

South Ayrshire Council

**Joint Report by Director of Housing, Operations and Development
and Chief Financial Officer
to South Ayrshire Council
of 6 March 2025**

**Subject: Housing Revenue Account (HRA) - Revenue Budget
2025/26 and Capital Budget 2025/26 to 2029/30**

1. Purpose

1.1 The purpose of this report is to request approval of the proposed Housing Revenue Account (HRA) Revenue Budget for 2025/26 and the proposed 5-year Capital Budget for 2025/26 – 2029/30.

2. Recommendation

2.1 It is recommended that the Council:

2.1.1 notes the decision taken by South Ayrshire Council on 17 January 2024 which approved a 4.5% increase each year for the 3 year period from 2024/25 – 2026/27 for council house rents, and for other rents and charges recovered through the HRA (including:- lock-up rents, garage site rents, garden maintenance charges, communal heating and amenity charges). Tenants have already been notified of their 2025/26 rental charge in accordance with the statutory requirements; and

2.1.2 approves the proposed 2025/26 HRA Revenue Budget outlined in section 4.3 of this report and [Appendix 1](#) and the proposed 5 year capital budget as outlined in section 4.4 of this report and [Appendix 2](#).

3. Background

3.1 Following a previous process of consultation with tenants, South Ayrshire Council of 17 January 2024 approved a 4.5% increase each year for the 3 year period from 2024/25 – 2026/27 for council house rents, and for other rents and charges recovered through the HRA (including:- lock-up rents, garage site rents, garden maintenance charges, communal heating and amenity charges).

3.2 The budgetary position of the HRA revenue and capital budgets are reported to Cabinet throughout the year, in the budget management and capital programme monitoring reports. The figures contained in this report reflect decisions and any budget revisions approved by Cabinet.

4. Proposals

4.1 The HRA monitoring report for the period to 30 November 2024 (period 8) was reported to and approved by Cabinet on 21 January 2025 .

4.2 The audited HRA accumulated surplus brought forward from 2023/24 was £2,520m. A continuation of the previously agreed approach to maintain a £2m minimum uncommitted reserve has been applied. Therefore, based on current period 8 projections it leaves the sum of £1.230m uncommitted. The current commitments will be updated as part of the year end accounts process, to reflect the actual outturn position for 2024/25. Following review of the 2024/25 final outturn position for the HRA, consideration will be given to the allocation of any sums above the minimum uncommitted reserve. Proposals will be submitted to Cabinet for approval as part of the Period 12 budget monitoring report.

4.3 ***Proposed 2025/26 HRA Revenue Budget***

4.3.1 The approved 2024/25 and proposed 2025/26 HRA revenue budget are outlined in [Appendix 1](#). The assumed income in the proposed base budget for 2025/26 reflects the previously approved rent increase of 4.5%, (which has already been notified to tenants in accordance with statutory requirements) and also includes for the following:

- payroll costs that reflect the proposed Council pay award;
- current bad debt provision at 2% of rents receivable in the year;
- increased property costs including repairs and maintenance costs, compliance activities and insurance payments taking account of revised/increased stock numbers;
- debt charges are based on planned capital investment detailed in section 4.4 and as outlined in [Appendix 2](#);
- housing and lock-up stock numbers, and future planned lock-up demolitions previously approved by Council;
- the base budget for maintenance costs has been increased, taking account of increased materials costs. The required uplifts to schedule of rates and an assumed annual inflationary increase has been applied per annum for all other expenditure for the life of the business plan;
- a level of revenue contribution to help fund the housing capital programme – Capital Funded from Current Revenue (CFCR); and
- the previously approved rent increase of 4.5% up to and including 2026/27 and then an assumed minimum rent increase of 3.0% from 2027/28 and each year thereafter for the life of the HRA business plan.

4.3.2 Any future reprofiling of the revenue budget will be reported through the budget monitoring reports to Cabinet.

4.4 ***Proposed Housing Capital Budget 2025/26 – 2029/30***

4.4.1 The Housing Capital Programme is presented on a rolling five-year planning cycle to provide greater certainty over future capital investment

activity and to allow for better year on year planning and engagement with tenants. The table at [Appendix 2](#) outlines the proposed housing capital investment programme for the period 2025/26 – 2029/30, indicating a proposed cumulative spend of £193.189m over the next five-year period. Progress against the housing capital investment programme is reported to Cabinet periodically throughout the year. Each year an updated budget will be presented to Council as part of the HRA budget setting process.

4.4.2 The proposed housing capital budget for the period 2025/26 – 2029/30 includes for the following:

- reflects the budget and adjustments approved for the Housing Capital Programme 2024/25; Monitoring Report as at 31 December 2024, as approved by Cabinet on 18 February 2025;
- an internal modernisation cycle of 15/30 years as previously agreed with tenants, allowing around 2800 properties to be included in projects for full and partial modernisation work over the course of the next 5 years;
- ongoing financial provision for safety and compliance work for tenant and resident safety (replacing smoke alarms, heat and carbon monoxide detectors, fixed electrical work and dealing with asbestos materials);
- financial provision over the next 5 years to continue the programme of window replacement to renew windows in remaining properties where existing windows are over 25 years old;
- taking account of updated and refreshed stock condition data, an increased financial provision has been made to continue the 'fabric first' approach to replace roof coverings, upgrade or replace external wall finishes, install external wall insulation or upgrade/replace cavity wall insulation to improve the energy efficiency of properties and support work towards meeting net zero in properties that are recognised as being harder to treat in terms of thermal efficiency;
- proposed expenditure on new build housing is aligned with the Council's agreed SHIP, and then an assumption of 30 new build units each year thereafter for the life of the plan;
- buy-back of properties at a rate of 30 each year from 2025/26 – 2027/28 and 25 each year for 2028/29 – 2029/30, followed by 20 each year thereafter for the life of the plan; and
- the debt affordability level not exceeding 35% as previously agreed with tenants.

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report. Professional Design Services will liaise with Procurement on any contractual requirements needed for the delivery of the housing capital programme.

6. Financial Implications

- 6.1 The proposals within this report ensure that the HRA Business Plan is fundable and sustainable over 40 years, taking account of considered risks and the current levels of proposed investment.

7. Human Resources Implications

- 7.1 Not applicable.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

- 8.1.1 Adopting the recommendations will confirm the levels of proposed capital spend over the next 5 year period. Given the mixed tenure nature of the housing stock, the delivery of the housing capital programme involves an element of engagement with owners regarding upgrade work and the availability of scheme of assistance grant funding to offer support to owners. There are established procedures in place to manage the owner engagement process, but the engagement process takes time and can impact on the programming and delivery of work. This risk has been identified and assessed in line with the Council's risk management process. It will be managed within existing operational activities and reference to the status of mitigations will be available through the Housing, Operations and Development Directorate Risk Register.

8.2 *Risk Implications of Rejecting the Recommendations*

- 8.2.1 Rejecting the recommendations would have a detrimental impact on the HRA budget and would affect the ability to deliver the housing service and secure the funding required for investment to maintain and improve the Council's housing stock to meet the requirements of the Scottish Housing Quality Standard, improving energy efficiency and undertaking work towards net zero. This would have a negative impact on the achievement or contribution towards Priority 2 of the Council Plan: Live, Work, Learn, and the outcome 'everyone has access to a variety of housing types and sizes and a home that is affordable, energy efficient and adaptable to changing needs'.
- 8.2.2 Rejecting the recommendations would impact on the reputation of the Council, as previous commitments to tenants would not be able to be fulfilled.

9. Equalities

- 9.1 The budget proposals in this report reflect the previous decision taken by Council on rent setting. An Equalities Impact Assessment (EQIA), (including the Fairer Scotland Duty in respect of any Strategic decision), was carried out on the proposals contained in the report at that time and identified potential positive and negative equality impacts and any required mitigating actions. This Equalities Impact Assessment still applies and is available in the previous [report](#).

10. Sustainable Development Implications

- 10.1 **Considering Strategic Environmental Assessment (SEA)** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report. However, following updates to the HRA Business Plan, options on rent increases formed the basis of previous consultation with tenants around rent setting.

12. Link to Council Plan

- 12.1 The matters referred to in this report contribute to Priority 2 of the Council Plan: Live, Work, Learn - Everyone has access to a variety of housing types and sizes and a home that is affordable, energy efficient and adaptable to changing needs.

13. Results of Consultation

- 13.1 As part of the rent setting consultation process, previous consultation took place with the Tenants Monitoring Group. Three meetings were held with the Group on 9 November, 14 November and 17 November 2023. Tenants were provided with a presentation on the HRA Business Plan considerations and assumptions used to inform the options for consultation. The Group was also consulted on the proposed content of the Rent Setting Newsletter and the approach for tenant consultation. Comments and feedback received from the Group influenced the final content of the newsletter and the Council's consultation approach.

- 13.2 The rent setting consultation was open to all Council tenants who received a Rent Setting Newsletter and voting form. The consultation period was open from 24 November – 20 December 2023 inclusive. Tenants voted on their preferred option for future rent setting either online or by postal vote, along with providing their feedback on their two preferred ways to contact the Housing Service. A total of 397 valid votes were registered as part of the rent setting consultation and the consultation responses were considered by the meeting of South Ayrshire Council on 17 January 2024 when approving rent setting. The proposed budget outlined in this report is set within the parameters of the previously approved rent increase of 4.5% for the 3 year period 2024/25 – 2026/27.

- 13.3 Consultation has taken place with Councillor Martin Kilbride, Portfolio Holder for Buildings, Housing and Environment, and Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

14. Next Steps for Decision Tracking Purposes

- 14.1 If the recommendations above are approved by Members, the Director of Housing, Operations and Development and the Chief Financial Officer will ensure that all necessary steps are taken to ensure full implementation of the decision within the following timescales, with the completion status reported to the Cabinet in the 'Council and Cabinet Decision Log' at each of its meetings until such time as the decision is fully implemented:

<i>Implementation</i>	<i>Due date</i>	<i>Managed by</i>
To set up appropriate accounting budgets for 2024/25 to reflect Council decision	1 April 2025	Chief Financial Officer

Background Papers **Report to South Ayrshire Council of 17 January 2024 - [Setting of Council House Rents and Other Rents and Charges \(2024/25 – 2026/27\) and Proposed Housing Revenue Account \(HRA\) Revenue Budget 2024/25 and Capital Budget \(2024/25 – 2028/29\)](#)**

Report to Cabinet of 21 January 2025 - [Budget Management – Revenue Budgetary Control 2024/25 – Position as at 30 November 2024](#)

Report to Cabinet of 18 February 2025 - [Housing Capital Programme 2024/25: Monitoring Report as at 31 December 2024](#)

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Date: 27 February 2025

Approved 2024/25 and Proposed 2025/26 HRA Revenue Budget

<i>Approved Budget 2024/25 £m</i>	<i>Subjective Analysis</i>	<i>Proposed Budget 2025/26 £m</i>
5.595	Employee costs	5.169
14.418	Property costs	16.988
0.334	Supplies and services	0.341
0.072	Transport costs	0.073
1.523	Administration costs	2.306
1.837	Support service costs	1.899
0.030	Third party payments	0.033
0.117	Transfer payments	0.119
7.038	Financing costs	8.616
5.397	CFCR	3.226
36.361	Gross Expenditure	38.770
36.361	Income	38.770
0	Net Expenditure	0

Proposed Housing Capital Budget 2025/26 – 2029/30

Activity	2025/26	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m	£m
Major Component Replacements – Allocated	11.468	3.881	3.841	3.841	3.841
Major Component Replacements – Unallocated	6.282	7.500	7.500	7.500	7.500
Contingencies	0.269	0.269	0.269	0.269	0.269
Demolitions	1.053	0.067	0	0	0
Structural and Environmental	12.802	6.454	6.454	6.454	6.454
Sheltered Housing Environmental Improvements	0.215	0	0	0	0
Fees	0.230	0.230	0.230	0.230	0.230
Footpaths	0.100	0.050	0.050	0.050	0.050
Window Replacement Programme	5.994	3.939	3.939	3.939	3.939
Environmental Improvements	2.051	0.361	0.361	0.361	0.361
Housing Asset Management System	0.225	0	0	0	0
Buy back properties	2.650	2.400	2.400	2.000	2.000
New builds	14.717	5.750	11.500	18.400	0
Total Expenditure	58.056	30.901	36.544	43.044	24.644

This capital programme would be funded as follows:

<i>Income Source</i>	<i>2025/26</i>	<i>2026/27</i>	<i>2027/28</i>	<i>2028/29</i>	<i>2029/30</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
CFCR	3.226	3.273	3.550	3.614	3.529
Borrowing	47.570	23.712	31.794	33.880	12.835
Scottish Government Funding	7.260	3.916	1.200	5.550	8.280
<i>Total Income</i>	<i>58.056</i>	<i>30.901</i>	<i>36.544</i>	<i>43.044</i>	<i>24.644</i>