

Midlothian Council Mixed Tenure Strategy

Report by Kevin Anderson, Executive Director Place

Report for Decision

1 Recommendations

In relation to the attached, proposed Mixed Tenure Strategy, Midlothian Council is recommended to:-

- i. Note the continued and rising demand for affordable homes in Midlothian and the disparity between the cost of buying and renting privately and the rents available through homes made available for social rent.
- ii. Support the active promotion of a range of mixed tenures in meeting the need for affordable homes in order to provide more choices to those in housing need and reduce demand for social housing on Midlothian Council's waiting list.
- iii. Approve a range of affordable ownership tenures to be delivered by Registered Social Landlords (RSLs – Housing Associations) and Midlothian Council through Golden Share.
- iv. Note that opportunities for homes to be built and sold through New Supplied Shared Equity scheme by Midlothian Council will be considered in future developments.
- v. Approve the delivery of Mid Market Rent by Midlothian Council through partnerships with RSLs that will ensure preference is given to Midlothian residents who are in housing need.
- vi. Note that further investigation of opportunities to directly deliver Mid Market Rent will be undertaken where this will leverage in alternative sources of finance, e.g. through lease based models, in order to mitigate impact on the General Fund.
- vii. Note that any proposals to directly deliver Mid Market Rent will require the establishment of an arms length organisation, which will require a further report to Council for approval.
- viii. Approve the alignment of relevant planning policy in the emerging Local Development Plan on affordable housing with the recommendations of the Mixed Tenure Strategy, including support for Intermediate Rent in Build to Rent developments.
- ix. Note that Midlothian Council's housing options interviews and information on the Council website will be amended to ensure better awareness of alternative ownership and rental tenures available for those applying to Midlothian Council's social housing waiting list, with service training provided to support this.
- x. On that basis, approve the adoption of the Mixed Tenure Strategy by Midlothian Council.

2 Purpose of Report/Executive Summary

There is rising number of applicants for social housing reflected in the recent 13% increase in the number of households on the Midlothian Council waiting list. However, there is a significant gap between the cost of social housing rent and the cost of owning or renting a home from the private rented sector. This indicates that applicants for social housing may be able to access alternative forms of affordable housing at a cost that is affordable to them.

The approved Local Housing Strategy 2021-26 stated its support for the development of Mid Market Rent (MMR) units and undertaking canvassing through further polling measuring attitudes to MMR and demand in Midlothian. The Mixed Tenures Strategy is the response to this action.

The Mixed Tenure Strategy reviews these alternative affordable tenures and sets out a strategy for increasing their supply in Midlothian to assist meeting housing need. It is proposed that Midlothian Council promotes increased number of homes made available through the Golden Share approach and seeks the delivery of Mid Market Rented homes through partnership agreement with a provider that will prioritise Midlothian residents in their allocation. Midlothian Council will also establish if MMR can be delivered directly through alternative funding arrangements to minimise the impact of these developments on the General Fund, which would have to finance them.

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3 Background

- 3.1 Housing to 2040 sets out the Scottish Government's ambition to deliver 110,000 affordable homes by 2032. At least 70% of these are to be for social rent with the remaining 30% comprising alternative forms of affordable tenures.
- 3.2 Midlothian's Housing Supply target for the period 2021-2040 requires 412 affordable homes to be delivered annually, of which 279 should be for social rent and the rest (133) as alternative affordable tenures such as MMR and low cost home ownership.
- 3.3 Since 2021, the following homes have been or are planned to be delivered for alternative affordable tenures:

Site	Tenure	No of Homes	Provider	Year of Completion
Eskbank, Dandara	MMR	12	Places for People HA	Scheduled for 24/25
Roslin, Easter Bush, phase 2	MMR	14	Wheatley Homes East HA (Dunedin Canmore)	23/24
Mayfield, Easthouses Road (old school)	MMR	28	Melville HA	Scheduled for 25/26
Shawfair, Avant	MMR	30	Wheatley Homes East HA (Dunedin Canmore)	Scheduled for 26/27
Dalhousie South	MMR	26	Wheatley Homes East HA (Dunedin Canmore)	Scheduled for 27/28
Redheugh, phase 2	MMR	10	Places for People HA	Scheduled for 28/29
Cauldcoats, phase 3	MMR	9	Places for People HA	Scheduled for 28/29
Shawfair, Rettie	MMR	102	Places for People HA	Scheduled for 28/29
Shawfair, Bellway	New Supply Shared Equity	14	Places for People HA	Scheduled for 28/29
Shawfair, Bellway	MMR	30	Places for People HA	Scheduled for 28/29
Shawfair, Woolmet, phase 3	MMR	14	Places for People HA	Scheduled for 27/28

Redheugh, Gorebridge	MMR	10	Places for People HA	Scheduled for 28/29
Cauldcoats, phase 2	MMR	12	Places for People HA	Scheduled for 27/28

- 3.4 Since Midlothian's Housing Supply Target was set in 2021 there have been three Strategic Housing Investment Plans containing the 311 units in the table above. With many of these not due for delivery until 2027/28, this indicates a gap between the target for provision (133 per annum) and projected delivery of alternative tenures. There is scope for the delivery of additional mixed tenure properties.
- 3.5 In addition, with grant funding available to Local Authorities for the direct delivery of MMR, there is also scope for Midlothian Council to consider how to best support more MMR in the local authority area.

4 Mixed Tenure Strategy and Recommendations

- 4.1 The mixed tenure strategy highlights the continued growth in the waiting list for social housing in Midlothian.
- 4.2 It also highlights the unaffordability of privately renting a home in Midlothian and buying a home in Midlothian (tables 3.3 and 3.5).
- 4.3 However, there is a significant gap between the cost of renting privately and the rent charged by Midlothian Council for its social housing.
- 4.4 This gap indicates that there is a place in the housing market for rents that are higher than social rented accommodation and lower than those being charged by private landlords or the costs associated with a mortgage for an equivalent property.
- 4.5 The strategy highlights that this is supported by research carried out by Rettie & Co on behalf of the Wheatley Group in 2021. This concluded that demand for MMR in particular localities should mirror demand for open market rent, i.e. where there is good demand for open market rent, there is demand for MMR and vice versa. Furthermore, demand for MMR was forecast to be strong across the board and was anticipated to be strongest in areas that also experience good open market rent demand. This is supported by high levels of interest in applicants for social housing in a Mid Market Rent option.
- 4.6 The strategy has reviewed a range of different tenure types for their suitability for promotion and delivery in Midlothian. This includes both affordable ownership models for those who still want to own their homes and rental models. In addition, alternative ways of financing these tenures is considered.

- 4.7 The strategy concludes the following recommendations which we are seeking to implement:

Recommendation 1

Enhance range of ownership models supported in Midlothian by the Council and Registered Local Landlords (RSLs). Raise with partners as part of Strategic Housing Investment Plan (SHIP) process and in the scheduled Local Housing Strategy review in 2026/27.

Recommendation 2

Promote delivery of 'Golden Share' homes for affordable sale with private developers as way of contributing towards the 25% affordable homes requirement in Midlothian Local Development Plan 2.

Recommendation 3

Explore capacity and business case for Midlothian Council to build homes for sale under the New Supply Shared Equity Scheme.

Recommendation 4

Deliver Mid-Market Rent (MMR) units within Midlothian Council developments, initially through partnership with RSL. This should only be done where the RSL partner has an allocation policy that aligns with prioritisation of Midlothian residents.

Recommendation 5

Continue to explore potential for establishment of Arm's Length External Organisation, if resources allow, for directly delivered MMR homes by Midlothian Council.

Recommendation 6

Agree development of a business case by Scottish Futures Trust (SFT), the Scottish Government's Infrastructure agency, in advantage of leveraging in institutional investment for delivery of MMR by Midlothian Council via a potential lease-based model.

Recommendation 7

Amend Housing Application form and approach / service training to ensure prospective tenants are made aware of alternative tenures that may provide means to obtain affordable home ownership or rental without becoming tenants of Midlothian Council.

Recommendation 8

Update planning policy on Affordable Housing through Local Development Plan review to ensure it is reflective of support for mixed tenure approach to deliver affordable housing.

Recommendation 9

Update planning policy on Affordable Housing through Local Development Plan review to support delivery of Intermediate Rent where Build to Rent housing is being delivered in Midlothian, with appropriate mechanisms being put in place for establishing and monitoring discounted rental levels.

5 Report Implications (Resource, Digital and Risk)

5.1 Resource

Golden Share

The houses will be built by private developers, with the only involvement of the Council being to provide the application assessments of future potential owners, so there will be no capital cost to the Council associated with this scheme. As the properties are privately owned there will also be no ongoing maintenance costs associated with these properties. The Council is required to be involved in the resale of Golden Share properties.

New Supply Shared Equity Scheme (NSSE)

Consider developing a new supply shared equity (NSSE) product. This requires building homes and selling them under a shared equity scheme, with Council taking risk on development and sales. Due to risk, suggest a more cautious approach with the principle approved subject to additional research and further approval of any specific schemes.

As the homes will not be built for the purpose of providing Social Housing the capital cost will need to be met from the General Fund with the capital receipts from the sale of the properties also being credited to the General Fund. If the ongoing management of the scheme cannot be met from existing resource, then there will also potentially be revenue resource required for ongoing management which will require to be met from the General Fund.

Local Authority Development of Homes for Sale

The implications will be the same as the New Supply Shared Equity Scheme in the afore mentioned paragraph above.

Mid Market Rent (MMR) – Affordable Housing Supply Programme

If Midlothian Council delivered this via a partner which prioritises Midlothian residents then the Council would construct the homes and let them to a designated partner. The capital cost associated with the construction of properties will be part funded by Scottish Government Grant with the remaining cost to be met from General Fund borrowing. As Mid Market rent is non-social housing it would not be feasible for the capital costs to be met from the HRA. There will also be on-going management and maintenance costs associated with the properties which would be mitigated by the rental income received.

MMR Residential Lease Model

For the lease-based option, Midlothian Council would not own the units outright but would be sub-letting the units and function as head lessor and therefore take ownership of the monitoring and maintenance of these properties. There would be no upfront capital cost and the lease and associated running costs would be chargeable to the General Fund. It is anticipated that the rents received would mitigate the expenditure associated with these properties, although there is an element of risk for void costs which would potentially need to be met from the General Fund.

Build to Rent and Intermediate Rent

As a third party would build these units and the units would subsequently be managed by private landlords there would be no resource implications to the Council, however 25% of any potential new build development would attract intermediate rent as opposed to social rent.

5.2 Digital

Midlothian Council officers will use existing digital resources. There are no digital implications.

5.3 Risk

The principal risks relate to balancing the need to invest in alternative affordable housing tenures whilst still continuing to provide new build social housing.

5.4 Ensuring Equalities (if required a separate IIA must be completed)

Equality is central to all housing and housing services delivery. An Integrated Impact Assessment (IIA) has been undertaken on the Local Housing Strategy 2021-26 to ensure that the needs of local communities have been fully considered. The SHIP reflects identified needs and draws on findings from the IIA when considering the implications flowing from the translation of strategic aims into housing policies.

Additional Report Implications

Appendices

Appendix A – Report implications

Appendix B – Mixed Tenure Strategy

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

A.2 Key Drivers for Change

Key drivers addressed in this report:

- ☐ Holistic Working
- ☐ Hub and Spoke
- ☐ Modern
- ☒ Sustainable
- ☐ Transformational
- ☐ Preventative
- ☒ Asset-based
- ☒ Continuous Improvement
- ☐ One size fits one
- ☐ None of the above

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

- ☐ One Council Working with you, for you
- ☒ Preventative and Sustainable
- ☐ Efficient and Modern
- ☒ Innovative and Ambitious
- ☐ None of the above

A.4 Delivering Best Value

The strategy seeks to make best use of alternative sources of finance and minimise impact on the General Services Capital Fund, thus delivering best value for the Council.

A.5 Involving Communities and Other Stakeholders

The Local Housing Strategy has been informed by community consultation and consultation also informed assessment of demand for MMR.

A.6 Impact on Performance and Outcomes

The Mixed Tenure Strategy assists in the delivery of key LHS outcomes relating to mixed tenure.

A.7 Adopting a Preventative Approach

Expanding access to affordable tenures supports a preventative approach for residents in Midlothian.

A.8 Supporting Sustainable Development

Affordable housing in Midlothian is built to a sustainable standard.