

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 9 March 2023

2023/24 Housing Revenue Account (HRA) Capital Programme

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

- 1.1 It is recommended that Housing Homelessness and Fair Work Committee:
 - 1.1.1 Agree the 2023/24 planned Housing Revenue Account (HRA) capital programme for investment of £173.361 million in Council homes and estates;
 - 1.1.2 Note the significant design and development work progressed throughout 2022/23 to transition towards a holistic whole house retrofit (WHR) approach and also the additional pipeline of design and development work that will continue to be progressed throughout 2023/24; and
 - 1.1.3 Note the key risks to programme delivery as set out in Appendix 5.

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2023/24 Housing Revenue Account (HRA) Capital Programme

2. Executive Summary

- 2.1 This report sets out the detailed Housing Revenue Account (HRA) capital programme of £173.361 million for 2023/24. 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 2023/24 as set out in the report.
- 2.2 The work underway throughout 2022/23 on the design and planning for delivering a whole house retrofit (WHR) programme, combined with the successful approach to working with owners piloted at Murrayburn (which will be moving into its final stages in 2023/24) will see investment in existing stock scaled up in 2023/24 to help meet ambitious Council Commitments around net zero carbon.
- 2.3 A new holistic WHR approach, combining energy retrofit and wider building/estate improvements, will be implemented across four areas of the city. This will help to 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.
- 2.4 Expenditure on the new build programme will also increase in 2023/24 as construction commences on sites at Greendykes (sites K and L), Powderhall and Murrayburn Gate and projects under construction at Western Villages, Granton D1 and Pennywell progress towards completion.
- 2.5 Design and pre-development work will commence or continue at Liberton Hospital, Silverlea and Fountainbridge. A detailed breakdown by locality of investment in new and existing homes is set out in Appendix 4.
- 2.6 Two years of rent freezes and a below inflationary increase of 3% in 2023/24 have had a significant impact on the borrowing capacity to fund the medium to long term capital investment programme. Without significant rent increases in future years or an increase in Scottish Government funding the HRA will not be able to sustain this level of investment in the medium to long term. This is set out in more detail in section 6 of the report.
- 2.7 The pace at which capital investment can be rolled out across the city beyond 2023/24 will also depend upon owners being able to access funding to meet their

share of costs, construction industry capacity and skills development. The potential mitigations to these delivery risks are set out in Appendix 5.

2.8 Committee is asked to agree the detailed capital programme for 2023/24.

3. Background

3.1 This report sets out the planned 2023/24 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.

3.2 On [23 February 2023](#), Council agreed a 3% rent increase in 2023/24 and noted that based on 3% rent increases over the next 10 years, around 86% of existing homes could be brought up to Energy Efficiency Standard for Social Housing (EESH2) over the lifetime of the business plan and that c.2,400 social rented homes could be delivered.

4. Main report

4.1 The Council is the largest Registered Social Landlord (RSL) 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.

4.2 The HRA Budget Strategy aims to deliver a £1.7 billion capital investment in new Council homes, existing homes and neighbourhoods by 2033 if rent is increased by 3% per annum over the next 10 years. HRA investment is supporting the delivery of major Council commitments; including supporting the Council's ambition to reach 25,000 new affordable homes and net zero carbon.

4.3 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).

Delivery context – ongoing financial challenges

4.4 The pandemic had an immediate impact on delivery of the capital programme with site closures and additional health and safety measures resulting in elongated programmes and increased costs.

4.5 These challenges have been compounded by supply chain disruption, shortages of materials, labour, contractor availability leading to sharp increases in costs (the construction sector has seen costs increase by around 30%).

4.6 In addition, the subsequent war in Ukraine and cost of living crisis linked to volatility in the energy market has meant that the cost of day-to-day delivery of the Council's core landlord services has increased alongside increases in borrowing costs for capital works. As a result, the cost of delivering the 10-year capital investment programme has increased by 20% on the previous year's business plan.

4.7 Without a substantial increase in rental income or government subsidy the amount of capital investment will have to be halved over the next 10 years.

Change in investment approach - holistic WHR and area-based approach

4.8 All social landlords are required to bring homes up to the very ambitious EESSH2. The original target of 2032 has been put on hold and Scottish Government is currently carrying out a review of the standard and associated timescales. The outcome of the review is expected to be known in late Spring/early Summer.

4.9 As a result of the pandemic, EESSH1 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. To date, over 12% of homes now meet the much more ambitious EESSH2 standard.

4.10 Throughout 2022/23 work has been progressing to transition the capital investment programme for existing homes towards a focus on area-based investment, combining wider building improvements and WHR.

4.11 Traditionally the capital programme focussed on individual energy retrofit measures such as insulation and other lifecycle component measures. This year will be the first year where investment is considered holistically across a number of programmes combining a WHR approach with wider building improvement works.

4.12 A significant level of intervention in existing homes will be required to deliver advanced WHR to meet statutory requirements for energy efficiency and net zero carbon.

4.13 This presents an 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.).

4.14 To help inform this change in investment approach, the following commissions and workstreams have been progressing:

4.14.1 **Stock condition surveys:** Stock and structural condition surveys for low rise blocks are now well underway with 23% now surveyed and around a third (16 blocks) of multi-storey homes currently at different stages of survey work. Both commissions will run until at least mid-2024 and will help to prioritise the poorest performing buildings as part of an estate-based regeneration approach; and

4.14.2 The low-rise condition survey reports will provide a priority listing with the completed surveys uploaded into the new asset management system which will utilise a detailed scenario planning tool that can run reports to detail out a programme of work and budget costs for doing so. The asset management system has been integrated into NEC (formerly Northgate) which should be able to begin running reports in the summer. Stock

condition information will be baselined against areas with a high percentage of homes in the most deprived areas, areas with a high percentage of Council homes in mixed tenure blocks, low EESSH2 compliance, and repairs (including damp and mould referrals) information to collectively inform the strategic approach that will sit behind the wider WHR programme.

- 4.14.3 **WHR Design Principles study:** this study completed in 2022/23 and helped to detail the costs and level of intervention required across the Council's most common housing archetypes to implement a WHR approach and deliver EESSH2.
- 4.15 Overall, the design and development process for WHR and wider improvement/upgrade works is extensive and complex, with numerous building elements needing careful consideration to ensure the right solution for tenants and long-term asset management.
- 4.16 The design and development process can take between 12-18 months, including tenant and resident engagement, statutory consents, procurement and contract award.
- 4.17 Overall, this change in investment to a holistic WHR approach aligned with wider building improvements/upgrades offers significant benefits to both tenants and the Council as landlord including:
 - 4.17.1 **Reducing energy demand**, meaning homes are easier to heat. It is estimated it will reduce energy demand for the average home by 76%. Based on average fuel bills (October 2022 price cap) a household in a two-bed flat could save over £1,000 a year, after a home has been brought up to EESSH2 standards;
 - 4.17.2 **Protecting current and future investment**, by designing out poor performance, ensuring installations and refits complement each other rather than working against each other and enabling key issues such as air quality, damp management and ventilation to be managed appropriately; and
 - 4.17.3 **Embedding a proactive maintenance approach**, by aligning energy retrofit with building improvements key risk factors around damp and mould should be significantly reduced. It should also ensure that buildings are wind and watertight. This in turn will reduce the need for reactive repairs in the future and enable a more proactive maintenance/asset management approach for properties in order to protect the investment and ensure its longevity.
- 4.18 The longer-term strategic planning approach to prioritising areas for holistic WHR investment from 2023/24 onwards will be structured as follows:
 - 4.18.1 **Stock condition findings** - The findings will be ranked to ensure areas in need of more urgent intervention are prioritised;

- 4.18.2 **Areas of deprivation** - In addition, the more urgent stock condition findings will also be cross referenced with the Scottish Index of Multiple Deprivation (SIMD) and aligned (where possible) with the lowest 5% - 10% of areas identified by the SIMD. That way areas of higher social and economic deprivation will be prioritised for investment; and
- 4.18.3 **Tenure mix** – Focusing on areas where the Council owns the majority of homes to maximise the number of tenants benefiting from investment. A different approach will be needed for minority blocks where the Council has limited powers to take forward works and private owners may wish to take the lead in organising works with the Council meeting its share of the costs.
- 4.19 The multi-storey investment approach will vary from the low-rise area-based approach largely due to the complexity of these blocks and the need for specific bespoke design and a complex survey process throughout the design and development stage.
- 4.20 The stock condition findings will prioritise future investment requirements and this will include accessibility, health and safety, mechanical and electrical services and structural considerations.
- 4.21 Going forward from 2023/24 onwards at least four multi-storey blocks will be in design and development and at least four at construction stage. Again, similar to the low-rise area-based approach, this will ensure that there is a constant pipeline of work.
- 4.22 Following the Design Principles study and findings, 10 of the Council's most common housing archetypes were put forward as part of the WHR Phase 1 programme. Significant design and survey work has been undertaken across these 10 blocks (52 homes) with the first three archetypes due for site start this spring. Each of the 10 blocks/homes now have monitoring equipment installed.
- 4.23 This will provide baseline data on energy usage, humidity and CO2 and will be important in assessing the effectiveness of the measures post retrofit.
- 4.24 Building on the Design Principles commission four multi-storey blocks (Oxcars/Inchmickery Court and Craigmillar/Peffermill Court) were also brought into design and development following a holistic WHR approach combined with a full block improvement/upgrade programme.
- 4.25 The first area based low rise investment programme was also selected for detailed design and development focussing on the Magdalene, Bingham and Christians area. Phase 1a will launch later in 2023/24 in Magdalene.
- 4.26 A detailed breakdown of investment by locality can be found in Appendix 4.
- 4.27 Design and development for the WHR programme in 2024/25 will also be progressed throughout 2023/24 and will include a further eight multi-storey blocks (Cables Wynd and Linksvie House and the six Moredun multies). Granton Medway North will also be included as an additional low-rise area-based investment programme and a further low-rise area-based scheme will be developed covering the Muirhouse/Pilton/Royston and Wardieburn areas.

- 4.28 Consultation with tenants and owners will form a key element of the overall WHR programme. Foyer events have been held at both Oxcars and Inchmickery Court and Craigmillar and Peffermill Court, with further design sessions planned. An initial tenant engagement session was also held with Cables Wynd and Linksvie tenants.
- 4.29 Similar sessions will be planned for tenants in Magdalene and the Moredun Multies throughout 2023/24. Newsletters will also be a key feature of all WHR programmes as standard to keep tenants and owners informed.

Damp and Mould

- 4.30 WHR programme will seek to address damp and mould issues through a fabric first approach. The holistic design of the upgrades means that the air tightness is considered alongside adequate ventilation to ensure homes are breathable. However, it is acknowledged that the WHR programme is a long-term investment programme.
- 4.31 The stock condition surveys will also help to identify defects and improvements that may indicate water ingress problems (from roof, rainwater goods and harling defects) and therefore potentially dampness and mould issues. As these issues are identified, a programme for remedial interim repairs will be carried out.
- 4.32 In addition to this, a dampness sensors pilot is underway to help inform works to address some of the causes of damp and mould. Sensors have been installed in 12 homes and the pilot findings have been reviewed.
- 4.33 This will be scaled up to 500 homes across the city by the end of May 2023. This will enable the Council to become more proactive in identifying conditions early before they cause significant damage to tenants' homes.
- 4.34 Further information on the dampness sensor pilot is set out in the Housing Service Improvement Plan Update report at this Committee. A further update report specifically on dampness, mould and condensation will be presented to Committee within two cycles.

Lifecycle component investment

- 4.35 The capital programme has traditionally been largely driven by lifecycle component replacement and this will continue for the foreseeable future. The introduction of WHR will reduce the requirement for widespread lifecycle replacement particularly as the WHR programme is scaled up over the coming years. Despite this though, lifecycle components linked to health and safety and any future changes to legislation will remain a key part of the programme.
- 4.36 In 2023/24, the focus will be on lift, communal fire door, water tanks (and distribution pipework) upgrades alongside other fire safety improvements across a significant number of multi-storey blocks. Many of these programmes will be starting in 2023/24 and will in some cases continue over multiple financial years.

Mixed tenure Improvement Service Pilot

- 4.37 The Mixed Tenure Improvement Service (MTIS) will continue to work alongside owners to enable fabric repairs and energy efficiency works to progress. The MTIS Programme will move into its final year of works in Wester Hailes in 2023/24.
- 4.38 To date a total of 911 homes including 233 private and 678 Council homes in Phases 1 to 8 are either complete or currently undergoing works to retrofit and improve the blocks.
- 4.39 Throughout 2023/24 phases 9 to 11 will be progressed across Murrayburn, Dumbryden and Hailesland targeting a further 380 homes over the final year of the programme. The MTIS programme is being expanded to targeted other areas of the city to enable more Council homes to be brought up to EESSH2.

Energy Efficient Scotland: Area based Scheme

- 4.40 The Energy Efficient Scotland: Area Based Scheme (EES:ABS) 2023/24 programme is currently in development with area-based schemes being planned at various sites in the North West locality. The focus of the core programmes will likely be external wall insulation.
- 4.41 Two city wide programmes will also continue to be delivered - one focusing on internal wall insulation and the other on hard-to-treat cavities and solar PV. The final stages of the MTIS pilot will also again leverage in EES:ABS funding as part of the 2023/24 programme to support private owners across Phases 9, 10 and 11.
- 4.42 The EES:ABS grant amount to be offered to Edinburgh is still to be confirmed by the Scottish Government but is expected to be similar to the grant offered in 2022/23 which was approximately £5.0m.

Environment improvement programme

- 4.43 Over the last 12 years, over 800 mostly small scale locally nominated Neighbourhood Environment Projects (NEPs) have been delivered throughout the city on housing account land.
- 4.44 Investment has helped improve unloved open space and thoroughfares, tired fencing and prepared land for community growing. The approval process, particularly for smaller, less contentious projects can lead to delivery delays.
- 4.45 Following extensive engagement with community partners, Ward Councillors and Council officers during 2022, a new approach to delivering small to medium scale local estate improvement projects (EIPs) has been developed. The new approach will deliver quicker, more responsive improvements and a more comprehensive approach to larger scale improvements and has three elements:
 - 4.45.1 A pathway to agreeing smaller scale improvements and repair upgrades (£10,000 maximum). These smaller, less contentious projects will be delivered quickly, with local engagement with the surrounding community but without a resource intensive decision-making process;

- 4.45.2 Engagement with residents in blocks undergoing essential repairs and improvements to develop proposals for improving the communal space or courtyards immediately adjacent to blocks; and
- 4.45.3 A participative process for delivering larger scale, holistic estates improvement projects that may form part of major regeneration programmes, local Place Plans and/or approved masterplans with HRA funding siting alongside other funding streams.

New Affordable homes

- 4.46 The Council's Housebuilding Capital Programme for 2023/24 is just over £100m. This reflects a continuation of many projects at all stages of design and development.
- 4.47 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: Murrayburn Gate and the remainder of the mixed tenure housing site at Powderhall, as well as continuing delivery of new homes in Granton at Granton D1 and Western Villages, both of which will be the Council's first net zero carbon developments.
- 4.48 There are currently 613 affordable homes under construction (as of the end of January 2023). A further 1,055 are in design or pre-construction. A detailed breakdown of investment by locality can be found in Appendix 4 and further detail on some of the key projects is noted below.
- 4.49 The completion of homes at Pennywell Phase 3 is a major milestone in the delivery of affordable homes on this housing-led regeneration site. Progress with the MacMillan HUB, which is a key feature of the regeneration approach, will deliver a library and skills hub, an additional space for North Edinburgh Arts to ensure that it continues to be at the centre of a creative, connected and inspired community. The HUB is expected to complete in late 2023.
- 4.50 The Edinburgh Homes Demonstrator (EHD) programme has developed through the Pilot at Granton D1 to deliver a blueprint for offsite construction. The EHD programme has the potential to deliver efficiencies in design and procurement and further sites within the Edinburgh housebuilding programme are being identified for inclusion. Working with partners, Scottish Futures Trust and the Edinburgh and South East Scotland City Region Deal, work is being carried out to deliver a regional pipeline which will provide increased confidence for supply chains and support further efficiencies through off-site construction.
- 4.51 The principles will be refined through its application at Greendykes K and L. Homes will be monitored for performance on completion.
- 4.52 In February 2023, the Council purchased Liberton Hospital and surrounding land. This site has been allocated for Housing in the Local Development Plan. A Prior Information Notice (PIN) is due to be released seeking interest from potential development partners.

- 4.53 This PIN will inform the procurement strategy for the site. As with all developments of this size, there will be a focus on community engagement and consultation as part of the planning process. NHS Lothian will continue to occupy the site for at least a year, with the option to extend that lease for a further year as a contingency for exit arrangements.
- 4.54 Work to progress Silverlea in the north of the city will be taken forward by Cruden Building East who were appointed as the main contractor to design and build out the development. Planning permission was secured in the summer of 2022 and 123 new homes will be delivered on the site; 72 of which will be for social rent.
- 4.55 Other larger sites in the city at Fountainbridge and Meadowbank will also progress, with the outcome of the planning application at Fountainbridge expected shortly and reports to Finance and Resources Committee seeking approval to enter into development agreements later in the year. Construction work at Powderhall is also expected to commence in the summer of 2023, with first completions expected in 2024/25.
- 4.56 These projects will deliver much needed housing across all tenures, delivering high quality homes that are energy efficient on sites that focus on active travel and supporting the growth of sustainable communities.

5. Next Steps

- 5.1 Officers will continue to work with Scottish Government to maximise grant funding for both the new build programme and WHR approach across existing homes. Particular focus will be given to funds that help to support the transition to net zero carbon. Any additional funds could potentially be used to accelerate investment or to reduce borrowing.
- 5.2 The WHR programme will move into the delivery phase with the core delivery programmes brought to site start in 2023/24. Preparatory works will also begin on projects for site start in 2024/25.
- 5.3 Stock and structural condition surveys for low and high rise blocks will progress throughout 2023/24. Both commissions will continue to feed into the key WHR workstream findings in determining future investment priorities.
- 5.4 As part of the implementation of the Estate Improvement Programme, throughout March 2023, refresher sessions will be available for all Ward Councillors to discuss new proposals and opportunities for Improvement Group involvement.
- 5.5 Following a report on the Housing Land Strategy to the Housing Homelessness and Fair Work Committee on [1 December 2022](#), work is progressing with landowners in West and North Edinburgh to identify optimal routes to deliver affordable homes on private sector land. Capacity studies are taking place on sites which could deliver up to 50% affordable housing.
- 5.6 The focus of this work is to establish viable and procurement compliant routes to deliver these homes in line with the parameters agreed by the Committee. Approval

for any future acquisitions or development agreements will be sought from the Finance and Resources Committee.

- 5.7 Following the Council's decision on 23 February 2023 to increase rents by 3% in 2023/24 and indicative rent increases of 3% for the following nine years, a revised draft 10-year capital programme will be reported to Finance and Resources Committee on 10 March 2023.
- 5.8 The 2022/23 capital programme outturn will be reported to Finance and Resources Committee in Summer 2023 and the 2023/24 HRA capital programme budget will be revised to take account of any slippage from 2022/23.

6. Financial impact

- 6.1 This report sets out planned HRA capital investment of £173.361 million for 2023/24. 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 £64.681 million in 2023/24. 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 £64.681 million and interest of £60.640 million, resulting in total cost to the HRA of £125.321 million.
- 6.4 Based on a loans fund interest rate of 4.78%, the annual loan charges to HRA revenue would be £4.177 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.
- 6.5 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.
- 6.6 The previous HRA Budget Strategy approved by the Council in February 2022 included a 10-year £2.9b capital programme and £1.2b revenue programme. Following a review of the HRA 30-year Business Plan assumptions in order to deliver the same outcomes over the next 10 years it is projected to cost £3.5b in capital (20% increase on last year's plan) and £1.4b in revenue (17% increase on last year's plan).
- 6.7 In addition to this, two years of rent freezes and a below inflationary increase of 3% in 2023/24 have had a significant impact on the borrowing capacity to fund the medium to long term capital investment programme. Increasing costs as well as a reduction in rental income means that whilst short term the programme is able to sustain this ambitious level of capital investment, without significant increases in income (either through rents or grant funding) the programme would need to halve over the next 10 years.

- 6.8 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 5.

7. Stakeholder/Community Impact

- 7.1 Every year the views of tenants are sought on their experience of the housing service, the HRA budget strategy, investment plan and the rent increase proposal for the following year. Almost 90% of tenants supported the Investment Plan.
- 7.2 In January and February 2023, all Council members were invited to attend briefing sessions on HRA capital investment in the four localities.
- 7.3 Tenant and resident engagement is taken forward on a project by project basis as proposals are developed for improving existing homes, developing new homes and improving estates.

8. Background reading/external references

- 8.1 Housing Service Improvement Plan Update - Housing Homelessness and Fair Work Committee, [4 August 2022](#).
- 8.2 Strategic Housing Investment Plan (SHIP) 2023-28 – Housing Homelessness and Fair Work Committee, [1 December 2022](#).
- 8.3 Housing Revenue Account (HRA) Budget Strategy 2023/24 – 2032/33 – City of Edinburgh Council Committee – [23 February 2023](#).
- 8.4 Capital Monitoring 2022/23 – Month Eight Position - Finance and Resources Committee, [26 January 2023](#).

9. Appendices

- 9.1 Appendix 1 - 2023/24 Capital Investment Programme.
- 9.2 Appendix 2 - HRA Revised Resources 2023/24.
- 9.3 Appendix 3 - Council House Building Programme map.
- 9.4 Appendix 4 - 2023/24 Planned Capital Investment by locality
- 9.5 Appendix 5 - Top risks to Programme delivery.

Appendix 1: 2023/24 HRA Capital Investment Programme

Category	Programme	2023/24 (£m)	Commentary
New Homes	New Homes Development	97.063	Overall design development and construction budget for the new homes programme in 2023/24.
	New Homes Development (SE)	2.200	<i>Design and construction in South East, including: Procurement and initial design work at Liberton; and continuing design work and demolition at Cowan's Close.</i>
	New Homes Development (NE)	23.684	<i>Design and construction in North East, including: Construction of 140 affordable homes at Greendykes sites K&L; and construction at the Bowling Green site in Powderhall, as well as, ongoing design work across the larger site.</i>
	New Homes Development (SW)	19.270	<i>Design and construction in South West, including: Completion of design work at Dumbryden phase 3; commencement of construction of 73 homes at Murrayburn Gate; and continuing design and construction works at Fountainbridge.</i>
	New Homes Development (NW)	51.909	<i>Design and construction in North West, including: Design and construction work at Pennywell Town Centre; ongoing construction work of 519 homes at Western Villages and D1 in Granton; and progression of design and pre-construction works at Silverlea</i>
	Post-construction work (retention)/ early design development and staff costs	2.027	<i>Includes resources to support the programme, as well as design development for pipeline sites across the city.</i>
	Land Acquisitions	2.000	<i>Used to support the purchase of land from the general fund/on the open market for the development of new homes.</i>
New Homes Subtotal		101.090	
Existing Council homes and neighbourhoods	External fabric and Estates & Acquisitions	35.926	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.
	<i>External Fabric (High and Low Rise) including WHR/ ESSH2</i>	26.286	<i>WHR and wider building improvement works at Oxcars and Inchmickery Court and Craigmillar and Peffermill Court. Along with Phase 1a of the Magdalene, Bingham and Christians area based low rise programme and the delivery of WHR phase 1 programme across 10 sites.</i>

	<i>Mixed Tenure Improvement Pilot</i>	7.557	<i>HRA's share of the mixed tenure work being taken forward in the Dumbryden/Murrayburn pilot area.</i>
	<i>Estate improvement programme (formerly known as NEPs)</i>	2.083	<i>To fund wider estate improvement and placemaking projects across the four localities.</i>
	Communal Improvements	8.791	To fund general improvement work in communal area of blocks.
	<i>Secure Door Entry and follow-on improvement and CCTV</i>	2.260	<i>Upgrade on the secure door entry systems will continue to be progressed in Council minority-owned blocks. Internal stairwell upgrade will proceed in stairs where the door entry systems have been upgraded in recent years.</i>
	<i>Multi-Storey Services</i>	1.573	<i>Lift upgrades will take place in multi storey blocks across the city, with water tanks to be replaced in seven multi-storey blocks.</i>
	<i>Fire Safety</i>	4.958	<i>Continuation of fire safety upgrades in high rise blocks.</i>
	Internal Improvements	16.024	To fund improvement work that requires access to tenants' homes.
	<i>Kitchens and Bathrooms</i>	5.574	<i>New kitchens and bathrooms will be installed to ensure all Council homes are equipped with modern facilities.</i>
	<i>Electrical Rewiring, electric heat and Smoke Detection</i>	0.850	<i>Two new contracts will be put in place in 2023/24 to upgrade electrical rewiring, electric heat and smoke detectors of Council homes.</i>
	<i>Windows and External Doors</i>	3.683	<i>Citywide upgrade on windows and external doors will continue in 2023/24, along with contracts to upgrade uPVC ad sash and case windows where applicable.</i>
	<i>Gas Heating Upgrades</i>	3.242	<i>New heating systems will be installed to ensure all homes are equipped with modern heating systems.</i>
	<i>Community Care (adaptations)</i>	0.675	<i>The budget for adaptations to tenants' homes (e.g. ramps and wet floor showers) and emergency health and safety applications in 2023/24. The budget remains flexible to respond to demand.</i>
	<i>Adhoc internal upgrades (including Empty Homes)</i>	2.000	<i>Capitalisation of repairs and upgrade of empty homes when they become vacant.</i>
	Acquisitions	7.838	To consolidate existing Council stocks and to acquire additional homes, which could be leased and used as temporary accommodation.
	Staff Costs	3.692	
	Existing homes & neighbourhoods subtotal	72.271	
	Grand Total	173.361	

Appendix 2: HRA Revised Resources 2023/24

Capital Resources	£ million
Prudential Borrowing	£64.681
Capital Funded from Current Revenue (CFCR) and Strategic Housing Investment Fund	£20.300
Capital Receipts and Contributions	£14.520
Receipts from LLPs*	£45.809
Scottish Government Subsidy (Social)	£26.131
Scottish Government Subsidy (Acquisition)	£1.920
Total Capital Resources	£173.361

**The budget for new build housing includes the upfront capital costs for all Council led developments that contribute to the increase of new 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: 2023/24 Planned Capital Investment by locality

North East

1. Key investment programmes across the existing housing estate in the North East include:
 - 1.1 Significant investment in the North Cairntow traveller community site has now completed;
 - 1.2 Work commenced in 2022/23 across two mixed tenure blocks (60 homes) at Magdalene. This will see the full external refurbishment to bring the blocks up to EESSH2 standard. Works will continue throughout 2023/24;
 - 1.3 WHR phase 1 programme – as part of the WHR programme 12 homes across two sites will be targeted in the North East;
 - 1.4 Magdalene, Bingham and the Christians (Phase 1a) – WHR low rise area-based scheme will commence later in 2023. This will be the first low rise area-based approach focusing on WHR and will initially target 101 homes in Magdalene. The programme will run until 2025/26;
 - 1.5 Craigmillar and Peffermill Court – WHR and full block upgrade/refurbishment to meet EESSH2 will commence later in 2023/24 across both blocks targeting 114 homes in total. Design and Development commenced in Autumn 2022;
 - 1.6 Cables Wynd and Linksvie House (299 homes) – WHR and full block upgrade/refurbishment. Design and Development to meet EESSH2 will commence in January 2023 and will continue throughout 2023/24 with site start aimed for 2024/25;
 - 1.7 Niddrie House Square (Phase 1) will see 84 homes undergo full refurbishment works to meet EESSH2, including communal upgrades. The anticipated site start is May 2023;
 - 1.8 The wider cyclical improvement programme will focus on the following investment priorities; communal fire door upgrade programme across six multi-storey blocks; fire safety upgrade programme across four multi-storey blocks; water tank upgrade programme across seven multi-storey blocks. There will also be a rolling heating, kitchen and bathroom and windows and doors replacement/upgrade programme;
 - 1.9 The new build housing programme will see site start at sites K & L in Greendykes which will be the next Edinburgh Homes Demonstrator pilot and deliver 140 new affordable homes [74 of which will be Council homes]; and
 - 1.10 There will also be progress at Powderhall as construction work begins on the first affordable homes.

North West

2. Key investment programmes across the existing housing estate in the North West include:

- 2.1 May and Gunnet Court (96 homes) refurbishment is largely complete, with the only outstanding works to the new external foyer canopies. Both blocks now meet EESSH2 compliance;
- 2.2 Oxcars and Inchmickery Court - WHR and full block upgrade/refurbishment to meet EESSH2 will commence later in 2023/24 across both blocks targeting 151 homes in total. Design and Development commenced in Autumn 2022;
- 2.3 WHR phase 1 programme – as part of the WHR programme 20 homes across three sites will be targeted in the North West;
- 2.4 Granton Medway North (78 homes) – WHR and full block upgrades, design and development commenced in January 2023 and will continue throughout 2023/24 with site start aimed for 2024/25;
- 2.5 Wardieburn Phase 14 – fabric and block improvements to meet EESSH2 targeting 3 blocks (18 homes) will commence in 2023/24, design and development underway since Autumn 2022;
- 2.6 Common stair upgrade programme – targeting 123 100% owned CEC blocks across Drylaw, Muirhouse, West Pilton and Wardieburn. Design and development underway since Autumn 2022;
- 2.7 The wider cyclical improvement programme will focus on the following investment priorities; communal fire door upgrade programme across five multi-storey blocks; fire safety upgrade programme across three multi-storey blocks; water tank upgrade programme across two multi-storey blocks. There will also be a rolling heating, kitchen and bathroom and windows and doors replacement/upgrade programme;
- 2.8 EES:ABS 2023/24 programme is currently under development but is planned to launch a large external wall insulation programme in the North West locality;
- 2.9 WHR area-based scheme – it is also proposed that an area based WHR programme is brought into design and development throughout 2023/24 focusing on the Pilton/Muirhouse/Royston and Wardieburn areas. This proposal is still in development;
- 2.10 This year the new build housing programme will see, 75 homes at the Granton D1 site complete and the first of the 444 homes at Western Villages will also be ready for households to move in to. These are the first net-zero homes to be delivered by the Council, 46% of these homes will be Council homes, 42% mid-market rent homes and 12% homes for sale; and
- 2.11 Development at Pennywell continues with the remaining phases of new homes in the town centre as well as progress with the new Hub, a key element of the area-wide regeneration.

South East

3. Key investment programmes across the existing housing estate in the South East include:
 - 3.1 The Moredun multies (546 flats across six blocks) Automatic Opening Vents works is due for completion in March 2023 with an enhanced CCTV programme following on from March 2023;
 - 3.2 The Moredun multies will also undergo full design and development throughout 2023/24 to bring the blocks up to EESSH2 alongside a wider upgrade and refurbishment of the blocks including modernised common areas and foyers, with site start for the first phase of blocks starting in 2024/25;
 - 3.3 WHR phase 1 programme – as part of the WHR programme nine homes across three sites will targeted in the South East;
 - 3.4 EES:ABS external wall insulation and solar PV programme at Gilmerton progressed throughout 2022/23, with completion of the programme estimated for May 2023 (82 homes currently signed up – as of 01 Feb 2023);
 - 3.5 The wider cyclical improvement programme will focus on the following investment priorities; communal fire door upgrade programme across 8 multi-storey blocks; lift upgrade programme across 4 multi-storey blocks; water tank upgrade programme across 2 multi-storey blocks. There will also be a rolling heating, kitchen and bathroom and windows and doors replacement/upgrade programme; and
 - 3.6 The new build housing programme will see the progressing of procurement for a delivery partner following the completion of the purchase at Liberton Hospital.

South West

4. Key investment programmes across the existing housing estate in the South West include:
 - 4.1 Oxgangs House full external fabric upgrade experienced significant delays throughout 2022/23 but is scheduled to be on site in Q3 of 2023/24;
 - 4.2 Tender award is now complete subject to any TMS (Tenement management Scheme) objections for a communal fire door upgrade programme across three multi-storey blocks in the Calders (438 flats in total);
 - 4.3 Mixed tenure external fabric upgrades in Westburn (56 flats in 7 blocks) completed in 2022/23;
 - 4.4 WHR phase 1 programme – as part of the WHR programme 10 homes across two sites will targeted in the South West;
 - 4.5 Westerhailes – Barn Park – fabric and block improvements to meet EESSH2 targeting 4 blocks (24 homes) will commence in 2023/24, design and development underway since Autumn 2022;
 - 4.6 Common stair upgrade programme – targeting 10 100% owned CEC blocks across Clovenstone. Design and development underway since Autumn 2022;

- 4.7 As part of the EES:ABS 2022/23 programme external fabric upgrades and other insulation measures were progressed in Oxfords and are due for completion in May 2023 (in total 166 homes will have been targeted a mixture of private and Council);
- 4.8 MTIS will move into its final year of works in Westerhailes with phases 9 to 11 progressed across Murrayburn, Dumbryden and Hailesland targeting a further 380 homes;
- 4.9 The wider cyclical improvement programme will focus on the following investment priorities; communal fire door upgrade programme across six multi-storey blocks. There will also be a rolling heating, kitchen and bathroom and windows and doors replacement/upgrade programme ;and
- 4.10 The new build housing programme will see the housing development at Murrayburn Gate begin on site, delivering 73 new affordable homes, (41 of which will be Council homes).

Appendix 5: Top risks to the Capital Programme

Risk	Mitigation
<p>Contractor capacity: Due to the scale of the Programme contractor capacity within current frameworks will be limited as multiple contractors sit across a number of work package lots. As such they will have limited capacity to respond to the scale of work in this year's programme.</p> <p>The WHR work packages are not suitable to be procured within existing frameworks due to the specialist type of work, number of sub-contractors required, and the risks involved with working on multi-storey blocks</p>	<p>Key workstreams will need to be staggered throughout the financial year to ensure contractors within existing Council frameworks are not overloaded.</p> <p>External frameworks will be explored to see if they are suitable for procuring more specialist and sizable WHR area based and multi-storey work programmes.</p> <p>Continued engagement with contractors on external frameworks and the market more widely will need to be scaled up to let prospective contractors know the strength of the WHR pipeline.</p> <p>The existing Housing Property Framework will need to be renewed in 2024. This provides an opportunity to ensure that any future Framework is suited to the needs of the capital programme over the next 5 years and in particular that this includes the ability to procure larger more specialist contractors to take forward area based and multi-storey WHR programmes.</p>
<p>Owners and tenant engagement: Owners may not have the funds to invest in their homes, delaying or limiting investment in mixed tenure blocks.</p> <p>Tenants may wish to opt out of WHR works 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 and tenant acquisition options.</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>Grant funding: Grant funding benchmark is not responding quickly enough to costs increase. And whilst the overall benchmark has increased the overall funding pot has not, resulting in a reduction in the number of homes that can be delivered.</p> <p>The cost of delivering WHR across the Council's existing estate is estimated be around £56,000 per home. Additional annual grant funding from Scottish Government will be required to support the delivery of this programme.</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>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 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>Increasing capital investment costs: The increase in new build construction and development costs (workforce, materials etc.) is higher than anticipated due to the impact of Brexit, Ukraine War and Covid-19. Construction sector has seen an increase in costs of around 30%.</p>	<p>Build cost inflation assumptions are reviewed annually based on market intelligence. In year projections take account of known costs uplifts.</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 phase 1 WHR Programme.</p>
<p>Securing land for affordable housing: One of the key risks to the delivery of affordable homes is failure to secure suitable land for development. The HRA Business Plan includes c.£15m for land acquisitions over the next five years.</p>	<p>Acquisition of Liberton Hospital concluded in 2022/23. The 2023/24 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>On 1 December 2022, Housing Homelessness and Fair Work Committee received an update in the Housing Land Strategy which set out the findings and emerging opportunities resulting from the Prior Information Notice market engagement process.</p>