

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.

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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: