



Scottish Housing
Regulator

Summary of Registered Social Landlord Financial Projections 2025/26 - 2029/30

December 2025

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About this report

This report provides an overview of the aggregated financial projections as submitted to us by all Registered Social Landlords (RSLs). The projections cover the five-year period from April 2025 to March 2030.

We collect Five Year Financial Projections (FYFP) annually from all RSLs. The return sets out the financial projections from an RSL's business plan across a five-year, medium term, period. The projections set out the main financial assumptions applied and incorporate projections for the primary financial statements, along with additional context around, for example, development programmes and decarbonisation plans.

Strategic context and financial environment

A business plan will set out an RSL's strategic direction and its financial plans and how it will resource those plans for a specific period. However, RSLs can make significant changes to their forecasts over time, with several key factors likely to have materially impacted business plans:

1. cost-of-living pressures still impacting tenants;
2. growing financial pressure from costs associated with making homes safe and improving their quality, including work on energy efficiency;
3. ongoing economic uncertainty, rising borrowing costs, wage inflation, labour shortages – especially in construction and building safety – and higher employer National Insurance contributions;
4. risk of further economic disruption from continuing global instability;
5. requirement to address defective building cladding with higher spending on fire safety remediation; and,
6. requirement for some RSLs to make additional contributions to address pension fund deficits.

Highlights

The aggregate financial position of RSLs has stabilised; however, financial headroom remains significantly constrained. Medium-term projections indicate RSLs face further tightening compared to the previous year. Engagement with individual RSLs on financial matters remains at an unprecedented level, reflecting sustained pressures across the sector. While most organisations continue to address these challenges through prudent management and operational efficiencies, their capacity to absorb additional costs—for example such as those associated with fire safety remediation and the decarbonisation of existing stock—remains limited. In this context, robust governance remains critical to maintaining financial resilience and achieving improved tenant outcomes. Governing bodies will need to ensure that they have reliable, comprehensive information on their homes to inform decision-making and manage any trade-offs in expenditure priorities.

At an aggregate level over the five years to 2029/30, RSLs forecast:

- continued, sustained generation of both operating and net surpluses;
- an average annual rise in turnover of 3.9% (2024, 4.7%) across the projections period which is down on last year and compares less favourably with operating costs than last year which rise by 3.1% (2024, 3.1%);
- compared to previous forecasts total turnover over five years is projected to increase by £355m (2.9% pa) over the period, although this is depressed by a £224m reduction in the release of grants from deferred income which is linked to the reduced development assumptions;
- total operating costs over the five years are up by £436m (4.5%) compared to previous forecasts;
- net cash from operating activities is 4.8% higher than in the 2024 projections, and forecast to reach £937.0m by 2029/30.
- net assets to grow by an annual average of 4.1% (2024, 3.9%)
- aggregate net housing assets will increase to £20.65 billion (2024, £19.99 billion), and net assets to £6.31 billion (2024, £5.72 billion);
- cash reserves remain at a healthy level, with an aggregate closing balance of £662.3 million at March 2025 (2024, £685.2 million) dropping to £497.5 million by March 2030;
- interest cover recovering slightly from that forecast in the 2024 returns;
- rent arrears down and then steadily reducing, from 3.0% in 2025/26 to 2.8% by 2027/28 and thereafter;
- significant capital expenditure of £2.08 billion on existing homes, an average of nearly £6,300 per property;
- estimated decarbonisation costs in the period to 2030 could range from £4.8 billion to £9.6 billion, while RSLs' projections include just £166.8 million;
- a projected 17,600 new homes, to be funded primarily by £2.21 billion of social housing grant (55% of total cost) and £1.56 billion of private finance (39%); and
- total borrowing increasing more slowly and down slightly after five years from £7.21 billion to 7.18 billion.

To sustain services for current and future tenants, RSLs must remain financially viable. However, constrained financial headroom has limited their ability to manage adverse risks and increases the likelihood that governance weaknesses could lead to financial distress. This challenge is compounded by significant financial and operational pressures as RSLs strive to improve existing homes and deliver new housing.

Rising costs for fire safety remediation, damp and mould repairs, and energy efficiency upgrades, combined with higher refinancing rates, labour shortages, and persistent inflation in maintenance and staffing, have created a low-headroom environment that restricts flexibility and heightens vulnerability. Although the sector benefits from secure income streams and relatively low gearing, financial margins have tightened. Five-year forecasts indicate modest growth in turnover and assets but declining cash reserves and reduced capacity to absorb additional costs.

This is occurring at a time when cost-of-living pressures continue to affect tenants, particularly those on lower incomes who continue to face rising costs for essentials, energy, and food. This context informs our focus on affordability as outlined in our Corporate Strategy for April 2024 to March 2027. Increasing financial stress and inflation also raises the risk of arrears, making rental income less secure. While most landlords set rents responsibly and some offer additional support such as financial advice or food assistance, we will continue to work with RSLs to ensure they can demonstrate how they keep rents affordable for tenants. At the same time, RSLs need to maintain financial resilience while supporting affordability. We know that governing bodies are having to consider how to balance investment needs with rent levels, make clear and transparent decisions, and strengthen governance and risk management to safeguard positive outcomes for tenants.

Despite these challenges, expectations of RSLs remain high. Social housing waiting lists in Scotland are at record levels, and the Scottish Government declared a national housing emergency in 2024, underscoring the urgent need for new social housing. Under the Housing Emergency Action Plan, the Government has committed £4.9 billion over four years to deliver 36,000 affordable homes by 2029–30, with RSLs playing a key role in achieving this target.

Robust data is essential for RSLs to achieve their strategic objectives and safeguard tenants while delivering major investments in existing homes—improving conditions, enhancing building safety, and meeting net zero standards—alongside supporting the development of new housing. Our regulatory engagement shows that weak data and inadequate risk management systems often lead to poor outcomes for tenants, highlighting the need for strong governance and effective controls. RSLs should maintain robust risk oversight supported by accurate, current, and comprehensive data on assets, liabilities, home safety and quality, repair status, and tenant complaints. Governing bodies must understand how risks can cascade across the organisation—for example, by stress-testing how property risks could lead to long-term financial challenges if left unresolved—and also test for external shocks that could impact strategic delivery.

Increasing costs and limited rent increases have significantly reduced the financial headroom of many RSLs, impacting their ability to build new homes, maintain existing stock, and provide wider tenant services. Many are scaling back development plans and making trade-offs to manage risk. Governing Bodies must exercise strong judgement to navigate this low-headroom environment, which leaves little margin for error and increases vulnerability to future shocks.

Interest cover for RSLs has been declining since 2020, reaching a low of 200% in 2023/24. In 2024/25, it recovered to 241%, bringing it closer to historical norms. The lower interest cover is largely concentrated among larger RSLs. Looking ahead, interest cover is expected to remain at similar levels as interest rates fall and turnover continues to grow. Liquidity

remains strong overall, with total cash and undrawn facilities of £1.60 billion. We will continue to monitor and engage with RSLs that forecast low liquidity or weak interest cover, and we will reflect these findings in our engagement plans.

The weighted average interest rate for new fixed-rate loans taken by RSLs in 2024/25 was 5.3%. This is up 0.3% from 5.0% in 2023/24. Most existing debt is fixed for over five years. However, a sizeable portion of RSLs' debt is either at a variable rate or will soon require refinancing at higher rates and potentially shorter terms. You can read more about RSLs' debt in our [annual loan portfolio report for 2025](#).

Voids, arrears, and bad debts remain key indicators of how effectively RSLs manage lettings and rent collection. All three have improved over the last year, with voids and arrears expected to remain stable or improve slightly. However, ongoing financial pressures on tenants could lead to higher bad debts, making it essential for RSLs to continue stress testing for potential income reductions.

Analysis of the FYFP inflation assumptions compared to forecast figures published by the [Office for Budget Responsibility in March 2025](#) shows average rents increasing by more than CPI and RPI in Year 1, with that persisting across the remainder of the projections period, although the gap between rent increases and the inflation measures is expected to narrow over time, matching the OBR assumption by the end of the period

The UK economy has experienced a series of major shocks in recent years, contributing to a slowdown in the rate at which RSLs are delivering new homes. This trend is forecast to continue over the next five years, likely compounded by past uncertainty around the level of grants available from the Scottish Government and ambiguity about future funding. However, this outlook may shift following the Government's announcement of a £4.9 billion commitment over four years to deliver 36,000 affordable homes by 2029–30. RSLs' forecasts for the 2025 FYFPs show a 22% reduction in the total number of new homes planned, compared to the 2024 FYFPs, which were already 13% lower than the previous year's projections, and is the fourth year in a row where planned development has reduced. RSLs attribute this decline primarily to rising construction costs and uncertainty over the future availability of grant funding. Although RSLs will generally plan for new developments to be self-sustaining financially, the reduction in the development programme has material impacts across the aggregate financial statements and is a key feature of the changes we see from previous projections to the current ones. Additional pressures, such as increased costs for maintaining existing homes and uncertainty regarding spending on the proposed Social Housing Net Zero Standard, have also contributed to reductions in planned expenditure on new homes.

Development projects carry significant risks, including inflation, labour shortages, supply chain issues, contractor insolvency, and planning delays—all of which can slow delivery and reduce income as rental streams start later. Governing Bodies must provide strong oversight, stress test for cost increases and delays, and ensure resources are used effectively to balance financial and social priorities. Robust skills, controls, and investment appraisal processes are essential. Construction risks can impact timelines, financial viability, and reputation, while many RSLs face tough choices between reduced financial headroom and continued investment in new homes. Our [development thematic](#) remains a key reference for RSLs when considering whether to proceed with new development projects.

We continue to ask RSLs in the FYFP return if they have considered the costs of decarbonisation and to tell us what estimated future costs they have incorporated into their projections. This is a significant risk area that will have a material impact on the funding of business plans, but as yet most RSLs have not set out these costs. Many told us they are waiting for more clarity on the Scottish Government's proposed Social Housing Net Zero Standard and how this will be financed to determine what they will be required to plan for. In the meantime, many RSLs tell us they are focussing on a "no-regret" fabric first approach to energy efficiency investment. However, it remains a concern that most RSLs lack policy frameworks or cost data for decarbonisation, unlike England and Wales where future impacts are more routinely built into business plans.

We have previously estimated the additional costs of meeting net-zero requirements in the period to 2030 could range from £4.80 billion to £9.60 billion. The current aggregate level of costs included by 39 RSLs in financial projections is only £166.8 million.

It remains crucial for RSLs to maintain adequate liquidity, especially in this period of economic volatility. We will engage with RSLs with low liquidity indicators. We will maintain close engagement with RSLs where our analysis indicates weak financial performance, and this will be reflected in their regulatory status and engagement plans.

The Next Five Years – Projections to 2029/30

Statement of Comprehensive Income

Annual aggregate RSL turnover is forecast to continue to increase, on average, by more than operating costs over the next five years, with the sector figures therefore continuing to show aggregated annual surpluses being expected and growing.

An average annual rise in turnover of 3.9% (2024, 4.7%) across the projections period is down on last year and compares less favourably than last year with a projected 3.1% (2024, 3.1%) average increase in operating costs over the same period. With an average annual turnover increase down from the 2024 projections and a corresponding rise in the average annual increase in operating costs, the sector forecasts an overall increase in annual turnover of 16.6% (2024, 20.3%) to £2.74 billion by 2029/30, with operating costs up by 13.1% to £2.16 billion over the same period.

The impact, as shown in Table 1 below, is that the aggregate annual operating surplus is forecast to increase from Year 1 to Year 4; from £449.8 million in 2025/26 to £593.6 million in 2028/29, before dropping back slightly to £573.7 million in 2029/30. However, annual increases in loan debt and higher interest rates mean debt servicing costs are also projected to keep rising, with interest payable increasing steadily from £276.8 million in 2025/26 to £332.3 million by 2029/30. As a result, there are annual fluctuations in the projected annual net surpluses from £222.7 million in 2025/26 before reaching £264.0 million in 2029/30.

	2025/26	2026/27	2027/28	2028/29	2029/30
Turnover	2,348.8	2,446.5	2,569.3	2,687.1	2,739.6
Operating costs	1,910.0	1,969.5	2,028.8	2,094.3	2,161.0
Operating surplus	449.8	478.7	534.5	593.6	573.7
Interest payable	276.8	289.5	301.1	320.9	332.3
Net surplus	222.7	205.3	226.0	216.1	264.0

Table 1: Turnover & costs

The sector has consistently projected that turnover will increase by more than operating costs, the assumption being that, particularly for those RSLs with a new build development programme, additions to rental income will be more than the associated operating costs. That assumption is tried and tested across many FYFP cycles, however more recently the challenging economic climate had stretched it with RSLs having to absorb the impact of restricted rent increases and delayed or cancelled development projects, while balancing a trade-off between lost revenue and the affordability concerns of their tenants.

Rental income will always be the core revenue stream for most RSLs, but other regular sources of income continue to contribute to turnover, as shown in Table 2 below.

	2025/26	2026/27	2027/28	2028/29	2029/30
Net rents and service charges	79.1%	79.7%	79.6%	79.3%	81.0%
Developments for sale income	0.0%	0.1%	0.1%	0.2%	0.0%
Grants released from deferred income	9.2%	8.9%	9.2%	9.6%	8.0%
Grants from Scottish Ministers	0.6%	0.5%	0.4%	0.4%	0.4%
Other grants	0.7%	0.5%	0.5%	0.5%	0.5%
Other income	10.4%	10.2%	10.1%	10.0%	10.1%

Table 2: Forecast split as % of turnover

This year we are seeing a new effect of changes to the planned development programme on turnover and operating surpluses. RSLs can make decisions on how to treat grants they receive to support development. Some will account for the release of grant over the life of the asset, others will account for all the grant being released once the asset has been created. Changes to the amount of development can therefore, depending upon the accounting treatment, have significant impacts on turnover. This year's projections reflect a substantially lower level of development. Table 3 below shows that the amount of grant released from deferred income has reduced significantly between the last projections and the current projections, with the result that turnover is depressed by £224m and operating surpluses reduced accordingly. Whilst this is only an accounting effect and has no impact on cashflow, it could also affect compliance with interest cover covenants.

Lower levels of development mean that the associated rent and service charge income streams are not available, depressing both turnover, and net cash from operations.

2024 Projections (£m)	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Net rents and service charges	1,764.2	1,855.1	1,943.4	2,034.1	2,121.3	9,718.1
Developments for sale income	5.6	6.6	4.8	5.2	2.1	24.2
Grants released from deferred income	230.8	255.7	281.7	295.0	307.9	1,371.1
Grants from Scottish Ministers	16.6	9.1	9.1	9.2	9.4	53.4
Other grants	14.0	13.4	13.0	13.4	14.6	68.4
Other income	225.0	230.1	239.2	248.4	258.7	1,201.3
Turnover	2,256.1	2,370.0	2,491.3	2,605.3	2,713.9	12,436.6
Operating Costs	1,832.3	1,878.6	1,938.2	2,010.2	2,068.5	9,727.8
Operating Surplus	378.1	451.6	559.9	554.3	598.0	2,542.0
Net Interest Payable	272.5	282.8	288.8	308.3	319.2	1,471.6
Net Surplus	127.8	168.1	212.3	205.8	237.3	951.3

2025 Projections (£m)	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Net rents and service charges	1,857.7	1,949.5	2,045.3	2,131.4	2,219.3	10,203.2
Developments for sale income	0.6	3.5	3.3	5.6	-	12.9
Grants released from deferred income	215.6	218.4	36.8	257.3	218.6	1,146.6
Grants from Scottish Ministers	13.3	11.2	11.5	11.5	11.6	59.1
Other grants	16.8	13.3	12.8	13.1	13.4	69.3
Other income	244.9	250.5	259.7	268.3	276.8	1,300.1
Turnover	2,348.8	2,446.5	2,569.3	2,687.1	2,739.6	12,791.4
Operating Costs	1,910.0	1,969.5	2,028.8	2,094.3	2,161.0	10,163.5
Operating Surplus	449.8	478.7	534.5	593.6	573.7	2,630.4
Net Interest Payable	276.8	289.5	301.1	320.9	332.3	1,520.5
Net Surplus	222.7	205.3	226.0	216.1	264.0	1,134.1

Change from 2024 to 2025 Projections	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Net rents and service charges	93.6	94.4	101.9	97.3	98.0	485.1
Developments for sale income	-5.0	-3.0	-1.5	0.4	-2.1	-11.3
Grants released from deferred income	-15.2	-37.3	-44.9	-37.7	-89.3	-224.5
Grants from Scottish Ministers	-3.3	2.1	2.4	2.3	2.2	5.7
Other grants	2.8	-0.1	-0.3	-0.3	-1.3	0.9
Other income	19.9	20.4	20.5	19.9	18.1	98.8
Turnover	92.7	76.5	78.0	81.8	25.7	354.7
Operating Costs	77.7	90.9	90.5	84.1	92.4	435.7
Operating Surplus	71.7	27.1	(25.4)	39.3	(24.3)	88.4
Net Interest Payable	4.3	6.7	12.3	12.6	13.2	49.0
Net Surplus	94.9	37.2	13.7	10.3	26.7	182.8

Table 3: Change in turnover elements and operating costs

The aggregate projections show annual increases in turnover, and that the total monetary increase in turnover will still exceed the increase in operating costs across the projection period despite the reduction in grants released from deferred income as projected development programme additions reduce.

The development programme is considered in more detail further on in the report.

While the direct impact of the Covid-19 pandemic has fallen away the long-term effects are still being felt as RSLs seek to recover lost revenues over recent years. The ongoing war in Ukraine and significant unrest in the Middle East continue to contribute to a persistent cost-of-living crisis. As a result, RSLs are still navigating the challenge of recovering lost revenues to address their priorities, whilst also ensuring their rents remain affordable for their tenants. RSLs continue to face challenges such as labour and material shortages, rising material costs, higher direct and indirect labour expenses as wage increases are introduced, the National Insurance increases remain, and contractors deal with their own increased wage demands. All of these factors contribute further towards lower surpluses, and RSLs must therefore remain vigilant about the potential impact on any interest cover covenants. Financial ratios across the sector are considered in more detail further on in the report.

Care continues to be an important revenue stream for the sector, with over 57% of additional income coming from care and support organisations. However, this income is mainly generated by just nine RSLs employing more than half of their staff in primarily care and support roles. These RSLs are facing heightened cost pressures and are particularly affected by the NI increases and minimum wages increases. Additionally, they should be mindful of the downward pressure on support contracts, with local authorities also grappling with similar financial challenges. We are starting to see a shift within this area of the sector away from care services, towards an increased focus on supported living solutions. We have seen a more than 50% drop in the turnover generated by care activities last year, with more RSLs anticipated to follow this route to protect their core housing activities.

Statement of Financial Position

Aggregate net assets are projected to grow by an annual average of 4.1% (2024, 3.7%) over the five years. Growth forecasts are slightly up on last year and show annual net asset growth between 3.7% and 4.5% each year (2025/26, 4.5%, then 3.8%, 4.0%, 3.7%, and 4.3% in 2029/30). This growth profile would take aggregate net housing assets to their highest levels yet at £20.65 billion and net assets to £6.31 billion by the end of 2029/30.

2025 projections	2025/26	2026/27	2027/28	2028/29	2029/30
Net Housing Assets	17,944.5	18,814.4	19,581.7	20,103.7	20,649.2
Other non-current assets	584.3	598.1	611.6	616.5	624.5
Total non-Current Assets	18,528.8	19,412.4	20,193.3	20,720.2	21,273.7
Cash	564.3	525.9	541.6	528.0	497.5
Other current assets	245.8	248.4	250.7	255.3	260.0
Total Current Assets	810.1	774.3	792.2	783.3	757.4
Current Liabilities incl Loans due < 1 year	694.5	713.3	739.3	747.1	772.2
Loans due > 1 year plus other long term payables	6,078.9	6,381.2	6,684.7	6,856.5	7,059.2
Grants to be released	7,090.7	7,420.2	7,669.9	7,799.5	7,842.9
Total Long term Liabilities	13,169.6	13,801.4	14,354.6	14,656.0	14,902.1
Provisions and pension assets	70.0	63.8	55.4	50.6	47.7
Net Assets	5,404.7	5,608.3	5,836.2	6,049.7	6,309.1

Table 4: Net Assets

Once again, the projections show a significant rise in rental arrears. The current projections show rental arrears increasing from £45.9m to £55.6m in 2025/26 before increasing steadily to £61.4m in 2029/30. Previous projections have shown a similar pattern, but the actual arrears performance has been much better than forecast. This is presumed to reflect a combination of prudent forecasting and concerted efforts by RSLs to manage arrears in real time. Past performance suggests that actual rental arrears will be around 10% less than forecast, although this cannot be guaranteed.

In aggregate, RSLs continue to project the availability of significant, but reducing cash reserves. The closing cash balance of £661.7 million from the 2024/25 Audited Financial Statements (AFS) returns is projected to fall away sharply to £564.3 million in year 1, and then to fall fairly steadily to £497.5m in 2029/30 (see Table 5 below). This pattern is common across recent projections, and is frequently linked to RSLs development programmes, where

existing drawn loans support the current cash balance, and these funds are then used to support development in the immediately following years.

	2025/26	2026/27	2027/28	2028/29	2029/30
Net rental receivables	55.6	57.3	58.2	59.9	61.4
Other short term receivables	190.1	191.1	192.5	195.3	198.5
Cash at bank and in hand	564.3	525.9	541.6	528.0	497.5
Loans due within one year	(148.2)	(158.8)	(155.1)	(175.4)	(160.2)
Other short term payables	(546.4)	(554.6)	(584.2)	(571.7)	(612.0)
Net current assets / (liabilities)	115.5	61.0	52.9	36.1	(14.8)

Table 5: Net current assets

Previous forecasts saw net current assets for 2024/25, but net current liabilities across the remainder of the projections period. The current projections see net current assets through to 2028/29 and a small net liability of £14.8m in 2029/30. The change from the previous projections is primarily due to a reduction in short term payables, with 2029/30 also affected by the drop in cash balances noted above. The reduction on short term payables is largely related to the reduction in the level of grants to be released from deferred income within 12 months, and is connected to the associated Statement of Comprehensive Income (SOCl) entries. Other elements of the net current assets are broadly similar to previous projections.

Outstanding loan debt is forecast to increase by 22.0%, reaching £7.18 billion in 2029/30. The average annual rise of 4.9% over the first three years will decrease to less than 2.9% in the following two years as committed development activity slows, leading to reduced new borrowing. The breakdown of the outstanding loan debt between short-term and long-term is presented in Table 6 below.

	2025/26	2026/27	2027/28	2028/29	2029/30
Loans due < 1 year	148.2	158.8	155.1	175.4	160.2
Loans due > 1 year	6,040.0	6,343.9	6,648.1	6,820.6	7,023.9
Totals loans balance outstanding at y/e	6,188.2	6,502.6	6,803.2	6,996.1	7,184.2
% annual change	5.0%	5.1%	4.6%	2.8%	2.7%

Table 6: Split of short and long-term debt

Statement of Cash Flows

Cash flow remains a critical component of any RSL's operations, with adequate cash generation essential for both financial viability and long-term sustainability. We closely monitor how and when this cash is spent, whether on day-to-day operations or supporting development and investment programmes. The key figures from the aggregate cash flow projections are presented in Table 7 below.

	2025/26	2026/27	2027/28	2028/29	2029/30
Net cash from operating activities	705.1	751.4	826.0	885.1	937.0
Returns on investment and servicing of finance	(257.8)	(273.7)	(289.0)	(308.4)	(320.0)
Capital expenditure and financial investment	(803.8)	(824.1)	(815.7)	(779.8)	(830.4)
Net cash from financing	274.2	308.4	294.5	189.7	183.5
Increase/(decrease) in net cash	(82.3)	(38.0)	15.8	(13.4)	(29.9)

Table 7: Extract of statement of cash flows

Net cash from operating activities is forecast to increase significantly to £937.0 million by 2029/30, consistent with earlier comments on turnover increasing ahead of operating costs, and the projections clearly show steady annual increases in net cash from operating activities. However, debt servicing costs are also expected to steadily increase, reflecting higher levels of loan debt and higher interest rate assumptions.

The Bank of England Base Rate reached a recent historical high in August 2023, when it peaked at 5.25%. In August 2024 it reduced to 5.0%, There have been four further reductions since then to reach its current level of 4.0%, where it has remained since August 2025. With the Bank of England having taken a new direction in policy towards sustaining economic growth rather than solely the control of underlying inflation, the next review in December 2025, after the November 2025 budget will be an important one for all RSLs with borrowing on variable rate loans,

Inflation reached the government's long-term target of 2.0% in June 2024. Having fallen further to 1.7% in September, it rose again to 2.3% in October that year, and it is often these two months that are used by RSLs as reference points when consulting on future rent increase proposals. Since then, inflation has remained on a generally upward trajectory, reaching 3.8% in September 2025. Although CPI has fallen slightly to 3.6% in October borrowers should not anticipate any significant further reductions in inflation in the near term and RSLs must remain prepared to manage a potentially longer period with no further meaningful reductions in interest payments and operating costs, and having to still balance rent increases against affordability for tenants as household costs continue to increase.

The cash flow projections also show a decline in annual capital expenditure from previous projections, although it is fairly well maintained across the five-year period at around £800m pa. This is despite the reduction in the development programme as RSLs are having to spend more to build fewer new homes, and are spending on average £27m pa more on improving existing homes.

In summary, net cash outflows are projected in all years other than year 3 which shows a modest inflow of £15.8m, with the overall profile being determined by the interplay between drawing and repaying finance, and the variability inherent in capital programmes. Overall cash outflow over the five years is £148m.

The ratio of cash generated from operations to interest paid had been falling in the years prior to the pandemic but that trend reversed in 2020/21, and although recovery has not been as quick as anticipated in previous years, current forecasts show it slowly but steadily rising across the projections (see Table 8 below) to almost reach the high projected in the

2023 projections (287%), albeit two years later, and still lower than the 2022 projections which showed levels of 320% from 2026/27.

	2025/26	2026/27	2027/28	2028/29	2029/30
Net cash from operating activities	705.1	751.4	826.0	885.1	937.0
Interest paid	271.0	285.0	299.2	318.6	329.6
Ratio (%)	260%	264%	276%	278%	284%

Table 8: Ratio of cash generated from operations to interest paid

Financial Assumptions

As part of the FYFP return RSLs provide the key financial assumptions which form the basis of their short, medium, and long-term financial projections. Data collected in the 2025 FYFPs gives an insight into the sector's view of the operating economic climate at that time, with Tables 9 & 10 below showing some of the information on key planning assumptions around inflation and rents.

General inflation	2025/26	2026/27	2027/28	2028/29	2029/30
Sector Average	2.8	2.7	2.3	2.3	2.3
Minimum	0.0	0.0	0.0	0.0	0.0
Median	2.6	2.5	2.0	2.0	2.0
Maximum	5.0	5.0	5.0	5.0	5.0

Table 9: General inflation

Gross rent increase	2025/26	2026/27	2027/28	2028/29	2029/30
Sector Average	4.3	3.8	3.4	3.2	3.1
Minimum	1.5	2.0	2.0	2.0	2.0
Median	4.3	3.8	3.1	3.0	3.0
Maximum	7.0	6.5	6.0	6.0	6.0

Table 10: Gross rent increase margin

RSLs are currently approaching their annual rent setting for 2026/27 and will want to take as much cognisance as they can of current rates of inflation, borrowing rates, and the potential impact of the November 2025 budget. With CPI at 3.6% in October 2025 inflation has already reached a higher level than anticipated for the current year, which may require RSLs to consider setting rent increases above those assumed in their current projections.

What is clear is that RSLs still face an uncertain and challenging operating environment and Governing Bodies must continue to ensure appropriate stress testing of any changes in underlying assumptions to fully understand the impact on their business and to help mitigate against unforeseen movements.

Rent Increases and Inflation

Analysis of the inflation assumptions compared to figures published by the [OBR in March 2025](#) shows the average rent increase exceeds both CPI and RPI forecasts in Year 1 of the projections. Although the average rent increase is forecast to fall each year it is assumed to stay above inflation forecasts throughout the remainder of the projections period. The forecast figures are shown in Table 11.

	2025/26	2026/27	2027/28	2028/29	2029/30
Average rent increase	4.3	3.8	3.4	3.2	3.1
CPI	3.2	1.9	2.0	2.0	2.0
RPI	4.2	3.1	3.0	2.8	2.8
Eligible rent growth assumptions for RSLs	2.8	4.8	2.9	3.1	3.1

Table 11: Average RSL rent increases from the FYFP compared to OBR inflation forecasts

At the individual RSL level, Table 12 illustrates the significant disparity between rent increases and inflation, with the majority of RSLs assuming future rent increases of above RPI. The sector has traditionally based its annual rent increase assumptions on inflation rates from the previous September (CPI Sept 24, 1.7% - the lowest point for several years) or October (CPI Oct 24, 2.3%), which typically aligns with the start of the budgeting and rent-setting process. Although the table shows that around half of all RSLs increased rents by more than RPI for 2025/26, the average increase of 4.3% would have been largely determined when inflation was much higher than it was at the start of 2025/26. CPI has more than doubled since September 2024 to 3.8% (September 2025) while RPI has reached 4.5% (down slightly from a 4.8% high in July 2025), placing the average increase for 2025/26 between these two indices. While inflation and rent increase assumptions are expected to remain consistent for most, by the final year of the current projections, 109 RSLs are anticipating continuing to raise rents above RPI.

	2025/26	2026/27	2027/28	2028/29	2029/30
Average rent increase	4.3	3.8	3.4	3.2	3.1
CPI or less	13	1	10	15	21
CPI to RPI	53	34	11	6	6
RPI or more	70	101	115	115	109

Table 12: Spread of RSL rent increases compared to OBR inflation forecasts

RSLs in Scotland applied an average rent increase in April 2025 that was significantly above the CPI inflation rate of 3.5% at that time. Landlords told us that recent years' annual rent setting exercises have been some of the most difficult they have faced. This year will also be hugely challenging as RSLs consider costs that are now rising quickly again while also recognising the financial hardship that remains a reality for many of their tenants. Any rent increase above CPI is still likely to increase the pressure on affordability for tenants.

The drivers of rent increases can be many and varied and are often beyond the direct control of RSLs. RSLs consistently face the conflicting challenge of keeping rents at levels their tenants can afford while continuing to provide tenant priorities in relation to services, maintenance, and planned investment in tandem with building the necessary financial resilience to manage the risks they face. A particular theme this year has been increases in insurance costs

Tenants continue to face difficult and worrying times. Our most recent findings from the survey of the [National Panel of Tenants and Service Users](#) concluded that nearly half of tenants that responded, have experienced difficulties affording their rent and other housing costs. However, the 32% of responding tenants that have experienced difficulties in the last year is slightly up from 29% the previous year. The cost of heating their home remains the most mentioned factor contributing to the affordability of rent, although the actual level of rent was the most important factor in this. Future rent increases have remained the most

common factor contributing to concerns over future rent affordability with 56% of respondents identifying this as a concern. Overall 74% (2024, 77%) were concerned about the future affordability of their rent.

RSLs have shown some restraint in recent years when increasing their rents, however, tenants still face financial challenges and RSLs should continue to scrutinise all elements of their expenditure to ensure they are necessary, focused on the delivery of outcomes for tenants and others who use their services, and represent value for money. The annual rent setting exercise is likely to remain difficult for several years to come.

Financial Ratios

A summary of the forecast interest cover and gearing ratios is shown in Table 13.

	2025/26	2026/27	2027/28	2028/29	2029/30
Interest cover (%)	265.1	267.6	279.5	281.0	287.2
EBITDA MRI (%)	165.3	196.4	214.8	220.3	205.1
Gearing (%)	104.1	106.6	107.3	106.9	106.0

Table 13: Interest cover and gearing forecasts

Forecasts for interest cover are higher across all years compared to the 2024 FYFP returns with the expectation of year-on-year increases. When the 2025 returns were submitted, interest rates were falling from their 15-year peak of 5.25% to 4.25% in the summer of 2025. This rise had been part of the Bank of England's efforts to tackle persistently high inflation. The Bank of England has now taken a different approach, and whilst still setting rates to help control inflation, have chosen to reduce rates to support economic growth. Rates are now at 4.0%. We estimate that each 1.0% on the base rate is worth around £11.3 million in interest charges for the sector. Further reductions would improve interest cover, whilst increases would lead to a decrease in interest cover for many RSLs.

Steady increases take interest cover to 287.2% for 2029/30, with an annual average of 276.1% which is up slightly on the 266.3% average from the 2024 projections and represents a healthier position for the sector. Interest cover continues to be of interest to lenders and remains a common ratio for covenants. We know that calculations can vary from RSL to RSL and from lender to lender, and it can therefore be difficult to draw meaningful comparisons, but whatever the nuances of the calculation, the aggregate position is forecast to strengthen over the short to medium term.

Earnings before interest, taxation, depreciation & amortisation, major repairs included (EBITDA MRI) is impacted by capitalised maintenance costs and despite an increase in those costs, the figure for 2025/26 is higher than it was for 2024/25 as operating surpluses have increased substantially. Many RSLs will have loan covenants using this calculation. We have previously highlighted that ongoing issues, particularly in relation to labour and material shortages, meant that whilst it appears that catch-up repairs are no longer generally required, the increasing costs associated with improvements and component replacements are likely to continue. RSLs should continue to be vigilant to any impact on their interest cover covenants, and we know many RSLs have been able to negotiate temporary waivers and/or changes to their covenant requirements with lenders. Any RSL at risk of a covenant breach should have an early dialogue with their lender and should also submit a notifiable event of a potential breach to us through the [Social Landlord Portal](#).

Gearing has reduced from the previous projections as although borrowing has increased, this is more than compensated by an increase in net assets. Loan debt is expected to

continue rising over the coming years, but at a slower rate, and so with increased net assets, after small increases for two years, gearing levels fall back close to current levels. Gearing reflects the sector's reliance on private finance but also on the availability of grant funding, with the sector north of the border traditionally benefiting from a higher state contribution than in England or Wales. The fall in grant funding and the uncertainty over future levels has contributed to the slowdown in RSLs' development plans with a subsequent impact on borrowing, and this is at the heart of the reduction in the gearing ratio.

At 31 March 2025, 30% of outstanding loan debt was on a variable interest rate, and Governing Bodies should ensure they are managing risks from existing debt. RSLs should ensure robust stress testing to help them understand how sensitive their business plans are to increases in interest rates. Further analysis of the loan portfolio returns for the year to March 2025 can be found in our [annual loan portfolio report for 2025](#).

Alongside improving interest cover and earnings, other key profitability ratios also project slow but broadly upward trends throughout, and whilst net surpluses dip they are at a higher level than previously forecast. See Table 14 below.

	2025/26	2026/27	2027/28	2028/29	2029/30
Gross surplus (%)	19.2	19.6	20.8	22.1	20.9
EBITDA to revenue (%)	19.7	23.5	25.4	26.6	25.2
Net surplus (%)	9.5	8.4	8.8	8.0	9.6

Table 14: Profitability forecasts

We will continue to monitor the impact, particularly on voids, arrears, and bad debts. Table 15 below sets out the projected aggregate sector position across these three key measures, which have all seen slight improvements from the previous projections.

	2025/26	2026/27	2027/28	2028/29	2029/30
Voids (%)	1.4	1.4	1.4	1.3	1.3
Arrears (%)	3.0	2.9	2.8	2.8	2.8
Bad debts (%)	1.1	1.1	1.2	1.2	1.2

Table 15: Voids, arrears, and bad debt forecasts

Voids, arrears, and bad debts remain key performance indicators, particularly in assessing the efficiency of letting and rent collection.

Voids show a broadly similar profile to last year. The early year figures show a marginal improvement on last year with further slight improvements forecast. However, there always remains the possibility of rent losses increasing, particularly if ongoing labour shortages and supply chain disruption lead to delayed works, and in turn, increased re-let times.

Arrears as a percentage of rental income are forecast to fall from the level in 2025/26 as RSLs continue to take specific measures to engage earlier with tenants to avoid arrears building up. The projections show an expectation that they will slowly return to pre-pandemic levels.

Bad debts are forecast to remain at similar levels as currently, suggesting that RSLs feel their efforts to engage with tenants to avoid a build-up of arrears are working, and that the longer-term risk of tenants not being able to pay their rent is similar to pre-pandemic levels.

Investment in Existing Stock and Net Zero Carbon

RSLs continue to forecast significant capital expenditure on improving their existing stock, a total of £2.08 billion over five years for an average of almost £6,300/unit. (2024, £5,700)

In addition to regular cyclical maintenance and a component replacement programme, RSLs should anticipate significant and costly future investment will be required to meet the Social Housing Net Zero Standard (SHNZS) once it is finalised. This will be especially relevant for pre-1919 tenement properties. In November 2023, the SG published a consultation seeking feedback on this new standard, which is to replace the second Energy Efficiency Standard for Social Housing (EESH2). The outcome of this consultation will provide crucial guidance for RSLs in planning the necessary future investment, with it becoming a key factor in shaping their medium to long-term investment strategies. There has been no formal announcement of the outcome of the consultation as at the date of this report.

The sector currently forecasts combined capital and revenue expenditure of £432.5 million (compared to £379.1m in 2024) on EESH compliance. Whilst this represents an increase from the 2024 FYFPs, it is believed that the provided data is incomplete and may contain errors as many RSLs tell us that although their future works programme does include energy efficiency works, no specific sums have been included as they are awaiting further guidance from SG. A further £375 million (compared to £414m in 2024) is forecast for investment in pre-1919 stock and from information provided on the number of pre-1919 units, this would equate to around £13,500/unit and represents a decrease from the 2024 FYFPs, although again we believe the data to be incomplete and to contain inaccuracies for the same reasons as the EESH information above.

It is essential for RSLs to have robust data and intelligence about its stock to ensure they have a thorough understanding of the condition of any of their properties and the ongoing investment required for their maintenance, including any additional measures needed to meet tenant and resident safety obligations. A well-developed asset management strategy, with clear connections to business plans and financial forecasts, can help increase confidence in long-term viability. RSLs should consult our updated [Integrated Asset Management](#) advisory guidance, published in February 2023, when developing or enhancing their asset management approach.

RSLs also face difficult decisions when considering how to balance investment in existing properties with funding new build development programmes. The needs of current tenants must be weighed against future demands, and forecasts suggest that RSLs may need to raise unprecedented levels of debt to meet these requirements.

It is also recognised that significant future investment will be required to de-carbonise stock towards the SG's 2045 net zero target. To achieve this, targeted investment in existing stock will be essential; to improve energy efficiency but also to aid the move away from fossil-fuel based heating.

Acknowledging the significance of this issue and its potential impact on financial health, we have included additional questions in the FYFP return since 2022. We asked RSLs whether they had considered de-carbonisation and, if so, to what extent estimated future costs have been factored into their projections. The responses are outlined below:

- 39 RSLs indicated they had considered de-carbonisation as part of their business planning, representing 22% of all RSLs. This is up on the 31 that indicated their

consideration in 2024, however, there are a further three that said they considered it last year, but not this year. All 39 RSLs say they have considered the cost impact on their forecasts, and even without the three that included estimates last year but not this year, the total costs are increased.

- of the 39 RSLs who included costs, estimates ranged from £0.035 million to £40.7 million.
- 28 of the RSLs who confirmed they had made some provision also did so in 2024. The aggregate expenditure forecast across these 28 has increased to £102.3 million from £88.0 million, with the total for all RSLs increasing to £166.8 million from £154.6 million, at least in part reflecting the increase in the number of costed RSLs, although several RSLs have not provided information in 2025 that did in 2024.
- where comments have been input, but no costs provided, the underlying theme is one of waiting for the policy framework to be put in place, and more definite costings to be available, before they will commit to including anything.
- it remains concerning that for such a significant risk area with the potential to have a material impact on the funding of business plans that the majority of RSLs are still using the fallback position of there being no policy framework in place or insufficient available information on costs. This is in marked contrast to the position in England & Wales where Registered Providers are much more likely to include the future impact of de-carbonisation in their business plans.

There remains limited data on how much additional investment might be required. If we were to update the details in the 2021 joint report by Savills and the National Housing Federation for recent CPI inflation then estimated costs in England would range from £29,736 for a flat (was £24,250) to £45,432 for a 3-bed semi-detached house (was £37,050), with figures inclusive of non-fabric costs of £14,040 (was £11,450). However, RSLs tell us that the cost inflation rates experienced recently have been significantly higher than CPI so these estimates would reflect an optimistic position.

In Scotland, it is expected that pre-1919 tenements will potentially prove the most difficult and therefore the costliest to get to net zero carbon. Similarly, therefore, if we take the 2021 Southside Housing Association retrofit pilot that raised eight sandstone tenement flats to Passivhaus standard and inflate the original figures then spending would be the equivalent of £45,371 per flat (was £37,000) on energy efficiency measures.

With more than 25,200 pre-1919 tenements and taking the inflated cost of Southside's energy efficiency measures as a proxy, then the cost to the sector could be over £1.14 billion. The latest aggregate figure included in the FYFPs for capital and revenue expenditure on pre-1919 properties is around a third of this at £375 million.

Similarly, if we were to extrapolate the inflated cost of the Savills/NHF figures using the outturn units from the 2025 FYFPs of approx. 319,000 then the additional fabric costs to 2030 could range from £4.80 billion (from the flat estimate) to £9.60 billion (from the house estimate).

These figures differ significantly from the current total cost estimate by RSLs of £166.8 million. To fund these much higher estimates entirely through rents would require annual

increases ranging from 48% to 92%. Alternatively, funding solely through additional borrowing could result in interest charges in excess of £1.9 billion by 2030, assuming RSLs could secure fully amortising loans at the current Bank of England Base Rate of 4.0%.

Future Development

The development of new affordable homes continues to be a government priority and the 2025/26 [Programme for Government](#) reaffirms a commitment to deliver 110,000 affordable homes by 2032 of which at least 70% should be for social rent and 10% in remote, rural and island communities. In addition to providing quality, affordable and secure homes to those in housing need, the affordable housing programme also aims to bring benefits across the [National Performance Framework](#), as well as being a fundamental part of the strategy to [tackle homelessness](#).

A summary of the number of new units projected to be added by the current development plans over the next five years is shown in Table 16 below.

	2025/26	2026/27	2027/28	2028/29	2029/30
New social rent properties added	2,907	2,682	3,472	2,832	2,321
New MMR properties added	399	601	820	681	717
New LCHO properties added	4	22	73	23	13
Transfers In	672	0	0	0	0
New other tenure properties added	0	0	0	0	0
Total affordable housing units added	3,982	3,305	4,365	3,536	3,051

Table 16: Forecast development numbers

The “Transfers In” reported above relate to Transfers of Engagements between RSLs and therefore represents existing stock, and not additional stock in the sector. The total number of new units forecast for development, at around 17,600 (excluding the transfers), is 22% down on the 22,600 projected in the 2024 projections.

In looking at these plans, it is important to bear in mind that whilst some RSLs have always chosen to include aspirational plans, most continue to be more prudent, by only including those projects where there is a clear development commitment. Rising build and finance costs, and reductions and uncertainty over future grant levels, have not made it any easier for RSLs to put those firm commitments in place and the aggregate projections reflect this, with forecast completions dropping significantly from previous projections. The number of RSLs forecasting development has fallen slightly from 86 in the previous projections to 83 in the current projections, with twice as many RSLs showing a reduction in their forecast level of development than increases (55 vs 27.) Nearly a third of RSLs that have assumed a reduced level of development, and a fifth have cut their plans by more than half, with much of this directly related to the reduced certainty over grant funding.

It is anticipated that the new units, at a cost of £4.04 billion, will still be funded primarily by social housing grant (£2.21 billion, 55% of cost) and private finance (£1.56 billion, 39% of cost). A full breakdown of the forecast development funding profile is shown in Table 17 below.

	2025/26	2026/27	2027/28	2028/29	2029/30
HAG	367,144.3	457,220.3	544,373.2	464,015.8	373,950.8
Other public subsidy	1,962.9	1,353.0	1,795.0	240.0	2,250.0
Private finance	262,586.0	296,268.3	403,267.5	329,454.2	267,071.6
Sales	505.4	6,846.1	12,101.6	3,607.5	3,470.2
Cash reserves	52,867.5	41,257.3	24,447.6	35,302.7	29,759.8
Other finance	23,266.0	0.0	0.0	0.0	30,000.0
Total cost of new units	708,332.2	802,945.0	985,984.9	832,620.2	706,502.4

Table 17: Forecast development cost & funding

In addition to the traditional methods of funding, some RSLs will look to sale proceeds and whilst the number of sales has always been lower in Scotland than in England, the risk attached to relying on sales is greater if RSLs need to be able to sell at a high enough price and/or volume to at least partly cover the required investment in new properties. However, from the forecasts, sales proceeds of little more than £26.5 million across the projections clearly indicate more of a top up funding source reducing the reliance on grant funding and private finance, rather than something that the sector is relying on as a significant source of funding.

Forecast committed development levels continue to drop, and with only 10 RSLs adding more than 100 units last year, and accounting for 60% of the completed units in 2024/25, and 16 RSLs accounting for 70% of the total development over the coming five years, a small number of RSLs continue to be responsible for the majority of the proposed new build development.

The development process carries a significant range of added risks, which if inadequately managed have the potential to seriously impact RSLs, tenants and the sector as a whole. Given the turbulent economic climate in recent times, these risks have significantly magnified. All RSLs, including those looking to develop for the first time, or even for the first time in a long time, can refer to our [development thematic](#) to assess the potential risks when they are making decisions on whether to take a project forward.

Economic volatility continues to bring significant disruption to RSLs new build development programmes and there are still supply chain disruptions, labour shortages and significant cost increases. The risk of business failure still remains, particularly in the construction industry, and reflective of this and the other financial challenges driven by the cost-of-living crisis, RSLs forecast that average development costs per unit will exceed £200,000 across the five years for the first time, peaking at £243k in 2026-27, before falling back slightly in the later years. These figures are a significant increase on those from previous projections showing an average increase of around £20k per unit.

The average cost of developing has increased steadily in recent years, and with rent increases having been suppressed and so controlling the contribution that RSLs can make through borrowing, an increasing reliance on grant funding has developed such that it now accounts for 54.7% of the total funding of new units, up from 49.5% just three years ago. With no matching increase in the total amount of grant funding available, this has inevitably been a factor in driving the reduction in the overall development programme.

The current financial challenges associated with sustaining a significant development programme means it remains crucial for RSLs to have appropriate plans in place to try to mitigate as best they can the added risk that development brings.

Since the 2025 FYFP returns were submitted, the economic picture has seen a small increase in inflation and further small reductions in interest rates. Despite that, we are still seeing some evidence of continuing supply-chain and labour market pressures with cost inflation still expected to lead to a continued squeeze on development plans in the next round of projections although some RSLs are reporting that costs appear to be levelling off.

Against this backdrop is the SG 2032 new homes target and the recent announcement of £4.9 billion of investment for 36,000 affordable homes over the coming four years and a target to increase housing delivery by 10% each year for three years. Although not all of this relates to RSLs, the current projections show their plans moving in the opposite direction, and RSLs are increasingly mindful of the competing pressure of net zero and the prospect of funding potentially having to be redirected towards that in the years ahead.

In addition, when looking at the recent outturn development figures the sector has only achieved annual completions of more than 5,000 units four times in the last ten years, averaging around 4,700 new units per year across that period (see Table 18 below), and only once delivering more units than projected.

	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Year 1 forecast	3,723	3,603	5,325	6,358	7,064	6,025	7,947	8,122	6,109	4,982
Outturn	3,755	3,494	3,914	5,054	5,314	3,412	7,158	5,913	4,998	3,982
Difference	32	-109	-1,411	-1,304	-1,750	-2,613	-789	-2,209	-1,111	-1,000

Table 18: Outturn development numbers compared to forecast

Even ignoring the pandemic's impact on completions in 2020/21, we can see a consistent pattern of over-forecasting, with actual completions regularly more than 20% down on forecast.

To achieve the 2032 target of at least 77,000 affordable new homes across a ten-year period, albeit with some of that number to be delivered by the local authorities, an annual average of 7,700 new homes would need to be delivered, a figure that the sector has never delivered in the last ten years, and more than double what RSLs are currently forecasting over the coming years.

Projected borrowings

Our analysis shows that RSLs expect to increase loan debt to £7.18 billion by the end of 2029/30, a net increase of £1.29 billion across the five-year period, but only a marginal increase of £0.03 billion from that forecast in the 2024 returns to the end of 2028/29 reflecting a slowdown in the rate of borrowing.

Despite this slowdown, which is linked to reduced development, the additional new loan finance forecast remains a substantial number and is required to fund not just new build development but also ongoing investment in existing stock. This figure does not represent the full amount that RSLs will need to access from lenders over the period as their forecasts also include a further £0.9 billion in potential loan drawdowns during the period associated with re-financing of existing debt. The regular communication we have across the sector in Scotland and across the rest of the UK continues to indicate that lenders and investors still consider the Scottish social housing sector to be an attractive sector for lending.

As of November 2025, the Bank of England had lowered the base rate to 4.0%. Current forecasts from the Office for Budget Responsibility indicate that the base rate may have peaked at 5.25%. With inflation now returning to more typical levels, although still fluctuating, borrowers may be able to anticipate a further rate cut by the end of the year, but the Bank of England remain cautious, and further reductions are not considered likely. This is likely to affect the rates available for new borrowing, and we anticipate that RSLs will factor this into their long-term business planning assumptions and any related sensitivity analysis.

Pensions

The primary pension scheme providers for the sector remain the Scottish Housing Associations Pension Scheme (SHAPS) and the Local Government Pension Schemes (LGPS). The number of RSLs still exposed to defined benefit (DB) schemes continues to decrease, but many still carry some exposure, particularly the risk of a shortfall in investment returns. The future potential liability faced by any RSL remains uncertain and beyond their control and with financial obligations recalculated every three years, this can often lead to an increase in ongoing costs if schemes are found to be in deficit.

RSLs were notified of the results of the triennial revaluation of the SHAPS scheme in summer 2025, and these showed a return to a deficit of £79m across the fund that will require RSLs to make additional deficit recovery payments for at least four years to come. Whilst the amounts due from individual RSLs will vary, payments are anticipated to be about one half of the previous deficit recovery payments. We will incorporate these results into our future annual financial risk assessments.

Glossary

Annual Financial Statements (AFS) return	The annual return collating data from the audited annual financial statements of RSLs
Care organisation	An organisation employing greater than 50% of their FTE staff in a care role
Consumer Prices Index (CPI)	The benchmark inflation rate calculated by the Office of National Statistics (ONS) and used by the Bank of England to determine monetary policy
EBITDA MRI (Earnings before interest, tax, depreciation & amortisation, major repairs included)	$[(\text{Operating surplus} + \text{depreciation} + \text{impairment} - \text{capitalised maintenance costs}) / \text{interest payable}]$. A version of interest cover commonly used as a loan covenant
Energy Efficiency Standard for Social Housing (ESSH)	ESSH aims to improve the energy efficiency of social housing in Scotland. It will help to reduce energy consumption, fuel poverty and the emission of greenhouse gases.
Five-Year Financial Projections (FYFP)	The annual return collating data from the 5-year financial projection submissions from RSLs
Gearing	$[(\text{Total outstanding debt} - \text{cash \& cash equivalents}) / \text{net assets}]$. Commonly used as a loan covenant, the calculation used by SHR cannot generally be compared to covenant calculations as it does not adjust for grants held as deferred income in the Statement of Financial Position
Housing Association Grant (HAG)	Grant funding provided by the SG to part finance the development or purchase of social housing by an RSL. A similar arrangement exists for Glasgow City and City of Edinburgh Councils who receive funding for this purpose direct from SG
Interest cover	$[(\text{Net cash from operating activities} + \text{interest received}) / \text{interest paid}]$. Commonly used as a loan covenant with many variants. The calculation used by SHR cannot generally be compared to the covenant calculations as it is based on figures from the cash flow rather than the statement of comprehensive income
Loan Portfolio (LP) return	The annual return collating data RSLs private borrowings
Office for Budget Responsibility (OBR)	Non-departmental public body funded by the UK Treasury and established by the UK Government to provide independent economic forecasts and analysis of the public finances
Performance method	Accounting policy choice allowing release of capital grant as deferred income when related performance criteria are met. Can only be used where housing assets are valued using revaluation method

Registered Social Landlord (RSL)	As registered under the Housing (Scotland) Act 2010 to provide Scottish Secure Tenancies. This does not include Local Authorities
Retail Prices Index (RPI)	RPI is another ONS inflation rate, this one including housing costs
Social Housing Net Zero Standard in Scotland (SHNZS)	This new standard will replace the planned EESSH2 standard
Stock/unit numbers	The unit numbers from the AFS return that we require each RSL to complete



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