

Rent Increase 2026/27
Focus Group
Thursday 8th January



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Rent Increase Policy

- Approved February
2025

The standard assumption for rent increase projections is based on the November Retail Price Index plus a margin of 1%. This is used the starting point for consideration of rent increases. The Management Committee have the discretion to vary approach this depending on prevailing economic circumstances or business requirements.



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RENT INCREASE 2026/27

The decision on the annual rent increase to be applied will be taken by the Management Committee at their meeting in January 2026

The Association sets out its intentions as regards rent increases within its Business Plan

CONSULTATION OPTIONS 2026/27
3.6% 4.3% 4.6%



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KEY CONSIDERATIONS WHEN DETERMINING RENT INCREASE 2026/27

- Financial obligations can be met e.g loans repaid, financial and contractual obligations met and so on
- Investment priorities can be delivered to ensure that we
 - can deliver the investment programme
 - continue to meet the Scottish Housing Quality Standard (SHQS) & Energy Efficiency Standard Social Housing EESSH 1
 - No longer EESSH 2 but will require to meet Social Housing Net Zero Standard for Scotland (SHNZSS) - still to be finalised
 - meet Health & Safety obligations – for example, FCMD/Fire Safety/EICR/Gas



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KEY CONSIDERATIONS WHEN DETERMINING RENT INCREASE 2026/27

- A good standard of service continues to be provided to you
- Repairs can be carried out to your home
- Take account of factors which will impact on how we operate e.g. rising costs, meeting standards
- Improvements to services – Annual Contact [every] Tenancy
- Fall out from Covid / Cost of Living Crisis/ Brexit
- **Importantly we also have to ensure that rents continue to be affordable**



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Inflation

When calculating proposed rent increases the Association normally uses a formula linked to inflation. Normally we use the Retail Price Index (RPI). We are also looking at the impact of the Consumer Price Index (CPI).

Our long-term projections are based on rents rising at the start of each financial year by RPI plus 1%, using the rate of RPI as at November each year. All the consultation options are below November's RPI +1%

CONSULTATION OPTIONS 2026/27
3.6% 4.3% 4.6%



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The Scottish Housing Quality Standard.

In 2004 the Scottish Government introduced a new standard for all housing association and council houses in Scotland. This is the Scottish Housing Quality Standard. By 2015 a dwelling must be:

- Compliant with the Tolerable Standard
- Free from serious disrepair such as major roof, dampness or structural problems
- The property must be energy efficient and meet the minimum SAP rating of 50 for mains gas central heating and 60 for all other types of heating and NHER rating 5.0
- Note: The Energy Element now superseded/amalgamated into by the EESSH – now moving to SHNZS – Social Housing Net Zero target – awaiting clarification from Scottish Government on this – likely to have **MAJOR** cost implications



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The Scottish Housing Quality Standard.

- Provided with modern facilities and services so it must have kitchen and bathroom fittings that are in a good and safe condition
- Healthy, Safe and Secure e.g. it must have a smoke detector, secure doors and safe electrical and gas systems
- All repair, maintenance and improvement works must comply with the Scottish Building Standards.

Standards once reached must be maintained- It's like painting the Forth Bridge !



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The Scottish Housing Quality Standard.

- Funded from rental income
- Association had to find around an additional £3.5 million to pay for it at the time
- Information provided to tenants on what work is required to each area to meet the standard – 'Investment Special'
- This is a Scottish Government Standard
- 86.7% achieved by target date March 2015 – this reduced to 79.51% in 2021/22 due to 67 EICRs incomplete. As at March 2025, we are 91.20% compliant
- Non-Compliance / Abeyances agreed for 108 individual flatted properties within 30 multi tenure blocks
- See EESSH 1 & 2 below for Energy Efficiency
- No rent increases specifically for this purpose



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Energy Efficiency Standard Social Housing EESSH 1 & 2.

- Scottish Government standards with SQHS energy efficiency element amalgamated into EESSH 1 & 2 from 2020.
- To reduce energy consumption & carbon emissions
- Aim 42% reduction by 2020 and 80% by 2050 as set out in the Climate Change (Scotland) Act 2009
- As at March 2020 we were 90.7% compliant with EESSH 1 – target was 100% by Dec 2020.
- As at March 2023 we were 98.06% compliant with the EESSH 1 target (28 properties failing)
- EESSH 2 was due to come along with target of all social rented homes being EPC "B" rated by 2032.
- Milestones originally set for 2025 & 2032 for EESSH 2
- October 2022, the Scottish Government issued interim guidance for social landlords advising a review of EESSH 2 was being undertaken to bring this in line with Net Zero requirements
- EESSH 2 milestones "temporary put on hold"



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Energy Efficiency Standard Social Housing EESSH 1 & 2.

Key Points to Note

- Initially EESSH 2 was being reviewed with anticipated to be completed mid-2023
- Whilst review underway, landlords to continue to invest in energy efficiency measures to help reduce running costs
- In November 2023, Scottish Government issued Consultation document on a new Social Housing Net Zero Standard in Scotland (SHNZS)

We are still waiting on final guidance



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Social Housing Net Zero Standard in Scotland (SHNZS)

- In November 2023 Scottish Government published the consultation on a Social Housing Net Zero Standard that will replace the second Energy Efficiency Standard for Social Housing (EESSH2).
- This consultation seeks views on the proposals for a new SHNZS to replace EESSH2. The Scottish Government will commission an independent analysis of the responses to this consultation to help inform its decision making.
- The EESSH2 Review Group will also be asked to consider the design of the new SHNZS which is arrived at following this consultation. When a final decision has been reached and the new SHNZS is published the Scottish Housing Regulator will engage with social landlords on the Charter indicators which will be needed for reporting performance against the target.
- The Scottish Government will also publish guidance for landlords on how to comply with the SHNZS.
- The review of EESSH2 also takes account of the Scottish Government's proposals for the reform of Energy Performance Certificates
- The consultation has a return date of March 2024. PHA will be responding to this through SFHA collectively with others.



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Our Programme of Planned Maintenance and Improvements

- Roofing / Rendering works
- Painterwork – Gutter Cleaning Grangemouth
- Pre-painterwork repairs – Denny
- Electrical Inspection Condition Reports (EICRs) approximately 300 properties part of rolling 5 year programme
- Heating & Hot Water boiler/system replacements
- Kitchen Replacements – ongoing project
- Sanitaryware (Bathrooms) Replacements – ongoing project
- Doors & Windows Inc Flatted Fire Doors
- Environmental Works – landscape maintenance



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Our Programme of Planned Maintenance and Improvements

- Around £2 - 3 million annual stock expenditure over 5 years
- Special Services -Includes repairs, gas maintenance, open space maintenance etc
- Minor Medical Adaptations e.g. handrails (use grants for major adaptations) - this may come under pressure
- Reactive Repairs & Improvements
- Empty Properties (VOIDS)
- RUBBISH!
- General Environmental Maintenance

INCREASING COSTS



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Business Plan Assumptions

- Review/Outcome of SHNZS to be considered – subject to review outcome
- Don't know cost yet but
- Consultation paper states *"The average estimated total cost to convert a home to highly efficient clean heating system is around £14,000"*
- Paragon ? 1500 properties x £14,000 = £21,000,000?
- Compliance by 2045
- Seeking good quality improvements – tenants tell us specifications important
- Aware of tenant aspirations – through Rent Consultation & other surveys
- Using grant opportunities – including for owners
- Replacement of 'lost' stock – BBOOM /MTR/ New Build



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Business Plan Assumptions

- Our Business Plan sets out estimated income and expenditure over the next 30 years.
- Usually inflation is assumed in the model at 2.5% so assumes rents increasing by 3.5% pa
- Have reduced management costs but trying to avoid front line service cuts
- Modelled a higher level of inflation for next year given level of inflation
- If inflation is above the 2.5% assumption then that impacts on rents
- Require to meet the Scottish Housing Quality Standard by 2015 and maintain standard thereafter.
- EESSH 2 Review – now need to consider SHNZS when we know the target



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Current Financing Position

- Large Scale Voluntary Transfer background
- Financed at outset by borrowing
- Refinancing 2025/26
- Loans have covenants i.e. conditions we must meet
- Projected 2025/26 expenditure is £6.978 million



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New Homes ?



18 units Bo'ness – delayed but should be available 2026/27

17 units Westquarter, Falkirk, delivered September 2025

BBOMs – buy back programme

Using loans & grants to finance

These "pay back"

Will be "unencumbered" asset so helps balance sheet – financial stability /borrowing capacity



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AFFORDABILITY

What is affordability?

Are Paragon Rents affordable?

Will they stay affordable?

"Decent, secure housing, which is affordable to people on low incomes, wherever they may live in the country, provided by not for profit organisations"
CIH Scotland definition



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Rents



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How do our rents compare?

Organisation	1 Apt	2 Apt	3 Apt	4 Apt	5 Apt
Falkirk Council	£ 53.94	£ 65.31	£ 77.41	£ 87.37	£ 100.22
Stirling Council	£ 66.20	£ 75.00	£ 77.47	£ 80.58	£ 82.79
Clacks Council	£ 81.10	£ 82.96	£ 85.07	£ 87.27	£ 89.69
Paragon HA	£ 72.74	£ 81.08	£ 90.03	£ 102.80	£ 120.31
Scottish Average	£ 87.12	£ 93.27	£ 96.00	£ 104.51	£ 115.58
Forth HA	na	£ 87.58	£ 97.32	£ 106.37	£ 113.70
Ochil View HA	£ 76.94	£ 91.75	£ 99.79	£ 108.60	£ 113.01
Kingdom HA	£ 76.92	£ 89.94	£ 99.97	£ 111.77	£ 118.66
Rural Stirling HA	na	£ 91.40	£ 104.09	£ 113.67	£ 107.02
Link HA	£ 82.82	£ 96.38	£ 108.89	£ 114.26	£ 128.80

Whilst averages are not always reflective of individual rents the above table shows how we compare with other Social Landlords in the area. The rents shown are for 2024/25 and do not take into account the 2025/26 rent increase. All three local authorities applied a higher increase than Paragon last year. The Rent Harmonisation Exercise is looking to bring rents in closer to the average figures and your personalised projection shows how we are trying to do this.



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Rent Ready Reckoner

Council area	Size	Total	Weekly Rent	3.6% increase	4.3% increase	4.6% increase
Clacks	1 APT	3	£74.48	£77.16	£77.68	£77.90
	2 APT	9	£89.97	£93.21	£93.84	£94.11
	3 APT	216	£94.07	£97.46	£98.12	£98.40
	4 APT	171	£104.95	£108.73	£109.46	£109.78
	5 APT +	17	£112.97	£117.04	£117.83	£118.17
	Clacks Total	416	£99.09	£102.66	£103.35	£103.65
Falkirk	1 APT	5	£76.23	£78.98	£79.51	£79.74
	2 APT	120	£82.00	£84.95	£85.52	£85.77
	3 APT	473	£92.64	£95.97	£96.62	£96.90
	4 APT	282	£105.64	£109.44	£110.18	£110.49
	5 APT +	25	£132.88	£137.66	£138.59	£138.99
	Falkirk Total	905	£96.39	£99.86	£100.53	£100.82
Stirling	2 APT	38	£89.90	£93.14	£93.77	£94.04
	3 APT	43	£100.32	£103.93	£104.63	£104.93
	4 APT	77	£115.52	£119.67	£120.48	£120.83
	5 APT +	1	£132.46	£137.23	£138.16	£138.56
	Stirling Total	159	£105.40	£109.19	£109.93	£110.24
	Overall Total	1480	£98.14	£101.68	£102.36	£102.66

In addition to the ready reckoner in the newsletter every tenant is given a personalised projection showing how proposed increases and rent harmonisation will potentially impact their rents.



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PARAGON RENTS ARE AFFORDABLE.....

The work undertaken shows that our rents are affordable and will remain if one of the consulted increases is applied.

HOWEVER – this year rent harmonisation means that the impact on individual tenancies will vary considerably.

Around 620 tenants will transition to their new rents in the first year with the remaining tenants seeing the change implemented over the next few years.

We know that this is a complex process and that is why we created individual sheets this year to try and give a real indication of what the different rent increases we are consulting on will potentially mean.



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COST OF LIVING INCREASES

• Affects the Association

- Increased costs of materials / repairs
- Arrears fluctuating
- Risk of reduced tenancy sustainment
- Increased incidents of damp / condensation due to tenants being unable to afford to heat their homes.

• What can we do to help tenants?

- Some, but limited, financial assistance
- Tenancy Sustainment Officer
- HoME Tenancy Support
- Energy Advice (Supported by Energy Action Scotland & Octopus Energy)



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Satisfying our lenders ?

- Need to ensure that we meet the conditions of our loan agreements with our lenders- RBS and GB Social Housing.
- These are known as "covenants". Tested quarterly/annually
- A balance is required to make sure we meet these.
- There are serious consequences if these are not met.



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Impact of a 3.6 – 4.6% increase

- A 3.6% increase would produce around £ 318,400 additional income, whilst a 4.3% increase would generate £ 356,200 and a 4.6% increase would produce around £ 378,900 additional income. The aim is to use any additional income to add back into the investment programme primarily through new kitchens and bathrooms.
- We know that any rent increase is unpopular. However, the costs of providing our services and keeping neighbourhoods safe and tidy has risen significantly in recent years, and we do not expect these costs to reduce.



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Impact & Risks

- Inflation is still running higher than government target
- Costs continue to go up as prices are hit by inflation
- Some protection from inflation of works costs short term due to having long term framework agreements
- Contractors have held prices but what will happen when we re-tender ?



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Impact & Risks

- If we don't look at costs & rents - impacts on covenant compliance- if we fail to meet these then financial & other penalties
- Impact on affordability for tenants



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Perfect Storm still impacts but some green shoots?

- Costs rising
- Inflation still "sticky" but recent fall
- Economic growth slow
- Arrears – some improvement
- Contractors - stabilising but costs not reducing
- Covenants met but need to ensure not breached
- Penalties for breaches if it happens



Managing Risk Is Key

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CONSULTATION





- Telephone Survey
- Newsletter and paper survey
- Online survey and information on website
- Facebook
- Focus Group
- Email / call backs

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Things to think about ?

- ❖ 3.6 % - 4.3% - 4.6%
- ❖ 4.6 % with money for additional programme works? Increases income by around £380 k
- ❖ Other level ? What and why?
- ❖ What are your priorities ?
- ❖ Is there anything better we can do on consultation?
- ❖ Your hopes & fears ?

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Thanks For Coming & Over To You

Discussion Session



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Ways To Feedback Decision ?

- Previously published Rent Special Newsletter
- Issued to all tenants
- Details on
 - Feedback from tenants
 - How decision was made and what taken in to account
 - Rent comparisons

