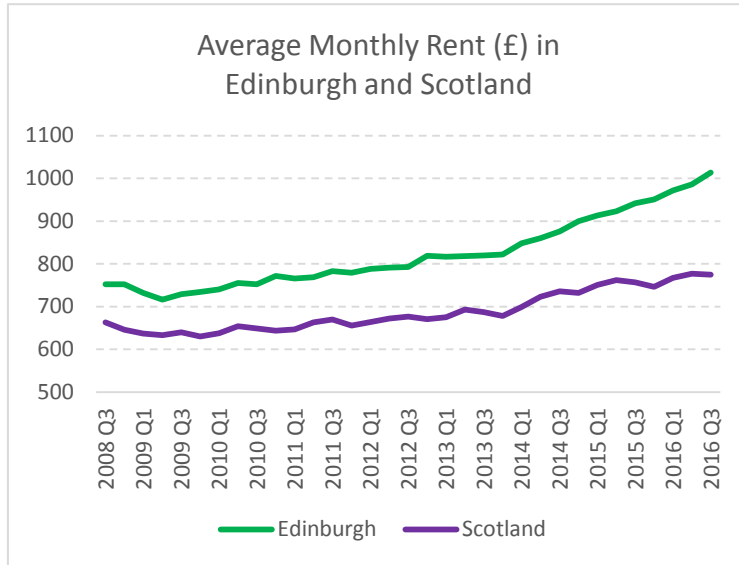


14,200 residents were unemployed in 2015, 5,000 fewer than the peak unemployment levels recorded in 2013, but still higher than pre-recession levels.

Worklessness trends generally mirror those of unemployment. In 2015, 16% of Edinburgh residents lived in a household where no adult was employed.

Source: Annual Population Survey

7. Private rents in Edinburgh are growing at a much faster rate than the Scottish average



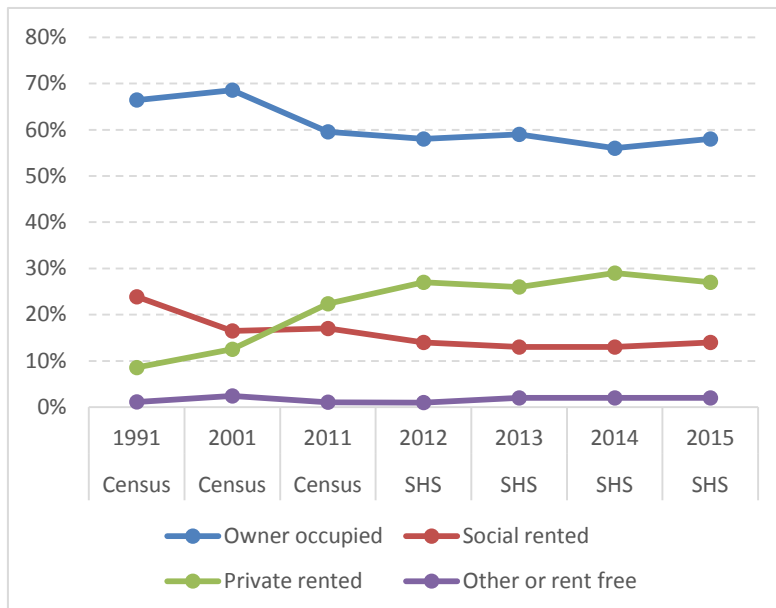
The average private rent in Edinburgh has increased by 35% between 2008 and 2016 to £1,014 per month.

The average rent in Scotland has increased by less than 17% over the same period.

Stagnate/reducing income, along with increasing housing costs, has significantly impacted on economic inequality in the city.

Source: Citylets

8. The proportion of private rented homes in Edinburgh has more than doubled since 2001, mainly at the expense of home ownership



The private rented sector only accounted for 13% of the households in Edinburgh in 2001. It has more than doubled (27%) by 2015. This is significantly higher than the Scottish average of 14%.

The owner occupied sector has reduced from its peak of 69% in 2001 to 58% in 2015.

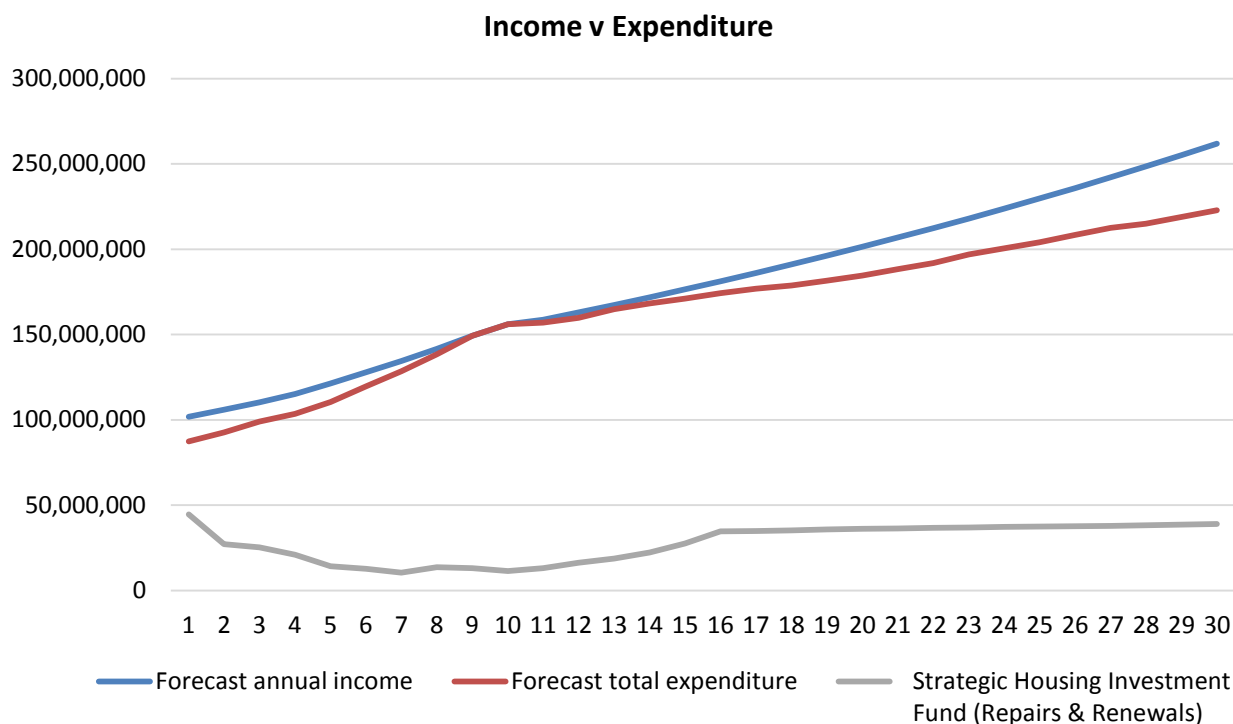
Social rented homes account for 14% of the housing stock in Edinburgh, compared to the Scottish average of 23%.

Source: Census and Scottish Household Survey

Appendix 7 – 30 Year HRA Business Plan Financial Analysis

This appendix sets out the impact of delivering the investment strategy over the next 30 years. The strategy seeks to deliver 8,000 new homes over the next 10 years, as well as, investing in improving the quality of existing homes and developing innovative services aimed at reducing tenants living costs.

Based on the outcome of this year’s comprehensive tenant consultation the business plan assumes a 2% annual rent increase. Over 80% of tenants said they were willing to pay a minimum of 2% to deliver the current investment plan over the next 5 years. This 2% rent increase is almost half current inflation estimates and below the projected average local authority rent increases in 2017/18.



Maximising investment in current and new homes and delivering new services, means income and expenditure is more closely aligned. This is most visible in years 10 to 12 due to the significant investment in the new house building programme and an increase in debt repayment due to historic debt coming to term. Approximately £2.3 million is required from the Strategic Housing Investment Fund to ensure the HRA does not go into deficit in these years.

A more accurate assumption of the impacts of welfare reform on rental income has been included in the Business Plan. At the same time, the Business Plan assumes the successful implementation of a 20% reduction in repairs costs and an increase in income through the acceleration of the Council’s acquisitions and disposals asset consolidation strategy.

From year 10 onwards, once new homes are completed, the regular rental income does put the HRA back in a comfortable financial position and builds the Strategic Housing Investment Fund to over £30 million by year 17 (20% of annual operating costs) and is maintained at that level to any unforeseen risks. The Business Plan also assumes that housing development will continue at a steady pace from year 10 onwards. Additional in year surpluses are used to reduce the borrowing requirement for the continued capital investment programme.