

# Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 24 March 2022

## 2022/23 Housing Revenue Account (HRA) Capital Programme

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 Approves the planned HRA capital programme for investment in 2022/23 of £126.819 million, which includes an accelerated budget of £5 million for the fabric upgrade programme, as agreed at Council budget meeting on [24 February 2022](#);
  - 1.1.2 Note the significant change in investment approach from 2023/24 onwards, shifting from a focus on individual lifecycle component replacement to a holistic whole house approach, combining energy retrofit and wider building/estate improvements;
  - 1.1.3 Agree to receive a progress report within three committee cycles on progress with the stock condition survey, mixed tenure area regeneration and the development of the whole house retrofit programme; and
  - 1.1.4 Note the key risks to programme delivery as set out in Appendix 4.

**Paul Lawrence**

Executive Director of Place

Contact: Elaine Scott, Head of Housing Strategy and Development

E-mail: [elaine.scott@edinburgh.gov.uk](mailto:elaine.scott@edinburgh.gov.uk) | Tel: 0131 529 2277

## 2022/23 Housing Revenue Account (HRA) Capital Programme

### 2. Executive Summary

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- 2.1 This report sets out the detailed Housing Revenue Account (HRA) capital programme of £126.819 million for 2022/23. Priority projects in the localities, as previously identified by ward Councillors, form part of the HRA capital programme and will continue to be progressed in 2022/23 as set out in the report.
- 2.2 In 2019/20, the final outturn on the HRA capital outturn was £111.854 million, against the budget of £108.954 million; with an expectation that investment in new and existing homes would increase over the following years. The pandemic and Brexit have had a significant impact on delivery of the capital programme. This has included supply chain disruption, including shortages of materials, labour, contractor availability, site closures and difficulties gaining access to tenant's homes. Mitigations have been put in place to minimise these risks as far as possible, which are detailed in Appendix 4.
- 2.3 Despite these challenges significant progress is being made across the programme. The work underway on the design and planning for delivering a whole house retrofit (WHR) 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. Expenditure on the new build programme is also expected to increase as construction commences on large mixed-use sites that are currently in design or procurement stages.
- 2.4 From 2023/24 it is anticipated that a holistic WHR approach, combining energy retrofit and wider building/estate improvements, will begin to be rolled out across the city. This will embed a more proactive approach to long term asset management that focuses on building improvements and energy performance that help to reduce future maintenance and repair risks. The pace at which the WHR programme can be rolled out across the city will depend upon Scottish Government grant funding being available to support the delivery of the Energy Efficiency Standard for Social Housing 2 (ESSH2), rental income being sufficient to support HRA borrowing, owners being able to access funding to meet their share of costs and construction industry capacity and skills development.

- 2.5 Committee is asked to agree to receive a progress report within three committee cycles on progress with the stock condition survey, mixed tenure area regeneration and the development of the WHR programme.

### 3. Background

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- 3.1 On [24 February 2022](#), the City of Edinburgh Council approved the 2022-2032 HRA Budget Strategy following referral from Finance and Resources Committee, which included a plan to invest £2.9 billion over ten years to deliver Council commitments, including the delivery of new homes and net zero carbon emissions. It also agreed an accelerated contribution of £5 million from the Strategic Housing Investment Fund (SHIF) to support a programme of fabric upgrades to minimum EESSH2 standard and to a further acceleration of £0.25 million from the SHIF to facilitate stock condition survey work, prioritising surveys on the buildings known to have a high level of complaints of damp, mould and condensation.
- 3.2 The expenditure in relation to stock condition survey is funded by HRA revenue and has been budgeted for accordingly. Where appropriate, the costs of the in-year remedial work identified through the stock condition survey will be accelerated and capitalised.
- 3.3 The Council also agreed a second rent freeze for 2022/23. As reported to Committee on [20 January 2022](#), and based on current Business Plan financial assumptions, an increase in rents and/or a significant increase in grant funding from Scottish Government, will be required to fund the delivery of the ten year programme.
- 3.4 This report sets out the planned 2022/23 capital programme and the work that will be carried out over the coming year to enable large scale investment in existing Council homes and estates to be taken forward over the next ten years, depending on the availability of HRA capital funding.
- 3.5 Over the course of the current and previous financial year, officers have successfully established a new service to work with owners to deliver essential repairs and maintenance to common areas of mixed tenure blocks in the Murrayburn/Dumbryden pilot area of Wester Hailes. The Mixed Tenure Improvement Service Pilot Progress report was considered by Finance and Resource Committee on [3 March 2022](#).
- 3.6 Finance and Resources Committee noted progress with delivering mixed tenure improvements in the pilot area and plans to expand the service to support delivery of works to blocks in other parts of the city where the Council is a landlord. They also agreed to extend the Enhanced Scheme of Assistance, that is currently available to owners in the pilot area on a citywide basis, to assist owners to meet their maintenance obligations.

## 4. Main report

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- 4.1 The Council is the largest Registered Social Landlord in the city, with responsibility for managing and maintaining around 19,000 Council homes. The revenue service is funded almost entirely from tenants' rental income. The HRA Budget Strategy aims to deliver a £2.9 billion capital investment in new Council homes, existing homes and neighbourhoods by 2032. HRA investment is supporting the delivery of major Council commitments; including the 20,000 affordable homes commitment and net zero carbon.
- 4.2 The capital budget is prepared annually, following consultation with tenants and the regular review of the 30-year HRA Business Plan. It is shaped by tenants' and elected member priorities, Council commitments, statutory compliance and government targets, as well as life cycle and health and safety (i.e. maintenance and improvements to keep homes modern and safe).

### **Impact of the pandemic**

- 4.3 The pandemic has had a significant impact on delivery of the capital programme over the last few years. This is primarily due to supply chain disruption, including shortages of materials, labour and contractor availability. Gaining access to carry out works within tenant's homes and the implementation of health and safety measures since the sector came out of lockdown also caused significant delays.
- 4.4 Market volatility remains an ongoing concern. According to the Bank of England, the annual rate of consumer price inflation (CPI) has risen from 0.7% in January 2021 to 5.1% in November 2021 and is expected to reach about 6% by spring 2022. Against this backdrop, construction prices are projected to increase by 16.76% over the next five years, which is an average of 3.35% per year.
- 4.5 There continues to be delays to projects in the 2021/22 programme and this has been reflected in a reprofiling of those projects into the next financial year (2022/23). For example, engagement with residents on external fabric upgrades for multi storey blocks at Craigmillar and Peffermill Courts was paused due to the pandemic, however this has now recommenced.
- 4.6 Postponements to regular community group meetings, Community Councils or Neighbourhood Networks has prevented new Neighbourhood Environmental Project (NEP) nominations from being progressed. However, community engagement is now underway to enable pipeline and new projects to progress. Despite the above challenges, the delivery pipeline for new homes remains strong and investment in existing homes is also expected to scale up in future years.
- 4.7 Work is continuing on the design and planning for delivering a WHR programme, on a new approach to working with owners (through the Mixed Tenure Improvement Service pilot), and on the development of larger, mixed use sites (Granton, Meadowbank, Powderhall and Fountainbridge) across the new build programme. All of which will see capital investment more than double in future years.
- 4.8 Within the Council's housebuilding programme, there are currently over 770 new homes on site and under construction and a further 2,200 homes in design and pre-

construction stage. This does not include homes being delivered for private sale or market rent through Council led developments. All Council-led developments are set out in Appendix 3

- 4.9 In addition to the delivery of homes on Council owned land, a market engagement process has commenced to assess private sector opportunities for purchase of development sites, purchase of completed homes and to explore innovative solutions such as leasehold proposals and partnerships. Evaluation is underway on the initial market interest to determine if there are opportunities that may be of interest to the Council.

#### **Holistic whole house, building and area based approach 2023/24**

- 4.10 A significant level of intervention in existing homes will be required to deliver advanced whole house retrofit to meet statutory requirements for energy efficiency and net zero carbon. This presents the opportunity to also incorporate wider building improvements at the same time (i.e. rewiring, roof and gutter replacements, kitchen and bathrooms etc. alongside fabric improvements, new ventilation systems and windows and doors etc.). This will help to embed a more proactive approach to long term asset management to reduce future maintenance and repair risks.
- 4.11 The key WHR workstreams that will help to underpin this change in investment approach over the next 12 to 18 months are:
- 4.11.1 **Whole House Retrofit Design Principles:** Phase 1, completed in February 2022, set out a high-level summary of the cost and technical interventions across a range of retrofit standards, mapped against the Council's most common housing archetypes. Phase 2 is currently underway and will take the most common housing archetypes to a more detailed design stage. This work is expected to complete by the end of the calendar year.
  - 4.11.2 **Whole House Retrofit Pilot projects:** As part of the 2022/23 investment programme, a range of deep whole house retrofit approaches will be piloted across all four localities. Overall, the pilot programme is anticipated to run for 12 months, covering 10 pilot areas, totalling 52 Council properties. The pilot areas will target 10 housing archetypes which make up the majority of the housing estate. In order for the pilot programme to be progressed through 2022/23, these 10 archetypes will be prioritised for detailed design work as part of the commission set out at 4.11.1. Design work on the remaining c.30 archetypes will be progressed throughout 2022.
  - 4.11.3 Tenant engagement has commenced to enable monitoring equipment to be installed in the 10 housing archetypes prioritised for design work. This will provide baseline data on energy usage, humidity and CO2 and will be important in assessing the effectiveness of the measures post retrofit. As such, the findings will inform the most appropriate retrofit standard to mainstream based on energy demand reduction, tenant comfort and overall per unit investment cost. Of the four different retrofit standards to

be progressed, two will be designed to achieve net zero carbon (Enerphit Net Zero and Net Zero). The remaining two retrofit standards will focus on fabric first to an advanced retrofit standard (Enerphit and EESSH2). These will need to be coupled with low carbon electrical heating replacements in order to achieve net zero carbon. However, until the grid is fully decarbonised, an element of carbon offsetting may be required to bridge that gap.

- 4.12 The capital programme for 2022/23 is largely driven by lifecycle component replacement and it is acknowledged that this will not be phased out entirely by 2023/24. Elements of lifecycle component replacement will have to continue for the foreseeable future, particularly those components linked to health and safety and any future changes to legislation.
- 4.13 Achieving the EESSH remains a core component of the capital delivery programme. As a result of the pandemic EESSH compliance was significantly disrupted due to site closures and an inability to access tenants homes for internal works. Despite this, almost 80% of homes now meet the EESSH1 standard, with 12% of homes under contract (either on-site or at tender or development stage) and the remaining 6% held in temporary exemption or those that are financially or structural prohibitive to bring up to standard. Over 12% of homes now meet the much more ambitious EESSH2 standard which all Council homes are required to meet by 2032.
- 4.14 The Council's Housebuilding Capital Programme for 2022/23 is just over £60m. This reflects a continuation of many projects at all stages of design and development. The 2023/24 programme will see a lot more construction activity on site as a number of homes move from design and procurement into site activity. This includes Fountainbridge, the remainder of the mixed tenure housing site at Powderhall, developments at Coatfield Lane and Cowan's Close, as well as continuing delivery of new homes in Granton.
- 4.15 Capital works to existing homes are largely carried out by external multi-trade contractors procured by the Council. The Council's in-house workforce remains focused on responsive repairs, maintenance and works to empty homes. Demand for responsive and routine repairs is expected to increase as we come out of the pandemic, as there were extended periods during lockdown when only emergency and urgent repairs were being carried out. It is also anticipated that stock condition surveys will identify essential repairs that will need to be carried out whilst larger scale capital improvements are designed and procured.
- 4.16 Officers will develop a plan for developing the Housing Service workforce to support both the delivery of the HRA capital programme and a high performing repairs service. The planned growth in the capital programme and the commitment to deliver a quality customer focused and value for money responsive repairs service will require detailed resource planning to determine how work of this scale and complexity will be delivered over the coming years. This growth does present an opportunity to develop the Council's in-house workforce. This will, however, require careful consideration due to the extensive range of specialist trades, skills and materials required, legislative and regulatory requirements coupled with the need to

deliver capital investment and scale and pace to meet the net zero carbon commitment whilst ensuring best value for Council tenants.

### **Planned capital investment priorities in the North East**

- 4.17 Key investment programmes across the existing housing estate in the North East include:
- 4.17.1 Significant investment in the North Cairntow traveller community site with the ability to house up to 20 families. The contractor has been appointed and site start planned for mid-April;
  - 4.17.2 Two mixed tenure blocks (60 homes) at Magdalene will have a full external refurbishment to bring the blocks up to EESSH2 standard. Design and development are complete, and site start is anticipated in Summer 2022;
  - 4.17.3 Niddrie House Square will see 113 homes in mixed tenure blocks undergo full refurbishment works to meet EESSH2, including communal upgrades. The anticipated site start is also in Summer 2022;
  - 4.17.4 Housing development is underway on new homes in Powderhall, as part of an 'intergenerational' building with homes for older people above a new nursery;
  - 4.17.5 There will also be progress on Meadowbank as enabling works progress and the Council moves to appoint a Development Partner for the project; and
  - 4.17.6 There are 21 neighbourhood environment projects at various different stages of design and delivery. Projects include landscape renovation at Cables Wynd, Lochend Road South communal bin improvements and installation of water supply for Northfield Drive are approaching design stage. A comprehensive piece of redesign work to transform Northfield Drive and Northfield Grove is currently underway.

### **Planned capital investment priorities in the North West**

- 4.18 Key investment programmes across the existing housing estate in the North West include:
- 4.18.1 May and Gunnet Court refurbishments works will result in a full fabric upgrade to meet EESSH2 compliance. Both blocks (96 homes in total) are due for completion Autumn 2022;
  - 4.18.2 Oxcars and Inchmickery (151 homes) will move to design and development. The proposal will see both multi-storey blocks brought up to EESSH2 as a minimum. Consultation with tenants will commence in summer 2022.
  - 4.18.3 Two new housing development projects will also start on site at Granton as part of the early action programme in 2022/23. Following Planning approval, phase D1 will see a start on site for 75 homes built to net zero standards using off site construction techniques. The main works contract

will also start for Western Villages, following the completion of the enabling works;

- 4.18.4 Pennywell regeneration continues with the remaining phases of new homes in the town centre as well as the new Pennywell Hub to start on site; and
- 4.18.5 Ten neighbourhood environment projects are at various different stages of design and delivery. Projects include improvements to thoroughfare between Ferry Road Drive and West Pilton Grove, new public steps and landscaping at Laverockbank Avenue which includes a community growing area and a water supply and waste connection to Gateside Community Hub.

#### **Planned capital investment priorities in the South East**

- 4.19 Key investment programmes across the existing housing estate in the South East include:
  - 4.19.1 The Moredun multies, where 546 flats across six blocks will receive replacement of Automatic Opening Vents (AOV), enhanced CCTV provision, common fire door upgrading and proposals to modernise common areas and foyers;
  - 4.19.2 Owner engagement is currently underway and site start is expected in Spring 2022. Dumbiedykes Phase 6 external render programme will upgrade five mixed tenure blocks (76 homes);
  - 4.19.3 In Gilmerton, a comprehensive suite of energy retrofit measures including external fabric and solar PV/battery storage will be progressed across 177 homes (141 private and 36 Council);
  - 4.19.4 Private owners across the Dumbiedykes and Gilmerton programmes will be supported with Energy Efficient Scotland: Area Based Scheme (EES:ABS) funding;
  - 4.19.5 The purchase of Liberton hospital site for new build development has been delayed at the request of NHS Lothian due to the impact of Covid-19 on service planning. Acquisition is expected take place early in 2022/23, with the slippage in spend on this site reprofiled from 2021/22. Early design and engagement work will commence on other sites in this locality; and
  - 4.19.6 Sixteen Neighbourhood Environment Projects are at various different stages of design and delivery. Projects include comprehensive redesign and improvement to Gracemount Civic Square, improved landscaping and community growing at Moredun High Flats and renovation of pathways and staircases at Dumbiedykes.

#### **Planned capital investment priorities in the South West**

- 4.20 Key investment programmes across the existing housing estate in the South West include:
  - 4.20.1 Consultation with residents on a full external fabric upgrade to Oxgangs House to bring it up to EESSH2;



- 4.20.2 Tender development is underway for proposed fire upgrading of common areas at three multi-storey blocks in the Calders (438 flats in total);
- 4.20.3 Mixed tenure external fabric upgrades in Westburn (80 flats in 10 blocks) will be progressed in 2022/23;
- 4.20.4 Mixed tenure external fabric upgrades and other insulation measures will also be taken forward in Oxgangs (249 homes; 168 private and 81 Council);
- 4.20.5 Private owners across the Westburn and Oxgangs programmes will be supported with EES:ABS funding;
- 4.20.6 The Mixed tenure improvement service pilot in Murrayburn and Drumbryden is progressing well. Works commenced on site at Phase 1 started in October 2021 following a Scheme Decision and is expected to complete in early 2022/23. Phase 1 works will see 11 blocks, 84 homes, benefit from common repairs including the installation of external wall insulation, new roof coverings, new common windows and doors and internal common stair redecoration. Construction work for phases 2 to 4 will commence in the first quarter of 2022/23 and are expected to complete in autumn this year. Phases 5 to 8, involving 435 homes in 52 tenement blocks and houses, are being planned for delivery in 2022/23. Phase 8 is scheduled as a contingency phase for the year to ensure programme delivery; by mitigating the impacts of blocks that do not proceed to a majority Tenement Scheme Decision. Construction for phases 5 to 8 is expected to commence on site in summer/ early autumn this year;
- 4.20.7 Housing development will continue on two phases in Dumbryden, along with final handovers on the North Sighthill development and pre-construction works for Murrayburn Gate and Fountainbridge; and
- 4.20.8 Three Neighbourhood Environment projects are at various different stages of design and delivery. Projects include communal garden improvements and better garage access at Main Street and North street, Ratho, Westburn Community Space regeneration, and Calder Park footpath improvements.

## **5. Next Steps**

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- 5.1 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. Any additional funds could potentially be used to accelerate investment or to reduce borrowing.
- 5.2 The WHR core work programmes continue to progress. The WHR pilot projects will be commissioned, with the detailed design phase and tendering completed by Summer 2022 and works expected on-site by early Autumn 2022.
- 5.3 Stock and structural condition surveys for low rise blocks have commenced and the multi-storey structural and condition surveys will commence in April 2022. Both

commissions will feed into the key whole house retrofit workstream findings in determining future investment priorities.

- 5.4 The 2021/22 capital programme outturn will be reported to Finance and Resources Committee in August 2022 and the 2022/23 HRA capital programme budget will be revised to take account of any slippage from 2021/22.

## **6. Financial impact**

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- 6.1 This report sets out planned HRA capital investment of £126.819 million for 2022/23. A detailed breakdown of the programme is set out in Appendix 1.
- 6.2 The cost of the programme is offset by specific capital grant from the Scottish Government, developers and third-party contributions and capital receipts, resulting in an anticipated net borrowing requirement of £87.938 million in 2022/23. Appendix 2 sets out the funding arrangements in more detail.
- 6.3 The overall loan charges associated with this requirement, over a 30-year period would be the principal amount of £87.938 million and interest of £54.246 million, resulting in total cost to the HRA of £142.184 million. Based on a loans fund interest rate of 3.8%, the annual loan charges to HRA revenue would be £4.739 million over a 30-year period. This includes the borrowing costs for the construction of homes for Edinburgh Living LLP, which has no negative impact on the HRA as interest payments are deferred until the homes are purchased. The borrowing is carried out in line with the approved [Annual Treasury Management Strategy 2022/23](#) and is provided for on an overall programme basis rather than for individual capital projects.
- 6.4 The second annual rent freeze agreed by the Council means a reduction of £1.83 million in projected gross rental income in 2022/23 from the assumed 1.8% rent increase, or £1.74 million in net income and an additional requirement of funding will be required to be drawn from contingency or reserves. Rents would need to be increased either by 4% in 2023/24 or by a minimum of 2.5% over four years (2023/24 to 2026/27) to guarantee the Council's ability deliver on its new affordable homes and net zero carbon commitments. Rent increases in future years and increased grant funding is expected to be required to bring all of the Council's homes up to EESSH2 and ensure existing homes are maintained.
- 6.5 In addition to the risks on grant funding, increasing capital investment costs and wider market volatility highlighted in the HRA budget strategy, owner and tenant engagement and securing land for affordable housing have been identified as the top risks for delivering the capital programme. These risks and potential mitigations are detailed in Appendix 4.

## **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. There is 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 and annual budget consultation.

- 7.2 Consultation on the 2022/23 budget took place in 2021. The 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 Housing Service Improvement Plan (HSIP).
- 7.3 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. Tenants could also respond to the consultation survey online through the Consultation and Engagement Hub. This new approach was different from previous years and resulted in a significant increase in postal and online responses, from 236 (average over last five years) to 445 for this year's rent consultation.
- 7.4 In addition, the rent consultation has been complimented by the annual Tenant's Survey of 1,000 Council tenants, carried out by an independent third party, procured by the Council. 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.
- 7.5 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.
- 7.6 In January and February 2022, members were briefed on the HRA Budget Strategy 2022-2032. Further sessions will be held with ward members in the autumn on planned investment and the transition towards whole house retrofit.

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

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- 8.1 [Updated Housing Revenue Account \(HRA\) Capital Programme](#) - Housing, Homeless and Fair Work Committee, 3 June 2021.
- 8.2 [2022/2023 Housing Revenue Account \(HRA\) Budget Consultation](#) - Housing, Homeless and Fair Work Committee, 2 September 2021.
- 8.3 [Housing Service Improvement Plan Update](#) - Housing Homeless and Fair Work Committee, 20 January 2022.
- 8.4 [Housing Revenue Account \(HRA\) Budget Strategy \(2022-23\)](#) - Finance and resources Committee, 3 February 2022.
- 8.5 [Capital Monitoring 2021/22 – Month Eight Position](#) - Finance and resources Committee, 3 February 2022.

## **9. Appendices**

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- 9.1 Appendix 1: 2022/23 Capital Investment Programme.
- 9.2 Appendix 2: HRA Revised Resources 2022/23.
- 9.3 Appendix 3: Council House Building Programme map.
- 9.4 Appendix 4: Top risks to Programme delivery.

## Appendix 1: 2022/23 HRA Capital Investment Programme

Category	Programme	2022/23 (£m)	Commentary
New Homes	<b>New Homes Development</b>	<b>43.332</b>	<b>Overall design development and construction budget for the new homes programme in 2022/23.</b>
	<i>Pennywell (Phase 3 &amp; Town Centre)</i>	7.100	<i>Continued delivery of new homes in Pennywell and Muirhouse.</i>
	<i>Dumbryden (Phase 2 &amp; 3)</i>	3.760	<i>Completion of Phase 2 in 2022/23 and continued delivery of Phase 3.</i>
	<i>Fountainbridge, Meadowbank &amp; Powderhall</i>	6.825	<i>Pre-construction and enabling works are being carried out in the three major mixed used sites. Construction will commence in Powderhall later this year.</i>
	<i>Granton</i>	16.375	<i>Enabling works underway with main works to commence in Spring 2022.</i>
	<i>Post-construction work (retention)/ early design development and staff costs</i>	9.272	<i>Includes resources to support the programme, as well as, design development for pipeline sites across the city.</i>
	<b>Land Acquisitions</b>	<b>16.800</b>	<b>The budget includes the purchase of Liberton Hospital site, which was delayed from 2021/22 and is now due to complete in 2022/23. Other land transfers from General Fund to be progressed.</b>
<b>New Homes Subtotal</b>		<b>60.132</b>	
Existing Council homes and neighbourhoods	<b>External fabric and Estate Improvements</b>	<b>31.116</b>	<b>To fund external fabric work on the buildings, such as roofs, chimneys, external walls, etc, and wider estate regeneration work for the outdoor spaces within the neighbourhoods.</b>
	<i>External Fabric (High and Low Rise) and EESSH</i>	17.500	<p><i>The budget includes an accelerated contribution of £5m from SHIF, agreed at the Council budget meeting on 24 Feb 2022, to support a programme of fabric upgrades.</i></p> <p><i>Fabric upgrade at May and Gunnet commenced in 2021/22 and will continue into 2022/23. This will be followed by upgrade at Craigmillar and Peffermill Courts and Oxcars and Inchmickery Courts, which will bring the blocks to achieve a minimum EESSH2 standard.</i></p> <p><i>Fabric upgrade in low rise blocks will be progressed in as part of Magdalene Matters and Stronger North programme, as well as Niddrie House Square and Oxcgangs House.</i></p> <p><i>Ten whole house retrofit (WHR) pilot projects, involving 52 homes across the localities will also commence in 2022/23, which will help to test out the design, costs and property performance and inform the longer term WHR programme.</i></p>

		<p><i>Council-led EES:ABS projects will see fabric upgrades in five mixed tenure blocks in Dumbiedykes and Westburn. For 2022/23 EES:ABS programme, engagement will be carried out by Changeworks (on behalf of the Council) for fabric upgrades in Oxgangs and an external wall insulation and solar project in Gilmerton, as well as an internal wall insulation and hard to treat cavity citywide programme.</i></p>
<i>Mixed Tenure Improvement Pilot</i>	7.700	<i>HRA's share of the mixed tenure work being taken forward in the Dumbryden/Murrayburn pilot area.</i>
<i>Placemaking, including NEPs and North Cairntow redevelopment</i>	5.000	<i>To fund Neighbourhood Environmental Projects in localities and redevelopment of North Cairntow Gypsy Traveller site.</i>
<i>Granton Regeneration Enabling</i>	0.916	<i>To enable the wider Granton Regeneration, including the restoration of the B-listed gasholder.</i>
<b>Communal Improvements</b>	<b>11.980</b>	<b>To fund general improvement work in communal area of blocks.</b>
<i>Secure Door Entry and follow-on improvement and CCTV</i>	3.600	<p><i>Around 900 CEC minority-owned blocks will receive secure door entry systems to maintain SHQS compliance, subject to private owners' sign up. Follow-on internal stairwell improvement will take place in blocks that have secured door entry systems installed recently, which includes the accelerated investment in 180 blocks approved by the Council in Feb 2021.</i></p> <p><i>New CCTV systems will be installed in Moredun high rise blocks as a follow-on to the AOV fire safety upgrade.</i></p>
<i>Multi-Storey Services</i>	1.360	<p><i>The full replacement of 12 lifts in six mixed tenure multi storey blocks will take place, subject to private owners' sign up.</i></p> <p><i>Stock condition survey of water tanks, pumps and generators will commence to help inform future investment.</i></p>
<i>Water Tanks</i>	0.200	<i>A Tenement Management Scheme decision for water tanks is being progressed at Saunders Street. Budget is for ad-hoc water tank upgrades.</i>
<i>Fire Safety</i>	6.820	<i>Fire safety upgrades in high rise blocks continue with AOV upgrade in Moredun high rise.</i>
<b>Internal Improvements</b>	<b>15.835</b>	<b>To fund improvement work that requires access to tenants' homes.</b>
<i>Kitchens and Bathrooms</i>	4.100	<i>Around 500 homes will benefit from new kitchens and bathrooms in 2022/23.</i>
<i>Electrical Rewiring and Smoke Detection</i>	2.115	<i>Around two thirds of the Council homes now exceed the Scottish Government's requirements for a smoke alarm system having been</i>

			<p><i>fitted with fully hard wired systems rather than battery wired fitting as required under Legislation. The remaining homes will be fully upgraded in 2022/23. All Council homes have at least one hard wired smoke detector.</i></p> <p><i>Up to 400 homes will receive electrical rewiring upgrade in 2022/23.</i></p>
	<i>Windows and External Doors</i>	4.500	<i>1250 homes to receive windows and door upgrades.</i>
	<i>Heating Upgrades</i>	2.625	<i>750 homes to have new heating systems installed.</i>
	<i>Community Care (adaptations)</i>	0.995	<i>The budget for adaptations to tenants' homes (e.g. ramps and wet floor showers) and emergency health and safety applications in 2022/23. The budget remains flexible to respond to demand.</i>
	<i>Adhoc internal upgrades (including Empty Homes)</i>	1.500	<i>Capitalisation of repairs and upgrade of empty homes when they become vacant.</i>
	<b>Acquisitions</b>	<b>5.000</b>	<b>To consolidate existing Council stocks and to acquire additional homes, which could be leased and used as temporary accommodation.</b>
	<b>Staff Costs</b>	<b>2.756</b>	<b>This Includes additional posts in the new structure to deliver the expanded programme.</b>
<b>Existing homes &amp; neighbourhoods subtotal</b>		<b>66.687</b>	
<b>Grand Total</b>		<b>126.819</b>	

## Appendix 2: HRA Revised Resources 2022/23

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<b>Capital Resources</b>	<b>£ million</b>
Prudential Borrowing	£87.938
Capital Funded from Current Revenue (CFCR) and Strategic Housing Investment Fund	£23.300
Capital Receipts and Contributions	£5.000
Receipts from LLPs*	£6.444
Scottish Government Subsidy (Social)	£4.137
<b>Total Capital Resources</b>	<b>£126.819</b>

*\*The budget for new build housing includes the upfront capital costs for all Council led developments that contribute to the 10,000 affordable homes, including homes for mid-market and affordable market that will be purchased by the Council's new Limited Liability Partnerships (LLPs). This has no impact on the HRA as interest payments are deferred until the homes are purchased.*



## Appendix 3: Council House Building Map



## Appendix 4: Top risks to the Capital Programme

Risk	Mitigation
<p><b>Owners and tenant engagement:</b> Owners may not have the funds to invest in their homes, delaying or limiting investment to Council homes in these blocks. Over half of Council homes are in mixed tenure blocks where the Council shares responsibility for the repair and maintenance of common areas with homeowners and private landlords.</p> <p>Tenants may wish to delay internal works to their homes due to Covid-19.</p> <p>Tenants may wish to opt out of the whole house retrofit pilot programme due to the scale and/or intrusiveness of the works planned.</p>	<p>The Mixed Tenure Improvement Service (MTIS) has been underway since 2021/22 to coordinate improvement works in mixed tenure blocks. Enhanced Scheme of Assistance measures are also in place following Finance and Resources Committee approval on 23 January 2020 and March 2022 which provide extended repayment terms for owners.</p> <p>The delivery of strategic acquisition and disposal of homes continues to achieve block consolidation.</p> <p>Dedicated tenant liaison support will be put in place to engage with tenants and ensure they have the right level of support and advice available to help them throughout the process.</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.</p> <p>Grant funding to support owners to invest in mixed tenure improvements and energy efficiency will be insufficient, resulting in the Council not meeting its net zero commitment.</p> <p>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. The 10-year strategy assumes £945.377m of Edinburgh Living LLP receipts to support the programme.</p>	<p>Edinburgh has a strong track record of spending its Grant Resource Planning Assumptions. Officers will continue to work with government to maximise grant funding for new supply.</p> <p>The MTIS pilot is now in the delivery phase. Enhanced Scheme of Assistance measures are in place for extended payment terms. The application to Scottish Government's EES:ABS grant fund has been aligned with the MTIS pilot in order to maximise funding available to owners to enable works to progress.</p> <p>Additional funding for energy efficiency and low carbon technologies will be made available by the Scottish Government. This includes the following; the Low Carbon Infrastructure Transition Programme and its successor programme which will invest £400min large-scale heat decarbonisation infrastructure; and the Social Housing Net Zero Heat Fund which will make £200m available over the next five years to support social landlords across Scotland to install zero emissions heating systems and energy efficiency measures across their existing stock.</p> <p>Work on Edinburgh Living viable models is underway; taking into account development costs, availability of grant funding and consents.</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 have been factored into the Business Plan and are reviewed annually and will be informed from the Pilot projects due to commence on site in 2022/23.</p>
<p><b>Securing land for affordable housing:</b> One of the key risks to the delivery of 20,000 affordable homes is failure to secure suitable land for development. The HRA Business Plan includes c.£131m for land acquisitions over the next ten years.</p>	<p>Acquisition of Liberton Hospital is expected take place early in 2022/23 with the slippage reprofiled from 2021/22. The programme also includes funding for the transfer of further sites from the General Fund and/or purchase of sites on the open market.</p> <p>In late 2021 a Prior Information Notice (PIN) was put out to the market inviting the private sector to set out high-level proposals for delivering affordable homes on land not currently owned by the Council.</p>