

HIGHLAND RESIDENTIAL MID MARKET RENT SETTING POLICY

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1.0 INTRODUCTION AND POLICY STATEMENT

- 1.1 A key aim of Albyn Group is to build the mission, values, and vision of the organisation into its policy and decision making daily. The Albyn Group aims to follow its guiding principles in all policies: <https://www.albynhousing.org.uk/about-us/>
- 1.2 The main aim of this policy is to support a fair and consistent method of increasing the rents on the Mid Market Rent (MMR) properties, which adheres to Scottish Government Guidelines.
- 1.3 This policy provides guidance on how HRIL will set rents for MMR properties.
- 1.4 HRIL will have an open and transparent basis for setting and increasing rents.
- 1.5 HRIL aim will be, to set the rents in reference to the Local Housing Allowance and to always have MMR rents lower than private rents.

2.0 AIM OF MID MARKET RENT

- 2.1 MMR is a housing option that is placed between social housing and open market private renting. The rent is set at an affordable price point, no more than 90% of the open market rent.
- 2.2 MMR aims to provide an option to those who are working, but perhaps do not earn enough to afford the private rented sector or to get on to the property ladder. It is also to help those who miss out on social housing.

3.0 CONTRACTUAL & REGULATORY CONTEXT

- 3.1 Typically, this requirement will be linked to the Local Housing Allowance rates (LHA) but may also set requirements on how future rent increases are to be applied.
- 3.2 For some MMR properties, particularly new build developments, the basis of funding may set obligations on the initial rent levels are set. This is in line with LHA allowances.
- 3.3 From a Regulatory perspective, MMR must meet all costs and ensure that there is no ongoing subsidy from the charitable parent.
- 3.4 The capital funding of this building or acquisition of property for MMR is a matter for the charitable parent (Albyn), but once developed the MMR unit is expected to meet all revenue costs and provide a return to the parent at the rate originally agreed.

4.0 LOCAL HOUSING ALLOWANCE & LOCAL MARKET RATES

- 4.1 The Local Housing Allowance (LHA) will be the base reference point with all MMR initial rents. The definition of the LHA "is the method of working out the maximum housing benefit entitlement a private tenant can receive" However this policy recognises that the LHA has limitations, as it is set on a whole local authority basis. It therefore fails to take account of local housing markets.
- 4.2 LHA rates relate to the area in which the housing-benefit claim is made. These areas are called "Broad Rental Market Areas" (BRMAs), defined as "where a person could reasonably

be expected to live”, considering access to facilities and services, and a selection of rents in the area are used to determine the LHA for each category of housing in the area.

4.3 The rates are shown on a weekly basis and are published once a year in accordance with legislation. The Rent Officer maintains rental information for each category of LHA rates. Mathematical calculations are applied to the list of rents to determine the LHA rates.

4.5 The average and/or median private rent level in Inverness will be different from other towns or regions, and similarly across many of our areas, will have different private rented values. Therefore, while the LHA will provide a key reference point and “ceiling” for MMR, the rent setting policy must also take cognisance of the local private rented market.

4.6 LHA rates for The Highland Council can be viewed on its website.

4.7 Worked example of MMR setting

MMR rent setting at Castle Heather Drive

2 Bed / 3 Person apartment, private entry, and shared garden.

LHA is £548.51 per month for a two-bedroom property.

Private Rent	Mid-Market Rent	Social Rent
£675	Between £520 -£570	£395.64

Some properties will be over the ceiling of the LHA. The example sets out that the MMR is higher than the social rent and should not be higher than 90% of the private rental figure. As shown, the MMR rental scale does not rise above the £607.50 (90% of the private rent of £675)

4.8 The local private rented market is an important comparator and influence the MMR rent setting. Staff of HRIL will be expected to regularly monitor local private rents, on a neighbourhood basis. This is to ensure that MMR rents are appropriate to comparative properties in the private rent sector. Consequently, although LHA will be a universal base reference point, MMR rent levels will vary depending on local market conditions.

5.0 PROPERTY CHARACTERISTICS

5.1 In addition to the reference to LHA and neighbourhood private market rents, the individual property characteristics will be a factor in setting rent levels. This will be less prescriptive in comparison to social housing rent settings but will be expected to influence the process. Key characteristics that may influence rent levels will include:

- **Property size:** The number of bedrooms will be reflected in the rent level. (This follows the recognised criteria used in the LHA).
- **Amenity space:** Private gardens, garages, etc may be factored into rent levels.
- **Energy Efficiency and Heating Costs:** Properties with high insulation standards, and / or efficient central heating may attract higher rent levels.
- **Property Type:** traditional, new build.
- **Condition of Property:** New build, new kitchen, new bathrooms

6.0 CRITERIA FOR TENANTS

6.1 To qualify for MMR an applicant must:

- Be employed and earning a minimum £35,000 and £60,000 (before tax). If the application is a joint application the combined earnings of the two applicants must fall between these amounts.
- Have been employed by current employer for a minimum 6-month period or a permanent employment contract in the place where the MMR is located and is commutable to work.
- Provide proof of income and may require credit check.
- Be registered on the Highland Housing Register or with another public sector landlord.
- Occupy the house as the households' sole or principal home

6.2 Highest scoring applicants according to the above criteria are offered MMR properties.

7.0 MANAGING LEASES

7.1 All new leases are Private Residential Tenancy (PRT) agreements this has been the standard lease since December 2017.

7.2 Following this initial tenancy, there is provision within the PRT tenancy agreement for rent to be increased no more than once per annum on giving 3 months' notice (clause 4.6).

8.0 MID MARKET RENT SETTING

8.1 As the title suggests, MMR, assumes there is a recognisable 'mid' point between social rented rent levels and private rent levels. (PRL) Although the 'mid' point is not used with any great exactitude, it assumes there is a general space in the pricing between social and private provision. MMR rents are guided by references to LHA and informed by analysis of neighbourhood private rented markets.

8.2 Commercial flexibility is required at an operational level, to allow staff to make a judgement on whether to increase or decrease the rent for specific properties, based on the attributable property characteristics. This will ensure that each property is pitched at the correct market level to reduce property turnaround and ensure sustainability of tenancies. This is an important feature of rent setting with HRIL as a "commercial" subsidiary, as distinct from rent setting within regulated social housing.

8.3 The HRIL MMR Rent Policy gives delegated authority to Leadership Team to reduce rents by up to 15% and up to 90% of open market rent. The Director of Finance and Corporate Services approves all adjustments to property rents before marketing commences.

9.0 ROLE OF HRIL BOARD IN MID MARKET RENT SETTING

9.1 The HRIL Board will not be involved in individual property rent setting. This will be the operational responsibility of staff. However, the HRIL Board will be expected to review rent levels, at least annually, to ensure these are meeting contractual and regulatory obligations, and following the aspirations set out above in relation to setting a balance between local neighbourhood private rental levels and Local Housing Allowance rates. Staff will therefore be expected to present the HRIL Board with an annual review of rents and this should include references to local market assessments as well as indicators of demand.

- 9.2 The HRIL Board will also be required to set any considerations on rent setting within the wider financial governance responsibilities in budget setting and monitoring and in reviewing the Business Plan.
- 9.3 Separately, as part of the annual budget setting process, the HRIL Board will be required to set an annual rent increase for MMR stock. This process is separate and distinct from the rent increase process considered by Albyn for its social housing stock.

10.0 CONCLUSION

- 10.1 Rent setting for MMR will be guided by references to LHA and informed by analysis of neighbourhood private rented markets.
- 10.2 The HRIL Board will annually review rent levels on a neighbourhood basis.
- 10.3 The HRIL Board will annually set a rent increase linked to the annual budget setting process.

11.0 DATA PROTECTION

- 11.1 A Privacy Notice setting out how HRIL will process any personal information related to MMR is available on the HRIL website and is issued to all customers at point of contract. See: [Data Protection - Highland Residential](#)