HOUSING REVENUE ACCOUNT 30 YEAR BUSINESS PLAN

OCTOBER 2025

Contents

Forward

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.

Our vision is that the people of Aberdeen live in good quality, safe, sustainable and affordable homes, and in thriving communities that meet their needs.

Consideration of the evidence gathered, and exploration of the social determinants of health, helped identify the key challenge and action required to deliver our vision.

Our Key Challenge: Many citizens of Aberdeen face barriers accessing good quality, secure and affordable homes with support services which meet their needs, and are in locations they want to live in. This can contribute to poor health outcomes, particularly for those who are more vulnerable.

Our Response: We must ensure that there is a sufficient supply of good quality and affordable housing, and more integrated services that provide appropriate support to meet the evolving and varying needs of Aberdeen's citizens, and to promote better, healthier places and communities.

This 30 Year Business Plan sets out Aberdeen City Council's plans for managing the Housing Revenue Account (HRA). It sets out the financial framework within which the fund will be managed to ensure maximum value is achieved throughout the projected thirty-year cycle.

The Business Plan provides a realistic appraisal of how the strategic goals set out in the Local Housing Strategy, will be achieved within the limitations of available funding and the predicted economic climate.

As a result, this Business Plan details:

- factors affecting our provision of housing stock;
- an assessment of our housing management and maintenance in terms of asset management and service performance; and
- our financial plans to meet our objectives within the limitations of funding available.

Strategic Context

Local Outcome Improvement Plan

Community Planning Partners are in the final year of delivering against the current Local Outcome Improvement Plan (LOIP). As a result, current Stetch Outcomes have been used to shape this Business Plan. Community Planning Partners are currently collaborating to shape the next iteration of the LOIP for publication in 2026.

Economy; 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 etc. In addition, the HRA Budget in 2024/25 introduced a Rent Assistance Fund to assist Council tenants facing financial hardship. Following an evaluation of the pilot, it is proposed that this remain in place. The HRA also funds SCARF to support tenants with heating and other energy requirements.

People (Adults); 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 Local Housing Strategy includes a wheelchair accessible target of 15% of all new build affordable properties by 2030. The council's new build programme has delivered new wheelchair and accessible properties in excess of this target. The HRA currently commits over £1 million per annum to allow adaptations to tenant homes to meet their changing requirements. There is clear evidence that these adaptions help people remain living at home, within their communities for longer, and this investment will continue.

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. Considerable work is on-going with the Royal Foundation and our partners to address homelessness, with a focus on reducing the use of unsuitable accommodation in the second version of our Housing Emergency Plan due to be presented to Committee for approval in November 2025.

Place; 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.

Council new build homes are some of the most energy efficient homes in Aberdeen and the HRA continues to invest in energy efficiency measures. There is a need to ensure that the HRA continues to deliver energy efficiency measures and fully takes account of updated national expectations which are as yet unknown.

2.

Local Development Plan

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 and build HRA properties. However, we must prove further that new build properties are affordable and sustainable, particularly in light of the concerns about older housing stock flagged in the Housing Asset Plan and a need to increase our focus on damp and mould in keeping with the expectations of the Scottish Housing Regulator. This will require to be budgeted for.

Local Housing Strategy

The Aberdeen City Local Housing Strategy 2025-30 was agreed at the Communities, Housing and Public Protection Committee in August 2025. The Strategy outlines the strategic direction to respond to housing need and demand and informs the future investment in housing and housing related services across the city.

Inputs	Activities	Medium Term Outcomes	Impacts
HRA Revenue **HRA Capital** **Affordable Housing** **Supply Programme** **RSLs** **Private sector** **Data and research**	• Bring voids and empty homes back into use. • Deliver new, affordable housing delivered. • Maintain /retrofit older homes. • Maximise accessibility in properties including TEC. • Build agency of unheard voices. • Maximise green space and encourage active lifestyles. • Holistic support provided for New Aberdonians. • Deliver holistic integrated family support. • Deliver easy to access local facilities and services. • Deliver specialist and supported accommodation. • Deliver a range of housing options and support services to key groups. • Complete adaptations to support people to live independently. • Develop effective data collection and sharing across housing, health, and social care system. • Maximise benefits entitlements. • Invested to improve / maintaining high standards and energy efficient stock. • Expand district heating schemes. • Support landlords.	• Population retention and growth is supported through housing availability. • Housing related inequalities are reduced and community stability enhanced. • Communities are empowered to shape their environments and services. • Wellbeing and social cohesion in deprived areas is improved. • Inclusive, safe, and vibrant neighbourhoods are fostered. • No breaches of the Homeless Persons (Unsuitable Accommodation) (Scotland) Order. • An adequate supply of good quality temporary accommodation. • An adequate supply of specialist housing. • The right support is available to enable people to live independently at home for as long as possible. • Improved communication between housing and health and social care systems to ensure people are not impacted by housing related hospital delays. • Improved mental and physical health outcomes via housing support. • Emissions from the domestic sector are reduced. • Fewer private sector properties in disrepair or substandard. • Minimum energy efficiency standard is implemented. • Fewer private rented properties are in disrepair. • Landlords are supported to remain in the sector and are aware of their duty to comply with legislation.	• There is a sufficient supply of housing to meet the varying needs of the people of Aberdeen. • Lesser heard voices shape their communities, focusing on the unique circumstances of a particular place. • Homelessness is rare, brief, and non-recurring. • The people of Aberdeen to live as independently as possible, for as long as possible in their community. • Health inequalities are reduced by affordable, accessible, high quality and energy efficient homes. • High quality homes with improved energy efficiency, alleviating fuel poverty and mitigating climate change.. • A well-managed private rented sector

3.

Housing Asset Management Plan

A Housing Asset Model is a data depository that allows easy exploration of property data to help determine how housing assets might best be managed to both meet the needs of the community and have a sustainable Housing Revenue Account (HRA).

The process of developing the Housing Model required a significant investment of officer time over 2024/25 as data on all current housing stock was input over 2024/25. Following a period of data cleansing and refining, our housing data can now be more easily interrogated to identify areas for investment and support assessments of viability. Interrogation will be on-going and inform a yearly review of the Housing Asset Plan.

The Housing Asset Plan aims to ensure that there is sufficient and efficient provision of good quality, affordable, and energy-efficient homes that support the health and wellbeing of residents. It translates the insight gleaned from the Model and other data sources into an actionable and costed Housing Asset Plan for the year ahead. The next iteration of the Plan, due to be presented in October 2026, will also benefit from the insight available from a newly procured NEC system.

The Housing Asset Plan will be subject to annual review and be presented to Council on a yearly basis alongside the HRA Plan.

Challenges and standards identified from the 2025 Housing Asset Plan are summarised below.

Challenges to address

We need to ensure the financial sustainability through our Asset Management approach	We need to have an adequate supply of housing to meet demand	We need to ensure that our housing stock is sustainable for our changing population	We need to review our approach to minority and shared ownership
We need to address stock condition in older properties	We need to develop a sense of place, prioritising neighbourhoods with new builds and SIMD	We need to review how we manage ancillary properties etc.	We need to continue to ensure compliance with changing standards

Standards to be met

Compliance with the Energy Efficiency Standard in Social Housing, and in time EESSH 2, which is as yet unknown.	Make adaptations to tenant homes to help them sustain their tenancies and independence.	Adress and report damp, condensation and mould issues in our older buildings (Regulator reporting requirements as yet unknown)
Grenfell recommendations and works associated with single building assessments, with required actions as yet unknown.	Compliance with the Scottish Housing Quality Standard.	The Gold Standard (local standard) for new build properties and consideration of how we balance this with investment in neighbouring properties (ACC Standard)
Health and safety programmes such as Gas and Electricity upgrades (tenants can resist the Council accessing their homes).	Capital improvement updates such as kitchen and bathroom (tenants can resist the Council accessing their homes) (ACC Standard)	Access to EV Charging points, which is as yet unknown.

Housing Emergency Action Plan

Members of the Communities, Housing and Public Protection Committee unanimously agreed to declare a local Housing Emergency in September 2024. The Aberdeen City Housing Cross Party Working Group subsequently defined this as being due to aspects of performance associated with homelessness and the need to address the volume of voids. Addressing homelessness and voids are therefore key improvement priorities at the heart of the Housing Emergency Action Plan.

Nationally, over a period of many decades, there is evidence that the national Housing Emergency can be partially attributable to:

- Increasing real term cost of housing relative to income. This disproportionately impacts on those on lower incomes
- A long-term decline in the number of new homes being built
- A long-term reduction in the relative size of the social rented sector and the availability of affordable housing more generally
- A reduction in the number of homes available, in part due to the rising number of second homes
- The impact of the Covid-19 pandemic on large social landlords
- A significant increase in the number of single adults living alone
- A rise in domestic violence leading to increased homeless presentations
- Rapid growth in refugee populations; and
- A decline in the capacity of the social rented sector to offer a realistic alternative to more expensive private sector options at a local level.

The second Housing Emergency Action Plan, due to be presented to the November 2025 meeting of the Communities, Housing and Public Protection Committee, will explore the national and local context, take a deep dive into voids and homelessness performance and then set out a series of actions to help drive improvement.

Improvements will help make best use of resources and an increasing saving based on a reduction in lost rent has been factored into our scenario planning for this 30 Year Business Plan.

Strategic Housing Investment Plan

The Strategic Housing Investment Plan (SHIP), due to the presented to the November 2025 meeting of the Communities, Housing and Public Protection Committee, will sets out the 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 2025 – 2030 has the potential to provide up to 2,814 new affordable homes, significantly more units than are suggested in the affordable housing supply targets identified in the Local Housing Strategy.

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 impact on the Council's ability to deliver affordable homes across the city.

Assuming that each property attracts in the region of £100k per unit in grant, around 97 homes could be delivered in 2025/26, 72 homes in 2026/27 and 48 in 2027/28.

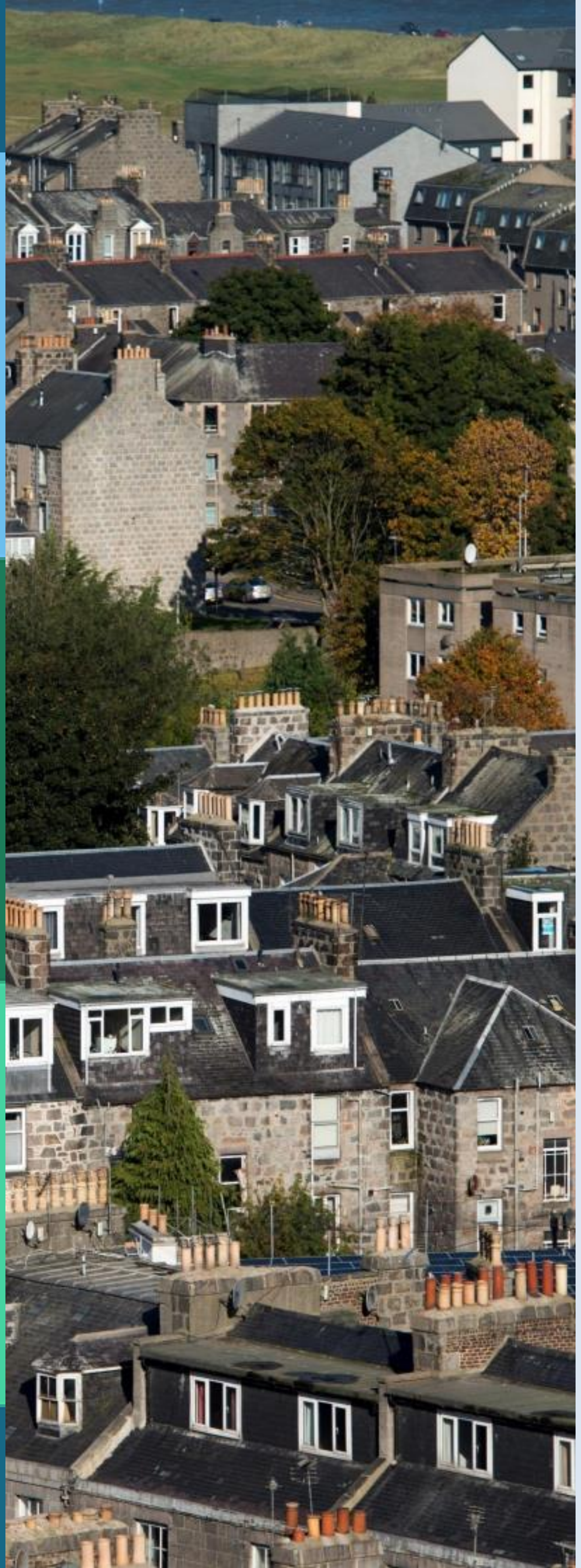
Aberdeen City Council's new build programme has attracted grant funding for all developments apart from phases 4A, 5, 5A, 6, 8 at Cloverhill. Currently no grant funding is earmarked for these phases.

Phase 5 – 58 homes to be delivered in Summer 2025
Phase 6 – 70 homes to be delivered in Summer 2025
Phase 8 – 23 homes to be delivered in Spring 2026
Phase 4A – 37 homes to be delivered in Summer 2025
Phase 5A – 34 homes to be delivered in Winter 2025

Should this funding not be delivered it will create a £22m deficit to the HRA and require a higher level of rent increase to fund the increasing debt charges as there is an assumption this grant income will be received in the 30-year business plan.

Table 1: Resource Planning Assumptions

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



Market Position Statement

Aberdeen City Health and Social Care Partnership produced the Independent Living and Special Housing Provision Market Position Statement 20245 – 2034 in December 2024. This highlighted the need for additional new homes across a variety of service user groups. Specifically, it identifies the requirement for 60 new complex care homes in Aberdeen across the next decade.

Ten new council homes built at Stoneywood have been designed to meet complex care needs. The development cost circa £4.7m and includes a number of specialist features that will reduce the risks and increase the independence of people living with complex care needs. At the time of writing (August 2025), tenants are in the process of moving into their new homes, allowing the majority of service users to return home from out of area placements to live in their new tenancy with support commissioned by Aberdeen City Health and Social Partnership. Discussions are ongoing to identify how best to fund work additional homes where construction and operating costs incur a premium to ensure the homes meet the needs of the people who require this level of supported accommodation but also offer a sustainable approach. The affordable housing supply programme has significant limitations around the level of funding available for complex care and specialist provision homes, which impacts on the viability of future new build specialist provision homes across all client groups.

There is now a need to evaluate the delivery of the first 10 homes, from both a project delivery and tenant perspective, to help inform next steps. This action has been added to the Housing Asset Plan.

Population and Household Change

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 due to a range of asylum and dispersal programmes. As of 30th June 2023, Aberdeen City had an estimated population of 227,750 . This equates to 4.1% of Scotland's total population. Between 2018 and 2028 the population of Aberdeen is projected to increase by 1.1% to 230,170.

In 2023, there were 111,024 households in Aberdeen City – up from the 109,720 households in 2022. Since 2002, the number of households in Aberdeen has increased by 13.4% (133,157 households). In 2022, the average household size was 1.97 compared to 2.12 for Scotland. In both Aberdeen City and Scotland, average household sizes have decreased over the past 20 years (from 2.13 and 2.27 respectively in 2001).

As a result, 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%.

The Local Housing Strategy identifies the need to think about how best to meet the needs of an older and increasingly single population to help shape longer term planning. This piece of work is included in the Housing Asset Plan.

Household Income

The Office for Budget Responsibility (OBR) forecasts that in 2024-25 that real household disposable income per person—a measure of real living standards— is expected to decline by 0.4%. This marks the third consecutive year of decline following drops of 2.2% in 2022/23 and 0.8% in 2023/24. Median income is currently below that of Edinburgh but above Dundee and Glasgow, where Aberdeen previously had the highest median income in Scotland.

Benefits

Claimant count provides data on individuals receiving out of work benefit. In March 2025 there were 5,275 claimants in Aberdeen City. This is equivalent to a rate of 3.4% compared to 3.2% in Scotland and broadly in line with pre-pandemic levels. Aberdeen City has 6th highest rate of claimant count receipt (previously 11th) as a proportion of working age population of the 32 Scottish local authorities.

Scottish Index of Multiple Deprivation

The Scottish Index of Multiple Deprivation is a relative measure of deprivation across 6,976 small areas (called data zones). SIMD looks at the extent to which an area is deprived across seven domains: income, employment, education, health, access to services, crime and housing and is the Scottish Government's standard approach to identify areas of multiple deprivation in Scotland. Consideration of SIMD 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.

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.

There is a need to continue to take account of the financial circumstances of our tenants and make provision for, and maximise the impact, of our Rent Assistance fund.

Demand

Private Rented Sector

Aberdeen Quarter 2 2025 Citylets report (Table 2) shows that Private Rented Sector (PRS) rents have reduced overall by 0.3% in the last 12 months, however the annual change in 5 years is a 26.9% increase.

The report shows a growth in the demand for 3+ bedroom homes and new builds of all sizes. Private tenants are more willing to pay for energy efficiency, allocated parking and modern amenities. 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. There is a need to continue to ensure that rents are affordable.

Aberdeen City Council Waiting Lists

As of August 2025, there were 6,245 (increased from 5,841 in August 2024), applicants waiting for housing, 617 active homeless applications. 2,356 properties were let in 2024/25 and 987 properties have been let to end of August 2025. The number of lets, equating to around 11% of all stock, is higher than usual due to the new build programme.

Demand from those on the housing lists is illustrated in the Table 3. A number of applicants may appear twice as they may be on more than one list.

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.

This demonstrates there is a need for Social Housing with demand out stripping availability.

Table 2:Annual Private Sector Rent Changes

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	£560	1.30%	26.40%	-17.60%	35	8	12%	58%
2 bed	£798	-0.02%	26.10%	-19.30%	36	8	9%	54%
3 bed	£1,174	-0.30%	23.70%	-12.00%	38	5	11%	55%
4 bed	£1,618	-5.00%	30.00%	-14.80%	43	14	4%	44%
All	£883	-0.30%	26.90%	-15.30%	36	8	10%	55%

Table 3: ACC Housing Waiting Lists

Housing Demand as of 26 August 2025			
Bedroom Size	Total Housing Need	Without Housing Need	Total
1	2,697	1,056	3,753
2	572	875	1,447
3	526	306	832
4	196	17	213
Total	3,991	2,254	6,245

Regulatory Framework

Scottish Government

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. 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.

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.

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.

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.

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.

At the time of writing, officers await further detail on the Social Housing Net Zero targets. This is anticipated to be released in September 2026, and the Scottish Government are currently reviewing the responses to it’s Heat in Buildings Bill consultation.

There is a need to ensure that sufficient resource and funding is identified to deliver on the increased expectations within the 30 HRA Business Plan.

Scottish Housing Regulator

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.

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.

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.

It is highly likely that social landlords will be asked to report damp and mould indicators in the near future.

Corporate Housing Board

The Housing Board plays a crucial role in overseeing improvement across Housing related services. The Board's activities are aligned with the strategic goals set out in the Local Outcome Improvement Plan (LOIP), the Local Housing Strategy and associated Plans.

As a result, the Board oversees the development of this 30 Year Business Plan.

The Challenges

In developing this HRA 30 Year Plan, consideration has been given to the challenges which impact on how HRA resources are allocated. Plans to address the challenges are outlined in Plans linked to the Local Housing Strategy, such as the second version of the Housing Emergency Action Plan due to be presented to Committee in November, and the Housing Asset Plan being considered alongside this 30 Year Business Plan.

Some of the challenges identified will be addressed by reallocating staff within existing resources, whilst others will require additional investment from the HRA to overcome, impacting on proposed rent levels.

Not increasing rent on an annual basis will diminish the level of services provided in the HRA. For services to be maintained or improved, a rent increase will be necessary.
(Housing Business Plan)

Not returning the level of reserves to a sustainable level presents a considerable risk to the HRA.
(Housing Business Plan)

There is a need to re-establish Capital from Current Revenue Contribution to reduce the level of debt in future years, as servicing the debt is restricting our Plans.
(Housing Business Plan)

The costs of maintaining homes to national standards and general repairs and maintenance keeps increasing, triggering the need to think about how to spend resources differently, particularly given that some standards are as yet unknown.
(Housing Business and Asset Plan)

Not investing in clearing the voids backlog, will hamper work to reduce the level of lost income and perpetuate the voids issues.
(Housing Business, Housing Asset Plan and Housing Emergency Plan)

Not securing adequate external funding for Gold Standard New Build Properties compromises their affordability.
(Housing Business and Asset Plan)

Repairs

The cost of repairs has increased significantly as detailed in table 4. 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. Chart 1 illustrates the rising cost of materials within Building Services.

The Business Plan currently assumes there will be no reduction in repairs and maintenance in 2026/27 the budget has been updated to reflect the 2024/25 actuals plus an uplift of 10% which reflects the pay award of 7.5% for craft workers (over 2025/26 and 2026/27) and increase for materials thereafter there is an annual increase of 5% each year to reflect pay and material increases. A need to allocate additional resources to clear the backlog of voids in order to increase rental income has also been reflected in the scenarios.

Minimum Letting Standard

The evaluation of the Minimum Letting Standard (MLS) presented to the Communities, Housing and Public Protection Committee in November 2024, determined that changes were necessary.

The evaluation concluded, that along with the introduction of Choice Based Letting, the implementation of an improved MLS had made properties easier to rent and impacted positively on the number of refusals. In addition, there was a notable reduction in the amount of time property inspectors spent dealing with newly let properties in the first month of occupation.

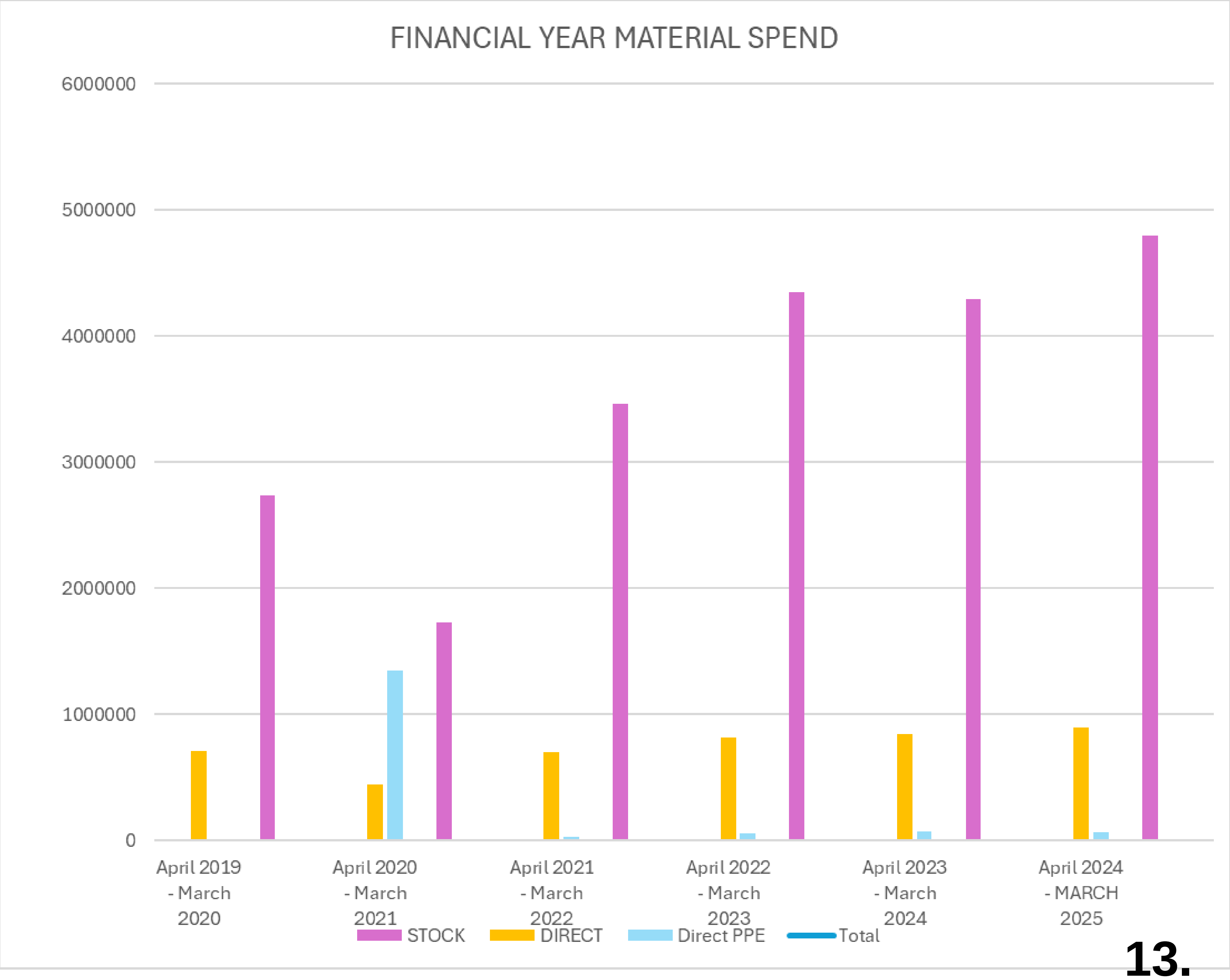
There was however no evidence of a significant reduction in the number of properties returned from tenants in a poor condition, there continued to be a high level of refusals for capital works from Council tenants who had not recently let properties and there was a corresponding and significant increase in void rental loss in part due to the MLS elongating void times, impacting on the health of the Housing Revenue Account.

It was concluded that the insight gleaned from the evaluation, coupled with labour market challenges in securing in particular painters and decorators, triggered a need to review the standard. The amended standard has been factored into this Business Plan.

Table 4: Repairs and Maintenance spend

2024/25	2023/24	2022/23	2021/22	2020/21
£'000	£'000	£'000	£'000	£'000
44,688	**43,855**	**36,194**	**30,383**	**27,159**

Chart 1: Cost of stock materials



Voids

The high number of voids in Aberdeen City Council's housing stock can be attributed to several factors. The pandemic significantly delayed work to voids, exacerbating the backlog and escalating the situation. The local downturn in oil and gas made private sector housing more affordable, and some council tenants took advantage of this, increasing the volume of empty properties. As a result, the proportion of Council tenants with more with complex challenges increased, those with complex challenges are more likely to abandon properties and leave them in poor condition, further impacting the length of time a property remains void and repairs costs.

The void process itself is complex and involves multiple steps, each contributing to the overall time taken to relet properties. The average time to turn around voids is approximately 311 days, significantly higher than the Scottish average of 57 days. This is predominantly driven by the high volume of voids in need of considerable investment which have been de-prioritised for repairs in order to maintain a flow of properties, not addressing this backlog of properties requiring significant works will further elongate this reportable turn around time. Furthermore, around 50% of tenants refuse Council-undertaken improvements, adding to the extent of works required when properties become void. Work to address the level of Housing voids will be articulated in the Housing Emergency Action Plan.

A decision was taken by the Communities, Housing and Public Protection Committee to pause buy backs given the very high costs required to ensure properties complied with Scottish Housing Regulator expectations. It is proposed that this policy continue in all but exceptional cases until all current buy backs (87) are tenanted. This has been factored into this Business Plan.

Scottish Government has confirmed that the homes being retained for Ukrainian families can now be made available as mainstream lets, this has positively impacted our level of voids.

As of 26/08/25 the number of voids is 2,012, of which 1791 are lettable voids and 221 UTBR's that are off the charge but will come back in for letting once repairs are completed. Table 5 sets out the property type and number of bedrooms of all void properties with Table 6 showing the composition of all voids. Currently there are 142 properties under offer, 221 off charge for major works, 362 awaiting demolition and 87 buy backs being brought up to current standards. Properties being held for those impacted by RAAC are currently inflating the number of lettable voids.

The cost of the void rent loss in 2024/25 was £8.4m, this was a significant increase from the £2m in 2022/23. As of 17 August 25, rent loss was £2.9m, this is a reduction on 2023/24 at the same point evidencing that improvement is starting to show. This data demonstrates there continues to be a cost pressure from the continued level of voids and this has been factored into this Business Plan.

Table 5: Void properties (includes 221 UTBR's)

	Number of Bedroom					
Property Type	0	1	2	3	4	Sum:
Amenity Cottage (Acc)	12	97	1			110
Amenity Flat (Acc)		22				22
Amenity Multi-Storey Flat		16	3			19
Cottage	4	17	76	72	2	171
Flat	89	313	449	91	6	948
Four In Block		55	87	40	3	185
Maisonette			45	4		49
Multi-Storey Flat	6	71	181			258
Multi-Storey Maisonette			68			68
Sheltered Cottage	1	11				12
Sheltered Flat		52	2			54
Sheltered Multi-Storey Flat		77	25			102
Split Level Flat			1			1
Very Sheltered Flat		12	1			13
Sum:	112	743	939	207	11	2012

Table 6: Composition of 2,012 voids (August 2025)

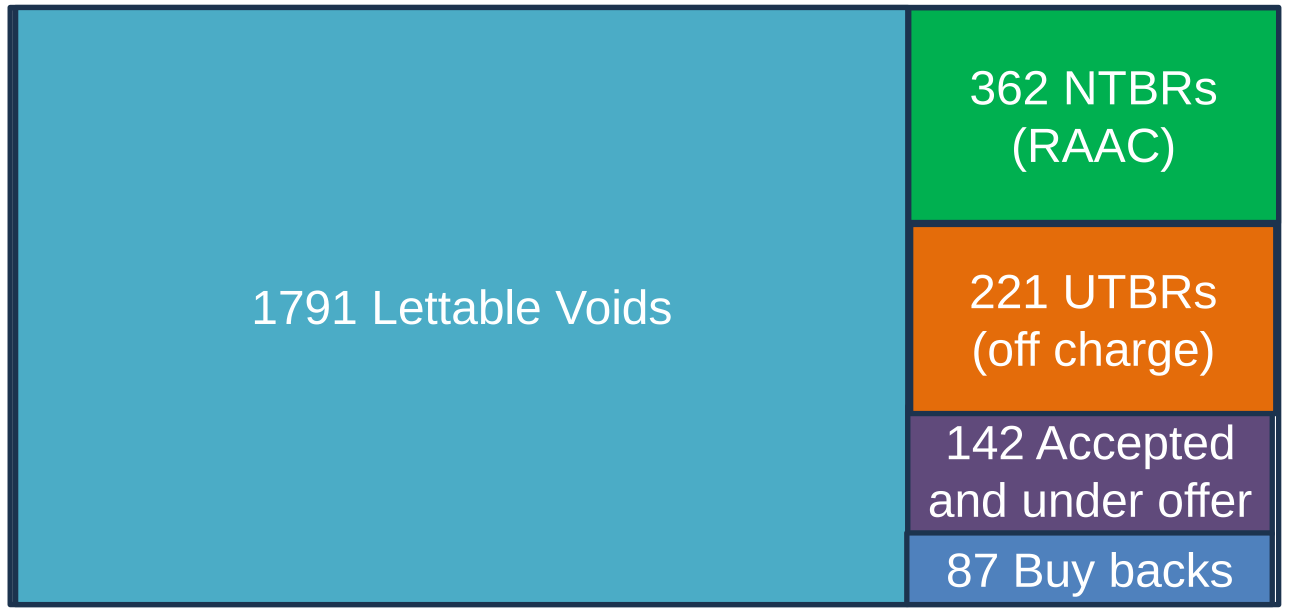


Table 7: Benchmarking of rent due lost

Local Authority 2024/25	% rent due lost through empty properties
Aberdeen City Council	8.04%
Dundee City Council	1.77%
City of Edinburgh Council	1.76%
Stirling Council	1.46%

Income Collection/Arrears

The in-year rent collection rate for Aberdeen City Council in 2024/25 was 100%, this figure represents a mixture of current and former tenants rent and is a significant improvement on the 96.57% collected in 2023/24.

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 as per table 8. These figures represent former tenancy arrears and rent due from existing tenants, i.e. arrears that have arisen over a number of years. Data for 2024/25 was slightly improved at 17.86%, with year to date levels sitting at a further improved 14.57%.

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 the establishment of a Corporate Debt Specialist Debt Recovery Team. 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.

A review has been undertaken of the write off process and this has been benchmarked with other local authorities, this will be a recurring process actioned within Corporate Debt. The Direct Debit process has been reviewed by the Housing Board which has resulted in removing the offer of a later payment date and the preferred option of payment being direct debit for new tenants.

An evaluation of the 2024/25 pilot of the Rent Assistance Fund demonstrated that it had achieved its core aim: preventing arrears from escalating to eviction while strengthening tenants' financial resilience. A recommendation of this report was to Instruct the Chief Officer – Finance to refer the Rent Assistance Fund to the 2026/27 HRA budget process, to adopt as a permanent, business-as-usual provision following the success of the pilot.

Table 8: Benchmarking

Local Authority financial year 2024/25	% gross rent arrears of rent due
Aberdeen City Council	17.86%
Dundee City Council	7.30%
City of Edinburgh Council	11.81%
Stirling Council	9.50%

RAAC

The presence of Reinforced Autoclaved Aerated Concrete (RAAC) panels within roofs has been confirmed at circa 504 addresses in the Balnagask area of Aberdeen. Council on 21 August 2024 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. 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;

The full recommendations are found in the following link - Full recommendations. It should be noted that we have included the demolition of the RAAC properties in the capital programme for the 30 Year Business Plan.

Management Costs

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
- Commercial and Procurement
- Digital and Technology
- People and Organisational Development

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 in supporting the HRA. Any pay awards agreed must be funded by the income within the HRA there is no additional funding provided by the Scottish Government. No subsidies can be provided by the General Fund, and Council Taxpayers.

.

Choice Based Lettings (CBL)

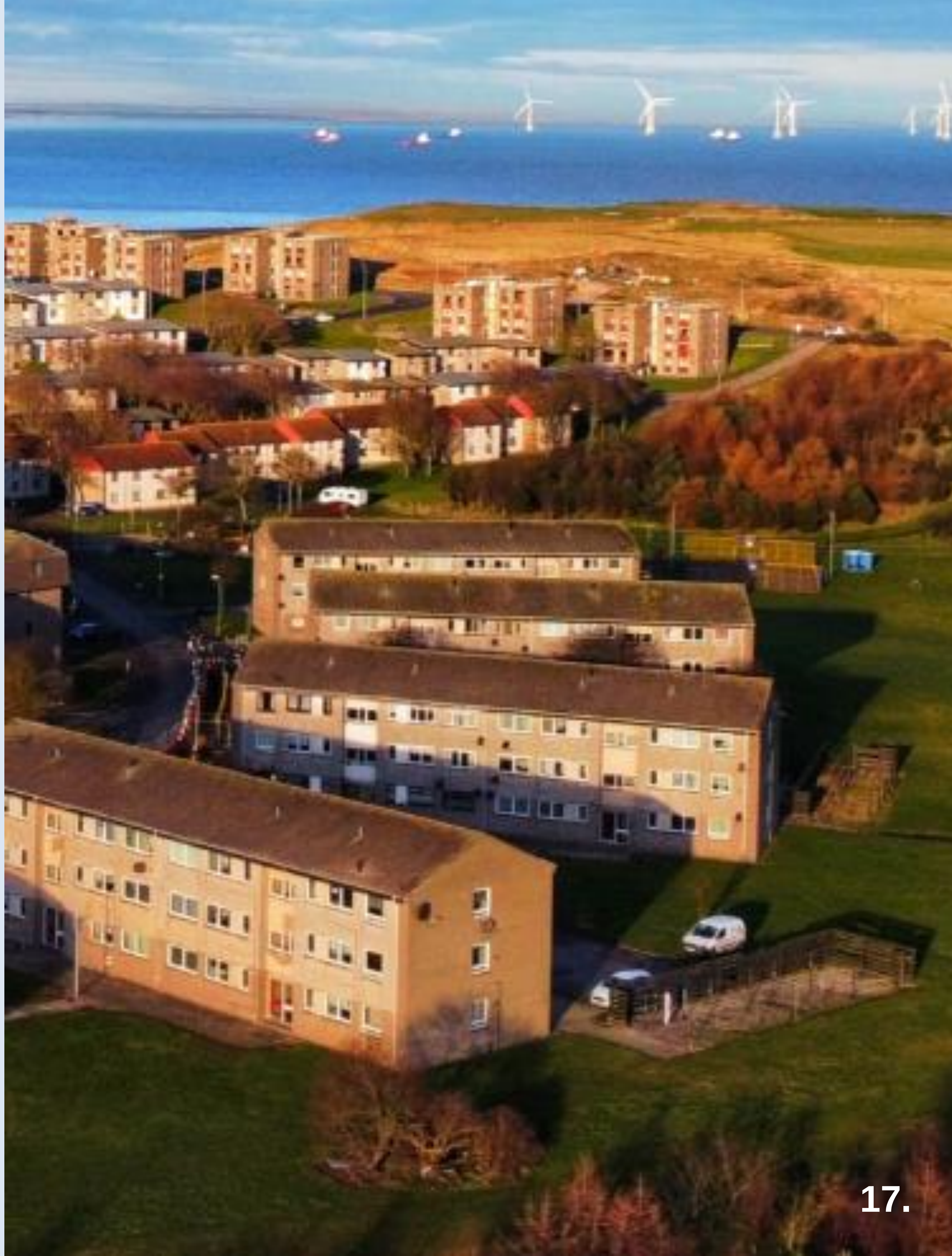
Choice Based Lettings (CBL) was introduced in 2022 to allows mainstream tenants to make an informed decision about where they would like to live by bidding (registering interest) on ACC's available properties online. We advertise available homes on our website each week (called a bidding cycle).

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.

The previously reported evaluation of CBL concluded that increasing applicant placed bids had a positive impact on other areas such as levels of refusals and overall tenancy sustainment figures. Work continues to increase the number of those making use of Choice Based Lettings. Data is indicating a 20% increase in applicant placed bids since June 2023. the evaluation also evidenced that the bidding cycles increase the period of time a property is void, and this will be factored into our thinking as we develop our second Housing Emergency Plan.

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. Data shows a decline in overall refusal rates compared with 2023/24 (56.10% in 2023/24 to 52.2% in 2024/25) and an overall increase in tenancy sustainment from 89.33% to 90.26%.

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

Consulting with tenants is not only set in legislation and monitored by the Scottish Housing Regulator but recognised as best 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.

The Housing Board have reviewed the current practices and agreed a different approach to rent consultations which will see all those tenants we hold an E-mail for receive a link to the survey. In addition, all those who do not have digital access will receive a paper form; there will be support for those in sheltered and very sheltered accommodation. Potentially vouchers will be offered as means of encouragement.

Organisations such as Turning Point, Cyrenians, Bon Accord Care and ACVO have also stated are willing to advertise the consultation on their website and that their staff will help any tenants who have issues in completing the survey. This will support us to better capture the lived experience of those who are harder to reach.

Financial Strategy

Introduction

This refreshed HRA Business Plan is based on learning from the Housing Asset Plan 2025.

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 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.

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.

As shown in Chart 2, the greatest proportion (39%) of revenue spend is on repairs and maintenance, followed by Capital charges (20%).

As might be anticipated, the highest income is from rent.

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.

Chart 2: 2024/25 Actual HRA Expenditure

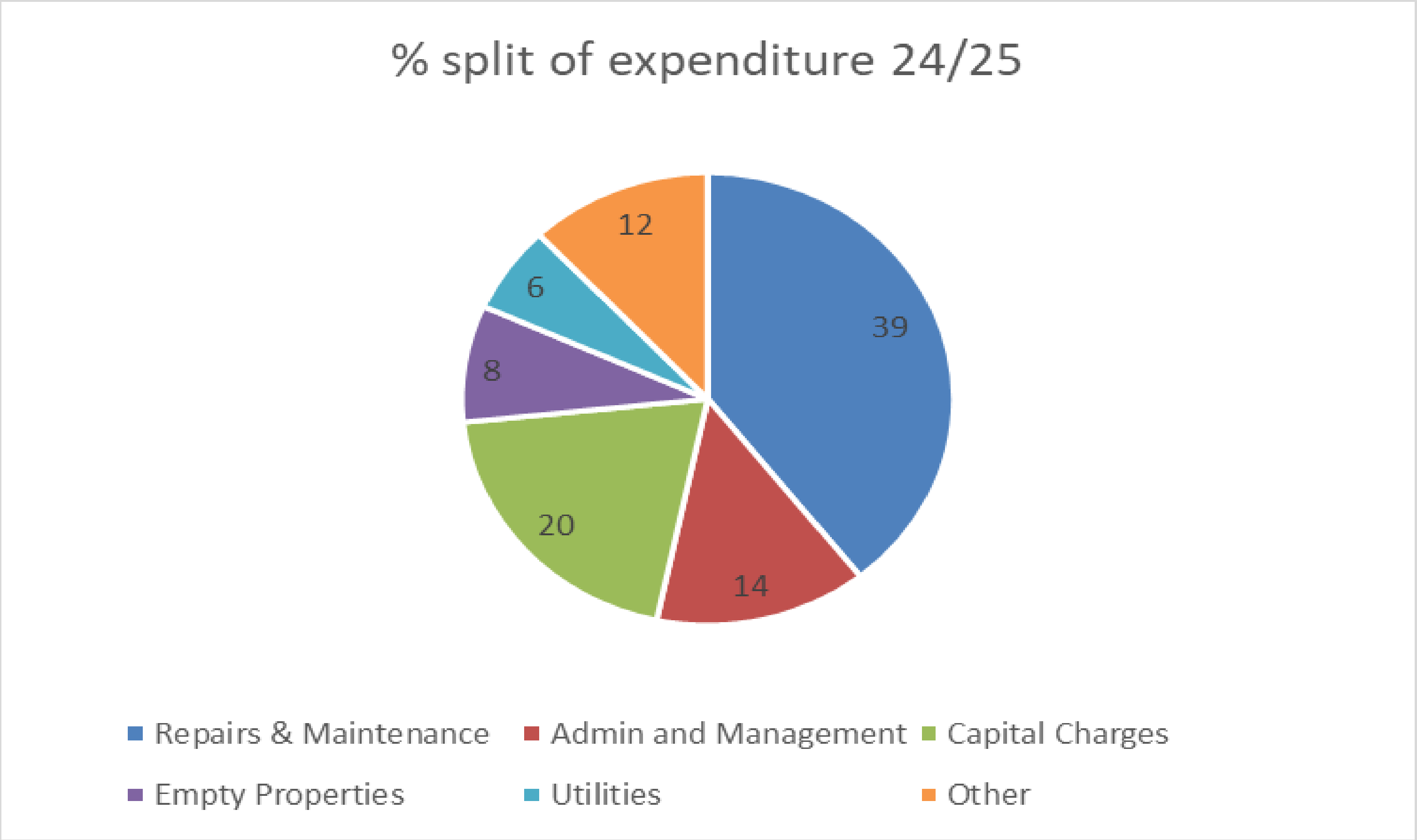
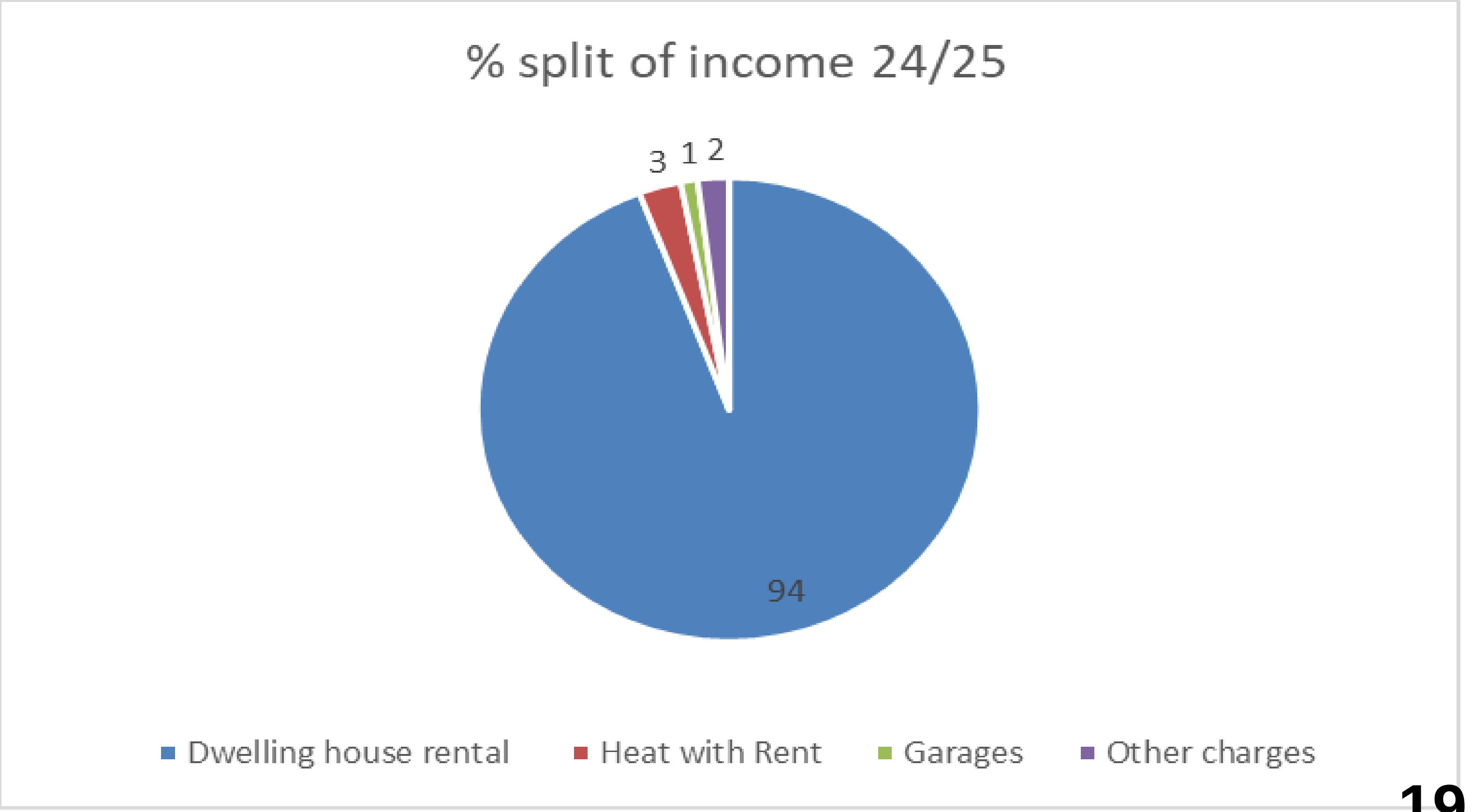


Chart 3: 2024/25 Income



30-year Position

The primary focus of the financial modelling which underpins this Business Plan is 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 modelling has allowed the review and assessment of the required level of funding over the medium to long term, taking the 2025/26 HRA budget as the base year. The actual housing stock numbers 23,258 as of 31 March 2025 have been used to model opening stock.

Stock Valuation

The 2024-25 Annual Accounts of Aberdeen City Council shows the valuation of Council Dwellings on the HRA at £0.9343bn. 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 property with appropriate end allowances to reflecting use as social housing.

Rent Income

The HRA is funded by tenant rents, no funding is received from the Scottish Government with the exception of capital grants for new build.

The long-term rent policy ran out on 31st March 2023 with yearly consultation undertaken since then.

In 2025/26 the HRA Budget papers recommended that successful completion of the Housing Asset Plan would help move towards the setting of a longer-term rent policy. A sustainable rent policy must be implemented to secure the long-term financial position of the 30-year Business Plan, and it is proposed that officers begin to develop a long-term policy for approval.

.

Rental Review

Table 9 shows the rental increases approved by Local Authorities and the averages over 5 years. This demonstrates that Aberdeen City is below the Scottish Average.

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. Only a few councils implemented a rent freeze for two years, City of Edinburgh, East Lothian and Midlothian Councils.

Clackmannanshire Council, who in 2025/26 increased their rent by 10%, detailed in their budget report that such an increase supported financial sustainability and allowed them to deliver capital investment.

Falkirk Council, who in 2025/26 increased their rent by 9.5%, justified this increase due to the use of £1.78m of reserves which was unsustainable, inflationary pressures and increased loan charges.

A review was undertaken of the rent criteria as part of the 2025/26 HRA Budget Process. The conclusion was that the criteria was robust, as it is clear, simple and easily understood, however there was a potential option to add back a new build premium. On 12 December 2024, Council approved a new build premium of 15% for tenants in new-build properties (handed over to the Council after 18 March 2021), with current tenants in their current properties/lease being protected from being charged this premium.

ACC's Housing system (NEC Housing) is set up for tenants to pay rent (including car parking, garages, heat with rent, insurance) on a 48-week basis with a rent-free week at the end of each quarter. Officers have been investigating a move to a 52-week basis (annual rent charge spread over the full year) for all housing charges to help make weekly payments more affordable and the impact of a rent increase more manageable. A question regarding such a move will be included in the tenant consultation in October. The existing tenancy leases allow ACC to make variations to the number of weeks in a rent year provided tenants are given 4 weeks' notice of the change.

Table 9: Rent increases

Year and Rent Increase	21/22	22/23	23/24	24/25	25/26	Average
Local Authority	%	%	%	%	%	Over 5 Yrs %
Aberdeen City Council	0	0	4	4.7	7.5	3.24
Aberdeenshire Council	2.8	1.5	2.5	5	5	3.36
Angus Council	2	1	4.1	6.6	5.2	3.78
City of Edinburgh Council	0	0	3	7	7	3.40
Clackmannanshire Council	0	3.1	3	6.7	10	4.56
Dundee City Council	1.5	1.5	3	3.5	4.5	2.80
East Ayrshire Council	1.5	1.5	4	6.5	7	4.10
East Dunbartonshire Council	0.5	2.5	4.2	4.8	4	3.20
East Lothian Council	0	0	5	7	6.5	3.70
East Renfrewshire Council	1	1	5	3.5	4.9	3.08
Falkirk Council	2	2	2	5	9.5	4.10
Fife Council	1.5	2.5	5	5	6	4.00
Midlothian Council	0	0	4.8	4.8	4.8	2.88
North Ayrshire Council	1.9	2.5	6.42	6	3.84	4.13
North Lanarkshire Council	5	3	5	7	7	5.40
Orkney Islands Council	2	2	3	6.7	4	3.54
Perth & Kinross Council	1	3	2.2	6	6	3.64
Renfrewshire Council	1.5	2	5.5	6	7.5	4.50
Shetland Islands Council	1	0	4.5	5	7	3.50
South Ayrshire Council	1.5	1.5	1.5	4.5	4.5	2.70
South Lanarkshire Council	2.2	2.2	3.5	6.5	6.5	4.18
Stirling Council	1.3	1.1	2.9	6	7.2	3.70
The Highland Council	2	1	4	7.95	8	4.59
The Moray Council	3	1.5	3.5	7.7	6	4.34
West Dunbartonshire Council	1.5	2	5	6.7	8	4.64
West Lothian Council	3	3	3.5	3.5	3.5	3.30

Rental affordability

Tenants currently receiving full or partial assistance through Housing Benefit (HB) or Universal Credit (UC) will not be directly affected by a rental increase. This is because their benefit entitlements would be adjusted to reflect changes in housing costs, ensuring they remain financially supported as rents rise.

As of 31 August 2025 61.97%, of our current tenancy's benefits are paid direct to ACC, this is through either Universal Credit Alternative Payment Arrangement, Housing Benefit and Department of Social Security (DSS)- Rent direct. We do not know how many tenants receive a full UC award and then pay their rent by direct debit.

To mitigate negative impacts of any rent rise, the Rent Assistance Fund (RAF) serves as a crucial policy lever for those currently in receipt of benefits and those who are not. By looking to target financial support to those households not receiving benefit support, the RAF could help prevent financial crisis before escalation.

As a rule, rent should not exceed 30% of your gross monthly income this ensures you have enough left for utilities, food, transport, savings, and other essentials. Spending more than 30% is considered "rent burdened", and over 50% is "severely rent burdened".

If you had a Gross weekly income of £462 this would mean an affordable rent would be up to £138 per month, as per table 10 in 2025/26 our 3 Bedroomed houses are charged at £127.68 per week on a 48-week basis. If a 12% rent increase was added and there was a move to rent being charged on a 52-week basis, this would mean a charge of £132 per week. This would suggest that the rental income is within the affordability limits, and spreading the cost over 52 weeks would be beneficial.

Table 10: Rent Increases

2025/26 rent on a 48 week basis					
	0 Bedrooms	**1 Bedroom**	**2 Bedrooms**	**3 Bedrooms**	**4 Bedrooms**
	£	£	£	£	£
Multi/flat/maisonette	76.31	90.97	98.31	105.67	112.99
Four in a block	83.65	98.31	105.65	113.00	120.33
Cottage/house	91.00	105.67	113.00	120.36	127.68

Potential 2026/27 rent with a 12% uplift on a 52 week basis					
	0 Bedrooms	**1 Bedroom**	**2 Bedrooms**	**3 Bedrooms**	**4 Bedrooms**
	£	£	£	£	£
Multi/flat/maisonette	78.89	94.05	101.64	109.24	116.82
Four in a block	86.48	101.64	109.23	116.83	124.40
Cottage/house	94.08	109.24	116.83	124.43	132.00

Use of Reserves

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.

The 2025/26 HRA Budget approved at Council on 12 December 2024 approved a rent increase of 7.5% and a reduced level of spend on grounds maintenance. This was below the officer recommendation of 12% and continued to utilise reserves although at a reduced level of £792k compared to the £3.161m used in 2024/25.

Where a one-off solution, such as the use of reserves, is filling a budget gap to enable services to continue, then due consideration of the long-term implications is required to ensure that future financial planning is adjusted to reflect the decisions taken.

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 recommended level of uncommitted reserve on the HRA is 10% of Gross Revenue. That policy has been challenged in both 2025/26 and 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.

Council agreed in December 2024 to work towards restoring the working balances to 10% in future years in order 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.

Borrowing

Historically 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 arises, the need to finance capital expenditure over the long-term by borrowing, is 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.

Construction inflation and supply chain challenges have emerged over the last three or four years. This change has increased the cost of capital works, including the new build homes. The balance of the cost of 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.

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

As a result of the new build programme our level of debt has increased since 2020/21, this can be seen through the information in table 11 extracted from the Scottish Government Local Government Finance return 23-24, the information for 24-25 is currently being collated. This data shows that out of all the Local Authorities who have a HRA in 23-24, Aberdeen City Council has the 9 highest debt level per dwelling.

Table 12 shows that over the three years 20/21, 21/22, 22/23 and 23/24 ACC has risen from having the 21st highest level of debt of the 26 Local Authorities to the 9th.

Table 11: LFR Return

LFR 23-24 HRA Debt Data

	Local Authority	Number of HRA dwellings	Loans Fund Advances Outstanding, GBP thousands	Total, GBP thousands	Loans Fund Advances Outstanding, GBP's per dwelling	Total, GBP's per dwelling
1	Midlothian	7,563	248,599	248,599	32,870	32,870
2	West Dunbartonshire	10,049	302,022	302,022	30,055	30,055
3	East Lothian	9,389	265,745	265,745	28,304	28,304
4	Highland	14,649	399,557	399,557	27,275	27,275
5	Aberdeenshire	12,991	335,213	335,213	25,803	25,803
6	City of Edinburgh	19,614	490,198	490,198	24,992	24,992
7	West Lothian	14,325	292,671	292,671	20,431	20,431
8	Perth & Kinross	7,942	146,164	146,164	18,404	18,404
9	Aberdeen City	23,095	413,645	413,645	17,911	17,911
10	Falkirk	16,438	292,880	292,880	17,817	17,817
11	East Dunbartonshire	3,797	62,773	62,773	16,532	16,532
12	East Renfrewshire	3,136	46,585	46,585	14,855	14,855
13	Fife	30,809	449,286	449,286	14,583	14,583
14	Stirling	6,009	86,402	86,402	14,379	14,379
15	North Lanarkshire	35,409	507,257	508,545	14,326	14,362
16	East Ayrshire	11,894	169,713	169,713	14,269	14,269
17	Moray	6,370	90,217	90,217	14,163	14,163
18	Dundee City	12,495	175,858	175,858	14,074	14,074
19	North Ayrshire	13,371	184,503	184,503	13,799	13,799
20	South Ayrshire	7,957	103,439	103,439	13,000	13,000
21	South Lanarkshire	25,742	307,204	307,204	11,934	11,934
22	Renfrewshire	11,683	117,024	117,024	10,017	10,017
23	Orkney Islands	908	8,508	8,508	9,370	9,370
24	Shetland Islands	1,642	10,745	10,745	6,544	6,544
25	Angus	7,642	41,504	41,504	5,431	5,431
26	Clackmannanshire	5,047	22,055	22,055	4,370	4,370

Table 12: Benchmarking

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	Total, GBP's per dwelling	Year	% increase from previous year
9	Aberdeen City	23,095	413,645	413,645	17,911	17,911	23/24	26
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	

The HRA's capital financing requirement in future years, as quantified in the Council's Prudential Indicators within the report in Finance & Resources Committee on 6 August 2025 Council Financial Performance - Quarter 1 2025/26, 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: Table 13 Capital Financing Requirement and Table 14 Ratio of Financing Costs to Net Revenue Stream.

Debt Profile and investments

The plan assumes an interest rate of 4% in 26/27 and thereafter throughout the life of the model. The Council's investment Strategy is undertaken for the whole of the Council and not specifically the HRA.

Table 13: Capital Financing Requirement

	Capital Financing Requirement					
	2023/24 £'000 Actual	**2024/25 £'000 Actual**	**2025/26 £'000 Estimate**	**2026/27 £'000 Estimate**	**2027/28 £'000 Estimate**	**2028/29 £'000 Estimate**
Gen Fund	1,249,775	1,328,694	1,549,177	1,700,083	1,775,432	1,809,885
HRA	454,531	553,880	674,020	730,491	795,348	898,616
Total	**1,704,306**	**1,882,574**	**2,223,197**	**2,403,574**	**2,570,780**	**2,708,501**

Table 14: Ratio of Financing Costs to Net Revenue Stream

	Ratio of Financing Costs to Net Revenue Stream					
	2023/24 Actual	**2024/25 Actual**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**
Gen Fund	8.2%	7.3%	9.1%	10.3%	11.2%	11.8%
HRA	15.9%	17.6%	21.7%	22.3%	22.7%	22.6%

Risk Assessment

Financial Risks
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 at 7% and utilities at 5%, and on-going compliance with known statutory requirements.

Given the very real financial risk to the sustainability of the HRA, it is proposed that a detailed 5 year HRA Plan be presented to members in 2026 and include detailed financial modelling aligned to the 5 year Housing Asset Plan.

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 and will be subject to potential change in the setting for 2026/27 HRA Budget.

- Risk of rising and unknown national standards which require to be planned and budgeted for, and these are out with our control.

- Voids may increase further due to the availability of alternative housing options from other providers and the age of the stock.

- Arrears could increase due to the impact of the Cost-of-Living Crisis.

- Construction price increase, recent experience has shown us this can be triggered by unforeseen world events such as the Ukraine war.

- Risk of a reduced private rented sector leading to a potential increased demand for social housing

- There is no control over pay inflation of ACC staff who deliver HRA services such as Grounds Maintenance, Cleaning, Repairs and Maintenance. There is certainty in 2026/27 but no further.

Mitigating Actions are as follow:
- Review of Planned Maintenance.
- Disinvestment in high-cost stock.
- Reduction in level of voids as detailed in the Asset Management Plan and the second Housing Emergency Action Plan
- Planned changes to reduce arrears.

HRA Planning Assumptions

Inflation

The model has used the longer-term expected rate of 2% inflation over the 30-year period to provide a reasonable average over the 30-years.The Bank of England expects inflation to fall back to 2.1% in 2026 and stabilize around 2% from 2027 onwards. Core inflation remains elevated due to strong services inflation, which is tightly linked to high wage growth (around 6% vs. 4% in other G7 countries). The UK experienced a larger spike in food and energy prices post-COVID than other OECD countries. This has had a lingering effect on core inflation. Rising costs in regulated sectors (e.g., water bills) have added to inflation.

HRA Costs

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.

<u>Repairs and maintenance</u>
This covers the cost of the responsive and cyclical maintenance provided by Building Services.

<u>Management and Administration</u>
The HRA requires proper supervision and management in order to ensure that its properties are effectively managed, maintained and let to tenants.

<u>Capital Expenditure</u>
Capital expenditure includes the cost of major component replacement and the approved new builds.   No assumptions have been made on any further new build. Currently the 30-year Finance Plan shows an investment of £4.6bn over the 30-years.

<u>Borrowing Costs</u>
Historically, borrowing has been required to fund the HRA and where possible the CFCR has been maximised. CFCR has not occurred in 2023/24, 2024/25 and is not budgeted in 2025/26. Increasing the rents by 12% would 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 4% for the majority of the plan for the purpose of the financial modelling.

Expenditure Inflation Assumptions

Service	Assumption
Contract inflation for all years	2%
Wage inflation	Year 1: 3.5%, Years 2 –5: 2%, thereafter 1.5%
Voids uplift	Assumed at the rate of the rent increase
Repairs and Maintenance	Year 1 Uplifting the actuals for 24/25 by 10%, Year 2 onwards 5%
Utilities	All years 5%
Voids	Assumed voids will reduce in year 1 by a £1m and year 2 by a further £1m then stay static due to the level of turnover experienced
New Build	No additional new build has been assumed beyond those which have been approved
Interest	Assumed at 4% based on knowledge of the PWLB rates
Investment in voids	Additional investment added to reduce the level of voids, capital £3.2m and revenue £1.8m

Scenario Planning

Worst Case Scenario (Table 15)

Stagnant income; Rising costs.

To support the modelling of this scenario, no rent increase has been applied.

The HRA is unsustainable. The estimated costs exceed the income annually.

Impact on Reserves:
As of 31 March 2025, there is an uncommitted reserve of £7.413m. In this worst-case scenario, there is a total deficit of £10m in year one. A deficit at this level would use all remaining reserves and the £3.6m over-spend would have to be met by the General Fund. This would impact on the General Fund budget setting process.

Implications for tenants:
In real terms, having no usable reserves and no surplus in the Housing Revenue Account would result in significant cuts being made from the provision of housing services. Impacts would most likely include:

- Limited work to address housing voids, with no ability to address the backlog or fund the £5m investment over capital and revenue.
- No planned maintenance
- Repairs and maintenance to statutory minimum
- Removal of grounds maintenance/cleaning
- Capital investment plans would have to be scaled down and timelines adjusted.

This scenario assumes no new build will be built apart from those already approved.

This option is not in keeping with best practice and our own policies.

This scenario is not an option going forward but illustrates why a rent increase is required for the HRA.

Table 15:Scenario planning – No rent increase

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**
	2026/27	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**	**2034/35**	**2035/36**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing Staff Management & Operations	16,415	16,643	16,976	17,316	17,662	17,930	18,202	18,479	18,760	19,045
Property Planned & Response Maintenance	50,957	53,415	55,995	56,905	59,750	62,738	65,875	69,169	72,627	76,258
Other Operational Costs (Grounds/Cleaning etc)	19,679	20,398	21,145	21,924	22,736	23,543	24,385	25,264	26,182	27,140
Cost of Repaying Borrowing	27,963	33,413	37,304	41,341	48,563	55,491	59,713	64,506	69,447	74,491
Loss of Rent – Voids and Bad Debt	13,509	12,413	12,417	12,421	12,426	12,431	12,435	12,440	12,446	12,451
Total	128,522	136,282	143,837	149,907	161,137	172,133	180,611	189,858	199,461	209,384
Deficit/(Surplus)	10,086	17,673	25,046	30,924	41,954	52,780	61,083	70,147	79,560	89,286

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**
	2036/37	**2037/38**	**3038/39**	**2039/40**	**2040/41**	**2041/42**	**2042/43**	**2043/44**	**2044/45**	**2045/46**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing Staff Management & Operations	19,334	19,628	19,926	20,229	20,536	20,848	21,165	21,487	21,813	22,145
Property Planned & Response Maintenance	80,071	84,075	88,279	92,692	97,327	102,193	107,303	112,668	118,302	124,217
Other Operational Costs (Grounds/Cleaning etc)	28,140	29,185	30,276	31,416	32,607	33,852	35,153	36,512	37,934	39,420
Cost of Repaying Borrowing	79,555	84,955	90,397	97,622	105,332	111,856	120,365	127,073	133,724	142,673
Loss of Rent – Voids and Bad Debt	12,456	12,462	12,468	12,474	12,480	12,486	12,492	12,499	12,506	12,513
Total	219,557	230,304	241,345	254,433	268,282	281,236	296,479	310,239	324,279	340,967
Deficit/(Surplus)	99,253	109,786	120,606	133,462	147,072	159,775	174,759	188,249	202,008	218,405

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**
	2046/47	**2047/48**	**2048/49**	**2049/50**	**2050/51**	**2051/52**	**2052/53**	**2053/54**	**2054/55**	**2054/55**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing Staff Management & Operations	22,482	22,823	23,170	23,523	23,880	24,244	24,612	24,987	25,367	25,752
Property Planned & Response Maintenance	130,428	136,949	143,796	150,986	158,536	166,462	174,785	183,525	192,701	202,336
Other Operational Costs (Grounds/Cleaning etc)	40,974	42,599	44,298	46,076	47,935	49,881	51,916	54,046	56,275	58,608
Cost of Repaying Borrowing	150,447	159,226	168,268	178,546	188,880	197,568	206,764	216,968	227,498	274,770
Loss of Rent – Voids and Bad Debt	12,520	12,528	12,536	12,544	12,552	12,560	12,569	12,578	12,587	12,597
Total	356,851	374,125	392,068	411,675	431,783	450,715	470,647	492,103	514,428	574,063
Deficit/(Surplus)	233,985	250,943	268,558	287,823	307,577	326,140	345,688	366,745	388,655	447,[illegible]

Tapered approach to rent increase (Table 16)

Medium Rising Income; Rising Costs.

The HRA is working towards financial sustainability.

To support our modelling, the following rent increases have been applied - Year 1 - a 10% increase ,Years 2 and 3 – an 8% increase,
Years 4 to 13 - a 6% increase, Years 14 to 29 - a 5% increase and
Year 30 - a 10% increase.

Impact on reserves/debt: - In Year 1 the HRA would balance but not realise any increase in reserves or contribution to CFCR, future years would see a contribution to reserves. As a result, the cost of borrowing would remain high. At year 5 the level of reserves would achieve the recommended 10%. After year 5, there would be the option to start generating CFCR to reduce the level of debt.

The risk of this strategy is that it leaves the HRA vulnerable to any unanticipated cost increases, wage inflation and general contract inflation over and above that outlined in the assumptions.

Impact on tenants:-
In real terms, only having an increase in reserves from Year 2 would be challenging. Any unanticipated rise in costs would result in cuts being made from the provision of housing services. Impacts include:

- Capital investment may need to be scaled back, and timelines adjusted.
- No additional £5m investment in voids

This scenario assumes no new build will be built apart from those which have been approved.

This option offers limited financial sustainability but illustrates for at the very minimum a 10% rent increase is required, but notes that the backlog of voids would not be addressed.

Table 16:Scenario planning – Tapered approach

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**
	2026/27	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**	**2034/35**	**2035/36**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing Staff Management & Operations	16,415	16,643	16,976	17,316	17,662	17,930	18,202	18,479	18,760	19,045
Property Planned & Response Maintenance	50,957	53,415	55,995	56,905	59,750	62,738	65,875	69,169	72,627	76,258
Other Operational Costs (Grounds/Cleaning etc)	19,687	20,413	21,167	21,952	22,771	23,584	24,434	25,320	26,246	27,212
Cost of Repaying Borrowing	27,963	33,413	37,304	41,341	48,563	55,491	59,713	64,506	69,447	74,491
Loss of Rent – Voids and Bad Debt	14,846	14,848	15,957	16,856	17,810	18,820	19,891	21,026	22,229	23,504
Total	129,867	138,731	147,399	154,370	166,556	178,563	188,115	198,499	209,308	220,510
Deficit/(Surplus)	210	(1,008)	(3,189)	(5,050)	(2,224)	(93)	(1,007)	(1,714)	(2,656)	(3,909)

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**
	2036/37	**2037/38**	**3038/39**	**2039/40**	**2040/41**	**2041/42**	**2042/43**	**2043/44**	**2044/45**	**2045/46**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing Staff Management & Operations	19,334	19,628	19,926	20,229	20,536	20,848	21,165	21,487	21,813	22,145
Property Planned & Response Maintenance	80,071	84,075	88,279	92,692	97,327	102,193	107,303	112,668	118,302	124,217
Other Operational Costs (Grounds/Cleaning etc)	28,222	29,276	30,377	31,526	32,727	33,982	35,293	36,663	38,096	39,594
Cost of Repaying Borrowing	79,555	84,955	90,397	97,622	105,332	111,856	120,365	127,073	133,724	142,673
Loss of Rent – Voids and Bad Debt	24,855	26,287	27,805	29,147	30,556	32,034	33,587	35,218	36,929	38,726
Total	232,037	244,220	256,784	271,216	286,478	300,914	317,713	333,109	348,864	367,355
Deficit/(Surplus)	(5,578)	(7,378)	(9,634)	(8,326)	(6,844)	(6,873)	(5,259)	(5,807)	(6,789)	(5,869)

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**
	2046/47	**2047/48**	**2048/49**	**2049/50**	**2050/51**	**2051/52**	**2052/53**	**2053/54**	**2054/55**	**2054/55**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing Staff Management & Operations	22,482	22,823	23,170	23,523	23,880	24,244	24,612	24,987	25,367	25,752
Property Planned & Response Maintenance	130,428	136,949	143,796	150,986	158,536	166,462	174,785	183,525	192,701	202,336
Other Operational Costs (Grounds/Cleaning etc)	41,161	42,799	44,512	46,304	48,179	50,141	52,193	54,341	56,589	58,961
Cost of Repaying Borrowing	150,447	159,226	168,268	178,546	188,880	197,568	206,764	216,968	227,498	274,770
Loss of Rent – Voids and Bad Debt	40,613	42,594	44,674	46,858	49,151	51,558	54,086	56,739	59,525	65,367
Total	385,131	404,392	424,421	446,218	468,626	489,973	512,441	536,559	561,680	627,186
Deficit/(Surplus)	(6,540)	(6,645)	(6,946)	(6,493)	(6,492)	(8,670)	(10,899)	(12,709)	(14,809)	(6,021)

Front loaded approach to rental increases (Table 17)

Higher Rising Income; Rising Costs

Result HRA working towards financial sustainability.

The following rent increases have been applied to support the modelling of this scenario – Years 1-5 a 12% increase, Years 6-10 a 10% increase, Years 11 -15 8%, Years 16-20 6% and Years 21-30 4%.

Impact on reserves/debt: This scenario makes a contribution towards reserves in year 1 and in year 2 allows a contribution to 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. An alternative would be to increase the reserves quicker and reduce the level of CFCR suggested above.

Impact for tenants:-

This would allow the following to be achieved:-

- Programmed capital investment to be achieved
- Ability to address the backlog of voids by investing £5m over capital and revenue
- Implementation of a planned maintenance programme
- Repairs and Maintenance programme developed to achieve rising national standards

This scenario assumes no new builds will be built apart from those which have been approved.

This option, provides financial sustainability if the rental increases detailed are applied.

Table 17:Scenario planning – Front loaded approach

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**
	2026/27	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**	**2034/35**	**2035/36**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing Staff Management & Operations	16,415	16,643	16,976	17,316	17,662	17,930	18,202	18,479	18,760	19,045
Property Planned & Response Maintenance	50,957	53,415	55,995	56,905	59,750	62,738	65,875	69,169	72,627	76,258
Other Operational Costs (Grounds/Cleaning etc)	19,688	20,418	21,177	21,969	22,796	23,616	24,474	25,369	26,305	27,283
Cost of Repaying Borrowing	27,963	33,413	37,304	41,341	48,563	55,491	59,713	64,506	69,447	74,491
Loss of Rent – Voids and Bad Debt	15,114	15,696	17,460	19,434	21,646	23,710	25,981	28,478	31,225	34,246
Total	130,136	139,585	148,911	156,964	170,417	183,486	194,245	206,000	218,364	231,322
Deficit/(Surplus)	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**

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**
	2036/37	**2037/38**	**3038/39**	**2039/40**	**2040/41**	**2041/42**	**2042/43**	**2043/44**	**2044/45**	**2045/46**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing Staff Management & Operations	19,334	19,628	19,926	20,229	20,536	20,848	21,165	21,487	21,813	22,145
Property Planned & Response Maintenance	80,071	84,075	88,279	92,692	97,327	102,193	107,303	112,668	118,302	124,217
Other Operational Costs (Grounds/Cleaning etc)	28,222	29,276	30,377	31,526	32,727	33,982	35,293	36,663	38,096	39,594
Cost of Repaying Borrowing	79,555	84,955	90,397	97,622	105,332	111,856	120,365	127,073	133,724	142,673
Loss of Rent – Voids and Bad Debt	24,855	26,287	27,805	29,147	30,556	32,034	33,587	35,218	36,929	38,726
Total	232,037	244,220	256,784	271,216	286,478	300,914	317,713	333,109	348,864	367,355
Deficit/(Surplus)	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**

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**
	2046/47	**2047/48**	**2048/49**	**2049/50**	**2050/51**	**2051/52**	**2052/53**	**2053/54**	**2054/55**	**2054/55**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing Staff Management & Operations	22,482	22,823	23,170	23,523	23,880	24,244	24,612	24,987	25,367	25,752
Property Planned & Response Maintenance	130,428	136,949	143,796	150,986	158,536	166,462	174,785	183,525	192,701	202,336
Other Operational Costs (Grounds/Cleaning etc)	41,349	42,992	44,710	46,507	48,387	50,354	52,412	54,564	56,817	59,175
Cost of Repaying Borrowing	150,447	159,226	168,268	178,546	188,880	197,568	206,764	216,968	227,498	274,770
Loss of Rent – Voids and Bad Debt	68,979	71,699	74,529	77,472	80,532	83,715	87,025	90,468	94,048	97,771
Total	413,684	433,690	454,474	477,035	500,216	522,343	545,599	570,511	596,431	659,804
Deficit/(Surplus)	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**

Accelerated approach to rental increases (Table 18)

Highest Rising Income; Rising Costs

Result would be HRA financial sustainability.

The following rent increases have been applied –
Year 1 a 15% increase, Years 2-6 a 10% increase, Years 7-15 an 8% increase, Years 16 -20 a 6% increase and in Years 21-30 an increase at 4%.

Impact on reserves/debt: This scenarios sees a contribution made towards reserves in Year 1, this would allow a return to the recommended 10% of reserves by the end of year 2, this scenario would also realise a contribution to CFCR in year 2 and allow debt charges to be reduced. An alternative would be not to immediately return the level of reserves to 10% and instead invest in, for example an enhanced planned maintenance programme.

Impact for tenants:-
This would allow the following to be achieved:-

- Programmed capital investment to be achieved
- Ability to address the backlog of voids by investing £5m over capital and revenue
- Development of an enhanced planned maintenance programme
- Repairs and Maintenance programme developed to pro-actively to meet rising national standards

This scenario assumes no new builds will be built apart from those which have been approved.

This option provides financial sustainability the most quickly.

Table 18:Scenario planning – Accelerated approach

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**
	2026/27	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**	**2034/35**	**2035/36**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing Staff Management & Operations	16,415	16,643	16,976	17,316	17,662	17,930	18,202	18,479	18,760	19,045
Property Planned & Response Maintenance	50,957	53,415	55,995	56,905	59,750	62,738	65,875	69,169	72,627	76,258
Other Operational Costs (Grounds/Cleaning etc)	19,691	20,419	21,176	21,965	22,789	23,610	24,463	25,355	26,286	27,258
Cost of Repaying Borrowing	27,963	33,413	37,304	41,341	48,563	55,491	59,713	64,506	69,447	74,491
Loss of Rent – Voids and Bad Debt	15,515	15,858	17,344	18,979	20,777	22,755	24,496	26,376	28,406	30,598
Total	130,540	139,747	148,795	156,506	169,542	182,523	192,750	203,884	215,526	227,650
Deficit/(Surplus)	**(4,728)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**

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**
	2036/37	**2037/38**	**3038/39**	**2039/40**	**2040/41**	**2041/42**	**2042/43**	**2043/44**	**2044/45**	**2045/46**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing Staff Management & Operations	19,334	19,628	19,926	20,229	20,536	20,848	21,165	21,487	21,813	22,145
Property Planned & Response Maintenance	80,071	84,075	88,279	92,692	97,327	102,193	107,303	112,668	118,302	124,217
Other Operational Costs (Grounds/Cleaning etc)	28,274	29,336	30,446	31,606	32,818	34,080	35,400	36,779	38,221	39,729
Cost of Repaying Borrowing	79,555	84,955	90,397	97,622	105,332	111,856	120,365	127,073	133,724	142,673
Loss of Rent – Voids and Bad Debt	32,966	35,522	38,283	41,265	44,484	47,093	49,859	52,790	55,897	59,191
Total	240,201	253,516	267,330	283,413	300,498	316,071	334,092	350,797	367,957	387,954
Deficit/(Surplus)	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**

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**
	2046/47	**2047/48**	**2048/49**	**2049/50**	**2050/51**	**2051/52**	**2052/53**	**2053/54**	**2054/55**	**2054/55**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing Staff Management & Operations	22,482	22,823	23,170	23,523	23,880	24,244	24,612	24,987	25,367	25,752
Property Planned & Response Maintenance	130,428	136,949	143,796	150,986	158,536	166,462	174,785	183,525	192,701	202,336
Other Operational Costs (Grounds/Cleaning etc)	41,298	42,939	44,655	46,450	48,328	50,292	52,347	54,498	56,748	59,103
Cost of Repaying Borrowing	150,447	159,226	168,268	178,546	188,880	197,568	206,764	216,968	227,498	274,770
Loss of Rent – Voids and Bad Debt	61,520	63,943	66,462	69,082	71,807	74,641	77,588	80,653	83,840	87,155
Total	406,175	425,880	446,352	468,588	491,431	513,207	536,097	560,629	586,154	649,116
Deficit/(Surplus)	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**	**(1,765)**

Tenants have seen rental freezes in 21/22 and 22/23 and a below inflation increase in 24/25. In this period the HRA has been faced with high level of construction cost and wage inflation along with a range of other contractual increases and cost pressures as described in this document. The table opposite shows that the cumulative impact of the rent increases in the last 5 years is 17.05%, which is an annual equivalent of 3.41%.

If as suggested at page 27, a rental increase of 12% is implemented in 2026/27, this would result in a cumulative impact over the 6 years of 31.1%, with an annual equivalent of approximately 5.18% as shown in Table 19.

Detailed in Table 20 is an analysis of the ratio of net revenue stream to the level of debt charges. If rent increases by 12% in Years 1 to 5 and 10% in Years 6 to 10, this would be difficult to sustain without a reduction in the underlying costs. Therefore, in order to maintain manageable debt charges the capital programme will require to be more targeted in order to mitigate rent increases.

To start reducing the level of debt within the HRA, the rent is required to be set at a level which allows the creation of CFCR to reduce the level of new debt. The debt profile within the 30 Year Business Plan reflects all assets being maintained to the current standard, this will be reviewed as part of the refresh of the 2027/28 Asset Management Plan. Disinvestment in high-cost assets also requires to be considered.

Table 19: Cumulative rent increases

							Cumulative rent Increase spread over the 6 years
% Rent Increases	**21/22**	**22/23**	**23/24**	**24/25**	**25/26**	**26/27**	**%**
Actual	0	0	4	4.7	7.5	12	
Cumulative	0	0	4	8.89	17.05	31.10	5.18

Table 20: Financing costs

Ratio of Financing Costs to Net Revenue Stream										
Years	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
	2026/27	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**	**2034/35**	**2035/36**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
HRA - Net Revenue Stream	125,680	140,761	157,653	176,571	197,760	217,536	239,289	263,218	289,540	318,494
HRA Debt Charges	27,963	33,413	37,304	41,341	48,563	55,491	59,713	64,506	69,447	74,491
Ratio %	22	24	24	23	25	26	25	25	24	23

Business Plan Conclusions

The HRA cannot demonstrate that there is financial viability over the 30-year life of the Business Plan without rents increasing by at least 12% in the short term.

Service improvements are realising improvements across Repairs and Maintenance, Voids and Debt Management and these will continue to ensure that long-term viability is achieved.

The financial modelling included in this Business Plan 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.

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.

The Business Plan reflects the impact of forecast pay, price and construction inflation alongside the continuation of capital investment to upgrade and improve the housing stock.

This Plan will be reviewed annually in conjunction with the annual refresh of the Housing Asset Plan and both Plans made available to inform the HRA budget process.