

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 9 March 2023

Mixed Tenure Improvement Service Progress

Executive/routine Wards Council Commitments	Routine All
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1. Recommendations

- 1.1 It is recommended that Housing, Homelessness and Fair Work Committee:
 - 1.1.1 Note the progress of the Mixed Tenure Improvement Service (MTIS) to help support common repairs and maintenance in blocks where there is a mix of Council and privately-owned homes.

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Mixed Tenure Improvement Service Progress

2. Executive Summary

- 2.1 The Council is the largest landlord in the city with around half of its homes in mixed tenure blocks where responsibility for maintaining the buildings is shared with the other owners. Most of the housing stock is situated in former Council estates where property values and household incomes are low, making it more difficult for owners to afford the cost of repairs.
- 2.2 The Council has a duty to maintain homes on behalf of tenants and to ensure that Council homes meet the Energy Efficiency Standard for Social Housing (ESSH 2) to help tackle disrepair in housing and support the delivery of Council commitments; including fuel poverty prevention, creating better places to live, and reaching net zero targets, the Council established the Mixed Tenure Improvement Service (MTIS).
- 2.3 This report sets out the progress of the MTIS and reflects on the work carried out in year one and two of the programmed delivery to March 2023. The original pilot programme in Murrayburn, Dumbryden and Hailesland will be complete in 2024 and is on target to deliver upgrades to approximately 170 blocks. Work has begun to develop a programme for around 230 blocks in Restalrig and Lochend.

3. Background

- 3.1 In September, Committee requested a report, within two Committee cycles, to help better inform Councillors on the MTIS pilot detailing any other areas of the city proposed for the 2023 programme of work, how the areas were prioritised and what resident engagement and consultation had taken place prior to works commencing.
- 3.2 The scale of mixed tenure repairs required across the city is substantial. Delivery of much of the required investment to maintain and improve Council housing stock is dependent on getting the agreement of fellow owners within mixed tenure blocks.
- 3.3 The ability to deliver on the Council's Net Zero Carbon target by 2030 is also heavily dependent on working with owners in mixed tenure blocks of flats, to take forward a fabric first approach that minimises the requirement for energy use. The legislative framework under the Tenements (Scotland) Act 2004, Tenement

Management Scheme (TMS), must be followed to achieve the legal authority to proceed with works and to recover the owners' share of costs.

- 3.4 The TMS allows repairs and maintenance to proceed following a majority decision of owners who are responsible for common repairs, in accordance with their title deeds.
- 3.5 The MTIS was established as a 3-year pilot to deliver mixed tenure investment as part of the capital programme for Housing. The programme of works, set out to deliver repairs to 1,400 flats in 181 blocks, with an estimated value of £30m over the three-year period.
- 3.6 The Council own the majority of flats in the pilot area, approximately 1,000 flats, with the remainder, 400, being privately owned. Ownership checks to date show that 46% of privately-owned flats are owned by landlords in the private rented sector.
- 3.7 The MTIS Pilot has benefited from an enhanced Scheme of Assistance approved by Finances and Resources Committee on [7 October 2021](#). Finance and Resources Committee approved the extension of these measures on [3 March 2022](#), to all HRA led mixed tenure capital projects in the city.
- 3.8 Where an owner occupier cannot raise funds privately through savings, loans or re-mortgage, as a last resort they may arrange a payment plan with the Council Debt Recovery service to set up re-payment by instalments. The enhanced Scheme of Assistance includes longer periods for repayment of the debt for up to 15 years at a reduced rate of interest. See [Corporate Debt Policy](#) for details.
- 3.9 Grants for owners are available towards the cost of energy efficiency measures. Scottish Government funding is available to owners for energy efficiency measures through the Energy Efficient Scotland (EES) Area Based Scheme (ABS). Basic funding amounts to approximately £8,500 per flat owner. In addition to this the Council has an opportunity to claim an uplift of the basic grant funding for households in fuel poverty.
- 3.10 Part of the initial engagement with owners is to establish which households may be eligible for this uplift. The total grant which may be available to an owner occupier is up to £16,900.
- 3.11 The pilot work will inform the future approach used to achieve improvements to the Council's existing mixed tenure housing stock.

4. Main report

- 4.1 The aim of the MTIS is to deliver fabric improvements to blocks of flats previously 100% owned by the Council and now in mixed tenure ownership in the Wester Hailes area. The areas chosen for the pilot, represents areas where a number of factors highlight the need for investment, those factors are: -
 - 4.1.1 High % of homes in most deprived 10% of areas in Edinburgh;

- 4.1.2 High % of residents in fuel poverty;
 - 4.1.3 High % of CEC homes in mixed tenure blocks;
 - 4.1.4 Low % of EESSH compliance in Council homes;
 - 4.1.5 High % of homes in blocks built pre-1945;
 - 4.1.6 Poor existing building condition; and
 - 4.1.7 Contributes to wider estate based or area regeneration.
- 4.2 The data used to assess the above factors is available from the Energy Savings Trust (EST) and freely available to the Council. Data used is the Scottish Index of Multiple Deprivation (SIMD). This data considers various criteria including health, employment, education, income, and crime levels. Using this data, it was identified that the pilot area is in the most deprived 5% of the City of Edinburgh Council area.
- 4.3 A second set of data is used to establish fuel poverty eligibility for grant funding, this is provided by the EST database, Home Analytics. This database is a national database for all homes in Scotland, is funded by Scottish Government and delivered by EST for the last eight years. Access is granted to councils and housing associations under data sharing agreements and is designed to support area-based retrofit schemes.
- 4.4 The data is updated by the EST every two years with new data, models, and funding criteria. Based on this data initially it was determined that many owners in the pilot area would be classified as being in extreme fuel poverty. The MTIS, with guidance from Scottish Government, have developed a process of determining eligibility for owners to maximise funding for owners, where appropriate.
- 4.5 The pilot area includes 1,400 homes in low-rise blocks of 6 and 8 in a block and some individual houses in Murrayburn, Dumbryden and Hailesland and includes six different archetypes of construction.
- 4.6 The Council, as an owner of flats in blocks, takes the lead owner role. The programme is being delivered as an Area Based Scheme (ABS) this approach has advantages, such as procuring and undergoing works on a large scale and showing residents in the area how completed blocks will look.
- 4.7 The scope of works to be delivered is subject to the findings of the Building Condition Survey Reports on each block and is limited to repairs and maintenance as set out in the Tenements (Scotland) Act 2004. In summary, the scope of works includes roof replacement and removal of old warm air heating chimneys, external wall repairs, installation of external wall insulation, associated flue extensions and gas risers, replacement rainwater rhones and pipes, replacement of common stair windows and doors, repairs in common stairs and redecoration.

Operating Procedures and resident engagement

- 4.8 The Standard Operating Procedures (SOP's) were developed in 2020. The workflow for progressing works in CEC majority owned blocks and CEC minority owned blocks differ, and this is set out in the SOP. The SOP also include template

letters developed for the team to ensure consistency of communications. This master document and templates are under continual review and have seen many additions and improvements over the past two years.

- 4.9 Initial tasks are centred around communicating with owners and tenants. Residents receive letters to inform them of the proposals to upgrade the area, what phase of works their home will be in, the process and timeline. In preparation for this, Case Officers establish the correct ownership details in each block and review title deeds to determine liabilities for common repairs.
- 4.10 To the end of December 2022, the team had sent over 11,000 letters or e-mails to residents. Face to face contact is very important and Case Officers and Surveyors attend site regularly every week to discuss any concerns with residents, maintaining good relationships to ensure an understanding of the process, construction works and where appropriate, funding options available.

Resource requirement and Service recruitment

- 4.11 Resource requirements for the team were calculated after establishing the construction workload, operating procedure and tasks, and construction programme. A team of nine officers were recruited initially, over a nine-month period.
- 4.12 The team consisted of a Senior Manager, Building Surveying Manager, Chartered Building Surveyors, Quantity Surveyor and Case Officers. Recent recruitment for completion of the pilot has been successful in adding a Finance officer, Finance Assistant and Case Officers.

Construction Programme and Procurement activities

- 4.13 The programme of construction activities was planned following review of several factors: -
 - 4.13.1 Decisions on scope of works possible under Tenements (Scotland) Act 2004 authority;
 - 4.13.2 A review of property condition and repairs required per block in the pilot area;
 - 4.13.3 Levels of compliance with current energy efficiency standards for social housing (ESSH); and
 - 4.13.4 Review capacity of works contractors and available Construction Frameworks.

The MTIS surveyors undertake the technical work including building condition surveys, preparation of owner reports and cost estimates, preparation and submission of Building warrants and amendments, procurement and management of the works.

Communications

- 4.14 The communication plan for MTIS follows a structure of planned letters and newsletters following the operating procedure however there is also a requirement

to tailor communications depending on owners and tenants' circumstances. MTIS Case officers are a dedicated resource for the engagement and communication with owners, private landlords and tenants in the pilot area and have been key to achieving the Scheme Decisions required to enable work to progress. The MTIS team works closely with the Local office Housing team to support tenants.

Progress

- 4.15 The original pilot programme will be complete in 2024 and is on target to deliver upgrades to approximately 170 blocks. The programme consists of 11 phases. Delivery year 1 and 2 saw a workload value of £20m being taken to contract award stage to upgrade 911 flats in 118 blocks and 29 individual houses for Phases 1 to 8. The construction work has been won by four separate contractors from a Council procured framework. Phases 1 to 8 are either completed or are on site currently.
- 4.16 The average estimated cost per flat over Phases 1 to 8 is £22,315 before deductions for grant contribution and excluding VAT and fees.
- 4.17 Approximately £2.0m of grant in-kind funding has been secured from the Scottish Government (SG) through EES: ABS, to contribute to owners' cost for the works over year 1 and 2 in 2021/2022 and 2022/2023 in phases 1-8. Additional grant in-kind funding has been secured to contribute to owners' costs for those in fuel poverty. This highlights a successful process agreed with the Scottish Government (SG) in determining eligibility of owners in fuel poverty for additional grants.

Feedback from residents

- 4.18 Residents receive feedback forms on completion of each phase of works. The feedback requested from residents covers two themes, the process, and communications between the MTIS team and contractors, and the residents, both owners or tenants, and the physical difference in the environment inside flats after works are complete. This feedback is invaluable for the team to help improve any parts of the process.

Expansion of the Mixed Tenure Improvement Service – Next steps

- 4.19 To accelerate delivery of energy efficiency works in mixed tenure blocks, the expansion of the MTIS team was noted by Finance and Resources Committee in March 2022. The implementation activities for the expanded team and increased workload, are underway, and delivery of works will commence in 2024/25 following completion of the pilot.
- 4.20 Following a review of the key indicators for prioritisation, noted in 4.1 above, the MTIS will move to Restalrig and Lochend for the next area-based scheme.

Support for Owners

- 4.21 The most challenging area for the MTIS team is the engagement and discussions with owners around the support to owners for finding the funding to pay for the significant repair costs for which they are responsible.
- 4.22 The Council have approved an enhanced scheme of assistance which includes extended debt re-payment terms at a lower interest rate, noted in 3.5 above, and

the option of tenanted acquisition. Funding options for owners are currently limited with a lack of external finance schemes available. New schemes such as equity release schemes like the Scottish Government Pilot loan scheme, which is now closed, would be helpful to give owners more options.

- 4.23 Loans of up to £10,000 at 0% interest are available to owners through Home Energy Scotland (HES). The MTIS team can support owners with the application process.
- 4.24 These loans are personal loans and are not secured on owners' property. SG and Energy Savings Trust (EST) have been asked to consider extending the loan periods and maximum loan amounts for owner occupiers. To date the MTIS team have supported several owners who have been offered loans from EST.

Council buy-back and Tenanted acquisition

- 4.25 As a last resort, owner occupiers may also consider an option to sell their flat back to the Council and remain in their home with a Scottish Secure Tenancy in line with the agreed strategy for consolidation or divestment of interest in mixed tenure blocks as set in the Acquisitions and Disposal Policy ([A and D Project Update 26 Jan 2016](#)).
- 4.26 This option is available where owner occupiers have exhausted all potential options to fund repairs to their homes privately. The Council may consider buying an owner occupiers home, either on the open market with vacant possession or with a sitting-tenancy. The tenanted acquisition option is a last resort, if requested by the owner. To date, this option has been taken up by two owners in the pilot area.
- 4.27 To date, in the MTIS pilot area since October 2020, there have been 40 flats acquired either through tenanted acquisition or vacant possession. Of these 31 were private sales as a result of owners approaching the Council.

Risks and Mitigation

- 4.28 The five main risks to delivery of the programme, identified by the service are: -

4.28.1 Bad debt leading to write off, for the Council to sustain

- 4.28.1.1 Mitigated by securing the debt by the introduction of Notice of Potential Liability notices, good debt monitoring and use of inhibition orders;

4.28.2 Failing to recruit Building Surveyors

- 4.28.2.1 A Council wide risk mitigated by exploring better advertising, use of recruitment agencies and use of consultants in the short term to fill the resource gap;

4.28.3 Construction cost inflation affecting accuracy of Cost estimates to owners

- 4.28.3.1 Mitigated by reflecting latest tender prices received in new estimates. Use of construction contracts to fix prices for the duration of the works programme;

4.28.4 Lack of access to properties to carry out essential tasks during the works, leading to delays

4.28.4.1 Mitigated by regular positive engagement with private owners and in tenanted properties, assistance from the local housing team when required; and

4.28.5 Scheme Decision not obtained or challenged by court action, leading to works not progressing

4.28.5.1 Mitigated by clear, regular, and open communications to owners on all aspects of the programme.

5. Next Steps

- 5.1 The MTIS will continue to deliver the programme in 2023/24 to complete Phases 5 to 8 and are planning the procurement and works to Phases 9 to 11 to complete the pilot programme during 2024.
- 5.2 Preparation work is also underway to establish ownership and liabilities for the blocks in the next area-based scheme in Restalrig and Lochend.
- 5.3 Shared Repairs continue to provide Case Officer support to Housing for resident engagement on several mixed tenure common repair projects across the city, including Westfield Court, Oxgangs House, Magdalene Gardens and Drive and many more HRA led mixed tenure capital projects across the city.

6. Financial impact

- 6.1 The MTIS Budget is included in the Council's General Fund. The Finance and Resources Committee approved the proposed self-financing business model in 2020. In summary, the model is based on the project management fee of 20% financing the costs incurred to resource the delivery of the programme.
- 6.2 The HRA funds the cost of works to Council homes and the associated project management fee. Private owners are responsible for paying their share of the cost of the works and the project management fee.
- 6.3 The outturn accounts for MTIS in 2020/21 showed a deficit of £153k and in 2021/22 a further deficit of £197k. The forecast budget for 2022/23 shows that the deficit can be re-paid and shows a balanced position. These implementation costs were subsidised by the HRA temporarily and are now fully re-paid.
- 6.4 The cost of the MTIS team and all work undertaken on private owners and HRA tenants' properties, will be charged to the General Fund. To end December the HRA have paid £9.2m towards the cost of upgrade works apportioned to Council owned flats.
- 6.5 As the MTIS works are not statutory in nature, owners will be charged VAT at 20% on the cost of repairs, energy efficiency measures are 0% VAT rated.

7. Stakeholder/Community Impact

- 7.1 Delivery of mixed tenure investment and repairs will depend upon regular tenant and owner engagement. Owner consultation to ensure robust scheme decisions have been made correctly following Tenement Management Scheme processes is vital to the success of the programme. This will ensure that debt recovery for the owners share of costs is effective.
- 7.2 The MTIS Pilot area has received many VIP visits over the past two years, including the Deputy First Minister, local MSP, Housing Convenors', Senior Councillors, Senior Council Officers and Scottish Government contacts.
- 7.3 The MTIS Pilot area was an event venue for the Edinburgh Fringe Green Festival in September 2022.
- 7.4 Senior officers have been involved in several Scottish Government working groups and have been engaged on current issues in relation to energy efficiency and maintenance of tenements. The experience gained so far in the MTIS will help inform future legislative changes that are needed to ensure owners have the tools to carry out future maintenance of their homes.

Working groups include: -

- 7.4.1 Tenement short life working group on Energy Efficiency and Zero Emission Heat;
- 7.4.2 Scottish Parliamentary working group on Maintenance of Tenement Scheme Property;
- 7.4.3 EESSH2 Review group – sub-group on Just transition metric and heating systems; and
- 7.4.4 Scottish Law Commission – Compulsory Owners Associations, local authority meeting.

8. Background reading/external references

- 8.1 [Mixed Tenure Improvement Strategy](#), Housing and Economy Committee, 7 June 2018.
- 8.2 [Mixed Tenure Improvement Strategy](#), Housing and Economy Committee, 24 January 2019.
- 8.3 [Mixed Tenure Improvement Strategy Update](#), Housing and Economy Committee, 6 June 2019.
- 8.4 [Mixed Tenure Improvement Strategy](#), Finance and Resources Committee, 23 January 2020.
- 8.5 [Mixed Tenure Improvement Service progress update](#), Finance and Resources Committee, 7 October 2021.

8.6 [Mixed Tenure Improvement Service Pilot Progress](#), Finance and Resources Committee, 3 March 2022.

9. Appendices

9.1 None.