

# Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 20 January 2022

## Housing Revenue Account (HRA) Budget Strategy (2022-32)

Executive/routine Wards Council Commitments	Executive All
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### 1. Recommendations

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- 1.1 It is recommended that Housing, Homelessness and Fair Work Committee:
- 1.1.1 Notes the outcome of the annual rent consultation with the majority of tenants supporting a 1.8% rent increase in 2022/23;
  - 1.1.2 Notes the outcome of the annual review of the Business Plan and based on a 1.8% rent increase in 2022/23 (2% per annum thereafter) this would enable a £2.9 billion ten-year investment programme to deliver Council commitments, including 10,000 new affordable homes by 2027 and net zero carbon by 2038 (eight years later than originally planned);
  - 1.1.3 Notes that freezing rent for a second year in a row would either require higher rent increases in future years or the withdrawal/reduction of housing services or a reduction in investment in new and existing homes or a combination of all; and
  - 1.1.4 Notes the risks to the delivery of the plan set out in Appendix 3 and that officers will continue to work with Scottish Government to maximise grant funding for both the new build programme and the transition to net zero carbon to support delivery of the 2030 net zero target and to keep rents affordable; and
  - 1.1.5 Notes that approval will be sought from Finance and Resources Committee and the Council on the draft ten-year capital investment programme and proposed 2022/23 rent increase.

**Paul Lawrence**

Executive Director of Place

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## Housing Revenue Account (HRA) Budget Strategy (2022-2032)

### 2. Executive Summary

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- 2.1 In response to the Coronavirus (COVID-19) pandemic, the Council approved a one-year rent freeze in 2021/22, whilst still supporting the £2.8 billion 10-year capital investment programme and £1.3 billion revenue programme. The mitigations required to continue to deliver the long-term investment plan were set out in a report to Housing, Homelessness and Fair Work Committee in March 2021.
- 2.2 The 30-year Business Plan is reviewed each year and assumptions updated and a rent strategy developed for consultation with tenants. This year's consultation set out five rent options ranging from a 5% increase to 1.8% in 2022/23.
- 2.3 The highest option (5%) would completely mitigate last year's rent freeze and enable the Council's original commitment to improve existing homes and neighbourhoods, deliver new affordable homes by 2027 and net zero carbon emissions from Council housing by 2030.
- 2.4 All other rent options have an impact on the timescales improvements to housing and Council commitments could be delivered. A rent freeze option was not put forward, as it was not considered financially viable.
- 2.5 The 2022/23 rent consultation ran for 12 weeks, with the majority of tenants supporting a 1.8% rent increase. The proposed below inflation rent increase is considered to be the lowest possible in a context of rising costs and economic uncertainty that impact on delivery of day to day housing management and maintenance services, as well as, delivery of key Council commitments.
- 2.6 Following the review of Business Plan assumptions and assuming an 1.8% increase, homes could be brought up to net zero carbon standards by 2038 instead of 2030. Officers will continue to work with Scottish government to identify funding strategies that can deliver the 2030 target that has been set.
- 2.7 There would also be a projected deficit of £30.145 million over the 30-year period. The deficit only relates to in-year expenditure exceeding income, and there is enough in the HRA financial reserves to completely offset it.
- 2.8 The Business Plan is extremely ambitious. It seeks to maximise expenditure, whilst minimising the impact on tenant's incomes by driving forward significant efficiencies

through the Housing Service Improvement Plan (HSIP). The HRA is also a strategic enabler that is helping to deliver area based regeneration across the city.

- 2.9 The top five risks to the Business Plan are reduction in rental income, limited grant funding, increasing capital investment costs, an inability to realise savings through HSIP and wider market volatility.
- 2.10 The pandemic has had a significant impact on delivery of both the capital programme and HSIP. The majority of service costs remained and additional costs were also incurred to allow services to be delivered safely.
- 2.11 The construction industry has been severely impacted by materials and skills shortages and delays due to implementation of health and safety measures since the sector came out of lockdown.
- 2.12 Whilst there have been delays in delivering the 2020/21 and 2021/22 capital investment programme during the pandemic, the work underway on the design and planning for delivering a whole house retrofit programme; combined with the new approach to working with owners being piloted at Murrayburn, will enable investment in existing stock to be scaled up in future years.
- 2.13 Expenditure on the new build programme will also increase as housing construction commences on large mixed use sites that are currently in procurement.
- 2.14 A further rent freeze in 2022/23 could not be mitigated through further elongating capital investment; it would either require significant rent increases in future years or the withdrawal/reduction of housing services or a reduction in investment in new and existing homes or a combination of all.
- 2.15 Committee is asked to note that approval will be sought from Finance and Resources Committee and the City of Edinburgh Council on the detailed ten-year capital investment programme and proposed rent increase for 2022/23.

### **3. Background**

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- 3.1 On [18 February 2021](#), the City of Edinburgh Council approved the 2021-2031 HRA budget Strategy following referral from Finance and Resources Committee. This included a plan to invest £2.8 billion over ten years to deliver Council commitments, including the delivery of new homes and net zero carbon emissions by 2030 and a composite motion from the Conservative, Green and Liberal Democrat Groups which agreed 'the recommendations by the Executive Director of Place in the Housing Revenue Account Budget Strategy for 2021-2031 and the outline 10-year HRA capital programme 2021-2031, subject to agreement that there be no rent rise in 2021/22'.
- 3.2 The investment plan is based on priorities identified by tenants through previous consultations, these include:
  - 3.2.1 Building new affordable homes that are of high energy efficiency standards and act as catalyst for housing-led large-scale regeneration;

- 3.2.2 Investing in making existing homes easier and cheaper to heat and working with owners in mixed tenure blocks to improve the external fabric of the buildings and common stairs;
- 3.2.3 Investing in areas immediately outside homes for tenants to take pride of their communities and create well-designed, green, open spaces that encourage people to be active and engage with their local environment; and
- 3.2.4 Improving core housing services, such as day to day housing management and repairs and maintenance, with strong focus to get the basics right and being responsive to tenants' needs, while developing services that help reduce tenants' living costs, including an energy advice service, a tenant discount scheme, low cost broadband service and community food growing.
- 3.3 On [18 March 2021](#), Committee received a report setting out the impact of the one-year rent freeze on the 2021/22 revenue budget, and the potential mitigations that need to be put in place in 2022/23 to secure the ten-year capital investment programme to deliver Council commitments.
- 3.4 A revised two-year capital programme was reported to the Committee on [3 June 2021](#), which included an assessment of the impact of further restrictions due to COVID-19 on timescales and the re-profiling of slippage from 2020/21.
- 3.5 On [2 September 2021](#), Committee agreed to seek tenants' views on the HRA budget strategy with five rent increase options for 2022/23, ranging from 5% to 1.8%, and potential mitigations of the one-year rent freeze for inclusion in the 2022/23 HRA budget report.
- 3.6 Each year the 30-year financial model is reviewed and rolled forward. A detailed review of assumptions is carried out. This year's review of financial assumptions took place against a background of a rent freeze in 2021/22, an increase in costs due to materials and skills shortages across the construction sector and increased pressures on household budgets due to inflation in the wider economy.
- 3.7 The Low Carbon Infrastructure Transition Programme (LCITP) drew to a close in 2021. Scottish Government are developing a successor programme to LCITP as the primary mechanism for deploying zero emissions heat at scale.
- 3.8 Approximately £400 million will be invested over the next five years in large-scale heat decarbonisation infrastructure.
- 3.9 Scottish Government are also committed to extending the Social Housing Net Zero Heat Fund until 2026 and investing £200 million of support to further accelerate the decarbonisation of social housing stock. They will also be considering how this financial support will work in tandem with other funding programmes, such as the Area Based Schemes, to help deliver a more comprehensive approach to decarbonising social housing stock.

## **4. Main report**

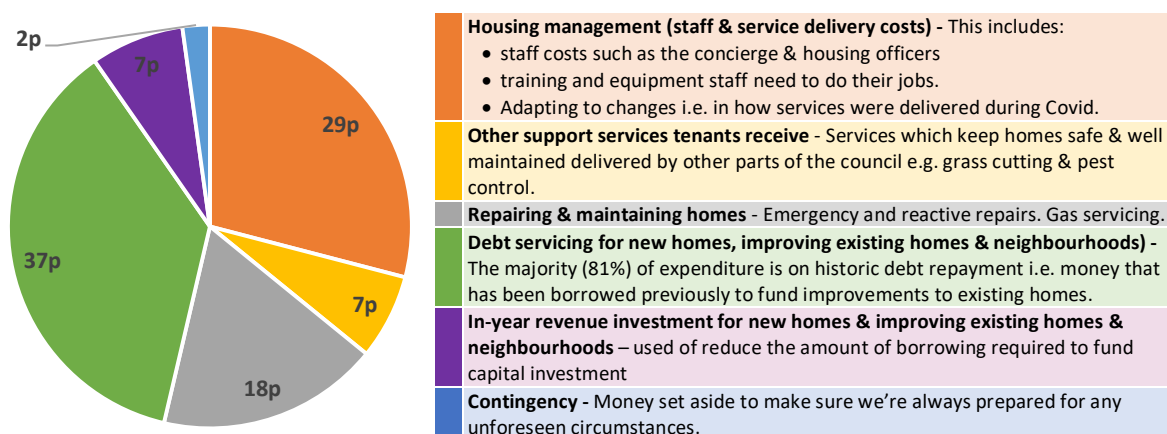
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- 4.1 The budget is prepared annually following consultation with tenants and the regular review of the 30-year HRA Business Plan (the Business Plan) and the Capital

Investment Programme. It is shaped by tenants' priorities, Council commitments, statutory compliance and government targets, as well as, life cycle and health and safety, i.e. maintenance and improvements to keep our homes modern and safe.

- 4.2 The Housing Service is entirely self-financing and receives no funding from the General Fund. The annual revenue budget of c.£100 million is almost exclusively funded from tenants' rents (95%), with the remaining 5% coming from service charges and interests.
- 4.3 Capital investment is funded through a combination of prudential borrowing, Scottish Government grant funding, capital receipts and reserves. The servicing of borrowing accounts for 37% of annual revenue expenditure.
- 4.4 It's important to note that the majority of this revenue expenditure is on historic debt repayment to fund improvements to existing and new homes (i.e. money that has been borrowed previously to fund improvements).
- 4.5 The Capital Investment budget in 2021/22 is £104 million. This accounts for less than 3p of every pound of rent used to service this borrowing in the 2021/22 revenue budget.
- 4.6 The pie chart below sets out how each £1 of rent is spent.

**Chart 1: How every £1 is spent**



- 4.7 During the pandemic the majority of service costs remained (including all staff costs and other support services). Additional costs were also incurred to allow services to be delivered safely (including PPE and cleaning supplies, adapting offices and vehicles, as well as, additional devices for remote and home working).
- 4.8 The pandemic has also had a significant impact on delivery of the capital programme over the last few years. The construction industry has been severely impacted by materials and skills shortages and delays due to implementation of health and safety measures since the sector came out of lockdown. However, the delivery pipeline for new homes remains strong and investment in existing homes is also expected to scale up in future years.
- 4.9 Over half (54%) of respondents supported the overall capital investment plan. A total of 60% of respondents highlighted improvements to existing homes as either their first or second priority for investment. In addition to building new homes and

investment in their wider neighbourhood, respondents stated that more investment should be made on staff training, public facilities and spaces, stairs and mixed tenure blocks, as well as services to enable vulnerable tenants to live independently (e.g. sheltered housing, adaptation and social care, and garden service). All of which remains in line with the current investment plan.

- 4.10 The work underway on the design and planning for delivering a whole house retrofit programme, combined with a new approach to working with owners (through Mixed Tenure Improvement Service pilot), as well as, the development of larger, mixed use sites (Granton and Liberton) across the new build programme will see capital investment more than double in future years.
- 4.11 A stock condition survey is currently underway to better informed future investment required on existing homes. It is anticipating that the survey will also highlight repair and maintenance work required, increasing both revenue and capital expenditures on existing homes.
- 4.12 Almost half (48%) of tenants stated that the repairs and maintenance service should be the top priority for investment. This is in line with the Housing Service Improvement Plan (HSIP) which prioritises the repairs service for improvement. After a prolonged period where the focus of the HSIP shifted to vital health and safety (as a result of the pandemic) work is now refocused on building a culture of improved performance.
- 4.13 Further work is needed to ensure new systems and procedures are being used to their full potential, and managers are fully equipped with the tools they need to drive sustainable productivity across the repairs service. Progress on the HSIP is reported in a six-monthly update report to this Committee.

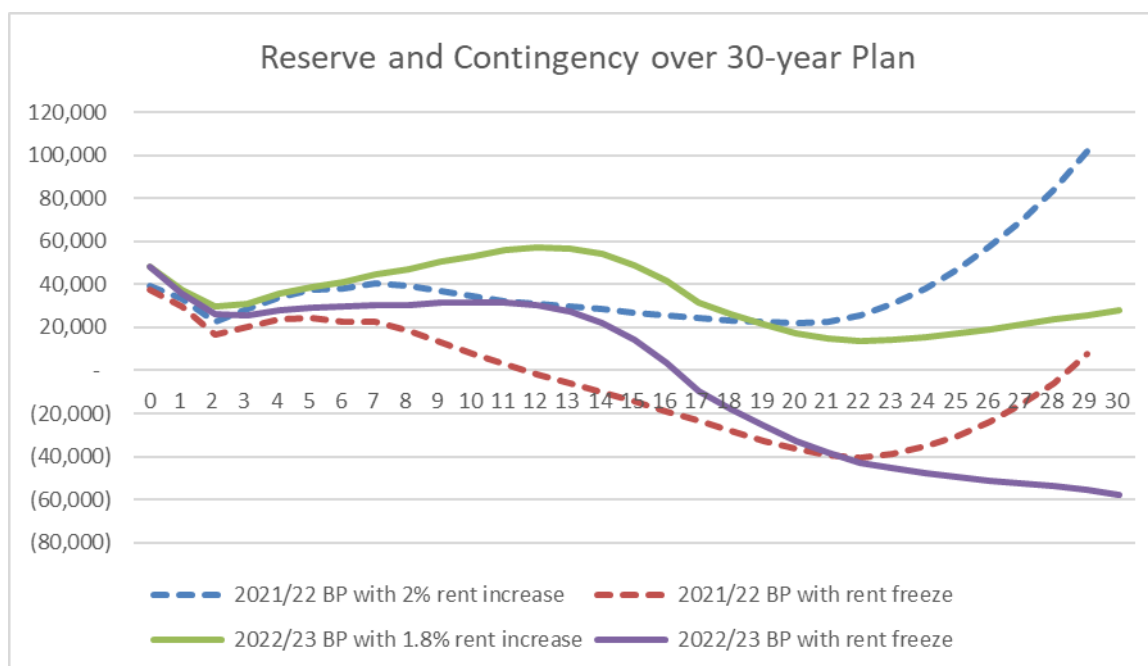
### **Funding the Strategy**

- 4.14 Five rent increase options, ranging from 1.8% to 5% and the associated impact on long term investment were consulted on. The majority (63%) of the tenants opted for 1.8% rent increase in 2022/23.
- 4.15 This would potentially impact on the Council's ability to bring existing homes up to net zero standard by 2030. While this could be addressed in subsequent years by higher rent increases, officers will continue to seek to identify and apply for funding from the Scottish Government (from the funds identified in paragraphs 3.8 and 3.9) or similar enabling funds in order to deliver the Council's Carbon target.
- 4.16 Nearly three quarters (74%) of tenants considered their rent to be good or very good value for money, with around 16% considering it poor or very poor. For the last five years, Council rents have increased by an average of 1.6% which is below average inflation of 2.0%.
- 4.17 Analysis on rent increase options against the welfare status of the respondents (whether the tenants get full help with their rent, some help with their rent, or no help with their rent) found no clear trend/correlation, with the 1.8% rent increase being the most popular choice in all three groups of respondents and 5% being the

second most popular option for tenants getting full help or some help with their rent. Details of the consultation results can be found in Appendix 1.

- 4.18 Private rents have increased by an average of 2.5% a year over the last five years, while the average rent for local authority landlords has increased by 2.6% a year and average housing associations' rent has increased by 2.4% a year over the same period.
- 4.19 The average council rent (two-bedroom flat) is 46% below Local Housing Allowance and 55% below the average market rents in the city. More information on rent levels is set out in Appendix 2.
- 4.20 Between 70-80% of tenants each year receive assistance with their rent payment responsibilities through Housing Benefit or the housing element of Universal Credit (UC).
- 4.21 The amount of help an individual receives is based on their household circumstances. Any increase in the rent charge would normally be fully covered by the same increase in the full or partial benefit received, assuming there are no other changes in the household circumstances that would alter their overall entitlements.
- 4.22 The Council's approach to the collection of rent is based around best practice and aims to prevent tenants getting into debt they cannot afford. During 2020/21 tenant rent arrears did increase due to a significant number of tenants facing changes in their household financial circumstances and the suspension of formal debt recovery measures to ensure tenants were not at increased risk of losing their home during the pandemic.
- 4.23 The Tenant Grant Fund has been introduced to help those who are at risk of homelessness because of rent arrears related to the Covid-19 pandemic restrictions (accrued between 23 March 2020 to 9 August 2021). This fund provides for tenants to request a grant to reduce or clear their Covid-19 related rent arrears. The grant is payable to the landlord and on the condition that both the tenant and landlord agree to stopping eviction proceedings and put in place repayment arrangements for any additional outstanding arrears.
- 4.24 A small team has been created to administer the fund; it is due to close on 31 March 2022.
- 4.25 Tenants continue to be encouraged to engage as early as possible with the Housing Service and a wide range of support and advice services are available to help not just on rent payments but wider household costs.
- 4.26 The Business Plan is extremely ambitious. It seeks to maximise expenditure, whilst minimising the impact on tenant's incomes by driving forward significant efficiencies. Every 1% of rent equals c.£47 million of income over the lifetime of the Business Plan. £1 million of revenue can support c.£18 million capital borrowing.
- 4.27 The 2021/22 rent freeze has meant a reduction of £2.014 million in projected gross rental income in 2021/22. Unless expenditure is further reduced (beyond current HSIP targets) or income is increased in future years to compensate this equates to a £93.921 million reduction over the lifetime of the Business Plan.

- 4.28 A rent freeze option was not deemed viable and therefore was not included as a direct consultation option. However, a dedicated free text box to allow tenants to make further comments in relation to the rent options was included. Less than 7% of respondents opted not to select one of the defined rent options, but instead include a comment which indicated support for a rent freeze.
- 4.29 If a rent freeze was agreed for a further year (2022/23, followed by 2% thereafter), the HRA Business Plan would sink into a significant deficit (£74.9 million from 2035/36 until the end of the Business Plan), with the reserves and ringfenced contingency fully exhausted in 2038.



- 4.30 In order to mitigate the impact of another rent freeze longer term and return the Business Plan to a healthy financial position, there are four potential options:
- 4.30.1 **Increase income in future years** – Rents would need to be increased by a minimum 2.5% over the next four years. If rents were increased by more sooner (i.e. 4% in 2023/24 and 2% thereafter) this would lessen the impact and duration of the deficit. A longer-term rent strategy would be required to ensure the recovery of lost income in early years.
- 4.30.2 **Reduce revenue expenditure** – The HSIP already assumes a 12% reduction in annual expenditure by 2025/26. This is already an ambitious improvement programme. It is therefore not realistic to assume that a further reduction in revenue expenditure could be achieved through efficiencies alone. Service reduction would have to be considered. As set out in Chart 1, around 40% of current annual expenditure is required to service historic borrowing for improvements and therefore cannot be reduced. Around 18% accounts for the responsive repairs and maintenance service and around 30% for housing management costs (including staff costs, management costs and overheads). Any in year surpluses are fully utilised to reduce borrowing in current or future years.



- 4.30.3 **Reduce capital investment** – A reduction in £1.8 million income would mean approximately £32.0 million of capital borrowing may not be supported. Without alternative funding strategies being identified, this could mean a reduction of 160 new social rented homes, or 1,070 homes would not be able to receive whole house retrofit improvements, or homes could be build/upgraded to a lower specification. As the business plan currently makes financial provision to deliver 10,000 Council-led affordable homes by 2027 unless alternative funding is identified.
- 4.30.4 **Elongate the Capital programme** – Elongating capital investment would not be enough to bring the plan back into surplus.
- 4.31 Due to the scale of capital investment and service improvement programmes one-year rent increases are difficult to implement. Longer term strategic outcomes take time to plan and roll out.
- 4.32 An assessment would be required to take account of projects at different stages of design and procurement. Any reduction in service provision would take time and would not necessarily occur in the same year as the rent freeze itself.
- 4.33 Consultation would need to take place with tenants alongside engagement with staff, trade unions and elected members. The longer these savings take to implement the greater the deficit.
- 4.34 A longer-term rent strategy would help to mitigate this risk and avoid abortive costs where financial commitments are already in place. It would also provide tenants would some more certainty.
- 4.35 As part of this year's consultation tenants were asked if they supported the principal of setting a longer-term rent strategy. 44% said yes, 32% said they did not know and only 24% said they would not support a longer-term strategy.

## 5. Next Steps

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- 5.1 Approval will be sought on HRA Budget Strategy 2022/23 to 2031/32, draft 2022/23 one-year revenue budget and five-year capital investment programme from Finance and Resources Committee and the City of Edinburgh Council on the detailed ten-year capital investment programme and proposed rent increase.
- 5.2 Consultation on the detailed capital programme will be carried out with Elected Members in early 2022. This will inform the 2022/23 Capital Investment Programme report which will presented to Housing, Homelessness and Fair Work Committee for approval in March 2022.
- 5.3 A six-monthly update of the HSIP is included on the agenda for this meeting of Housing, Homelessness and Fair Work Committee, with a further update due in June 2022.

- 5.4 Officers will continue to work with Scottish Government to maximise grant funding for both the new build programme and the transition to net zero carbon to support delivery of Council’s commitments and to keep rents affordable.

## 6. Financial impact

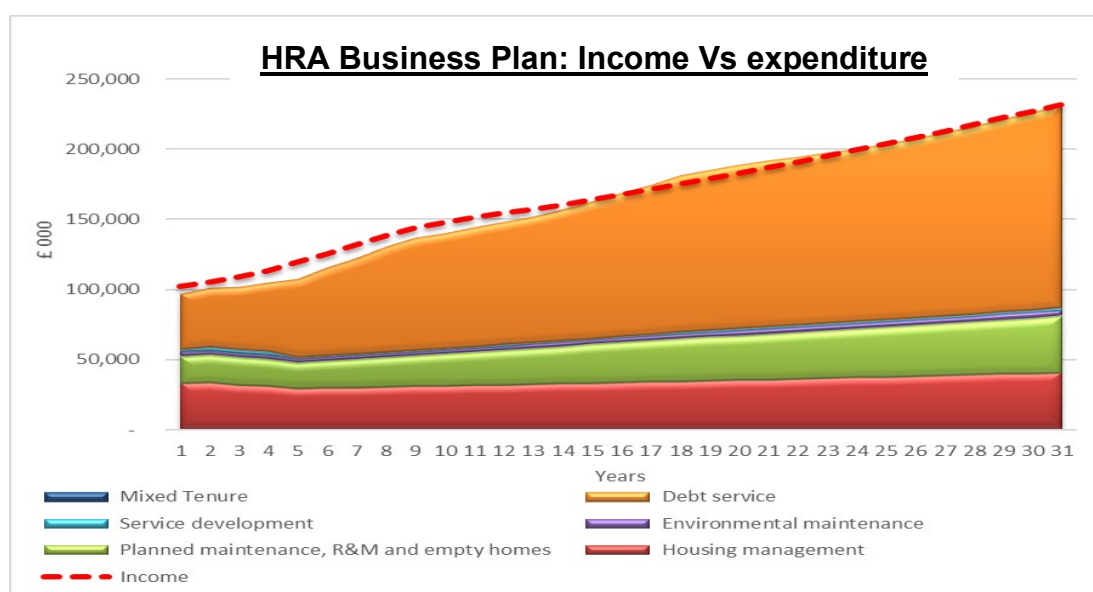
6.1 The rent freeze in 2021/22 increased the overall deficit by 179% from £25.300 million to £70.594 million, lasting two years longer (2029/30–2043/44). The reserves and ringfenced contingency were exhausted by year 13 (five years into the deficit period), only recovering in year 30 of the plan.

6.2 The revised 30-year plan is set out below, based on a 1.8% rent increase in 2022/23, followed by 2% (in line with inflation) thereafter and net zero carbon investment delivered by 2038. The overall impact of the changes has resulted in deficit from 2036/37 to 2043/44 (eight years). Key changes since the consultation report in September 2021 include:

6.2.1 **Reduction in capital expenditure** due to a further alignment on the Whole Housing Retrofit, Mixed Tenure Improvement Pilot (MTIP) and internal stairwell investments to avoid double counting of the investment in existing homes. The capital programme has been further reviewed to take account of the continued impact of Covid-19 and Brexit on the costs and availability of materials, labours and contractors. This has resulted in re-profiling of the programme in the next two years into future years.

6.2.2 **Increased revenue assumptions on CPI** in line with Bank of England latest projection and long-term target, as well as, an increase on employee cost inflation in 2022/23 to align with Council’s General Fund assumption.

6.2.3 **Increased revenue expenditures** based on the latest outturns and increased activities assumed in 2022/23 as the market adjusting to the new operating environment. The employee costs budget has been reviewed to take into account of vacancy, overtime and spinal column point of existing employees.



- 6.3 The total gross deficit over the is projected to be £30.1 million, averaging £3.8 million a year. The deficit only related to in year expenditure exceeding income, there was enough in contingency and reserves to completely offset it. The contingency and reserves balance is at the lowest in 2043/44 at £13.6 million. There is a net surplus over the 30-year period of £81.7million, this equates to less than 1.6% of total revenue. The in-year surplus/deficit is the difference of total income and total expenditure in the year, which have both been indexed (inflation increase) year on year.
- 6.4 The top five risks to the Business Plan are reduction in rental income, limited grant funding, increasing capital investment costs, an inability to realise savings through HSIP and wider market volatility. These risks and potential mitigations are detailed in appendix 3.

## **7. Stakeholder/Community Impact**

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- 7.1 Each year the views of tenants are sought on the HRA budget strategy, investment plan, services and associated rent levels. This year's rent consultation was designed and developed in conjunction with the Housing Service Improvement Group (formerly the Rent Matters Working Group) made up of individual tenants, supported by Edinburgh Tenants Federation (ETF) and Tenant Information Service (TIS). In addition to helping to plan the annual budget consultation, the Housing Service Improvement Group have a role in monitoring and shaping the HSIP.
- 7.2 All tenants received a paper copy of the 2022/23 Council Housing Rent Consultation booklet, which provided information on how the housing service works and the housing investment plan, along with the rent consultation survey.
- 7.3 The booklet was sent in a designed envelope to attract attention and a freepost envelope was provided for tenant to return the postal survey. Tenants could also respond to the consultation survey online through the Consultation and Engagement Hub.
- 7.4 This new approach was different from previous years and resulted in a significant increase in postal and online responses, from 236 (average over last 5 years) to 443 for this year's rent consultation.
- 7.5 In addition, the rent consultation is complimented by the annual Tenant's Survey of 1,000 Council tenants, carried out by an independent third party, procured by the Council. At the time of writing this report 800 surveys have been completed.
- 7.6 The Council provides a random sample of tenants contact details, weighted by locality and property type to be representative of the made up of our tenants.
- 7.7 Two focus groups were also carried out with tenants to seek in depth views on the consultation topics in relation value for money, rent increase options and longer-term rent strategy.
- 7.8 There is also a regular programme of tenant engagement and customer insight. This includes regular satisfaction surveys, focus groups, tenant panels, tenant led

service inspections and scrutiny, resident and community meetings, which help to inform the continuous development of the budget strategy and HSIP.

## **8. Background reading/external references**

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- 8.1 Housing Revenue Account (HRA) Budget Strategy 2021-31, City of Edinburgh Council, [18 February 2021](#)
- 8.2 Housing Revenue Account (HRA): Impact of a One-Year Rent Freeze, Housing, Homeless and Fair Work Committee, [18 March 2021](#)
- 8.3 Updated Housing Revenue Account (HRA) Capital Programme, Housing, Homeless and Fair Work Committee, [3 June 2021](#)
- 8.4 2022/23 Housing Revenue Account (HRA) Budget Consultation, Housing, Homeless and Fair Work Committee, [2 September 2021](#)

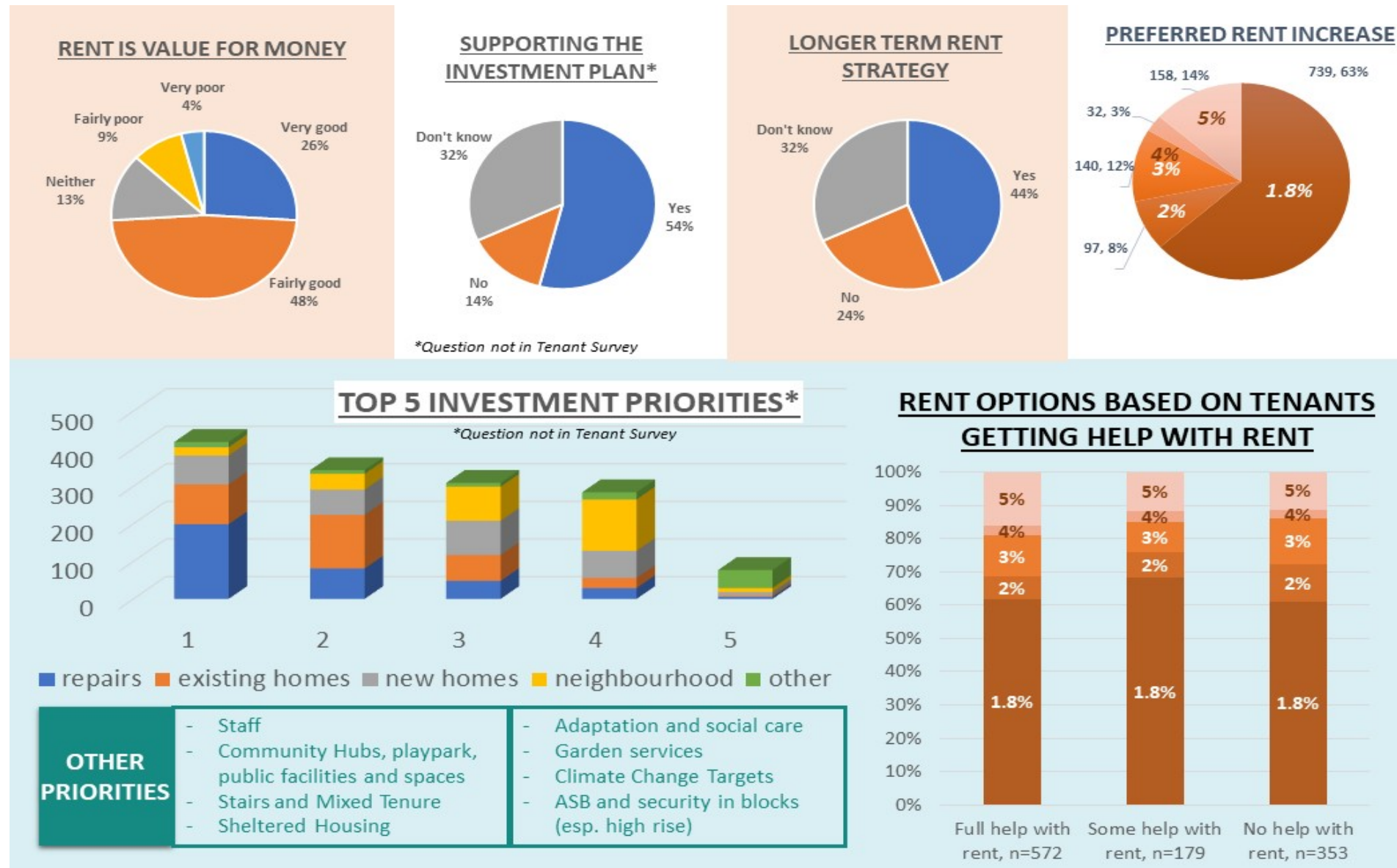
## **9. Appendices**

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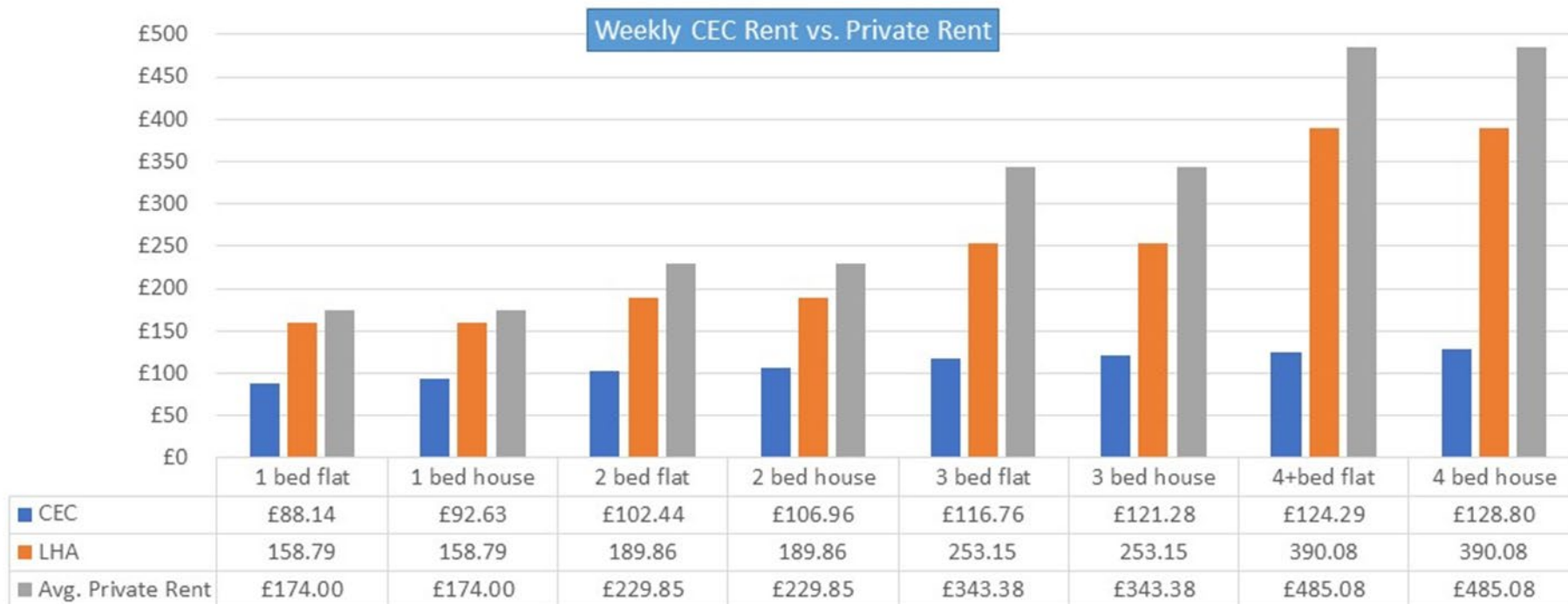
- 9.1 Appendix 1: 2022/23 Council Rent Consultation Results.
- 9.2 Appendix 2: Wider Market Context: Rent levels and rent setting.
- 9.3 Appendix 3: Top five risk to the HRA Business Plan.

## Appendix 1: 2022/23 Council Housing Rent Consultation Results (As of 10 January 2022)

This year's rent consultation ran for 12 weeks between 15 September and 8 December 2021. Below is a summary of the 1,243 responses received (443 from online and postal responses and 800 from the Tenant's Survey):



## Appendix 2: Wider Market Context: Rent levels & rent setting



Average annual increase since 2016 (5-year avg)	
Council rents	1.6%
Inflation	2.0%
Private Rents	2.5%
Local Authority Landlords	2.6%
Housing Associations	2.4%

**Around 1 in 5 Scottish local authorities have confirmed rent increases below 2% in 2022/23. Others are consulting on rent increases ranging between 1% and 4.9%**

## Appendix 3: Top five risks to the HRA Business Plan

Risk	Mitigation
<p><b>Reduction in rental income:</b> Rental income collection falls below the assumed level in the Business Plan, due to ongoing migration of tenants on to Universal Credit (UC) and financial hardship being experienced following Covid-19.</p>	<p>The assumption on number of tenants still to be migrated between now and December 2024 has been increased to take account of the impact of Covid-19 on tenants' income and welfare status.</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>The assumption on bad debt rate for former tenancy rent arrears has been increased based on trend of performance to minimise the impact of non-recovery of former tenancy rent arrears on revenue income. Where arrears are written off for accounting purpose, the Council will still continue to pursue recovery action.</p>
<p><b>Grant funding:</b> The maximum amount of grant funding cannot be achieved for Council Social Rented, resulting in a reduction in the number of homes that can be delivered. Uncertainty on additional grant and Council's on-lending to Edinburgh Living LLPs may reduce its ability to purchase completed homes funded by the HRA, impacting on HRA capital receipts assumed in the business plan. Grant funding to support owners to invest in improvements is reduced, therefore limiting the number of mixed tenure blocks that can be improved.</p>	<p>Edinburgh has a strong track record of spending its Grant Resource Planning Assumptions. Over the last five years it has mopped up £36 million in national underspends. Officers will continue to work with government to maximise grant funding for new supply.</p> <p>Work on Edinburgh Living viable models is underway; taking into account development costs, availability of grant funding and consents.</p> <p>The Mixed Tenure Improvement Pilot (MTIP) is now in the implementation stage. Enhanced Scheme of Assistance measures are in place for extended payment terms. The application to Scottish Government's Energy Efficient Scotland: Area Based Scheme (EES:ABS) grant fund has been aligned with the MTIP in order to maximise funding available to owners to pay for their shares of repairs and fabric improvement work.</p>
<p><b>Increasing capital investment costs:</b> 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 additional safe working practices, as well as, additional cost implications associated with sustainability targets.</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.</p> <p>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><b>Reduction in costs efficiencies:</b> The financial efficiency savings assumed in the latest Business Plan are not delivered, thus deepening the deficit.</p>	<p>The HSIP aims to reduce operating expenditure by c.12% by 2025/26. A midpoint review is being progressed to look at the saving targets and phasing of savings to take account of the new operating environment following Covid-19. Early review findings will be used to inform the Business Plan. Progress is reported to Committee every 6 months.</p>
<p><b>Market volatility:</b> Inflation is currently higher than originally projected (4.2% in Oct 2021). This could have a significant impact on borrowing rates. Every 0.1% increase would increase the cost of the capital programme by £4.6 million over the next 10 years.</p>	<p>Business plan is reviewed regularly. It is informed by market intelligence. There is a significant amount of prudence baked into the plan and a contingency fund built up to manage any unforeseen circumstances.</p>