

Finance and Resources Committee

10.00am, Thursday, 3 March 2022

Mixed Tenure Improvement Service Pilot Progress

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

- 1.1 It is recommended that Finance and Resources Committee:
 - 1.1.1 Note the progress of the Mixed Tenure Improvement Service (MTIS) Pilot to help support common repairs and maintenance in blocks where there is a mix of Council and privately-owned homes;
 - 1.1.2 Note the planned expansion of the pilot programme, to accelerate the delivery of fabric repairs and energy efficiency in mixed tenure blocks in the city; and
 - 1.1.3 Agree to extend the Scheme of Assistance (SoA) measures approved for the MTIS pilot, to all Housing Revenue Account (HRA) led mixed tenure projects undertaken in the city.

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Mixed Tenure Improvement Service Pilot 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. 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) by 2032. In order to tackle disrepair in housing and support the delivery of Council commitments, including net zero carbon, the Council established the Mixed Tenure Improvement Service (MTIS).
- 2.2 This report sets out progress of the MTIS pilot and the results of a mini gateway review undertaken to measure progress of the delivery in year one of the three- year Pilot. The gateway review also included an evaluation of the likely future success to deliver the programme in years two and three and achieve the aims initially set out, to upgrade 181 blocks in Wester Hailes. The Pilot is intended to inform future decisions on mixed tenure work required across the city and the approach used to achieve improvements to the Council's existing housing stock.
- 2.3 This report notes the planned expansion of the MTIS and recommends the extension of the Scheme of Assistance (SoA) measures trialled in the Pilot programme to support delivery of energy efficiency fabric maintenance and repairs to an additional 30 blocks (approx. 200 homes) annually. An extension of the SoA measures will help owner occupiers meet their repairs and maintenance responsibilities and allow them to consider more options for funding the cost of work.

3. Background

- 3.1 The creation of mixed tenure neighbourhoods in the 1980s and 1990s, arising from right-to-buy legislation, has led to increased complexity in taking forward repairs, maintenance and improvements to common areas of blocks or tenements.
- 3.2 In mixed tenure blocks, there is a mix of ownership with owner occupiers, landlords and Council-owned flats. Many of these blocks need significant investment to common elements. A majority agreement of owners in each block is required before decisions

can be made on the scope of common repair work to be taken forward. Flat owners are responsible for paying their share of any repair or maintenance works undertaken in accordance with their title deeds.

- 3.3 Investment is needed to the external fabric and communal areas of mixed tenure blocks to ensure flats in blocks are warm, damp free, safe, secure and wind and watertight. Taking the fabric first approach will assist the Council to comply with the requirements set by the Scottish Government in relation to EESSH2 and also support owner occupiers and landlords in achieving future energy efficiency standards. This will also help to make progress towards the Council's objectives to meet the net zero carbon target by 2030 and reduce fuel poverty.
- 3.4 On [7 June 2018](#), the Housing and Economy Committee approved a Mixed Tenure Improvement Strategy, setting out the next steps to tackle mixed tenure repairs. The report also noted a proposal to establish a Mixed Tenure Service to engage with all residents and manage the delivery of the construction work. Updates on the approach to Mixed Tenure Improvement Strategy were also considered by Housing and Economy Committee on [24 January 2019](#) and [6 June 2019](#). On [23 January 2020](#), Finance and Resources Committee noted the proposals to pilot the Service. On [7 October 2021](#), Finance and Resources Committee noted an update on the pilot progress and agreed to extend the debt repayment terms to enhance the Council's existing SoA for owner occupiers within the pilot area.

4. Main report

- 4.1 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 other owners within mixed tenure blocks. The ability to deliver on the Council's Net Zero Carbon target by 2030 is also heavily dependent on working with owners to achieve a fabric first approach that minimises the requirement for energy use. The legislative framework and processes to progress works must be followed to recover owners' share of costs.
- 4.2 The MTIS was established as a three-year pilot to deliver mixed tenure investment as part of the Capital Programme for Housing, supported by effective use of the Tenement (Scotland) Act 2004 framework.
- 4.3 The MTIS programme of works include delivery of repairs to 1,400 flats in 181 blocks, with an estimated value of £30m over a three-year period. The Council own the majority of flats, approximately 1,000 flats in the pilot area, with the remainder, 400, being privately owned. Ownership checks to date show that 48% of privately-owned flats are owned by landlords in the private rented sector.
- 4.4 The implementation of the MTIS commenced in 2020 with recruitment of the team and the development of standard operating procedures (SOP's). MTIS case officers are a dedicated to engagement and communication with owners, private landlords and tenants in the pilot area, while MTIS Surveyors undertake technical work, including on-site Building Condition surveys, preparation of owner reports and cost estimates,

preparation and submission of Building warrants, procurement and management of specialist surveys and construction works.

- 4.5 The SOP's, delivered by the in-house team, include research and verification of ownership of flats, investigation and verification of apportionment of repair costs per owner, from the title deeds and Tenement Act rules where applicable. This work is undertaken prior to communicating with owners. The first letters to owners introduce the Pilot project and describe the programme objectives, roles and responsibilities of owners, the legal framework, voting and appeal process, the building condition survey process and how the repair works will be delivered.

Progress to January 2022

- 4.6 The original pilot programme will be complete in 2024 and is on target to deliver upgrades to 181 blocks. The programme consists of 10 phases. Year 1 consists of phases 1 to 4 and has achieved the following aims, see summary table below:

Workload 2021/22 (Year 1)	Phase 1	Phase 2	Phase 3	Phase 4	Total
Homes (No.)	84	157	145	114	500
Blocks (No)	11	20	18	17	66
Private owners	16	44	33	30	123
Minority Blocks voting 'Yes'	1	3	2	3	9 (75%)
% Blocks achieve Scheme Decision	100%	80%	94%	76%	86% average
Contract Award value (£)	£1,294,800	£2,761,264	£2,797,303	£2,600,000	£9,453,367
Works commence on site	Oct-21	Jan-22	Jan-22	Feb-22	

- 4.6.1 The average estimated cost per flat over Phases 1 to 3 is £19,882 before deductions for grant contribution and excluding VAT and fees;
- 4.6.2 £627,900 of funding has been secured from the Scottish Government Energy Efficient Scotland: Area Based Scheme (EES: ABS), to contribute to owners' cost for the works in 2021/22 in Phases 1 - 4;
- 4.6.3 £279,500 of additional funding secured from SG EES: ABS to contribute to owners in fuel poverty against the cost of the works in 2021/22 in Phases 1 – 4. This highlights a successful process, agreed with the Scottish Government (SG), for determining eligibility of owners in fuel poverty for additional grants;
- 4.6.4 SG approved the use of MTIS building condition survey reports as evidence for owners to use within their application to Home Energy Scotland for loans to fund the works; and
- 4.6.5 SG approved the use of MTIS cost estimates provided to owners, in lieu of contractor quotes as evidence for owners to use within their application to Home Energy Scotland for loans to fund the works.

Expansion of the Mixed Tenure Improvement Service

- 4.7 The MTIS has been operational since October 2020 and, after an initial period of implementation of approximately six months, including recruitment, induction and training of the team, the first phase of works started on site in October 2021.
- 4.8 The expansion of the MTIS will follow a measured approach, tackling priority areas in a phased programme of works. Continual review of Key Performance Indicators (KPI's) will ensure financial control and monitoring going forward to test the financial assumptions made in the pilot that remain untested. This would allow for continued due diligence on the progress of key objectives and continued assessment of key financial elements of the service, with controls and monitoring of debt recovery rates. All costs incurred by the expanded mixed tenure service to take the lead and deliver projects, are recoverable. Debt accumulated by the service may only be written off where costs are unrecoverable.
- 4.9 Financial controls in relation to debt recovery include:
- 4.9.1 Use of tested procedures used in the Edinburgh Shared Repairs Service (ESRS) with a dedicated finance database to analyse debt. This allows monitoring and will highlight areas for further action, working closely with the Debt Recovery Service and the Solicitors appointed. In addition to this, a monthly dashboard of management information will reflect invoice totals, debt collected and the rate of payment of debt by owners. Owners will have been engaged with at a minimum on 14 separate occasions prior to receiving their invoice for the works;
- 4.9.2 The Council will introduce the use of a Notice of Potential Liability for each legally binding Tenement Management Scheme (TMS) Decision. These are registered on the property section of the title deeds at Registers of Scotland. The debt relating to these notices must be addressed at the point of sale. There is no court process required and the Council, as an owner of flats in the block, can register the Notice; and
- 4.9.3 Payment plan arrangements with enhanced terms are available to owner occupiers only. The cost of work forecast to owner occupier properties amounts to 5.6% of the total cost of works forecast to be carried out in the expanded service.
- 4.10 The MTIS pilot has been the subject of a mini gateway review. Business model assumptions, where possible, have been reviewed to measure anticipated figures against actual results as the Housing Revenue Account (HRA) Capital Programme progresses. The mini gateway review has been undertaken by a senior manager out-with the Housing Service to provide an internal peer review. The aim of the gateway review is to give assurance and check appropriate procedures are in place and being followed, to ensure the pilot forecasts remain within set tolerances or if corrective action is required to mitigate identified risks accordingly. The review focusses on where the pilot programme is now and how well placed it is to move forward to the next stage, including considering any steps that could be undertaken to improve project success.

Gateway Review

- 4.11 The gateway review report noted that strong procedures and processes were in place for the delivery of the MTIS, with involved staff clear about their roles and responsibilities. It noted that the finance colleagues consulted were satisfied that the relevant financial controls are in place and that the governance arrangements for the Pilot are strong, with reporting links from the Finance perspective well established.
- 4.12 The gateway review report noted that customer contact has been detailed and effective, resulting in successful scheme decisions. There has been success in the achieving the support of owners, resulting in works currently being on site. As the pilot moves into future phases, measures of success can be further enhanced through a programme of customer intelligence which will test the criteria of the benefit realisation gateway as well as the efficacy of the approach taken to debt management.
- 4.13 The gateway review report recommended a customer research project to build up and maintain as detailed a picture of its customers as possible including socio-economic and demographic profiling. This could consider customer views of all aspects of the MTIS including its external face to face and communications activities, from introductory letters through to notice of scheme decisions.
- 4.14 The gateway review report concluded that there has been good progress since Council approval of the Pilot. The speed with which works have begun on site in Phase 1 of the Pilot is an achievement given the complexities that accompany multi-tenure repairs and maintenance programmes. It went on to note that robustness of the operating procedures demonstrates that critical success factors have been established on the back of a coherent plan covering issues of deliverables, timelines, staffing, budgeting, procedure, process and governance. At this stage of the lifecycle, no significant directional change is required.
- 4.15 Expansion of the team would assist in the accelerated delivery of fabric repairs to a further 30 mixed tenure blocks across the city every year. Areas to be upgraded will be subject to an analysis of criteria, including property condition and age, energy efficiency compliance, ownership profile and percentage of households in fuel poverty. This information, along with work ongoing to establish condition of the various blocks archetypes as part of the wider asset management stock condition exercise, will determine priority areas. The expanded service will support more owners to meet their repairs and maintenance responsibilities in mixed tenure blocks. Informed assumptions have been made in forecasting the anticipated demand and potential impact on both the HRA and General Fund. If agreed, this will be reported as part of the annual detailed capital investment programme that goes to Housing Homelessness and Fair Work Committee in March.
- 4.16 Expansion of the team will also assist the delivery of the HRA Capital programme where pre-contract engagement and agreement for the works with owners is required. The recent changes in legislation for Property Factors under the new code of conduct within the Property Factor (Scotland) Act 2011 means that any one-off planned repairs require agreement with owners prior, to enable the Council to have the authority to carry these out.

- 4.17 A high-level assumptions table is set out at Appendix 1 and financial proposals for the expansion of the MTIS are set out at Appendix 2. The cost of running the MTIS and all work undertaken for owners is classified as revenue expenditure to the General Fund. Based on the MTIS pilot experience to date and financial modelling assumptions, the MTIS is self-funding.
- 4.18 Based on the approach already adopted by MTIS, the resource required to deliver 30 blocks per year will be additional case officers, surveying and managerial resources. The expanded MTIS will continue to work alongside the ESRS, under a senior manager, to benefit from on-going expertise and ensure robust decision-making and legal processes with owners are followed. The service is embedded within the Housing, Family Support and Fair work Service within the Place Directorate.
- 4.19 Annually, the cost of resources to deliver the 30 Blocks per annum in area-based schemes and support planned capital investment in mixed tenure blocks in the city is forecast to be £1.7m. This expenditure will be recovered through project management fees under the TMS framework. Fees will be payable by both owners and the HRA for the Council's share.
- 4.20 The MTIS Pilot financial accounts have been used to baseline costs and model the financial impact of an expanded MTIS. The TMS has been used to progress essential repairs to blocks in the pilot area, the estimates to date are on average amount to £20,000 per flat (excluding project management fees and VAT). The expanded model uses the same average costs per flat.
- 4.21 The deduction of EES: ABS funding contributions has reduced the estimated costs substantially. Funding contributions is up to a basic £7,000 per eligible owner per flat and is uplifted to £12,000 where the owner is in fuel poverty. These amounts can be increased to by adding 10% for structural works and 20% for enabling where appropriate meaning the grants can be as much as £15,600 per owner. Grant contributions will only be applicable where projects install energy efficiency measures and will not always be available to all owners. Assumptions on costs per owner are subject to the scope of works undertaken.
- 4.22 The expansion of the MTIS will allow the Council to deliver an additional £9 million annually of repairs and maintenance to mixed tenure blocks commencing in 2023/24, after an initial implementation period of recruitment, induction and training of a new team. The expanded MTIS will utilise the same tested operating procedures and legal framework to deliver the increased workload.

Enhanced Scheme of Assistance

Debt re-payment

- 4.23 On [7 October 2021](#), Finance and Resources Committee approved extended debt re-payment plans for the MTIS Pilot. The construction work is financed by the Council and will be charged to owner occupiers upon completion. Payment plans set up with the Council do not affect an owner's credit score. Payment plans available for owner occupiers are as follows:

- 4.23.1 With total MTIS debts of up to £5,000, owners may be offered a payment plan of a maximum of four years;
 - 4.23.2 Owners with total MTIS debts between £5,000 and £7,000 may be offered a payment plan of no longer than seven years; and
 - 4.23.3 Owners with total MTIS debts of more than £7,000 may be offered a payment plan of a maximum of fifteen years
- 4.23 These terms are currently limited to owner occupiers in the MTIS Pilot area only.
- 4.25 The policy is aimed at getting the balance right for both the Council and debtors whilst not encouraging owners to agree payment plans with the Council by default, as the market is likely to offer more financially attractive alternatives. However, longer repayment terms may be an option for people who are unable to access high street finance but may end up facing an inhibition order if they cannot afford to repay costs to the Council.
- 4.26 A case study of owners in Phase 1 (including assessment made through Scottish Index of Multiple Deprivation and the SG Home analytics database) found that almost half of these owner occupiers may be categorised as in extreme fuel poverty. Officers expect this to be the case in other areas of the city covered by the Area Based Scheme (ABS) funding offered by the SG.
- 4.27 Loans of up to £10,000 at 0% interest are available to owners through Home Energy Scotland (HES). The Council's mixed tenure team have now received agreement from the SG of the documentary evidence that would be accepted as part of a loan application process for owners. These include MTIS Survey reports and cost estimates prepared by the team for owners. In addition, SG have agreed to accept retrospective applications for owners in Phase 1, where works have already started. The terms of these loans compare favourably to the debt re-payment terms offered through the Council. The MTIS team will support owners with the application process. These loans are not secured on owners' property and are personal loans. SG and Energy Savings Trust (EST) have been asked to consider extending the loan periods and maximum loan amounts for owner occupiers.
- 4.28 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](#)) .
- 4.28 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 to offer a sitting-tenancy. This will enable repairs to be carried out to the common elements of a building and would only be used as a last resort, and if requested by the owner. To date, there is one owner who is interested in exploring this option further. Discussions are underway between the owner and the local housing team. In addition to this, the Council has purchased 11 homes on vacant possession in the Murrayburn/Dumbryden area. This has enabled the Council to secure full ownership in two properties, gain

majority ownership in two blocks and further consolidate majority ownership in the remaining seven blocks.

Risks and Mitigation

- 4.29 The risks presented in the report to Finance and Resources Committee on [23 January 2020](#) have been reviewed and updated. A comparison of risk scores assessed prior to commencement of the MTIS pilot and re-assessed during the pilot are included in the table in Appendix 3. The revised risk assessment includes risks associated with extension of the SoA.
- 4.30 The potential risks include financial risks, such as owners' bad debt, delays between billing and recovery of costs, managing these as well as reputational risks, if the Council is not seen to work effectively with owners. The implementation of processes within the MTIS pilot, including gateways and internal governance processes for projects, has mitigated any potential risks arising from works being extended beyond what was agreed with owners and out-with the TMS provisions. Financial controls and robust accounting processes have also been developed to manage and monitor the financial aspects of the programme, including budget monitoring and cashflow projections. These processes are necessary for HRA accountability, grant funding claims and debt management of sums due to the Council by owners. The financial model for the expanded MTIS also includes a contingency provision to cover any unforeseen costs.
- 4.31 The risk of not proceeding to expand the MTIS also presents risks where not tackling essential repairs to common areas and not investing in the condition of homes would lead to further deterioration of HRA assets, increasing the cost of repairs or, with the ultimate risk of demolition and resultant loss of housing supply.
- 4.32 Owners are responsible for maintenance and repairs of common areas but by extending the SoA, the Council is offering a hierarchy of assistance to help all owner occupiers in mixed tenure blocks in the city to carry out essential repairs to their homes. The proposal to extend the existing assistance will have a more positive impact on the cashflow for the Council than increasing the use of inhibition orders. The use of inhibitions secures the debt, but the Council may have to wait several years to get payment of the sums due.

5. Next Steps

- 5.1 The MTIS Pilot will continue into years two and three.
- 5.2 Subject to approval of the extension of the SoA measures, the sundry debt policy wording will be amended to reflect the amendments agreed by Committee.
- 5.3 Staffing resources required will be recruited to expand the MTIS.

6. Financial impact

- 6.1 A table of assumptions can be referred to in Appendix 1 and the financial impact of the proposed expanded MTIS is set out at Appendix 2. The cost of the MTIS team and all

work undertaken on private owners and HRA tenants' properties, will be charged to the General Fund. In summary:

- 6.1.1 The overall cost of staffing resource for an expanded MTIS team is estimated at £1.8 million annually and has been inflated to account for pay awards and spinal column point increases;
 - 6.1.2 The total forecast value of the workload for an expanded MTIS for delivery on 2023/24 onwards is £17.75 million and includes construction cost inflation assumptions;
 - 6.1.3 Total forecast income recovery over annually is estimated at £17.77 million and includes an estimated £1.7 million from owners annually (including fees), £1.5 million from grant finding and £14.4 million from the HRA (including fees). Bad debt loss (10%) has been estimated at £0.2 million annually and calculated on owner related works only;
 - 6.1.4 A 5% contingency on the cost of all works has also been included in the overall running costs of the MTIS;
 - 6.1.5 It is estimated that around 50% of owners, excluding private landlords, will end up in an extended debt repayment plan with the Council; and
 - 6.1.6 The MTIS is forecast to make total surplus of £0.02 million annually subject to on-going monitoring of budgets, the forecast annual surpluses will be set aside in a reserve to help managed any unforeseen additional costs.
- 6.2 Income to be recovered from both the HRA and owners' shares, including the 20% project management fee, will be accrued to offset the cost of the MTIS in the financial year that costs were initially incurred.
 - 6.3 As the MTIS service works are not statutory in nature, owners will be charged VAT at 20% on the total cost of their bill.
 - 6.4 The budget implications of implementing an expanded MTIS on the HRA have been factored into the 2022/23 HRA Business Planning process and are budgeted for in the 2022/23 – 2027/28 five-year HRA Capital Investment Programme.
 - 6.5 Ongoing monitoring and evaluation of the expanded MTIS will assess value for money to make sure that that key objectives are being met, and that costs and benefits were appropriately aligned.
 - 6.6 Essential repair and maintenance work undertaken in the MTIS pilot are in line with the definitions set in the TMS legislation. The works also meet the definition of capital and will be charged to the HRA Capital Investment programme as applicable.
 - 6.7 The extension of the current scheme of assistance would be applicable to owner occupiers within all mixed tenure blocks in the city where the Council owns homes and is co-ordinating the delivery of mixed tenure repairs and improvements. The risks will be regularly monitored and mitigated as far as possible by securing the recovery of the debt by appropriate means, this may be by Inhibition Order or Notice of Potential liability registered on the title deeds at Registers of Scotland.

7. Stakeholder/Community Impact

- 7.1 Delivery of mixed tenure investment and repairs will depend upon regular tenant and resident consultation and owner engagement to ensure robust scheme decisions have been made correctly following Tenement Management Scheme processes. This will ensure that debt recovery for the owners share of costs is effective.
- 7.2 A key component of the expanded MTIS service will be to continue the approach used in the operating procedures developed for the MTIS Pilot. The Council will continue to promote the use of owners' associations and employing the services of a property manager or factor where possible, as advised by Edinburgh Shared Repairs Service. This will leave a legacy to proactively manage property condition on a regular basis. The extended service will also continue to review the range of powers available including Works Notices and Maintenance Orders under the Housing (Scotland) Act 2006, not yet used by the Council, to enhance the 'toolkit' for Owner's and the Council to encourage private repairs.

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.

9. Appendices

- 9.1 Appendix 1 – High Level Assumption Table.
- 9.2 Appendix 2 – Financial Impact.
- 9.3 Appendix 2 – Risks and Mitigations.

Appendix 1 – High Level Assumptions table (informed by Pilot) for Expanded Service

Description	Assumption	Note	
Average cost of works	£19,882	Stock condition information from the Building Condition Surveys and estimated costs prepared for owners in MTIS Pilot has been used to baseline costs. The c.£20k excluding project management fees and VAT is to progress essential repairs, any proposed improvements in a mixed tenure block would require 100% sign-up.	
EES: ABS Grant Funding	£7,000	EES: ABS basic grant funding is available to eligible owners and where eligible, uplifted for owners in fuel poverty.	
Total number of blocks/ tenures split	ABS - Blocks annually	90	The workload forecast per annum for Area Based Schemes in the city. Additional support with owner engagement in one-off blocks based on the number of owners and the support to Factoring services is reflected here.
	Council Homes	50-70%	
	Private Homes	30-50%	
Timescales	69 weeks	Total time to complete and bill works. Assumes a 14-week lead in time, 52 weeks to complete works and 3 weeks to raise bills once works are completed.	
VAT	5 - 20.0%	As the MTIS service works are not statutory in nature, owners will be charged VAT at 5% on energy efficiency measures and 20% on all other measures.	
Bad debt	10%	Remains untested in MTIS Pilot at present. Assumes c.10% of owner's contributions will not be collected. Current ESRS is running at c.3%.	
Project Management Fee	20%	Is still being tested in the MTIS Pilot, current indication is this level of fee is correct. Reflects flat fee to cover the cost of delivery of blocks from inception to completion. ESRS currently charges 26%.	
Interest on extended repayment terms	Modelled at 4%	Extending the debt repayment period from 4 years to 15 years. It is estimated that around 50% of owner occupiers would use the extended debt repayment option. Actual interest rate has been recently reviewed for the MTIS Pilot in line with the Scheme of Delegation. The extended repayment terms would only apply to owner occupiers and would not apply to landlords.	
Team costs	£1,773,434	Based on the approach adopted by MTIS Pilot, expansion of the Pilot would require case officers, surveying and managerial resources. The team costs are based on a workload value of £18m/annum	
Contingency	c.5%	A contingency has been set aside to cover any unforeseen costs. Any surplus assumptions are still being tested in the MTIS Pilot.	

Appendix 2 – Financial Impact

Mixed Tenure Improvement Service Budget Forecast (Pilot & Expanded)		Total MTIS 23/24 and Indicative annual spend	Forecast MTIS Pilot	Forecast Expanded MTIS
			2023/24	2023/24
Workload Value approximately		£18m	£9m	£9m
<u>Expenditure - General Fund</u>				
Gross cost of MTIS Team	£	1,773,434	886,717	886,717
Total cost of Owners works	£	3,138,624	1,569,312	1,569,312
Total cost of HRA works	£	12,079,790	6,039,895	6,039,895
5% contingency	£	760,920	380,460	380,460
Total cost of MTIS service	£	17,752,768	8,876,384	8,876,384
<u>Income - General Fund</u>				
Total cost of owners works	£	£1,683,656	£841,828	£841,828
Income from Grant Funding (EES ABS)	£	£1,454,968	£727,484	£727,484
Owners Project Management fee at 20%	£	£336,731	£168,366	£168,366
Total HRA cost of works	£	£12,079,790	£6,039,895	£6,039,895
HRA Project Management fee at 20%	£	£2,415,958	£1,207,979	£1,207,979
Total forecast income recovery	£	£17,971,103	£8,985,552	£8,985,552
Estimated bad debt loss (10%)	£	-£202,038	-£101,019	-£101,019
Revised income after bad debt loss	£	£17,769,065	£8,884,533	£8,884,533
Add Surplus from previous year				
Net cost of MTIS (surplus)/deficit	£	-£16,297		

Appendix 3 – Risks and mitigations

Ref	Risk Category	Risk Description	Mitigations and controls	Inherent Impact	Inherent Likelihood	Score during MTIS pilot	Score pre-pilot (F&R report 23-01-20)
1	Financial – bad debt	Essential repair work is completed, and contractors paid before owners are billed. Some owners may not be able to pay immediately resulting in the possibility of high levels of bad debt.	<ul style="list-style-type: none"> Debt will be secured through use of inhibitions where defaults occur and new use of NoPL's. Early information on payment options and potential payee risks are assessed. MTIS Project Panel consider financial risk prior to decision to approve a Scheme Decision achieved. Number of projects can be controlled on-site. Operating in accordance with Tenements (Scotland) Act 2004 provisions to support debt recovery 	3	3	9	12
2	Financial – accountancy write-off	Resulting time-lag from the point essential repairs are complete and owners invoiced may mean bills issued in one financial year whilst debt is collected in another; a write-off, in accounting terms only.	<ul style="list-style-type: none"> KPI's will measure the period between project completion and billing owners. The work in progress (WIP) will be included in management information reports Income from both owners and HRA shares will be accrued to match expenditure in the relevant financial year MTIS Pilot robust operating procedures will result in all debt be recoverable. Service contingency is in place for unforeseen costs. 	3	3	9	12
3	Financial & Reputation – loss of homes	Not investing in the condition of homes would lead to deterioration of HRA assets, increasing cost of repairs with potential risk of demolition of tenants' homes.	<ul style="list-style-type: none"> An expanded MTIS will provide continued resource and robust management of processes to proactively target homes requiring essential repairs as demonstrated in the MTIS Pilot. Potential to increase investment in improvements - 100% agreement required 	3	2	6	9

Ref	Risk Category	Risk Description	Mitigations and controls	Inherent Impact	Inherent Likelihood	Score during MTIS pilot	Score pre-pilot (F&R report 23-01-20)
4	Financial & Operational – remedial works for defective works	If works have not been completed satisfactorily, the Council may have to cover the cost of corrective action and be unable to recover from owners or the HRA.	<ul style="list-style-type: none"> Quality standards included in the specification for works procured in MTIS Pilot Contract management controls demonstrated in MTIS Pilot. Training of Retrofit Co-ordinators within the MTIS team is on-going Due diligence for projects and operation of checkpoint controls, focussed surveying resource for on-site checks in MTIS Pilot Industry insurance backed guarantees for EWI (25yrs) and roof materials (15yrs) included in MTIS Pilot Contracts 	3	2	6	9
5	Legal –use of powers	If work is carried out beyond scope of owners’ agreement, Council would be using powers ‘ultra vires’ preventing recovery of funds. If an owner appeals a Scheme Decision by raising an action at court to annul, raising objections over the Councils authority to proceed.	<ul style="list-style-type: none"> Operating procedure for MTIS Pilot developed to include gateway checkpoints at all key stages Governance of projects through MTIS Pilot Project Panel Of 105 owners in the MTIS Pilot phases 1 to 4a, 1 owner has raised a court action to annul a scheme decision – this was unsuccessful. 	3	2	6	6
6	Reputation – owner funds	Where owners have a lack of funds there may be a perception that the Council is not providing sufficient advice and support to owners to pay for repairs.	<ul style="list-style-type: none"> SoA provides a hierarchy of assistance for owners both internally and externally through HES loans. Possible future SG equity loan scheme available. MTIS Case Officer engagement with owners is important part of the operating procedure 	2	2	4	6

Ref	Risk Category	Risk Description	Mitigations and controls	Inherent Impact	Inherent Likelihood	Score during MTIS pilot	Score pre-pilot (F&R report 23-01-20)
			<ul style="list-style-type: none"> MTIS development of eligibility forms and process for grants, encourages early engagement in process 				
7	Legal – liability checks	Title Deeds may not be clear or consistent. This could create a risk of non-recovery where liability is interpreted by the Council and challenged by owners.	<ul style="list-style-type: none"> MTIS Pilot operating procedures include early assessment of legal responsibilities for each block and consistency of approach with similar archetypes and title deeds pertaining to those. Use of the TMS provisions is available if there are any title inconsistencies 	2	3	6	6
8	Reputation al – culture	Owners may not be aware of their maintenance and repair responsibilities to shared areas of their tenement.	<ul style="list-style-type: none"> MTIS Pilot has developed a suite of letters, newsletters and a webpage with an emphasis on working proactively with owners. MTIS Pilot has developed clear, consistent and detailed communication to owner in relation to their responsibilities and of the Council's as a co-owner 	1	2	2	4

Risk scoring matrix:

Likelihood	Score	Impact
Remote- if it does then > 10 years	1	Limited- minimal and recoverable
Possible- If it does then within 5-10 years	2	Minor- short term and recoverable
Reasonable- if it does then within 3-5 years	3	Moderate- part failure to achieve objectives, recoverable at cost
Likely- within 1-3 years	4	Major- significant failure to achieve objectives
Almost certain- within 1 year	5	Extreme- unable to achieve objectives/plans