Michael Cameron – 26 September 2019

TPAS Housing Professionals Conference

Good morning and thank you for inviting me to speak with you today.

And I'm delighted that you asked me back. I think this is now the fourth or fifth time I've been to this annual event, and each time I'm struck by how relevant it is for me to talk to you, given your role in engaging directly with tenants.

I'd like to focus today on two main topics, annual assurance statements and rent increases. Having said that, I'm very happy to get in to any other topic you might want to raise.

You might have seen our countdown to the 31st of October. This is not about Halloween – or indeed Brexit – but about landlords submitting their annual assurance statements.

Some of your boards and committees may have already made their Annual Assurance Statement or you may be getting close to that point. So, I wanted to speak a little about what happens after the 31st of October and look ahead to next year.

But before I do that I want to pick up on one point.

The Statements are made by the board or committee; it is their statement that they are assured. We've been asked about the place of tenants in all of this and whether landlords need to get sign off from tenants for the Annual Assurance Statement. It is the board or committee's responsibility to make the Annual Assurance Statement, and to make this available to tenants. Of course it will be important that boards and committees understand the views of tenants and other customers when they are getting assurance or making decisions that affect them. Getting tenants' views on your organisation's performance is a critical part of your board or committee's monitoring of performance. So, looking to the future, it is important that landlords embed ways to get tenant feedback and for your board or committee to use that feedback when getting assurance. In that way they will already have that assurance about tenants' views when they make the Annual Assurance Statement.

We are keen that we are all able to pause and reflect upon what has gone well and what might have gone better in this first year of Annual Assurance Statements. So we are planning to capture the lessons from this first round and publish a Lessons Learned Report by March next year.

And to that end, we'll visit a small number of landlords to look at how they got the assurance to let them make their Annual Assurance Statement. We will set out which landlords we will visit at the start of November and we will complete the visits by February. What we get from these visits, along with our review of all the submitted Statements, will help us identify the lessons for landlords and for us.

All of this is to help embed assurance by landlords and to promote openness and transparency.

I suspect one of the main lessons may be the importance of boards and committees getting the assurance they need across the year, rather than at the point in the year when they make the Annual Assurance Statement. Effective year-round, ongoing assurance is what should enable your board or committee to make the Statement, and avoid the need to do a major exercise each autumn.

Another possible lesson will be the realisation that it is not possible for board or committee members to have absolute knowledge of all aspects of compliance with every regulatory requirement and standard. The important thing is that they have enough assurance to have confidence to sign the Statement. So, they have seen enough evidence and have confidence in the frameworks in place to oversee performance and the internal control systems the organisation relies on.

In the final run up to 31 October, if you have an questions or any doubts about your submission of the Annual Assurance Statement please talk to us.

We know that many tenants are finding it harder to afford their rent.

That’s the clear message from our National Panel of Tenants and Service Users. Last month we published four reports from the Panel. The report on Rent Consultation set out that over a third of Panel members have experienced difficulties in affording their rent. More than two thirds are concerned about the future affordability of their rent. They’re worried about rent increases by landlords and future changes to income, particularly through changes in benefits.

Many of the Panel members told us that they have experienced difficulties with their wider household finances. Nearly a third felt they are not managing their finances well and more than half are worried about their future financial circumstances.

I suspect that won’t come as much of a surprise to those of you who work with tenants. But it is important to recognise the challenge many tenants are facing, not least as this is at a time when social landlords are increasing rent by levels above inflation.

As you’ll know, every year we analyse landlords’ data from their annual returns on the Social Housing Charter. That analysis shows that last year the average rent increase for all social landlords in Scotland was 3.7%. That’s up on the previous year’s level of 2.4%. And it’s the highest level since current monitoring began in 2013.

Eighty percent of landlords increased rent at a rate above the Consumer Price Index measure of inflation.

We also know that more than four fifths of all landlords plan rent rises above inflation in the coming year. The average planned rent increase for 2019 is 3.0%. Only four landlords plan to keep rents at the same level and none plan to cut rents.

We also see that rent arrears are edging upwards.

Last year total arrears across all landlords increased to 5.7% of the rent due. The increase in arrears last year was the largest in the last five years, and the rate of increase is accelerating. This means that more tenants are getting in to debt or those in arrears are getting further into debt, or perhaps both of these are happening.

Of course, rising arrears may not be a direct consequence of rising rents. It is likely that the roll out of Universal Credit is a big factor in rising arrears.

What is an affordable rent is a complex matter. Local context and markets, the interaction with benefits and tax credits, trade-offs with fuel costs all add to that complexity. And all landlords are not starting from the same position on rent levels, so some may be able increase rents at a higher level and keep them affordable. But the simple arithmetic is that, no matter the starting point, rents that increase above inflation are likely to become less affordable.

It’s important that landlords demonstrate to their tenants that their rents will remain affordable and that they are having effective dialogue with their tenants on rent increases.

For our part, the level of rent increase will feature prominently in our assessment of the risk each landlord presents.

So, landlords should be asking themselves whether they are doing everything possible to be efficient and drive costs from their business before passing costs on to tenants.

The drivers of rent increases can be many and complex. And the current political and economic reality is increasing volatility and uncertainty. Market pressures are intensifying and adding to more familiar pressures, such as pension affordability and reduction in local authority funding for care and support. All of this comes at a time when there are increasing expectations on landlords from customers and government.

Some of the pressures to increase rents will be beyond the control of landlords. That only makes it all the more important for landlords to vigorously pursue cost efficiency and value for money.

Tenants deserve nothing less.