

DECISION

Committee:

**Board of Management of Sanctuary
Scotland Housing Association Limited**



Date:

01/03/2023

Agenda Item:

8

Report from:

Head of Housing

Title: Outcome of Consultation on Proposed Rent Increases

Executive Summary: To consider and approve the annual rent increase for social rented properties and garages.

1. Introduction

- 1.1 This paper reports on the consultation exercise carried out with tenants concerning the proposed rent increase for 2022/2023.
- 1.2 Analysis is provided on affordability in relation to the proposed annual rent increase, measuring rent against the Scottish Federation of Housing Associations model.

2. Background

- 2.1 At the meeting of the Board of Management on 13 December 2022 it was agreed that tenants except Toryglen should be consulted on a proposed rent increase on the basis of whichever of the following is lower:
 - A rent increase of seven per cent; or
 - A rent increase at the maximum level set by the Scottish Government.
- 2.2 Following the Board meeting, the Scottish Government confirmed that there will be no cap or freeze on rents, and tenants were consulted on a rent increase of seven per cent.

- 2.3 Tenants in Toryglen who were formerly with Thistle Housing Association will have a rent increase set at three per cent, in line with transfer commitments.

3. Consultation outcome

- 3.1 All tenants were advised in writing (by email or letter) of the proposed rent increase and invited to submit comments on it, through a paper or electronic form. Information was provided detailing what rents have helped to deliver in terms of improvements to homes, neighbourhoods and services.
- 3.2 At the time of writing 438 formal responses had been received, 302 through electronic form and 136 by post.
- 3.3 Many tenants responding have commented negatively on our re-investment performance and repairs service. Where the responses have referred to ongoing issues, appropriate action has been taken to respond to the points or concerns raised. All respondents have been signposted to advice on cost of living on our website, and have been advised to reach out to a housing officer or our welfare rights team if they need support.

4. Context

- 4.1 The base date which has in the past been used as the relevant Retail Price Index (RPI) figure for rent increases is November each year. This month was specified in some of the original stock transfer contracts and some early tenancy agreements. The level of RPI over the period since October 2021 is shown at **Appendix 2**. Last year, the rent increase for 2022/2023 was set at below inflation three per cent. Since July, when the three per cent rent increase was applied, inflation has been consistently high and averages at 13.13 per cent.
- 4.2 While it had been normal practice for many years to increase rents by the maximum available under the terms of the various contracts and commitments, in recent years it has been possible for Sanctuary Scotland Housing Association to restrict the maximum level of rent increase. Details of the maximum rent increases applied over the past 20 years are shown in **Appendix 3**.
- 4.3 In response to the Cost of Living (Tenant Protection) (Scotland) Act, which introduced the potential for a variable cap on rent increases, the Scottish Federation of Housing Associations have consulted widely with other Registered Social Landlords (RSLs) and reported that the average increase for RSLs across Scotland was predicted to be around 6.1 per cent.

5. Affordability Analysis

- 5.1 The analysis attached at **Appendix 4** was submitted to the Board of Management in December 2022. Using our model, applying a seven per cent rent increase results in 33 additional units falling into amber, giving a total of 98. The analysis by local authority shows the impact to be greatest in

Aberdeen City, with smaller numbers of amber properties in Dundee, Glasgow City and Aberdeenshire. Of the 98 projected properties in amber, 92 are one-bedroom properties. Indicative rents for example properties are also shown in **Appendix 4**.

6. Proposed rent increase

- 6.1 This year's rent increase decision is particularly difficult, given the tensions between inflationary pressure which is impacting on our service delivery and our ability to reinvest in our stock, and the impact of rent increases on household costs.
- 6.2 The impact of setting the rent increase at seven per cent is set out in the budget presentation in February. If approved, then the rent increase will have been significantly below inflation for two consecutive years.
- 6.3 The table below demonstrates the financial impact of the actual 2022/2023 and proposed 2023/2024 rent increase, in comparison with November RPI + 0.5 per cent. This shows that following the three per cent rent increase for 2022/2023, income is lower by £1.7m, and with the proposed seven per cent increase for 2023/2024, income is lower by £4.9m.

	2020/21	2021/22	2022/23	2023/24
Prior year November RPI	2.2%	0.9%	7.1%	14.0%
RPI + 0.5%	2.7%	1.4%	7.6%	14.5%
Rental income under RPI + 0.5% (£m)	37.2	37.7	40.6	46.5
Actual uplift	2.7%	1.4%	3.0%	7.0%
Rental income under actual uplift (£m)	37.2	37.7	38.9	41.6
Difference	-	-	(1.7)	(4.9)

- 6.4 The budget presentation includes significant expenditure in reinvestment and cyclical maintenance, and we anticipate increasing reinvestment demands to meet EESSH2 and reduce carbon emissions. Every one per cent of a rent increase equates to approximately £475,000 per year, based on the current level of stock and anticipated rental income. The compounding effect over 30 years, means that a one per cent reduction in income would equate to the equivalent of around 750 new affordable homes, 1,000 air source heat pumps or 2,000 bathrooms.
- 6.5 Tenants who receive support with their rent through housing benefit or universal credit will be entirely protected by any rent increase. All other tenants will be offered support and welfare rights advice, including a benefits check to see if they are now eligible for some support with housing costs.

7. Appraisal

7.1 Risk management

- 7.1.1 RM 3 Cost and income pressures; the level of annual rent increase is of great significance to Sanctuary Scotland Housing Association's financial

position. Sensitivity analysis applied to long-term business plans and financial projections highlights the level of rent increase as the most significant variable in terms of its impact. Setting an appropriate rent increase contributes to the management of the risk associated with this.

7.1.2 RM 8 Legislative/Regulatory/political; conducting a consultation exercise with tenants on the proposed level of increase also ensures that relevant legal and regulatory requirements are satisfied.

7.2 Value for Money

7.2.1 The proposed increase for this year reflects our need for additional income to continue to invest in existing stock.

7.3 Corporate Strategy

7.3.1 Annual increases in rent levels supports the strategic objective Investing in our Assets. Ensure the organisation is financially viable supports efficient and effective delivery of services and investment in our assets.

7.4 Customer and/or Employee considerations

7.4.1 In setting rent increases, affordability for customers on low to moderate incomes is considered.

8. Recommendation

8.1 The Board of Management is asked to approve:

- that rent levels for all residential properties (excluding former Thistle properties) are increased by seven per cent from the relevant increase dates in July 2023;
- that service charges, including supported housing developments, be set at levels which ensure that the projected service charge costs for these properties are recovered