



Meeting(s):	Development Committee Policy and Resources Committee Shetland Islands Council	26 November 2025 1 December 2025 10 December 2025
Report Title:	Housing Revenue Account (HRA) Business Plan 2026-2031	
Reference Number:	DV-43-25-F	
Author / Job Title:	Anita M Jamieson Executive Manager - Housing	

1.0 Decisions / Action Required:

- 1.1 That the Development Committee RECOMMEND that the Policy and Resources Committee RECOMMEND that the Council approves the Housing Revenue Account (HRA) Business Plan 2026-2031 (Appendix A), as part of the Council's Policy Framework, to be managed by the Development Committee.

2.0 High Level Summary:

- 2.1 The HRA Business Plan draws together the financial, property and customer aspects of the Housing Service to demonstrate a sustainable and affordable service to tenants. The Business Plan is supported by 30-year financial modelling and projections, an Asset Management strategy and a Tenant Participation Strategy. The Business Plan looks at financial sustainability over the long-term and a five year operational, medium-term plan but will be refreshed annually in line with the Council's Medium Term Financial Plan and will be used to form the basis of the HRA budget process.
- 2.2 The first HRA Business Plan was produced following the resolution of the Council's outstanding debt and covered the period 2017-2022. This was seen as a real opportunity to think and plan differently for the Council's landlord services. It ensured that a sustainable housing service could be delivered into the future without the underlying driver of high outstanding debt on the account. The delay in production of a further plan has been due to the extent of operational and financial uncertainty prevailing in a post-covid era.

3.0 Corporate Priorities and Joint Working:

- 3.1 The Council sets out its corporate vision in its Corporate Plan – Our Ambition 2021-2026:

Working together to create a positive, confident and sustainable future for Shetland. A Shetland where the communities' opportunities attract people of all ages to live, work, study and invest in our islands.

Under the 'achieving population balance' section of the plan there is a commitment to continue to deliver on the key themes of the Local Housing Strategy (LHS).

- 3.2 The Corporate Plan also commits to developing medium-term financial and service planning to ensure financial sustainability, safeguarding of public funds and achieving value for money.
- 3.3 The HRA Business Plan is also strongly focused on providing excellent customer service, through our work with tenants and applicants.
- 3.4 The proposed Business Plan aligns with the vision set out in the Corporate Plan, in seeking to demonstrate to our tenants, applicants, the public and those we are accountable to, that the HRA is financially sustainable and that it seeks to provide a quality service to its customers, meeting all relevant standards as a landlord and achieving compliance on all legislative commitments.

4.0 Key Issues:

- 4.1 The most significant changes in the financial modelling are the extent to which expenditure has increased and income from rents has not kept pace with that change. The overall cost of service delivery has increased dramatically since the last version of the business plan.
- 4.2 As two-thirds (66%) of expenditure on the HRA is spent on repairs and maintenance, the impact of the rising costs of building materials and related contracts has been acutely highlighted.
- 4.3 Ongoing work to maintain the housing stock continues and there are further demand pressures from new and emerging legislation which will impact on levels of work required.
- 4.4 Over the past 5 years there have been a combination of rent-freezes and below inflation rent increases which have had a cumulative impact of lost income to the HRA. The calculated loss of investment is around £800k over that 5 year period.
- 4.5 The use of the Housing Reserves has had to be amended to ensure sustainability and longevity. Previously the reserve was used to offset the peaks and troughs in expenditure to mitigate against rent increases but that is no longer feasible. The reserve will be maintained at a level that provides an investment return to the account.
- 4.6 It is necessary to borrow to fund the current anticipated levels of expenditure. This is a departure from the previous HRA Business Plan. Borrowing must be carefully managed to ensure that the long-term sustainability of the account is not compromised. The financial modelling has ensured that the prudential limit is not breached over the long-term period. This will have to be kept under close annual review.
- 4.7 It is inevitable that rent levels, and proposed increases, will come under further pressure.
- 4.8 It is a challenging balancing act to provide the requisite level of service, maintain affordable rents, operate within prudential borrowing limits and retain a sustainable long-term position on the HRA. There is a risk that changes to these components may have to be made in order to maintain a sustainable future position. Any proposals for such changes would be brought forward as part of the Council's annual budget setting process and would be subject to appropriate tenant consultation and committee approvals.

5.0 Exempt and/or Confidential Information:	
5.1	None.
6.0 Implications:	
6.1 Service Users, Patients and Communities:	Tenant consultation and involvement in service decisions is a statutory and vital component of landlord services. We continue to build up our Tenant Participation action plan and to involve tenants in their preferred ways. Existing tenants will benefit from assurances that the service is sustainable into the future and will have opportunities to be consulted on key decisions such as rent increase proposals or any changes to service levels.
6.2 Human Resources and Organisational Development:	The Business Plan identifies priority areas for service review to ensure that we meet the service needs. Workforce planning and continuing to identify career-grade opportunities will be very important to retain and develop a professional staff.
6.3 Equality, Diversity and Human Rights:	No specific implications to this report.
6.4 Legal:	The operation of the Housing Revenue Account is set out in Part X of the Housing (Scotland) Act 1987. The statutory provision of tenant participation is contained in the Housing (Scotland) Act 2001.
6.5 Finance:	Financial modelling is key to the demonstration of a sustainable and affordable service over time. The work done has demonstrated that the account is sustainable over the long-term view. The financial modelling forms the basis of the annual budget reviews and will assist greatly in providing certainty on expenditure and income to the account including rent levels. The account is under increased financial pressure but is able to demonstrate sustainability at this time. Sensitivity analysis has been carried out and growth factors built in to the modelling. In simple terms, however, income is not keeping up with expenditure.
6.6 Assets and Property:	The HRA is the landlord account for approximately 1700 properties. There are nationally prescribed quality standards for levels of service provision for repairs and maintenance of those assets. A fabric-first approach to asset management has been in place since the last HRA Business Plan in preparation for further legislation on energy efficiency and net zero targets. New legislation based on Awaab's Law is due to be implemented in Scotland in 2026 and will have implications for housing asset services.

<p>6.7 ICT and New Technologies:</p>	<p>The current Housing Management system is an integrated system and operates across the whole service, including the rents and benefits areas of work managed by the Finance Service. There are no additional implications as a result of the HRA Business Plan.</p>
<p>6.8 Environmental:</p>	<p>None specific to the HRA Business Plan.</p>
<p>6.9 Risk Management:</p>	<p>Having an HRA Business Plan, supported by detailed 30-year financial modelling, enables holistic plans and investment decisions to be made in a balanced way that can weigh up the relevant risks.</p> <p>The main risk to the HRA Business Plan is in managing the balance between continuing cost pressures, borrowing limits and maintaining affordable rents. As a ring-fenced account any shortfall in funding can only be funded from a restricted set of sources.</p> <p>The greatest risk is the cost pressures on repair and maintenance. One way of mitigating that risk could be to develop and apply methods to prioritise repairs and maintenance spending with a view to reducing costs while maintaining statutory compliance with standards. This has to be balanced against customer expectations and the possible impacts of reduced maintenance.</p> <p>Borrowing within prudential limits is necessary to fund the planned capital expenditure investment and to secure the long-term sustainability of the account. Borrowing is also susceptible to market fluctuations in interest and inflation so needs to be regularly tracked and revisited. The financial model tracks the impacts of assumptions and scenarios. Current modelling sees the borrowing threshold very close to the upper limits in the later years of the plan.</p> <p>There is a risk that rents will have to increase well beyond inflationary levels to maintain the required service levels, especially in the next five-year window. Clear explanations and detailed consultation are essential to give tenants the range of options to enable them to make their views known, to feed into and influence recommendations on future rent levels. There is a need to review the structure of our rent charging model to align the disparity in the differentials between property sizes.</p>
<p>6.10 Policy and Delegated Authority:</p>	<p>In accordance with Section 2.3.1 of the Council's Scheme of Administration and Delegations, the Development Committee has delegated authority to take decisions in relation to those functions within its remit which includes housing. It is appropriate therefore that the Development Committee consider and decide on the HRA Business Plan (Appendix A).</p>

	In accordance with Section 2.2.1 of the Council's Scheme of Delegations, Policy and Resources Committee has referred authority to recommend the inclusion of strategies contained in the Policy Framework, for final determination and approval by the Council.	
6.11 Previously Considered by:	n/a	n/a

Contact Details:

Anita M Jamieson, Executive Manager – Housing
01595 744363, anita.jamieson@shetland.gov.uk
Date Cleared: 18 November 2025

Appendices:

Appendix A - HRA Business Plan

Background Documents: None

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