

ABERDEEN CITY COUNCIL
HOUSING REVENUE ACCOUNT
BUDGET 2022/23

APPENDIX 1

Housing Revenue Account		Budget 2021/22 £000's	Out-turn 2021/22 £000's	Budget 2022/23 £000's	Notes
Premises Costs					
1	Rates	84	84	86	
2	Rent	54	54	56	1
3	Repairs and Maintenance	29,964	29,964	30,563	2
4	Maintenance of Grounds	3,509	3,509	3,612	3
5	Gas	700	700	770	4
6	Electricity	3,310	3,310	3,641	4
7	Cleaning Service	442	577	589	5
8	Security Service	210	210	214	6
9	Window Cleaning	27	27	27	
10	Refuse Collection	373	215	380	7
11	Cleaning – Sheltered Housing	625	650	663	8
12	Other Property Costs - Council Tax	308	308	308	9
		39,605	39,607	40,909	
Administration Costs					
Down sizing Grants/Direct Debit					
13	Incentives	102	102	102	10
14	Legal Expenses	193	193	193	
15	Office Tel / Rent	10	10	10	
16	Former Tenants Arrears	4,500	4,500	4,500	11
17	Charges - Services Admin & Management	12,070	12,070	13,411	12
18	General Consultancy	60	60	60	13
19	Training for Front Line Staff	306	200	100	13
20	Benefits Staff	66	66	67	13
21	Charges - Tenants Participation	156	100	100	14
22	Charges for Environmental Health	238	238	243	
		17,701	17,539	18,787	
Supplies & Services					
23	Provision of Meals	192	192	196	15
24	Television Licence	5	5	5	
25	IT Provision	292	292	298	16
		489	489	499	
Agencies					
26	Mediation Service	52	52	53	17
27	Energy Advice	83	83	85	18
28	Disabled Persons Housing Service	41	41	42	13
		176	176	180	
Transfer Payments					
29	Priority Families Service/Housing First	732	732	947	19
30	Loss of Rent - Council Houses	2,246	3,197	3,197	20
31	Loss of Rent - Garages, Parking etc	753	738	738	
32	Loss of Rent - Modernisation Works	345	345	345	
33	CFCR	22,333	23,771	15,974	
		26,409	28,783	21,201	

	Budget 2021/22 £000's	Out-turn 2021/22 £000's	Budget 2022/23 £000's	Notes
Capital Financing Costs				
34 Loans Fund Instalment	2,765	2,349	3,126	
35 Loans Fund Interest	7,530	5,990	11,074	
	10,295	8,339	14,200	21
Expense Total	94,675	94,933	95,775	
38 Ground Rentals	(7)	(7)	(7)	
39 Dwelling Houses Rent Income	(90,557)	(91,091)	(91,924)	22
40 Housing - Heat with Rent Income	(2,215)	(2,206)	(2,215)	23
41 Housing - Garages Rent Income	(1,403)	(1,305)	(1,305)	24
42 Housing - Parking Spaces Rent	(197)	(190)	(190)	24
43 Housing - Insurance Income	(13)	(13)	(13)	25
44 Housing - Other Service Charge	(540)	(540)	(540)	24
45 Legal Expenses	(68)	(68)	(68)	
46 Revenue Balance Interest	(175)	(13)	(13)	26
Income Total	(95,175)	(95,433)	(96,275)	
Net Expenditure	(500)	(500)	(500)	

HOUSING REVENUE ACCOUNT 2022/23 BUDGET

Variance Notes Comparing Draft Budget 2022/23 to Estimated Out-turn 2021/22

Expenditure Movements

1. Rent

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

2. Repairs and Maintenance

The 2021/22 budget has been uplifted by 2%. Annual tenancy inspections are due to commence on 1st April 2022, it is hoped in the long term this may reduce spend on repairs and maintenance

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 2021/22 has been calculated by uplifting the budget by 2%. Further work is to be undertaken to involve the community in the maintenance of land and potential biodiversity, and we are looking to expand resident led inspections of local areas and work with communities to agree work required and encourage an expansion of local ownership of environmental issues.

A potential saving of £60k could be made on this budget by reducing the cuts by 1(General Amenity). Alternatively, instead of cut and collect (sheltered housing etc), they could cut and mulch, saving here could be £60-70k.

4. Gas/Electricity

The Council moved on to the Scottish Government National Procurement for Gas and Electricity Supply on 1 April 2010 with the contract price reviewed on an annual basis. Assumed Gas and Electricity will increase by 10% this will be reviewed.

5. Cleaning Service

This budget is for communal cleaning. The cleaning contract is now carried out by an in house team and is expected to run for 3 years. The contractual value for 2022/23 has been calculated as £589,000 (£577k uplifted by 2%). A review will be undertaken of tenants responsibilities for cleaning, following a pilot project to test a stair cleaning partnership model in council house stock. This is due to be carried out in the early part of 2022.

6. Security Service

The cost of the security included in the budget for 2022/23 is £214,000 and includes the control room team.

7. Refuse Collection

The budget for 2022/23 has been calculated by using the budget for 2021/22 uplifted by 2%.

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 2% 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 2022/23 is maintained at current level.

10. Downsizing Grants/Direct Debit and Void Incentives

There are three schemes within this budget line which are Downsizing grants (£50,000), Direct Debit Incentive (£2,000) and (£50,000) 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 maintained at £4.5M to reflect that there is no decrease in non collection of rent and the higher level of arrears experienced from universal credit claimants. As at the end of November 2021 rent arrears are £12.3m (includes former and current), this has increased through the pandemic and the roll out of Universal Credit. The budget for former tenant arrears is for the write off of uncollectable arrears and any increase in the debt provision. The implementation of the new Housing and Support and Corporate debt models are projected to have a positive impact on both tenancy sustainment and levels of rent arrears experienced, with the consequent impact on former tenant arrears being experienced in future years.

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 2% has been allowed for which is in line with the assumptions contained within the Council's General Fund.

The General Fund budget in 2021/22 include the options of the alignment of % of the Family Support cost to the HRA £1m and review of the recharges from the General Fund £100k.

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 Officer/Assistant Housing Officer to participate in professional staff development programmes with the opportunity of gaining membership of the Chartered Institute of Housing. This has reduced in 2022/23 to reflect the staff will have undertaken training for the new roles and responsibilities.

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 2022/23 to reflect the accumulated 2% 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. The budget has reduced in 2022/23 to reflect the Council are now successfully engaging tenants in different ways. We have reviewed and improved our Tenant Participation strategy, and with over half of our tenants now providing electronic contact details it is easier and more cost effective to engage with them. The implementation of the Housing and Support Officer role will improve local engagement on a regular basis, with officers expected to work more closely with resident groups on issue affecting them, and lead resident led inspections of their areas.

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 2022/23 which includes all the support, maintenance including continued set up costs of Choice Based Letting.

17. Mediation Service

The budget for 2022/23 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 an Intervention Hub 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 2022/23 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 2021/22 forecast outturns these reflect an upward trend in respect of the level of voids due to Aberdeen conditions, such as changes in the private sector rental market and demand for certain types of property. Work to make properties available more quickly following tenancies being vacated is ongoing therefore at this stage the proposed level of voids in 2022/23 is continued in future year. There is no uplift in the value used to calculate the voids due to the rent freeze.

21. Capital Financing Costs

The budget for Capital Financing Costs is based on the likely level of capital spend in 2021/22 (as at the end of November 2021 and a possible future programme for 2022/23 of £182million (Including Craighill, Kincorth Tillydrone, Kaimhill, Auchmill, Cloverhill, Wellheads & Summerhill) and Council House buy backs as well as the level of historic debt that has to be financed.

The capital programme is showing the signs of increasing costs with contracts being let, optimism bias and contingencies are being reviewed based on experience. This has the implication of less works being done for the approved budgets or for higher costs then being funded by the HRA in the future.

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 freeze has stayed static for two years, the CFCR value that can be taken from rents is reducing considerably in 2022/23 and will continue to be eroded if additional income is not secured to support the capital programme.

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, but no rent increase has been applied as there is a rental freeze in 2022/23. As per the Council Rental Policy rent will increase by 4% in 2023/24 and then revert back to 3% annual increases as the Housing Model.

23. Housing – Heat with Rent Income

Heat with Rent will not increase in 2022/23 as per the decision taken in the Council's budget meeting in 2021, however this will result in a cost pressure to the Housing Revenue Account as utility prices are continuing to rise.

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

This budget will remain at current levels as it was agreed at the Budget meeting in March 2021 to freeze these charges for 2022/23.

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 2020/21 and current economic conditions.

Housing Capital Budget 2022/23 to 2024/25						
		2022/23	2023/24	2024/25	2025/26	2026/27
	PROJECT	£'000	£'000	£'000	£'000	£'000
SCOTTISH HOUSING QUALITY STANDARDS						
1 Compliant with the tolerable standard						
1.1	Major Repairs-					
	Errol Place & Errol Street, Gray Court Fabric Repairs	1,590	1817	2,000	7,165	7,001
		1,590	1,817	2,000	7,165	7,001
2 Free from Serious Disrepair						
2.1	<u>Primary Building Elements</u>					
	Structural Repairs Multi Storey	3,737	819	3,439	5417	1585
	Multi Storey - Listing Costs	200	0	0	0	0
	Structural Repairs General Housing	1,180	7,300	7,000	7,000	0
	<u>Secondary Building Elements</u>					
2.2	Upgrading of Flat Roofs General	279	1,130	1,304	125	131
	Upgrading of Flat Roofs General Cottages	941	915	643	310	1,134
2.3	Upgrade Flat Roofs Multi Storey	2,177	1,750	734	-	3,638
2.5	Mono Pitched Types	100	-	-	-	-
2.6	Window Replacement Houses	-	3,002	1,324	3,508	2,959
	Window Replacement Flats	4,245	6,229	4,508	2,433	3,135
	Window Replacement General – Communal	-	422	442	180	123
	Window Replacement - Rosemount Square (flats and communals)	-	1,546	-	-	-
2.7	Window Replacement-Multi Storey (Communal)	-	-	-	60	-
	Window Replacement-Multi Storey (Flats)	-	-	-	1,575	-
		12,859	23,113	19,394	20,608	12,705
3 Energy Efficient						
	<u>Effective Insulation</u>					
3.1	Cavity Wall Insulation	21	22	23	24	24
3.2	General Houses Loft Insulation	100	105	110	115	127
	<u>Efficient Heating</u>					
3.3	Heating Systems Replacement	4,499	5,319	2,553	2,483	3,402
	Heating option appraisal	100	0	0	0	0
	Torry Heat Network	0	2000	4000	0	0
3.5	Energy Efficiency – Major Blocks	430	0	0	0	0
3.6	Energy Efficiency Sheltered	470	493	512	538	564
	<u>Additional Energy Efficiency measures</u>					
3.7	SCARF	35	35	35	35	35
3.8	Solid Wall Insulation	4,000	1,220	1,280	1,340	1,340
3.9	Vestibule Doors	0	0	0	0	0
		9,655	9,194	8,513	4,535	5,492

Housing Capital Budget 2022/23 to 2024/25					
	2022/23	2023/24	2024/25	2025/26	2026/27
PROJECT	£'000	£'000	£'000	£'000	£'000
Modern Facilities & Services					
<u>Bathroom and Kitchen Condition</u>					
4.1 Modernisation Programme – Bathroom	1075	1523	1160	1,756	1048
Modernisation Programme – Kitchen	4,202	5,458	2,901	4,930	10,461
	5,277	6,981	4,061	6,686	11,509
5 Healthy, Safe & Secure					
<u>Healthy</u>					
5.1 Condensation Measures	0	0	0	0	24
<u>Safe</u>					
5.3 Rewiring	1,259	1448	2254	733	183
5.4 Lift Replacement Multi Storey/Major Blocks	2,560	2,010	704	2215	1163
5.5 Smoke Detectors – Common Areas Major Blocks	60	80	124	743	137
Triple head sensor programme	0	0	500	500	500
5.6 Services					
Cyclical maintenance/replacement of the following services	2,425	1180	0	0	0
5.9 Upgrading of Lighting	99	0	0	0	0
<u>Secure</u>					
5.11 Door Entry Systems	161	238	107	172	456
5.12 Replace Door Entry Systems - Major Blocks	546	208	218	229	721
5.13 Other Initiatives FD 60 Doors	1,686	1,402	2,714	451	470
	8,796	6,566	6,621	5,043	3,654
NON SCOTTISH HOUSING QUALITY STANDARDS					
6 Community Plan & LOIP					
6.1 Housing For Varying Needs	100	100	100	100	100
6.2 Community Initiatives	100	1750	1750	1750	1750
6.5 Regeneration/Acquisition of Land or Houses	0	0	0	0	0
6.6 CCTV – Multi Storey	0	0	0	0	50
6.7 Adaptations Disabled	1,000	1,000	1,000	1,000	1,000
6.8 Special Initiatives/Barrier Free Housing	150	150	150	1600	1600
6.9 Housing For Varying Needs- Amenity/Adaptations	250	250	250	250	250
6.1 Housing For Varying Needs- Extra Care/Adaptations	200	200	200	200	200
6.11 Roads/Paths	300	300	300	300	300
6.17 New Build/Formal Council House Buy Back	138,698	69,475	35,358	31,862	0
6.18 Clinterty	2,000	1,810	0	0	0
6.19 206 Union Street	2,000	1,026	0	0	0
6.20 Defibrillators	125	0	0	0	0
	144,923	76,061	39,108	37,062	5,250

Housing Capital Budget 2022/23 to 2024/25					
	2022/23	2023/24	2024/25	2025/26	2026/27
PROJECT	£'000	£'000	£'000	£'000	£'000
8 Service Expenditure					
8.1 Other Departmental Fees	4,783	6,380	5,287	5,874	5,435
	4,783	6,380	5,287	5,874	5,435
Gross Programme	187,883	130,112	84,984	86,973	51,046
Less 11% Slippage	(5,410)	(6,670)	(5,459)	(6,062)	(5,615)
Net Programme	182,473	123,442	79,525	80,911	45,431
Financed by:-					
Borrowing	(131,425)	(98,398)	(54,551)	(62,601)	(31,471)
Other income eg Grants, Affordable Homes Reserve	(35,074)	(10,750)	(10,750)	(6,174)	(3,000)
CFCR	(15,974)	(14,294)	(14,224)	(12,136)	(10,960)
Total Funding	(182,473)	(123,442)	(79,525)	(80,911)	(45,431)

New Housing Investment Programme

The new build programme will cover 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, and Wellheads – Dyce. This programme is further supplemented by an ambitious council house buy-back scheme. Longer terms projects are also being advanced on sites at Grandhome, Greenferns and Greenferns Landwards (Newhills expansion).

To achieve 2,000 homes the following sites and buy-backs have been committed to and the capital funding is included in the Capital Programme:

- Completed the delivery of 179 units at Smithfield and Manor Walk.
- Approximately 190 units have been purchased through the buy back scheme at a cost in excess of £20 million.
- 167 applications for buy backs are pending (awaiting surveys and financial assessment).
- A construction contract for the delivery of 369 units at Summerhill is in place with works well progressed on site but as a consequence of the Covid 19 lockdown the programme has lost time which is under review.
- A Development Agreement for the delivery of 283 units at Wellheads, Dyce is in place with Phase 1 (Block 4) comprising of 67 handed over to ACC on March 2021, Phase 2 (Block 3) 83 units November 21 and Phase 3 (Block 2) 77 units December 21.
- The Council has entered into a Development Agreement with Ogilvie Developments Ltd (Principal Contractor) at Auchmill Road to deliver 92 units with works starting on site in February 2021 and construction of Blocks A and B commenced in March 2021. Block C construction commenced in June 2021.
- The Council has entered into a Development Agreement with Cognito Oak (Principal Contractor) at Cloverhill to deliver 536 units with works starting on site in February 2022.
- The Council has entered into Construction Services Agreements with contractors for Kincorth delivering 212 units, Craighill delivering 99 units, and Tillydrone delivering 70 units, work has commenced on all sites with site set up and enabling works being undertaken. In addition site mobilisation has started at Kaimhill which will deliver 35 units.
- There is significant fluctuation in costs also the availability in materials and labour is being observed across the construction industry. Value engineering is being used in the Council led projects to consider potential options to manage costs. .

Future development opportunities, not yet included in the capital programme:

- RIBA stage 4 review (design stage) has now been completed for a site located within the Grandhome Masterplan which will deliver 95 units, an analysis of the review is ongoing.
- RIBA stage 2 has been reached for Greenferns and Greenferns Landward Masterplan areas which could accommodate further development.

Net Carbon Zero

The following infrastructure projects are set out to be delivered for Council Housing under the categories Net Carbon Zero – Public Sector, Net Carbon Zero – City and Climate Positive City –

- Central District Heating for Council Housing
- Retrofitting of existing housing stock
- New build of 2,000 houses to gold standard