

Motions and Amendments

City of Edinburgh Council

9.45 am Thursday, 22nd February, 2024

Main Council Chamber - City Chambers

Item 4.2 - Motion by the Administration (adjusted) - Housing Revenue Account

Item 4.2 - SNP Group Budget Motion - Housing Revenue Account (HRA)

Item 4.2 - Motion by the Liberal Democrat Group - Housing Revenue Account

Item 4.2 - Addendum by Liberal Democrat Group (adjusted) - Housing Revenue Account

Item 4.2 - Motion by Green Group (adjusted) - Housing Revenue Account

Item 4.2 - Motion by the Conservative Group - Housing Revenue Account

Contacts

Email: gavin.king@edinburgh.gov.uk

Tel: 0131 529 4239

Nick Smith

Service Director, Legal and Assurance

This page is intentionally left blank

Motion by the Administration

City of Edinburgh Council

22 February 2024

Item 4.2 – Housing Revenue Account (HRA)

Budget Strategy 2024/2025 to 2028/2029 – Referral from the Finance and Resources Committee

After another year of chronic underfunding from the Scottish Government this administration is, again, having to identify alternative ways to facilitate the necessary provision for our tenants.

The Council declared a housing emergency in October 2023. Shelter Scotland have since called upon the First Minister to acknowledge this emergency exists nationwide and have demanded a concrete plan of action to address this. The SNP Scottish Government continue to exacerbate this emergency and have reduced funding for building affordable homes nationally by £196m, representing a 27% reduction. This is seriously hampering the Council's ability to support its citizens and it's economy.

Last year Council agreed upon a modest rent rise of 3%, which followed a two-year freeze. If we are to begin to address the underlying problems of the housing emergency, then a significant rent rise is necessary in order to bring the housebuilding programme up to speed. As such the administration is proposing a rise of 7%.

The administration notes the current reliance on support from Contractors to bring the Council's housing stock back in to use at an appropriate rate, and the ongoing work to 'in-house' service provision, developing our own capable workforce to deliver timely, high quality, work for tenants.

These measures will improve tenants' lives, enabling us to continue our work on repairs, tackling mould and damp, enable us to retrofit more council homes, and also continue building towards our current target of an additional 3,560 council-owned homes by 2034.

As a note of caution, whilst we recognise that new build or newly renovated homes represent better quality than older stock, these standards should be the norm for all tenancies and not presented as a "premium" option. Furthermore, forthcoming changes to EESH2 standards at a national level may mean that it is simply not appropriate to charge "premium" rents for new build or newly renovated homes, and instead the focus

should be on offering rent reductions for those homes which have not been brought up to the appropriate standard.

The below-inflation rise can ensure we can continue to make progress on building whilst helping us achieve our ambition to alleviate poverty and make strides towards our target of Net Zero by 2030.

The protection of our tenants is of the utmost importance, which is why the Tenant Hardship Fund, introduced by this administration, will continue, with increased funding of 7% to reflect the challenges that some may face. This administration is committed to ensuring support for tenants during the ongoing cost-of-living crisis.

The budget presented in Appendix 3 of the report presents a high-level summary of expenditure in the HRA. As part of the report's referral to Housing, Homelessness and Fair Work Committee, we request that a more detailed breakdown of spending is included to show a breakdown of:

- staff costs in core housing management services
- staff costs in estates maintenance and repairs
- external contractor / agency costs in core housing management services
- external contractor / agency costs in estates maintenance and repairs
- spending on estate improvement, including the Neighbourhood Environment Programme and Estates Improvement Programme

Council:

- Notes that the impact of two years of rent freezes and below inflation rent rises alongside increasing costs has placed significant pressure on the programme of development for housebuilding.
- Notes that Council is still yet to hear the full cost implication of the EESSH2 retrofitting strategy due to delay in publication by the Scottish Government
- Further notes that any cost implication would come at a time where the Scottish Government has cut funding for affordable housebuilding by approximately 20%

Council notes the following reports from the Executive Director of Place:

Council Budget Reports

- Housing Revenue Account (HRA) Budget Strategy 2024/2025 to 2028/2029 - referral from the Finance and Resources Committee (6 February 2024)

- Glenarm Place, Western Harbour, Edinburgh – Proposed Acquisition of Completed Homes - referral from the Finance and Resources Committee (25 January 2024)

Council therefore agrees:

- A rent increase of 7% for 5 years, with an assumption that 7% over the following 5 years would be required to achieve the outputs indicated in the draft 10 year capital investment programme (appendix 4)
- To note the officer recommendation in the report is to increase rent by 8.4% in 2024/25, as part of a five-year rent strategy requiring annual increases of 8.4% for the subsequent four years noting that 7% is comparable to the highest end of consultations and increases that other local authorities and RSLs (circa 6-7%) have proposed across Scotland:
 - o In order to insulate our council homes to meet the EESSH2 Standard;
 - o And to bring the housebuilding programme up to speed, delivering 3,560 Social Rented Homes by the end of the business plan
- Notes the additional financial burden that our tenants will be facing from the cost-of-living crisis, and therefore approves the continuation of the Tenant Hardship Fund to support those tenants, including those for whom rental increase would cause significant financial strain.
- Instructs the Service Director – Housing and Homelessness, to develop a business case, setting out a comprehensive pathway to ‘in-housing’ repairs service provision, and reducing spend, and reliance, on external contractors.
- To purchase 118 new build flatted homes within the Western Harbour Development subject to completing due diligence and on the terms and conditions outlined in the report.

Moved by: Cllr Jane Meagher

Seconded by: Cllr Tim Pogson

This page is intentionally left blank

Amendment by the SNP Group

The City of Edinburgh Council

22 February 2024

Housing Revenue Account (HRA) Budget Strategy 2024/2025 to 2028/2029

Since the Labour, Conservative and Liberal Democrat Administration parties voted to remove £1.3bn from the Council housebuilding programme SNP Councillors have been steadfast in the need to get the programme back on track.

This has informed every decision we have faced on housing, in the context of the city declaring a housing crisis, and it informs our decision today.

Rent increase

We acknowledge and appreciate the consultation responses from tenants in the engagement on what they were willing to support on the rent increase. We also recognise the thousands of residents in temporary accommodation, in insecure and unaffordable housing, who would not have been consulted directly but whose precarious housing situation has prompted the council to declare a housing emergency.

We also acknowledge and appreciate Council Officers' recommendation to increase rent by 8.4% for the next 5 years to restore the Council housing building programme, which is the key action the council can take to address the housing emergency.

For both reasons, we will support the recommendation to increase rent by 8.4% but will not confirm next year's increase until next year.

At 8.4%, the programme can still deliver at pace and scale and see all homes brought up to Energy Efficiency Standard for Social Housing 2 (EESH2) standards and 4,300 new social rented homes over the lifetime of the business plan, repairing the damage done by the previous decision.

Tenant Hardship Fund

Although around 70-80% of tenants will have their rent paid by housing benefit and will not directly be affected by a rent increase, we know there are tenants who will be. And because this year-on-year increase in rent is substantial, we request that up to £500k of

the additional revenue is ringfenced to increase the Tenant Hardship Fund. This must provide an additional safety net for affected tenants alongside work to increase referrals of tenants into income maximisation services.

The fund should be easy-access and with minimal barriers for tenants. It must be able to be utilised in a similar way to Direct Housing Payments (DHPs) where appropriate, providing a month by month top up to households that are affected by the benefits cap and those with particular vulnerabilities. A report on how this can be administered should be brought to the Housing, Homelessness and Fair Work committee within one cycle of the budget meeting.

Empty Council houses

Over a thousand council homes remain empty, despite promises from the administration that this scandal will be addressed. In the Council's budget we are taking the unprecedented step of allocating £3.5m to accelerate work to bring these properties back into use. We believe it is proper to use the Council's general funds due to the high numbers of households within homelessness services, trapped in temporary accommodation, while council homes lie empty.

Council notes the following reports from the Executive Director of Place:

Council Budget Reports

- Housing Revenue Account (HRA) Budget Strategy 2024/2025 to 2028/2029 - referral from the Finance and Resources Committee (6 February 2024)
- Glenarm Place, Western Harbour, Edinburgh – Proposed Acquisition of Completed Homes - referral from the Finance and Resources Committee (25 January 2024)

Council therefore agrees:

- A rent increase of 8.4% for year 2024/25, *although notes future rent increases will be set next year to fix a future position which can continue to deliver the programme as set out.*
- To continue the Tenant Hardship Fund in 2024/25 and increase this fund by up to £500,000 as set out in the motion;
- To purchase 118 new build flatted homes within the Western Harbour Development subject to completing due diligence and on the terms and conditions outlined in the report.

Moved by: Councillor Macinnes

Seconded by: Councillor Nols-McVey

Motion by the Liberal Democrat Group

City of Edinburgh Council

22nd February 2024

Item 4.2 - Housing Revenue Account (HRA)

Council notes:

Much of what informs the Liberal Democrat Group HRA budget comes from tenants' feedback, the HRA Proposed Budget Report, the LEEHS Report, the internal audit on ad hoc repairs, uncertainty of funding from the Scottish Government, and crucially, the declaration of a Housing Emergency.

69% of homes in Edinburgh are flats – a greater proportion than Scotland overall. Homes in Edinburgh are significantly older than the Scottish average, with a tenth being listed and within conservation areas. We recognise this poses unique challenges in ensuring tenants' homes are warm and green.

“As an owner of social housing and a local authority landlord, we have an obligation to maintain and repair homes for tenants and shared responsibility with other owners to maintain common areas.”

But we think it can do more than that and become a model of best practice.

In the backdrop of the current Strategic Housing Investment Plan (SHIP) 2024-29 requiring a circa 300% raise in Scottish Government grant funding, it would be difficult for tenants alone to fully subsidise Scottish Government funding cuts above national average rent rise proposals.

Council notes the following reports from the Executive Director of Place:

Council Budget Reports

- Housing Revenue Account (HRA) Budget Strategy 2024/2025 to 2028/2029 - referral from the Finance and Resources Committee (6 February 2024)
- Glenarm Place, Western Harbour, Edinburgh – Proposed Acquisition of Completed Homes - referral from the Finance and Resources Committee (25 January 2024)

Council further notes:

- Every party in Edinburgh Council declared a 'Housing Emergency' in 2023 that 'impacts housing management practice, homelessness prevention, housebuilding and purchase, funding, social care, and children's services'.
- Edinburgh Council is expected to be a responsible social-rent landlord and continue to both ensure tenants have the best possible service, and that the Council must build new housing, despite a freeze in the national Tenant Management Development Fund (TMDF) and cut to More Homes funding in the Draft Scottish Government Budget. This is combined with the fact that less rents are being collected due to welfare reform and delays in getting voids turned around post-COVID.
- Edinburgh has one of the lowest proportions of social-rent housing in Scotland with 16% of homes being social rent (compared to the national average of 24%). There is an average of 197 bids received for every tenancy announced via EdIndex. Edinburgh also has the highest private rents in Scotland with an average monthly rent of £1,477.
- Benefits and welfare are underclaimed across Edinburgh.
- Retrofitting can not only increase the warmth of homes but allows savings on utility bills and contributes to our citywide carbon reduction strategy and climate impact.

Council therefore agrees:

- A rent increase of 7% for 5 years, noting the officer recommendation in the report is to increase rent by 8.4% in 2024/25, as part of a five-year rent strategy requiring annual increases of 8.4% for the subsequent four years, and noting that 7% is comparable to the highest end of consultations and increases that other local authorities and RSLs (circa 6-7%) have proposed across Scotland. This also allows 100% of EESSH2 targets to be met and keeps a strong pipeline of social-rent homes. We further note that without further grant funding, a 5.25% increase in the following five years may also be necessary.
- To continue the successful process of the Tenant Hardship Fund in 2024/25;
- To purchase 118 new build flatted homes within the Western Harbour Development subject to completing due diligence and on the terms and conditions outlined in the report.
- To commit to the design and development phase of new builds, also agrees to explore a 5% "new build premium" rent from 2025 onwards, requests that scheme's progress is reported to committee as appropriate and continue to request fair funding from the Scottish Government.
- Service charges are increased by 5% in line with inflation to ensure tenant services are not negatively impacted.

Council further agrees:

Revenue Expenditure

While recognising the Housing Emergency Action Plan, is still in Draft stage by the time this Budget is published, the following key areas are identified as requiring additional investment.

- Additional funding (£100,000) to the Repairs team to assist Draft Housing Emergency Action Plan points 1 (voids reduction), 18 (reduced time for repairs).
- Additional funding (£100,000) to the Home Access Referral Team to assist Draft Housing Emergency Action Plan point 17 (reduced average time for tenants to move into their new homes).
- Additional funding (£100,000) for Recharge Officers for Missing Shares, identified as a priority within the 'Internal Audit Ad Hoc Repairs' report; to include additional funding for main door repairs.
- Additional funding (£50,000) towards Income Maximisation resource within the Housing team to enable individuals to maximise welfare income potential and to outreach directly into communities, particularly in the context of Discretionary Housing Payment pressures and wider welfare reforms.

To ensure both equality and equity of rents

Council:

Notes that the differentials between property types have been left unchanged for several decades, and a holistic look may help determine both whether tenants are paying fair rents (differentiated by number of bedrooms and house vs. flat currently), and whether there are other revenue raising avenues arising from reform that are more equitable (such as Sqm or amenity in other leases of property) subject to an Integrated Impact Assessment.

Requests a report before the 2025/26 HRA Budget to Housing, Homelessness and Fair Work Committee on how Rent Differentiation is currently spread, and proposals to make it fairer.

Notes that Edinburgh's Housing Allocation System is also subject to the above, and that a report on the EdIndex system, including comparisons to other local authorities, is due to a future Housing, Homelessness and Fair Work Committee.

Moved by: Cllr Pauline Flannery

Seconded by: Cllr Jack Caldwell

This page is intentionally left blank

Addendum by Liberal Democrat Group

City of Edinburgh Council

22 February 2024

Item 4.2 - Housing Revenue Account (HRA)

Council agrees to add the following to the Administration's Housing Revenue Account Motion:

Insert at the end of 'Council:'

Recognises the Draft Housing Emergency Action Plan identifies three key areas (Repairs Direct, HART and Recharge Officer(s)) as requiring prioritised expenditure to help facilitate staffing levels and other revenue pressures.

Notes that the differentials between property types have been left unchanged for several decades, and a holistic look may help determine both whether tenants are paying fair rents (differentiated by number of bedrooms and house vs. flat currently), and whether there are other revenue raising avenues arising from reform that are more equitable (such as Sqm or amenity in other leases of property), subject to an Integrated Impact Assessment.

Inserts at the end of 'Council therefore agrees:'

While also agreeing the below siloed funding, notes some of the roles outlined may be able to raise revenue through clawbacks and/or be partially staffed from other funding streams, and should be subject to committee's final approval of implementation.

- Additional funding (£100,000) to the Repairs Direct team to assist Draft Housing Emergency Action Plan points 1 (voids reduction), 18 (reduced time for repairs) and 19 (Improve tenant satisfaction).
- Additional funding (£100,000) to the Home Access Referral Team to assist Draft Housing Emergency Action Plan point 17 (reduced average time for tenants to move into their new homes) and 19 (Improve tenant satisfaction).

- Additional funding (£100,000) for Recharge Officer(s) for Missing Shares, identified as a priority within the 'Internal Audit Ad Hoc Repairs' report; to include additional funding for main door repairs.

Requests a report before the 2025/26 HRA Budget process to the Housing, Homelessness and Fair Work Committee on how Rent Differentiation is currently spread, and proposals to make it fairer.

Moved by: Councillor Alan Beal

Seconded by: Councillor Fiona Bennett

Motion by the Green Group

City of Edinburgh Council

22 February 2024

Item 4.2 – Housing Revenue Account (HRA)

Budget Strategy 2024-2025

Preamble to amended version:

This is an updated version of the Green HRA budget submitted to Edinburgh Council on 14th February 2024. Following negotiations and discussions with other parties, including an analysis of other budget proposals, we have made some adjustments to our budget proposal. Whilst we are not amending the substance of our HRA budget, we are proposing to include a substantial investment to the HRA from the general fund to support with bringing void properties back into use. Because of this, we have included a new section 5 into our proposal below. All changes are highlighted in yellow.

- [Context and considerations](#)
- [Rent strategy](#)
- [Differential rents](#)
- [Spending breakdown](#)
- [Conclusion](#)

1. Context and considerations

1.1 In 2023 the Council declared a Housing Emergency, recognising the acute nature of Edinburgh's homelessness crisis, the severe shortage of social rented homes in the city, increasing pressure for tenants within the private rental sector and serious issues in Council housing repairs, void management and damp and mould cases. Whilst all these issues concern bricks and mortar, it is important to remember that the Housing Emergency is about much more than this, concerning the absolute right of all residents across the city to have access to a safe, warm, and comfortable home.

1.2 All of these issues are set within the context of over a decade of austerity leading to a decrease in funding for Council housebuilding from the Scottish Government, increased demand for housing, and economic factors, including Brexit, meaning increased costs for construction and maintenance. Each of these factors curtail the ability of the Council to build more social rented homes to address the root cause of the city's housing crisis – a need for more, good quality,

energy efficient, accessible, and affordable homes. As a Council, and through COSLA, we must continue to lobby the Scottish Government for additional funding to tackle the Housing Emergency.

1.3 The Council's declaration of a Housing Emergency also signals the need for a change in approach at a Local Authority level. We must challenge the mindset which has built reliance on the private market within the housing system – from the outsourcing of basic repairs work in the housing service, to a blank cheque approach towards the issuing of private sector leasing contracts in temporary accommodation, and a sustained focus on delivery of mid-market rental homes instead of true, social tenancies. All of these choices have conspired to weaken public control over the housing system, delivering less for tenants and communities. The declaration of a Housing Emergency presents an opportunity to shift this mindset and herald a new and proud era for the delivery of a genuine, social housing system which puts the needs of tenants and communities first.

1.4 Everybody has the right to a safe, warm, and comfortable home, and it is only through public investment to build more genuinely affordable, social rented homes – and to deliver a comprehensive retrofitting programme to reduce energy bills for tenants, and to fulfil our commitments to help tackle the climate emergency – that this will be realised. It is with these principles and considerations in mind that we submit our HRA budget motion and present it for referral to Housing, Homelessness and Fair Work committee.

2. Rent strategy

2.1 Having a strong capital programme is key to delivering against Council targets for housebuilding and making improvements to existing homes, and this is what is reflected in the officer recommendation. However, in the context of a cost-of-living crisis, we recognise that the 8.4% rent rise proposed by Council officers is unaffordable for many. Therefore, instead:

2.2 We propose a **6.75% rent rise over 8 years, followed by a 5.25% rent rise for 5 years** which retains the same investment programme for housebuilding and energy efficiency standards (EESH2) over the Business Plan period, but reduces the immediate cost on tenants. We agree that Appendices 3 and 4 of the HRA Budget Strategy report will be updated and referred to Housing, Homelessness and Fair Work committee, on this basis.

2.3 Whilst reducing the proposed rent rise for tenants in 24-25 by 1.65%, we recognise that our proposal for a 6.75% increase will still put pressure on household budgets. That's why we are making additional financial support available to people in need. Across the Green budget more broadly, this will include:

- The continuation of the Tenant Hardship Fund as part of the HRA, in line with the officer recommendation
- An additional c.£1.9m award to the Scottish Welfare Fund to reinstate delivery of all Crisis Grants and 'medium' priority Community Care Grants for the year ahead
- £1m to reintroduce the Tenant Grant Fund for tenants across all tenures, acting as a preventative spend against homelessness
- Introduction of a "Household Support Payment", providing a one-off payment of £100 to households in Council Tax bands A-D currently eligible for this support

3. Differential rents

3.1 We recognise that, as part of the Council's rent consultation, 60% of tenants supported the idea of introducing a system of differential rent charges between older homes, and new and/or newly renovated homes. This is to reflect the difference in standards between homes, and the fact that those living in older properties which have not undergone retrofitting face additional costs in terms of higher energy bills.

3.2 If the Council is minded to introduce such a system, this should be factored into the multi-year rent strategy and made clear to tenants. Depending on how such a scheme was administered, this may (positively) impact on the Council's ability to retrofit more homes or deliver new homes, and possibly impact on the level of rents some tenants need to pay to deliver this too.

3.3 As a note of caution, whilst we recognise that new build or newly renovated homes represent better quality than older stock, these standards should be the norm for all tenancies and not presented as a "premium" option. Furthermore, forthcoming changes to EESH2 standards at a national level may mean that it is simply not appropriate to charge "premium" rents for new build or newly renovated homes, and instead the focus should be on offering rent reductions for those homes which have not been brought up to the appropriate standard.

3.4 Significant further analysis of the different, potential models for introducing a differential rent system must be explored with information about their prospective impact on the business plan and rent strategy presented to Housing, Homelessness and Fair Work committee for consideration. Furthermore, additional detailed consultation should also take place with tenants, tenant groups and tenant unions.

4. Spending breakdown

4.1 The budget presented in Appendix 3 of the report presents a high-level summary of expenditure in the HRA. As part of the report's referral to Housing, Homelessness and Fair Work committee, we request that a more detailed breakdown of spending is included to show a breakdown of:

- i. staff costs in core housing management services
- ii. staff costs in estates maintenance and repairs
- iii. external contractor / agency costs in core housing management services
- iv. external contractor / agency costs in estates maintenance and repairs
- v. spending on estate improvement, including the Neighbourhood Environment Programme and Estates Improvement programme

5. Investment to the HRA from the general fund

5.1 Subject to ministerial approval, the Green budget also proposes an investment of £3.5m from the general fund into the HRA. This is to fund investment in Council housing repairs to bring void properties back into use at a quicker rate than is currently planned. Whilst subject to ministerial approval, this is an unprecedented step to reflect the severity of the city's housing crisis.

5.2 This route to re-balancing the HRA was set out in a briefing paper requested by Green Councillors in October 2023, and we thank the officers who prepared this briefing. We are also grateful to the SNP group who included this proposal in their budget, giving us confidence that such a proposal was politically viable. Our proposal reflects their own.

5.3 Proposals this year are to focus on supplementing the HRA to bring void properties back into use, but we would welcome further discussions with political groups and officers about how this idea might be expanded in future years to include supplementing funding from the general fund to the HRA to spend on retrofitting and wider environmental estate improvements. We do not believe that the ability of the Council tenants to pay a rent increase should impact on the Council's ability to improve homes, reduce tenant energy bills and tackle the climate emergency.

6. Conclusion

Council notes the following reports from the Executive Director of Place:

Council Budget Reports

- Housing Revenue Account (HRA) Budget Strategy 2024/2025 to 2028/2029 - referral from the Finance and Resources Committee (6 February 2024)
- Glenarm Place, Western Harbour, Edinburgh – Proposed Acquisition of Completed Homes - referral from the Finance and Resources Committee (25 January 2024)

Council therefore agrees:

- A rent increase of 6.75% for eight years from 2024/25 and 5.25% for the following five years;
- To continue the Tenant Hardship Fund in 2024/25;
- To purchase 118 new build flatted homes within the Western Harbour Development subject to completing due diligence and on the terms and conditions outlined in the report.

Moved by: Cllr Ben Parker

Seconded by:

Motion by the Conservative Group

The City of Edinburgh Council

22 February 2024

Item 4.2 – Housing Revenue Account (HRA)

Budget Strategy 2024/2025 to 2028/2029 – Referral from the Finance and Resources Committee

Council:

- Notes the recommendations contained in the Housing Revenue Account Budget Strategy report by the Executive Director of Place and the outline 10-year HRA capital programme 2024/2025 – 2033/2034
- Agrees that rents be increased by 5% in 2024/25 and that, in principle, rents will increase by 5% per annum for the remainder of this Council term.
- Notes that the detailed 2024/25 Capital Investment Programme will be reported to Housing, Homelessness and Fair Work Committee for approval in May 2024. Further, agrees that a detailed draft 2025/26 to 2027/28 Capital Investment Programme should also be presented to that meeting and that a Tenant Hardship Fund will continue in 2024/25, inflated in line with the approved rent increase.
- Agrees that, in line with the results of the tenant consultation exercise, investment priority should be given to improving existing homes.
- Approves the recommendations set out in agenda item 4.2 (b) – Glenarm Place, Western Harbour, Edinburgh – Proposed Acquisition of Completed Homes

Moved by: Councillor Phil Duggart

Seconded by: Councillor Graeme Bruce

This page is intentionally left blank