



Scottish Housing
Regulator

How social landlords consult tenants about rent increases

A thematic inquiry

November 2016

About Us

We are the independent Regulator of just under 200 social landlords – around 160 Registered Social Landlords (RSLs) and 32 local authorities. We are led by a Board of non-executive members and directly accountable to the Scottish Parliament.

Our one objective is **to safeguard and promote the interests of:**

- nearly 610,000 **tenants** who live in homes provided by social landlords;
- around 118,000 **owners** who receive services from social landlords;
- around 44,000 **people and their families** who may be homeless and seek help from local authorities; and
- over 2,000 **Gypsy/Travellers** who can use official sites provided by social landlords.

Our role is to gather, monitor, assess and report on social landlords' performance of housing activities and RSLs' financial well-being and standards of governance, and to intervene where appropriate to achieve our objective. We also keep a public register of social landlords.

You can see more on how we regulate social landlords in our published [Regulatory Framework](#) available on our [website](#).

The Scottish Government's [Social Housing Charter](#) sets out the standards and outcomes which social landlords should aim to achieve. We monitor, assess and report landlords' performance against the Charter, through our regulatory assessments, published analysis and thematic work.



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Overview

Introduction

1. This report is the outcome of our assessment of how social landlords consult tenants about proposed rent increases. As part of our inquiry, we reviewed national performance information; we held discussions with tenants and we interviewed eleven social landlords and reviewed their websites. We have also highlighted positive practice by social landlords.

Social housing rents in Scotland

2. There are nearly 610,000 social housing tenants of 26 local authorities and 160 registered social landlords (RSLs) in Scotland. In 2015/16 these tenants paid an average weekly rent of just under £73. In the same year, social landlords in Scotland reported that they received about £1.2 billion of housing benefit in respect of 402,752 households. This represents around 56% of landlords' income for that year and around 69% of households.
3. Rent is a major household expenditure item for most social housing tenants; 61% of households in social housing have a net income of £15,000 or less. Nearly 30% of those living in social housing are classed as in poverty compared with around 20% in the private rented and owner occupied sectors. Nearly 80% of tenants on our National Panel of Tenants and Service Users ('National Panel') who took part in a survey are concerned about future rent affordability due to rent increases and changes to income.

Rent consultation in Scotland

4. The Housing (Scotland) Act 2001 requires social landlords to consult tenants and take account of their views when making decisions about proposed rent increases.
5. The Scottish Parliament through the Scottish Social Housing Charter ('the Charter') sets the standards and outcomes that all social landlords in Scotland should aim to achieve when performing their housing activities. The Charter does not prescribe how landlords should consult tenants about proposed rent increases but it contains 16 standards and outcomes and three explicitly refer to rent, consultation, affordability and value for money.

Main findings

6. While landlords' main source of income is the rents tenants pay, it is also for most tenants the main cost going out from their household income. Landlords need to know what their current and future tenants can afford to pay when considering any increase to the rents they charge. We found some landlords engage well with their tenants about the costs and options of providing services and seek their views on potential rent increases. But other landlords need to do more to discuss with their tenants what they want their rent to pay for and what they can afford. Tenants' views on the value of rent consultation are driven by how they are consulted, whether they are given genuine options to consider; and whether they feel that their landlord has listened to their views. There is no national guidance for landlords and tenants on affordability and how to consult on proposed rent increases. The landlords who took part in this inquiry have

developed their own approaches to rent consultation. Tenants on our National Panel reported variations in the quality of their experiences of rent consultation.

In relation to the Charter standards and outcomes we found:

Consultation:

- The eleven landlords within our sample used a variety of approaches to consult tenants on rent increases; they reported participation levels from 1% to 13%.
- Two landlords asked tenants how they wanted to be consulted and receive information about proposed rent increases.
- All of the landlords gave tenants a range of information to consider; three landlords gave tenants options for proposed rent increases.
- Most of the landlords provided feedback to tenants on the consultation responses and showed tenants how they took their views into consideration when making a decision.
- All of the landlords took account of equalities issues when planning the consultation.

Affordability:

- Nearly 80% of tenants on our National Panel who took part in a survey were concerned about future rent affordability due to rent increases and changes to income.
- The landlords in this inquiry used a variety of criteria to determine whether rent is affordable; six of the landlords asked current tenants whether rents are affordable and one asked prospective tenants.

Recommendations

7. Social landlords should consult tenants about rent increases in ways that enable them to express informed views on options for different rent levels with clear information on what they mean for services and investment in homes. Landlords should:
 - » consider their tenant profile and the best ways to engage with tenants about proposed rent increases;
 - » give tenants easy-to-understand information to help them express informed views;
 - » give tenants genuine options for proposed rent increases and spell out what they mean for levels of investment in homes and the level of services offered;
 - » discuss with tenants the level of service they want;
 - » talk to current and prospective tenants about what level of rent is affordable for them;
 - » be transparent about how they determine affordability; and
 - » show tenants how their views were taken into consideration in decisions and give them feedback on the consultation process.

About this thematic inquiry

8. Our inquiry aimed to establish:



how landlords consult tenants about proposed rent increases



what information landlords give tenants during consultation



how landlords take tenants' views into consideration when making decisions about rent increases



how landlords give feedback to tenants



how landlords consider affordability when proposing rent increases



examples of positive practice

9. In carrying out our inquiry we drew evidence from:

- an analysis of landlords' Annual Returns on the Charter ('ARC');
- discussions with eleven social landlords and a review of their websites;
- surveys and discussions with tenants on our National Panel; and
- a discussion with members of the Regional Tenant Organisation Liaison Group ('RTO Liaison Group').

10. We discussed how they consulted their tenants about rent increases and related matters with all the social landlords selected to participate in this thematic inquiry:

- Angus Council
- Dunbritton Housing Association
- East Lothian Housing Association
- Easthall Park Housing Co-operative
- Falkirk Council
- Hawthorn Housing Co-operative
- Link Group
- Midlothian Council
- NG Homes
- River Clyde Homes
- Stirling Council

11. We asked the case study landlords to tell us about the last proposed rent increase consultation exercise they carried out. The landlords had different approaches to rent setting: some had consulted annually while others had consulted on setting rent for a fixed period, for example three years. One landlord had consulted on proposals for rent restructuring. We also asked the landlords to tell us about changes they planned to make in future which had been approved by the governing body or relevant council committee.
12. Our selection included RSL and local authority landlords, large and small landlords covering urban and rural areas and, as such, broadly reflects landlords operating in the social housing sector in Scotland. Our discussions gave landlords the opportunity to tell us about the approaches and methods they used to consult tenants on proposed rent increases and to deliver the standards and outcomes in the Charter.
13. We directly asked tenants about their experiences and views. We did this in a number of ways:
 - as part of our surveys of, and qualitative research with, our National Panel during 2014/15 and 2015/16;
 - two text surveys of panel members; and
 - a discussion with members of the RTO Liaison Group.
14. We established the National Panel in 2013 as a way to help us understand the opinions and experiences of tenants (from a range of landlords) and others who use social landlords' services, and so, help us to shape our regulatory focus. All of the findings we refer to are reported in full in our Report on Findings from [Year 2](#) and [Year 3](#) of the National Panel. The National Panel is broadly representative of the tenant population but is not designed to be statistically representative of social landlords in Scotland.
15. Where a landlord has told us about positive practice we have highlighted this and name the landlord. We have not directly assessed the reported practice.
16. In our thematic inquiry "Gypsy/Travellers in Scotland" we looked at how social landlords consulted Gypsy/Travellers about proposed rent increases. Our findings and recommendations are published on our [website](#).

Rent consultation in the social housing sector

Context

17. Rents are the main source of a landlord's income. Rental income is used to maintain existing homes and fund the building of new ones, deliver housing services, repay loans, pay staff and maintain offices. Our inquiry focused on how landlords consult tenants about proposed rent increases. In this section we provide contextual information about social sector households, rents and rent setting as this is relevant to the rent consultation process.

Social sector households in Scotland

18. Rent is a major household expenditure for social housing tenants. Six in ten (61%) of social sector households have a net income of £15,000 or less¹. Four in ten (41%) of local authority social housing properties are located in the 20% most deprived areas of Scotland and RSL properties are more likely than any other tenure to be located in the 20% most deprived areas (52%).
19. Adults in social rented properties have a higher proportion of people permanently sick or disabled (13%) compared to adults in private rented households or owner occupier households and a higher proportion of people unemployed and seeking work (9%) compared to other tenures².
20. Before housing costs, those living in the social rented sector have the highest poverty rates (29%), with those in the private rented sector (20%) and owner occupiers having much lower levels of poverty³. These rates increase after housing costs are taken into account.
21. Increased levels of poverty, unemployment, limiting illness and dependence on benefits mean that many social housing tenants potentially face significant challenges in relation to their income and their ability to afford rent.

Legislation

22. Section 25 of the Housing (Scotland) Act 2001 allows landlords to increase rent (or any other charge payable) under a Scottish secure tenancy so long as they give tenants at least four weeks' notice of the increased rent due to be paid. Before they issue this notice landlords must consult tenants affected by the proposal and have regard to their views.
23. This specific requirement to consult tenants on rent increases is in addition to social landlords' wider requirement under section 53 of the Housing (Scotland) Act 2001 to have a tenant participation strategy in place and, under section 54, to consult tenants and consider their views on proposed matters – such as housing management, repairs and maintenance – where the proposals, if implemented, are likely to affect tenants significantly.

¹ Scotland's People: Results from the 2015 Scottish Household Survey

² Scotland's People: Results from the 2015 Scottish Household Survey

³ Poverty and Income Inequality in Scotland: 2014/15, Scottish Government

Policy and Guidance

24. In 2011 the Scottish Government published [Homes Fit for the 21st Century](#), its strategy and action plan for housing in the period from 2011 to 2020. This emphasised the importance of affordability,

“... and we are committed to social rents at levels that are affordable for those on low incomes. It is up to individual landlords to strike the best balance between rent levels and meeting the housing needs of the local communities, but rents should not be increased without regard for the importance of affordability for tenants.”

25. The Scottish Government provides grants to develop social housing through its Affordable Housing Supply Programme. In relation to local authority social rents Scottish Government [guidance](#) states,

“rent levels should strike an appropriate balance between being affordable, reflecting local market conditions and contributing to the cost of the house both in capital and revenue terms”.

For 2015/16 the RSL social rent benchmark assumption was £3,990 per annum based on a three person equivalent dwelling (approximately £76 per week). This increased to £4,034 for 2016/17.

26. In its briefing paper [Perspectives on Rents and Affordability in Scotland](#), the Chartered Institute of Housing reported in 2013 that,

“Popular approaches to affordability include looking at rent to income ratios and at residual income – how much should be left after rent is paid. The benchmark in terms of rent as a ratio to income has tended to be to consider it acceptable for housing costs to be 20-30% of income, based on indications of what homeowners would opt to pay in mortgage repayments”.

27. The Scottish Federation of Housing Associations (SFHA) published Rent Setting Guidance for its members in 2010. In relation to setting rents the SFHA guidance said,

“The critical determinant of rents is always going to be costs”. And,

“At present landlords start from their costs and projections of future viability to decide how much total rental income they need to raise”.

In terms of rent setting and rent structures it referred to taking account of affordability, comparability, contractual and loan servicing obligations and setting out a clear rationale for rent structures covering different property types, sizes and amenities. In a subsequent survey of its members in 2014 the SFHA reported that,

“53 (50%) of the 106 housing associations and co-operatives that responded to the survey used RPI or RPIx to calculate their rent increases. Of these, 11 used RPI only, 5 used RPI +0.5% and 31 used RPI+1%. 11 housing associations used CPI or CPI+ a percentage to calculate their increases, whilst more than a quarter used a formula based on business planning objectives or another method entirely. Such methods included a number of housing associations undertaking rent harmonisation, points-based systems for different household types and locations, and increases to take into account future repairs”.

28. The SFHA recommended as a guide that for a rent (including service charges) to be affordable, households with one person working under 35 hours or more should only exceptionally be dependent on housing benefit in order to pay it. The SFHA intends to publish revised rent setting guidance in early 2017 and this will reflect approaches to affordability in light of the UK Government's programme of welfare reform.
29. In 2015, The Chartered Institute of Housing, with the Wheatley Group and HouseMark Scotland, produced a [report](#) about defining, managing and demonstrating value for money in Scotland. It said that,

"The relationship between service costs and service levels needs to be more transparent so that tenants can "follow the money" and understand what is driving the rent and whether value for money is achieved".

The Scottish Social Housing Charter

30. The Charter does not prescribe how landlords should consult tenants about proposed rent increases. However, it contains three outcomes which social landlords should aim to achieve in relation to rent:
- » social landlords manage their business so that tenants receive services that continually improve value for money for the rent they pay (standard 13);
 - » landlords set rent in consultation with their tenants so that they strike a balance between the level of services provided and the cost and how far current and prospective tenants can afford them; (outcome 14); and
 - » tenants are given clear information on how their rent is spent (outcome 15).
31. The Charter outcomes on equalities, communications and participation are also relevant to the rent consultation process. Outcome one of the Charter requires that social landlords perform all aspects of their housing services so that every tenant and other customer has their individual needs recognised, is treated fairly and with respect, and receives fair access to housing and housing services. This includes landlords' responsibility for finding ways of understanding the needs of different customers and delivering services that recognise and meet these needs.
32. Outcome two of the Charter requires that social landlords manage their businesses so that tenants and other customers find it easy to communicate with their landlord and get the information they need about their landlord, how and why it makes decisions and the services it provides. And outcome three requires that social landlords manage their businesses so that tenants and other customers find it easy to participate in and influence their landlord's decisions at a level they feel comfortable with.

Social housing rents in Scotland

33. All social landlords give us information through the ARC about the three Charter indicators which specifically relate to rent:
- » Indicator 1 - percentage of tenants satisfied with the overall service provided by their landlord;
 - » Indicator 29 - percentage of tenants who feel their rent represents good value for money; and
 - » Indicator C21 - average weekly rent increase.

34. The average weekly rent charged by RSLs and local authorities during 2015/16 was just under £73, up 2.8% on the previous year. Average local authority rents are generally lower than average RSL rents.

| Average weekly rents by apartment size 2015/16 | | | | | | |
|--|------------------------|-------------|------------|------------------|---------|----------------------|
| Size of home | Number of tenant homes | RSL average | LA average | RSL & LA average | Minimum | Maximum ⁴ |
| 1 apartment | 10,664 (1.8%) | £63.76 | £56.86 | £65.97 | £31.49 | £89.65 |
| 2 apartment | 160,552 (27.5%) | £72.78 | £62.08 | £70.47 | £44.53 | £121.04 |
| 3 apartment | 265,767 (45.5%) | £78.76 | £67.55 | £71.65 | £52.38 | £126.75 |
| 4 apartment | 130,599 (22.3%) | £84.81 | £73.52 | £77.67 | £57.89 | £109.74 |
| 5 apartment | 17,133 (2.9%) | £94.94 | £79.92 | £86.02 | £59.34 | £119.46 |
| Total/average | 584,715 | £81.14 | £67.57 | £72.99 | - | - |

35. In 2015/16 landlords' ARC returns showed that they were paid approximately £1.2 billion direct in housing costs in respect of 402,752 households. This represents around 56% of landlords' income for that year. Around 69% of households received housing benefit, in whole or in part, towards their rent.

36. Social landlords' ARC returns show that average planned rent increases have fallen over the last three years.

| Average planned rent increase | | | |
|---|---------|---------|---------|
| | 2014/15 | 2015/16 | 2016/17 |
| RSL average | 3.5% | 2.5% | 1.7% |
| LA average | 4.1% | 3.4% | 2.9% |
| All social landlords (national average) | 3.5% | 2.7% | 1.9% |

37. It is clear from our [analysis](#) of the finances of RSLs that most intend to continue to increase rents at a rate that is above inflation. Some RSLs have told us that their ability to develop new social housing would be impaired if they are unable to raise their rents in real terms.

Tenant satisfaction

38. There is an important relationship between rent consultation, rent setting, value for money and tenant satisfaction. Our analysis of landlords' ARC for 2015/16 identified the top seven indicators most closely associated with overall tenant satisfaction. These included tenants:

- feeling that their landlord is good at keeping them informed about their services and decisions;
- having opportunities to participate;
- being satisfied with the quality of their home; and
- feeling that their rent represents good value for money.

⁴ The maximum rent values were calculated using a set of criteria designed to be more representative of the average maximum rent value for general or mixed housing provision. We excluded 14 landlords on the basis that they had 60%+ supported clients or care/support staff.

| Tenant satisfaction | 2013/14 | 2014/15 | 2015/16 |
|--|---------|---------|---------|
| Average overall tenant satisfaction (Indicator 1) | 88% | 88% | 89% |
| Average percentage of tenants who feel their rent represents good value for money (Indicator 29) | 77% | 77% | 79% |

The information in landlords' ARC about tenant satisfaction shows that although tenants appear to be satisfied overall, they are less satisfied that their rent represents value for money.

39. Research from our National Panel suggests that affordability, quality of service and capital investment are the most important drivers of whether tenants see their landlord's services as value for money. A large majority of panel members rated these as "very important" for their sense of value for money. Other rent and affordability factors were also significant drivers of panel members' sense of value for money. In particular, 62% rated the size of annual rent increases as very important, and 60% rated residual income after rent/service charges as very important factors in whether they consider their rent represents value for money.

Business Planning

40. Tenants should be at the centre of business planning. Our [Recommended Business Practice – Business Planning](#) for RSLs and the Scottish Government's [Guidance on the Operation of Local Authority Housing Revenue Accounts \(HRAs\) in Scotland](#) both highlight the need for landlords to talk to tenants about the balance between the levels of rent and the quality of the services they wish to receive.
41. There is a risk with the uncertainty over the economy and the UK Government's programme of welfare reform that rent increases outstrip tenants' ability to pay rent. When considering whether to increase rents, or the potential levels of rent increases, landlords need to engage with tenants to consider tenants' ability to keep paying their rent over the longer term and be clear what is affordable for them. The rent consultation process should be one of the main ways in which landlords achieve this and ensure that tenants' views are taken into consideration in decisions about proposed rent increases. Landlords should also consider how they can drive down their costs and extract maximum value for money. Increasing rents every year should not be an automatic assumption.

Our findings

“Social landlords set rents and service charges in consultation with their tenants and customers so that:

- » **a balance is struck between the level of services provided, the cost of the services, and how far current and prospective tenants and other customers can afford them; and**
- » **tenants get clear information on how rent and other money is spent, including any details of individual items of expenditure above thresholds agreed between landlords and tenants.”**

These outcomes reflect a landlord’s legal duty to consult tenants about rent setting; the importance of taking account of what current and prospective tenants and other customers are likely to be able to afford; and the importance that many tenants place on being able to find out how their money is spent.

Scottish Social Housing Charter outcomes 14 and 15: Rents and service charges

42. Research from our National Panel suggests that three key factors drive tenants’ perceptions on how effective landlords’ rent consultation process is. These are:

- » how tenants are consulted;
- » whether they are given genuine options to consider; and
- » whether they feel that their views have genuinely been taken into consideration.

How tenants are consulted

43. There is no national guidance for landlords and tenants on affordability and how to conduct a rent consultation exercise. Landlords have developed their own approaches to rent consultation. Tenants on our National Panel reported variations in the quality of their experiences of rent consultation.

44. The case study landlords used a variety of approaches to consult tenants about proposed rent increases. Two landlords asked tenants how they wished to receive communication about proposed rent increases. Most used letters to tenants, tenant newsletters, meetings with housing officers, open meetings and consulted through tenants’ groups and organisations. Some promoted the consultation on their website and used social media technology such as on-line surveys, Facebook, Twitter and YouTube to encourage increased participation. One landlord incorporated the consultation as part of its tenant satisfaction survey and used an independent market research company to survey tenants by telephone.



Positive practice

Easthall Park Housing Co-operative asked tenants how they wanted to get information. 91% of respondents said they preferred to receive information in writing.



Positive practice

East Lothian Housing Association gives tenants the option of how they receive communication and tenants can change their preferences. It has a Facebook page which it used to communicate with tenants during the rent consultation.

45. All of the case study landlords told us that they considered tenants' needs when planning their proposed rent increase consultation. They told us about some of the ways in which they accommodated individual needs so that as many tenants as possible could participate. These range from:

- supplying communications in alternative formats (for example, Braille and recorded cassettes) and in different languages;
- organising face to face events at different times of the day to accommodate work and care commitments;
- holding meetings in locations that comply with the provisions of the Disability Discrimination Act; and
- taking the consultation to tenants rather than relying on them to get in touch with the landlord.



Positive practice

Angus Council has a mobile bus which it takes to rural areas to encourage tenants to participate in its rent consultation. The bus has free internet access which allows tenants to submit feedback online.



Positive practice

Link Group offers child care to allow parents to attend rent consultation events.

46. In terms of the information given to tenants during consultation most of the case study landlords explained how they calculated the amount of the increase (e.g. RPI plus 1%) and how much tenants would pay in pounds and pence after the increase was applied. Some presented additional information including:

- statistical information about overall tenant satisfaction levels and whether tenants consider their rent represents value for money;
- information about how rental income is spent (typically presented as a pie chart or graph showing how many pence in every pound is spent on repairs, loan charges and management costs);
- how the current rent and proposed increase compare to other local landlords (both RSLs and councils) and to national averages; and
- in the case of the landlord who consulted on rent restructuring, information about the historical approach and the rationale for the proposed changes.

Other case study landlords presented similar information after the consultation had ended in letters or newsletters which informed tenants of the decision about the amount of increase.

47. Most panel members who had received information from their landlord about proposed rent increases felt the information was clear, however, around one in six felt it was not. In terms of keeping tenants informed more generally, panel members and the RTO Liaison Group highlighted the need for landlords to ensure that language and presentation is simple, engaging and tailored to tenants' stated communication preferences.
48. In terms of helping tenants to make informed choices, panel members expressed an interest in their landlords' performance and how proposed rent levels compare to other landlords. Some panel members described this as crucial in enabling them to make informed judgements about their landlord's services (and in some cases housing choices). Panel members also welcomed transparency in relation to costs: *"we pay for the service and would like to know what we are getting"*.
49. The level of response from tenants was also an important factor in panel members' perception of the effectiveness of the landlords' consultation. Some questioned the value of a consultation exercise where response levels from tenants were poor.
50. Most of the case study landlords reported low levels of tenant participation (from 1% to 13%) in their rent consultation process. All of the landlords wanted to increase participation levels among their tenants and told us about changes in approach that had been approved since the last consultation exercise. Panel members and the RTO Liaison Group both highlighted the importance of landlords showing tenants how their views had been taken into consideration and providing feedback on the decision in influencing tenants' views on whether future participation is worthwhile.
51. In terms of opportunities to get involved in decision making generally, panel members and the RTO Liaison Group gave a range of positive examples of how landlords involve tenants. These included approaches which offer tenants multiple response options – including for example by post, online, or in person. Panel members considered that reporting to tenants how their input has made a difference is likely to be effective in increasing participation.



Positive practice

River Clyde Homes obtained over 400 responses by renting a unit in a shopping centre where their tenant footfall was heavy. It also offered prizes for comments and got feedback from tenants at its annual family fun day.

Options for rent increases

52. We carried out a snapshot text survey of panel members in spring 2015 and again early in 2016 to find out about their recent experiences of consultation about proposed annual rent increases. Our findings were broadly consistent across both years:
- » around half had received information from their landlord in the last month about annual rent increases; however,
 - » fewer could recall being presented with different options for proposed rent increases.
53. Some panel members felt that the rent consultation process could be improved by ensuring it is more meaningful. They highlighted the importance of providing tenants with different options for the scale of rent increases (including options for no increase) and consulting with the broad tenant base before a decision is made by the governing body/council committee on the preferred option.

54. Three of the case study landlords gave their tenants rent increase options to consider. We found that proposed rent increase options are more generally discussed at governing body/council committee level and tenants are subsequently consulted on the preferred option.



Positive practice

Midlothian Council's consultation on its rent setting strategy asked tenants if they agreed with the Council's commitment to building new council housing to help reduce the number of applicants on the waiting list. It presented four rent increase options for tenants to choose from. It explained what each option would mean in terms of the Council's ability to build new homes and invest in its stock.

Landlords' consideration of tenants' views

55. Some panel members felt that their participation in the proposed rent consultation exercise had not influenced their landlords' decisions on the size of rent increase. This appeared to be because they had not received any feedback or they were unable to see how the landlord had taken their views into consideration. And a lack of response from their landlord to rent consultation exercises contributed to a sense for some panel members that their landlord had already made a decision prior to engaging with tenants. Both of these factors are likely to influence tenants' views on whether participation in future rent consultation exercises is worthwhile.

56. Landlords should be able to demonstrate how they have taken regard of tenants' views in decisions about rent increases in order to assure themselves that they have met the requirements of section 25 of the Housing (Scotland) Act 2001.

57. Some of the case study landlords provided us with copies of reports to the governing body/council committee about the consultation responses. Typically, these summarised the methodology, response rate, details on how many tenants were in receipt of full or partial housing benefit and the level of support for the proposed rent increase. Some landlords included comments from individual tenants to consider (this appeared to depend on the number of individual comments received).



Positive practice

A representative of **Angus Council's** Tenants' Rent Setting Group attended a meeting of the Council's Communities Committee to present tenants' views on the proposed rent restructuring.

58. Some of the case study landlords also provided us with copies of minutes which recorded governing body/council committee discussions and decisions about the amount of the rent increase. These varied in the level of detail recorded on how tenants' views had been taken into consideration. Most of the landlords published minutes of these governing body/council committee meetings on their website.
59. We found that most of the case study landlords provided feedback to tenants on the responses to the consultation. This was mainly done through letters to tenants and newsletters which also reported the agreed rent increase. A few landlords responded directly to comments made by individual tenants. This appeared to depend on the number of tenants who responded and whether individual tenants had raised specific

issues. Some landlords did not provide any feedback to tenants other than notification of the agreed increase.



Positive practice

Easthall Park Housing Co-operative reported a summary of tenants' responses to its rent consultation questionnaire in its tenants' newsletter. It wrote to all tenants who responded to the consultation. It agreed to review some areas of expenditure as a result of tenants' feedback.



Positive practice

East Lothian Housing Association responded directly to individual tenants. It also compiled Frequently Asked Questions on issues raised by tenants and published this in its tenants' newsletter. It also directed comments through the complaints system where appropriate.

60. We asked panel members and the RTO Liaison Group to suggest how landlords could better engage with tenants in relation to consultation on proposed rent increases. They suggested that landlords should consider:

- » consulting more widely with tenants to gather a broader view of rent increases (in addition to groups of tenants);
- » improving their approaches by providing a range of options for participation including a mix of postal and web-based options, use of clearer and more engaging language in consultation materials, and use of events such as coffee mornings;
- » avoiding holiday periods to provide tenants with sufficient time to participate; and
- » responding to tenants' feedback to explain the decision taken, even where this has not been the most popular option amongst tenants.



In relation to consulting tenants about rent increases **we recommend that social landlords:**

- » ensure that consultation about rent increases is meaningful and give tenants genuine opportunities to participate;
- » consider their tenant profile and the best ways to engage with tenants about rent increases;
- » give tenants easy-to-understand information to help them to express informed views;
- » give tenants genuine options for proposed rent increases and spell out what they mean for levels of investment in homes and the level of services offered; and
- » show tenants how their views were taken into consideration in decisions and give them feedback on the consultation process.

Affordability

61. Research with our National Panel found that tenants are concerned about future rent affordability. While the large majority of panel members said that they did not have any current rent affordability concerns, nearly 80% (four in five tenants) expressed concern regarding the possibility of future affordability problems caused by rent increases or changes to their income.
62. The research showed some variation in views on affordability dependent on whether households are currently in receipt of housing benefit. In particular, those in receipt of full or partial housing benefit were more likely to express concerns regarding the potential for future changes in their income leading to affordability problems. More than half of those in receipt of housing benefit expressed these concerns, compared to around a quarter of those not in receipt of housing benefit. Panel members not receiving housing benefit were also concerned about future affordability, with over half (51%) concerned specifically about rent increases in the future.
63. There is no national guidance for landlords on how to determine affordability. It is for individual landlords to determine what rent is affordable and there is a clear need to balance affordability of rent with the operating costs and the investment needed to give tenants the quality of housing and delivery of services that they want.
64. All of the case study landlords told us that they are aware of the need to keep rents affordable for current and prospective tenants, particularly in the current economic climate. When it comes to proposing the amount of rent increases they referred to the relationship between rental income and the costs of delivering services, investment in properties, development, management costs and meeting their financial obligations.
65. There were varied approaches to how the case study landlords determined whether the rent increase they proposed was affordable for current and prospective tenants and how they demonstrated this to tenants. Most based their views on affordability on a range of factors including:
 - levels of housing benefit uptake;
 - intelligence they have on tenants income and the financial difficulties some tenants have with household bills;
 - the SFHA's recommended affordability measure;
 - tenancy sustainment rates;
 - tenancy refusal rates; and
 - comparisons with peer landlord rents.
66. Three of the case study landlords included questions in their tenant satisfaction survey about whether rents were affordable. Some of the landlords had begun to profile their tenants (some are even profiling prospective tenants) and are using that information to inform their affordability considerations.
67. In terms of demonstrating how they had determined that proposed rent increases were affordable, landlords typically compared to the proposed rent increase with rents charged by other landlords and/or national averages. Some landlords referred to the percentage of tenants receiving housing benefits.



Positive practice

As part of its tenant satisfaction survey **Easthall Park Housing Co-operative** asked tenants how affordable they found rent payments, whether they were experiencing any financial difficulties in paying rent and if so, the reasons why tenants may struggle to pay rent. The Co-operative used this information as part of its consideration on affordability.



Positive practice

As part of its census, **East Lothian Housing Association** profiled tenants' income, employment status and whether they received benefits. It identified rent as a percentage of tenants' incomes and used this to supplement the results of the tenant consultation when considering the proposed rent increase.



Positive practice

Midlothian Council included tenants from its waiting list in its rent consultation process to help them assess whether proposed increases will be affordable for prospective tenants.



Positive practice

River Clyde Homes agreed a five year rent pricing strategy in 2013/14. During 2014/15 it committed to a gradual reduction of the planned increases in recognition of the impact of the economic downturn on tenants. It is committed to ensuring overall performance translates into value for money and affordable rents.



Positive practice

Stirling Council moved from an "inflation plus" to a "cost of service" approach to setting rents in 2013. In order to restrict the amount of the rent increase in 2014/15, it gave tenants five cost saving options for changes to its service along with the amount of the potential saving. It asked tenants to give their views on whether they thought the proposed changes were appropriate. The Council estimated that tenants' preferred option would save around £100,000 each year.



In relation to affordability **we recommend that social landlords:**

- » discuss with their tenants the level of services they want;
- » talk to current and prospective tenants about what level of rent is affordable for them; and
- » be transparent about how they determine affordability.

Terms we use in this report

| | |
|--|--|
| Business plan | A document setting out a landlord's aims and objectives and its financial plans and resources for a specific period. |
| CPI | Consumer Price Index – a measure of the changes from month to month in the cost of a representative 'basket' of goods and services bought by consumers within the UK. |
| Poverty | A household income below 60% of the UK median (source: Poverty and Income Inequality in Scotland: 2014/15, The Scottish Government). |
| Rent structure | The way in which rents for individual properties are arrived at. |
| Rent setting | The process a social landlord goes through to decide what rents will be for a specified financial period. |
| RPI | Retail Price Index - a measure of the changes from month to month in the cost of a representative 'basket' of goods and services bought by consumers within the UK. |
| Tenancy sustainment rates | The numbers of tenants remaining in their tenancy within a specified time from the date the tenancy started. |
| Regional Tenant Organisations (RTO) Liaison Group | The RTO Liaison Group was created to enable meaningful and structured dialogue with the nine Regional Networks who represent social housing tenants across Scotland. |
| Value for money | Value for money is about obtaining the maximum benefit with the resources available. |

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