DECISION

Sanctuary Scotland	Board of Management of Sanctuary Scotland Housing Association Limited		
	17/02/2025	Item: 9	No. of appendices: 4
	Head of Housing		

Subject: **Outcome of Consultation on Proposed Rent Increases**

Group Corporate Strategy - Strategic Objectives:
Customers first ☒ Investing in our assets ☐ Growing our services ☐

Executive Summary

To consider and approve the annual rent increase for social rented properties.

This paper reports on the consultation exercise carried out with tenants concerning the proposed rent increase for 2026/2027.

Analysis is provided on affordability in relation to the proposed annual rent increase.

Recommendation: The Board of Management is asked to approve:

- **that rent levels for residential properties are increased by 4.8 per cent for properties where there is no restriction due to a rent guarantee, and 3.8 per cent (Retail Price Index flat) where there is a restriction, from the relevant increase dates in July 2026;**
- **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 that the monetary multiplier for HAG-fund and other similar developments be increased by 4.8 per cent**

Customer Considerations

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

Risk Management

RM 1 Political, government, regulation; conducting a consultation exercise with customers on the proposed level of increase ensures that relevant legal and regulatory requirements are satisfied. RM 3 Rental income and collection; the level of annual rent increase is of great significance to Sanctuary Scotland Housing Association Limited's income and financial position. RM 5 Cost pressures; 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 and mitigates against the risk of rising costs.

Value for Money

The costs of the rent consultation exercise are covered by approved budgets. Customers may make a 'value for money' judgement on the levels of rent charged by Sanctuary Scotland Housing Association Limited.

1. Strategic Context

1.1 This report recommends the annual rent increase for social rented properties and garages for 2026/2027. It provides information on a range of issues relating to rents to assist the Board of Management in its consideration of the level of proposed rent increases.

1.2 At the meeting of the Board of Management on 16 December 2025, it was agreed that social housing tenants should be consulted on a proposed rent increase of November Retail Price Index (RPI) plus 1.0 per cent for properties where there is no restriction due to a rent guarantee, and RPI flat where there is a restriction.

1.3 November RPI was published on 18 December 2025 at 3.8 per cent, meaning the consultation proposal for RPI plus 1.0 per cent was 4.8 per cent.

2. Consultation Outcome

2.1 All tenants were advised in writing (by 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.

2.2 At the time of writing, 229 formal responses had been received, 108 through electronic form and 121 by post. The overall response rate was 2.6 per cent, which is up from 2.4% the previous year.

2.3 Many tenants responding have commented negatively on our reinvestment 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 the welfare rights team if they need support.

3. Context

3.1 The base date which has in the past been used as the relevant 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 December 2025 is shown at **Appendix 1**. Last year, the rent increase was set at 4.1 per cent when November 2024 inflation was 3.6 per cent. Since then, inflation has fluctuated, with the most recent figure in November 2025 being 3.8 per cent and the average across the 12 months being 4.1 per cent.

3.2 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 Limited (Sanctuary Scotland Housing Association) to restrict the maximum level of rent increase. Details of the maximum rent increases applied since 1999 are shown at **Appendix 2.**

3.3 Information on rent increases applied by other social landlords in Scotland in 2025/2026, and proposed increases by other landlords in 2026/2027, is shown at **Appendix 3**. In England, social rents are set centrally by the UK Government, and the maximum increase has been set at 5.1 per cent for 2026 (based on September Consumer Price Index plus one per cent).

4. Affordability Analysis

4.1 Affordability analysis was submitted to the Board of Management in December 2025. The analysis has been updated and is now modelled using a rent increase of 4.8 per cent, shown at **Appendix 4**.

4.2 The projections shown in **Appendix 4** assume that earnings will increase at the rate of RPI - one per cent. Applying a 4.8 per cent rent increase, the total number of amber properties for 2026/2027 is 355, compared with 333 in the previous year, with 34 properties falling into the red (unaffordable) category. This means that 95.4 per cent of our stock is categorised as affordable (green).

4.3 The analysis by local authority shows the impact to be greatest in Aberdeen City, with smaller numbers of amber properties in Dundee, East Dunbartonshire. Glasgow City, North Lanarkshire and Renfrewshire. Of the 355 projected properties that are amber, 285 are one-bedroom properties. Indicative rents for example properties are also shown at **Appendix 4**.

5. Proposed rent increase

5.1 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. Feedback from the consultation exercise primarily relates to affordability and investment in homes.

5.2 The proposal this year is to increase the rent by RPI plus 1.0 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 Housing Association 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 including home safety and dampness and mould. 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.

5.3 The budget presentation includes significant expenditure in reinvestment and cyclical maintenance, and we anticipate increasing reinvestment demands to meet Social Housing Net Zero Standard and reduce carbon emissions. Each 1.0 per cent of rent increase is equivalent to approximately £525,000 of rental income which, inflated over the next 30 years, is worth £25 million to Sanctuary Scotland Housing Association. This income would be enough to:

- Replace 1,970 new bathrooms or 2,820 kitchens, thereby improving tenant satisfaction (equivalent to 66 bathrooms or 94 kitchens a year); or

- Install 986 air source heat pumps (33 a year), thereby improving tenants' utility costs

5.4 Our housing teams, including Housing Officers, Welfare Rights Officers and Housing & Community Connectors, support customers in a range of ways. This includes provide welfare rights advice, carrying out checks for entitlement to benefits, providing holistic tenancy support and helping to link people with other organisations that can help. Customers who receive support with their rent through housing benefit or universal credit will be entirely protected from any rent increase.

6. Recommendation

6.1 The Board of Management of Sanctuary Scotland Housing Association is asked to approve:

- that rent levels for residential properties are increased by 4.8 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 2026;
- 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 that the monetary multiplier for HAG-fund and other similar developments be increased by 4.8 per cent.