

Item: 12

Education, Leisure and Housing Committee: 8 June 2022.

Mid-Market Rent – Template Allocations Policy.

Report by Corporate Director for Education, Leisure and Housing.

1. Purpose of Report

To consider a template allocations policy in respect of mid-market rental properties for the Orkney area.

2. Recommendations

The Committee is invited to note:

2.1.

That Priority 4 of Our People Our Plan states “we will stimulate economic recovery by accelerating the council’s social housing new build programme”, with the desired outcome as follows:

- “We want to create confidence for construction sector by accelerating investment in social housing projects that provide energy efficient, sustainable new homes for the people of Orkney whilst stimulating economic recovery”.

2.2.

That the first priority of the Local Housing Strategy is to “ensure an adequate supply of houses”, which includes actions intended to ensure the provision of mid-market rent, defined as “properties available to rent at a level between social and market rent levels – usually targeted at those on modest incomes who cannot afford home ownership”.

2.3.

That, through the Local Housing Strategy, the Council is working with the Scottish Government to deliver mid-market rent properties in the Orkney area, anticipated, over a period of time, to consist of a mixture of properties developed by the Council and properties within the ownership of private developers.

2.4.

That the first mid-market rent properties in Orkney will be 11 properties which are under development by two local companies who are expected to retain ownership of the properties and let them directly.

2.5.

That the Council aims to deliver an initial small programme of eight mid-market rent properties, included in the Strategic Housing Investment Plan, with delivery through a design and build contract.

2.6.

That the Strategic Housing Investment Plan includes a further eight mid-market rent properties on mainland Orkney.

2.7.

That the provision of additional Council mid-market rent properties, including potential investment by the Strategic Reserve Fund, will be the subject of a report to Council in due course.

2.8.

That the Scottish Government will provide funding towards the cost of mid-market rent properties and accordingly the properties must be let within certain criteria, with rental levels in line with local housing allowance rates for the area.

2.9.

That, as public money is involved in the funding of mid-market rent properties, the allocation of the properties and rental levels are expected to meet certain criteria acceptable to the Scottish Government including income ranges and starting salary as detailed in sections 8.2 and 8.3 of this report.

2.10.

That any Council investment in mid-market rent properties will require approval in accordance with the Council's Financial Regulations, including following the Capital Project Appraisal process, to ensure the affordability of any scheme entered into.

2.11.

That acceptance of Scottish Government funding may limit the rent setting levels for mid-market rent properties and in turn impact affordability for these properties.

2.12.

That allocation of mid-market rent properties will be undertaken by the relevant companies and tenancies awarded will be private residential tenancies.

2.13.

That any Council provision of mid-market rent properties will require to be let through a private body, through a tendered contract, as the Council cannot enter into private sector tenancies.

It is recommended:

2.14.

That the template allocations policy to inform mid-market rent allocations within Orkney, attached as Appendix 1 to this report, be approved.

3. Strategic Planning

3.1.

Priority 4 of “Our People Our Plan” states “we will stimulate economic recovery by accelerating the council’s social housing new build programme”, with the desired outcome as follows:

- “We want to create confidence for construction sector by accelerating investment in social housing projects that provide energy efficient, sustainable new homes for the people of Orkney whilst stimulating economic recovery”.

3.2.

The Housing (Scotland) Act 2001 places a statutory duty on local authorities to develop a Local Housing Strategy covering all housing tenures.

3.3.

The Local Housing Strategy for Orkney, is the strategic document which covers the provision of housing across all tenures for the local area.

3.4.

The Local Housing Strategy is supported by an assessment of housing need and demand. The Housing Need and Demand Assessment for Orkney is being reviewed currently in partnership with the Scottish Government.

3.5.

The Economic Recovery Steering Group is currently undertaking a survey on housing in Orkney and it is hoped this will provide more detail around the level of households looking to relocate to Orkney and also provide additional data on households already resident in Orkney which may assist of the review of the Housing Need and Demand Assessment.

3.6.

The Local Housing Strategy sets out the priorities and plans for the provision of housing and housing related services throughout Orkney from 2017 to 2022. It is the local authority’s sole strategic document for housing in its area and is intended to set out the Council’s strategic vision and priorities for the future of housing and housing related services.

3.7.

The Local Housing Strategy’s first priority is to “ensure an adequate supply of houses”.

3.8.

Within the Local Housing Strategy's first priority, as outlined at paragraph 3.6 above, are a range of actions which include those relating to mid-market rent as follows:

- Consider the level of need for provision of mid-market rent properties.
- Support private developers to progress projects to deliver private sector housing including mid-market rent.

3.9.

Mid-market rent is defined within the Local Housing Strategy as "properties available to rent at a level between affordable social and full market private rent levels – usually targeted at those on modest incomes who cannot afford home ownership".

3.10.

Mid-market rent provision is specifically intended to assist those who may not qualify for social housing and whose income is insufficient to enable them to be able to buy housing.

3.11.

The Local Housing Strategy is available [here](#).

4. Mid-Market Rent

4.1.

Through the Local Housing Strategy, the Council, and relevant partners are working with the Scottish Government to deliver mid-market rent properties in the Orkney area.

4.2.

It is anticipated that this will consist of a mixture of properties developed by the Council and properties within the ownership of private developers.

4.3.

These properties, irrespective of ownership, will be developed with funding from the Scottish Government along with private finance.

4.4.

Given that public money is involved in the funding of mid-market rent, the allocation of the properties and rental levels are expected to meet certain criteria acceptable to the Scottish Government.

5. Orkney's Plans for Mid-Market Rent

5.1.

The Council has included, within its [Strategic Housing Investment Plan](#), a small programme of mid-market rent properties. Eight such properties are expected to be delivered in Kirkwall, through design and build contracts. A tendering process will take place in due course. In addition, a further eight mid-market rent properties are included in the Strategic Housing Investment Plan, on mainland Orkney.

5.2.

In addition, the Council will investigate the potential for it to be able to develop a wider programme of mid-market rent properties and this will be the subject of a future report to committee. This may include investment from the Strategic Reserve Fund.

5.3.

Some private developers locally have obtained funding from the Scottish Government to enable them to develop mid-market rent properties. Such projects are external to the Strategic Housing Investment Plan. There is a potential that more privately provided mid-market rent properties may follow. It is expected that 11 such properties, developed by two separate companies, will become available for use during financial year 2022/23.

6. Rent Levels for Mid-Market Rent within Orkney

6.1.

Rental levels must be in line with the rental policy of the applicant for Scottish Government funding (or an agreed rental policy) and be affordable to households from the proposed target tenant group(s).

6.2.

In an Orkney context, establishing the precise level of market rents with a level of certainty can be difficult given that private lets do not require to be advertised. The Local Housing Allowance provides an appropriate structure accordingly.

6.3.

Therefore, it is expected that the starting rent level for each mid-market rent home (including any service charge) will be no more than the relevant Local Housing Allowance rate for the property size in question.

[Local Housing Allowance Rates: 2021-2022 - gov.scot \(www.gov.scot\)](#)

7. Arrangements for Allocation

7.1.

Mid-market rent properties would be let as private lets. The tenancy would be a private residential tenancy and therefore would in effect be a secure tenancy within the private sector. Any direct Council provision would require to be let through a private body and consequently this would be through a tendered contract with another body as the Council cannot give private sector tenancies itself.

7.2.

While private developers will be able to let the properties they own themselves, they must meet certain criteria as part of the requirements of the funding they have received from the Scottish Government. In addition, they are required to adhere to housing and equalities legislation.

7.3.

Where the Council does not own the properties concerned, it would not be involved in the allocations process per se and would not hold a waiting list for this type of accommodation owned by other parties.

7.4.

However, it is anticipated that it would be useful to guide the allocations process to ensure this is in line with the requirements of the Scottish Government and relevant legislation. Accordingly, a template allocations policy has been developed to inform mid-market rent allocations. While there may be some limited flexibility within this, the basic premise will be as outlined in the policy, attached as Appendix 1 to this report. Additionally, the Council will provide advice to the companies concerned around any enhancements within their allocations policy, to ensure legal and policy requirements are appropriately met.

8. Criteria

8.1.

Eligibility criteria is outlined at section 2 of the attached policy. Essentially this is around:

- Ensuring that households do not own property either within Orkney or elsewhere, except in exceptional circumstances.
- That households fall within a median income bracket and therefore may find it difficult to be able to purchase property.
- That specific client groups can be targeted if required, perhaps due to employment issues in given professions.
- That there are criteria outlining priority in the event of more demand than supply and a fall back position should there be an inability to let a property.

- Generally the target group is households working within the area and while this is not expressly covered in the criteria, it is covered within the area of assessing affordability of the property negating a need to refer to this criteria twice.

8.2.

The income range within the lettings criteria has been set at £20,000 to £60,000. The level of income outlined has been arrived at because it should relate to households on a median income. A median income for Scottish Tax Payers is £25,800 for financial year 2022/23 (Scottish Government: Scottish Income Tax: distributional analysis 2022-2023).

8.3.

The starting salary of £20,000 has been arrived at due to considerations of the affordability test across different sizes of property. While the living wage would be lower at £17,290, a single income of that level could only demonstrate affordability for a one bedroom property.

8.4.

Landlords may have their own criteria that they wish to add to their policies which is acceptable providing it meets legal criteria. An example may be an isles development trust who wishes to prioritise households to meet specific employment needs.

8.5.

Properties would be let under a private residential tenancy.

8.6.

By law a tenant must be at least 16 years of age.

8.7.

Given that this is a new area of service delivery which may expand over a period of time, the policy should be subject to an initial review after one year of operation.

9. Equalities Impact

An Equality Impact Assessment has been undertaken and is attached as Appendix 2 to this report.

10. Corporate Governance

This report relates to the Council complying with governance and procedural issues and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

11. Financial Implications

11.1.

There are no financial implications associated directly with the recommendations to this report.

11.2.

Any Council investment in mid-market rent properties will require approval in accordance with the Council's Financial Regulations, including following the Council's capital project appraisal process, to ensure the affordability of any scheme entered into. As stated above, acceptance of Scottish Government funding may limit the rent setting levels for mid-market properties and in turn impact affordability for these properties.

12. Legal Aspects

12.1.

The Private Housing (Tenancies) (Scotland) Act 2016 introduced private residential tenancies, a new type of tenancy for the private rented sector in Scotland to replace the short assured tenancy and assured tenancy for all future lets.

12.2.

A private residential tenancy is defined in Section 1 of the Act. The property must be let as a separate dwelling and the tenant must live in it as their only or main home. The tenancy by its nature is not for a fixed term.

12.3.

A tenancy cannot be a private residential tenancy if the landlord is a local authority. Therefore any properties which the Council wishes to be let on this basis, would require to be let through a subsidiary or by contract through a private company.

13. Contact Officers

James Wylie, Corporate Director for Education, Leisure and Housing, extension 2477, Email james.wylie@orkney.gov.uk.

Frances Troup, Head of Community Learning, Leisure and Housing, extension 2177, Email frances.troup@orkney.gov.uk.

14. Appendices

Appendix 1: Mid-Market Rent Template Allocations Policy.

Appendix 2: Equality Impact Assessment.



Mid Market Rent Policy

April 2022

Version Control

Document Reference.	Rev.	Issue date.	Reason for issue.	Reviewer.
HDPOL138.	Draft.	28/04/2022.	New.	Head of Community Learning, Leisure and Housing.

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This document can be made available on request in a range of formats and languages.

1. Introduction

This document is a template allocations policy for mid market rent allocations within Orkney.

Applications will be assessed against a 'letting criteria' for mid market rent properties. If the criteria are met the property is offered to the first successful applicant. If the number of applicants exceeds availability, and all meet the qualifying criteria, priority would be on a first-come first-served basis.

2. Letting Criteria

Applicants for a mid market rent property should meet the following qualifying criteria, these are:

1. The applicant(s) do not own or have their name on the title of another property except in exceptional circumstances / with express permission from the Council's Housing Service.

2. The applicant(s) gross annual household income should be between £20,000 and £60,000, unless stated otherwise in a property advert because:

- The local authority are targeting a specific client group, for example blue light services.
- Due to the property type a lower rent is charged and therefore a lower income threshold would be appropriate.

3. The applicant(s) have provided evidence that they can afford to take up and sustain the tenancy.

Where there is an inability to fill a property, a discussion should be held with the Council to see whether an allocation could be made through their waiting list to someone who could otherwise meet the above criteria.

3. Assessing Affordability

In assessing an applicant's affordability, you should look at the information provided in, and supporting, their application. This should determine whether an applicant can afford to pay the rent and other costs associated with a tenancy on an ongoing basis. By way of illustration that assessment should consider, although this is not an exhaustive list:

- If the applicant is employed, or has a firm offer of employment, or another regular income.
- If bank statements show evidence of returned or missed payments, unauthorised overdraft usage, high-levels of gambling, debt management programmes, or use of short-term 'pay-day loans' or high interest lending.
- Monthly rent exceeds 35% of household gross monthly income.

It may also be necessary to carry out a credit check for the affordability assessment.

Guarantors should not routinely be accepted. However, you may consider a guarantor where other criteria are met, for example, a young person in their first tenancy who meets all other criteria.

4. Other reasons for refusing an application

An application may be refused on the basis of references provided. For example, where an existing tenancy has not been conducted satisfactorily.

5. Monitoring and Review

This document will be reviewed after one year of operation.



Equality Impact Assessment

The purpose of an Equality Impact Assessment (EqIA) is to improve the work of Orkney Islands Council by making sure it promotes equality and does not discriminate. This assessment records the likely impact of any changes to a function, policy or plan by anticipating the consequences, and making sure that any negative impacts are eliminated or minimised and positive impacts are maximised.

1. Identification of Function, Policy or Plan	
Name of function / policy / plan to be assessed.	Mid Market Rent Policy
Service / service area responsible.	Housing Services
Name of person carrying out the assessment and contact details.	Frances Troup, Head of Community Learning, Leisure and Housing Ext 2177 E-mail frances.troup@orkney.gov.uk
Date of assessment.	28 April 2022
Is the function / policy / plan new or existing? (Please indicate also if the service is to be deleted, reduced or changed significantly).	New
2. Initial Screening	
What are the intended outcomes of the function / policy / plan?	To develop a template mid market rent policy for use whether in relation to Council provision or private sector provision of mid market rent properties.
Is the function / policy / plan strategically important?	Yes. The Council through its Local Housing Strategy has identified a need for mid market rent within the Orkney area. It is important to help guide private sector providers in allocation of mid market rent to ensure they can meet the Scottish Government requirements of their funding and also ensure that legal and policy requirements are met.
State who is, or may be affected by this function /	Providers and tenants of mid market rent properties through the allocation of the properties

policy / plan, and how.	concerned.
How have stakeholders been involved in the development of this function / policy / plan?	<p>The Scottish Government has been involved in the development of the policy.</p> <p>The house build group within the Council has been consulted on the policy. The house build group consists of members across the Council including Housing Services, Planning and Regulatory Services, Neighbourhood and Infrastructure Services, Engineering Services, the Scottish Government, Orkney Housing Association Ltd and Scottish Water.</p>
<p>Is there any existing data and / or research relating to equalities issues in this policy area? Please summarise.</p> <p>E.g. consultations, national surveys, performance data, complaints, service user feedback, academic / consultants' reports, benchmarking (see equalities resources on OIC information portal).</p>	<p>There are significant amounts of research relating to housing specifically. This area is purely about mid market rent rather than more general provision so specific equalities related research is limited.</p>
<p>Is there any existing evidence relating to socio-economic disadvantage and inequalities of outcome in this policy area? Please summarise.</p> <p>E.g. For people living in poverty or for people of low income. See The Fairer Scotland Duty Interim Guidance for Public Bodies for further information.</p>	<p>The Joseph Rowntree Foundation has produced a range of research focussing on poverty and disadvantage and the links between this and housing and homelessness. Research such as this relates directly to the introduction of the Fairer Scotland Duty.</p> <p>Mid market rent provision is specifically intended to assist those who may not qualify for social housing and whose income is insufficient to enable them to be able to buy housing.</p> <p>Whilst in-work poverty is generally defined as a working person's income after housing costs, it forms a useful framework to understanding those who may be most likely impacted in this policy area.</p> <p>CIPD Research shows that in-work poverty isn't limited to those in the lowest-paid roles and risks of being trapped in poverty are not equal. It can depend on the sector people work in, their hourly pay and number of hours worked, where they live, as well as their age, gender, ethnicity and</p>

	<p>disability.</p> <p>Barriers like access to childcare and transport can also determine whether people are able to escape poverty through work.</p> <p>Those most vulnerable include children, as well as people in:</p> <ul style="list-style-type: none"> • families without full-time workers • single-parent families • families with a disabled person • families with three or more children • rented accommodation • households headed by someone of non-white ethnicity (particularly those of Pakistani, Bangladeshi or Black ethnicity). <p>Workers in certain sectors – particularly accommodation and food services – are far more vulnerable to in-work poverty, while other sectors at risk include administration and support services, wholesale and retail, construction, health and social work, and manufacturing.</p>
<p>Could the function / policy have a differential impact on any of the following equality strands?</p>	<p>(Please provide any evidence – positive impacts / benefits, negative impacts and reasons).</p> <p>The mid market rent policy is intended to ensure that all housing and equalities legislation is adhered to in the allocations process. Limited criteria is included and otherwise allocation is on a first come first served basis.</p>
<p>1. Race: this includes ethnic or national groups, colour and nationality.</p>	<p>No specific impact identified. Potential positive impact for those households headed by someone of non-white ethnicity.</p>
<p>2. Sex: a man or a woman.</p>	<p>No specific impact identified. Potential positive impact for single-parent families. Statistically, these will most likely be single women.</p>
<p>3. Sexual Orientation: whether a person's sexual attraction is towards their own sex, the opposite sex or to both sexes.</p>	<p>No specific impact identified.</p>
<p>4. Gender Reassignment: the process of transitioning from one gender to another.</p>	<p>No specific impact identified.</p>
<p>5. Pregnancy and maternity.</p>	<p>No specific impact identified.</p>

6. Age: people of different ages.	No specific impact identified.
7. Religion or beliefs or none (atheists).	No specific impacts identified.
8. Caring responsibilities.	No specific impact identified. Potential positive impact for those families with three or more children.
9. Care experienced.	No specific impact identified.
10. Marriage and Civil Partnerships.	No specific impacts identified.
11. Disability: people with disabilities (whether registered or not).	No specific impact identified. Potential positive impact for those families with a disabled person.
12. Socio-economic disadvantage.	No specific impact. Mid market rent is intended to apply to those households who would not qualify for social housing but who do not earn enough to be able to purchase housing. It is therefore intended to have a positive impact on socio-economic disadvantage where the household is employed, has a form offer of employment or another regular income. This may also include those families without full-time workers.

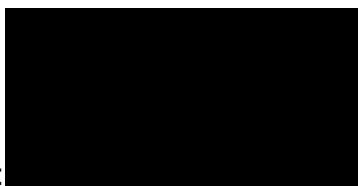
3. Impact Assessment

Does the analysis above identify any differential impacts which need to be addressed?	No
How could you minimise or remove any potential negative impacts?	N/A
Do you have enough information to make a judgement? If no, what information do you require?	Yes

4. Conclusions and Planned Action

Is further work required?	No.
What action is to be taken?	N/A
Who will undertake it?	N/A
When will it be done?	N/A
How will it be monitored? (e.g. through service plans).	N/A

Signature:



Date 28 April 2022

Name: Frances Troup

(BLOCK CAPITALS).

Please sign and date this form, keep one copy and send a copy to HR and Performance. A Word version should also be emailed to HR and Performance at hrsupport@orkney.gov.uk