

Item: 3

Education, Leisure and Housing Committee: 2 April 2025.

Housing Revenue Account – Draft Budget.

Report by Corporate Director for Education, Leisure and Housing.

1. Overview

- 1.1. The Council is required to maintain a separate Housing Revenue Account, covering income and expenditure in respect of specified houses, buildings and land. There is a legal requirement for Housing Revenue Account income and expenditure to be in balance at the end of each financial year.
- 1.2. The Housing Revenue Account is financed almost entirely by rents and other charges paid by Council tenants. It is not financed in any part from revenue raised through the Council Tax.

2. Recommendations

- 2.1. It is recommended that members of the Committee:
 - i. Approve the draft revenue budget for the Housing Revenue Account for financial year 2025/26, as detailed in Appendix 1 to this report.

3. Draft Budget for 2025/26

- 3.1. The Council appointed Hub North who commissioned Indigo House Group to review and update the 30-year Housing Revenue Account Business Plan. The review involved particular emphasis on the financial capacity of the Housing Revenue Account to:
 - i. Meet the investment needs of the existing housing stock and enhance housing service delivery.
 - ii. Deliver new housing supply particularly over the next 10 years to meet the housing needs identified in the Housing Needs and Demand Assessment.
 - iii. Keep rents affordable for tenants and debt obligations affordable for the Housing Revenue Account.

- 3.2. The work carried out by Indigo House to review the financial capacity of the Housing Revenue Account, as detailed above, involved a projection of the revenue budgets required to deliver the Housing Revenue Account services over the next 30 years, which have been used to set the draft budget for financial year 2025/26.
- 3.3. On 24 February 2025, the Special General Meeting of the Council approved the recommendation of the Education, Leisure and Housing Committee from its meeting held on 5 February 2025, that Council house rents for the undernoted three-year period increase with effect from 1 April annually, as follows:
- 2025/26 – 4% increase.
 - 2026/27 – 4% increase.
 - 2027/28 – 2.5% increase.
- 3.4. Application of the rental increase of 4% increases rental income for financial year 2025/26 to £4,782,000 once bad debt provision has been applied.
- 3.5. Appendix 1 to the report shows the draft budget prepared by Indigo House, and projects the Housing Revenue Account to be in a surplus position of £920,000 at the end of financial year 2025/26.
- 3.6. The 30-year Business Plan recommends the Housing Revenue Account maintain a minimum usable reserve of £500,000 throughout the life of the plan, therefore, any surplus not required to maintain the usable reserve at that level will be used to support capital expenditure by accelerating loans fund debt repayments on the Housing Revenue Account.

For Further Information please contact:

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Implications of Report

1. **Financial** – The financial implications are contained in the body of the report.
2. **Legal** - There are no direct legal implications arising from the recommendations of the report.
3. **Corporate Governance** Not Applicable.
4. **Human Resources** – Not Applicable.
5. **Equalities** – An Equality Impact Assessment is not required.
6. **Island Communities Impact** - An Island Communities Impact Assessment is not required.

7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - Growing our economy.
 - Strengthening our Communities.
 - Developing our Infrastructure.
 - Transforming our Council.
8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - Cost of Living.
 - Sustainable Development.
 - Local Equality.
 - Improving Population Health.
9. **Environmental and Climate Risk** – Not Applicable.
10. **Risk** - Appropriate budget planning and monitoring can reduce financial risk.
11. **Procurement** – Not Applicable.
12. **Health and Safety** – Not Applicable.
13. **Property and Assets** – Not Applicable.
14. **Information Technology** – Not Applicable
15. **Cost of Living** – Not Applicable.

List of Background Papers

Item 10 – Education, Leisure and Housing Committee 7 February 2024 – HRA Business Plan February 2024 – Final.

Appendix

Appendix 1 – Housing Revenue Account Draft Budget 2025/26.

Appendix II – 30 Year HRA Projections

A - HRA REVENUE ACCOUNT PROJECTIONS (1st April 2024 to 31st March 2054)

R2a - HRA - Summary Cashflows - £000s - at Nominal Values Return to Menu										
KPIs	Max Debt	£17,507	Yr	20	30 Yr Cash	£16,289	NPV	£5,327	6%	
HRA SUMMARY CASHFLOWS	1	2	3	4	5	6 - 10	11- 15	16 - 20	21 - 25	26 - 30
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/34	2034/39	2039/44	2044/49	2049/54
OPERATING ACTIVITY:										
Income										
Rents	£4,652	£4,923	£5,148	£5,356	£5,572	£30,891	£35,282	£38,954	£42,563	£47,485
Service & Other Charges	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Voids & Bad Debts	-£153	-£141	-£135	-£121	-£112	-£559	-£628	-£694	-£766	-£846
Other income	£265	£277	£283	£291	£298	£1,604	£1,815	£2,054	£2,323	£2,629
Total Income	£4,764	£5,058	£5,297	£5,526	£5,757	£31,937	£36,469	£40,314	£44,121	£49,268
Expenditure (Revenue)										
Management	£927	£971	£1,000	£1,027	£1,056	£5,686	£6,352	£7,013	£7,743	£8,549
Maintenance	£2,103	£1,923	£1,894	£1,398	£1,741	£8,942	£20,270	£19,038	£15,893	£19,599
Service Costs	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other stock-related costs	£21	£22	£23	£23	£24	£0	£0	£0	£0	£0
Other general running costs	£330	£345	£353	£268	£274	£1,455	£1,606	£1,773	£1,958	£2,162
Total Expenditure (Revenue)	£3,381	£3,261	£3,271	£2,717	£3,095	£16,083	£28,228	£27,825	£25,594	£30,309
Net Operational Cash Flow from Renting Pre Finance Costs										
	£1,383	£1,797	£2,026	£2,809	£2,663	£15,854	£8,241	£12,489	£18,527	£18,959
Interest Earned	£0	£10	£10	£25	£10	£50	£50	£50	£50	£414
Financing Costs	£823	£888	£966	£984	£1,052	£5,948	£5,843	£5,621	£14,839	£5,299
HRA Surplus/(Deficit)	£560	£920	£1,070	£1,850	£1,621	£9,956	£2,448	£6,918	£3,738	£14,073