

**ANGUS COUNCIL**

**SPECIAL HOUSING COMMITTEE (RENT SETTING) – 11 FEBRUARY 2025**

**HOUSING REVENUE ACCOUNT RENT SETTING AND BUDGET STRATEGY 2025/26-2028/29**

**JOINT REPORT BY THE INTERIM SERVICE LEADER – HOUSING  
AND THE DIRECTOR OF FINANCE**

**1. ABSTRACT**

- 1.1 This report sets out the Housing Revenue Account (HRA) budget strategy for the period 2025/26 to 2028/29 and seeks approval of rent levels and other associated charges for 2025/26. It sets out estimated income and expenditure for 2025/26, capital investment proposals, affordability assessment and recommends a continued programme of investment in new and existing stock.

**2. ALIGNMENT TO THE COUNCIL PLAN AND COUNCIL POLICIES**

- 2.1 Caring for our people
- Reduce inequalities in all our communities.
  - Provide the best start in life for children.
  - Create more opportunities for people to live well and achieve their personal goals.
  - Improve physical, mental health and wellbeing.
- 2.2 Caring for our place
- Protect and enhance our natural and built environment.
  - Enable inclusive, empowered, resilient and safe communities across Angus.
  - Take action to mitigate against climate change by delivering our Transition to Net Zero Action Plan: 2022 to 2030.
  - Ensure delivery of affordable housing via our Strategic Housing Investment Plan (SHIP).

**3. RECOMMENDATIONS**

- 3.1 It is recommended that the Committee:
- (i) Approves the revenue budget for 2025/26 as detailed in **Appendix 1**.
  - (ii) Approves an average rent increase of 5.2% for Council houses and associated service charges for sheltered, retirement and dispersed accommodation as detailed in **Appendix 2**.
  - (iii) Approves a rent increase of 5.2% for St Christopher's Travelling People Site, garages and garage sites as also set out in **Appendix 2**.
  - (iv) Approves HRA Capital Plan for the financial year 2025/26 based on the rent strategy adopted as well as the indicative level of programme for the financial years 2026/27 to 2028/29 as detailed in **Appendix 3**.
  - (v) Notes that based on the assumptions made and the affordability assessment undertaken, the 2025/26-2028/29 HRA Capital Plan is affordable, prudent and sustainable as required by the Prudential Code and as detailed in Section 9 and **Appendix 4**; and
  - (vi) Approves the prudential indicators as shown in **Appendix 5** in compliance with Prudential Code requirements.

## **4. BACKGROUND**

- 4.1 The HRA manages income from tenants' rents to meet all expenditure related to the running of the Housing Service. A core objective is that it remains in surplus, paying for staffing and overheads, whilst still having ample funds for repairs and maintenance. In order to build new homes and invest in existing stock, the HRA must also support any capital financing charges. The HRA does receive some Government capital support from specific funding sources, most notably the Affordable Housing Supply Programme.
- 4.2 In line with previous years, the HRA 30-year Business Plan has been reviewed to reflect the proposed HRA Capital Plan. This process is undertaken annually based on a range of assumptions and is expanded on as part of the affordability analysis at section 9 below.
- 4.3 The Council must comply with the self-regulating Prudential Code, which requires the Council to consider the affordability and sustainability of its capital spending plans. This applies equally to the HRA as it does to the General Fund.

## **5. CURRENT POSITION**

- 5.1 In Angus, the current housing context presents significant challenges and priorities. The council declared a housing emergency in June 2024, reflecting the urgent need to address critical issues such as rising demand for affordable housing, homelessness pressures, and the requirement for substantial investment in housing stock. The declaration underscores the importance of sustainable rent-setting policies that enable the delivery of vital housing services while addressing these pressing challenges.
- 5.2 In addition, the Housing Service Performance Update and Annual Assurance Statement was reported to Communities Committee in October 2024, Report 289/24, and presented the Annual Return of the Charter Return results for 2023/24. This report highlighted particular areas of concern around tenant satisfaction, rent arrears, services for people who are homeless, stock quality and tenant and resident safety. This highlights the importance of ensuring that rent-setting decisions are accompanied by tangible improvements in service delivery, communication, and housing quality to rebuild tenant trust and satisfaction and improve performance.
- 5.3 The Local Housing Strategy (LHS) sets out the strategic vision for the delivery of housing and related services. The LHS 2023-28 vision is that "everyone in Angus has a good quality, safe, secure and warm home that they can afford" and identifies priorities such as addressing homelessness, increasing the supply of affordable housing and future-proofing our homes to meet the needs of tenants and achieve zero carbon by 2045. Rent-setting decisions play a critical role in supporting these objectives by ensuring the financial resources needed for investment in housing stock and service improvements. As economic pressures continue to affect households across Angus, affordability must however remain a central consideration, especially in light of the housing emergency declaration and tenants' concerns.
- 5.4 The Housing Service Improvement Plan, approved by Angus Council Committee on 20 June 2024, Report 203/24, sets out how the Service will make the improvements needed to ensure it can meet the vision of the LHS and deliver the mission of the service to 'create places that people are proud to call home'. The Housing Service Improvement Plan emphasises the need for high quality, tenant-focused services and continuous improvement. Balancing affordability with the investment needed to enhance housing services and meet regulatory standards remains a core objective. The rent-setting process is a key component in achieving these priorities, enabling sustainable financial planning while addressing the urgent housing challenges in Angus.

## **6. TENANT ENGAGEMENT IN RENT SETTING**

- 6.1 Balancing affordability for tenants with the need to deliver tangible improvements in service delivery and housing quality presents a significant challenge for rent-setting decisions for 2025/26. Achieving this balance requires careful consideration of tenant concerns about affordability amidst economic pressures, while also ensuring sufficient resources to address the priorities outlined in the Local Housing Strategy and Housing Service Improvement Plan and arising from the housing emergency.

- 6.2 The Housing Revenue Account (HRA) Tenants' Review Group, established in early 2024, serves as a vital platform for meaningful discussions between Angus Council and tenants regarding budgetary processes and financial challenges facing the housing service. A primary role of the group is to actively contribute to rent-setting decisions and expenditure priorities, ensuring tenant perspectives are at the heart of these discussions.
- 6.3 In previous years, Consumer Price Index (CPI) inflation rates for July or August were used to guide rent increases. This year, however, September's CPI rate was adopted, reflecting standard practice in using September's CPI as a benchmark for uprating pensions, benefits, and other allowances. In September 2024, the CPI inflation rate was 1.7%, marking the lowest rate since April 2021. While a CPI-level increase might limit financial burdens on tenants, it poses significant risks to the Housing Revenue Account's ability to fund necessary investments and improvements. After consultation with the HRA Tenants' Review Group, it was agreed that a CPI + 3.5% increase should be considered the minimum threshold to sustain critical housing service improvements. Three rent increase options were developed for wider tenant consultation, allowing broader tenant input into this crucial decision-making process.
- 6.4 This year the consultation proposed rent options of 5.2%, 6.7% and 8.2%. A total of 357 tenants participated, providing valuable feedback through a variety of engagement methods. These included an online survey hosted on the Angus Engage platform, as well as paper copies distributed for accessibility. The consultation was supported by a comprehensive outreach campaign, encompassing press releases, a social media drive, supermarket pop-ups, posters, tenant information leaflets, direct contact with tenants and drop-in sessions. Engagement also extended to community groups, tenants' groups, elected members, housing staff, and partner agencies to ensure wide-ranging input and awareness.

The results of the survey are detailed below, showing that the vast majority of tenants (75.1%) voted for an increase of 5.2%.

Option	Proposed Increase	Votes	% of Votes
1	5.2% (CPI + 3.5%)	268	75.1%
2	6.7% (CPI + 5.0%)	80	22.4%
3	8.2% (CPI + 6.5%)	9	2.5%
		357	

- 6.5 A 5.2% increase is therefore recommended for approval by Committee. The proposed rent increase will have the effect of increasing the average rent to £84.91, an increase of £4.16 from the average rent level of £80.75 in 2024/25. The full impact on rents for each property size is detailed in **Appendix 2**.
- 6.6 Service charges for sheltered, retirement and dispersed accommodation are set annually based on the actual costs incurred in the previous full financial year. Details of the proposed charges are provided in Appendix 2.

## 7 OTHER RENTS

- 7.1 It is proposed that a rent increase of 5.2% is applied to: St Christopher's Travelling People Site; garages and garage sites. The full impact on rents is detailed in Appendix 2.

## 8 CAPITAL PLAN

- 8.1 The five-year HRA Capital Plan (set out in Appendix 3) includes an ongoing commitment to building new homes and improving our existing stock. It will enable significant investment in the homes and communities of Angus, but the profile of the Capital Plan will continue to shift towards a zero-carbon focus. In the next five-year period, the emphasis will be on delivering improvements to existing stock.

## **IMPROVEMENTS IN EXISTING STOCK**

- 8.2 The Council has delivered a comprehensive programme of improvements to existing homes over the last five years with a significant focus being to meet the Energy Efficiency Standard for Social Housing (EESH). The detail of the next phase of the journey to net-zero is currently being refined by the Scottish Government and will be named the 'Social Housing Net-Zero Standard' (SHNZS). In the interim, social landlords are to continue to invest in energy efficiency measures to help reduce costs for tenants. Angus Council's work to achieve the targets includes large scale programmes of internal and external wall insulation, decarbonisation of heating systems and window replacements. Contracts continued to progress well in 2024/25 with many energy saving interventions being carried out across tenanted homes in this period. Members should note that although there is an underspend in this category for 2024/25, this relates to a focus on homes in more rural areas with the lesser density reducing spend. The overall programme remains broadly on track. Allowance for the overall cost is included within the energy upgrades section of the Capital Plan and this has been rephased to accommodate anticipated changes going forward.
- 8.3 A contract is ongoing to deliver the outstanding 776 bathrooms following the termination of the previous bulk bathroom contract. In addition to this, 75 adapted bath and shower rooms have been delivered in 2024 through the aids and adaptations contract. A new phase of the bathroom replacement programme is due to go live later in 2025 and this will focus on areas where there is greatest need. A kitchen replacement contract has recently been let and this is part of a rolling programme of investment targeting £0.750 million spend per annum.

## **NEW BUILD**

- 8.4 Year 2023/24 coincided with the launch of the LHS 2023-28. The Council delivered 26 affordable homes, this included 16 Open Market Acquisitions (OMA). The 10 new build delivery was by means of an 'off the shelf' purchase. The overall lower number of units and the lower number of new builds and the higher number of OMAs than in recent years continues to be as a direct consequence from the ongoing economic conditions nationwide which is impacting the construction and wider housing industry.
- 8.5 In November 2024 the Strategic Housing Investment Plan (SHIP) 2025/26 – 2029/30 was approved by Committee (report 350/24 refers). The Council acts in its capacity as Strategic Housing Authority in preparing and approving the SHIP, setting out the strategic priorities for the delivery of affordable housing over a 5-year period. While the SHIP proposes projects which will require Scottish Government funding via the Affordable Housing Supply Programme (AHSP), it is a live document which requires ongoing development to reflect the status of individual projects. Any changes to the projects within the SHIP are managed through our regular engagement with Registered Social Landlord (RSL) partners and the Scottish Government.
- 8.6 Following the devastating floods of Storm Babet in 2023 which hit communities across Angus with Brechin particularly badly affected, a Housing Options Appraisal which was commissioned early in 2024 has been concluded. Work is ongoing to identify the best options for the future of housing and flood protection in Brechin. The impact on housing stock in the North Housing Market Area was significant and had a ripple effect on the availability of housing stock across Angus. Additionally in February 2024 the Scottish Budget was approved by Parliament which saw a significant reduction (22%) to the grant provided via AHSP for 2024-25. This decision forced substantial changes in the delivery of affordable housing which further compounded the position following the floods. As many existing Council projects had previously been pushed back to later years in the SHIP, the impact in 2024-25 was minimal with the pause on OMAs being the most notable.
- 8.7 Subsequently in October 2024 the Scottish Government announced changes to the AHSP benchmarks, increasing these by 5%. Although the benchmark rates were increased there was no corresponding increase to the allocated Resource Planning Assumption (RPA). Following that announcement the Scottish Government's 2025-26 budget has sought to reverse the previous reduction to the AHSP for 2025-26. Whilst both decisions are to be welcomed, without

knowing when or how much our allocation may increase to for 2025-26 and without any ongoing certainty beyond 2025-26 it is really challenging to manage a new build programme across not only the Council programme but that of our RSL partners also. There is a need for the Council to be open to the opportunities this may present whilst at the same time being realistic and cautious about future years new build programming and levels of slippage. A review of the impact and implications are underway.

- 8.8 Below inflation rent increases in recent years have had an impact on HRA capital spending. New build projects which were previously pushed back but are in the current capital plan continue to be worked on. Notwithstanding the Scottish Government's budget announcements, the Council plans to ensure that as soon as the financial and resource position allows, these projects can be reprioritised within spending plans. As making best use of existing stock is a priority of the new LHS, approved conversions are being programmed and progressed accordingly. Additionally, the Options Appraisal for the delivery of the empty homes service was completed in 2024. This area of work is within the scope of the Housing Service Review which is underway.
- 8.9 Delivery of the long-term priorities within the LHS and SHIP will require the HRA to have the ongoing ability to invest in both new and existing housing stock. The affordability assessment – based on the current assumptions – indicates this will not be possible without a return to above inflation rent increases. This will set the basis for a strategic approach to ensuring deliverability of investment in the housing stock and the longer-term sustainability of the HRA. This is expanded on in more detail at section 9.

## **LOCAL ECONOMY**

- 8.10 The construction activity generated by the HRA Capital Programme has a significant positive impact on the local economy so it is important that the HRA business plan remains sustainable over the long term. Positive benefits include providing opportunities for local contractors where practicable, thus sustaining local employment and apprenticeships.

## **9 AFFORDABILITY ANALYSIS**

- 9.1 As noted in section 4 above, the Council must comply with the self-regulating Prudential Code, which requires the Council to consider the affordability and sustainability of its capital spending plans. This applies equally to the HRA as it does to the General Fund.
- 9.2 The Prudential Code only requires that affordability and sustainability of Capital Plans are considered over a 3-year period. This is considered insufficient to robustly assess the longer-term impact of Capital Plans and therefore the HRA Business Plan looks at a 30-year horizon as a more robust basis for this assessment.
- 9.3 A detailed update of the HRA Business Plan has been undertaken and thereafter assessed against the affordability and sustainability requirement. Details of this assessment are included at Appendix 4.
- 9.4 By necessity the affordability assessment is based on several assumptions, particularly regarding future interest rates on borrowing, capital expenditure levels, the effects of inflation and capital projects being delivered in line with expected timescales and costs. The assessment therefore carries a risk that some or all assumptions will be inaccurate over time.
- 9.5 Until recently, normal practice was to increase rents based on CPI + 1%. CPI has however been significantly higher than normal in the last few years and rent rises at or below CPI have been applied to help tenants in the face of the cost-of-living crisis. The increased levels of inflation have though had a significant impact on the cost base for the projections in the HRA Business Plan hence the approach of having rent rise options above CPI as highlighted at 6.5 above to help mitigate these increased base costs and sustain the critical Housing service improvements that are required.

- 9.6 As also noted earlier in the report, it is important that a balance is struck between maintaining rents at an affordable level, whilst also being able to meet our running costs, invest in new stock and invest in existing stock improvements. Following consideration of the difficult decisions that therefore need to be made to achieve this balance, the Tenants Steering Group proposed three rent increase options for wider tenant consultation. The three options are summarised at paragraph 6.4 above but were based on September 2024 CPI plus 3.5%, 5% and 6.5% respectively to allow for ongoing investments in the housing stock. The consultation outcome was the 5.2% rent increase recommended in this report.
- 9.7 CPI for December 2024 was 2.5% and this is not expected to change significantly in the short term. A rent rise in line with the 5.2% recommended would therefore mean income levels rising at a rate above the rate at which costs are rising. This allows a positive level of CFCR to be available for capital funding. Combined with the assumption of future rent rises also being above prevailing inflation, a positive CFCR level is maintained throughout the 30-year period of the affordability assessment. This means that a package of funding predominantly comprised of CFCR and borrowing is available for critical Housing service capital investment in our housing stock throughout the assessment period.
- 9.8 Appendix 4 notes that there is a presumption that overall loan charges costs should not exceed 25% of projected rental income in any year. If the recommended 5.2% increase is approved, members will note from the affordability table in Appendix 4, that based on the current assumptions outlined in Appendix 4, the 25% parameter would be breached in the latter part of the assessment period. This parameter is however a guide and should not be considered as a sole determinant of affordability in isolation of other relevant factors.
- 9.9 Whilst this later year's position does not directly impact the setting of the budget and rent levels for 2025/26, it does indicate a need to maintain a strategic approach to addressing overall affordability over the next few years to ensure that a balanced and affordable HRA budget can continue to be set in the future. To this end, rent rises of a minimum of 1.25% over CPI will be required to bring the position back within the 25% parameter.
- 9.10 It is therefore emphasised that there is a need maintain rent rises at a rate sufficiently above prevailing CPI inflation levels to ensure the overall financial sustainability of the HRA over the longer term.
- 9.11 Considering the detail above and in Appendix 4, the Director of Finance is satisfied that the assumptions made within the business plan and affordability assessment, are robust and reasonable for the purposes of informing the Council's decisions. The assessment confirms that the HRA Business Plan can be regarded as affordable, prudent and sustainable provided the strategic approach highlighted above is maintained. This affordability assessment will continue to be reviewed in full as part of each HRA rent and budget setting process.

## **10 PRUDENTIAL INDICATORS**

- 10.1 Under the terms of the Prudential Code, borrowing levels must be prudent, affordable and sustainable and there is therefore a requirement to set certain prudential indicators.
- 10.2 These are shown in **Appendix 5** for members' consideration and approval.
- 10.3 The Prudential Code also requires performance against forward looking indicators to be monitored with any significant deviations from expectations needing to be reported to members. This monitoring happens throughout the year as part of ongoing capital and treasury management monitoring and reporting processes. No significant deviations have required to be reported in the past year.

## **11 FINANCIAL IMPLICATIONS**

- 11.1 There are no additional financial implications beyond those covered elsewhere in this report.

## **12 ENVIRONMENTAL IMPLICATIONS**

- 12.1 Environmental considerations play an important role in the investment in housing stock undertaken by the HRA. This includes improving energy efficiency to meet zero carbon emission targets, as well as considering the overall environmental impact of building new homes. High energy costs continue to impact social housing tenants in less energy efficient homes. By prioritising our improvements to the poorest performing housing stock, our investment in energy efficiency measures plays a significant role in mitigating poverty, cost of living increases and the environmental impact of our housing.
- 12.2 The Scottish Government's Strategy, Housing to 2040, gives a clear statement of intent in relation to the need to move away from developing on greenfield land in favour of more brownfield development and policies which ensure the best use of existing stock. The LHS 2023-28 will build on the momentum already created by the Council in this area through recent redevelopment projects.
- 12.3 Forthcoming new housing projects also expand this approach with developments at Fraser Path and Newton Crescent (both in Arbroath) and the Invertay House site (Monifieth) all involving brownfield sites. The Invertay House project also presents an opportunity to convert and preserve an existing Category B listed former school building. The aspiration is to achieve an Enerphit standard for this building and this is the equivalent of the Passivhaus standard for new-build but for existing buildings.
- 12.4 An ongoing programme of conversions is underway, typically these deliver larger properties with multiple bedrooms by combining two properties into one. These help to address an increasing demand for such homes from tenants. These benefit from 35 percent funding from the Scottish Government and create opportunities to provide upgraded homes which feature energy efficiency works including wall, roof and floor insulation upgrades as well as new triple-glazed windows and doors. Photovoltaic panels with battery and Air-Source Heat Pumps are also included where appropriate.
- 12.5 Converting and retrofitting property has a lower carbon footprint than building new. While we remain committed to increasing the supply of good quality affordable new housing, we also consider how we achieve this in the most sustainable and environmentally friendly manner.

## **13 EQUALITY IMPACT ASSESSMENT, HUMAN RIGHTS AND FAIRER SCOTLAND DUTY**

- 13.1 A screening assessment has been undertaken and a full Equality Impact Assessment is not required for the following reason(s):
- It is a percentage increase in fees which has no differential impact on protected characteristics

## **14 RISK MANAGEMENT**

- 14.1 There are no specific risks arising from the recommendations of this report.

## **15 CHILDREN'S RIGHTS AND WELLBEING IMPACT ASSESSMENT**

- 15.1 A Children's Rights and Wellbeing Impact Assessment has been undertaken and a full assessment is not required as the "General Principles" do not apply to this proposal.

## **16 CONSULTATION**

- 16.1 The Director of Legal, Governance and Change has been consulted on the contents of this Report.

**NOTE:** No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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List of Appendices:

Appendix 1: Proposed 2025/26 Revenue Budget  
Appendix 2: 2025/26 Proposed Rent and Service Charges  
Appendix 3: Capital Plan 2024-29  
Appendix 4: Capital Affordability Assessment  
Appendix 5: Prudential Indicators