

Understanding Income Risk in Scotland's RSL Financial Projections

mobysoft
HOUSING INTELLIGENCE

SHR REVIEW INDICATES 100% INCOME
COLLECTION REQUIRED FOR RSLs,
WITH LITTLE MARGIN FOR ERROR



Introduction



The Scottish Housing Regulator's (SHR) latest financial projections suggest the sector have clear visions and strategies for delivering their purpose over the next five years but may be underestimating the challenges along the way. Underlying assumptions within these projections expose a significant and potentially under-recognised risk around income collection for Scottish landlords that leaders must address as a strategic priority.

The fundamental assumption within the RSLs projections is that landlords will be able to deliver additional income through a single revenue source (housing rents), against a worsening cost-of-living situation, Universal Credit challenges and additional expected and unexpected repairs costs arising over the period.

The SHR says it is still seeing unprecedented levels of engagement from landlords on financial challenges. Below, we've broken down some of the key takeaways from the Scottish Housing Regulator's Summary of Registered Social Landlord Financial Projections for the period 2025/26 to 2029/30.



01

Above-inflation rent assumptions and the cost of living

Financial projections set out by the SHR for the sector rely on annual above-inflation rent increases. That is despite 74% of tenants expressing concern about the future affordability of rent, as set out in the SHR report.

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Ongoing financial pressures on tenants could lead to higher bad debts, making it essential for RSLs to continue stress testing for potential income reductions.

We have seen that during the recent cost-of-living challenges that landlords report higher arrears, slower recovery of debt, and greater levels of bad debt write-offs.

KEY THEMES

To continue an effective and successful income collection service, earlier intervention and prevention recommendations that are accurate, tailored and usable is critical. This includes detailed analytics enabling officers, team leads, service heads and boards to understand arrears trends and bandings, geographic and patch breakdowns at a macro and granular basis. If, today, 74% of tenants are concerned about the future affordability of rent then operational visibility and control is imperative.

Correspondingly, with an expected rise in tenants going into arrears for the first time over the next five years, effective forecasting and reporting will protect income collection.

Mobysoft's Income Maximisation Directors (IMDs) and Customer Success Managers (CSMs) spend a considerable amount of their time training and supporting clients on best practice. In January 2025, there was a record number of sign-ups to a webinar ran by our IMDs on this very topic.

If an officer or team lead can see the projected balance velocity on a rent statement before a tenant indicates they are struggling, then that tenant can be supported fully in a way that preserved their dignity and sense of independence – increasing tenancy sustainment through increasingly difficult times.



02

Assumptions of full income collection

Sector projections anticipate turnover rising ahead of operating costs, implicitly assuming very high-income collection performance can be maintained.

However, this outlook comes with a backdrop of:

- Ongoing Universal Credit challenges
- Sustained cost-of-living pressures
- Macroeconomic instability
- Emerging compliance and non-compliance costs
- Mobysoft's research of Ombudsman compensation awards relating to Damp & Mould complaints in England & Wales averaged out at **£3,029 per complaint** and that **82%** of all awards **exceeded £1,000**
- Decarbonisation investment estimated at **£4.8 - £9.6 billion**

Recent history has taught us that our operating environment can evolve quickly, and those changes often impact the lives of tenants.



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, the difficulties in income collection over the next five years will not go away, and RSLs need to be able to be aware of and prioritise tenants at risk earlier than ever, and have the capacity to support those tenants in need.

Learn how Ardenglen **cut arrears to 1.8%**, maintained **90–100% case completion** even during staff shortages, and reduced legal action to just **one court case in 12 months**.

[READ THE FULL CASE STUDY →](#)

Even small changes in collection performance have material financial consequences. A variance of less than half a percentage point in income collection rates equates to tens of millions of pounds in lost rental income over the projection period, directly affecting turnover, cash generation, and headroom.

Our review of the annual ARC statistics shows that since 2019, RSLs using RentSense® achieved an average income collection rate of **100.11%** compared to **99.70%** without RentSense.

Over the next five years, should the above income collection rates with (100.11%) and without (99.70%) RentSense continue, this equates to **£41.83 million in projected income not collected by 2029/30**. Per RSL, that is **£307,597** left on the table every year despite increasing financing, repairs and inflation costs whilst managing a concurrent depletion of cash reserves.

03

Lack of income diversification ties fiscal viability to income collection

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Rental income will always be the core revenue stream for most RSLs.

The SHR projects that around 80% of total social landlord income will come from rent and rent alone. With a 22% reduction in new planned new homes (which had reduced downward already), all projected future income, financing and expenditure will continue to rely on the same stock as the previous five years.

The SHR also notes that social landlords are seeking to recover lost revenues from recent years, increasing pressure on income recovery performance.

For every £1 a tenant goes into arrears, it takes 16 weeks to recover. Former tenant arrears are a major source of potential income, but it is an area we know income collection teams struggle with due to the specialist nature of the debt coupled with the varied demands on resources.

Former tenant arrears at RSLs using RentSense reduced by **-14.69%** from 2023/24 whereas at non-RentSense RSLs it increased by **+3.47%**.

04

Declining cash reserves and reduced shock absorption

SHR projections show cash reserves falling by one quarter through 2029/30 along with fluctuating and tightening net surpluses. Uncollected rental income over the projection period represents a meaningful proportion of projected cash reserves.

If landlords achieved the RentSense average income collection rate, the **£41.83 million additional income** collected covers the majority of the **£52.3 million drop in cash reserves** from 2024 to 2029.

This could be alleviated by sale proceeds of stock, however as the report sets out sales proceeds *“indicate more of a top-up funding source reducing the reliance on grant funding and private finance, rather than something the sector is overly relying on”* This strengthens the sector’s dependence on income collection as its primary source of income, with the uncollected income equating to 4.27% of the long term loan repayments due before 2030.



05 Robust data is essential for RSLs to achieve their strategic objectives and safeguard tenants

Leaders will be aware of the growing regulatory focus on data quality and integrity, risk management and effective controls to protect tenants – this is reinforced throughout the SHR's report.

The SHR continues their recommendation of robust data by adding *“weak data and inadequate risk management systems often lead to poor outcomes for tenants...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”*

In England, a recent legal investigation into a London council's downgrade to a C4 rating placed a spotlight on the down-stream problems on risk analytics and decision-making from Housing Management System (HMS) data with no independent data interrogation. The authors of that report (the housing specialist law-firm Capsticks) recommended a complete overhaul of the HMS as a critical step. The direct and indirect costs involved in this cannot be over-estimated, however these include:

- Material income collection, CTA and FTA performance differences
- Over and under presented cases that distract officers and negatively impact tenants
- Reactive instead of proactive at risk tenant outreach
- Limited risk analytics for operational visibility and control and stakeholder assurance
- Reduced tenancy sustainment, and associated financial and community costs therein

What this means for social landlord leaders

The critical aspects of the SHR's report all point to the increasing reliance on income collection as a vital source of cash flow in an environment where income diversification is very low and majority of tenants are concerned about the "future availability of rent".



About Mobysoft

Mobysoft provides early identification and prevention risk analytics within housing, primarily focussed on:

- Improve income collection, reduce arrears and increase tenancy sustainment (RentSense®)
- Reduce unnecessary repairs and hazard expenditures (RepairSense®)

Mobysoft has successfully worked with RSLs and Councils in Scotland to deliver these over a number of years and proudly resulting in greater tenant satisfaction and tenant sustainment.



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