

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Council
<b>DATE</b>	21 August 2024
<b>EXEMPT</b>	Appendices F1 and F2 under paragraph 12 of the 1973 Act. This report refers to legal advice received in relation to legal process.
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Reinforced Autoclaved Aerated Concrete (RAAC) – Outcome of options appraisal August 2024
<b>REPORT NUMBER</b>	CORS/24/233
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<b>TERMS OF REFERENCE</b>	1

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### 1. PURPOSE OF REPORT

- 1.1 This report follows on from reports to the Urgent Business Committee (UBC) on 29 February 2024 (RES/24/086) and the meeting of Council on 3 July 2024 (RES/24/204) in relation to the impact of RAAC being present within houses at Balnagask in Torry.
- 1.2 This report presents the completed options appraisal, an overview of feedback from the recent engagement with council tenants, homeowners, private tenants and the wider community and associated survey work, and wider contextual information used to help formulate a recommendation for consideration by Council.
- 1.3 An update on the ongoing discussions that have taken place between the Council and Scottish Government is also provided.
- 1.4 The Report also provides Members with an update on progress with the council tenants rehoming programme as approved at the above Urgent Business Committee.

### 2. RECOMMENDATION(S)

That the Council:

## **Recommendations in relation to Option appraisal**

- 2.1 Note the engagement undertaken over the summer period and thank the community for their participation and contributions to the online engagement and drop-in sessions. In addition, note the planned follow-on engagement with RAAC impacted owners and residents. Refer to paragraphs 3.11 - 3.12.
- 2.2 Agrees that the optimum option is the demolition and rebuild of homes on site and instructs the Chief Officer - Capital to proceed with the demolition aspect of this (Option 4a), and to report back to the next appropriate meeting of Communities, Housing and Public Protection Committee on the initial phasing of demolition and landscape details.
- 2.3 Instruct the Chief Officer Corporate Landlord in consultation with the Chief Officer Capital, Chief Officer - Housing, and the Chief Officer – Finance, to assess the ‘building new homes’ option as alluded to in Option 4b with consideration towards undertaking a detailed masterplanning exercise assuming the site is vacant to determine future redevelopment proposals. For the wider site give consideration to creation of appropriate greenspace, preferred housing mix, opportunities to extend tenure mix and provision for housing for varying need and report this to a future meeting of Communities, Housing and Public Protection Committee in 2025 (as early as possible).
- 2.4 To approve the funding noted within the Financial Implications section of these recommendations and instruct the Chief Officer - Capital, following consultation with the Convener of the Finance and Resources Committee, and the Chief Officer - Procurement, to procure appropriate works and services, and enter into any contracts necessary for the delivery of the demolition, masterplanning and landscaping works without the need for further approval from any other Committee of the Council subject to due diligence, consistency with the financial model and affordability and regular update on progress of project delivery to the Communities, Housing and Public Protection Committee.
- 2.5 To instruct the Chief Officer-Corporate Landlord to look at a range of delivery options for new housing on the site including opportunities to work with partners to meet the masterplan aspirations, and the requirement of the Housing Revenue Accounts 30 year business plan; reporting this in as part of 2.2.

## **Recommendations with an Impact on Owners**

- 2.6 Instruct the Chief Officer - Corporate Landlord in consultation with the Chief Officer Finance to take forward negotiations with private owners to acquire their properties voluntarily at Market Value, noting that this will be a valuation of the property at the current date and be on the same basis as the CPO process. In addition to Market Value the council will be willing to meet reasonable legal and professional costs along with home loss and disturbance payments.
- 2.7 Instruct the Chief Officer Corporate Landlord in consultation with the Chief Officer Housing as part of the negotiations with private owners to assess the housing options available for each individual owner to identify any support that can be offered in rehoming.

- 2.8 Instruct the Chief Officer Corporate Landlord in consultation with the Chief Officer Governance to bring back a report to Council in late 2024/ early 2025 on options available to the Council to compulsorily acquire private properties to assist the delivery of the recommended option where required. .

### **Recommendations with an impact on Council tenants**

- 2.9 Instruct the Chief Officer Housing to continue the re-homing process and report progress to the Communities, Housing and Public Protection Committee on a regular basis, noting that there may be requirements to commence legal proceedings under the Scottish Tenancy Agreements, where tenants have refused to move to alternative accommodation having received reasonable offers of alternative accommodation to ensure that tenant safety remains the Council's primary objective.
- 2.10 Note that the Chief Officer – Housing ensures a continued offering of support to impacted individuals and families as they go through the rehoming process, and settle into their new homes and communities.
- 2.11 Note that the Chief Officer – Housing and Chief Officer Corporate Landlord will continue to engage with the Scottish Housing Regulator regarding progress with the delivery of the preferred option to ensure that any impact on our wider housing performance standards is taken into account, during regulation and consideration of the Council's performance.

### **Recommendations with an impact on Private tenants**

- 2.12 Note that any private tenants (as well as private owners) can be added to the RAAC Impact housing list as per decision of the Urgent Business Committee held on 29 February 2024.

### **Recommendations with Finance Impact.**

- 2.13 Note the approved £3m budget as reported at the Urgent Business Committee on 29 February 2024 including but not limited to, additional staffing costs, specialist consultant fees, contractors costs for access and works, rehoming costs, temporary accommodation, school transport, utilities connections and security costs for the wider site. Note the spend to date in relation to the rehoming programme as identified within paragraph 4.2.
- 2.14 Approve the virement of £4m within the HRA Capital Programme Budget as described in Section 4 to set aside the initial funds needed to progress the approved works.
- 2.15 Instruct the Chief Officer - Finance to include the financial consequences of this Report within the 30 year business plan for the HRA, which is due to be reported in September 2024.
- 2.16 Note that ongoing dialogue with Scottish Government Officials and Housing Minister regarding financial implications, including financial flexibilities, and

future housing need, means the Council may request that the Scottish Government consider a statutory dispensation to permit the Council certain flexibilities, and instruct the Chief Officer – Finance to request that dispensation, where required.

- 2.17 Note the Chief Officer – Finance will determine the accounting treatment for any expenditure incurred to address the RAAC situation, taking account of legislation, proper accounting practice, statutory guidance issued by Scottish Ministers, flexibilities proved by Scottish Ministers and, in the event of funding being made available to the Council, how that will be treated. Early engagement with external audit will take place as part of determining the accounting treatment to be applied.

### **3. CURRENT SITUATION**

#### **Background**

- 3.1 As previously reported the presence of RAAC panels within roofs has been confirmed at circa 504 addresses in the Balnagask area of Aberdeen. This is the only area where RAAC has been identified across the Council's housing estate.
- 3.2 The 504 addresses are made up of 372 individual buildings which are a mix of houses and ground/first floor flats. In the case of the flats, although it is only the top flat which has the RAAC panels in the roof, it is evident and accepted that the bottom flat will also be impacted in terms of any potential planned remedial works.
- 3.3 Our records show that the RAAC impacted properties are a mix of council ownership (366) and private ownership (138). Of the privately owned properties we have identified 22 properties which have a landlord on the Landlord Register.
- 3.4 A Report was taken to the Urgent Business Committee (UBC) on 29 February 2024 (RES/24/086). Within the recommendations the Committee agreed the following
- (i) note that an options appraisal was being prepared to consider the future options for the properties affected by RAAC, and instruct the Chief Officer - Capital to present the preferred option to members in a further report within the next six months;
- 3.5 As investigatory and option development work progressed an Update Report outlining potential mitigation options was provided to Council on 3 July 2024 (RES/24/204). On the 3 July Council: Amongst the recommendations the council resolved
- (ii) to agree and approve that Option 1: Bearing Shelf Extension be ruled out as a viable remedial option (refer to paragraphs 3.37 - 3.39);

- (iii) to agree the addition of a 'demolition and consideration of future housebuilding' option for consideration by Council on 21 August 2024;
- (v) to approve that engagement on the remaining options, was planned to be held during July 2024, which would be open to all Council tenants as required by the Housing Act 2001 (refer to Appendix B: Proposed Stakeholder Engagement);
- (vi) to note that it was proposed that private owners/tenants would be invited to participate in that engagement as noted in (v) above;
- (vii) to note that the information collated from the tenant engagement as intimated in (v) and (vi) above would be considered alongside the technical evaluation of options;
- (xiii) to note with regard to Private or Registered Landlord properties, 40 buildings were not adjoining any Council owned property, 61 buildings were adjoined and there were 33 addresses which shared a building with the Council.

### **Progress with Council Tenant Re-homing Programme**

- 3.6 The programme of re-homing Council tenants from RAAC affected properties continues to progress, with officers targeting having this complete by the end of 2024.

As of 13 August 2024, officers can advise that:

- 151 leases have been signed, 144 for homes with Aberdeen City Council and 7 with Registered Social Landlords in the city.
- 3.7 As previously reported, officers recognise the wider impact of moving home, on individuals and families, the disruption to support networks, sense of community, and links to existing education and health services. A person/family centred approach, is being adopted to support the most appropriate outcome for the individual/family within the scope of available options.
- 3.8 However as difficult as this is, the condition of the RAAC roof panels is categorised as high-risk. This categorisation has been confirmed following an extensive intrusive investigation and inspection survey programme covering circa 130 of the affected Council owned properties. This is in accordance with guidance by The Institution of Structural Engineers (IStructE) within their publication 'Reinforced Autoclaved Aerated Concrete (RAAC) Investigation and Assessment - Further Guidance - April 2023'. Officers would advise members that the Council tenants need to move as their safety is paramount.
- 3.9 Members are also asked to note that our independent structural engineers have advised that given the number of properties inspected, it is envisaged that the same level of risk is applicable to the uninspected privately owned properties.

## Options forming part of the Option Appraisal

3.10 The full list of mitigation options which have been considered at various stages in the options appraisal are as follows;

**Option 1:** Adding timber runners to extend the bearing length at the support walls.

*(Option 1 was ruled out as being non-viable at the Council meeting held on 3 July 2024, but has still been included as a useful comparator for the remaining viable options)*

**Option 2:** Install a support timber frame under existing RAAC roof panels.

**Option 3a:** Removal of RAAC panels and replace roof only.

**Option 3b:** Remove RAAC panels and replace roof and refurbish the homes to modern energy efficient standards.

*(For ease of understanding the purpose of this report, officers have introduced a new option, refer to paragraph 3.18 below for explanation)*

**Option 4a:** Demolition only

**Option 4b:** Demolition and building new homes.

## Engagement on the options considered viable

3.11 Following on from the engagement carried out prior to the 3 July Council meeting, further engagement with key stakeholders (Including council tenants, homeowners and private renters) has been conducted to inform decision - making. This has included letters, information packs, on line surveys and four drop-in sessions, to which all stakeholders could attend. Refer to Balnagask RAAC Options Appraisal - Appendix D: Stakeholder & Community Engagement Documents.

3.12 The 4 drop-sessions attracted 59 people of which circa 63% indicated that they were homeowners. This level of interest by homeowners is an important factor to note as it shows their deep concern and interest in the Council's RAAC mitigation decision. The impact of the Council decision on their homes will be dependent on their own particular circumstances, and to various degrees, as each mitigation option will have a different personal impact both in terms of their financial status and well-being.

### **Option Appraisal**

- 3.13 As the development of the options has progressed a scoring criteria for options was identified. The detail for the scoring is contained within Balnagask RAAC Options Appraisal - Appendix G: Scoring Matrices, however an 'Easy Read Version Options Appraisal Summary' document has been prepared (Refer to Appendix C). The principle behind the evaluation was to consider both the financial and non-financial aspects of each option predominantly based on a net present value model but also considering energy and carbon impact, socio economic indicators, capital requirement, whole life costs, deliverability and delivery programme and associated timeline.
- 3.14 For each option, in addition to the technical and financial consideration as intimated above, it was important to continue to consider the social impact on stakeholders and the wider impact across the community.
- 3.15 The scoring of the alternative options was quantified by an internal Council Project Team of Chief Officers supported by independent Technical Advisors. In addition, it is important to note the qualitative consideration of the various options takes into account the information collated through the engagement survey. Refer to Balnagask RAAC Options Appraisal - Appendix D: Stakeholder & Community Engagement Documents and Appendix G Scoring Matrices
- 3.16 All options taken forward in the appraisal have their own individual merits in relation to the key criteria established and a summary tabled is noted below;

Factors for consideration	Option 2	Option 3a	Option 3b	Option 4a	Option 4b	
	Passive fail safe	Roof replacement	Roof replacement with energy efficiency works (ESSH)	Demolition	Demolition and rebuild	
Is RAAC removed	NOT VIABLE	NOT VIABLE	Yes	Yes	Yes	
Indicative Budget			£60m - £70m	£20m - £25m	£150m+	
Delivery Timeline (indicative range)			5-8years	3-4years	5-15 years	
Compensation exposure			None	High	High	
Investment Value			Very Poor	Poor	Very poor	
Is a management strategy required			No	No	No	
Will significant capital interventions be required?				Yes, likely high risk due to age of properties	No, but provides future flexibility for a phased delivery of new buildings.	No, new properties as and when affordable
Private Ownership impact				RAAC risk remains. Legal steps to enforce	Need for negotiated agreement, risk of future CPO.	Need for negotiated agreement, risk of future CPO.
Impact for flats				Possible agreement and cost contribution where roofs and building fabric are shared. Funding considerations Legal implications	Funding consideration Legal implications	Funding consideration Legal implications
Impact for terraced, end terraced and semi-detached houses				Possible agreement and cost contribution where roofs and building fabric have common boundaries. Funding considerations Legal implications	Funding consideration Legal implications	Funding consideration Legal implications
Ease of construction			Complex	Straight Forward	Straight Forward	

Figures and timescales indicative for summary table. Further narrative on each option is noted below.

## Option 2

- 3.17 The appraisal recommends that that Option 2: 'Install a support timber frame under existing RAAC roof panels' **should be discounted at this stage** as this provides only a temporary solution and would introduce cost and uncertainty to the Council's ability to invest in the future of its housing stock across the city. The option identified that a roof replacement and likely decant of the properties would be required in the future. In addition, living in a property which retained the RAAC panels was seen as still having a very negative impact on residents' wellbeing. It was also considered that this option would be likely to involve ongoing difficulties for private owners in relation to the future sale, insurance and mortgaging of their properties.

## Option 3 (a and b)

- 3.18 As the workstream of Option 3 developed it became clear that whilst the option appraisal initially considered removing and replacing the RAAC roof panels, this would not fit wider objectives of future-proofing the homes to enable them to meet future environmental and other quality standards. Consideration has therefore been given to an Option 3a, solely concerning roof replacement and Option 3b which would also involve an environmental retro-fit and de-carbonising of the units.
- 3.19 Option 3b considers current guidance on the Energy Efficiency Standard for Social Housing (EESH2) which requires properties to be brought to an EPC B standard by 2032 or the properties will be unable to be re-let. EESH2 is currently suspended and a consultation is currently underway to develop guidance for a Social Housing Net Zero Standard (SHNZS). Advice on this is expected during 2024. In order to progress this option it assumes that all properties would be brought to an EPC B standard. There is also the option to connect each property to the District Heating Network. Given the proposed times that properties will be vacant, and the incredibly disruptive nature of works it is likely that prior to re-occupation, each property will require bathroom and kitchen renewal.
- 3.20 Given that it would be necessary and prudent to do any EESH2 works (or equivalent) to future proof the properties **Option 3a: 'Removal of RAAC Panels and Replace Roof' has been discounted** for the Council house stock at this stage.
- 3.21 *Option 3b: 'Remove RAAC panels and replace roof and refurbish the homes to modern energy efficient standards'* carries significant cost. However the principle of removing the RAAC roof, replacing it with a modern day roof and carrying out refurbishment to meet impending energy efficiency standards has merit. The positives of the option are noted within the Option Appraisal and include the retention of stock, particularly stock that meets family housing requirements. The challenge is determining if it is financially viable, affordable and deliverable. It should also be noted that the properties are in the region of 60 years old and encounter a variety of further challenges in meeting housing

for varying needs standard and there are other design aspects that create challenges.

- 3.22 This option would also create significant challenges for owners in being able to find the funds to undertake roof replacement works as a minimum, but also making contributions to environmental improvements and costs around decanting whilst works are undertaken.

#### **Option 4 (a and b)**

- 3.23 *Option 4a: Demolition Only* would remove the RAAC risk within the shortest timescale and at the lowest cost. It would however also remove the stock altogether which would impact on Housing Revenue Account income and having stock to meet housing demand.
- 3.24 In order to deliver demolition across the entire site it is considered that the majority of owner occupied properties would require to be included in the scheme as there would be significant deliverability issues of alternatives in isolation. It has been accepted that there would need to be detailed negotiation and agreement reached with private owners to deliver this option due to the complexity of the tenure arrangements across the affected area. This said there are some 'pockets', within the wider site where there is no council interest and owners may be able to pursue their own solutions.
- 3.25 This option will create significant issues for owners which are highlighted further within the report as in order to meet 'best value' criteria the council would only be able to offer 'Market value' for properties which will be significantly below the property value prior to the RAAC presence being identified.
- 3.26 Notwithstanding the tenure complexity challenge noted above, *Option 4b: 'Demolition and Building New Homes'* is considered to be a deliverable option, however at the present time, a very significant capital funding investment would be required to deliver it. The principle of re-build and the wider regeneration opportunities it provides has merit when considered in the context of the extensive construction of new homes which has been underway across the city in recent years.
- 3.27 Recognising that only a limited amount of design development has been carried out to date, further feasibility and design development work will be required to provide more detail on this option. This feasibility should involve the local community and involve masterplanning of the site to ensure that any future housing redevelopment of the site was appropriately masterplanned to give due cognisance to the creation of appropriate greenspace, opportunities to create the correct housing mix, a review of tenure mix, housing for varying need requirements for the city and an affordable delivery timetable. Given the potential for mixed use, the scale of the site in terms of units and the funding challenges there may be opportunities to consider the site being delivered in partnership with other housing providers.

## **Recommendations from the Option Appraisal.**

- 3.28 The Option Appraisal concludes that when considering all factors Options 2 and 3a could not be recommended.
- 3.29 The Option Appraisal identifies the highest scoring option from a non-financial basis as the demolition and rebuild of properties. The financial appraisal shows that all options have challenges around affordability to the Housing Revenue Account returning significant negative net present value calculations which would make the options unaffordable.
- 3.30 It is acknowledged that there is not a do-nothing option given the health and safety implications previously highlighted relating to RAAC. As such the recommendation is to progress site assembly and site clearance works in early course whilst further work is taken forward to masterplan the site for future housing development and consider a variety of delivery mechanisms in the context of the long term impact on the financial planning for the Housing Revenue Account.

## **Impact of Preferred Option on Individual Stakeholder Groups**

### **Balnagask Council Tenants**

- 3.31 The programme to rehome Council tenants is well advanced as highlighted within the report. The preferred option will have no additional impact on current tenants at this time.
- 3.32 At the Communities Housing and Public Protection committee on 28th March 2024 - Reinforced Autoclaved Aerated Concrete (RAAC) Update - RES/24/103 The Committee resolved:-
- 3.33 (i) to agree that, in the event that the recommended option arising from the future options appraisal resulted in remedial works to the impacted homes, any existing Council tenant rehomed due to the impact of RAAC, should have first refusal of returning to one of the homes with the remedial works completed that met their housing needs;
- (ii) to agree that, in the event that the recommended option arising from a future options appraisal resulted in demolition of the impacted homes and future rebuilding on the same sites, recognising that this would take several years, any existing Council tenant rehomed due to the impact of RAAC should have first refusal of returning to one of the replacement homes that met their housing needs;
- 3.34 This option is consistent with this recommendation.

3.35 As noted in paragraphs 3.6 – 3.9 the rehoming programme is continuing, however with a decision now being made on the future of the properties there is a need now to progress this at a quicker pace. Officers would advise that if some residents continue to refuse reasonable offers of accommodation, then officers will be required to use legal powers to ensure residents vacate the property. Further advice on next steps are noted within Section 5 of this report.

### **Owners including owner occupiers**

3.36 As highlighted above in order to deliver the preferred option a demolition and redevelopment of the site, properties that are interlinked would have to be acquired from private owners to deliver the option. There is an economy of scale in works being taken forward across the site at the same time and efficiencies from a construction perspective along with complications that derive from works being undertaken around properties that make this the least disruptive option. However some stand-alone property owners may wish to move forward with their own solution.

3.37 It is proposed that Aberdeen City Council will make efforts to purchase all the RAAC affected private properties to ensure ease of demolition delivery and a degree of equity and equality for all homeowners. Initially efforts would be made to acquire properties on a voluntary basis at their current Market Value this reflecting the principles of a compulsory acquisition process.

3.38 It is proposed that Officers;

- Take adequate steps to identify all those with an interest in the properties that the Council are seeking to purchase;
- Communicate with all owners and private tenants in a clear and accessible way and provide information on what owners and private tenants can do to represent their interests and what compensation they may be entitled to;
- Explain why the Council are seeking to purchase the property, when and how the Council intend to carry out demolition works; and
- Help affected homeowners relocate wherever possible.

3.39 Officers recognise that each owner will have their own personal and financial circumstances. However, it is proposed that a future report is brought to Council to advise on the options open to the council to acquire properties compulsorily and what other actions may be required to address the health and safety concerns around the property if owners are unable or unwilling to engage.

3.40 The Council should note that in purchasing properties they would require to demonstrate the principles of best value and accordingly would follow a CPO style process given that this is being considered as part of this report and a further report is likely. As such the Council would offer to meet reasonable professional costs, home loss and disturbance payments if acquiring voluntarily at Market value.

3.41 The Council should also be aware that Market Value would be at the Date of Valuation and any Market Valuation would therefore reflect the presence of

RAAC in the property and the cost of remediation solution. In some circumstance this will be less than the price paid for properties and will create negative equity situations for owners and their mortgage providers. There is no national scheme of support available for owners in these circumstances.

### **Wider Community**

- 3.42 As the project is advanced there are potential impacts on residents in the wider Balnagask area and within the Torry community. As the number of void properties increases the risks around anti-social behaviour and vandalism will need to be carefully managed. A programme is in place to manage properties as they become empty.
- 3.43 This aspect is particularly sensitive to the people who reside in properties which are located in close proximity to the RAAC affected properties. Hence officers are seeking options which may enable a phased methodology for carrying out demolition works of the surrounding RAAC affected properties. This will assist mitigating the risks associated with anti-social behaviour and vandalism.
- 3.44 The reduction in the numbers of people living in the area in the short to medium term will also have a detrimental potential impact on local businesses and well as the healthcare and school facilities in the area.

### **Next Steps**

- 3.45 The Council will continue to engage with key stakeholders, and work to facilitate collaboration, across all stakeholders.

## **4. FINANCIAL IMPLICATIONS**

### **Short Term Funding review and requirements**

- 4.1 Members will recall that at the Urgent Business Committee, held on 29 February 2024, they approved a budget of £3m within the Housing Capital budgets to create an initial budget to address the matters raised at that time, to cover all associated costs including but not limited to, additional staffing costs, specialist consultant fees, contractors costs for access and works, rehoming costs, temporary accommodation, school transport, utilities disconnections/connections and security costs for the wider site.
- 4.2 Following on from the Urgent Business Committee, officers can advise that the current financial position is as follows;

<b>Gross Budget</b>	<b>Spend to Date</b>
<b>£3.0m</b>	<b>£0.81m</b>

- 4.3 Consideration of the above budget with regard to the layers of expenditure envisaged suggests that this does not need to be changed at this time to accommodate the costs for the on-going rehoming programme as intimated in paragraph 4.1.

- 4.4 The report recommends that the initial demolition works should proceed and as intimated in Balnagask RAAC Options Appraisal – 9.2 the indicative cost has been initially estimated to cost £20m-£25m.
- 4.5 Financing the costs involved is challenging and complex, considerations include whether the costs are revenue or capital in nature, where the money will come from and in which Council account the costs should be accounted for.
- 4.6 The costs associated with option 4a, for example, demolition of Council properties and landscaping would be attributable to the Housing Revenue Account, while the careful consideration will have to be given to the purchase of properties from owners, the position is less certain and a judgement will have to be made on how the Council acquires the properties. There are potentially two options, the Housing Revenue Account or the General Fund, acknowledging that retaining the land in the Housing Revenue Account would bring the whole site together for the purposes of the master-planning and future development.
- 4.7 The Council has considered different funding options, and confirmed through the discussions with Scottish Government officials that there is no specific grant funding available to support these costs at this time. The cost is therefore going to be additional to the current budget plans that were approved by Council, whichever Council account is used.
- 4.8 The Council has limited options, that include making use of existing resources, borrowing more for capital expenditure than had been planned provided this is within the Prudential Indicator operational limits, or change / reduce the volume of work and/or services that will be carried out (for example, reducing the delivery of projects from the current capital programme).
- 4.9 With limited uncommitted reserves both in the General Fund and the Housing Revenue Account there is little scope to fund the level of estimated expenditure for the completion of option 4a notwithstanding the need to look ahead to the 'building new homes' element of Option 4b. Therefore Officers have held discussions with the Scottish Government officials on the financial impact of RAAC in terms of what costs mean for the Council and rents, and have concluded that it is important to secure flexibility around how costs could be paid for and over what time scales these could apply to assist the Council to manage the financial implications.
- 4.10 The conclusion of our discussions, mean that Aberdeen City Council officers may request that the Scottish Government consider a statutory dispensation to permit the Council to utilise General Fund income, borrowing and/or other reserves to meet Housing Revenue Account (HRA) RAAC remediation costs. This dispensation would be provided for a specific term, aligned with the remediation option chosen, and would be likely to require the HRA to reimburse

the General Fund / other funds over time. Any repayment obligations would have to be incorporated into the HRA 30-year Business Plan and rent setting reports to Council. Before any such decision could be considered, Ministers would require detailed proposals of the combination of resources to be utilised to meet the RAAC costs, along with adequate assurance of the prudence, affordability and sustainability of the proposal.

- 4.11 Obtaining flexibility would provide the Council with the greatest number of options to meet costs, that are unavoidable. It will be for the Chief Officer - Finance to determine the accounting treatment for any expenditure incurred to address the RAAC situation, taking account of legislation, proper accounting practice, statutory guidance issued by Scottish Ministers, flexibilities proved by Scottish Ministers and, in the event of funding being made available to the Council, how that will be treated.
- 4.12 Recognising that the majority of the cost is likely to arise in future financial years, the proposal is for a sum of £4m to be made available to support the initial expenditure expected in 2024/25. The types of cost that are expected to be met from this sum would include, but not be restricted to, project management, surveys, demolition preparation, project design and masterplanning, property acquisition and associated legal costs.
- 4.13 The Chief Officer – Finance has made an initial judgement that these costs would be met from the Housing Capital Programme budget, and will be reviewed as the project progresses, including engagement with the Council’s external auditor. To minimise the cost of borrowing additional money in the short term, viring this from other Capital Programme budgets is the preferred option. The total cost implications will have to be incorporated into the 30-year HRA Business Plan and 2025/26 Budget reports due to be presented to Council later this year.
- 4.14 The recommendation is to vire £4m from three Capital Programme budgets, as note in the table below:

<b>Approved HRA Capital Programme 24/25</b>	<b>Current Approved Spend 24/25 £'000</b>	<b>New Proposed Spend 24/25 £'000</b>	<b>Vired Amount £'000</b>
Free from Serious Disrepair	23,655	20,715	-2,940
Energy Efficient	14,651	12,746	-1,905
Modern Facilities & Services	15,260	14,625	-635
<b>Total</b>	<b>53,566</b>	<b>48,086</b>	<b>-5,480</b>
27% Slippage Allowance	-14,463	-12,983	-1,480
New: RAAC Remediation Option 4a	0	4,000	4,000
<b>Net Impact</b>	<b>39,103</b>	<b>39,103</b>	<b>0</b>

The figures in the above table includes allowance for slippage as per the approved Housing Capital Programme Budget 2024/25 to 2028/29.

## **5. LEGAL IMPLICATIONS**

### **Option 2 – Install Passive Fail-Safe Support Frame**

- 5.1 The Council will require to complete a title examination of all affected properties to establish the ownership and title position before commencement of any option.
- 5.2 All necessary building regulations and approvals must be obtained before commencing the installation. This includes; Building Warrants, Planning Permissions (where necessary) and compliance with building standards.
- 5.3 Where a property is entirely held in private ownership, the Council may exercise the following statutory powers if required:
- Where the Council consider the house to be sub-standard the Council may, under section 30 of the Housing (Scotland) Act 2006, require the owner to carry out the work necessary to bring it into, or keep it in, a reasonable state of repair.
  - Designate the area as a Housing Renewal Area ('HRA') under the 2006 Act, where it is considered that a significant number of houses in the locality are sub-standard, or where the state of repair of any houses in the locality is adversely affecting the amenity of the locality.
  - Under Sections 28 and 29 of the Building (Scotland) Act 2003, the Council can issue Defective Building Notices requiring owners to rectify defects and Dangerous Building Notices for buildings posing a risk to public safety.

### **Option 3 – Removal of RAAC Panels and replace with a new roof structure**

- 5.4 This option involves legal considerations similar to Option 2 but with additional complexities due to the scope of work, and environmental compliance, ownership and title issues. The legal remedies available to enforce works where agreement cannot be reached with private owners is as outlined at option 2 above. Option 3 specifically involves the disposal of RAAC panels, which may be classified as hazardous waste under the Environmental Protection Act 1990.

### **Option 4a – Demolition only**

- 5.5 Option 4a involves extensive legal considerations, including the need for acquisition of 3<sup>rd</sup> party properties. There are a number of options available to advance this on a compulsory basis including Compulsory Purchase Orders and the designation of a Housing Renewal Area. This will be considered in a future Report to Council during 2024/early 2025.

- 5.6 There was also be further legal advice required in relation to tenant relocation, health and safety compliance, stakeholder consultation, statutory consents, and environmental regulations.
- 5.7 If a HRA action plan is in place the Council, under the provisions of the 2006 Act, can issue a demolition notice in relation to any house within the HRA which the Council considers to be in a state of serious disrepair and ought to be demolished.
- 5.8 If voluntary acquisition of privately owned properties is not feasible the Council may need to initiate CPOs under its statutory powers and in accordance with the Acquisition of Land (Authorisation Procedure) (Scotland) Act 1947. There are significant timescales involved in the making of a CPO, and the taking of title to CPO land.
- 5.9 The Council has statutory obligations under the Housing (Scotland) Act 1987 to rehouse displaced tenants. This includes providing suitable alternative accommodation and financial compensation where appropriate. Where necessary, the Council may also be required to remove tenants from their properties under an eviction order from the Court, in accordance with the relevant statutory provisions. There are statutory obligations placed upon the Council in respect of the provision of alternative housing to owners when exercising CPO powers.
- 5.10 Effective consultation with tenants, private owners, and the community is legally necessary to mitigate disputes and comply with the Council's statutory duties. The consultation process for demolition is likely to be more extensive due to the significant impact on stakeholders.
- 5.11 The demolition process involves significant environmental considerations, including the disposal of debris and hazardous materials in accordance with the Environmental Protection Act 1990

#### **Option 4b – Demolition and Rebuild**

- 5.12 Option 4b involves similar legal considerations as option 4a with additional legal considerations relating to title issues, planning, and procurement in relation to the construction of new houses.
- 5.13 The rebuild phase requires planning permission under the Town and Country Planning (Scotland) Act 1997 and compliance with the Building (Scotland) Act 2003.
- 5.14 All options will require the council to consider its duty to secure best value under the Local Government in Scotland Act 2003.

## 6. ENVIRONMENTAL IMPLICATIONS

6.1 The Option Appraisal consider the Environmental impact of each option.

## 7. RISK

7.1 The primary risk for RAAC panels at Balnagask is whether or not a RAAC panel within the roof of the property will fail.

7.2 When considering the condition of the RAAC panels there are a number of risk factors that need to be examined;

- End bearing;
- Anchorage reinforcement;
- Cut panels;
- Cracking;
- Builder's works / building modifications;
- Water ingress;
- Deflection measurements;
- Adverse or changes in loading;

Further explanation of the above risk factors was contained in Appendices B and C, which were submitted as support documents to the Urgent Business Committee held on 29 February 2024.

7.3 Taking account of the above, the assessment of risk contained within the table below is considered to be consistent with the Council's Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H)  *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
<b>Strategic Risk</b>	Failure of a RAAC panel.	Continue to carry out further surveys to manage risk. Current findings have advised that the council owned void and council owned occupied properties surveyed will require remedial action. To mitigate the risk of failure in occupied properties, affected tenants are being rehomed.	M	Yes

		Communication with all stakeholders and sharing of relevant reports. Updating of the FAQ.		
<b>Compliance</b>	Failure of a RAAC panel.	This is a health and safety issue. As above, affected tenants are being rehomed. A short-term management strategy has been applied to properties containing RAAC panels until such time as the property is decanted.  Communication with all stakeholders and sharing of relevant reports. Updating of the FAQ.  ACC has powers under the Building (Scotland) Act 2003 where there is the potential enforcement in regard to a dangerous and defective building - ACC are acting responsibly following advice of the independent structural engineering advice and are rehoming tenants	L	Yes
	Legal process and housing regulator	Legal advice is being taken at all parts of the process. Officers have written to the Housing Regulator advising them of the impact of the identification of RAAC within our housing stock and the subsequent steps required to manage it, will have on our wider housing performance standards. Officers will have engaged with the Housing Regulator on our proposed approach and will keep them informed around all decisions (as appropriate).  ACC have written to private owners reminding them of their responsibility and shared structural reports.	L	Yes
<b>Operational</b>	Failure of a RAAC panel.	This is a health and safety issue. As above, affected tenants are being rehomed. A short-term management	L	Yes

	Wider pressure on housing stock.	<p>strategy has been applied to properties containing RAAC panels until such time as the property is decanted.</p> <p>Housing team to manage and monitor and report to the Board where there is significant change.</p>	M	Yes
<b>Financial</b>	The current financial burden to mitigate the RAAC impact is currently unknown and still to be quantified.	Work with housing, legal, finance and external advisor teams to understand and address the RAAC impacts and inform the Options Appraisal Report to inform the decision making process of potential future remedial options.	M	No
<b>Reputational</b>	Failure of a RAAC panel.	<p>This is a health and safety issue. As above, affected tenants are being rehomed. A short-term management strategy has been applied to properties containing RAAC panels until such time as the property is decanted.</p> <p>Implement communication and engagement plan.</p>	L	Yes
	Failure to engage effectively with tenants and owners		L	Yes
<b>Environment / Climate</b>	Targeting Net Zero	Mitigating climate risks requirements by ensuring consideration is given to targeting net zero requirements within the forthcoming Options Appraisal report.	L	Yes

## 8. OUTCOMES

- 8.1 The Option Appraisal considers how each option relates to social and economic outputs and this forms part of the appraisal.

<b>Council Delivery Plan 2024</b>	
	<b>Impact of Report</b>
<b>Aberdeen City Council Policy Statement</b>  <u><a href="#">Working in Partnership for Aberdeen</a></u>	The issues arising with the occurrence of RAAC in our housing stock requires us to work collaboratively across clusters to ensure the housing stock is safe and meets the varying needs of our citizens. The goal is to ensure that our current housing stock is fit for the future and brought up to the highest standards where possible.
<u><a href="#">Local Outcome Improvement Plan</a></u>	
Prosperous Economy Stretch Outcomes	The actions from this report will help mitigate the immediate impact on affected tenants ensuring that they are prioritised for rehoming and are supported financially throughout the process but within the capped limits set by current legislation.
Prosperous People Stretch Outcomes	Taking early intervention action as outlined within this report will help mitigate any negative impact on people's physical and mental wellbeing.
Prosperous Place Stretch Outcomes	This report makes recommendations on the viability of the affected housing stock along with any wider implication this may have on the place.
<b>Regional and City Strategies</b>	This report has collated information from various workstreams including stakeholder engagement sessions to inform recommendations to mitigate the occurrence of RAAC in Council housing stock at Balnagask. Future reports and actions will take account of the Regional and City Strategies to formulate any further recommendations.

## 9. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
<b>Integrated Impact Assessment</b>	An Integrated Impact Assessment has been completed and is attached as Appendix B.
<b>Data Protection Impact Assessment</b>	Required and completed.
<b>Other</b>	A screening exercise will be carried out to inform whether an Environmental Impact Assessment is required to inform future works and next steps. This will form part of the masterplanning considerations.

## 10. BACKGROUND PAPERS

- 10.1 Report to Urgent Business Committee on 29 February 2024 - Reinforced Autoclaved Aerated Concrete (RAAC) Update, RES/24/086
- 10.2 Report to Communities, Housing and Public Protection on 30 May 2024 - RAAC Funding Update - May 2024, F&C 24/154
- 10.3 Council on 3 July 2024 (RES/24/204)

## 11. APPENDICES

- A. Aberdeen City Council Balnagask RAAC - Options Appraisal Report
- B. Integrated Impact Assessment

## 12. REPORT AUTHOR CONTACT DETAILS

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