

Sent by email

7 October 2022

Dear colleague,

The Scottish Government has now introduced emergency legislation to bring in a cap on increases in rents at 0% until the end of March 2023 for homes provided by social and private landlords. The legislation gives Scottish Ministers the ability to extend the rent cap beyond March 2023 for two periods of six months and commits Scottish Ministers to set out no later than 14 January 2023 their decision on whether to expire the rent restrictions at the end of March, continue with a 0% cap for a further six months or set a different level for the cap from 1 April.

I know that you will already be considering carefully the implications of this for your decision making on setting rent levels for 2023/24. We recognise that the forthcoming annual rent setting exercise will be one of the most difficult you will have faced, and that you will need to consider the impact of rising costs and inflation on your organisation while recognising the financial hardship that is a reality for many of your tenants. You will also have to take account of the Scottish Government's potential intervention in rent setting. This will inevitably mean that you, together with your tenants, will face some difficult choices and decisions as a result.

Consulting tenants

As things stand social landlords are able to increase rents from 1 April 2023, and it may be the middle of January before the Scottish Government is able to set out a definite position for 2023/24. We know that the process to determine rent levels, including consulting with tenants, can take a number of months. Given this, we advise you to proceed with the work to determine what level of rent increase you require for 2023/24, including engaging with your tenants to ensure that you understand what is important to them and what they want, and can afford, to pay for. We appreciate that this is challenging: the Scottish Government may extend the rent freeze or cap rent increases for 2023/24; and there may be uncertainty, or even confusion, amongst tenants about what is to happen in April. However, to not proceed could leave you in a position where you are not able to increase rents on 1 April 2023 if you are permitted to do so.

To help us best understand the developing position on rent increases, please advise your Engagement Plan Lead Officer of the level of rent increase you will propose to implement in April 2023 as soon as is practical after your organisation has consulted its tenants on the proposed options for the planned rent increase and your committee or governing body has made that decision.

Annual Assurance Statement

We recognise the significant uncertainty there is for landlords, not just because of the announcement on rents, but also because of the broader economic situation,

Scottish Housing Regulator,
Buchanan House,
58 Port Dundas Road,
Glasgow
G4 0HF

including rising interest rates and rising costs. We appreciate that this may raise concerns about making your Annual Assurance Statement by the end of this month.

Thank you if you have already submitted your 2022 Annual Assurance Statement. If you are currently preparing your Statement, please continue with your planned submission on the basis of your current assessment of your landlord's compliance with regulatory requirements.

Please notify us if at any time after the end of October you identify a material change in your level of compliance, including as a result of further developments in the Scottish Government's use of rent caps beyond March 2023.

Business planning for Registered Social Landlords (RSLs)

Most RSLs will have started to review their business plans to reflect the changing economic context and to consider the implications of the emergency legislation. An urgent and comprehensive review of business plans, and keeping these under review, will be critical to ensure landlords fully understand and factor in the current and developing context to understand the impact of this on their rent levels and their ability to deliver effectively for tenants and other service users. It will be important that RSLs stress test their business plans around a range of assumptions, including increasing interest rates, above-inflation cost increases, increasing levels of arrears, sustained high inflation, and sub-inflation rent increases.

We are encouraging RSLs to have an open dialogue with their lenders about the impact of the developments on rent increases, and the wider cost crisis, on their business plans.

Please contact your Engagement Plan Lead Officer as soon as possible if you have any concerns about the matters in this letter, including if you identify any potential financial viability concerns through the review of your business plan.

This is a challenging time, and the policy position is developing at pace. Please be assured that we will take account of the changing policy context in our engagement with your landlord. We will also continue to engage with the Scottish Government and your representative bodies to ensure that we provide timely, appropriate and helpful advice over the coming period.

With kind regards



Helen Shaw
Director of Regulation