



Effective dialogue with tenants on rent levels is crucial

Inflationary pressure on rents is increasing – it is vital providers engage positively with residents, says Michael Cameron.

November 2017

The annual rate of increase in the [Consumer Price Index \(CPI\) measure of inflation](#) was 3% in October.

That's the same rate of increase as the previous month, which itself was the highest rate for more than five years.

Of course, CPI is an average figure based on the purchases made by an “average” consumer. Inflation as experienced by individual tenants of social landlords may be higher than 3% depending upon how prices have risen within the individual components of the index.

For example, the inflation rate for food and non-alcoholic beverages was 4.1% in October, the highest rate of increase since September 2013.

This higher inflation comes at a time when the incomes of most tenants have been under pressure for years.

Many tenants in employment will have seen earnings rise at rates below inflation or not rise at all. Tenants on benefits have had to manage freezes on the uplift in benefit rates and the introduction of benefit caps.

Our [National Panel of Tenant and Service Users](#) tells us that rent affordability is a concern.

Around a third of members who took part in the most recent survey have experienced problems affording their rent.

And two-thirds have concerns around affording their rent in the future because of rent increases or changes to their benefits or income.

Many landlords use the September or October inflation figure as the starting point for their proposed rent increase for the following year.

In Scotland the average weekly rent for social housing in 2016/17 was just over £74.

We had seen a slowing in the rate of increase: from 3.6% in 2014 to 1.9% in 2016. But we know from the most recent financial projections from Registered Social Landlords that the average increase in rent for 2018/19 is likely to be around 2.9%. And landlords provided us with those projections before the September increase in inflation.

So, we are seeing signs of inflationary pressure starting to build in rents.

Not all landlords are starting from the same position on rent levels. So, some will have headroom to increase rents and still keep them affordable, at least during the short to medium term.

“We are seeing signs of inflationary pressure starting to build in rents”

We also know that landlords face many calls on their resources, including investment in tenants’ homes to achieve enhanced energy efficiency standards and, importantly, contributing to the Scottish government’s new build target.

Clearly landlords need to set rents in a way that ensures their continuing financial viability, while at the same time protecting tenants’ ability to keep paying their rent.

This time last year, we published our thematic inquiry report, [How social landlords consult tenants about rent increases.](#)

We found some landlords engage positively with their tenants about the costs and service options and seek their views on potential rent increases, but we also found that others need to do more.

“We plan to do a follow-up to our thematic inquiry in 2018 to see what landlords are doing differently”

We made a series of recommendations to landlords. We plan to do a follow-up to our thematic inquiry in 2018 to see what landlords are doing differently to consult with their tenants.

So, it is important that landlords consult meaningfully with their tenants on rent levels and consider tenants' ability to keep paying their rent for the longer term when they set rents.

For that consultation to be meaningful landlords need to help tenants understand what their rent is spent on.

“Demonstrating a tight control of costs before asking tenants to pay more will help landlords to build support”

A key ingredient here is for landlords to give tenants good information on options, benefits and costs – including a clear demonstration of how the landlord controls costs.

Demonstrating a tight control of costs before asking tenants to pay more will help landlords to build support among tenants for its future plans.

We'll keep empowering tenants by giving them good information on their landlord's rents and how they compare with other landlords.

And we'll keep looking to landlords to be able to demonstrate their rents will remain affordable and that they are having effective dialogue with their tenants on rent levels.

Michael Cameron, chief executive, Scottish Housing Regulator