

DECISION

Committee:

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



Date:

13/02/2024

Agenda Item:

9

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 2024/2025.
- 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 12 December 2023, it was agreed that tenants should be consulted on a proposed rent increase of November RPI + 0.5 per cent for properties where there is no restriction due to a rent guarantee, and RPI flat where there is a restriction.
- 2.2 November RPI was published on 20 December 2023 at 5.3 per cent, meaning the consultation proposal for RPI + 0.5 per cent was 5.8 per cent.

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 268 formal responses had been received, 209 through electronic form and 59 by post. The overall response rate was 3.1 per cent.
- 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 November 2022 is shown at **Appendix 1**. Last year, the rent increase for 2023/2024 was set at below inflation six per cent. Since July, when the six per cent rent increase was applied, inflation has been consistently high and averages at 8.18 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 2**.
- 4.3 Information on rent increases applied by other social landlords in 2023, with a proposed increases by a sample other social landlords in Scotland in 2024, is shown in **Appendix 3**. In England, social rents are set centrally by the UK Government, and the maximum increase has been set at 7.7 per cent for 2024.

5. Affordability Analysis

- 5.1 Affordability analysis was submitted to the Board of Management in December 2023. The analysis has been updated and is now modelled using a rent increase of 5.8 per cent, shown in **Appendix 4**, although this has resulted in no change to the headline figures reported in December.
- 5.2 Using our model, applying the proposed 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 again 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 proposal this year is to increase the rent by RPI + 0.5 per cent. The level of rent increase is inextricably linked to service quality and investment in our homes. The proposed increase will enable Sanctuary Scotland to address our increased cost base, continue with our reinvestment programme, and maintain existing services. Demand on services and resources are increasing through a range of different pressures include home safety, dampness and mould, and RAAC remedial work. The proposed increase will also allow us to continue with proposed changes to our operating model which will allow more local service delivery with the aim of improving our services to customers.

6.3 The table below demonstrates the financial impact of previous below inflation increases. This shows that following the three per cent rent increase for 2022/2023, income is lower by £1.7m, and following the 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 includes significant expenditure in reinvestment and cyclical maintenance, and we anticipate increasing reinvestment demands to meet Social Housing Net Zero Standard (SHNZS) 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 benefits checks 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 residential properties are increased by 5.8 per cent for properties where there is no restriction due to a rent guarantee, and RPI flat where there is a restriction, from the relevant increase dates in July 2024;
 - that service charges, including supported housing developments, be set at levels which ensure that the projected service charge costs for these properties are recovered; and