

ABERDEEN CITY COUNCIL

APPENDIX 1

HOUSING REVENUE ACCOUNT

Housing Revenue Account		Budget	Out-turn	Budget	Notes
		2022/23	2022/23	2023/24	
		£000's	£000's	£000's	
Premises Costs					
1	Rates	86	86	87	1
2	Rent	56	56	58	2
3	Repairs and Maintenance	30,563	35,331	33,008	
4	Maintenance of Grounds	3,612	3,730	4,005	3
5	Gas	770	1,919	2,015	4
6	Electricity	3,641	5,943	6,240	4
7	Cleaning Service	589	1,304	1,343	5
8	Security Service	214	214	221	6
9	Window Cleaning	27	27	28	
10	Refuse Collection	380	422	435	7
11	Cleaning - Sheltered Housing	663	724	746	8
12	Other Property Costs - Council Tax	308	308	317	9
		40,909	50,064	48,503	
Administration Costs					
13	Tenants Incentive Scheme	102	196	196	10
14	Legal Expenses	193	193	199	
15	Office Tel / Rent	10	10	11	
16	Former Tenants Arrears	4,500	4,500	4,680	11
17	Charges - Services Admin & Management	13,411	13,411	13,814	12
18	General Consultancy	60	60	60	13
19	Training for Front Line Staff	100	100	100	13
20	Benefits Staff	67	67	69	13
21	Charges - Tenants Participation	100	100	103	14
22	Charges for Environmental Health	243	243	250	
		18,787	18,881	19,482	
Supplies & Services					
23	Provision of Meals	196	196	202	15
24	Television Licence	5	5	5	
25	IT Provision	298	400	307	16
		499	601	514	
Agencies					
26	Mediation Service	53	53	55	17
27	Energy Advice	85	85	87	18
28	Disabled Persons Housing Service	42	56	58	13
29	Ethnic Minority Worker	0	-	-	
		180	194	200	

Housing Revenue Account		Budget	Out-turn	Budget	
		2022/23	2022/23	2023/24	
		£000's	£000's	£000's	
Transfer Payments					
30	Aberdeen Families Project	947	947	975	19
31	Loss of Rent - Council Houses	3,197	4,572	3,325	20
32	Loss of Rent - Garages, Parking etc	738	741	771	
33	Loss of Rent - Modernisation Works	345	345	355	
34	CFCR	15,974	8,028	10,937	
		21,201	14,633	16,363	
Capital Financing Costs					21
35	Loans Fund Instalment	3,126	2,302	2,848	
36	Loans Fund Interest	11,074	8,510	13,815	
		14,200	10,812	16,663	
Expense Total		95,775	95,184	101,724	
Income					
37	Ground Rentals	(7)	(10)	(10)	
38	Dwelling Houses Rent Income	(91,924)	(91,418)	(96,578)	22
39	Housing - Heat with Rent Income	(2,215)	(2,166)	(3,465)	23
40	Housing - Garages Rent Income	(1,305)	(1,268)	(1,319)	24
41	Housing - Parking Spaces Rent	(190)	(188)	(196)	24
42	Housing - Insurance Income	(13)	(13)	(13)	25
43	Housing - Other Service Charge	(540)	(540)	(562)	24
44	Legal Expenses	(68)	(68)	(69)	
45	Revenue Balance Interest	(13)	(13)	(13)	26
Income Total		(96,275)	(95,684)	(102,224)	
Net Expenditure		(500)	(500)	(500)	

HOUSING REVENUE ACCOUNT 2023/234 BUDGET

Variance Notes Comparing Draft Budget 2023/24 to Estimated Out-turn 2022/23

Expenditure Movements

1. Rent

This budget is for the rent of Accommodation for Community Groups and Housing Offices.

2. Repairs and Maintenance

The 2022/23 budget has been uplifted by 8%. During 2022/23 there has been a high level of unpredictability in the repairs and maintenance budget with the impact of inflation on materials and high level of spend on voids. There is a risk that inflation will continue to create a pressure therefore this budget maybe insufficient.

3. Maintenance of Grounds

Maintenance of Grounds budget has a number of elements: Ground Maintenance, cleansing/weed control, Granite City Growing Strategy and maintenance of playparks. The budget for 2023/24 has been calculated by uplifting the 2022/23 out-turn by 2%.

4. Gas/Electricity

The budget for Gas and Electricity has been calculated by uplifting the out-turn for 2022/23 by 5%. There remains a high level of uncertainty regarding the price increases. Heat with Rent charges are still to be reviewed.

5. Cleaning Service

This budget is for communal cleaning. The cleaning contract is now carried out by an in-house team. The contractual value for 2022/23 has been calculated as £1,304,000 (Out-turn uplifted by 3%). This also includes a level of cleaning undertaken on void properties. In addition, a pilot project for stair cleaning model in four/six in a block is being undertaken.

6. Security Service

The cost of the security included in the budget for 2023/24 is £221,000 and includes the control room team.

7. Refuse Collection

The budget for 2022/23 has been calculated by using the out-turn for 2022/23 uplifted by 3%.

8. Cleaning – Sheltered Housing

This is the budget for the cleaning of Sheltered Housing, this is now carried out by an inhouse team therefore this has been calculated by using the existing staff structure uplifted by 3% for salary increases.

9. Other Property Costs – Council Tax on void properties

This budget is for the cost of Council Tax due on void properties. The budget for 2023/24 is uplifted by 3%.

10. Downsizing Grants and Void Incentives

There are two schemes within this budget line which are Downsizing grants (£50,000) and (£52,000) Void Initiative.

The Downsizing scheme provides assistance and a financial incentive to Council tenants occupying a property larger than their requirements to move to smaller more suitable housing in order to increase the supply of larger family housing. This budget is being maintained at the current level as the impact of welfare reform and the general economic downturn could lead to a potential rise in requests to downsize.

To support tenants move into their new homes and improvement of void property management performance, a new homes incentive scheme was been developed this will be the second year of this initiative.

11. Tenants Arrears

The budget is increased to £4.6M to reflect that the collection of rent is difficult due to the cost of living crisis. As at the end of January 2023 rent arrears are £15.9m (includes former and current). The budget for former tenant arrears is for the write off of uncollectable arrears and any increase in the debt provision.

12. Management & Administration

The staffing budget is based on the current structure of the Housing Revenue Account, budget options put forward as the General Fund process and central support recharges. A pay award of 3% has been allowed for which is in line with the assumptions contained within the Council's General Fund.

13. General Consultancy, Training for Frontline Staff, Benefits staff, and Disabled persons Housing Service.

General Consultancy allows the Housing Revenue Account to fund one off projects. An example of this type of expenditure would include work on the Housing Business Plan.

Training for Front line Staff allows, for example, Housing & Support Officers, Housing Property Officers, and Housing Property to participate in professional staff development programmes with the opportunity of gaining membership of the Chartered Institute of Housing and certain staff undertaking their SVQ training.

The costs of the Benefits staff are recharged from the Benefits team for the time spent with Council House Tenants on maximising income and tackling financial exclusion, it is anticipated that the recharge will increase. This has been uplifted for 2023/24 to reflect the accumulated 3% pay award.

Disabled Persons Housing Service (Aberdeen) (DPHS) is a charitable organisation that provides specialist information, advice and advocacy on housing matters to disabled people, their families and carers and professionals working in housing, social work, health and the voluntary sector.

The organisation also provides 'No place like home' a service for those aged 65 years and over with disabilities or age-related illnesses and 'Veterans Voice', providing

housing advice service for disabled veterans of armed forces, police, fire service and merchant navy.

The funding covers the Manager's post, plus an allowance for running costs. This has enabled DPHS to continue to develop and expand the range of services that it offers to people of Aberdeen in line with the objectives set out in the Aberdeen City Local Housing Strategy and form a key part of the Housing Contribution Statement that is integral to Aberdeen City Health and Social Partnership's Strategic Plan.

14. Tenants Participation

This is the budget allocated for the provision of Tenants Participation and includes the employment costs of one Development Officer (Tenant and Resident Participation), Newsbite and training for tenant representatives. As this is the last year of the rental policy, intensive consultation will be undertaken during 2023/24 to understand the priorities of the tenants and likely rental.

On 30 January 2023 consultation was undertaken with the Housing Performance and Budget Group, this covered the rental policy, pressures current and future.

15. Provision of Meals

This budget is for the provision of meals at Denmore and Kingswood extra care housing by Bon Accord Care. The income for this service is contained in line 44 of the budget statement above which is shown as "Housing Other Service Charge".

16. IT Provision

This budget is based on the IT requirements for 2023/24 which includes all the support, maintenance including continued set up costs of Choice Based Letting.

17. Mediation Service

The budget for 2023/24 covers the Service Level Agreement with SACRO.

18. Energy Advice

Energy Advice encourages the sustainable use of energy, achieving affordable warmth, eradicating fuel poverty and extending the life of natural energy resources across the North East of Scotland.

19. Priority Families Service

This budget is used to fund the Priority Families Service which includes a Business Unit and a Key Worker Delivery Unit (delivered by an external body) agreed at Communities, Housing and Infrastructure on 17th May 2016. The service provides intensive intervention services to families (mainly council tenants) which includes addressing anti-social behavior, ensuring children and young people attend school as required, accessing appropriate health care, establishing routines and positive parenting and improving employability.

In 2023/24 a budget of £200k is included in the budget for Housing First. Turning Point Scotland has been commissioned to provide ordinary, settled housing as the first response for people with multiple and complex needs who are homeless, the housing element of is approximately 50% of the time Council Housing.

20. Void rent loss of Council Houses

The budget has been calculated based on 2022/23 budget, an uplift has been assumed of 4% in line with the rental policy for 2023/24. The assumption is that the level of voids will fall back to 2022/23 budgeted level due to the funding to bring back properties for the Ukrainian Refugees will have been received and implemented.

21. Capital Financing Costs

The budget for Capital Financing Costs is based on the likely level of capital spend in 2023/24 (as at the end of November 2022 and a possible future programme for 2023/24 of £93 million (Including Craighill, Kincorth Tillydrone, Kaimhill, Auchmill, Cloverhill, Grandhome, Wellheads & Summerhill) and Council House buy backs as well as the level of historic debt that has to be financed.

Note there is a direct correlation between the cost of capital and the value that can be taken annually from rentals (Capital Funding from Current Revenue (CFCR)) and as the rental has stayed static for two years, the CFCR value that can be taken from rents has reduced considerably in 2023/24.

Income

22. Dwelling Houses Rent Income

The budgeted income from Dwelling House Rent has increased due to both the programme of new build properties being handed over to the council and the projected number of buy back properties coming into our stock during the year, a rental increase of 4% has been applied in 2023/24 as per the Council Rental Policy this is the final year of the policy therefore from 2024/25 then revert back to 3% annual increases as the Housing Model.

There are a small number of tenants who continue to cap rent increases due to rent restructuring at a maximum of £3 per week until model rent is achieved as per the budget paper of 6th March 2018, this would be in addition to the 4% increase.

The impact of the rent freeze in 2021/22 and 2022/23 is £360m over the 30 years.

2022/23	0 Bedrooms	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
	£	£	£	£	£
Multi/flat/maisonette	65.19	77.72	83.99	90.27	96.53
Four in a block	71.46	83.99	90.26	96.54	102.8
Cottage/house	77.74	90.27	96.54	102.82	109.08
Proposed 2023/24 with 4% increase					
	£	£	£	£	£
Multi/flat/maisonette	67.80	80.83	87.35	93.88	100.39
Four in a block	74.32	87.35	93.87	100.40	106.91
Cottage/house	80.85	93.88	100.40	106.93	113.44

COSLA in recognition of the cost-of-living crisis, Scotland's Council Leaders, as providers of social housing and Gypsy/Traveller pitch or site provision, have committed

to keeping the rental and fee increases to an average of less than £5 a week across the country in the next financial year, by increasing the rents by 4% in 2023/24 this is within this limit.

[Councils Put Tenants First on Rent Levels for Next Year | COSLA](#)

It should also be noted that the UK Government announced that the State Pension and Welfare Benefits will increase by 10.1% on 1 April 2023.

23. Housing – Heat with Rent Income

The analysis of the Heat with Rent increases can be found at page 10. The increased income has been reflected within the 2023/24 budget. Many local authorities are already highlighting this charge will need to increase in line with the inflation uplifts of the energy, Aberdeenshire Council have put forward an increase of £20 increase per week for the average tenant.

24. Housing – Garages Rent Income, Housing Parking Spaces Rent, Housing – Other Service Charges

These charges have been increased in line with the rental policy increase of 4%.

25. Housing Insurance Income

It is anticipated this will break even, expenditure contained with repairs and maintenance budget.

26. Interest on Revenue Balances

This is akin to bank interest received on the HRA's cash flow during the year. Budget is based on the income received in 2021/22 and current economic conditions.

Miscellaneous Rents

	2023/2024			
	Current	Proposed	Increase	Percentage
	Rental	Rental	Per Week	Increase
Miscellaneous Increases	£	£	£	%
Garages	12.15	12.65	0.50	4.12%
Denburn and West North Street Spaces	5.56	5.80	0.24	4.32%
Denburn and West North Street Spaces	20.00	21.00	1.00	5.00%
Garages Sites	4.75	4.95	0.20	4.21%
Car Ports	5.20	5.40	0.20	3.85%
Car Parking Spaces - Local	4.35	4.55	0.20	4.60%
Car Parking Spaces - Non Local	20.00	21.00	1.00	5.00%
Window Cleaning	0.90	0.95	0.05	5.56%
Meals at Denmore & Kingswood	41.20	43.00	1.80	4.37%
Guest Rooms	10&15	10&15	-	0.00%
House Garden Scheme (annual)	79.80	83.00	3.20	4.01%

The above proposed prices for 2023/24 have been increased broadly in line with the proposed.

Heat with Rent calculations for 2023/24

A review of consumption and costs is required each year. As Heat with Rent is not available to all tenants, therefore not rent pooled the cost must be recovered by the charge. The increased energy costs have led in 2022/23 to a cost pressure.

This year the consumption has been taken for the last three years to even out any potential peaks and troughs. A reduction has been made for communal areas.

Heat with Rent provides a number of benefits to the tenants principally the charge is the same every week therefore no unexpected large bills in cold winters and the 5% VAT charge is not passed onto the tenants.

Heat with Rent has been frozen for both 2021/22 and 2022/23, therefore tenants have not had to experience any increased energy costs over these years. The Energy Price Guarantee which came into effect on 1 October 2022, reduced the unit cost of electricity and gas so that households with typical energy use in Great Britain would pay, on average, around £2,500 a year on their energy bill until 31 March 2023 and around £3,000 a year until 31 March 2024. As you can see below the annual charge for heat with rent on all heat sources is well below these averages.

Heat with Rent – 48 week basis			
	Previous	Proposed	Annual Charge
	£	£	£
Gas Heated Properties			
Bedsits	8.85	13.29	638
1 bed roomed flats	10.20	15.32	735
2 bed roomed flats	11.60	17.42	836
3 bed roomed flats	12.95	19.45	934
Electrically Heated Properties			
Bedsits	9.90	14.53	697
1 bed roomed flats	11.20	16.44	789
2 bed roomed flats	12.60	18.49	888
3 bed roomed flats	13.90	20.40	979
CHP Properties			
All 1 Bed roomed Properties	10.00	15.75	756
All 2 Bed roomed Properties	11.30	17.80	854

Housing Capital Budget 2023/24 to 2025/26						
	2023/24	2024/25	2025/26	2026/27	2027/28	
PROJECT	£'000	£'000	£'000	£'000	£'000	
SCOTTISH HOUSING QUALITY STANDARDS						
1 Compliant with the tolerable standard						
1.1 Major Repairs-						
Pitch Roof Replacement (Flats, Houses and Cottages)	1,816	3,921	8,773	7,733	8,313	
	1,816	3,921	8,773	7,733	8,313	
2 Free from Serious Disrepair						
2.1 <u>Primary Building Elements</u>						
Structural Repairs Multi Storey	1,020	3289	3,930	4225	4542	
Multi Storey - Listing Costs	100	100	100	100	100	
Structural Repairs General Housing	1,300	1,750	2,500	2,500	2,500	
<u>Secondary Building Elements</u>						
2.2 Upgrading of Flat Roofs General	1,661	1,674	1,750	1,926	2,070	
Upgrading of Flat Roofs General Cottages	697	744	800	860	925	
2.3 Upgrade Flat Roofs Multi Storey	700	2,257	-	-	934	
2.6 Window Replacement Houses	3,712	3,987	4,290	4,609	4,968	
Window Replacement Flats	5,482	5,915	6,370	6,597	7,096	
Window Replacement General – Communal	422	454	500	539	589	
Window Replacement - Rosemount Square (flats and communals)	2,600	-	-	-	-	
2.7 Window Replacement-Multi Storey (Communal)	-	-	75	81	60	
Window Replacement-Multi Storey (Flats)	-	-	1,837	2,260	2,074	
	17,694	20,170	22,152	23,697	25,858	
3 Energy Efficient						
<u>Effective insulation</u>						
3.1 Cavity Wall Insulation	100	200	300	400	500	
3.2 General Houses Loft Insulation	229	727	787	565	610	
<u>Efficient Heating</u>						
3.3 Heating Systems Replacement	6,930	6,670	6,367	6,685	6,466	
Heating option appraisal	200	0	0	0	0	
Torry Heat Network	2000	4000	0	0	0	
3.6 Energy Efficiency Sheltered	600	640	690	740	800	
<u>Additional Energy Efficiency measures</u>						
3.7 SCARF	35	35	35	35	35	
3.8 Solid Wall Insulation	5,000	1,280	1,340	1,340	1,340	
	15,094	13,552	9,519	9,765	9,751	

Housing Capital Budget 2023/24 to 2025/26					
	2023/24	2024/25	2025/26	2026/27	2027/28
PROJECT	£'000	£'000	£'000	£'000	£'000
Modern Facilities & Services					
<u>Bathroom and Kitchen Condition</u>					
4.1 Modernisation Programme – Bathroom	1657	1784	2680	1,637	4675
Modernisation Programme – Kitchen	13,611	14,632	15,720	15,836	17,024
	15,268	16,416	18,400	17,473	21,699
5 Healthy, Safe & Secure					
<u>Safe</u>					
5.3 Rewiring	2,229	685	896	193	207
5.4 Lift Replacement Multi Storey/Major Blocks	1,675	1,440	2,322	1,248	1,341
5.5 Smoke Detectors – Common Areas Major Blocks	80	297	366	393	422
5.6 Services					
Cyclical maintenance/replacement of the following services	1,581	558	596	637	680
<u>Secure</u>					
5.11 Door Entry Systems	31	109	40	14	52
5.12 Replace Door Entry Systems - Major Blocks	139	521	481	516	555
5.13 Other Initiatives FD 60 Doors	1,377	2,293	914	980	1,043
	7,112	5,903	5,615	3,981	4,300
NON SCOTTISH HOUSING QUALITY STANDARDS					
6 Community Plan & LOIP					
6.2 Community Initiatives	1750	1750	1750	1750	1750
6.7 Adaptations Disabled	1,000	1,000	1,000	1,000	1,000
6.8 Special Initiatives/Barrier Free Housing	150	150	150	150	150
6.9 Housing For Varying Needs- Amenity/Adaptations	175	150	150	150	150
6.1 Housing For Varying Needs- Extra Care/Adaptations	150	200	200	200	150
6.11 Roads/Paths	300	200	200	150	150
6.17 New Build/Formal Council House Buy Back	93,439	60,303	67,431	2,000	2,000
6.18 Clinterty	2,998	0	0	0	0
6.19 206 Union Street	3,000	700	0	0	0
6.20 Defibrillators	125	0	0	0	0
	103,087	64,453	70,881	5,400	5,350

Housing Capital Budget 2023/24 to 2026/27					
	2023/24	2023/24	2024/25	2025/26	2026/27
PROJECT	£'000	£'000	£'000	£'000	£'000
8 Service Expenditure					
8.1 Other Departmental Fees	7,544	7,209	7,075	6,729	7,545
	7,544	7,209	7,075	6,729	7,545
Gross Programme	167,615	131,624	142,415	74,778	82,816
Less 11% Slippage	(8,600)	(8,395)	(8,578)	(8,226)	(9,110)
Net Programme	159,015	123,229	133,837	66,552	73,706
Financed by:-					
Borrowing	(127,078)	(96,448)	(114,465)	(57,352)	(70,908)
Other income eg Grants, Affordable Homes Reserve	(21,000)	(18,000)	(13,000)	(5,000)	(1,000)
CFCR	(10,937)	(8,781)	(6,372)	(4,200)	(1,798)
Total Funding	(159,015)	(123,229)	(133,837)	(66,552)	(73,706)

New Housing Investment Programme

The new build programme covers the development of new properties on Council owned land at Summerhill, Craighill, Kincorth, Tillydrone and Kaimhill in addition to contracting on developer led schemes at Auchmill Road, Cloverhill – Bridge of Don, Grandhome and Wellheads – Dyce. Longer terms projects have also been advanced on a number of sites in Aberdeen. This programme is further supplemented by an ambitious council house buy-back scheme.

As reported to the Finance and Resources Committee on 7th December 2022 an assessment was made of indicative tender costs for all four new Council-Led housing sites at Kaimhill, Tillydrone, Craighill and Kincorth. It was accepted that in light of the inflationary pressures and increased costs in the housing sector, following consultation with the Chief Officer - Finance, that the Kaimhill and Tillydrone projects should be completed but to suspend all works at Craighill and Kincorth.

The outstanding contract negotiations for the Tillydrone project have now been concluded and an award letter has been issued with final contract details being concluded. The final packages for Kaimhill are being agreed which will allow the final contract documentation to be agreed and signed. To date the contractor has been awarded most of the works packages and works are ongoing on site.

The two remaining projects at Craighill and Kincorth are at a stage where the enabling works for both projects are complete. Consideration is underway for the next steps for both projects. This entails the following; i) Works to make the sites safe and secure such as boundary fencing and monitoring of both sites going forward. ii) Consideration of progressing value engineering savings for both projects to reduce their cost. iii) Consideration of an alternative phasing strategy for both sites, effectively extending the construction period and spreading the costs over a longer period.

Summerhill - The first phase handover of 128 units was completed in December 2022. Further phased handovers will then follow with another 128 units in Spring 2023 and the remaining 113 units complete in Autumn 2023.

Cloverhill -The new housing developer led project for 536 units has been under construction for almost a year now and good progress is being made. The units will be delivered over a number of phases between 2023 – 2026, with the first phase expected in Summer 2023.