

**REPORT TO: BOARD OF MANAGEMENT OF SANCTUARY  
SCOTLAND HOUSING ASSOCIATION LIMITED**

**REPORT FROM: DIRECTOR - SANCTUARY SCOTLAND**

**DATE OF MEETING: 11 FEBRUARY 2020**

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**SUBJECT: MID-MARKET ANNUAL RENT INCREASE**

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**1. Introduction**

1.1 This report seeks approval for the rent increases proposed to Mid Market Rent properties from 1 July 2020. This will also require approval from the Board of Sanctuary Homes (Scotland) Limited.

**2. Background**

2.1 The Management Agreement between the two organisations gives Sanctuary Homes (Scotland) the responsibility for setting and increasing rents but requires Sanctuary Scotland Housing Association Limited (Sanctuary Scotland Housing Association) to also give approval for any proposed changes.

2.2 The provisions of the Tenancy Agreement mean that the rent cannot be increased more than once in any twelve month period and the Landlord must give the Tenant at least three months notice before any increase can take place. In order to increase the rent, the Landlord must give the tenant a rent increase notice. As the rent increase date is 1 July 2020, the notice must therefore be served no later than 28 March 2020.

2.3 Scottish Government guidance states 'initial mid-market rents must not exceed the relevant Local Housing Allowance rate at first let. Rents can then increase annually provided that they do not exceed the median point of the relevant private sector market rent level'. This report contains information on relevant Local Housing Allowance (LHA) rates and median point private sector market rent levels provided by the Scottish Government at **Appendix 1**.

2.4 **Appendix 2** contains costs incurred in maintaining the communal, maintenance and ground services at each development.

**3. Rent Increases Proposed**

3.1 Craiginches, Aberdeen

3.1.1 The Board of Management will be aware that the significant changes to the private letting market in Aberdeen has resulted in the letting of these properties being challenging. To date 114 of the 124 properties have been let. It is therefore recommended that no increase is made to rent levels at Craiginches for the two and three bed properties. The level of rent of the one bedroom properties is now £19.00 above the revised median identified by the Scottish Government. This is as a result of the drop in the LHA and the continued instability of the private rented sector in Aberdeen city and Aberdeenshire. This will result in a total annual drop of £1,824 in rental income from these eight properties. Given Scottish Government guidance states that rents should not exceed the identified median point, and they provide the median levels, it is recommended that these should be lowered to meet guidance. It is also recommended that no communal service element is included as per the details in the table below.

3.1.2 Table 1: Total charge proposed for Craiginches, Aberdeen

<b>Size</b>	<b>Current rent per month from 1 July 2019</b>	<b>Current service charge element from 1 July 2019</b>	<b>Proposed level of rent per month from 1 July 2020</b>	<b>Proposed Service charge to be added to rent from 1 July 2020</b>	<b>Total charge proposed from 1 July 2020</b>
<b>Craiginches, Aberdeen</b>					
1 Bed (8 units)	£469	Nil	£450	Nil	£450
2 Bed (94 units)	£598	Nil	£598	Nil	£598
3 Bed (22 units)	£721	Nil	£721	Nil	£721

3.1.3 The charges proposed for the two and three bedroom properties are £27.00 and £104.00 respectively below the median levels.

### 3.2 Anderston and Ellerslie Road, Glasgow

3.2.1 All properties at Anderston and Ellerslie Road were let successfully and demand remains high in Anderston. Demand for re-lets in Ellerslie Road has seen a decrease in the last few months which is viewed as an area of risk. As per the table below, a 2.7 per cent increase is recommended to the overall current rent level and an additional element added to further partially address the communal service costs

incurred for Anderston. It is not recommended that any additional element is added to Ellerslie Road given the current issues relating to demand.

Table 2: Total charge proposed for Anderston, Glasgow and Ellerslie Road, Glasgow

Size	Current rent per month from 1 July 2019	Current service charge element from 1 July 2019	Proposed level of rent per month from 1 July 2020	Proposed additional service element from 1 July 2020	Total charge proposed from 1 July 2020
<b>Anderston, Glasgow</b>					
2 Bed (119 units)	£533.64	£10.00	£548.05 (+£14.41)	£5.00	£553.05 <i>(increase of 3.64%)</i>
<b>Ellerslie Road, Glasgow</b>					
1 Bed (2 units)	£418.69	£5.00	£430.00 + (£11.31)	Nil	£430.00 <i>(increase of 2.7%)</i>
2 Bed (37 units)	£528.64	£5.00	£542.92 (+£14.28)	Nil	£542.92 <i>(increase of 2.7%)</i>
3 Bed (3 unit)	£622.03	£5.00	£638.83 (+£16.80)	Nil	£638.83 <i>(increase of 2.7%)</i>

3.2.2 The total charges proposed remain well within the maximum levels provided by the Scottish Government in **Appendix 1**.

3.3 Old Gartcosh Road, Cumbernauld

3.3.1 The twenty properties at this development proved extremely popular and low turnover and continuing high demand is expected. A 2.7 per cent increase is recommended as detailed below. As the service charge element of the rent already covers costs incurred, an additional charge is not recommended.

Table 3: Total charge proposed for Old Gartcosh Road, Cumbernauld

Size	Current rent per month 2019	Current service charge element from 1 July 2019	Proposed level of rent per month from 1 July 2020	Proposed additional service element from 1 July 2020	Total charge proposed from 1 July 2020
<b>Old Gartcosh Road, Cumbernauld</b>					
2 Bed (20 units)	£450.14	£5.00	£462.30 (+£12.16)	Nil	£462.30 <i>(increase of 2.7%)</i>

3.3.2 The total charge proposed remains well within the maximum levels. Highlighted by the Scottish Government figures in **Appendix 1**.

3.4 Newfield, Glasgow

3.4.1 The ten properties in this development were let for the first time in December 2019, with rents set at 100 per cent of the LHA (the maximum permitted at first let). Demand is high and very low turnover is anticipated. An increase of 2.7 per cent to the rent plus £4.75 per month to cover the service element is recommended.

Table 4: Total charge proposed for Newfield, Glasgow

Size	Current rent per month 2019	Current service charge element	Proposed level of rent per month from 1 July 2020	Proposed additional service element from 1 July 2020	Total charge proposed from 1 July 2020
<b>Newfield, Glasgow</b>					
2 Bed (10 units)	£520.13	Nil	£534.18 (+£14.05)	£4.75	£538.93 <i>(increase of 3.62%)</i>

3.4.2 The total charges proposed remain well within the maximum levels provided by the Scottish Government in **Appendix 1**.

## 4. Appraisal

### 4.1 Risk management

4.1.1 RM 2 Maintenance and long term investment and RM 3 cost and income pressures; maximising income protects the financial stability of the organisation and enables the delivery of effective services.

### 4.2 Impact on diversity

4.2.1 There is no direct impact on diversity as a result of this report or the proposed treatment of rents from 1 July 2020.

### 4.3 Value for Money

4.3.1 As a product Mid Market Rent offers excellent value for money for customers who are on low to moderate incomes. The proposed changes to rent levels will not compromise this principle.

## 5. Recommendations

5.1 The Board of Management is asked to approve the following rent levels and charges from 1 July 2020:

- The rent of the two and three bedroom properties at Craiginches remain at the same levels of £598 and £721 respectively.
- The rent of the one bedroom properties at Craiginches are decreased by £19.00 to £450 to meet the median rent level point provided by the Scottish Government.
- The rent of the two bedroom properties at Anderston is increased to £553.05
- The rent of the one, two and three bedroom properties at Ellerslie Road is increased to £430.00, £542.92 and £638.83 respectively.
- The rent of the two bedroom properties at Old Gartcosh Road is increased to £462.30.
- The rent of the two bedroom properties at Newfield, Glasgow is increased to £538.93.