



Community-led Housing Management & Maintenance

Island Housing Group Session 4
2.00pm Thursday 10th October, Zoom



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Designed by the SIF Island Housing Group, the focus for this session was on the longer-term aspects of community-led housing, including managing properties and tenancies as well as how to create a local lettings policy.

1. Community Housing Management

Helen MacDonald, Mull & Iona Community Trust (MICT)

MICT is one of Scotland's longest established Development Trusts, owning 7 long-term rental properties in Mull and managing a further property on behalf of Argyll & Bute Council. MICT also owns and manages a wide range of facilities including a light industrial park, pontoon and shore facilities building, the Trust office building, an all-electric community transport service, 3 charity shops, a helipad, and a community forest. A Facilities Manager has recently been recruited to oversee the running of all the properties.

1.1. Housing Management

In Scotland there are two types of landlords, registered social landlords (RSL) and private landlords. As far as Helen is aware, no community group has become an RSL and her presentation will therefore concentrate on the private landlord model. The most important thing when managing housing is to have good systems in place and to fully understand what your legal responsibilities are as a landlord.

Who is the landlord?

- It must be the owner of the property, even if someone else is managing it on your behalf.
- The owner must register with the Local Authority, and if letting a property to 3 or more unrelated individuals, will need a House of Multiple Occupancy (HMO) licence.

Registering as a Private Landlord

- Landlord registration needs to be renewed every 3 years and is free for registered charities.
- You need to confirm all safety aspects are in place: EICR, smoke alarms, Legionella risk assessment, water supply tests etc.
- Plus, EPC, buildings insurance and deposit arrangements.
- Really important to keep up to date with Landlord legislation regulations as things can change e.g. during Covid there was a rent freeze and then a rent cap.

Advertising

- When it comes to advertising your property, by law you must include your landlord registration number, rent level and EPC of the property.

- Where: local press & noticeboards as well as online, social media etc.

1.2. Allocations & Applications

A good exercise is to imagine your ideal tenant whether a family, couple, or individual and test your policy against them and how they would score against others. It's important to make your allocation system completely objective and to ensure your scoring system is clear and isn't open to interpretation. You also need to think through the administration involved:

- Advertising and receipt & acknowledgement of applications: sometimes there can be a high volume of applications.
- Shortlisting & scoring: sometimes it is worth asking someone neutral and outwith your organisation/community to do this.
- Offers & rejections: ensure good communication, particularly when people haven't been successful, signpost to other options if possible.
- When making an offer, make sure they have had a really good look around the area, especially if they are moving to the island for the first time.
- Reference checks: always take references, minimum of one year landlord reference, including a financial reference, you need to know they will live successfully in your house

Tenancy Agreements

In Scotland there is only one type of private landlord tenancy - Private Residential Tenancy: <https://www.mygov.scot/tenancy-agreement-scotland> - and it has been in place since 2017. There is no end date, you can't set a 6 month or a year tenancy and there are very specific circumstances under which you can ask a tenant to leave. This must be clear in your tenancy agreement, and you must make sure you are fully aware of this.

A solicitor isn't needed to do the tenancy agreement, the template can be downloaded from the Scottish Government website, then completed and signed electronically by both parties. Additional clauses can be included into the tenancy agreement particularly if there are things you need to make clear around private water supply, sewage treatment etc – The Scottish Association of Landlords website has good resource of information to help with this.

1.3. Rent & Deposits

Rent may be determined as part of your grant conditions, for example through the RIHF, and should be locally affordable and in line with local Housing Associations. Rent level is completely irrelevant to the amount of money you might be borrowing.

Having a rent policy is helpful, it makes it clear how you set and review your rents. Rent should be reviewed every year, and it is helpful to benchmark against your local Housing Association. There are new rules coming through on the percentage that rent can be increased each year.

Tenants need to be given at least 3 months' notice of an increase, and you can only increase rent once in a 12-month period. Tenants have the right to appeal to your organisation and then can go to Rent Service Scotland if they feel the increase is unfair.

Deposit: always take a deposit, MICT takes 1.5 to 2 months rent. The deposit needs to be lodged with an approved rent deposit scheme within 30 days of receipt. You should include a service charge if you have a private water supply to help cover the cost of maintenance. MICT sets this charge lower than what Scottish Water would charge as part of Council Tax.

Managing Rent Arrears: sometimes tenants get into difficulty paying their rent, and it's important to keep communication open. You can start off informally with a phone call or an email but if rent is missing for a month, a more formal route may be needed and signposting to financial support. The legislation provides very clear guidelines around communicating with tenants, particularly if reaching a stage of potential eviction, make sure to follow legislation and your tenancy agreement.

1.4. Tenant Moving In

When a tenant moves in, you wouldn't normally retain a set of keys and therefore need a key agreement about what happens if they lose keys and need to replace them.

Inventory: always have an inventory that lists everything in your property. This includes white goods, and if you provide these (MICT doesn't) you are fully responsible for them, annual PAT testing and repairs/replacements if they breakdown. The inventory is also useful when a tenant moves out as if you need to retain any deposit to cover the cost of repairs, replacements or unpaid rent, you have the evidence in a document.

Tenant Handbook: really important and, if a new build, should be provided by your contractor. Make sure you check through the basics e.g. where the stopcock is, how the heating system works, where the bins go etc. Give this to the tenant along with all the user manuals and relevant certificates.

Communication: MICT has found it important to have one point of contact within your organisations for tenants and now has a dedicated facilities email address at MICT, which several members of staff have access to. This helps to avoid getting personal Facebook and WhatsApp messages as well as providing cover if staff work part-time.

Good communication is also important if you need access to the property for maintenance or routine visits. It should be clear in your tenancy agreement what reasonable access is and the notice period required. Some landlords do inspections at 6 or 12 months. MICT has done one and it can feel a bit intrusive, but it also gives the tenant an opportunity to point out any issues that they might not phone up about.

If it's a new build your quantity surveyor will carry out a 12-month snagging check and arrange for the contractor to sort out any issues.

Make sure to have a note of when all routine maintenance needs to happen e.g. when the septic tank needs emptying, when fire extinguisher need checked. Also, that the tenant knows how to report non-urgent repairs as well as an out of hours emergency. MICT pays a nominal fee to its local Housing Association for emergency, out of hours cover and this way tenants can call them for help and have an emergency contractor arranged.

1.5. Management Costs

When developing new housing, your funder will expect to see a 25-year management cash flow. This includes all expected costs such as mortgage repayments, landlord and building insurance, routine maintenance etc as well as a contingency budget for unexpected repairs or rent void periods. It is also important to think about the cost of future replacement of kitchens, bathrooms etc as well as staff admin and management time.

How do you pay for it all?

Grant funding tends to only cover the build phase and community organisations have often raised concerns over how little funding there is to support housing staff. Rental income alone is unlikely to cover the mortgage repayments and the costs and its important to think through whether you have the staff capacity and skills in-house to manage the administration, the availability of local contractors to carry out routine and emergency repairs, or whether to outsource to a local letting agency (check what they charge and what is included/not included). Each community is different and there is no right or wrong way.

1.6. To finish

Helen advised using the Scottish Government and Shelter websites for information, developing a good relationship with your local Housing Associations – MICT has worked closely with West Highland Housing, getting help with allocations, out of hours cover, general advice and sense checking – and joining the Scottish Association of Landlords which provides an excellent resource of guidance and templates, training, useful email updates and an advice line.

2. Local Lettings Policy

Luke Fraser, North Ronaldsay Trust & Jennifer Foley, Papay Development Trust

Development Trusts in Orkney have been designing and using local lettings policies for a number of years. These are developed by the trust in consultation with the community, to create a bespoke policy suited to local needs.

With staff capacity within the trusts limited and island populations quite small, it has made sense to work with a local letting agent to process the allocations. The letting agent is given the local lettings policy and can advertise and process the allocations accordingly, keeping the final decisions at arm's length of the community. A community trust discount has been negotiated with the main local letting agent, reducing the fee to 10% of annual rental income (from 15%). The level of support from the agency can vary between communities, with some just needing help to manage allocations and tenancies and others including all repairs, maintenance and out of hours cover.

For Housing Associations and Council's, the letting policy must be in line with statutory obligations such as homelessness, overcrowding etc but when looking at community-led housing, community needs are also brought into the allocation. For example, a specific skills set needed in the island, if there is a job coming up, if the school needs more children, if someone has a local connection to the area, if they have a job offer or are moving to care for someone in the island etc and extra points can be awarded accordingly.

When thinking about school numbers, learning from experience, the trusts now include number of child years remaining in primary school/high school rather than just school age children.

The local lettings policy is a really useful tool to stay within the law while also reflecting the needs of the community, and every time you have an allocation coming up, it's worth reviewing the policy as needs and circumstances can change.

Papay Development Trust Local Lettings Policy

Papay is a small island with a population of 85 and, although now recovered, has seen serious depopulation in the past. The Development Trust took on its first house in 2000 and since then has 6 more and a further one in the pipeline.

In the early days there was real concern that they would have to respond to homeless housing which isn't always appropriate or easy to manage in a small island, but the introduction of a local lettings policy gave security that the community was in control and able to meet its own needs.

Initially priority was given to families to support the school role and this worked well. As the next 4 homes were acquired, the local lettings policy gave priority, very successfully, to essential workers to support the care sector, the airfield, fire service, shop, school etc.

Papay now has younger families living, working and filling these essential roles in the community. This wouldn't have been possible if the Trust hadn't taken on community housing. There is a real shortage of housing in Papay, with lots of second homes and lots of empty homes in the past.

The community agrees the priorities for the local letting policy and then passes this to the letting agent which takes pressure off the community to make the final decisions. The policy is reviewed every time a house is available. Currently there are 2 homes available for rent and as there is a 12-month gap before the next child is ready for nursery, priority will be given to a family with a nursery-age child to help protect employment at the nursery.

3. Questions & Discussion

3.1. Key worker housing: can issues arise and how can they be overcome where housing has been prioritised for a key worker and they leave the role but remain in the house, effectively blocking the key worker role that the community identified as a priority?

Yes, this can happen and where housing stock is very limited it can create a difficult situation. Prior to the 2017 tenancy act it was possible to offer tied worker accommodation linked to the role, but this is no longer allowed. Several community trusts in Orkney had successfully used a key worker accommodation model for many years, offering a 12–18-month lease to allow people time to find a permanent home or to give island life a try before they invested in a property.

3.2. Rent and the funding gap: in Arran, the Trust is delivering 18 houses, part funded by the Regional Islands Housing Fund which stipulates rent must remain within the housing allowance for North Ayrshire. Does this rule apply in other areas?

The Rural & Islands Housing Fund offers different grant levels based on the rent you will charge. If you plan to charge mid-market rent, you will get a lower level of grant than if you charge affordable rent. Rent also must be aligned to the local Housing Association level.

Discussed how difficult community housing is with build cost per unit in an island of up to £300k, a maximum grant of 47%, an interest rate of 15-16%, all offset by a very limited income of around £6,500.

Noted that some have been able to access a 30-year mortgage term which helps to cover the funding gap. Discussed how few mortgage options there are for development trusts partly due to rents being so low and not having the ability to pay back high amounts. Rural housing burdens can also be problematic for mortgage lenders.

In Orkney, the community trusts were able to demonstrate the benefit of community housing to Orkney Islands Council and the Council now provides some funding that helps meet some of the gap. **Ideally this good practice would be replicated across other island councils.**

3.3. Alternatives to the point system: are there other methods of allocation? Most use the points system as it allows local needs to be prioritised and is a clear and objective

way to do it. TIG uses a point system as well as sometimes offering a house sale on a first come first serve basis. The alternative is to use the Council waiting list, but this does not capture what is needed in the local community.

3.4. Tenant involvement: huge volunteer effort goes into delivering community housing, are there examples of tenants getting involved or sharing some of the load of ongoing management, contributing to community work or forming tenant associations?

Agreed this would be really helpful but not much experience of it within the group. In Raasay the new tenants have set up a WhatsApp group, in Mull a couple of tenants sit on the housing steering group to sense check rent reviews, and in Papay, new tenants are offered roles in the community such as helping with the community garden etc.

3.5. Allocation policy: in Arran, the Development Trust was able to persuade the Council to adopt extra points for key workers specifically for the islands. Arran and Cumbrae only make up 3% of the population of North Ayrshire and this recognition of the local need for workers has been very welcome.

In Raasay, the trust worked with Skye & Lochalsh Housing Association to develop a local letting policy that supplemented the points system it uses for allocating from the highland housing register.

Arran Development Trust developed a local lettings policy that gave priority to people already resident in Arran (3 years or more), and people in full time work (over 32 hours), and opened up the process to everyone, including those on the NAC common housing register. There were 76 applications for 18 houses which created a lot of admin for the Trust and in hindsight, many applications from the NAC register hadn't considered the local lettings policy. Using the points alone was difficult as many applicants scored equally and having a supplementary question on more personal circumstances helped with this but wouldn't work in a small population. The actual allocations were carried out blind by members of the board.

Discussed that where the population is small, including a subjective element rather than staying objective, can create problems and leave decisions open to being challenged. Local lettings policy with points awarded for lots of different things can help to avoid applicants getting the same points.

3.6. Sub-leasing: in Luig, they are looking at options to provide accommodation for the ferry crew - can community housing be rented to other agencies e.g. Council, Fire Service etc?

In Orkney, some trusts have worked with the NHS and Council but as the RIHF can't fund houses developed for a specific job, it tends to be via priorities within the local lettings policy.

MICT manages a property on behalf of Argyll & Bute Council which is leased to Historic Environment Scotland which then leases the property to its workers. It has been a complicated process with a lot of paperwork involved and agreement needed over who is in charge of the leasing.

Tom suggested offering a Service Occupancy Agreement which, if the property is owned by the Trust, gives maximum flexibility and rights.

4. Actions & Policy Points

- a. A third landlord type, suited to the community housing model, and providing more flexibility around funding, finance and tenure should be developed.** Development Trust's and community organisations are increasingly delivering and managing housing but the current two landlord types – RSL and private landlord – are not well suited to community-led housing.
- b. A new type of tenancy, distinct from permanent homes, that allows for worker accommodation and seasonal, time-limited leasing, winter lets etc should be developed.** Parts of the 2017 tenancy act has had a detrimental impact in island communities, taking away the ability to provide the much valued and needed island 'gateway' housing model, winter lets, seasonal and tied worker accommodation.
- c. Access to the Key Worker Fund.** Worker accommodation is critical to 'living' islands and its need had been evidenced repeatedly by development trusts. Communities need access to funding and support to be able fill this gap.
- d. Community stake in infrastructure development to ensure maximum community benefit.** In particular offshore wind development and its associated worker accommodation but also relevant to other industry, communities must be involved in early-stage discussions to ensure the opportunity to develop good quality legacy homes and services isn't lost.
- e. Modular Construction:** some issues around funding for modular homes noted from Orkney but in Mull, modular housing, through a design and build contract with the Wee House Company, has worked very well. Not cheaper than traditional build but reduced the risk significantly around contractors, sub-contractors, ferries, contractor accommodation etc as well as providing a fixed cost which made funding easier. Fyne Homes has recently commissioned 8 homes through the Wee House Company Connect Modular. **Agreed modular and economies of scale to be included in discussion with SFT.**

5. Next Steps:

- Notes and follow up from Cross Party Group on Islands meeting
- Housing Group meeting with Scottish Futures Trust to be arranged
- Rural & Islands Housing Action Plan Summit, 23rd October
- Housing Group meeting with the Minister to be arranged
- Housing Group position paper to be updated
- Meetings topics to include, taking on and renovating existing properties (retrofit when someone is already living in the house); tenure types

Next meeting: end of November.