



**How the Housing Revenue Account  
(HRA) is spent**

**Draft Estimates for 2025/26**

The purpose of this document is to advise Tenants of the draft 2025/26 budget estimates. It provides a brief breakdown of how the Council plans to spend the rental income collected from Tenants within 2025/26.

## **Housing Revenue Account (HRA)**

**An explanation of how the Housing Revenue Account (HRA) is spent**

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# Housing Revenue Account (HRA) - how the Housing Revenue Account (HRA) is spent

## Introduction

### **What does the HRA pay for?**

The Housing Revenue Account (HRA) is the name of the Council account where all the income and expenditure related to the Council's housing is accounted for. At its core, the HRA pays for the management and maintenance of council-owned housing. The HRA can also fund the provision of new council housing. In consultation with its tenants, a Council may also decide to fund services other than these core services.

### **What doesn't it pay for?**

Other housing services provided by the Council that meets the needs of customers other than tenants of the Council are **not** funded through the HRA. These are funded from the Council's main operational budget, the General Fund. These non-HRA services would include:

- homelessness;
- the provision of wider housing advice;
- housing support;
- housing benefit administration, and
- work related to private sector housing

In 2014, the Scottish Government published its Guidance on the Operation of Local Authority HRAs in Scotland. The purpose of this Guidance was to bring together information on the use of the HRA; how it must operate; who the resources contained within it are meant to benefit; and what outcomes can be expected of those resources. The guidance specified key principles under which the HRA must operate.

### **HRA Operating Principles**

- **Compliant with legislation and guidance in relation to accounting practice**
- **Benefits present or prospective tenants**
- **A robust, written methodology is in place**
- **Consultation on financial transparency is carried out**
- **Owners in tenanted blocks are charged for HRA services**

## Introduction continued

### HRA Business Model

WDC use a 30 year HRA business model which ensures the long term position of the HRA is sustainable and that costs of investment are spread over the years rather than having to be paid by rent increases in the year the investments take place. This ensures that rent from future tenants who will benefit from these investments will contribute and also that tenants who leave WDC a few years after investments will not have over contributed.

The Business model is reviewed annually and data that is input includes :-

*Current year expected costs and income*

*Future years estimated budgets*

*Stock numbers updated for new builds to calculate expected rent*

*Inflation/ pay rise predications*

*Cost of Borrowing predictions*

*Current outstanding debt*

*Assumptions on Bad debt provision required*

## Key Principles

### **Key Principle 1 - The HRA must comply with legislation, statutory guidance and accounting codes of practice**

Must comply with the Housing (Scotland) Act 1987. Must comply with proper accounting practices. Must correctly assign HRA assets and liabilities. Assets must provide, or be likely to provide a positive return to the HRA. Decisions to retain or dispose of assets must be explained to tenants. Scottish Ministers' consent is required if assets are sold for less than the market value (see March 2016 Scottish Government Guidance, *Disposal of assets from HRA's*). Reserves can be retained to the extent that is prudent. There is a duty to secure Best Value. Ministers have the power to add or remove costs.

### **Key Principle 2 - HRA assets must benefit present or prospective tenants**

The Council must maintain a register of land and buildings. Assets must benefit tenants directly or as an investment. HRA assets must be reviewed regularly. Assets not benefitting tenants must be considered for disposal, transfer or change of use. There is no requirement to dispose of assets immediately. If the asset is significant, then there must be consultation with tenants on its future use.

### **Key Principle 3 - There is a robust, written methodology for calculating and allocating HRA costs**

The methodology (this document) must be in sufficient detail for tenants to follow. It will include explanation of recharges from other council areas. The methodology must be reviewed and updated. It must explain recharges to the HRA and housing activity accounted for in the Council's General Fund. Transparency around the calculation of costs to the HRA must be supported by a systematic recording mechanism. Chargeable costs and the methodology itself should be agreed with tenants.

### **Key Principle 4 - There are clear and published mechanisms and procedures for discussing financial transparency matters with tenants**

The Council should build this activity on existing good practice in broader tenant participation. There should be regular and meaningful discussion with tenants about the HRA. There are relevant legislative responsibilities that must be met: to consult on issues significantly affecting tenants, to develop a tenant participation strategy and to issue notices of increases in rents and service charges, for example. The HRA should clearly meet the outcomes of the Scottish Social Housing Charter, especially outcomes 13, 14 and 15. Tenants must be involved in decisions about significant HRA assets. The council's decision-making must be transparent, whether tenants are in agreement or, especially, if not.

### **Key Principle 5 - Where legally entitled, non-council tenants living in mixed tenure estates are charged for goods and services**

The HRA should seek to charge for services to non-council tenants, for example, the maintenance of common areas and facilities in flatted accommodation, grass cutting in common external areas, maintenance of paths and drying areas in mixed tenure areas. Title deeds specify owners' duties and responsibilities, but there are wide variations. If the deeds are silent, the Tenement (Scotland) Act 2004 allows councils to obtain contributions. Landlords must comply with the Property Factor Code. Charging owners their share of costs protects the HRA, and should be fully explored whenever relevant.

2025/26 Estimates

	2023/24 Actual	2024/25 Forecast year end position as reported at Period 5	2024/25 Estimate	2025/26 Draft Estimate	Movement between 24/25 Estimate & 25/26 Estimate	cost / Decrease in cost
<b>OPERATING COSTS</b>						
<b>EMPLOYEE COSTS</b>						
Employee Costs	8,036,890	7,283,000	7,661,000	7,855,400	194,400	↑
<b>Employee cost total</b>	<b>8,036,890</b>	<b>7,283,000</b>	<b>7,661,000</b>	<b>7,855,400</b>	<b>194,400</b>	<b>↑</b>
<b>PROPERTY COSTS</b>						
Rates	133,306	130,000	130,000	132,600	2,600	↑
Rent	196,191	188,000	188,000	191,800	3,800	↑
Repairs to Offices	-	10,000	10,000	10,200	200	↑
Electricity & Gas	881,174	914,000	914,000	769,000	(145,000)	↓
Property Insurance	1,109,846	1,160,000	1,160,000	1,183,200	23,200	↑
Contract Cleaning	42,764	44,000	44,000	44,900	900	↑
Other Property Costs	154,114	154,000	154,000	157,100	3,100	↑
<b>Property cost total</b>	<b>2,517,396</b>	<b>2,600,000</b>	<b>2,600,000</b>	<b>2,488,800</b>	<b>(111,200)</b>	<b>↓</b>
<b>TRANSPORT COSTS</b>						
Car Allowances etc.	153,224	158,000	148,000	153,500	5,500	↑
<b>Transport cost total</b>	<b>153,224</b>	<b>158,000</b>	<b>148,000</b>	<b>153,500</b>	<b>5,500</b>	<b>↑</b>
<b>SUPPLIES &amp; SERVICES</b>						
Clothing & Uniforms	7,765	8,000	8,000	8,200	200	↑
Computer Software & Equipment	126,861	127,000	115,000	129,500	14,500	↑
Other Supplies & Services	60,938	57,000	58,000	58,100	100	↑
Postages	7,898	7,000	7,000	7,100	100	↑
Printing, stationery & photocopiers	27,570	28,000	35,000	28,600	(6,400)	↓
Telephones	74,140	73,000	73,000	74,500	1,500	↑
Tenant Participation Costs	103,099	110,000	110,000	112,200	2,200	↑
<b>Supplies &amp; Services cost total</b>	<b>408,271</b>	<b>410,000</b>	<b>406,000</b>	<b>418,200</b>	<b>12,200</b>	<b>↑</b>
<b>SUPPORT COSTS</b>						
Allocation of Central Support Costs	2,766,014	2,785,000	2,788,000	2,583,600	(204,400)	↓
<b>Support cost total</b>	<b>2,766,014</b>	<b>2,785,000</b>	<b>2,788,000</b>	<b>2,583,600</b>	<b>(204,400)</b>	<b>↓</b>
<b>OTHER EXPENDITURE</b>						
Other expenditure	801,059	560,000	330,000	419,900	89,900	↑
<b>Other Expenditure total</b>	<b>801,059</b>	<b>560,000</b>	<b>330,000</b>	<b>419,900</b>	<b>89,900</b>	<b>↑</b>
<b>Net Operating Costs</b>	<b>14,682,855</b>	<b>13,796,000</b>	<b>13,933,000</b>	<b>13,919,400</b>	<b>(13,600)</b>	<b>↓</b>

2025/26 Estimates

	2023/24 Actual £	2024/25 Forecast year end position as reported at Period 5 £	2024/25 Estimate £	2025/26 Draft Estimate £	Movement between 24/25 Estimate & 25/26 Estimate £	Increase in cost / Decrease in cost £
<b>REPAIRS &amp; MAINTENANCE</b>						
Responsive & Void Works	11,087,917	9,972,000	10,109,000	9,514,200	(594,800)	↓
Special Need Minor Works	72,561	80,000	80,000	80,000	0	→
Tenant Priority Budget	20,188	200,000	200,000	0	(200,000)	→
Planned Maintenance & Repairs - Statutory Compliance	2,491,163	1,705,000	3,483,000	2,107,300	(1,375,700)	↓
Planned Maintenance & Repairs - Others	430,989	486,000	474,000	495,700	21,700	↑
Ground Maintenance & Environmental Works	1,176,724	1,085,000	1,097,000	1,088,500	(8,500)	↓
Tenants Sustainability	387,517	120,000	150,000	150,000	0	↓
Other Repairs	43,529	45,000	45,000	45,000	0	→
Rechargeable Repair Income	(647,696)	(300,000)	(430,000)	(400,000)	30,000	↑
<b>Repair &amp; Maintenance cost total</b>	<b>15,062,894</b>	<b>13,393,000</b>	<b>15,208,000</b>	<b>13,080,700</b>	<b>(2,127,300)</b>	<b>↓</b>
<b>MISCELLANEOUS</b>						
Bad Debt Provision	1,094,108	879,000	876,000	1,119,200	243,200	↑
Rents - Unlet Period (houses)	1,165,007	990,000	916,000	700,000	(216,000)	↓
Rents - Unlet Period (lockups)	84,075	81,000	81,000	81,000	0	→
Council tax on void houses	268,541	211,000	112,000	50,000	(62,000)	↓
<b>Bad Debt Provision / Void Loss</b>	<b>2,611,731</b>	<b>2,161,000</b>	<b>1,985,000</b>	<b>1,950,200</b>	<b>34,800</b>	<b>↑</b>
<b>LOANS CHARGES</b>						
Principal	7,661,692	9,502,000	9,084,000	11,733,000	2,649,000	↑
Interest	11,477,592	16,280,000	12,786,000	17,197,000	4,411,000	↑
Expenses	282,789	259,000	222,000	225,000	3,000	↑
<b>Loan Charges total</b>	<b>19,422,073</b>	<b>26,041,000</b>	<b>22,092,000</b>	<b>29,155,000</b>	<b>7,063,000</b>	<b>↑</b>
<b>GROSS EXPENDITURE</b>	<b>51,779,553</b>	<b>55,391,000</b>	<b>53,218,000</b>	<b>58,105,300</b>	<b>4,887,300</b>	<b>↑</b>
<b>INCOME</b>						
House Rents	47,954,461	51,049,000	51,049,000	55,961,200	4,912,200	
Lock Up Rents	210,630	215,000	215,000	232,200	17,200	
Other Rents - Shops, sites etc.	120,832	130,000	130,000	137,200	7,200	
Factoring / Insurance Charge	1,498,908	1,555,000	1,555,000	1,588,200	33,200	
Revenue Interest	199,011	146,000	146,000	100,000	(46,000)	
Other Income	129,573	123,000	123,000	123,000	0	
Transfer from HRA reserves	1,666,139	968,000	0	0	0	
Transfer to HRA Reserves	0	0	0	(36,500)	(36,500)	
<b>GROSS INCOME</b>	<b>51,779,553</b>	<b>54,186,000</b>	<b>53,218,000</b>	<b>58,105,300</b>	<b>4,923,800</b>	
<b>NET EXPENDITURE</b>	<b>-</b>	<b>1,205,000</b>	<b>-</b>	<b>-</b>	<b>36,500</b>	

This is the rental income required to meet all expenditure. Rental income based on current rent levels will only bring in £51,816,000 so a 8.0% increase needed to meet anticipated expenditure.

## Explanation of main 2025/26 budget movements

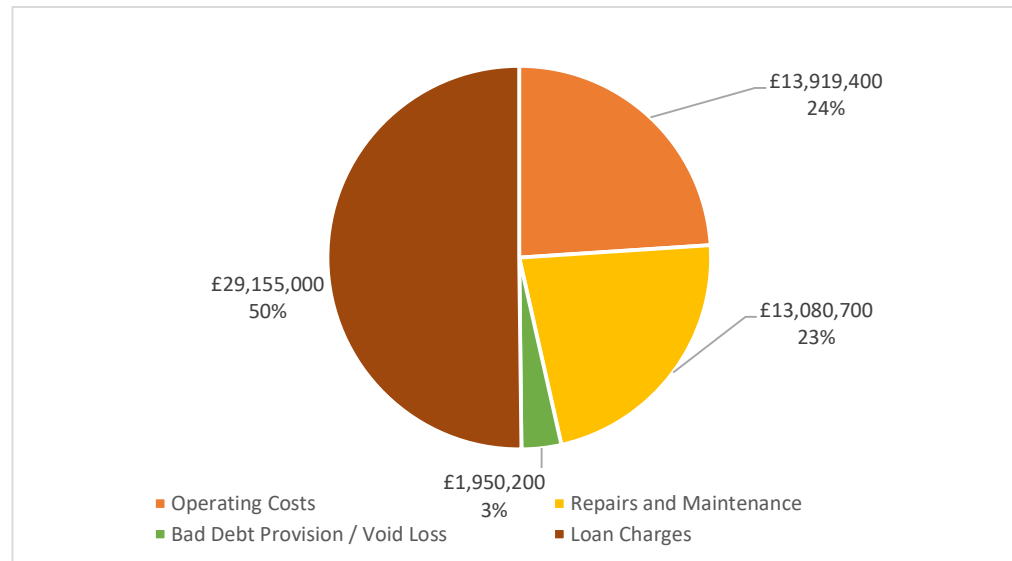
The following reconciliation shows the main reasons for the additional budget required for 25/26, when compared to the 24/25 estimate:

<b>Estimated 24/25 Gross Expenditure ( excluding Loan charges)</b>		<b>£31,126,000</b>	<i>This is the estimated expenditure before deducting any income.</i>
<b>Operating Cost Adjustments</b>			
<b>Employee Costs</b>	Increase in relation to pay award & increments	£194,400	<i>Allowance for annual pay increase and incremental movements upwards on pay scale.</i>
<b>Property Costs</b>	Decrease in property costs	<b>-£111,200</b>	<i>The main reason is a reduced budget for electricity and gas expenditure because prices are expected to fall in 25/26.</i>
<b>Transport Costs</b>	Increase in vehicle costs	£5,500	<i>The increase relates to inflationary increase on cost of hired vehicles.</i>
<b>Supplies, Services &amp; Other Expenditure</b>	Increase in supplies & services	£12,200	<i>This is the increase on miscellaneous supplies and services.</i>
<b>Central Support Costs (see further information on page 12)</b>	Decrease in central support allocation (CSA)	<b>-£204,400</b>	<i>The main reason is a forecast reduction in the recharge from other council services delivering support services. ( HR, Finance, Legal, Rent recovery etc)</i>
<b>Other Expenditure</b>	Increase in Other Expenditure	£89,900	<i>The main reason is a cost pressure on the abatement budget and an increase in the amount set aside for the Young Persons Bursary.</i>
<b>TOTAL OPERATING COST ADJUSTMENTS</b>		<b>-£13,600</b>	
<b>Repair &amp; Maintenance Adjustments</b>			
	Decrease in responsive & void works	<b>-£594,800</b>	<i>Reflects planned efficiencies across the repairs service</i>
	Tenant Priority Budget funded from capital	<b>-£200,000</b>	
	Decrease in planned maintenance & repairs - statutory compliance	<b>-£1,375,700</b>	<i>Reflects a reduction in the EICR budget as a larger % of properties will have achieved compliance</i>
	Decrease in planned maintenance & repairs - others	£21,700	<i>Inflationary increase</i>
	Decrease in ground maintenance & environmental works	<b>-£8,500</b>	<i>The main reason is a forecast reduction in the recharge from the Ground Maintenance service reflecting planned efficiencies and tighter controls on works.</i>
	Decrease in rechargeable repair income	£30,000	<i>Income budget reduced to align with expected income in 2025/26</i>
<b>TOTAL REPAIR &amp; MAINTENANCE ADJUSTMENTS</b>		<b>-£2,127,300</b>	
<b>Bad Debt Provision / Void Loss Adjustments</b>			
	Increase in required bad debt provision	£243,200	<i>Reflects an anticipated increase in bad debt provision across rent arrears and rechargeable repairs.</i>
	Reduction in void council tax and void rent loss	<b>-£278,000</b>	<i>Reflects an anticipated decrease in the number of void properties and a decrease in the length of time that properties are empty.</i>
<b>TOTAL BAD DEBT PROVISION / VOID LOSS ADJUSTMENTS</b>		<b>-£34,800</b>	
<b>Estimated 25/26 Gross Expenditure ( excluding Loan charges)</b>		<b>£28,950,300</b>	



**Main summary of how the Council will spend the rent**

<b>HRA Budgeted Expenditure</b>	
Operating Costs	£13,919,400
Repairs and Maintenance	£13,080,700
Bad Debt Provision / Void Loss	£1,950,200
Loan Charges	£29,155,000
<b>Total</b>	<b>£58,105,300</b>



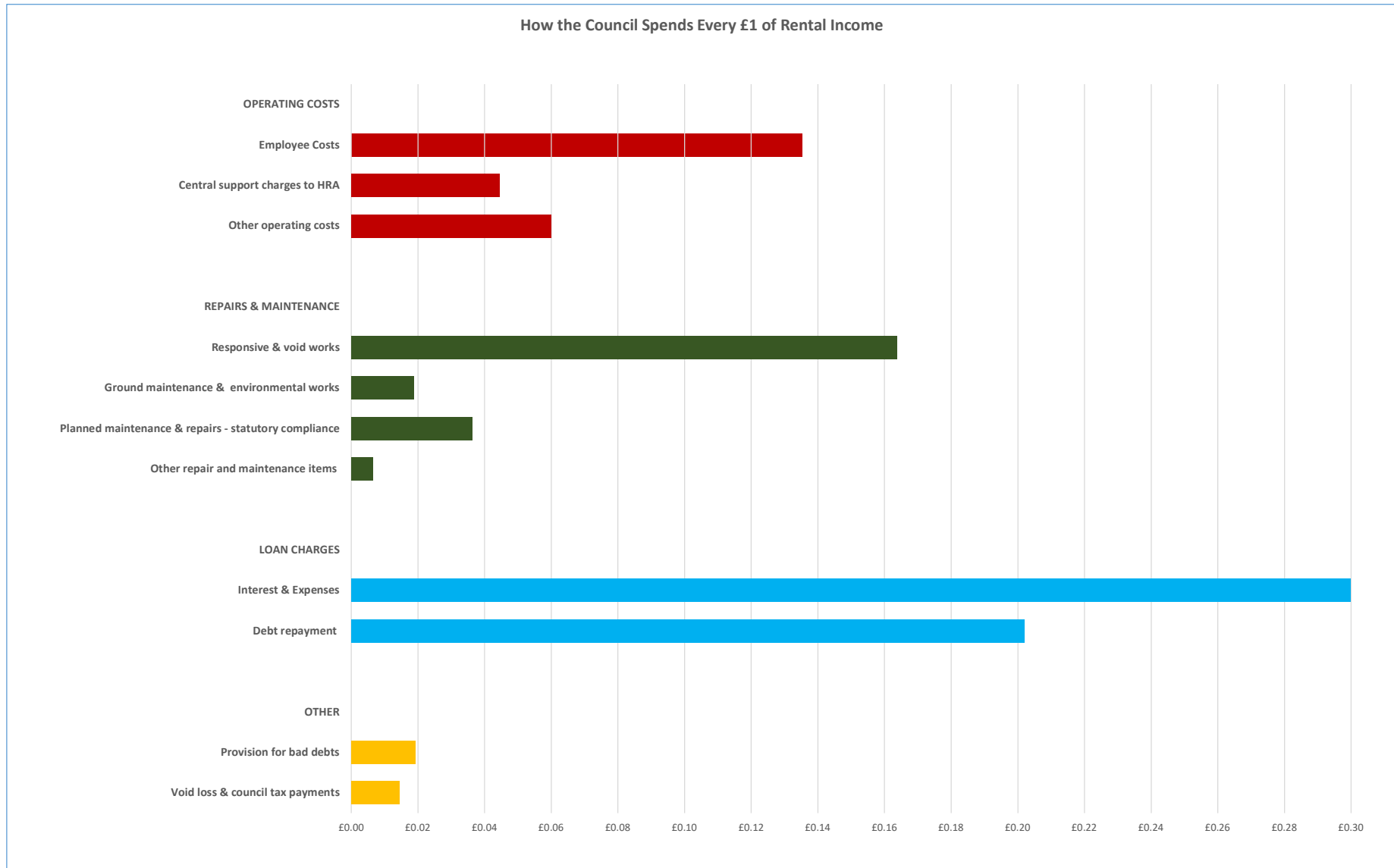
Another way of thinking about this is to say that, for every £1 that will be collected in rental income by the Council will be spent as follows:

<b>HRA Budgeted Expenditure</b>	
Operating Costs	£0.24
Repairs and Maintenance	£0.23
Bad Debt Provision / Void Loss	£0.03
Loan Charges	£0.50

These headings of expenditure are further broken down on the next page.

**Breakdown of how the Council will spend the rent**

Every £1 that the Council will receive in rent money will be spent as follows:



Each of the above categories of spend is looked at in more detail on the following pages.

## Operating Costs

Description	Estimated Charge to HRA 2025/2026	Explanation
Employee Costs	£7,855,400	Employee costs including wages, pensions, national insurance etc. Work patterns are maximised to avoid overtime payments but some overtime can be incurred when covering for vacancies and / or urgent out of hour duties.
Property Costs	£1,305,600	This includes the cost of energy costs for communal areas, the electricity & gas associated with close lighting, lighting in and around the Multi Storey Flats and Standing Charges on void properties. It also includes the use of Church Street and 17 Mitchell Way by housing services.
Property Insurance	£1,183,200	This includes the cost of insurance premiums for the block insurance policy for mixed tenure blocks, housing properties insurances, public and employers liability insurance and engineering inspection charge.
Travel Expenses	£153,500	Employee travel costs for business and study. It also includes the hire of vehicles and the associated costs such as fuel.
Office Equipment, Print and Stationery	£86,700	Expenses incurred for office equipment, printing and stationery and general office running costs.
Postage and Telephone	£81,600	Costs for postage and telephone charges, including mobile phones.
IT Systems	£129,500	Purchase of IT related software and hardware for all IT functions within Housing Services. Includes software licences and annual maintenance costs to 3rd party software suppliers.
Clothing & Uniforms	£8,200	This includes the cost of clothing and uniforms
Tenant Participation Costs	£112,200	This includes the cost of free lets which are the lets associated with providing premises for tenants and resident's associations. It also includes the running costs for TRAs and any publicity and communication costs i.e. satisfaction surveys and the production of housing news.
Total Central Support Charges to HRA	£2,583,600	This is the HRA's share of the costs for using the council's internal services such as IT, Human Resources and Finance etc. See section 13 and 14 for full details.
Other expenditure	£419,900	This includes the costs of membership and conference fees, legal expenses in relation to court actions and bank charges and also includes the cost of rent abatements due to void initiatives.
	<b>£13,919,400</b>	

## Repairs and Maintenance Expenditure

Description	Estimated Charge to HRA 2025/2026	Explanation
Responsive & Void Works	£9,514,200	<i>The Council is responsible for keeping their homes in a good state of repair. The majority of repairs are carried out by the Council's Building Services; external contractors are used for specialist works, for example woodworm or dampness. Repair categories include routine and emergency. Current and future tenants benefit in keeping homes in a good state of repair. This also includes the costs associated with turning vacant properties into a suitable state to be relet.</i>
Special Need Minor Works	£80,000	<i>Costs associated with the provision of minor adaptations to tenants' properties and the cost of the warden call system across sheltered housing properties.</i>
Planned Maintenance & Repairs - Statutory Compliance	£2,107,300	<i>Cost of works to comply with statutory requirements around Fire, Legionella, Asbestos, Gas, Electrics &amp; Lifts</i>
Planned Maintenance & Repairs - Others	£495,700	<i>Other non statutory planned works including communal laundrettes, community alarms, communal tv aerials, CCTV, solar panels</i>
Ground Maintenance & Environmental Works	£1,088,500	<i>Cost to in-house team for the provision of a range of ground maintenance and environmental services across HRA land and property.</i>
Tenants Sustainability	£150,000	<i>HRA contribution towards the rent of tenants who are experiencing hardship</i>
Other Repairs	£45,000	<i>Miscellaneous property expenditure items that are not easily captured across other budget headings.</i>
Rechargeable Repair Income	-£400,000	<i>Contributions from owners and tenants (where applicable) towards the cost of repairs</i>
	<b>£13,080,700</b>	

### Loan Charges

Description	Estimated Charge to HRA 2025/2026	Explanation
Cost of Borrowing Principal	£11,733,000	<i>To upgrade and build council homes over the years, the council has borrowed money and just like a homeowner with a mortgage, that debt has to be repaid with interest. This sum is for the repayment of HRA debt.</i>
Cost of Borrowing Interest	£17,197,000	<i>This is the interest payments on the money the HRA has borrowed to upgrade existing and to build new council homes.</i>
Cost of Borrowing Loan Charge Expenses	£225,000	<i>The HRA pay fees for borrowing that it undertakes ( Loan Charges Expenses)</i>
	<b>£29,155,000</b>	

### Bad Debt Provision

The bad debt provision is money set aside for the non collection of rent arrears and other HRA debt. The amount that is included within the budget each year is the amount required to ensure that there is enough provision to cover non collected debt.

Description	Estimated Charge to HRA 2025/2026
Bad Debt Provision	£1,119,200
	<b>£1,119,200</b>

### Void Loss & Council Tax

The void loss is money set to cover the lost rental income from vacant HRA properties ( houses and lock ups ) The HRA also has to pay council tax on some of the empty properties that have been unoccupied for more than six months.

Description	Estimated Charge to HRA 2025/2026
Void Loss	£781,000
Council Tax	£50,000
	<b>£831,000</b>

## Breakdown of Internal Charges for 2023/2024

a) Service Description	b) 23/24 HRA revenue share of costs	c) 23/24 Total cost of service provided	d) % paid by HRA revenue of the council's total central support costs	e) What is this?
<b>TOTAL SPEND</b>	<b>£2,766,014</b>	<b>£26,979,348</b>	<b>10.3%</b>	
<b>Other Central Support</b>	£456,852	£7,432,868	6.1%	Share of communications, internal audit, change support and contact centre. It also includes the Corporate & Democratic Costs which are costs relating to all aspects of elected members' activities and costs which allows services to be provided & information required for public accountability.
<b>Central Admin Support</b>	£649,848	£3,227,578	20.1%	Provision of clerical support for the day-to- day administrative tasks.
<b>Risk &amp; Insurance</b>	£22,362	£126,878	17.6%	Includes the processing of claims made by/against WDC, providing general advice & developing & implementing risk management practices
<b>IT Services</b>	£72,250	£4,262,734	1.7%	Service and application management, internal customer support, data centre support, IT improvements, technical design and information and policy standards.
<b>Revenue and Exchequer Charges</b>	£1,181,236	£3,022,122	39.1%	The Council's Finance Team is responsible for the recovery of all monies owed to Housing Services. This charge represents the cost of that income recovery activity.
<b>Financial Services</b>	£246,500	£5,198,440	4.7%	Covers all financial management support to Housing Services, including payroll, payments, budgeting and investment services.
<b>Human Resources</b>	£44,896	£2,713,206	1.7%	Recruitment, development management and contract management services, both on a strategic and operational basis
<b>Legal Services</b>	£92,071	£995,521	9.2%	Out with spending on legal charges in pursuit of rent arrears which is accounted for elsewhere in the HRA, Housing Service receives general legal support on a day-to-day basis.

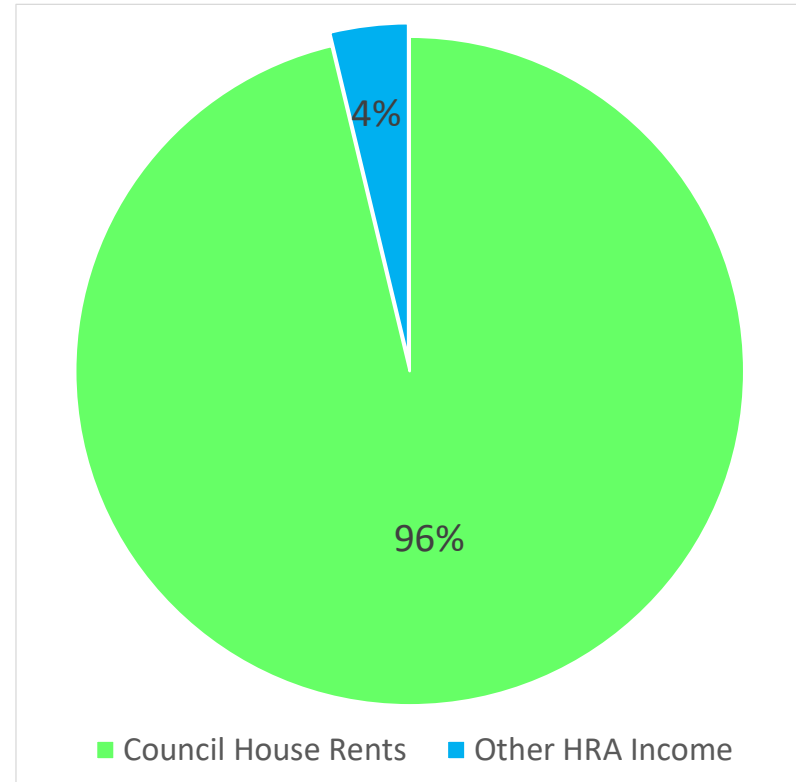
## HRA Income

Almost all HRA income comes from rents charged to tenants of our flats and houses. Other income includes:

- rent from other types of properties owned by the Council: garages and lock-ups, shops;
- laundrette and electricity charges, and
- charges paid by owners for factoring services.

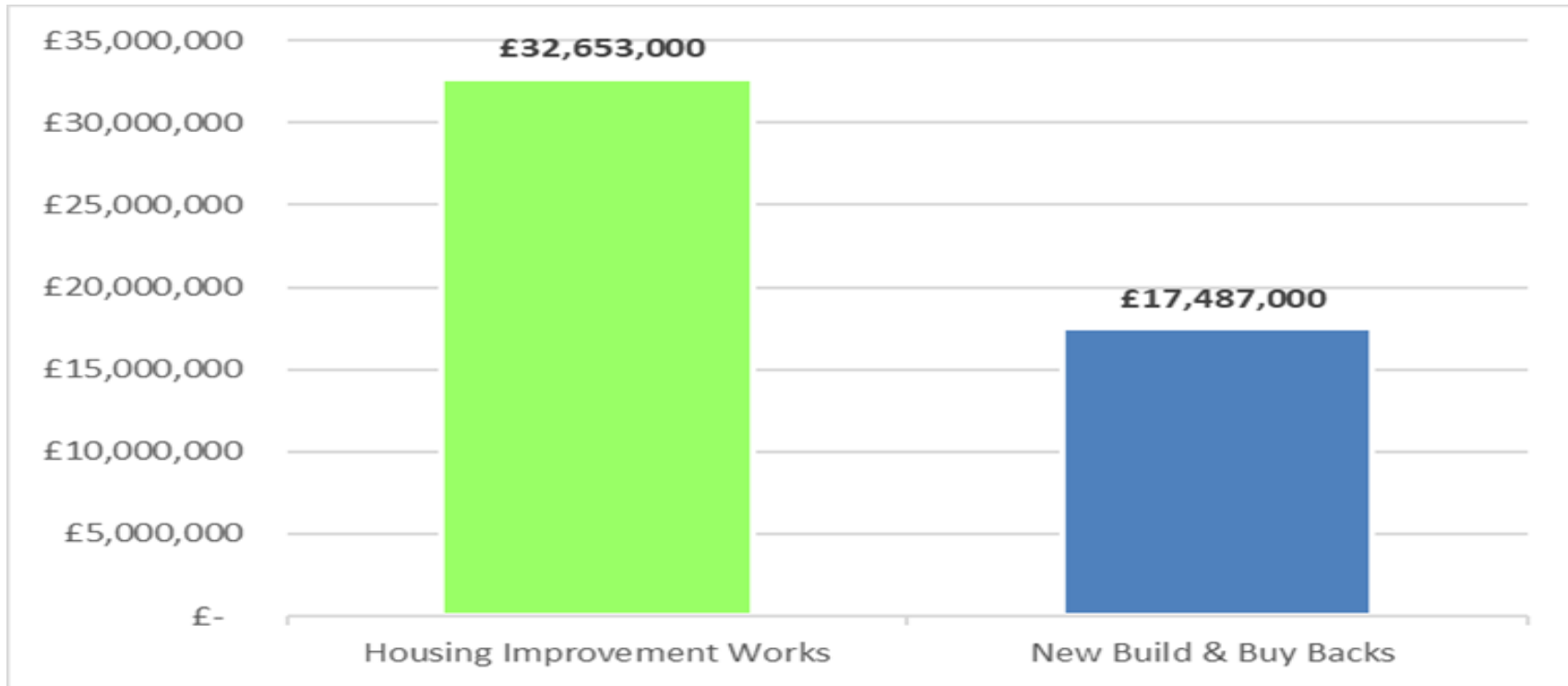
The table below indicates some of the main sources of HRA income.

Description	HRA Income 2025/26
Council House Rents	£55,961,200
Rent from Lock-ups	£232,200
Rent from Other Properties (Shops, Etc)	£137,200
Other HRA Income (e.g. Revenue interest & reallocated property costs etc)	£223,000
Factoring/Insurance Charge	£1,588,200
Transfer of HRA income to HRA reserves	-£36,500
<b>TOTAL</b>	<b>£58,141,800</b>



**Draft HRA Capital Programme**

The HRA Capital Programme for 2025/26 is estimated to total £50.140m, split between housing improvement works and new builds/buybacks as follows:-





**Draft Capital Programme (Excluding Affordable Housing Supply)**

The HRA Capital Programme for 2025/26 (excluding the Affordable Housing Supply) is budgeted at £32.653m. Key programmes are detailed below

