

The Highland Council

Resources Committee

25 November 2015

Agenda Item	32
Report No	RES/127/15

National Housing Trust Model

Report by Director of Development and Infrastructure

Summary

This report updates Members on progress of The Highland Council's participation in the Scottish Government's National Housing Trust Model and seeks approval for the Council to use prudential borrowing of £1.15m for a further 10 units at Kiltarlity through the Highland Housing Alliance.

1. Background

- 1.1 The NHT initiative was set up by the Scottish Government for local authorities to work with developers to deliver new affordable houses for mid-market rent in areas of high demand. The projects are jointly funded by the local authority and developers, with the Scottish Government underwriting local authority loans through a guarantee.
- 1.2 The Highland Council has previously approved the use of prudential borrowing to deliver 179 new homes in the NHT programme, which has proved highly successful in providing new affordable houses to people who cannot compete in the open market.
- 1.3 The NHT model provides a mid-market rental level which allows the person to move into the house which they will ultimately purchase, whilst being able to make a monthly provision for the mortgage deposit. Whilst the tenant rents the property, the landlord meets the costs for factoring, buildings insurance and maintenance.
- 1.4 To date, Highland Housing Alliance (HHA) have built 135 NHT homes with a further 17 homes completing in December 2015. These homes have been spread across several sites, detailed below:

Site	Number of Units	Types of Homes
Wester Craigs Site 4	42	2 and 3 bedroom homes and 2 bedroom cottage flats
Kildary	1	3 bedroom home
Golspie	5	3 bedroom homes
Wester Craigs Site 2B	48	2 and 3 bedroom homes and 2 bedroom cottage flats
Ardersier	21	2 and 3 bedroom homes and 2 bedroom cottage flats

Balvonie, Milton of Leys	6	3 bedroom homes and 2 bedroom cottage flats
Kiltarlity	12	3 bedroom homes
Academy Street, Inverness	17 – to be completed December 2015	1 and 2 bedroom flats
	152	

- 1.5 O'Brien Homes have built a further 15 homes at West Hill, Inverness, with a further 12 similar type homes in Dingwall, giving a total of 179 mid-market rent homes funded partly by The Highland Council. The O'Brien Homes properties are managed by HHA.
- 1.6 Current occupancy rates are 100% which is typical for the homes. HHA has a substantial waiting list for homes and is able to fill a home quickly in the event a tenant moves out.
- 1.7 HHA holds annual open days for their tenants so that they have the opportunity to meet professionals involved in the home buying process. This encourages the tenants to be mortgage ready for when the purchase date arrives.

2. Kiltarlity

- 2.1 As noted above the Highland Council has previously funded 12 mid-market rent houses at Kiltarlity through the NHT programme. Members have also approved 10 new council houses at PDI Committee of 19 August 2015. As part of this development and due to the success of the initial NHT units at Kiltarlity, HHA wish to develop a further 10 mid-market houses.
- 2.2 PDI Committee of 4 November 2015 approved the use of Landbank Fund to part fund this project and The Highland Council will receive 80% of any uplift in value when the properties are sold, which is between 5 to 10 years after initial occupancy.
- 2.3 In this report, Officers are seeking committee approval for the use of prudential borrowing of £1,150,000 to fund the remainder of the costs. The interest accrued on the prudential borrowing is repaid through the rental stream on the properties. The capital will be repaid upon the sale of the properties.

3. Revised NHT Approval

- 3.1 Under previous NHT arrangements, the Scottish Government guarantees to pay any shortfall in interest charges on the prudential borrowing to ensure there is no risk to the Council. As this project is an extension of an existing NHT project the same principles will apply.

4. Implications

- 4.1 **Resource:** The use of prudential borrowing of £1,150,000 is required for this project, with any interest accrued being repaid through the rental stream. The Highland Council will receive 80% of any uplift in value when the property is sold. Based on house price inflation of 2.5% per annum, this would generate £400,000 additional income for The Highland Council's Landbank Fund.
- 4.2 **Legal:** There are several legal agreements which the Council has to enter into if it participates in further National Housing Trust developments. However, these are extensions of existing models already in operation through the current NHT schemes.
- 4.3 **Equalities:** Mid-market rent projects will assist in meeting the needs of unmet housing demand for those who cannot compete in the open market but are unlikely to have sufficient points for council housing, due to overall housing pressures in the Highlands.
- 4.4 **Risk:** There is no financial risk to the Council as the Scottish government guarantee protects interest repayments and loan repayments.
- 4.5 **Climate Change/Carbon Clever, Gaelic and Rural:** It is unlikely that there are any climate change/Carbon Clever, or Gaelic implications.
- 4.6 **Rural:** The properties will increase the supply of housing in a rural village location.

5 Conclusion

- 5.1 The National Housing Trust model has assisted in the delivery of new affordable housing by providing mid-market rented units in high demand areas. The model has proved successful and these additional units will help the Council meet its target of 1,700 new affordable houses by 2017.

Recommendation

Members are asked to approve the use of prudential borrowing of £1,150,000 to part fund the delivery of 10 new NHT mid-market houses at Kiltarlity.

Designation: Head of Property Partnerships

Date: 5 November 2015

Author: Allan Maguire