

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 5 November 2020

Housing Revenue Account (HRA) Budget Strategy 2021/22

Executive/routine Wards Council Commitments	Executive All 1, 2, 6, 10, 39 and 40
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1. Recommendations

- 1.1 It is recommended that Housing, Homelessness and Fair Work Committee notes:
 - 1.1.1 the initial findings of consultation with tenants;
 - 1.1.2 a planned increase of almost £390 million capital investment over the next ten years to support the delivery of new affordable homes, achieve zero carbon emissions in Council owned homes and improve the neighbourhoods where Council tenants live; and
 - 1.1.3 the progress in the delivery of service improvements and efficiencies outlined in this report.

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Housing Revenue Account (HRA) Budget Strategy 2021/22

2. Executive Summary

- 2.1 The 30-year HRA Business Plan 2021/22-2050/51 is the financial framework that underpins the Housing Service. The Plan is reviewed annually in consultation with tenants and a five-year Capital Programme and one-year Capital Investment Budget is approved by Council.
- 2.2 Assumptions in the Business Plan are reviewed annually to inform rent levels, planned investment and capital programmes. Extensive consultation with tenants takes place to inform priorities for investment and improvements for service delivery. This takes the form of an annual survey and focus groups and consultation with tenants' groups and Edinburgh Tenants Federation (ETF).
- 2.3 The report sets out a planned increase in investment over the next ten years from £2,460m to £2,850m. An increase of around £390m on the previous year's plan. This investment supports the delivery of new homes, the modernisation of existing homes including the commitment to deliver zero carbon emissions by 2030.
- 2.4 The Housing Service Improvement Plan (HSIP) is driving improvements across a number of workstreams, centred around digital improvements, enhancements to customer communication, service resilience and efficiencies. Service improvements and efficiencies have been accelerated, particularly in the repairs and maintenance service. These include the creation of locally based repairs and maintenance teams, new appointment processes and improvements to communication with tenants.
- 2.5 The Business Plan assumes holding rent increases at 2% and financial efficiencies of 12% to be delivered by 2026. The Business Plan projects that the HRA remains in balance or a small surplus to 2028/29. Thereafter a small annual deficit is projected with a return to surplus in year 24 (2044/45). There are sufficient reserves to offset the in-year deficits accrued.

3. Background

- 3.1 On [14 May 2019](#), Corporate Policy and Strategy Committee approved the Council's Sustainability Approach, which included Edinburgh working towards a net zero carbon target by 2030, with a hard target of 2037. The Council's approach to achieving zero carbon in Council housing was approved at Housing, Homelessness and Fair Work committee on [20 January 2020](#).
- 3.2 On [6 June 2019](#), Housing and Economy Committee received an update on the HSIP. The report set out the approach to redesigning the Housing Service with a specific focus on developing more effective and responsive services for customers. A further update was provided to Committee on [20 January 2020](#).
- 3.3 On [31 October 2019](#), Housing Homelessness and Fair Work Committee approved the Strategic Housing Investment Plan (SHIP) 2020/25. It identified a pipeline of 6,766 affordable homes over the next five years that could be approved for site start and 9,474 projected completions. It also set out the key risks and challenges to delivery, including securing sites for development. The Council continues to drive forward its strategy for Delivering Land for Affordable Housing as approved at Housing and Economy Committee on [22 March 2018](#).
- 3.4 On [23 January 2020](#), the Finance and Resources Committee approved a business case to establish a Mixed Tenure Improvement Service (MTIS) Pilot and to introduce a revised Scheme of Assistance to help owners invest in their homes.
- 3.5 On [20 February 2020](#), the Council approved the five-year HRA Budget Strategy 2020/21 to 2024/25. In addition to this, Council approved a draft 2020/21 capital budget, five-year capital investment programme and 30-year Business Plan.
- 3.6 On [11 June 2020](#), Policy and Sustainability Committee received a report from the Edinburgh Poverty Commission on Poverty and Coronavirus in Edinburgh. The report provided initial findings on the impact of the outbreak on poverty in Edinburgh and reflections on responses needed to mitigate that impact.
- 3.7 On [27 August 2020](#), Finance and Resources Committee approved a revised 2020/21 HRA capital budget in light of the impacts of Covid-19. The HRA presented a 41% expected reduction in expenditure and committed to exploring opportunities to reallocate capital slippage to strategic land acquisition to support the new build programme.

4. Main report

- 4.1 The HRA manages the income and expenditure for the Housing Service. The Housing Service provides affordable homes and other services to nearly 20,000 tenants and 500 home owners in the city. The Housing Service is entirely self-financing and receives no funding from the General Fund (GF).
- 4.2 The HRA budget is approved by Council following consultation with tenants. The budget is prepared annually following the review of the 30-year HRA Business Plan

and the Capital Investment Programme. Appendix 1 sets out the HRA Business Plan and budget setting process.

Tenant Priorities

- 4.3 Over the last five years £310m has been invested in new and existing homes and neighbourhoods; delivering more than 28,000 individual improvements, 600 new homes and services aimed at reducing tenants cost of living. However, the strategy needs to go further and respond in a meaningful and sustainable way to deliver lasting change and create a transition towards a city that is effective in ending poverty.
- 4.4 The 2021/22 HRA Budget strategy proposes a holistic area-based approach to create places where people want to live that keep them safe, secure, healthy and connected, by delivering:
 - 4.4.1 energy efficient, low carbon homes that minimise carbon emissions and reduce energy demand in secure, modern, well-maintained stairwells;
 - 4.4.2 new and existing homes blended together to create a local identity and a sense of pride in communities;
 - 4.4.3 well-designed, green, open spaces that encourage residents to be active and socialise, with strong connectivity to the wider community through sustainable, affordable travel; and
 - 4.4.4 accessible, responsive services building on existing links with partner organisations and community initiatives to drive forward a whole system approach that supports individual and community resilience and wellbeing.

Progress on delivering New Homes

- 4.5 Work is well underway to accelerate the delivery of affordable housing in the city and achieve this Council's commitment to build at least 20,000 social and affordable homes by 2028.
- 4.6 The first three years of the commitment saw a record number of homes approved by the Council and housing associations (5,015 homes) for social rent, mid-market rent and low-cost home ownership. A further 2,000 homes could be approved this financial year (2020/21), however adjustments to the programme in light of Covid-19 may see this number temporarily reduce. The Strategic Housing Investment Plan (SHIP) 2020/25 identified a pipeline of 6,766 affordable homes over the next five years that could be approved for site start and 9,474 projected completions, with opportunities to accelerate and bring additional approvals through a 'Build to Rent' pipeline.
- 4.7 Almost half of new homes will be delivered by the Council's housebuilding programme 800 new homes are on site and currently under construction and a further 3,500 are in design and development. This does not include homes being delivered for low cost home ownership or private sale through Council led development.

- 4.8 The Business Plan also assumes that house building will continue beyond the ten-year commitment, with an additional c.2,000 homes delivered over the Business Plan period. Covid-19 has had a short-term impact on the progress and cost of homes under construction, but this is not expected to have a long term sustained impact on the overall programme.
- 4.9 Securing control of sites for development remains one of the biggest challenges to the programme's delivery. The Business Plan includes over £125 million for land acquisitions, which could deliver over 5,000 affordable homes. As set out in the [Delivering Land for Affordable Housing](#) report, the Council's housebuilding programme continues to prioritise the retention of surplus public sector land, to work with house builders and partners to find the best ways of unlocking land for development and where appropriate, acquire sites through statutory intervention.

Progress on improving existing homes and neighbourhoods

- 4.10 Over the last five years £165m has been invested, delivering more than 28,000 individual improvements, with an emphasis on making homes easier and more affordable to heat. This includes:
- 4.10.1 7,100 homes with new kitchens and bathrooms;
 - 4.10.2 7,100 homes with new modern heating systems;
 - 4.10.3 1,600 homes with new doors and window upgrades;
 - 4.10.4 5,200 homes with electrical upgrades;
 - 4.10.5 4,000 homes with health and safety improvements; and
 - 4.10.6 280 neighbourhood improvement projects.
- 4.11 Over 2,900 Council homes have benefited from external fabric upgrades as part of a larger regeneration programmes over the last five years. Regeneration of our existing homes continues across the city, a more detailed breakdown of these projects by locality is set out below:
- 4.11.1 **South East:** Over the past 10 years, seven blocks (283 residents) at Dumbiedykes have benefited from full external fabric upgrades (roof replacement and external wall insulation). This project has been supported by funding from the Scottish Government through the Home Energy Efficiency Programme Scotland, Area Based Scheme (HEEPS:ABS). Dumbiedykes phase 6 (80 homes) will be tendered over the coming months. A HEEPS:ABS project at West Mains will provide external wall insulation for 141 homes. Householder sign up is currently underway.
 - 4.11.2 **North West:** Significant investment will be delivered across the six multi-storey blocks in the Muirhouse area, including a full external fabric and windows upgrade programme in May and Gunnet Court (due to commence in 2021/22), a waste management upgrade pilot at Birnies, a full roof replacement at Fidra Court and an outline design for the full fabric upgrade of Inchmickery and Oxcars Courts (November 2020). At Drylaw, a HEEPS:ABS external wall insulation project is underway, including 18 Council homes

which are part of the EESSH programme. A Solar PV and Battery pilot in Kirkliston (112 CEC homes) is also due for completion by December 2020, with funding coming from the Scottish Government's Decarbonisation Fund.

4.11.1 **North East:** A full fabric upgrade and potential block redesign is planned for two deck-access blocks in Magdalene Drive. A consultation plan is currently in development with the local community group, with works expected to start in 2021/22. Peffermill and Craigmillar multi storey blocks will also be undergoing extensive fabric upgrades (including roof, external walls, entrances and lobbies), with works due to start in 2021/22. The final design for the regeneration of the North Cairntow gypsy traveller site has been agreed with the community, with work starting before the end of 2020/21.

4.11.2 **South West:** To date, 10 blocks at Westburn (80 homes) have benefited from full fabric upgrades (roof replacements, external wall insulation and door entry systems). Phase 3 will see a further nine blocks (72 homes) benefit from the upgrades in 2020/21. HEEPS:ABS work at Sighthill is due to complete by December 2020, providing external wall insulation for 50 homes which are of Swedish Timber construction, including six Council homes. The design work for projects at Sighthill Crescent and Murrayburn are progressing as part of a wider programme of regeneration of the Wester Hailes area. A full building condition survey has also been commissioned for Westfield Court, where the Council is a minority owner and funding has been set aside for repairs to the communal heating system.

4.12 Making homes easier and cheaper to heat remains a key priority for tenants. The Council's current approach to energy efficiency retrofit has promoted the installation of individual measures. While this made sense in order to meet Scottish Government's Energy Efficiency Standards for Social Housing (EESH), meeting EESH2 will not be possible through this method alone. A new evidence-led holistic approach will be required, focusing on whole house deep retrofit which balances energy efficiency with building improvement and tenant comfort, health and affordability. An update on housing sustainability and delivering net zero carbon by 2030 is set out in a separate report to this Committee. The cost of achieving net zero carbon has been factored into the 2021/22 Business Plan.

4.13 The total proposed investment per home has nearly doubled from c.£24,000 to c.£43,000 over the first ten years of the business plan period; this includes known costs for whole house retrofit to meet sustainability objectives, mixed tenure investment in buildings and common areas. This year's strategy also proposes the inclusion of an additional budget equating to £5,000 per home to invest in well-designed open spaces, working alongside planning and transport colleagues to promote active travel and access to local amenities.

4.14 Consultation with tenants shows a strong desire for investment in the neighbourhood improvement. The business plan assumes significant additional investment over the next 20 years in improvements to local neighbourhood infrastructure and estates.

- 4.15 There is potential for the funding that is currently allocated through the NEPs budget to be better aligned to wider neighbourhood regeneration investment to have a greater impact on the quality of our neighbourhoods. Over the next six months, a review and discussion with key stakeholders will be taken forward to develop an approach that still enables community influence in directing how this funding is prioritised and also supports the ambition to improve our estates.
- 4.16 Over half of the 20,000 Council's homes are in mixed tenure blocks where the Council shares responsibility for the repair and maintenance of common areas with home-owners and private landlords. As part of the wider mixed tenure investment strategy a MTIS pilot was approved by Finance and Resources Committee on January 2020. This included enhanced Scheme of Assistance measures for extended payment terms under the corporate debt policy to support and encourage owners carry out essential repairs to their block. Key postholders have been appointed, including the Mixed Tenure Service Manager, and it is anticipated that the service will be fully operational by 2021.

Service resilience and improvement

- 4.17 The Housing Service has undergone an unprecedented level of change over the last six months in response to Covid-19. This has accelerated modernisation and efficiencies in service provision through digital and remote working. However, it has also highlighted the invaluable role of coordinated, localised service delivery, as highlighted by the [Edinburgh Poverty Commission](#). Ensuring that the frontline housing service is visible, responsive and effective has never been more critical.
- 4.18 The service has demonstrated resilience, with new working practices and processes developed in a short space of time, focused on keeping staff and tenants safe. The service is continuing to adapt to the challenges and opportunities of the new operating environment and wider core services are now resuming in a controlled manner. Following a four-month period where lettings were suspended in line with government regulations, safe working practices have been put in place enabling this service to resume. The repairs service has evolved from critical to emergency service provision, with a further expansion of service during Autumn 2020.
- 4.19 The wellbeing of tenants and officers is central to service planning and delivery. Officers have adapted well to new ways of working, from home working, providing essential services in the Council Resilience Centres to remote working for Operatives carrying out critical repairs in tenants' homes. Contact with tenants have been sustained throughout, with Housing Officers mobilising quickly to carry out regular wellbeing check-ins with their tenants over the phone. This has ensured that tenants have been able to access support and advice with tenancy and rent issues, and officers have also been able to help identify wider support needs during lockdown, including foodbank referrals and support for tenants who were shielding.
- 4.20 The HSIP was introduced last year with the aim of significantly increasing customer satisfaction, improving operating performance and reducing costs, with a specific focus on developing more effective and responsive services for customers. The

Covid-19 operating environment has reinforced the objectives of the HSIP and has highlighted some emerging priorities which will shape the way the programme is taken forward. The HSIP is driving improvements across a number of workstreams, centred around digital improvements, enhancements to customer communication, service resilience and efficiencies.

- 4.21 In 2019/20, the HSIP prioritised improvement projects within the repairs service, to address legacy systems issues and inefficient processes which have a detrimental impact on performance, customer satisfaction, and cost. In response to the pandemic, progress has been accelerated and the rollout of the Total Mobile system has been a vital enabler for safe remote working for operatives. Key improvements include:
- 4.21.1 Accelerated rollout of Total Mobile for gas and empty homes, amended to allow for shielding and no forced entry;
 - 4.21.2 All Operatives now equipped with mobile devices, granting them full and equal access to emails, training materials and corporate updates. Further enhancements currently in development will enable Operatives to view job history and book follow-on appointments on their devices;
 - 4.21.3 Improvements to tenant contact channels, with the introduction of text message alerts and reminders, and the piloting of Remote Assist, which offers tenants the opportunity to receive basic guidance and job diagnosis via a video call; and
 - 4.21.4 Integrated working with the local housing teams, ensuring the turnaround of empty homes is being progressed efficiently to support households in temporary accommodation and urgent housing need to move into settled accommodation.
- 4.22 The response to the pandemic has resulted in delay to some areas of planned HSIP activity in 2020/21 as resources were temporarily reassigned to vital service resilience work. As programme resources stabilise, there is increased capacity to focus on wider aspects of service improvement. Work in progress prioritises the tenant experience of finding and moving into a home, as well as improvements to rents processes and systems. Informed by the Covid-19 operating environment, policies and procedures are being refreshed and training and wellbeing plans are being developed in consultation with officers. Over the next six to twelve months, estates management and continued digital improvements will be key areas of focus. Further detail on HSIP progress, priorities and performance is set out in Appendix 2 and 3.
- 4.23 In response to the recent period of disruption and the financial pressures the HRA faces to meet its ambitious commitments, the HSIP now seeks to deliver greater savings over an extended period. In addition to the ambitious savings target of £11m to be achieved by 2023/24, a further £3m is now factored in by 2025/26. Including the savings already achieved last year through Treasury Management efficiencies, the HSIP now seeks to deliver £14.3m (c.12%) in savings by 2025/26.

- 4.24 Detailed forecasting is currently taking place to map out when savings will be achieved. The key areas of focus over the next six months are set out below:
- 4.24.1 **Overheads and third-party expenditure:** A review of legacy re-charge arrangements for General Fund service areas to ensure the HRA is achieving value for money is underway.
 - 4.24.2 **Estates Management:** Project lead now in place. Savings will be achieved through robust contract management of the new aligned single supplier framework agreement. A review of current expenditure arrangements is underway and will inform a revised approach for the delivery of core estates management services.
 - 4.24.3 **Repairs:** The roll out of total mobile has improved the overall tenant experience and increased operative productivity. HRA repairs expenditure is projected to be considerably below budget for 2020/21. Whilst this is largely due to a reduction in job numbers during lockdown, it is anticipated that service improvements leading to increased productivity and changing tenants' behaviours have also been a factor. There will be a focus on savings realisation and ensuring improvements are embedded into business as usual as service delivery expands.
 - 4.24.4 **Housing management:** Significant ICT enhancements are underway in relation to letting homes, income collection and arrears management which will promote tenancy sustainment, maximise income and reduce costs. The timing and scale of savings are currently being modelled.

Responding to tenant priorities

- 4.25 Each year tenants' views are sought on the HRA budget strategy, investment plan, service improvements and associated rent levels. Over the last five years tenants have consistently supported building new affordable homes and investing in existing homes to make them easier and cheaper to heat. In addition to these core priorities tenants have also supported new initiatives which sought to improve their quality of life and reduce their overall cost of living (e.g. energy advice service, tenant discount scheme, etc). In the last few years tenants also highlighted the need for getting the basics right (housing management and repairs) and as a result the HSIP was put in place. In addition to this, tenants have also highlighted the quality of their stairwells, outside of building, lighting and open spaces as areas for improvement.
- 4.26 The 2021/22 budget consultation is seeking tenants' views on the changing focus of the investment strategy from investing in the interiors of homes to buildings and neighbourhoods. It is recognised that there are many factors which contribute to resident satisfaction with their local area and overall quality of life. This includes safe and secure stairwells in modern, well-maintained, energy efficient buildings; well-designed shared courtyards and open spaces that encourage residents to be active, and socialise; and easy access to affordable shops, local services, and links to public transport. The budget strategy asked tenants what is important to them and where investment should be focused.

- 4.27 A range of other consultation activities are undertaken, to ensure we are regularly receiving feedback from our tenants, including an annual survey of 1,000 tenants. This year's tenant survey was conducted in July and August, adapted from a face-to-face survey to a telephone survey. The survey has generated a similar profile of responses, with strong support to continue or speed up the investment plan. While improvement inside tenants' homes and external fabric of buildings remain as priority areas for investment, over half of the surveyed tenants said more investment should be made to improve common areas. The budget consultation closes on the 31 November 2020, the outcome of which will be used to set the annual budget and five-year capital programmes, and to shape the priorities of the HSIP.
- 4.28 This strategy proposes a £2,850m capital investment programme to deliver holistic area-based regeneration and carbon zero commitment over the next 10 years. This investment will support 43,000 person-years of employment across the 10-year period, which is equivalent to approximately 4,300 permanent jobs.
- 4.29 For the last four years, rents have increased by 2% which is below average inflation of 2.3%. Private rents have increased by an average of 3.3% a year, while the average rent for local authority landlords has increased by 2.9% a year and average housing associations' rent has increased by 2.5% a year over the same period. Between 70-80% of households each year receive some help with their rents through Housing Benefit and the housing element of Universal Credit (UC). Almost all of these tenants would be entitled to an increase in their benefits to cover any increase in rent charges, subject to there being no other changes in their household circumstances that would alter their overall entitlements.

Risks to the Business Plan

- 4.30 The top five risks to the Business Plan are set out in the table below:

Risk	Mitigation
<p>Reduction in rental income: Rental income collection falls below the assumed level in the Business Plan due to ongoing migration of tenants on to UC and financial hardship being experienced following Covid-19.</p>	<p>A total of 10,500 tenants are expected to migrate to UC by December 2023. 3,220 tenants were known to claiming UC by March 2020. The assumption on number of tenants migrating to UC in 2020/21 has been increased to take account of the impact of Covid-19 on tenants' income.</p> <p>Rent free fortnights have been removed from the start of 2020/21 to align charging periods more closely with monthly UC payments and salaries for tenants in employment, helping tenants to budget better and avoid getting into debt.</p> <p>Rent processes have been improved to monitor and track landlord payment from the DWP and early intervention continues to be sought for all tenants moving onto UC.</p>

<p>Increasing capital investment costs: The increase in new build construction and development costs (workforce, materials etc.) could be higher than anticipated due to the impact of Covid-19 and the need to implement safe working practices. As well as, additional cost implications associated with sustainability targets. Land costs for housing development is also increasing due to competition in the open market.</p>	<p>Build cost inflation assumptions are reviewed annually based on market intelligence. In year projections take account of known costs uplifts as a result of Covid-19, but these are not expected to have a sustained long-term impact. The known costs for achieving net zero carbon (including trial innovative technologies, retrofit approaches and carbon offsetting) have been factored into the Business Plan.</p>
<p>Mixed tenure and external improvement: Over half of Council homes are in mixed tenure blocks where the Council shares responsibility for the repair and maintenance of common areas with home-owners and private landlords. Owners may not have the funds to invest at scale in their homes, delaying or limiting investment to Council homes in these blocks.</p> <p>With investment increasingly focused on buildings and wider neighbourhood, more improvement work will take place outdoor and progress will become more weather dependent.</p>	<p>The new MTIS is now in the implementation stage. Enhanced Scheme of Assistance measures are now in place following Finance and Resources Committee approval on 23 January 2020 for extended payment terms.</p> <p>The delivery of strategic acquisition and disposal of homes continues to achieve block consolidation.</p> <p>This will be considered in the planning and programming of works with contractors.</p>
<p>Reduction in costs efficiencies: The financial efficiency savings assumed in the latest Business Plan do not materialise, thus deepening the deficit.</p>	<p>The HSIP aims to reduce operating expenditure by c.12% to mitigate the deficit and return the Business Plan to a positive balance. A detailed review of efficiency opportunities is continuing in response to the current operating environment.</p>
<p>Securing land for affordable Housing: One of the key risks to the delivery of 20,000 affordable is failure to secure suitable land for development. The Council and RSL delivery partners have significantly less influence over the type of housing that will be brought forward for development and development timescales on private sector sites.</p>	<p>On 22 March 2018, Housing and Economy Committee approved actions set out in the Delivering Land for Affordable Housing report to secure land and increase control over the pace of housing development.</p> <p>The Council continues to prioritise the retention of surplus public sector land, to work with house builders and partners to find the best ways of unlocking land for development and where appropriate, acquire sites through statutory intervention in. The HRA Business Plan includes £125 million for land acquisitions.</p> <p>The availability and control of land continues to be a key focus of the partners working together on the City Region Deal.</p>

4.31 In addition to the mitigations set out above, the Business Plan assumes a £11.5m contingency fund will be built up by the end of this financial year, rising to £25m by 2027 to ensure the continuation of the investment programme, even with an

unexpected reduction in income or increase in unplanned expenditure. This is an increase from the £15m planned contingency set out in last year's budget.

5. Next Steps

- 5.1 Following the tenant survey carried out between July and August 2020, further consultation with tenants is currently taking place.
- 5.2 Capital investment programmes will be reviewed to reflect investment priorities identified through budget consultation with tenants and members.
- 5.3 The five-year HRA Budget Strategy 2021/22 to 2025/26, draft 2021/22 capital budget and five-year capital investment programme will be presented to Finance and Resources budget committee meeting for approval in early 2021.

6. Financial impact

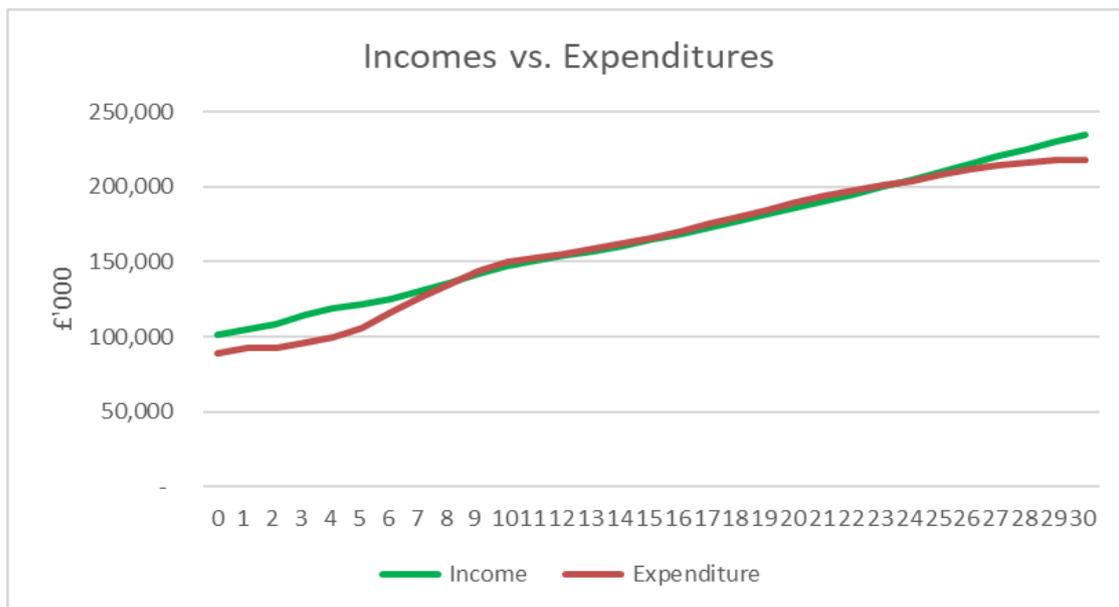
- 6.1 The 2020/21 Business Plan projected a £22.7m deficit between 2034/35 and 2047/48. The Business Plan is reviewed annually and is rolled forward based on the previous year's outturn and approved rent levels. Key assumptions are updated prior to consultation.
- 6.2 A summary of the key changes is set out below:
 - 6.2.1 **Net Zero Carbon** – Additional capital costs to ensure all new homes are built to net zero carbon standards and all existing homes, where possible, have a full house retrofit. A carbon offsetting fund from year 10, once all fabric upgrade options have been exhausted;
 - 6.2.2 **Construction costs** – An increase in baseline new build assumptions to reflect recent tender costs and the impact of Covid-19 in the first few years of the Business Plan;
 - 6.2.3 **Estate Improvement** – An additional £5,000 per home has been included in the Business Plan to invest in well-designed open spaces that enhance local communities;
 - 6.2.4 **Operating efficiencies** – The business plan assumes efficiencies in operating and financing costs of £11m by 2023/24, and a further £3m to be achieved by 2025/26;
 - 6.2.5 **Further reduction in pool rate** – The Council's pool rate was reduced from 5% to 4.5% in last year's plan. At Spring Budget 2020, the UK Government announced a new, discounted rate of Public Works Loan Board lending to support social housing. The new HRA rate is available for loans arranged on or after 12 March 2020. The Business Plan therefore includes a prudent reduction in the pool rate and work is underway to assess the long-term impact of this across the 30-year period; an

6.2.6 Increased contingency - This year's Business Plan also includes a £25m contingency (an additional £10m increase on last year's plan), built up over the next six years, to ensure the continuation of the investment programme. This is a separate account to manage any unexpected reduction in income or increase in unplanned expenditure.

6.3 Planned capital investment has increased in the first 10 years by nearly £390m (c.16%) compared to last year's Business Plan. The Business Plan assumes this will be funded by an annual 2% rent increase.

6.4 Following the changes set out above, the Business Plan is projecting a £32.240m deficit between years 9 and 23 (2029/30 and 2043/44); with an average annual deficit of £2.149m over these 15 years. However, it is important to note that the deficit only relates to in year expenditure exceeding income, there is enough fund in reserves to completely offset it. The HRA has a net surplus of £91.540m over 10 years and £115.845m over 30 years.

6.5 A review of treasury management is currently underway which seeks to reduce and delay the overall deficit. Alternatively, the in-year deficit could be completely mitigated by a further £2m reduction in operating expenditure over the next five years or by increasing rents by an additional 0.5% to 2.5% in year 5 (2025/26) for five years.



6.6 Further work to check and refine key assumptions will be undertaken prior to the final budget proposal being presented to Council in early 2021. Capital investment programmes will be reviewed, as well as investment priorities identified through budget consultation with tenants and members.

6.7 HRA expenditure for 2020/21 will be impacted by Covid-19, with projected underspend in both revenue and capital budgets due to work slowing or stopping for a period. This is set out in the Period 5 Monitoring Report to this committee. As a result of the altered baseline position of expenditure for this year, HSIP savings for 2020/21 and 2021/22 will be tracked as a combined target, to allow for more

meaningful monitoring and to ensure savings are attributed to lasting change as opposed to short-term reductions in spend.

7. Stakeholder/Community Impact

- 7.1 Each year the views of tenants are sought on the HRA budget strategy, investment plan, service improvements and associated rent levels.
- 7.2 All tenants received a paper copy of the budget consultation as part of the Tenants' Courier newsletter during the consultation period. There was an online form and social media campaign. The consultation was promoted to tenant organisations and tenant panel members via email and text. There was also a series of online discussion forums for tenants who were able to engage digitally. Since Covid-19, Housing Officers have been engaging in regular welfare checks, these contacts were used as opportunity to encourage tenants to take part in the consultation.
- 7.3 In addition to the annual rent consultation and tenant survey the Housing Service is in regular contact with tenants and has a wealth of information on tenant satisfaction and priorities from a variety of sources. Focus groups are carried out to look at specific topics and various short life working tackle particular issues.
- 7.4 Tenant engagement is being further expanded and enhanced through the HSIP to ensure the programme is based on sound research, benchmarking and tenant feedback. In response to Covid-19, arrangements are being put in place to ensure tenant engagement can continue in a safe and accessible way. This will include setting up a new virtual tenant group to focus on service improvement. Consultation with existing tenant groups is taking place to help shape this.

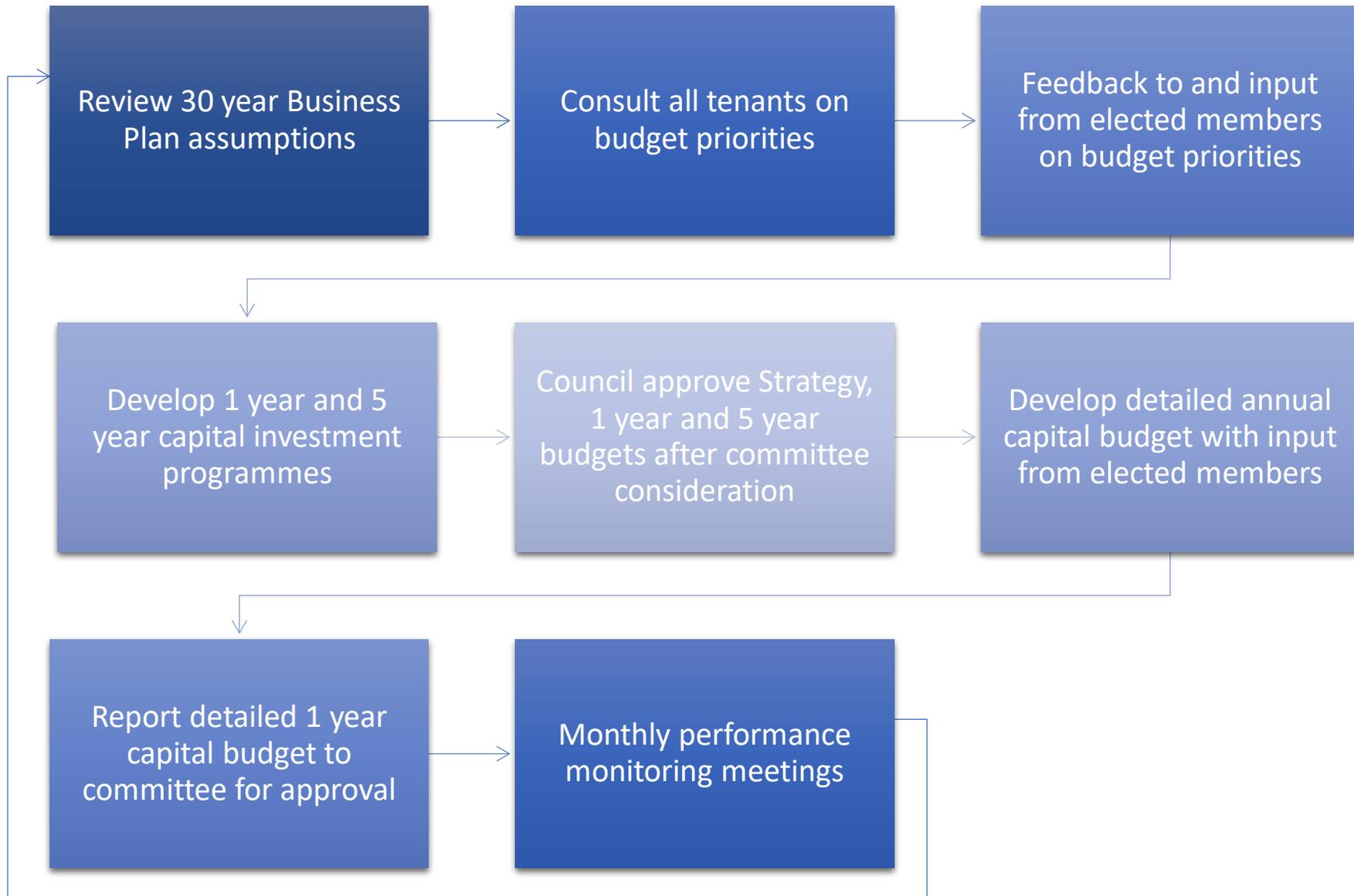
8. Background reading/external references

- 8.1 Delivering Land for Affordable Housing, Housing and Economy Committee, [22 March 2018](#)
- 8.2 Housing Sustainability, Housing, Homelessness and Fair Work Committee, [20 January 2020.](#)
- 8.3 Housing Service Improvement Update, Homelessness and Fair Work Committee, [20 January 2020.](#)
- 8.4 Mixed Tenure Improvement Service Pilot, Finance and Resources Committee, [23 January 2020.](#)
- 8.5 Housing Revenue Account (HRA) Budget Strategy 2020/30, City of Edinburgh Council, [20 February 2020.](#)
- 8.6 Edinburgh Poverty Commission – Poverty and Coronavirus in Edinburgh, Policy and Sustainability Committee, [11 June 2020.](#)

9. Appendices

- 9.1 Appendix 1 - Annual Business Planning Process.
- 9.2 Appendix 2 – Housing Service Improvement Plan Update.
- 9.3 Appendix 3 – Housing Service Performance.

Appendix 1 – Annual Business Planning Process



Appendix 2 – Housing Service Improvement Plan Update

- 1.1 The HSIP was introduced in 2019/20 with the aim of significantly improving customer satisfaction, operating performance and reducing costs, with a focus on developing more effective and responsive services for customers. The plan has six core workstreams prioritising service improvements in repairs and maintenance alongside rent collection, lettings, estate management, housing quality and housebuilding.
- 1.2 The HSIP has faced some delays in 2020/21 due to the disruption of the Covid-19 operating environment. Key programme resources were temporarily re-aligned to prioritise urgent resilience work and vital frontline service delivery and planned programme activities and recruitment were suspended from March until July 2020. Accelerated progress has been made in the repairs and maintenance workstream, with the rollout of the Total Mobile system playing an important role in the establishment of a critical repairs service. Work has now resumed across the other programme workstreams, informed by the context and requirements of the new working environment.
- 1.3 The Covid-19 operating environment has reinforced the objectives of the HSIP and has highlighted some emerging priorities which will shape the way the programme is taken forward. The recent months of lockdown have reaffirmed the importance of the local environment and access to high quality, well managed spaces. Estates Management will be a key area of focus for the programme over the next six months, complementing wider work around area-based regeneration and capital investment. The continuation of a blended working model with the majority of staff primarily working from home presents both challenges and opportunities. Work around staff training, development, wellbeing and engagement will be prioritised. Maximising digital opportunities will also be a key focus for the service and work is underway to scope a digital improvement and innovation workstream.
- 1.4 A progress update for the first half of 2020/21 is provided below and an update will be provided to Committee in six months.

Progress Update March – September 2020/21	
Repairs, Maintenance and Housing Quality	<ul style="list-style-type: none"> • In 2019/20, improvement projects were prioritised within the repairs service to address legacy systems issues and inefficient processes which have a detrimental impact on performance, customer satisfaction, and cost. Progress in this area has continued throughout 2020/21, particularly in the development and rollout of Total Mobile. • The first phase of the Total Mobile system went live in September 2019, introducing automated appointments to help with workforce planning and scheduling. Following the outbreak of Coronavirus, Housing Property moved to a Critical Repairs Service which aimed to reduce contact where possible while still maintaining essential services for tenants. The rollout of Total Mobile played a vital role in the service’s ability to maintain critical service provision during this time. • Phase Two went live for empty homes in June and for gas in July 2020. The launch had to be adapted and introduced at speed to enable remote working for Operatives. The initial gas process also had to be amended to allow for shielding and no forced entry. In order to accelerate the rollout, some planned functionality had to be scaled back. Some initial teething problems were experienced with gas due to the volume of work and how the system was set up to deal with no access jobs. These have now been addressed and the additional functionality is being built in.

	<ul style="list-style-type: none"> • All Operatives are now equipped with mobile devices, granting them full and equal access to emails, training materials and corporate updates. Further enhancements are also being added, including job history and the ability for Operatives to book follow-on jobs on their devices. • Scoping is underway for Phase Three, which will be rolled out to Housing and Concierge Officers, enabling them to raise and track jobs directly. Phase Three will also pick up out of hours and other servicing work. This will progress over the Winter of 2020/21 with an expected go live date staggered throughout 2021. • Enhancements have been made to tenant contact channels, with the introduction of text message alerts and reminders, and the piloting of Remote Assist, which offers tenants the opportunity to receive basic guidance and job diagnosis via a video call. • Upcoming priorities for the next six months include the development of a new Asset Management system, which will help with the planning and coordination of maintenance and improvement work, as well as the piloting of smart technology designed to support ongoing maintenance and early detection of issues in tenants' homes, as part of the corporate 'Smart Cities' project. There will also be a continued shift towards service delivery at a local level and increased integration with the local housing teams. • Prior to lockdown, there had been a considerable reduction in sub-contractor spend and this has been built in to the repairs service model as it mobilises for expanded service delivery. Additional reporting functionality has been requested through the Total Mobile system to support this vital monitoring exercise. Demand and cost will be closely monitored as Housing Property expand service delivery from Autumn 2020.
<p>Housing Management Workstreams <i>(Lettings, Rent Collection, Estates Management)</i></p>	<ul style="list-style-type: none"> • Two 'quick wins' projects were initiated prior to lockdown, focusing on staff engagement, wellbeing, training and development. The projects were developed and led by frontline Housing Officers, drawing on the experiences and insights of frontline service delivery. The outputs of these projects are helping to shape future training workplans. • Planned improvements are underway to the tenant experience of moving in to the home and income collection. A tenant handbook is being developed, providing vital information in an accessible format, and there will be further work to review how information is shared with tenants and linked to digital opportunities. Work is progressing to review the letting standard and tenancy support options. This aims to make the journey into a new tenancy as streamlined and stress-free as possible, in recognition that this can be a daunting experience and the range of support services can be difficult to navigate, particularly for first-time tenants. • Digital improvements to the Key to Choice website are underway, including the managed transition of applicants onto the new website. The implementation of the online EdIndex form and Online Housing Options Tracker are scheduled to follow on from this. There are also ongoing improvements to the Northgate rent modules and reinforced communications around the continued obligations to pay rent and the support that is available. • Over the summer of 2020/21, work has been progressed to scope and resource the Estates Management workstream. This is a major area of work within the HSIP which will involve joint-working with services across Place Management.

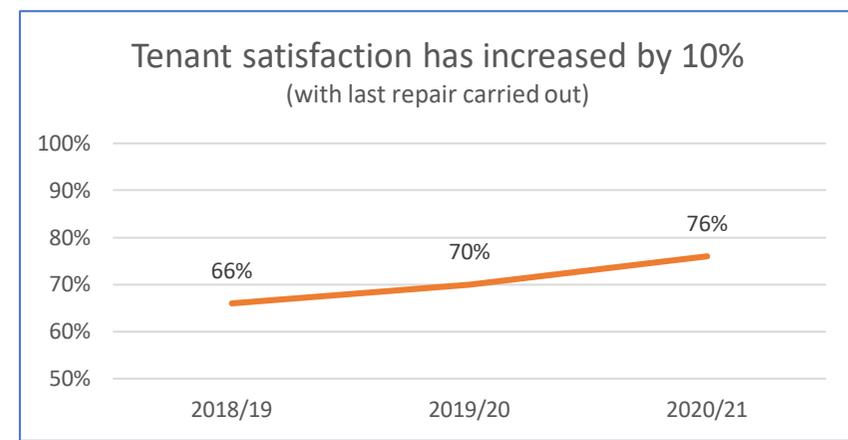
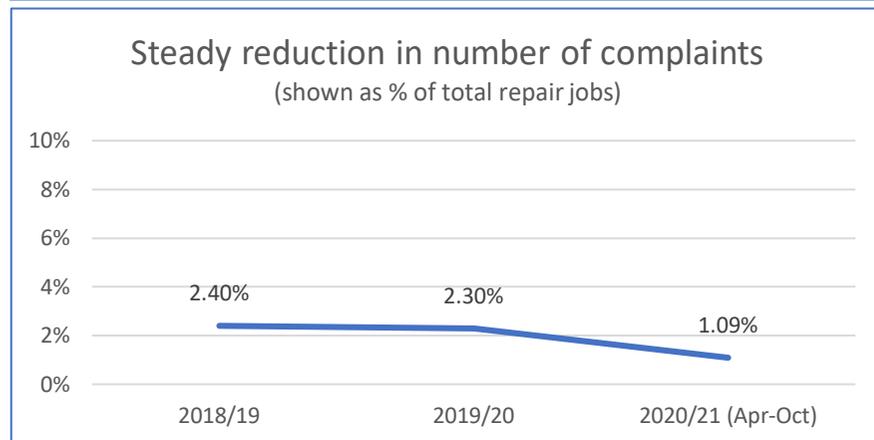
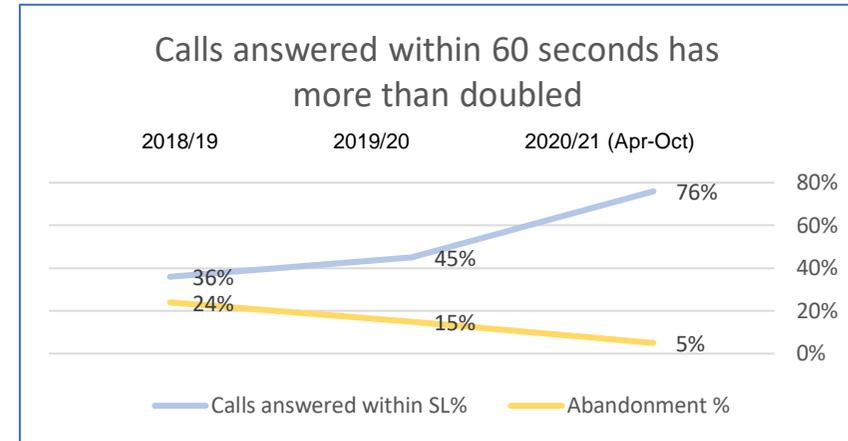
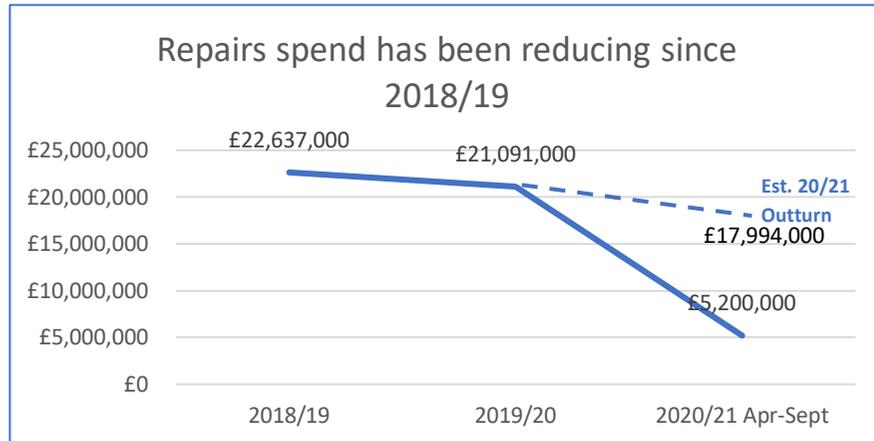
Governance arrangements are being put in place to support this. This work presents an important opportunity to review the current model of service delivery for estates management, to improve the efficiency and promote a more integrated, resolution-focused service.

- As reported to Finance and Resources Committee in March 2020, a new aligned single supplier framework agreement for estate management services began in July 2020, replacing the previous arrangement with two separate suppliers. This framework covers the clearance and minor works to garden areas, the provision of security measures, as well as responsive grounds maintenance and removal of fly tipping. This contract alignment is designed to deliver efficiencies in cost, contract management, increase productivity and response times and to maintain and improve the standard and safety of the local environment for residents.

Appendix 3: Housing Service Performance

This appendix provides key performance information in relation to repairs, rent collection and tenancy sustainment. Year-to-date performance is captured, additional analysis will be undertaken at year end to further understand the impact of Covid-19.

Repairs Highlights

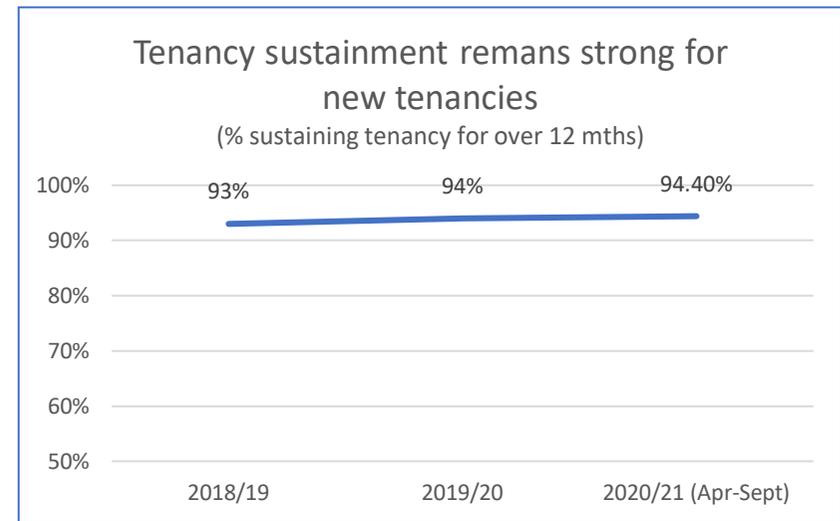
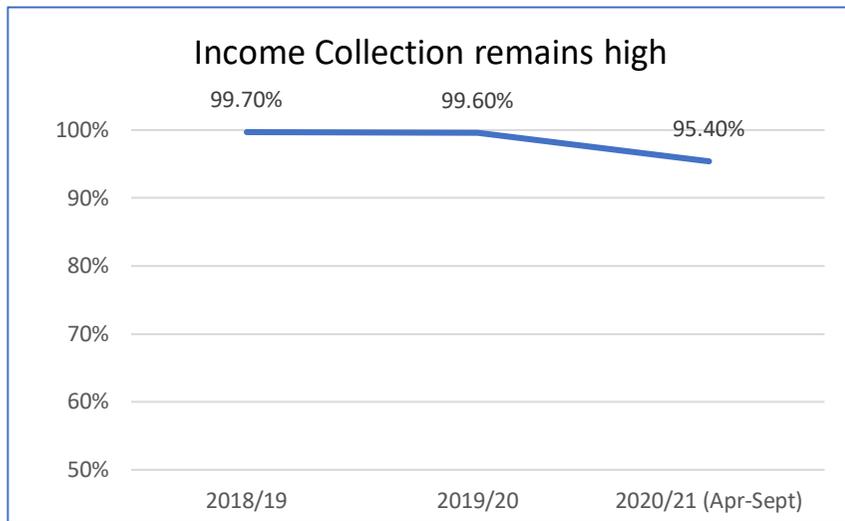


Overall spend on housing repairs has been reducing since 2018/19, whilst Covid-19 has had a more pronounced impact on spend this year, improvements focused on a 'right first-time' approach are reducing the number of repeat visits and maximising productivity, resulting in sustainable cost reductions and improved performance. Measures include Operatives now being able to view job history on their mobile devices, automated appointment scheduling through Total Mobile, increased visibility and tracking of jobs through a locality-based model for Planners, and Team Leaders. By increasing productivity, more jobs are now being completed by in-house operatives, reducing spend on external contractors for non-specialist jobs.

Repairs Direct performance is steadily improving, with the number of calls answered within 60 seconds having doubled since 2018/19. A range of improvements around tenant communications are being introduced to enhance the options for tenant contact: these include text message alerts and reminders, Remote Assist video calls, self-service portal and the development of a Resolution Team within the Contact Centre to ensure timeous resolution and regular tenant communication when issues do arise.

These combined improvements are contributing towards a steady reduction in the number of complaints and sustained increases in tenant satisfaction. The range of service improvement activities underway within the repairs service aim to drive continued improvements in operational performance, spend and improving satisfaction.

Housing Management



Rent collection activity has been sustained throughout the lockdown period and collection remains high in this extremely challenging financial climate. The rent collection position fluctuates throughout the year for a variety of reasons including the time lag for new UC applicants and benefit entitlements. By year-end the outturn is expected to be broadly in line with the position from previous years. The final position is reported annually as part of the Social Housing Charter.

Tenancy sustainment remains a strong area of performance, with almost all new tenants remaining in their tenancy 12 months on. This is set against a context of around 75% of new lets going to households who have experienced homelessness. Improvement activity around income collection and tenancy sustainment are being progressed through the 'Finding and Letting a Home' and 'Income Collection workstreams' within the HSIP, more detail of which can be found in Appendix 2. Upcoming priorities include digital improvements to support rent collection activity, ongoing promotion of the Direct Debit payment option and a review of pre-tenancy support, informed by benchmarking analysis of other social landlords, to continually improve tenancy sustainment.