

# 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 its 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**