



Housing Revenue Account Business Plan 2025-2055



Contents	Page
1. Executive Summary	
1.1 Introduction	4
1.4 Business Plan Conclusions	4
2. Strategic Context	
2.1 Local Outcome Improvement Plan	5
2.7 Local Development Plan	6
2.8 Local Housing Strategy	6
2.10 Strategic Housing Investment Plan (SHIP)	6
2.16 Market Position Statement	7
2.17 Empty Homes Officers	8
2.18 Population & Household Change	8
2.20 Household Income	8
2.21 Benefits	8
2.22 Scottish Index of Multiple Deprivation	8
3. Demand	
3.1 Private Rented Sector	9
3.2 Aberdeen City Council Waiting Lists	9
4. Regulatory Framework	
4.1 Scottish Government	10
4.6 Scottish Housing Regulator	10
5. Aberdeen City Council Governance	
5.1 Housing Board	11
5.4 Housing Emergency	11
6. Objectives and Strategic Links	
6.1 Objectives	12
6.2 Strategic Links	12
6.3 TOM 1.2 Organisational Structure Update	12
7. Service Assessment	
7.1 Asset Management	13
7.6 Repairs	13
7.11 Minimum Letting Standard	15
7.14 Voids	15
7.12 Income Collection/Arrears	16
7.24 Rent Setting/Cost of living crisis	16
7.26 Reinforced Autoclaved Aerated Concrete (RAAC)	19
7.33 City Centre Multi's	19
7.36 Complex Care	20
7.37 Management Costs	20
7.40 Choice Based Letting (CBL)	21
7.46 Tenant Participation and Consultation	22

8.	Financial Strategy	
8.1	Introduction	22
8.5	30-year Position	23
8.6	Stock Valuation	24
8.7	Rent Income	23
8.18	Rent increases 21/22, 22/23, 23/24 and 24/25	27
8.20	Use of Reserves	28
8.22	Borrowing	28
8.27	Debt Profile and Investments	30
9.	Asset Investment	
9.1	Housing Capital 2024/25 achievements	30
9.2	New Affordable House Building	31
9.4	Craighill	31
9.7	Kincorth	31
9.9	Cloverhill	32
9.10	Complex Care	32
9	Risk Assessment	
10.1	Financial Risks	32
10.4	Rental increases to sustain the long term future of the HRA	35
11.	HRA Financial Plan Assumptions	
11.1	Inflation	37
11.3	HRA Costs	37
11.4	Stock Profile	38
11.5	Component Replacement	39

1. Executive Summary

Introduction

- 1.1 This document sets out Aberdeen City Council's plans for managing and maintaining its housing stock of over 23,258 (as of 31 March 2024, this may include those RAAC properties which were not taken off the charge at this date) rented properties held in the Housing Revenue Account (HRA). It captures the financial framework within which the fund will be managed to ensure maximum value is achieved throughout the projected thirty year cycle.
- 1.2 Its fundamental purpose is therefore to demonstrate and ensure the efficient use of the Council's housing assets and rental income, and how we will ensure high quality customer services for tenants. The Business Plan is designed to set out the strategic goals of the Council's Housing Service and measure progress toward achieving these goals. It provides a realistic appraisal of how these strategic goals will be achieved within the limitations of available funding and the predicted economic climate. The Local Housing Strategy and Housing Asset Management Plan are currently being refreshed which may mean the Business Plan may require further refining as these documents are finalised.
- 1.3 The Business Plan details the following:
 - the context of the national, regional, and local factors affecting our provision of housing stock.
 - the vision and core objectives of our housing management plans that are linked to the strategic aims of the Local Outcome Improvement Plan (LOIP) and other strategies and policies affecting our service.
 - an assessment of our housing management and maintenance in terms of asset management, our service performance and tenant participation. .
 - our financial plans to provide a realistic assessment of our potential to meet our objectives within the limitations of funding available.
 - our improvement plans and actions to work towards meeting our vision and core objectives.

Business Plan Conclusions

- 1.4 The HRA cannot demonstrate that there is financial viability over the 30-year life of the Business Plan without rents increasing by 10% in the short term, or a reduced increase in rents paired with changes to the rent value criteria, for example introducing a change to differences in rents between properties and a new build premium.
- 1.5 Service improvements are required in such areas as Repairs and Maintenance, Voids and Debt Management and Tenancy Sustainment to ensure the long-term viability is achieved.
- 1.6 The financial modelling enables the Council to be clear that the financial demands on the HRA over the short to medium term are the maintenance of the existing Housing stock, managing debt and maintaining reasonable rent increases. All new build requires additional borrowing as funding from Scottish Government and/or Council Tax 2nd home Funding/Developer Obligations will only cover a proportion of the total costs. In order to

meet capital investment requirements around being affordable, sustainable and prudent, the scope for new build projects needs to be developed in light of these requirements.

- 1.7 The reduction in funding for the affordable housing supply programme has had serious implications for the Business Plan. Phases 5 to 8 at Cloverhill are currently unfunded through the affordable housing supply programme, with no certainty around funding for future years being available at the time of writing the Business Plan. This means the financial affordability test cannot be met.
- 1.8 The Business Plan reflects the impact of recent higher than forecast pay, price and construction inflation alongside the continuation of capital investment to upgrade and improve the housing stock. The Plan will be reviewed annually and will be updated to reflect the Housing Asset Management Plan that is due to be completed in 2025, which will underpin cost projections for financial year 2026/27 and beyond. This will be reported to the Council through the HRA budget process.

2. Strategic Context

Local Outcome Improvement Plan

- 2.1 Community Planning Aberdeen recently undertook a review of the Local Outcome Improvement Plan (LOIP) to ensure it remained relevant and focussed on priority outcomes. This was the third refresh of the LOIP since it was first published in 2016.
- 2.2 The refresh included a new Stretch Outcome 12 introduced to reduce homelessness and ensure a multi-agency response to the new Housing Bill published on 27 March 2024. This stretch outcome is subject to change as a result of further work taking place with the Royal Foundation as part of the Homewards Aberdeen Coalition. Contained in the refresh are the following stretch outcomes which are relevant to Housing:

Economy

- 2.3 Stretch Outcome 1: 20% reduction in the percentage of people who report they have been worried they would not have enough food to eat and/or not be able to heat their home by 2026.

The housing capital programme delivers a range of works to improve stock condition and energy efficiency including loft insulation improvements, replacing old/obsolete boilers with modern more efficient equivalents, external wall insulation, heat pumps and photo voltaic panels all enhancing the energy efficient of homes which will assist tenants with affordable warmth. In addition the HRA Budget in 2024/25 introduced a Pilot Rent Assistance Fund the aim of which is to assist Council tenants facing financial hardship and the HRA funds SCARF to support tenants with heating and other energy requirements..

People (Adults)

- 2.4 Stretch Outcome 10: Healthy life expectancy (time lived in good health) is five years longer by 2026. The health outcomes for older people, people living with long-term conditions and people with disabilities is enhanced by the provision of accessible and adapted properties.

The Strategic Housing Investment Plan includes a wheelchair accessible target of 15% of all new build affordable properties. The council's new build programme has delivered new wheelchair and accessible properties in excess of this target. The HRA commits over £1 million per annum to allow adaptations to tenants homes to meet their changing requirements.

- 2.5 Stretch Outcome 12: Reduce homelessness by 10% and youth homelessness by 6% by 2026, ensuring it is rare, brief and non-recurring with a longer term ambition to end homelessness in Aberdeen City.

The Council has a statutory duty to house those who are homeless or at risk of homelessness, with the Council's housing stock playing a key role in providing accommodation.

Place

- 2.6 Stretch Outcome 13: Addressing climate change by reducing Aberdeen's carbon emissions by at least 61% by 2026 and adapting to the impacts of our changing climate.

The council new build homes are some of the most energy efficient homes in Aberdeen which will contribute to addressing climate change along with continued investment in energy efficiency measures.

Local Development Plan

- 2.7 The Aberdeen Local Development Plan (LDP) identifies a range of sites across the city to deliver both mainstream and affordable housing and includes policies to promote affto build HRA properties however we must prove further new build properties are affordable and sustainable.

Local Housing Strategy

- 2.8 The Aberdeen City Local Housing Strategy (LHS) is currently being refreshed and due for implementation in 2025. The Local Housing Strategy provides the strategic direction to respond to housing need and demand and informs the future investment in housing and housing related services across the city. The LHS identified an affordable housing target of 342 homes per year in 2018/19 and 2019/20 and 385 per year in 2020/21, 2021/22 and 2022/23. These targets were exceeded each year of the LHS.
- 2.9 Work has started on the new updated LHS which will be drafted in 2024. Revised housing supply targets will form part of the refreshed LHS based on housing need and demand.

Strategic Housing Investment Plan

- 2.10 The core purpose of the Strategic Housing Investment Plan (SHIP) is to set out strategic investment priorities for affordable housing over a 5-year period to achieve the outcomes set out in the Local Housing Strategy (LHS). The SHIP reinforces the local authority as the strategic housing authority and details how investment priorities will be delivered.

2.11 The SHIP should:

- Set out the investment priorities for affordable housing
- Demonstrate how these will be delivered
- Identify the resources required to deliver these priorities
- Enable the involvement of key partners.

2.12 The SHIP 2024 – 2029 has the potential to provide up to 2,814 new affordable homes which will deliver significantly more units than are suggested in the affordable housing supply targets identified in the Local Housing Strategy. This would significantly help meet housing need and demand across the city, however, the affordable housing supply programme budget has been reduced by 24% in 2024/25, with no certainty around funding in future years. Papers issued by COSLA suggest that the revised resource planning assumptions are to be 80/60/40% of the 2024/25 level. This will have a significant impact on the Council's ability to deliver affordable homes across the city.

2024/25	2025/26 (80%)	2026/27 (60%)	2027/28 (40%)
12.133	9.706	7.280	4.853

2.13 Assuming that each property attracts in the region of £100k per unit in grant, this will mean that around 97 homes could be delivered in 2025/26, 72 homes in 2026/27 and 48 in 2027/28. When compared to waiting list figures for council housing and 806 affordable completions in 2023/24, this reduction will have significant and far-reaching implications.

2.14 Aberdeen City Council's new build programme has attracted grant for all developments apart from phases 3A, 4A, 5, 5A, 6, 7, 8 at Cloverhill. Currently no grant funding is earmarked for these phases which has significant implications for the HRA.

Phase 5 – 58 homes to be delivered in Summer 2025

Phase 6 – 70 homes to be delivered in Winter 2025

Phase 7 – 30 homes to be delivered in Summer 2026

Phase 8 – 23 homes to be delivered in Autumn 2026

Phase 3A – 45 homes to be delivered in Autumn 2024

Phase 4A – 37 homes to be delivered in Winter 2025

Phase 5A – 34 homes to be delivered in Summer 2026

2.15 Should this funding not be delivered it will create approximately an £18m deficit to the HRA.

Market Position Statement

2.16 Aberdeen City Health and Social Care Partnership produced a [Market Position Statement](#) in 2022 for people with complex care needs. This highlights the requirement for 30 homes, rising to almost 80 by 2028. 10 homes are currently being built at Stoneywood at a cost of circa £4.7m. Significant investment is still required for this type

of accommodation and will require discussions with Aberdeen City Health and Social Partnership on how to fund this work as there is a premium on construction and operating costs to meet the needs of the people who require this type of accommodation. The reductions to the affordable housing supply programme will have significant impacts on how to deliver these types of homes.

Empty Homes Officers

2.17 A full-time Empty Homes Officer has been in post since November 2018 to reflect the changing requirements of empty homes across the city and to ensure empty homes are brought back into use. A second full-time Empty Homes Officer was recruited in February 2023. The Empty Homes Officers work with owners to bring empty properties back into use. Since the post was created, over 700 empty properties have been brought back into use. Work is ongoing with landlords and letting agents across the city to “match” people from housing waiting lists with owners/letting agents of empty properties through the council’s Matchmake to Rent Scheme.

Population & Household Change

2.18 Following the oil price reduction in 2014, 2015-2018 saw a reversal in the rate of positive in-migration to the city, with more recent signs of recovery. However, these trends have influenced future household projections. The number of households is projected to increase by 3% in Aberdeen City over the next decade.

2.19 In Aberdeen City the largest projected increase is in single adult households (+4.4%). The largest percentage increases are in older households, particularly those aged 75+, with projected increases of 18.8%.

Household Income

2.20 The OBR¹ forecasts that real household disposable income per person—a measure of real living standards—2022-23 remains the fiscal year with the largest year-on-year drop in living standards since ONS records began in the 1950s. However, the OBR now forecasts real household disposable income per person to recover its pre-pandemic peak by 2025-26. Median income is currently below that of Edinburgh and Glasgow but above Dundee, where Aberdeen previously had the highest median income in Scotland.

Benefits

2.21 Claimant count provides data on individuals receiving out of work benefit. In Aberdeen City this had risen from 4,165 individuals in March 2020 to 9,295 by years end. Since February 2021, numbers have decreased and from June 2022 have remained around 5,200 which is still higher than pre-covid levels. Aberdeen City has 11th highest rate of claimant count receipt as a proportion of working age population of the 32 Scottish local authorities.

Scottish Index of Multiple Deprivation

2.22 The Scottish Index of Multiple Deprivation is a relative measure of deprivation across 6,976 small areas (called data zones). If an area is identified as ‘deprived’, this can relate to people having a low income but it can also mean fewer resources or opportunities. SIMD looks at the extent to which an area is deprived across seven domains: income, employment, education, health, access to services, crime and housing.

¹ [OBR, March 2024, Economics and Fiscal Outlook](#)

- 2.23 SIMD is the Scottish Government's standard approach to identify areas of multiple deprivation in Scotland. It can help improve understanding about the outcomes and circumstances of people living in the most deprived areas in Scotland. It can also allow effective targeting of policies and funding where the aim is to wholly or partly tackle or take account of area concentrations of multiple deprivation.
- 2.24 SIMD ranks data zones from most deprived (ranked 1) to least deprived (ranked 6,976). People using SIMD will often focus on the data zones below a certain rank, for example, the 5%, 10%, 15% or 20% most deprived data zones in Scotland. SIMD is an area-based measure of relative deprivation: not every person in a highly deprived area will themselves be experiencing high levels of deprivation. According to the SIMD 2020 results, Aberdeen City saw an increase in deprivation levels compared to previous years. In Aberdeen, several data zones are among the most deprived in Scotland. The SIMD ranks areas based on factors such as income, employment, health, education, access to services, crime, and housing.

3. Demand

Private Rented Sector

- 3.1 Aberdeen Quarter 2 2024 Citylets report detailed below shows that Private Rented Sector (PRS) rents have increased by 6.1% in the last 12 months. The table below shows the annual change, along with 5 and 10 year changes and whilst rents are still lower than they were 10 years ago, they are still unaffordable for many people, particularly those who require 3+ bedrooms or more. This results in demand for social housing increasing due to unaffordable rents in other tenures of housing.

Beds	Monthly Average Rent	Rent Change 1yr	Rent Change 5yrs	Rent Change 10 yrs	Average Time To Let (TTL) (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£553	5.1%	21.5%	-18.9%	27	2	17%	65%
2 bed	£800	7.1%	21.0%	-21.3%	28	3	14%	66%
3 bed	£1,177	5.2%	15.2%	-21.8%	33	2	8%	58%
4 bed	£1,703	2.9%	14.6%	-17.1%	29	-7	12%	63%
All	£886	6.1%	20.7%	-18.3%	28	2	14%	64%

Aberdeen City Council Waiting Lists

- 3.2 As at August 2024 there are 5,841 applicants waiting for housing, including around 520 homeless households. 2,123 properties were let in 2023/24 and 809 properties have been let to end of August 2024. The number of lets will be higher than usual due to the new build programme.
- 3.3 Demand as at August 2024 for each size of property from those on the housing lists is illustrated in the table below. A number of applicants may appear twice in the table below as they may be on more than one list.

- 3.4 Housing need is defined by three main principles; homeless persons and persons threatened with homelessness; people who are living under unsatisfactory housing conditions; and tenants of houses which are held by a social landlord, which the social landlord selecting its tenants considers to be underoccupied.

Housing Demand at 05 August 2024			
Bedroom Size	Total Housing Need	Without Housing Need	Total
1	2,433	954	3,377
2	531	840	1,371
3	580	295	875
4	198	20	218
Total	3,732	2,109	5,841

4. Regulatory Framework

Scottish Government

- 4.1 The Scottish Government introduced the Scottish Social Housing Charter to help improve the quality and value of the services that social landlords provide and to support the Government's long-term aims. Also the guidance within the [Scottish Government Guidance on Operation of Local Authority Housing Revenue Account](#) brings together in one place, the role of the HRA, how it must operate, who the resources contained within it are meant to benefit and what outcomes can be expected from those resources.
- 4.2 The Scottish Government published in March 2021 - [Housing to 2040](#), which is Scotland's first long-term national housing strategy with a vision for what housing should look like and how it will be provided to the people of Scotland, no matter where they live and what point in their life they are at.
- 4.3 It was recognised that Scottish Government cannot deliver the ambitions in Housing to 2040 alone and they state they will work with local authorities, housing providers, landlords and the construction and house building sectors to do this.
- 4.4 This vision aims to put housing firmly at the centre of other objectives for people in Scotland, such as tackling poverty and inequality, creating and supporting jobs, ensuring that energy efficiency and fuel poverty targets are met, along with tackling the climate emergency, and making sure there are connected, successful communities to live in.
- 4.5 The Scottish Government's [Heat in Buildings Strategy](#), published on 07 October 2021, outlines a pathway to net-zero emission homes and buildings by 2045. A Social Housing Net Zero fund has been established to assist social landlords.
- All homes must be at least EPC band C by 2033.
 - All social housing must be at least EPC B by 2032.
 - All homes that use high emission oil, LPG and solid fuels have to convert to zero emissions heating by 2030.

Scottish Housing Regulator

- 4.6 The Scottish Housing Regulator (SHR) regulates registered social landlords (RSLs) and the landlord and homelessness services of local authorities. It is an executive agency of

the Scottish Government and it exercises independently the regulatory powers of Scottish Ministers. Its overall purpose is regulating to protect the interests of tenants, people who are homeless, and others who use social landlords' services.

4.7 Scottish Housing Regulator for both local authorities and RSLs, monitor, assess, report and intervene (as appropriate) on their performance of housing activities. This means how they deliver housing services to:

- Tenants;
- People who are homeless;
- Gypsy/Travellers who use official sites provided by these landlords; and
- Owners in factored buildings.

4.8 The Scottish Housing Regulator has an established Regulatory Framework relating to housing services' performance. The Regulatory Framework includes the need for social landlords to:

- Submit an Annual Return against the Charter (ARC) in May of each year
- Publish an Annual Assurance Statement (AAS) by the end of October of each year and make it available to tenants and other service users
- Undertake a Customer Satisfaction Survey at least every three years
- Notify the Regulator in year of any material changes to the assurance in its Annual Assurance Statement.

Aberdeen City Council Governance

Housing Board

5.1 A Housing Board has been established by senior officers to oversees progress in housing outcomes. The Board has agreed an agile High Level Plan to guide focus on areas of vulnerability identified. Significant time is currently being invested in establishing the data architecture that is required to enable more effective real time monitoring, this will better enable the Council to take more timeous action based on emerging trends.

5.2 The needs of tenants continue to change, needs are far more complex now than pre-pandemic. Mental health needs are particularly prevalent. Given the changing landscape, it is of critical importance that we evaluate the impact of our current arrangements to ensure that our approaches best meet the needs of our tenants today. Several evaluations are currently being prepared to support our decision making. As a result, the Housing Board Plan is subject to regular review and each completed evaluation triggers a review of the Plan.

5.3 Progress against the Housing Board Plan is reported in detailed bi-annual Housing Board reports to the Communities, Housing and Public Protection Committee.

Housing Emergency

5.4 Communities, Housing and Public Protection Committee on 05 September 2024 agreed that Aberdeen City Council are in a housing emergency, the following recommendations were agreed:

1. Commits to the creation and implementation of a Housing Emergency Action Plan, through the work of the Housing Board, which will be refreshed and reported bi-annually to the Communities, Housing and Public Protection Committee – this

- Action Plan will draw together ongoing work, existing strategies and council teams, aligning these behind the shared goal of tackling the housing emergency;
2. Recommends to Council to establish a cross-party working group to monitor the progress of the Housing Emergency Action Plan, to be chaired by the Convener of the Communities, Housing and Public Protection Committee;
 3. Will take a human rights-based approach to delivering the Action Plan, embedding participation, accountability, non-discrimination and empowerment into the process; and
 4. Commits to working with communities, individuals with lived experience of the housing emergency, and internal and external partners to deliver the Action Plan and develop solutions to the housing emergency.

Objectives and Strategic Links

Objectives

- 6.1 The objective for housing management is:

To operate a sustainable HRA into the future that provides fair, accessible and high quality services to be delivered to our tenants and applicants at an affordable cost, demonstrating value for money while improving our staff experience, citizen experience and use of resources.

Strategic Links

- 6.2 The Business Plan aims to align corporate and service strategic documents to demonstrate how the service will operate into the future and to continue to provide services that meet the core objectives set out above.

TOM 1.2 Organisational Structure Update

- 6.3 The Council on 07 February 2024 approved TOM 1.2 Organisation Structure, this made changes at Director and Chief Officer level. This impacts on the Housing Revenue as a result of the creation of the Families and Communities Function. This function leads the development and delivery of a Family Support Model to enable delivery of The Promise and closer multi-disciplinary working at locality and neighbourhood level. It will provide vision, leadership, strategic direction and professional advice to enable successful delivery the council's and Community Planning Partnership's priorities for children, families and our communities. The function will facilitate multi-agency working at the most local level to support children and families; and ensure readiness and effective implementation of anticipated reforms to further strengthen the model of Family Support. The function comprises of Education & Lifelong Learning, Children's Social Work & Family Support, Corporate Landlord, and Housing. The function will ensure that services are delivered in an integrated manner to achieve better outcomes for people in Aberdeen City, within the framework of statutory responsibilities and consistent with the Council's strategic objectives.
- 6.4 Within this function the role of Chief Officer – Housing was created in TOM 1.2, the Housing cluster delivers housing strategy and services for families and aims to reduce inequalities by taking account of what we know about the wider determinates of good health. It has a key role in understanding community need, increasing community capacity and resilience, and working with partners to tackle the cause rather than the consequences of failure demand.

Service Assessment

Asset Management

- 7.1 Aberdeen City Council's ambition is to deliver a housing asset base which is sustainable, in good condition and meets housing need and demand through evidence based decision making and will be achieved through the creation of an Integrated Asset Management model which is being developed in conjunction with Arneil Johnston with a completion date of December 2024.
- 7.2 This means this refresh of the 30 Year HRA Business plan includes capital spend based on the REM life of the current assets no account has been taken of the City Centre Multi Storey review or the potential rebuild of the properties on the demolished site of the RAAC properties.
- 7.3 The 5 Steps to developing an integrated asset management model:
1. Define, measure & classify assets
 2. Identify asset performance measures
 3. Establish an asset scoring system
 4. Scrutinise asset performance outcomes
 5. Appraise options to inform future investment decisions
- 7.4 An asset scoring system will be established by and outcome system: Red/Amber/Green traffic lights applied to each asset group to define the most sustainable assets. The investment options will be –
- Status Quo
 - Remodel asset/accommodation type
 - Change of use
 - Implement interventions for reducing management costs and improving efficiency
 - Change of tenure
 - Demolition
 - Demolition/New Build
 - Disposal/Market sale
- 7.5 The Integrated Asset Management plan will be incorporated in the HRA Business Plan in 2026/27 refresh.

Repairs

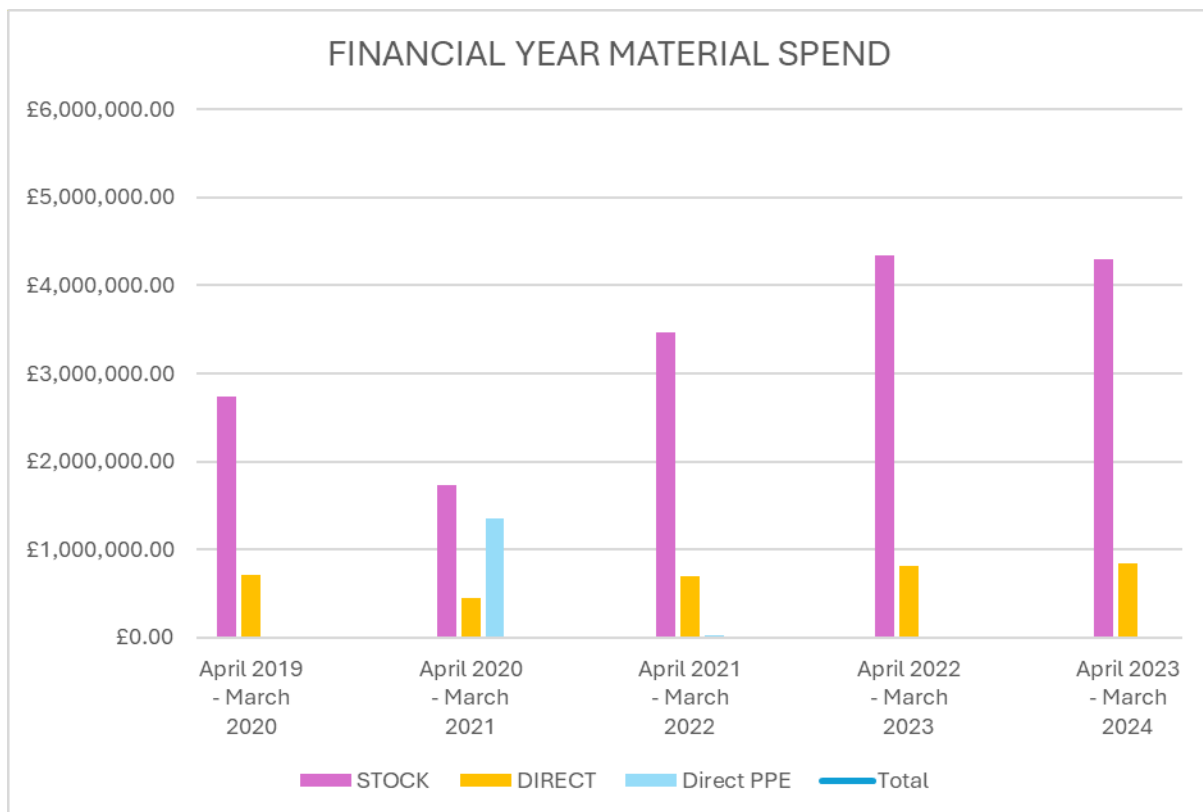
- 7.6 The cost of repairs has increased significantly as you will see from the table below, this is a challenge felt by many other local authorities due to the level of price and wage increases over the last few years triggered by inflation, COVID, BREXIT and the Ukraine war.

Spend over 5 years Repairs & Maintenance				
2023/24	2022/23	2022/21	2020/21	2019/20
£'000	£'000	£'000	£'000	£'000
43,855	36,194	30,383	27,159	26,105

7.7 Ignoring the voids repairs in 2019/20 and 2020/21 due to the way they were recorded this shows that the number of emergency and non-emergency repairs have fallen which implies that the reason for the increase is the cost is pay and material prices below.

Craft Workers - Pay Increases	
	%
23/24	7.59
22/23	8.04
21/22	3.64
20/21	3.00
19/20	2.95

7.8 In total 25.22% increase on pay for craft workers, with a potential pay award in 2023/24 of 4.2% for craft workers.



This graph shows the cost of stock materials has increased from 2019/20.

- 7.9 The Business Plan currently assumes there will be no reduction in repairs and maintenance with an annual increase of 5% each year to reflect pay and material increases. A cost reduction could be achieved by the reintroduction of Planned Maintenance, a report was presented to Communities, Housing and Public Protection on 5 September 2023 regarding a [Planned Maintenance Pilot Project](#) this detailed proposals for the re-introduction of a planned preventative maintenance programme for the Council's housing stock and to proposed a pilot scheme for such a programme in the Lang Stracht area of the city.
- 7.10 Planned Maintenance is a proactive approach to maintenance which will achieve long term cost savings across both revenue and capital budgets. However, this practise has been reduced significantly within the Council's housing stock for a significant period of time, re-establishing the process will have a significant short term resource and cost pressure on the Housing Revenue Account. The need to divert resource from other areas to focus on the RAAC rehousing programme has led to delays in re-introducing a more comprehensive planned maintenance programme will be progressed through 24/25. A pilot project is currently being progressed.

Minimum Letting Standard

- 7.11 Changes to the Minimum Letting Standard (MLS) was introduced in January 2022 as part of a review of Housing performance through the Housing Improvement Group. The previous policy was approved in 2015 and made a significant reduction from previous standards to try and improve void periods. A number of high level reasons drove this review in particular the following issues had been highlighted within the Housing Improvement Group, the main ones being the high number of refusals for properties and abortive offers being made, properties being returned in very poor condition and the introduction of Choice Based Letting and the requirement to include internal photographs.
- 7.12 The enhanced standards introduced in 2022 included the painting of internal walls and woodwork, floor coverings, and undertaking some capital and repair works during the void period and ensuring the external condition of the property is to a certain level. This was to address access and refusal issues whilst properties were occupied.
- 7.13 A review is currently ongoing of the Minimum Letting Standard, to ensure it is a proportionate response to refusals and the other issues highlighted and whether this standard is affordable given the rising repairs and maintenance costs and the levels of void rental income. This will include reviewing the levels of decoration and the condition of properties handed back. The outcome of this review will be reported to Communities, Housing and Public Protection Committee on 21 November in the Housing Board Bi Annual Report.

Voids

- 7.14 The level of Voids remains a challenge for ACC in both monetary and numbers and continues to be influenced by high numbers of stock churn (864 properties returned between April and August 2024), contractors and trades availability, rising construction costs, requirements to address refused capital works during void periods, pressure on voids process from buy back properties, scale of works required to individual properties

prior to re-let. As at 14/08/24 the number of voids is 2,244 (this includes a number of properties which are available for let but are held for Ukraine refugees and those affected by RAAC), the table below provides an analysis of the property type and the number of bedrooms. The new build programme has added over 1,000 new properties to the stock. At any one time there will be in excess of 200 properties under offer.

Property Type	No of Bedrooms					Total
	0	1	2	3	4	
Amenity Cottage	16	80	1			97
Amenity Flat		11	1			12
Amenity Multi-Storey Flat		19	6			25
Cottage	1	11	62	97	11	182
Flat	137	490	411	99	7	1,144
Four In Block		78	71	27	1	177
Maisonette			42	12		54
Multi-Storey Flat	2	66	135			203
Multi-Storey Maisonette			51			51
Sheltered Cottage		18				18
Sheltered Flat	3	53	3			59
Sheltered Multi-Storey Flat		61	15			76
Split Level Cottage				51	10	61
Split Level Flat		70				70
Very Sheltered Flat		14	1			15
Grand Total	159	971	799	286	29	2,244

7.15 Cost of the void rent loss in 2023/24 was £7.8m this was a significant increase from £5.2m in 2022/23, this has continued in 2024/25 as at 30 August 24 rent loss was £3.9m

7.16 The information below was taken from the Scottish Housing Regulator Charter Indicators and data for 2023/24, you will see Aberdeen City Council has the highest % of rent due lost through empty properties out of all the Scottish Local Authorities who have HRA properties.

Financial Year 23/24 Local authority	18 - Percentage of rent due lost through empty properties
Aberdeen City Council	7.91
Dundee City Council	2.16
City of Edinburgh Council	1.97
Stirling Council	1.52

7.17 the voids process is under review and a number of improvement activities are underway to better understand and improve the situation. This includes:-

- Engaging with external contractors to undertake works
- Set aside voids where there are significant repair works (time or cost) aligned with demand.
- Review of minimum letting standard
- Review of capital improvement works undertaken during void period

- Prioritisation of work to void properties in areas where demand is highest
- Evaluation of Choice based letting and prioritisation of improvement activity
- Investment in digitised voids management system reflecting streamlined approval process.
- Pause of buy back process

Income Collection/Arrears

7.18 The in year rent collection rate for Aberdeen City Council in 2023/24 was 97%. This means a small proportion of rent remains uncollected annually. Gross rent arrears are as shown in the table below at £18.25 Million. The information below was taken from the Scottish Housing Regulator Charter Indicators and data for 2023/24, you will see Aberdeen City Council has the highest % of gross rent arrears of rent due out of all the Scottish Cities Local Authorities who have HRA properties. These figures represent former tenancy arrears and rent due from existing tenants, i.e. arrears that have arisen over a number of years.

Financial Year 23/24	27 - Percentage gross rent arrears of rent due
Aberdeen City Council	18.25
City of Edinburgh Council	13.85
Dundee City Council	10.70
Stirling Council	9.35

7.19 We have recognised the need to address the level of tenancy arrears and a number of processes have been put in place in order to improve this position. This includes, enhancing tenancy support through a new combined Housing & Support Officer role and the establishment of a Corporate Debt Specialist Debt Recovery Team which includes the recovery of Rent Arrears. As part of the creation of these new teams/roles the recovery policies and procedures have been reviewed and benchmarked via the Local Authority Rent Forum. Digital Case Conferencing has been introduced at targeted stages through the recovery process to ensure stakeholders are involved in the decision making. There has been improved contact with tenants for whom English is not their first language and increased and targeted communications around rent payment.

7.20 There are further changes planned, these include:

- Review and improve our pre-tenancy and early tenancy support to tenants to set them up to succeed. This includes having a Financial Assessment as part of the Tenancy Sign Up process. Ensuring Universal Credit is up to date as appropriate. Making Direct Debits mandatory at sign up where the tenant has a bank account. Introducing Quality Assurance for Housing and Support functions.
- Undertaking a Direct Debit campaign
- Review the Write Off process and benchmark with other councils.
- Review the Housing Support Model to include twilight working and increase contact and maximising early engagement opportunities.

7.21 Former Tenancy Arrears have increased from £4.7m 2022/23 to £6.1m in 2023/24. Sheriff Officers are now being engaged to support the recovery of unpaid debts, the first part of this process being assessing the likelihood of recovery, with the intention of improving the overall rent collection position. Benchmarking information within the

Council's 'family group' identifies and average debt write off rate in the region of 30% over the last 5 year period compared with a rate of below 10% by Aberdeen City Council. As such the overall rent arrears position should be viewed in this context.

7.22 In addition, on 14 December 2023 Council approved the creation of a £500k Rent Assistance Fund (RAF) pilot as part of the HRA Budget 2024/25. The Pilot was requested to respond positively to tenants who, through no fault of their own, have difficulty in meeting all of their rental obligations. The aim of the Pilot Rent Assistance Fund is therefore to assist Council tenants facing financial hardship where it has been identified that their tenancies may be at risk. The criteria and management of this fund is detail in the report 'Rent Assistance Fund 2024/25' to Communities, Housing and Public Protection Committee report on 28 March 2024 ([Rent Assistance Fund](#)). The evaluation covering the full 12 months of the pilot will be presented to the Communities, Housing and Public Protection Committee after one full year of operation. Other LA's with our 'family group' have more established rent assistance funds, many at significantly higher levels. This is a further contributing factor to the overall arrears position.

7.23 Since going live on the 22 April 2024 the Rent Assistance Fund there has been –

- 78 referrals made to RAF
- 38 referrals approved
- Average award £1,146.20
- Total paid £43,555.77
- 9 referrals declined
- Total rent arrears of £143,581.41 from the RAF referrals received.

Rent Setting/Cost of living crisis

7.24 In December 2023 the Council took the decision to increase rents for 2024/25 by 4.7%, which was below the recommended rent increase of 8.5%. For this to be affordable the Council is using £3.161m of HRA reserves. This meant a reduced cost to tenants, but did not address the underlying costs being experienced by the HRA.

7.25 In addition there were rent freezes in 2021/22 and 2022/23 to support tenants at a time of the COVID pandemic, and the enormous uncertainty in respect of the economy and living standards. The HRA was able to absorb this loss of income in the short term by diverting money from paying for capital investment. The impact of rent freezes has a cumulative effect, and took £360m out of the HRA 30 year business plan.

Reinforced Autoclaved Aerated Concrete

7.26 The presence of Reinforced Autoclaved Aerated Concrete (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.

7.27 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.

- 7.28 Our records show that the RAAC impacted properties are a mix of council ownership (366) and private ownership (138).
- 7.29 [Council on 21 August](#) agreed to proceed with the option of demolition and rebuild of homes on the site detailed above and Chief Officer – Capital was instructed to proceed with the demolition aspect of this, and report back to the next appropriate meeting of the Communities, Housing and Public Protection Committee on the initial phasing of demolition and landscape details.
- 7.30 The Council also agreed to -
- Undertake a detailed master planning exercise assuming the site is vacant to determine future redevelopment;
 - 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;
 - Take forward negotiations with private owners to acquire their properties voluntarily at Market Value, noting that this would 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 would be willing to meet reasonable legal and professional costs along with home loss and disturbance payments;
- 7.31 The full recommendations are found in the following link - [Full recommendations](#).
- 7.32 It should be noted that in 2025/26 we will continue to vire funding from the mainstream housing capital programme for the demolition of the RAAC properties, following the review of the asset management plan we will look to incorporate any decisions on the masterplan.

City Centre Multi's

- 7.33 A report was presented to Communities, Housing and Public Protection on 16th May 2023 to update the committee on progress toward the production of a full option appraisal of the city centre multi storey blocks as instructed by Council at its budget meeting on 10th March [City Centre Multi Storey Blocks - Progress on Full Options Appraisal](#).
- 7.34 A range of detailed technical appraisals and surveys have been undertaken including an assessment of the life cycle costings, buildings surveys, energy assessments and modelling, mechanical and electrical installation surveys, external structural surveys and new build replacement analysis to support a future report along with some consultations with tenants and owners which were very well supported.
- 7.35 This Report was scheduled to be reported to the Committee in the summer of 2024, with recommendations as to potential decisions that may then be made. Unfortunately due to a requirement to divert resources to the RAAC Project, and the pressure that this has created across the Housing stock this has been delayed. The findings are now scheduled to be reported in November

2024. This Business Plan will require to be updated to reflect future decisions on the investment requirements within this property group.

Complex Care

7.36 Aberdeen City Health and Social Care Partnership produced a [Market Position Statement](#) in 2022. A further market statement is being worked on for complex care this also makes reference to homelessness as well this will be presented to Communities, Housing and Public Protection Committee on 21 November 2024 in the Housing Board Bi Annual Report, the impact of this statement will be incorporated into the refreshed 30 year HRA Business Plan in 2025.

Management Costs

7.37 The management costs with the HRA include elements of the following services

- Chief Officer time related to housing
- Legal
- Finance
- Financial Inclusion Team
- Housing Access
- Regional Communications Centre
- Family Support
- Commercial and Procurement
- Digital and Technology
- People and Organisational Development

7.38 The above is not a complete list of all of the costs associated with Management and Administration but it provides an understanding that almost all areas of the Council are involved within supporting the HRA. We are currently reviewing a number of the services currently charged to the HRA to ensure that the HRA is the best place for these costs to sit.

7.39 Any pay awards agreed must be funded by the income within the HRA there is no additional funding provided by the Scottish Government, and there are no subsidies that can be provided by the General Fund, and Council Tax payers.

Choice Based Letting

7.40 Choice Based Lettings (CBL) was introduced in 2022 it allows mainstream tenants to make an informed decision about where they would like to live by bidding (registering interest) on ACC's available properties online. We advertise available homes on our website each week (called a bidding cycle).

7.41 At the time of initial consideration of a CBL process for Aberdeen City Council officers understood a link between void rent loss and refusal rates and sought to understand

approaches other local authorities and RSLs were using to allow active participation and choice around a person's eventual home. During the initial scoping exercise, it became clear that most Local Authorities and RSLs had adopted a version of choice based letting, to varying degrees, with some routing all stock through this process, and others adopting a hybrid approach.

7.42 CBL was introduced to provide a route for applicants to take an active part in their application, providing an online platform for applicants to view available vacant properties and register an interested in these. It was anticipated that by introducing a system that allowed for active participation the following benefits would be realised:

- **Refusal rates** would reduce. The anticipated reduction would reduce the time officers spent generating offers and processing refusals.
- **Void rent loss** would reduce and there would be improved demand for lower demand stock.
- **Tenancy sustainment** would increase due to applicants having a choice about their future home, and the wider community would benefit from greater level of sustainment.
- **Applicant satisfaction** would be improved due to increased choice, control, and greater transparency regarding available stock.

7.43 Further to this since its implementation we have had unexpected demands which have shifted our initial planned operating context, with approximately 997 properties being routed away from the standard allocation approach to be allocated to people fleeing conflict in Ukraine and tenants impacted by the discovery of RAAC within their home.

7.44 As a local authority with a considerable focus on digital options, transparency, participation, empowerment, and choice, CBL does provide a platform to meet and continue to support and encourage a greater level of these across our residents actively seeking housing options in the city. This participation is realising improvement across a number of areas where citizens have engaged with the system, this is supported by feedback from tenants and staff.

7.45 It is clear that we need to increase the number of applicants participating in their CBL bidding process due to the lower refusal rates and less abandonments evident in those who do. We also need to think about how we support those with a higher level of vulnerability who currently have auto bid applied to determine how best to support more positive outcomes for this group.

Tenant Participation and Consultation

7.46 Consulting with tenants is not only set in legislation and monitored by the Scottish Housing Regulator but is seen as good practice. In terms of rent consultations, the Housing (Scotland) Act 2001 requires social landlords to consult tenants and take account of their views when making decisions about proposed rent increases. Previously we have emailed tenants with an outline of the current issues facing the HRA and provide options for a particular percentage rent increase and what these increases would provide in terms of maintaining/enhanced services etc. Tenants without digital access are sent letters. The consultation period can be anything from 2-4 weeks. During this period, the consultation is promoted in order to maximise participation. This will include the use of Newsbite, press releases, social media, posters, drop – in sessions, SHMU

Radio and the Housing and Support Officers. Results of the consultation are included in the HRA Budget report presented to Council in December.

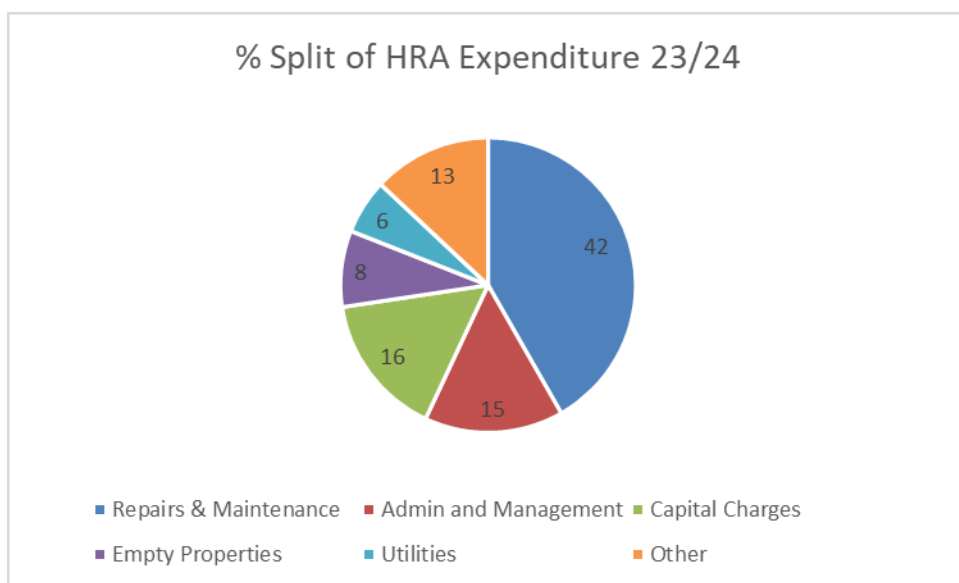
8. Financial Strategy

Introduction

- 8.1 This refreshed HRA Business Plan is based on the current Housing Asset Management Plan as detailed in the Asset Management section above. Once this is completed we will revisit the HRA Business Plan taking cognisance of the plan findings for our overall stock and rent setting policy.
- 8.2 The HRA is a statutory requirement for all local authorities that provide a housing landlord service. It is a ring-fenced account with income mainly being generated from tenants' rents. Expenditure is incurred through the management and maintenance of, as well as investment in, the housing stock to ensure that tenants' homes are safe, secure, warm free from defects and meet current standards.
- 8.3 The HRA is divided into Capital and Revenue items:
- Expenditure on Capital items is where money is invested in major works (such as external refurbishment, replacement roofs, full house heating and insulation upgrades) to improve the physical quality of the houses.
 - Revenue income is predominantly the rent that tenants pay to the Council and Revenue expenditure is associated with the day-to-day management and maintenance of the houses. Further detail on the revenue income and expenditure is provided within Figures A and B below.

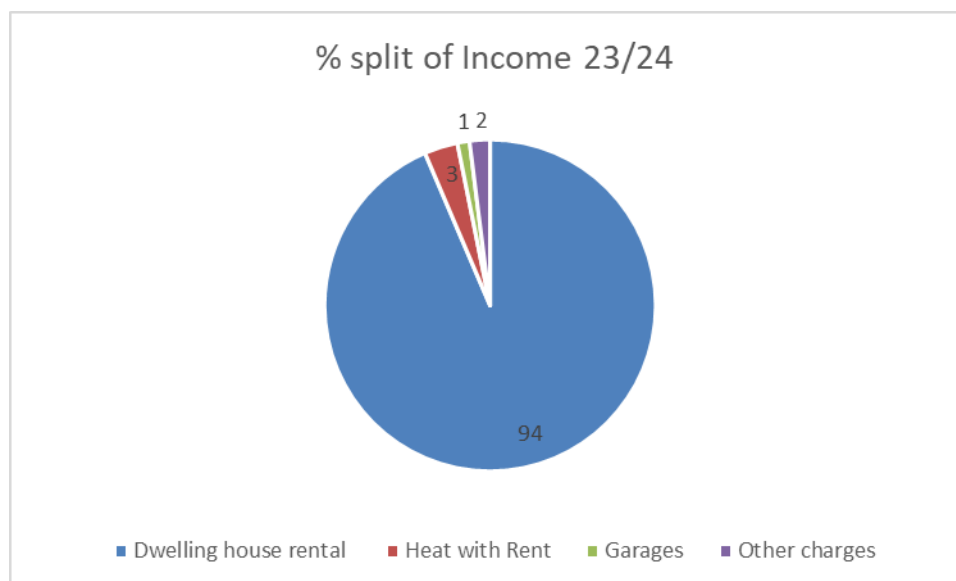
(Figure A – 2023/24 Actual HRA Expenditure)

The greatest proportion (42%) of revenue spend is on repairs and maintenance, followed by Capital charges (16%).



(Figure B – 2023/24 Actual HRA Income)

The greatest proportion 94% of the income comes from Dwelling House rental.



8.4 It should be noted that homelessness services and housing support services are funded from the Council's General Fund and do not form part of the Housing Revenue Account.

30-year Position

8.5 The primary focus of the financial modelling which underpins the Business Plan was to ensure that the HRA can be sustained over the 30-year period, with more detailed focus on the medium term (3-5 years). The model has allowed the review and assessment of the required level of funding over the medium to long term. Financial modelling has been done, taking the 2025/26 HRA budget as the base year. The actual housing stock numbers as at 23,258 have been used to model opening stock.

Stock Valuation

8.6 The 2023-24 Annual Accounts of Aberdeen City Council shows the valuation of Council Dwellings on the HRA at £1.003bn. Council Dwellings are valued using the Beacon Method which involves full inspection of a sample of properties (Beacons). Full inspection of every property owned is not considered necessary due to the similarity of the property types covered by the Beacons. The process arrives at a market value for each properties with appropriate end allowances to reflecting use as social housing.

Rent Income

8.7 The HRA is funded by tenants rents, no funding is received from the Scottish Government with the exception of capital grants for new build. The long term Council house rent policy ran out on 31st March 2023, consultation was undertaken in 2023/24 on a one year rent increase in 2024/25, the Chief Officer – Early Intervention and Community Empowerment was to undertake a similar consultation for inclusion in the

2025/26 budget process and consider if there is any benefit in a longer term Council house rent policy. A sustainable rent policy must be implemented to secure the long term financial position of the 30-year business plan.

- 8.8 A rent structure should be simplistic, transparent and fair, ACC currently fifteen different rent levels across the city, see below. This is based on whether a property is a multi/flat/maisonette or four in a block or a house/cottage and the number of bedrooms.

2024/25			
Base Rent		57.34	
Criteria 1 - Bedroom	Add rent	Criteria 2- Dwelling Type	Add rent
0		0 Multi/flat/maisonette	13.64
1	13.64	Four in a block	20.47
2	20.47	Cottage/House	27.31
3	27.31		
4	34.12		
5	40.95		
6	47.80		
7	54.61		

Note: The [Rent Restructure Report](#) to Housing and Environment on 28 August 2012 sets out the original methodology.

- 8.9 As part of the HRA budget recommendations on 14 December 2023 the Chief Officer - Corporate Landlord, in consultation with the Chief Officer - Finance and the Chief Officer - Early intervention and Community Empowerment (following TOM 1.2 this is now Chief Officer – Housing), was instructed to undertake a review of the rental differentiations per property type, including any premium that may be applied to properties with high energy efficiency levels reporting the outcome to a future meeting of the Communities Housing and Public Protection Committee and thereafter as part of the 2025/26 HRA budget process.
- 8.10 As part of the Business Plan we have undertaken a review of potential rental differentiations fulfilling the above recommendation albeit it has been included within this report and not reported to Communities Housing and Public Protection Committee. Through an officer working group we have looked at a number of potential rental differentiations such as EPC ratings, district heating, age, rental differentiations per property type based on other Local authorities and type of properties and made conclusions. We believe that our rent criteria is robust, as it is clear, simple and easily understood, there is the potential to add back a rebuild premium and aligning our differential between bedroom size with the a Scottish Cities Average which we will consult on as detailed in the covering report, we will revisit this decision following the completion of the asset management plan.
- 8.11 Currently our differential between the bedroom size is the following – 0 and 1 Bedroom 19%, then 1 and 2, 2 and 3, 3 and 4 are 7% each step. We have looked at the Scottish Cities which have a HRA and the bedroom differentials (Dundee, Stirling and Edinburgh) they have on average the following bedroom size differential 0 and 1 Bedroom 11%,

then 1 and 2 10%, 2 and 3 12%, 3 and 4 7%. This analysis (excluding the movement between 0 and 1 bedrooms) could be adopted for ACC and generate potential additional income of £2.2m.

- 8.12 In order to service the additional borrowing incurred for the new build properties a new build premium could be introduced of 15% for those properties handed over to ACC after 1 April 2025, this is in line with the premium previously implemented. It is difficult to justify a rental premium for new properties once significant component replacements start to happen which would normally be around 15 years therefore the premium would apply for 15 years. This would generate additional income of £140k in 2025/26 based on the new builds due to be completed post 1 April 2025.
- 8.13 The additional income for differentials along with the new build premium could reduce the overall rent increase of 10% down to 7.2% in 2025/26, However there should be a recognition certain tenants will be incur multiple increases in their rent if the Council were to implement options contained within this plan.
- 8.14 The table below shows the movement from the existing rent structure to one which is adapted to reflect a Scottish city average differential.

2024/25 rent levels	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
	£	£	£	£	£
Multi/flat/maisonette	70.98	84.63	91.46	98.29	105.11
Four in a block	77.81	91.46	98.28	105.12	111.94
Cottage/house	84.65	98.29	105.12	111.96	118.78
Using Scottish City Average Differentials			10%	12%	7%
	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
	£	£	£	£	£
Multi/flat/maisonette	70.98	84.63	93.09	104.26	111.56
Four in a block	77.81	91.46	100.60	112.67	120.56
Cottage/house	84.65	98.29	108.12	121.10	129.57
Weekly increases-					
Multi/flat/maisonette	-	-	1.64	5.97	6.45
Four in a block	-	-	2.32	7.55	8.62
Cottage/house	-	-	3.00	9.14	10.80

- 8.15 It is acknowledged that there are many ways in which rent policy and criteria can be structured. These are links to Moray Council's reports on Rental Policy, which shows similarities to our current policy, evidencing that the Council may not have to undertake wholesale change to our policy to achieve our outcomes: [Moray Rental Policy / Moray Council Report](#)
- 8.16 In 2024/25 the following rental increases were approved by Local Authorities, as you will see Aberdeen City was below the Scottish Average.

ALACHO				
AVERAGE WEEKLY RENT LEVELS Mainstream Housing 2024/25				
Council	Average Weekly Rent INCREASE			
	2023/24	2024/25	Amount	%
	£	£	£	%
Aberdeen	86.18	89.65	3.47	4.7
Aberdeenshire	88	92.46	4.46	5
Angus	75.91	80.75	4.84	6.6
Clackmannanshire	80.24	85.62	5.38	6.7
Dundee	82.9	85.81	2.91	3.5
East Ayrshire	79.65	84.83	5.18	6.5
East Dunbartonshire	85.95	90.07	4.12	4.8
East Lothian	76.73	80.53	3.8	7
East Renfrewshire	88.15	93.35	5.2	3.5
Edinburgh	105.06	112.41	7.35	7
Falkirk	74.92	78.67	3.75	5
Fife	85.04	89.29	4.25	5
Highland	76.77	82.93	6.16	7.95
Midlothian	89.11	93.39	4.28	4.8
Moray	67.5	72.7	5.2	7.7
North Ayrshire	82.77	87.74	4.97	6
North Lanarkshire	80.56	86.45	5.89	7
Orkney	88.06	93.96	5.9	6.7
Perth & Kinross	75.23	79.74	4.51	6
Renfrewshire	90.82	96.27	5.45	6
Shetland	85.71	89.97	4.26	5
South Ayrshire	80.5	84.12	3.62	4.5
South Lanarkshire	79.11	84.29	5.18	6.5
Stirling	73.99	78.43	4.44	6
West Dunbartonshire+	88.48	94.4	5.92	6.7
West Lothian+	83.22	86.13	2.91	3.5
Scotland Average	82.71	87.46	4.75	5.75

8.17 Aberdeen City Council approved a rent freeze in 2021/22 and 2022/23, resulting in a loss of £360m (in cash terms) over the 30 years. As you will see from the table below only a few councils implemented a rent freeze for two years, City of Edinburgh, East Lothian and Midlothian Councils.

8.18 Rent increases 21/22, 22/23, 23/24 and 24/25

Year and Rent Increase	21/22	22/23	23/24	24/25
Local Authority	%	%	%	%
Aberdeen City Council	0	0	4	4.7
Aberdeenshire Council	2.8	1.5	2.5	5
Angus Council	2	1	4.1	6.6
City of Edinburgh Council	0	0	3	7
Clackmannanshire Council	0	3.1	3	6.7
Dundee City Council	1.5	1.5	3	3.5
East Ayrshire Council	1.5	1.5	4	6.5
East Dunbartonshire Council	0.5	2.5	4.2	4.8
East Lothian Council	0	0	5	7
East Renfrewshire Council	1	1	5	3.5
Falkirk Council	2	2	2	5
Fife Council	1.5	2.5	5	5
Midlothian Council	0	0	4.8	4.8
North Ayrshire Council	1.9	2.5	6.42	6
North Lanarkshire Council	5	3	5	7
Orkney Islands Council	2	2	3	6.7
Perth & Kinross Council	1	3	2.2	6
Renfrewshire Council	1.5	2	5.5	6
Shetland Islands Council	1	0	4.5	5
South Ayrshire Council	1.5	1.5	1.5	4.5
South Lanarkshire Council	2.2	2.2	3.5	6.5
Stirling Council	1.3	1.1	2.9	6
The Highland Council	2	1	4	7.95
The Moray Council	3	1.5	3.5	7.7
West Dunbartonshire Council	1.5	2	5	6.7
West Lothian Council	3	3	3.5	3.5

8.19 Evidence of how other Councils are addressing the higher costs within the HRA, this is an extract from the City of Edinburgh Council's website about how they are ensuring they are in a sustainable financial position following a two year rent freeze.

"The Housing Revenue Account (HRA) Budget Strategy 2024/25 - 2028/29 was considered by City of Edinburgh Council at its budget meeting on 22 February 2024.

After two years of rent freezes followed by a 3% rent increase last year, officers recommended that rents be increased by 8.4% in 2024/25 (year one of a five-year rent strategy; requiring annual increases of 8.4% for the subsequent four years). This was in order to deliver the pre-Covid investment plan and ensure the HRA remained in a healthy financial position.

Council agreed a 7% rent increase for each of the next five years in 2024/25 to 2028/29, with an assumption that 7% a year rent increase over the following five years would also be required to achieve the outputs indicated in the draft ten-year capital investment programme – to bring all Council homes up to Energy Efficiency Standard for Social Housing 2 (ESSH2) standards over the lifetime of the business plan and deliver 3,560 new social rented homes over the next ten years.

Council also approved the continuation of the Tenant Hardship Fund to support tenants experiencing financial hardship, including those who cannot access benefits.”

Use of Reserves

- 8.20 The Council has a working balance, the HRA Reserve, which has been built up over several years created from surpluses achieved by the HRA. This reserve is necessary to ensure the HRA is financially resilient and can meet any unforeseen or exceptional circumstances for example inflationary pressures, or the emergence of new risks like RAAC. In 2024/25 budget it was agreed to utilise £3.161m of the reserves to approve a lower increase in rents to be approved, 4.7% instead of 8.5%.
- 8.21 Where a one-off solution, such as the use of reserves, is filling a budget gap, enabling services to continue as currently delivered, for example, then due consideration of the long-term implications must be taken, identifying where and when they are being used and adjusting future financial planning to reflect the decisions taken. The Council's reserves statement, as approved by the Council in March 2024, identifies that reserves are primarily for financial resilience and financial risk management. The policy of the Council has been to increase the HRA reserve over time without being excessive. That policy has been challenged in 2024/25 by making use of reserves to support the budget. The financial modelling over 30 years aims to put the HRA reserves back into a position where a small annual surplus can continue to support financial resilience and protect the HRA from financial shocks, recognising inflation is a constant.

Borrowing

- 8.22 In the past a high percentage of capital expenditure has been met from annual rental income, this is known as Capital From Current Revenue (CFCR). By funding capital as it arose the need to finance capital expenditure over the long-term, by borrowing, was reduced. In recent years due to the rent freezes and the high inflation environment that has been experienced, there has been a reducing amount that can be used from current rent income to pay for capital. This means that more money is being borrowed.
- 8.23 Construction inflation and the supply chain challenges that have emerged over the last three or four years has also increased the cost of capital works, including the new build homes. The balance of the cost for capital projects, with limited support from Scottish Government grant funding and the Council's affordable home reserve that it has from specific Council Tax income for the new build homes, is being predominantly paid for by borrowing. This means that the cost of capital in any particular year is spread over a number of years in line with the conditions of borrowing (potentially up to 60 years). This results in an annual charge for borrowing which is met from rental income received

annually – the HRA revenue budget. Any borrowing is undertaken in line with the current Council’s Borrowing Policy and the Prudential Code.

8.24 Long-term borrowing relies on funds being raised by the Council, normally through the Public Works Loans Board (PWLb).

8.25 As a result of the new build programme our level of debt has increased since 2020/21, this can be seen through the information below extracted from the Scottish Government Local Government Finance return 22-23, the information for 23-24 is currently being collated. This information shows that out of all the Local Authorities who have a HRA in 22-23 we had the 13 highest debt level per dwelling.

LFR 22-23 HRA Debt Data							
Local Authority	Number of HRA dwellings	Loans Fund Advances Outstanding, GBP thousands	Credit Arrangements, GBP thousands	Total, GBP thousands	Loans Fund Advances Outstanding, GBP's per dwelling	Credit Arrangements, GBP's per dwelling	Total, GBP's per dwelling
1 Midlothian	7,490	211,198	-	211,198	28,197	-	28,197
2 West Dunbartonshire	10,013	265,337	-	265,337	26,499	-	26,499
3 East Lothian	9,153	240,065	-	240,065	26,228	-	26,228
4 Highland	14,396	365,235	-	365,235	25,371	-	25,371
5 Aberdeenshire	12,939	297,765	-	297,765	23,013	-	23,013
6 City of Edinburgh	19,460	422,580	-	422,580	21,715	-	21,715
7 West Lothian	14,243	282,411	-	282,411	19,828	-	19,828
8 Perth & Kinross	7,855	132,626	-	132,626	16,884	-	16,884
9 East Dunbartonshire	3,776	58,199	-	58,199	15,413	-	15,413
10 East Renfrewshire	3,053	46,034	-	46,034	15,078	-	15,078
11 Moray	6,250	90,354	-	90,354	14,457	-	14,457
12 Dundee City	12,421	178,141	-	178,141	14,342	-	14,342
13 Aberdeen City	22,595	321,528	-	321,528	14,230	-	14,230
14 Falkirk	16,719	234,278	-	234,278	14,013	-	14,013
15 Fife	30,882	426,272	-	426,272	13,803	-	13,803
16 East Ayrshire	11,826	156,093	-	156,093	13,199	-	13,199
17 Stirling	5,960	78,612	-	78,612	13,190	-	13,190
18 North Lanarkshire	35,063	438,252	1507	439,759	12,499	43	12,542
19 North Ayrshire	13,253	164,255	-	164,255	12,394	-	12,394
20 South Lanarkshire	25,394	292,693	-	292,693	11,526	-	11,526
21 Orkney Islands	911	8,990	-	8,990	9,868	-	9,868
22 South Ayrshire	7,890	76,953	-	76,953	9,753	-	9,753
23 Renfrewshire	11,763	110,696	-	110,696	9,411	-	9,411
24 Shetland Islands	1,641	11,553	-	11,553	7,040	-	7,040
25 Angus	7,610	39,076	-	39,076	5,135	-	5,135
26 Clackmannanshire	4,998	21,761	-	21,761	4,354	-	4,354

8.26 The table below shows that over the three years 20/21, 21/22 and 22/23 ACC has risen from having the 21st highest level of debt of the 26 LA’s to the 13th. We have estimated the potential figure for 23-24 based on information in the annual accounts for 23-24.

Ranking compared to other LA's	Local Authority	Number of HRA dwellings	Loans Fund Advances Outstanding, GBP thousands	Total, GBP thousands	Loans Fund Advances Outstanding, GBP's per dwelling	Credit Arrangements, GBP's per dwelling	Total, GBP's per dwelling	Year	% increase from previous year
Note 1	Aberdeen City	23,095	454,530	454,530	19,681	-	19,681	23/24	38
	13 Aberdeen City	22,595	321,528	321,528	14,230	-	14,230	22/23	29
	19 Aberdeen City	22,519	248,651	248,651	11,042	-	11,042	21/22	25
	21 Aberdeen City	22,514	198,172	198,172	8,802	-	8,802	20/21	
Note 1	This is based on the information in the annual accounts, LFR is yet to be completed for 23/24 therefore this could be subject to change								

8.27 The HRA’s capital financing requirement in future years, as quantified in the Council’s Prudential Indicators (March 2024) shows that the requirement for borrowing will

continue and this has the impact of increasing annual costs, that have been captured in the 30 year modelling. The two key indicators are as follows:

	Capital Financing Requirement						
	2022/23 £'000 Actual	2023/24 £'000 Estimate	2024/25 £'000 Estimate	2025/26 £'000 Estimate	2026/27 £'000 Estimate	2027/28 £'000 Estimate	2028/29 £'000 Estimate
Gen Fund	1,258,748	1,269,917	1,445,177	1,602,410	1,705,392	1,756,853	1,785,586
HRA	366,911	443,337	536,370	629,320	716,701	782,972	851,936

	Ratio of Financing Costs to Net Revenue Stream						
	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Gen Fund	6.9%	9.8%	10.9%	12.4%	13.9%	15.1%	15.9%
HRA	10.7%	15.3%	18.8%	22.5%	28.1%	31.4%	37.9%

Debt Profile and investments

8.28 The plan assumes an interest rate of 3.82% in year 1 25/26, assuming to 3.8% from year 4 and then held at this level throughout the life of the model. The Council's investment Strategy is undertaken for the whole of the Council and not specifically the HRA.

9. Asset Investment

Housing Capital 2024/25 achievements:

- 9.1 The following list demonstrates the improvements that are continuing to be made to the housing stock:
- Completing the programme to install higher rated fire doors to all Council owned multi storey flats
 - Commenced the refurbishment of 206 Union Street to deliver 28 one bedroom city centre flats, this will be completed by the end of the financial year
 - Installing defibrillators to all sheltered and very sheltered housing schemes
 - Continuing to fund adaptations to housing stock to ensure that residents are provided with the facilities required to ensure they can continue to live independently in their own homes
 - Initiating the transition from fossil fuelled heating systems in ACC owned properties in Torry to systems fuelled from Energy from Waste
 - Replacing approximately 1100 old/obsolete gas central heating boilers with modern equivalents
 - Delivering whole house energy efficiency measures including external wall insulation, air source heat pumps and photo voltaic panels to 17 properties through Project DORIC
 - Increasing the level of loft insulation to current standards in 80 properties as at 20 August 2024/ 68 properties with external wall insulation.

- Replacing windows in all ACC owned flats in listed tenement blocks in Rosemount Square
- Through the capital works so far this financial year 6 blocks have had new flat roofs, 206 properties have had windows replaced, 82 properties have been re-wired, 137 new kitchens, 69 new bathrooms and 19 properties have had new kitchens and bathrooms.

New Affordable House Building

9.2 As at 29 August the following new builds have been completed -

Site	Units
Summerhill	369
Wellheads	283
Auchmill	92
Tillydrone	70
Kaimhill	35
Cloverhill	203
Total as at 29/08/24	1,052

9.3 Work remains ongoing on three sites – Craighill, Kincorth and Cloverhill, progress detailed below

Craighill

9.4 The enabling works (ground works) are complete, value engineering has been carried out, and a new planning application was submitted and approved which required re-design of tender documentation for the outstanding construction works.

9.5 The tender documents have been issued to the market and following completion of the tender process, CHAP Construction were appointed as the Principal Contractor . The final contract documents are now being put in place with a site start likely to be in Q3 2024.

9.6 This project will deliver 87 new units.

Kincorth

9.7 The enabling works (ground works) are complete, value engineering has been carried out, new planning application submitted and approved which required re-design of tender documentation.

9.8 The tender documents will be issued in the coming weeks, and allowing for due diligence the expectation is for works to commence in Winter 2024/2025.

Cloverhill New Build Housing

- 9.9 The project continues to progress well on site with the latest 35 houses handed over as part of Phase 4 in July 2024. A total of 203 units have been handed over to ACC with the next handover being for 10 units in October 2024.

Complex Care

- 9.10 Individuals with learning disabilities and complex care needs require the provision of suitable, robust accommodation, which is currently unavailable within our existing housing stock. Unsuitable environments can lead to challenges in the management of need and communication, often resulting in challenging behaviour. This requires the development of sustainable and robust accommodation which will meet the profile of need for those with complex care requirements. These requirements are evidenced through good practice and wider learning on a local and national basis.

- 9.11 This project aims to deliver:

- 8 individual homes which meets the environmental specifications for individuals with complex care needs through a new build delivery approach as considered within the project options appraisal. In addition, this accommodation will provide adequate office/respite space for care provider employees who will provide 24/7 onsite support.
- Adequate community and service links to allow individuals with complex care needs to integrate and participate in their local community.
- Learning and a model for further development for unmet and future need that will allow the operating model to be as flexible as possible for the unknowns' future delivery.

- 9.12 Progress over the next period should see the substructure works drawing to a conclusion and the commencement of the erection of the timber kits.

10 Risk Assessment

Financial Risks

- 10.1 There are many variables in the financial modelling to be considered. The assumptions made in the financial modelling have been tested, but financial risks still remain. Assumptions include inflation at 2%, void rates 8% and utilities 5%.

- 10.2 Potential risks

- Interest rates have been at a high level and look likely to start reducing, but over the lifetime of the model there will be variations. This is mitigated to some extent with the use of a pooled rate of interest, which are less likely to show major fluctuations.
- Voids may increase further due to the due to the availability of alternative housing options from other providers and the age of the stock.

- Arrears could continue to increase to rise due to the impact of the Cost of Living Crisis.
- Construction prices increase, recent experience has shown us this can be triggered by unforeseen world events such as the Ukraine war.
- There is no control over pay inflation of ACC staff who deliver HRA services such as Grounds Maintenance, Cleaning, Repairs and Maintenance.

10.3 Mitigating Actions are as follow:

- Review Minimum letting standard, this potential could reduce the repairs and maintenance costs.
- By extending the life of assets such as kitchens and bathrooms this would reduce the cost of the annual capital programme.
- Soft market test services such as Grounds Maintenance, Cleaning, Repairs and Maintenance.
- Developing the Housing Support Model to reduce the level of arrears

No rental increase

10.3 If no rent increase was to be implemented you will see below each year is in deficit this is not sustainable.

Years	1	2	3	4	5	6	7	8	9	10
HRA Summary 30										
Year	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing Staff Management & Operations	17,929	18,256	18,622	19,023	19,372	19,665	19,993	20,265	20,571	20,933
Property Planned & Response Maintenance	43,092	45,247	47,509	49,884	52,379	54,998	57,747	60,635	63,667	66,850
Other Operational Costs (Grounds/Cleaning etc)	14,901	15,410	15,936	16,484	17,054	17,612	18,193	18,798	19,429	20,087
Cost of Repaying Borrowing	24,621	30,550	36,734	46,394	57,327	67,616	78,824	90,427	101,966	113,573
Loss of Rent – Voids and Bad Debt	14,431	14,461	14,494	14,527	14,563	14,593	14,625	14,658	14,692	14,728
Total	114,973	123,924	133,294	146,312	160,694	174,483	189,382	204,782	220,325	236,170
Deficit/(Surplus)	7,417	16,309	26,001	37,739	51,942	64,680	79,442	94,700	110,095	125,786
Years	11	12	13	14	15	16	17	18	19	20
HRA Summary 30										
Year	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	2035/36	2036/37	2037/38	3038/39	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing Staff Management & Operations	21,209	21,529	21,895	22,186	22,521	22,902	23,208	23,560	23,966	24,330
Property Planned & Response Maintenance	70,192	73,702	77,387	81,256	85,319	89,585	94,064	98,768	103,706	108,891
Other Operational Costs (Grounds/Cleaning etc)	20,773	21,488	22,233	23,011	23,822	24,668	25,551	26,473	27,435	28,440
Cost of Repaying Borrowing	125,046	136,832	148,654	160,671	172,322	183,962	195,968	207,565	219,847	232,274
Loss of Rent – Voids and Bad Debt	14,765	14,803	14,843	14,884	14,927	14,971	15,018	15,066	15,116	15,168
Total	251,985	268,354	285,012	302,008	318,912	336,089	353,810	371,431	390,071	409,103
Deficit/(Surplus)	141,440	157,643	174,128	190,944	207,661	224,643	242,162	259,573	277,994	296,799
Years	21	22	23	24	25	26	27	28	29	30
HRA Summary 30										
Year	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	2045/46	2046/47	2047/48	2048/49	2049/50	2050/51	2051/52	2052/53	2053/54	2054/55
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing Staff Management & Operations	24,651	25,024	25,448	25,787	26,178	26,619	26,976	27,385	27,844	28,221
Property Planned & Response Maintenance	114,336	120,053	126,055	132,358	138,976	145,925	153,221	160,882	168,926	177,373
Other Operational Costs (Grounds/Cleaning etc)	29,489	30,584	31,728	32,923	34,172	35,477	36,840	38,266	39,755	41,313
Cost of Repaying Borrowing	244,173	256,537	268,813	281,201	293,460	305,768	318,635	331,615	344,422	357,387
Loss of Rent – Voids and Bad Debt	15,222	15,278	15,336	15,396	15,459	15,524	15,592	15,662	15,735	15,811
Total	427,870	447,476	467,380	487,666	508,244	529,312	551,265	573,809	596,683	620,104
Deficit/(Surplus)	315,329	334,689	354,338	374,358	394,660	415,441	437,094	459,329	481,879	504,964

Rental increases to sustain the long term future of the HRA

10.4 A more sustainable approach would be the following -

Years	1	2	3	4	5	6	7	8	9	10
HRA Summary 30 Year	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing Staff Management & Operations	17,929	18,256	18,622	19,023	19,372	19,665	19,993	20,265	20,571	20,933
Property Planned & Response Maintenance	43,092	45,247	47,509	49,884	52,379	54,998	57,747	60,635	63,667	66,850
Other Operational Costs (Grounds/Cleaning etc)	14,908	15,425	15,960	16,517	17,097	17,665	18,258	18,876	19,520	20,192
Cost of Repaying Borrowing	24,621	30,111	35,970	45,334	56,031	66,153	77,113	88,435	99,702	111,044
Loss of Rent – Voids and Bad Debt	15,779	17,292	18,955	20,783	22,792	24,776	26,937	29,292	31,856	34,649
Total	116,328	126,330	137,016	151,541	167,670	183,257	200,048	217,501	235,316	253,668
Deficit/(Surplus)	(720)	(720)	(720)	(720)	(720)	(720)	(720)	(720)	(720)	(720)
Years	11	12	13	14	15	16	17	18	19	20
HRA Summary 30 Year	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing Staff Management & Operations	21,209	21,529	21,895	22,186	22,521	22,902	23,208	23,560	23,966	24,330
Property Planned & Response Maintenance	70,192	73,702	77,387	81,256	85,319	89,585	94,064	98,768	103,706	108,891
Other Operational Costs (Grounds/Cleaning etc)	20,890	21,618	22,376	23,166	23,991	24,849	25,745	26,680	27,656	28,675
Cost of Repaying Borrowing	122,300	133,844	145,434	157,151	169,000	180,428	192,251	203,726	215,807	228,031
Loss of Rent – Voids and Bad Debt	37,024	39,564	41,898	44,372	46,993	49,315	51,752	54,311	56,997	59,817
Total	271,615	290,258	308,991	328,132	347,824	367,079	387,021	407,044	428,132	449,744
Deficit/(Surplus)	(720)	(720)	(720)	(720)	(720)	(720)	(720)	(720)	(720)	(720)
Years	21	22	23	24	25	26	27	28	29	30
HRA Summary 30 Year	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	2045/46	2046/47	2047/48	2048/49	2049/50	2050/51	2051/52	2052/53	2053/54	2054/55
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing Staff Management & Operations	24,651	25,024	25,448	25,787	26,178	26,619	26,976	27,385	27,844	28,221
Property Planned & Response Maintenance	114,336	120,053	126,055	132,358	138,976	145,925	153,221	160,882	168,926	177,373
Other Operational Costs (Grounds/Cleaning etc)	29,739	30,851	32,012	33,225	34,492	35,812	37,192	38,634	40,142	41,717
Cost of Repaying Borrowing	239,858	252,124	264,301	276,576	288,820	301,130	314,003	327,011	339,903	352,916
Loss of Rent – Voids and Bad Debt	62,777	65,885	69,147	72,572	76,167	79,200	82,354	85,634	89,045	92,592
Total	471,360	493,936	516,962	540,518	564,633	588,686	613,747	639,546	665,860	692,818
Deficit/(Surplus)	(720)	(720)	(720)	(720)	(720)	(720)	(720)	(720)	(720)	(720)

- 10.5 To achieve the position above – balanced each year, a contribution towards the capital borrowing and returning the reserve to a sustainable position, this would involve rent increases of the following –

Years	Annual % rent increase
1-5	10
6-10	9
11-12	7
13-15	6
16-25	5
26-30	4

- 10.6 Tenants have benefited over the years from rental freezes in 21/22 and 22/23 a below inflation increase in 24/25, the HRA in this time has been faced with high inflation within the construction industry, wage and contractual increases as described in this document. The table below shows over the last 5 years the cumulative impact of the rent increases is 13.24%, spreading this across the 5 years would equate to an annual increase in rent of approximately 2.65%.

%Rent Increases	20/21	21/22	22/23	23/24	24/25	Cumulative rent increase spread over the 5 years
	%	%	%	%	%	%
Actual	4.00	0.00	0.00	4.00	4.70	
Cumulative	4.00	4.00	4.00	8.16	13.24	2.65

- 10.7 If as suggested by the Business plan in 2025/26 a rental increase of 10% is implemented, this would result in a cumulative impact over the 6 years of 24.57%, and again, spreading this across the 6 years would equate to an annual increase in rent of approximately 4.09%.

%Rent Increases	20/21	21/22	22/23	23/24	24/25	25/26	Cumulative rent increase spread over the 6 years
	%	%	%	%	%	%	
Actual/Forecast for 25/26	4.00	0.00	0.00	4.00	4.70	10.00	
Cumulative	4.00	0.00	0.00	8.16	13.24	24.57	4.09

- 10.8 Below is an analysis of the ratio of net revenue stream to the level of debt charges, if rent increases by 10% in Years 1 to 5 and 9% in Years 6 to 10, this shows an increase of 23% over the 10 years, which will be difficult to sustain without a reduction in the underlying costs, therefore it is reasonable to see a requirement for the prioritisation and constraint of the capital programme, if rent costs are to be mitigated. Further information on the Housing Asset Management strategy will be available next year and will be incorporated into revisions of the 30 Year HRA Business Plan.

Ratio of Financing Costs to Net Revenue Stream										
Years	1	2	3	4	5	6	7	8	9	10
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HRA - Net Revenue Stream	116,328	126,330	137,016	151,541	167,670	183,257	200,048	217,501	235,316	253,668
HRA - Debt Charges	24,621	30,111	35,970	45,334	56,031	66,153	77,113	88,435	99,702	111,044
Ratio	21%	24%	26%	30%	33%	36%	39%	41%	42%	44%

11 HRA Financial Plan Assumptions

Inflation

- 11.1 The model has used the longer-term expected rate of 2% inflation over the 30-year period this is reasonable for an average over the 30-years.
- 11.2 CPI inflation is expected to increase to around 2.75% in the second half of this year, as declines in energy prices last year fall out of the annual comparison. Thereafter, domestic inflationary persistence is expected to fade away over the next few years, with the modal value falling below 2% by the second quarter of 2026 - followed by the mean value later in the year - and to reach 1.5% by the first quarter of 2027. As with previous MERs, the longer term forecasting of inflation at persistently below target (2%) levels suggests that the Banks economic model may still have in-built, negative, biases.

HRA Costs

- 11.3 The main expenditure items on the HRA are maintenance (including repairs and maintenance, grounds maintenance & energy costs), management and administration, central support (including Corporate Services such as Finance, Digital and Technology, People and Organisation) and debt charges.

Repairs and maintenance

This covers the cost of the responsive and cyclical maintenance provided by Building Services.

Management and Administration

The HRA requires proper supervision and management in order to ensure that its properties are effectively managed, maintained and let to tenants.

Capital Expenditure

Capital expenditure includes the cost of major component replacement and the approved new builds. ACC in conjunction with Arneil Johnston are developing an Asset Management Plan. Currently the 30-year Finance Plan shows an investment of £4.8bn over the 30-years.

Borrowing Costs

Historically, borrowing has been required to fund the HRA and where possible the CFCR has been maximised. In 2023/24 due to the level of expenditure incurred no CFCR could be made this results in a higher borrowing requirement. By increasing the rents by 10% this will allow a level of CFCR to be made which is necessary to keep borrowing to a minimum.

It is expected that borrowing will be undertaken at the Council's internal pooled rate, on which interest has been estimated at 3.8% for the majority of the plan for the purpose of the financial modelling.

Stock Profile

- 11.4 As at 31st March 2024 (this may include those with RAAC), the Council's housing stock on the HRA numbered 23,258 properties.

HRA Housing Stock by Type – 31st March 2024

	2023/24
	Number
Type of Property	
Sheltered Property	1,981
Cottage	4,243
Flat	9,911
Four in Block	2,161
Maisonette	572
Multi Storey Flat	2,237
Split Level Flat	130
Multi Storey Maisonette	445
Amenity	1,578
Total	23,258

Misc Stock by Type – 31st March 2024

Other Assets	
Hostel	1
Garage Sites	241
Lock Up Garages	2,023
Parking Spaces	907
Travelling Peoples Sites	21
	3,193

Stock Age as at 31 March 2024

Period	Number	% stock
Pre: 1919	1,229	5.28
1919 – 1944	4,096	17.61
1945 – 1964	6,077	26.13
1965 – 1982	9,165	39.41
1983 – 2002	1,268	5.45
Post: 2002	1,421	6.11

Component Replacement

11.5 Major components are replaced on an age basis the lifecycle is listed below

Component	Lifecycle (years)
Bathroom	30
Kitchen	20
Heating systems – boiler	15
Heating systems – radiators	15
Windows	30
Doors	30
Wiring	30
Pitched Roofs	60
Flat Roof	30
Downpipes & Gutters	60