

ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	2 October 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	2025-2055 HRA Business Plan
REPORT NUMBER	CORS/24/286
EXECUTIVE DIRECTOR	Andy McDonald
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Helen Sherrit
TERMS OF REFERENCE	1

1. PURPOSE OF REPORT

- 1.1 The Council at the meeting on 14 December 2023 agreed to “to instruct the Chief Officer - Finance, in consultation with the Chief Officers - Corporate Landlord and Early Intervention and Community Empowerment (now Chief Officer – Housing) to prepare an updated 30-year HRA Business Plan, commissioning external support where necessary, and reporting back to the Finance and Resources Committee before the end of September 2024” This report fulfils this recommendation. It should be noted that Finance and Resources Committee agreed on 12 September 2024 that the 30 Year HRA Business Plan could be taken at Council alongside the Medium Term Finance Plan for the General Fund.

2. RECOMMENDATIONS

That the Council:

- 2.1 Approve the HRA Business Plan at Appendix A to this report;
- 2.2 Agree the HRA Business Plan will be updated on an annual basis and reported to Council;
- 2.3 Note the requirement for the Council to maintain HRA reserves for financial resilience and sustainability purposes and that the Plan builds in an annual surplus to support the value of HRA Reserves as time passes;
- 2.4 Approve the terms of proposed consultation with tenants as detailed in paragraph 3.4 and instruct the Chief Officer – Housing to consult with the tenants, and note that the Chief Officer – Finance will include the results as part of the HRA Budget 2025/26 presented to the Council on 11 December 2024: and

- 2.5 Note that the Council will receive reports on the Local Housing Strategy and the Housing Asset Management Plan in 2025 and these will inform future updates to the HRA Business Plan.

3. CURRENT SITUATION

- 3.1 The Business Plan sets out Aberdeen City Council's plans for managing and maintaining the housing stock of over 23,000 rented properties held in the Housing Revenue Account (HRA).
- 3.2 It also addresses how the fund will be managed to ensure maximum value is achieved throughout the projected 30 year cycle. Its fundamental purpose is therefore to demonstrate and ensure the efficient use of the Authority's housing assets and rental income. The Business Plan is designed to set out the strategic goals of the Council's Housing Service and measure progress toward achieving these goals, and provides a realistic appraisal of how these strategic goals will be achieved within the limitations of available funding and the predicted economic climate.

30 YEAR BUSINESS PLAN

- 3.3 The Business Plan (attached as Appendix A) 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.
 - The asset management assessment is based on the basis of continuing to invest and maintain the stock at the current level, this will increase borrowing and the level of debt that has to be financed annually, and has been included in advance of the Housing Asset Management Plan work, which is currently ongoing being completed, as this will inform future HRA Business Plans.
 - 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.

TENANT CONSULTATION

- 3.4 The Council must consult tenants on proposed rent increases and other charges as per the Housing (Scotland) Act 2001. This refreshed Business Plan provides the basis for that consultation for financial year 2025/26. Emerging from the Business Plan, it is proposed that the Council seek the views from tenants of the following:

- A rent increase of 10% in 2025/26, noting that a multi-year increase will be considered following the completion of the Housing Asset Management Plan next year.
- Amending the rent differentials between bedroom sizes 1 and 2, 2 and 3, 3 and 4 based on the average Scottish Cities analysis included in the Plan.
- Charging a premium of 15% for new build properties handed over to ACC after 1 April 25 for 15 years.
- Extending the life of kitchens from 20 to 25 years and bathrooms from 30 to 35 years.

3.5 The consultation will seek to obtain an understanding of the impact of rent increases and changes for those with protected characteristics to support the Council’s approach to complying with the public sector equality duty.

3.6 Below is a table which details the changes and which tenants will be impacted-

2025/26 Consultation proposals and where they could impact tenants				
Bedrooms in Property	Annual Rent Increase	Change Differentials	New Build Premium*	Kitchen & Bathroom Life extensions
0	10%	0%	n/a	Yes
1	10%	0%	15%	Yes
2	10%	10%	15%	Yes
3	10%	12%	15%	Yes
4	10%	7%	15%	Yes

* New Build homes are those handed over to the Council after 1 April 2025

3.7 Tenant consultation is scheduled to commence in October 2024.

4. FINANCIAL IMPLICATIONS

4.1 All financial implications are contained within the Business Plan as they relate specifically to the 30 year Financial Plan which contains assumptions on rental and debt levels, capital and revenue expenditure.

5. LEGAL IMPLICATIONS

5.1 The Housing (Scotland) Act 1987 requires local authorities to maintain a Housing Revenue Account.

5.2 Section 25 (4) of the Housing (Scotland) Act 2001, indicates that a local authority must:

“..to increase the rents or any other charges payable by all, or any class of, its tenants it must, before giving notice under subsection (1)—

- (a) consult those of its tenants who would be affected by the proposal, and
- (b) have regard to the views expressed by those consulted”

5.3 Aberdeen City Council must comply with the public sector equality duty as prescribed in the Equality Act 2010. An Integrated Impact Assessment will be

prepared to assess the impact of the proposed rent increases on persons with relevant protected characteristics and which will include the results of the consultation.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 The housing capital budget has several areas where energy improvements are recommended, or monies set aside to identify sustainable energy solution in the future.

7. RISK

- 7.1 The assessment of risk contained within the table below is considered to be consistent with the Council's Risk Appetite.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	<p>Management of the Housing Revenue Account not achieving intended strategic objectives.</p> <p>Audit, Risk & Scrutiny Committee on 23 March 23 refreshed the Risk Appetite Statement. The RAS sets out how the Council will balance its risks and opportunities in pursuit of delivering the outcomes set out within the Local Outcome Improvement</p>	<p>Through the Housing Revenue Account Business Plan</p> <p>The recommendations and risk assessment carried out are consistent with the Council's RAS.</p>	<p>L</p> <p>M</p>	<p>Yes</p>

	Plan and associated strategies.			
Compliance	Non-compliance with Housing Revenue Account Guidance.	Review process undertaken as part of 30 Year Business Plan	L	Yes
Operational	Housing Revenue Account should be effective in enabling the most efficient method to provide housing to the 22,772 tenancies and maximising the efficiency of the account to provide Best Value.	Ensure Best Value is achieved for the over 23,000 tenancies.	L	Yes
Financial	<p>Every organisation has to manage the financial risks inherent in the operation of large and complex budgets.</p> <p>In relation to capital projects there is a risk that following the procurement</p>	<p>These risks are minimised by the regular review of financial information by services and corporately by Elected Members. Increase rents regularly will protect against unsustainability and rising costs over time. Maintaining and increasing HRA reserves over time provides resilience in the face of financial stress in the HRA.</p> <p>Quantification and review of indicative projects costs by suitable qualified staff or external body, where appropriate.</p>	<p>H</p> <p>M</p>	Yes

	process tendered costs will vary from that assumed at the time of project approval.			
Reputational	The reputational risks to the Council are minimised by the regular review of financial information by CMT, the Performance Board and Elected members throughout the Financial year.	All staff and Elected Members advised.	L	Yes
Environment / Climate	The 30 Year Plan has incorporated energy improvements for sustainable energy solutions in the future.	Risks minimised if report recommendations are approved	M	Yes

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN 2024-2025</u>	
Impact of Report	
Aberdeen City Council Policy Statement	Housing Revenue Account should be effective in enabling the most efficient method to provide housing to the over 23,000 tenancies and maximising the efficiency of the account to provide Best Value.
<u>Aberdeen City Local Outcome Improvement Plan 2016-26</u>	

Prosperous Economy Stretch Outcomes	The housing capital programme is delivering works on loft insulation, replacing old/obsolete boilers with modern 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.
Prosperous People Stretch Outcomes	<p>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.</p> <p>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.</p>
Prosperous Place Stretch Outcomes	The council new build homes are some of the most energy efficient homes in Aberdeen which will contribute to addressing climate change.
Regional and City Strategies	The HRA is sustainable through the HRA business plan this delivers the sustainability of over 23,000 tenancies.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	Not Required
Data Protection Impact Assessment	Not required.
Other	Not required.

10. BACKGROUND PAPERS

ALACHO Rental uplifts 2425 –and benchmarking from Scottish Housing Regulators data sets

Citylets Quarterly report Q2 2024 – Aberdeen

11. APPENDICES

Appendix 1 30 year HRA Business Plan

12. REPORT AUTHOR CONTACT DETAILS

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