

ABERDEEN CITY COUNCIL

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| COMMITTEE | Council |
| DATE | 3 December 2025 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Housing Revenue Account Budget 2026/27 |
| REPORT NUMBER | CORS/25/278 |
| DIRECTOR | Andy MacDonald |
| CHIEF OFFICER | Jonathan Belford |
| REPORT AUTHOR | Helen Sherrit |
| TERMS OF REFERENCE | 2 |

1. PURPOSE OF REPORT

- 1.1 To provide elected members with information to enable the Council to approve a Housing revenue and capital budget for 2026/27, including setting of the rents and other charges on the Housing Revenue Account (HRA) for the financial year.

2. RECOMMENDATIONS

That the Council -

- 2.1 Approve the budget as attached in Appendix 1, page 2, of this report;
- 2.2 Approve the setting of the weekly unrebated rents, an increase of 12%, for municipal homes in Appendix 1, pages 3 to 4 of this report, to take effect from Monday 6th April 2026;
- 2.3 Note the level of revenue contribution to the Housing Capital budget for 2026/27 is £nil as detailed in Appendix 1, pages 27 to 29;
- 2.4 Note the proposed budget leads to a surplus for the year of £1.765m, which will increase the HRA working balances as at 31 March 2027, and this supports the approved strategy of restoring the working balances to 10% of HRA Revenue to meet future operational requirements and risks, noting that if the Housing Revenue Account records a deficit and has no reserves then the Council's General Fund must make a contribution to balance the Account;
- 2.5 Approve the level of miscellaneous rents and service charges, including Heat with Rent and the General Fund Support Services Charges as detailed in Appendix 1, pages 22 to 23, to take effect from Monday 6th April 2026;
- 2.6 Approve, based on a rental increase of 12% the Base Capital Programme for the financial years 2026/27, 2027/28, 2028/29, 2029/2030 and 2030/31 Appendix 1, pages 27 to 29;

- 2.7 Note the inclusion of the tiered trend analysis of the Housing Revenue Account Budget 2026/27, page 5 in Appendix 1, and the current actions to move spend from Tier 2 Early Intervention to Tier 1 Prevention;
- 2.8 Approve the permanent inclusion of a £1,000,000 Rent Assistance Fund from, 2026/27;
- 2.9 Note the results of the tenant consultation in respect of the move from a 48 week to a 52 week rent structure, alongside affordability considerations and determine whether to implement a change or to maintain the status quo, page 15; and
- 2.10 Delegates Authority to the Chief Officer – Corporate Landlord in consultation with the Chief Officer – Finance, Chief Officer – Capital and the Chief Officer – Housing to vire monies within the Housing Capital Plan to support any works that may be required to review the non-traditional housing stock and city centre multi storeys, retrospectively reporting any virement to the next available meeting of the Finance & Resources Committee as part of the Quarterly Financial Performance reports.

3. CURRENT SITUATION

Projected Out-turn 2025/26

- 3.1 In looking at the position for the next financial year it is useful to put into context the financial estimates for the current financial year.
- 3.2 The HRA budget in 2025/26 has a balanced budget, using £0.792m of HRA reserves. It is currently estimated to stay within budget this year, although this is not financial sustainable as there are several areas of pressure. There is a potential risk that there will be a further over spend in repairs and maintenance from the cost of materials, voids, and staff required to complete routine and statutory maintenance, maintain buildings to current national standards and return housing voids. At present, the higher costs currently anticipated are being offset by a reduction in management and admin costs. A review of the repairs and maintenance spend has been undertaken and is reported in Appendix 1 page 6.

Institutional Framework

- 3.3 The Council is required to give its tenants 28 days' notice of any change in the level of rent. With the decision on rent levels due to be taken on 03 December 2025, taking account of the various system amendments required, the change in rent levels will start on 06 April 2026.
- 3.4 The rent consultation was carried out from 20 October 2025 with a closing date of 07 November 2025 for responses. There were a number of questions asked regarding the priorities for spending the rent, whether rent paid represents good value for the home they in and the services they receive. Further details are included in Appendix 1, Pages 11 to 19.

- 3.5 This year there is no consultation on a longer term rent policy due to the level of uncertainty on inflation and the implications of the Housing (Scotland) Act 2025.
- 3.6 Officers have continued to bring forward annual rent increase decisions from March Full Council meetings to December. This approach ensures that we are in line with other services, internally and externally, in setting rents at the beginning of financial year in April and reduces the risk of potential failures in the system. It also ensures that we are maximising our rental income and removing potential losses to the HRA.
- 3.7 Schedule 15 of the Housing (Scotland) Act 1987 requires expenditure in the following main areas to be charged to the HRA:
- Capital Financing Costs in respect of monies borrowed for the purpose of providing and improving the Council's housing stock;
 - Management, administration and maintenance of the Council's housing stock; and
 - Other expenditure such as loss of rents for vacant periods, insurance, communal lighting and heating, cleaning and security.
- 3.8 Items of income that must be credited to the HRA are:
- Council house rents; and
 - Other income attributable to the HRA. For example, income recovered from tenants for heating, interest on revenue balances and, when available, transfers from working balances generated by the HRA in previous years.
- 3.9 In the absence of any central or local authority financial support for the HRA, the HRA is regarded as "ring-fenced". Consideration must be given to the level of capital to be financed from revenue (CFCR) within the HRA budget, as this will have an impact on the Housing Capital Budget and the affordability of capital expenditure in improving the housing stock. This report, therefore, whilst indicating a proposed HRA Budget, also provides information on the Capital Budget.

Underlying Strategy

- 3.10 The [30 Year Business Plan](#) presented to the Communities, Housing and Public Protection Committee on 11 November 2025 stated that to achieve a balanced position each year, a contribution towards reserves in year 1 and in year 2 allows a contribution to capital expenditure through CFCR, taking this approach would support a gradual reduction in debt charges. At year 5 the level of reserves would have achieved the recommended 10%. After year 2, this scenario would see CFCR at £5.8m, Year 3 at £13.5m, Year 4 at £24.6m and Year 5 at £31.5m. This level of increase would provide for alternatives, e.g. balancing contributions to capital with increasing more quickly. This would involve rent increases of the following –

| Years | Annual % rent increase |
|-------|------------------------|
| 1-5 | 12 |
| 6-10 | 10 |
| 11-15 | 8 |
| 16-20 | 6 |
| 21-30 | 4 |

- 3.11 As part of the consultation, ACC asked tenants if they would like to move from a 48 week to a 52 week rent structure, as this would help keep weekly rents lower, make it easier to budget, and match up better with benefit payments. Tenants provided mixed feedback, with no strong preference for either option. On balance therefore, it is considered that moving to a 52-week cycle would allow rent payments to be spread across the full year, which could help improve affordability and reduce financial pressure for tenants in the longer term.

Housing Market Overview

Local Housing Strategy

- 3.12 [Aberdeen City Local Housing Strategy](#) 2025-2030, agreed at the Communities, Housing and Public Protection Committee in August 2025, sets out our vision and priorities for the future delivery of housing and housing related services.
- 3.13 The Aberdeen City Local Housing Strategy 2025-2030 emphasises the importance of promoting health through housing by ensuring good quality, affordable, and energy-efficient homes. This includes providing homes with access to sufficient, well-maintained outdoor spaces, which better support mental and physical health outcomes.

To realise this priority, the [Housing Asset Plan](#), agreed at the Communities, Housing and Public Protection Committee on 11th November 2025, focusses on:

- Improving the condition of existing homes and carefully balancing investment in new homes with investment in older homes to improve the demand for older stock;
- Ensuring new-build homes are built to a high standard, but remain affordable and not allowing the investment in new stock to trigger an underinvestment of older homes;
- Increasing the supply of affordable housing in areas of greatest demand, including homes for varying needs (including wheelchair accessible homes), those who may have been hospitalised, those seeking asylum and homes for larger families;
- Reducing fuel poverty by improving energy efficiency across the estate and delivering on the recommendations of the Local Heat and Energy Efficiency Strategy (LHEES) to support the delivery of Net Zero Aberdeen;
- Ensuring Technology Enabled Care (TEC) is considered in the design of future specialist housing;
- Monitoring the demand for adaptations and work with partners to ensure they are available to support people to live independently;

- Continuing to meet national standards;
- Work to address the volume of housing voids; and
- Consider where to disinvest, for example properties in minority ownership.

Delivery of the Housing Asset Plan is dependent on the resources being made available. The Plan identifies that further investment is required in existing homes and carefully balancing investment in new homes and these requirements have informed this Report.

Private Rented Sector Market Update

- 3.14 As of Q3 2025, the average rent in Aberdeen City across all property sizes is £887 per month, which is a 2.1% increase on Q3 2024. This continues the upward trend seen in recent years, with a 24.2% increase since 2020. The rate of increase over the past 12 months has been highest for 4 bed properties with 3.3%, and 2 bed properties experiencing the least growth with 1%. Since 2020 however, the rate of increase for 1, 2 and 4 bed properties are all between 23-26%, whereas 3 bed properties are significantly lower at 17.9%.
- 3.15 59% of all properties are let within one month, with 4 beds generally being the slowest to let, with 49% let within a month, whereas 1 beds are the quickest to be let with 62% let within a month. This trend is similar when comparing with the percentage of properties that are let within a week.
- 3.16 The current demand for Council housing is borne out by the waiting lists which as of October 2025 have a total of 6,297 live applications for a council tenancy. Therefore, this is still an option for many, and demand is the highest for 1 bedroomed properties. Analysis shows that around 35% of applicants are currently living in a Council property, 15% are currently private tenants, 11% live in an RSL property and 10% are currently owner occupiers. Around 15% of applicants do not live within Aberdeen City, and there is some evidence that these external applicants may have submitted applications to multiple authorities.
- 3.17 The gap between housing applications and outcomes in 2023/24 (the last available data set) was better than the national average. 558 per 10,000 households are actively seeking local authority housing in Aberdeen City, compared to a national rate of 697 per 10,000. Aberdeen City is the 4th lowest of all authorities and is therefore more able to provide homes to those who request them than most. This would suggest that the rent levels remain attractive.
- 3.18 **Housing (Scotland) Act 2025 – Flexibilities for Local Authority Housing Revenue Account and General Fund – update**
- The Housing (Scotland) Bill completed Stage 3 in the Scottish Parliament on 30 September 2025, receiving Royal Assent on 06 November and becoming an Act.
 - Section 78 allows the transfer of funds into the HRA from the General Fund. Guidance will be issued by Scottish Government in due course on exactly how this will operate.

- It is clear though that HRAs must continue to operate as self-financing accounts, meaning rental income and related charges must cover all expenditure on managing, maintaining, and improving council housing stock.

Housing (Scotland) Act 2025 - Rental Controls for Private Rented Sector

- 3.19 There is an obligation on local authorities to report on their own rental markets by Spring 2027 to identify if there is a case for rent controls, which have been set at up to CPI + 1% to a maximum of 6% per annum. These controls will be applicable within and between tenancies, but Build to Rent and Mid Market Rent will be exempt.
- 3.20 The private sector appear relatively positive on the outcome of the act and the hope is now the uncertainty is over the sector will start to attract investment again after it was stalled by the rent freezes implemented three years ago.

Housing Capital Plan - New Build Council housing

- 3.21 Updates regarding the New Housing Capital Programme Delivery will be reported to the Communities, Housing and Public Protection Committee through the Housing Board Bi-Annual Report. The latest summary is provided in Appendix 1, Page 21.

Ongoing Capital Expenditure

- 3.22 The draft budget for 2026/27 and the following four years is attached as Appendix 1. This shows net expenditure of £118.530 million financed by £113.530 million of borrowing along with Other Income of £5 million.
- 3.23 This capital budget reflects and includes a rental increase of 12%. The details of the potential projects to be included in this programme are contained in Appendix 1, pages 27 to 29.

Reserves & Risk

- 3.24 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. In 2025/26 it was agreed to utilise £0.792m of the reserves to approve a lower increase in rents; 7.5% instead of 12% which followed on from the 2024/25 budget where it was agreed to utilise £3.161m of the reserves to approve a lower increase in rents; 4.7% instead of 8.5%.
- 3.25 Where a one-off solution, such as the use of reserves, can help fill a budget gap, enabling services to continue as currently delivered, due consideration must be given to the long-term implications, e.g. replacing the one-off income with recurring income or reducing costs. The Council's reserves statement, as approved by the Council in March 2025, 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, such that 10% of HRA Income is held in the reserve, which would be c.£13m. That policy has been challenged in both 2024/256 and 2025/26 by making use of reserves to support the budget. A rental uplift of 12% would allow a small

surplus of £1.765m, which would start to build back the working balance which would then continue to support financial resilience and protect the HRA from financial shocks, particularly as it is recognised that inflation is a constant.

- 3.26 Based on projected income and expenditure for 2025/26, the opening figure for 2026/27 should be approximately £7.413 million as detailed below:

| Movement in Working Balances | | £'000 |
|---|---------|--------------|
| Working balance as at 1 April 2025 | | 10,889 |
| Less: Earmarked sums (2024/25) | | |
| Housing Repairs | (2,375) | |
| House Sales – Non RTB | (309) | (2,684) |
| Uncommitted Working Balances 1 April 2025 | | 8,205 |
| 25/26 Use of working balance | | (792) |
| Projected Uncommitted Working Balances 1 April 2026 | | 7,413 |
| 26/27 Contribution to working balance | | 1,765 |
| Projected Uncommitted Working Balances 1 April 2027 | | 9,178 |

- 3.27 As shown above, the budget is expected to deliver a level of HRA reserve, working balance, equivalent to c.6.9%, and is progress towards restoring the working balance to 10% of HRA Income as per the policy objective. The retention of HRA Reserves cannot be understated given the role they play in good financial management, planning and resilience as well as being mindful of the terms that are set out in national guidance:

From the HRA guidance issued in 2014 “Under paragraph 9(2) of Schedule 15 to the 1987 Act, if a HRA deficit arises in any one year, the local authority must make a contribution to make good the deficit from the General Fund. Scottish Ministers consent is not required for this contribution. Prudent practice is for the local authority to hold HRA reserves (either as a specific reserve or an earmarked part of the General Fund reserves). HRA reserves are the result of years where the HRA income exceeds the HRA expenditure, i.e. a surplus rather than a deficit. These surpluses (reserves) will therefore be available to apply to the HRA in any year when a deficit arises negating the need for the General Fund contribution.”

Prudential Code

- 3.28 Councils are required by Regulation to have regard to the Prudential Code when carrying out their duties under Part 7 of the Local Government Scotland Act 2003.
- 3.29 In setting a capital programme, members will be aware that under the Prudential Code, the level of capital investment is determined at a local authority level. The base programme for consideration is £118 million. This is attached in Appendix 1 at pages 27 to 29.
- 3.30 The fundamental objective, in the consideration of the affordability of the Council's capital programme, is to ensure that the total capital investment of the authority remains within sustainable limits and in particular to consider the impact on the “bottom line”.

- 3.31 The Council's Prudential Indicators were most recently reviewed and presented to the Finance & Resources Committee ([CORS/25/243](#)) as part of the Quarter 2 Financial Performance report and will be included within the General Fund Budget report on 04 March 2026.

Business Plan

- 3.32 The [HRA 30 Year Business Plan](#) was presented to the Communities, Housing and Public Protection Committee on 11 November 2025 which concluded that the HRA cannot demonstrate that there is financial viability over the 30-year life of the Business Plan without rents increasing by 12% annually in the short term.

Impact of cost pressures 2025/26 and 2026/27 onwards

- 3.33 The HRA is coming under increasing pressure which necessitates taking a cost of service approach to rent setting and not an inflation based approach which has been affected by:
- Pay awards of 4% in 2025/26 compared to the budgeted 3% and 3.5% in 2026/27 compared to the budgeted 3%.
 - Increase in Employers National Insurance, of approximately £1,000 per employee.
 - Rent freezes in 2021/22 & 2022/23 resulting in a loss of £360m (in cash terms) over the 30 years. (Appendix 1, Page 17, shows we were one of the few local authorities who implemented a rent freeze for two years)
 - A continuing high level of spend being required on void properties driven by capital works, catch ups, construction costs, inflation and high turnover of properties. (11% of turnover locally compared to a national average of around 7%).
 - Spend on repairs & maintenance increasing year on year, and including insurance costs, planned maintenance, and compliance with national standards.
 - Increasing level of debt charges due to New Build Programme.
 - Future requirements for spend and decisions to be made in relation to the age and profile of the stock including managing outcomes from properties with multi-storey investment and other non-traditional properties.
 - Funding solutions to address the need to achieve / contribute to net zero and other energy performance improvements required to the stock for which no grant funding has been identified, and likely to increase costs to repairs and maintenance budgets considerably.
- 3.34 It should be noted that in accordance with the Housing (Scotland) Act 1987, section 210 (3) "In determining standard rents to which their housing revenue account relates, a local authority shall take no account of the personal circumstances of the tenants".

4. FINANCIAL IMPLICATIONS

- 4.1 Setting the budget for the HRA enables the housing stock to be managed in an effective and responsible way. The income supports in full the payment of ongoing costs of providing social housing in Aberdeen and incorporated costs of voids, debt charges, rent arrears as well as meeting the costs of repairing and maintaining the housing stock.
- 4.2 Given that the purpose of this report is to set the HRA budget for 2026/27 the financial implications are contained within the report and the attached Appendix.

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, states that a local authority: “..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 has been 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 budget proposed indicates 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 | Management of the Housing Revenue Account not | Through the Housing Revenue Account Business Plan | L | Yes |

| | | | | |
|--------------------|--|---|---|------------|
| | <p>achieving intended strategic objectives.</p> <p>Audit, Risk & Scrutiny Committee on 12 Feb 24 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 Plan and associated strategies.</p> | <p>The recommendations and risk assessment carried out are consistent with the Council's RAS. Should Council be minded to depart from the recommendations, it is important in doing so that the Council considers the potential impacts across the organisation and on the Council's pursuit of strategic outcomes.</p> | M | |
| Compliance | Non-compliance with Housing Revenue Account Guidance. | Review process undertaken as part of budget process | L | Yes |
| Operational | Housing Revenue Account should be effective in enabling the most efficient method to provide housing to over 23,000 tenancies and maximising the efficiency of the account to provide Best Value. | Ensure Best Value is achieved for the 23,000 tenancies. | L | Yes |

| | | | | |
|---------------------|---|--|---|------------|
| Financial | Every organisation has to manage the financial risks inherent in the operation of large and complex budgets. | These risks are minimised by the regular review of financial information by services and corporately by Elected Members. | H | Yes |
| | In relation to capital projects there is a risk that following the procurement process tendered costs will vary from that assumed at the time of project approval. | Quantification and review of indicative projects costs by suitable qualified staff or external body, where appropriate. | M | |
| | As the age profile of the stock increases there will be increasing repair and maintenance obligations and strategic decisions will be required on some property types. Solutions to this risk will be complicated by high levels of owner occupation. | Risk will be quantified through future 30 yr business plan and asset management model. Ongoing statutory compliance and stock survey work will manage short term risk. | | |
| Reputational | The reputational risks to the | All staff and Elected Members advised. | L | Yes |

| | | | | |
|------------------------------|--|--|---|-----|
| | Council are minimised by the regular review of financial information by CMT, the Performance Board and Elected members throughout the Financial year. | | | |
| Environment / Climate | The budget proposed indicates a number of areas where energy improvements are recommended, or monies set aside to identify sustainable energy solution in the future. Not to proceed with this would create risks. | 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, in 2026/27 looking for approval to make this Fund permanent. |
| 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 | New Integrated Impact Assessment has been completed. |
| Data Protection Impact Assessment | Not required. |
| Other | Not required. |

10. BACKGROUND PAPERS

10.1 Benchmarking from Scottish Housing Regulators data sets

10.2 [Citylets Quarterly Report Q3 2025 – Aberdeen](#)

10.3 ALACHO HRA Business Planning Masterclass – Arneil Johnston

11. APPENDICES

11.1 Appendix 1 Draft Housing Revenue Account 2026/27 Budget

11.2 Appendix 2 Detailed Draft Housing Revenue Account 2026/27 Budget

12. REPORT AUTHOR CONTACT DETAILS

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