

The Highland Council

Resources Committee

25 May 2016

Agenda Item	5
Report No	RES 21/16

National Housing Trust Model

Report by Director of Development and Infrastructure

Summary

This report updates Members on the progress of The Highland Council's participation in the Scottish Government's National Housing Trust (NHT) model and seeks approval to amalgamate three Limited Liability Partnerships (LLPs) which manage the housing into one LLP to simplify processes and ensure continued delivery of the NHT model in 2016/17 onwards.

1. Background

- 1.1 The Highland Council (THC) has participated in the NHT initiative which is supported by a Scottish Government guarantee and is designed to create more new mid-market rented houses where there is unmet demand for this type of housing. The houses are rented at mid-market rent, for five years after which the tenant has the option to purchase the property.
- 1.2 The scheme has been very successful in the Highlands, with a total of 176 mid-market houses built or being built in the area under the NHT initiative. 152 homes were built by Highland Housing Alliance (HHA), with a further ten on site, and a further twelve units built by O'Brien Properties. HHA, Albyn Housing Society and Lochalsh & Skye Housing Association also operate other mid-market housing projects.
- 1.3 Currently there are five operational special purchase vehicles or limited liability partnerships (LLPs) which manage the housing, following the three procurement processes, four of these LLPs have HHA in the developer role.

2. Existing LLPs

- 2.1 THC, HHA and Scottish Futures Trust (SFT), are members of four LLPs as follows:

Westercraigs NHT 2011 LLP	42 units
Highland NHT2 2012 LLP	66 units
Kiltarlity NHT 2013 LLP	22 units
Highland NHT 2014 LLP	32 units
Total	162 units

2.2 The LLPs have developed houses at:

Site	No. of Units	Types of Houses
Westercraigs site 4	42	2 & 3 bed houses and cottage flats
Kildary	1	3 bed house
Golspie	5	3 bed houses
Westercraigs 2b	48	2 & 3 bed houses and cottage flats
Ardersier	21	2 & 3 bed houses and 2 bed cottage flats
Balvonie, Milton of Leys	6	2 & 3 bed houses
Kiltarlity	22	3 bed houses (10 currently on site)
Academy Street	17	1 & 2 bed flats.
Total	162 units	

2.3 Each of the individual LLPs has separate board meetings, governance and administrative reporting mechanisms relating to board papers, accounts, audits and decision making process. The main reason for having separate LLPs in the Highland area is because they came through separate rounds of procurement, rather than by design. The rationale for this single LLP is therefore primarily to achieve efficiencies in management and reporting but this proposal also speeds up the process for responding to new other opportunities .

3 The New LLP

3.1 A single LLP would be established to hold all the units currently held by 3 of the 4 LLPs. The fourth LLP, Kiltarlity NHT 2013 LLP would remain as a separate entity as third party finance was utilised and would make amalgamation difficult. The new LLP would become the trading entity to manage the portfolio for the 140 units contained in the 3 LLPs. There are various detailed legal implications which will have to be fully investigated prior to any consolidation of the three LLPs. These include ensuring all existing agreements are transferred over to the new LLP and the approach to the conveyancing of the units to a single LLP.

3.2 SFT, who operate the NHT model on behalf of the Scottish Government, are supportive of simplifying the current process by the creation of a single LLP to replace the 3. The new LLP would also be able to manage new mid-market rented housing as opportunities arise, in partnership with SFT and Scottish Government.

4. Implications

4.1 **Resource:** There will be initial resource implications in the drafting of new documentation /assignment of existing rights and securities as well as registration fees. In the longer term there will be a reduced requirement of attendance at three LLP board meetings to one every quarter. The three sets of annual accounts and audits would be reduced to one and the cost of administering three LLPs would also be reduced, along with accountancy, audit and legal fees.

4.2 **Legal:** There will be detailed legal implications in ensuring that the Council's position is protected within the new LLP, which will require further consideration and negotiation from the Head of Corporate Governance on behalf of the Council.

4.3 **Climate Change/Carbon Clever; Risk, Gaelic and Rural:** There are no additional risks to the Council resulting from this paper.

5. Conclusion

5.1 The NHT model has assisted in the delivery of new affordable housing by providing mid-market rented units in high demand areas. Whilst the model has been very successful, having four individual limited liability partnerships, with the same partners is administratively burdensome. Streamlining 3 of the existing LLPs into one will reduce costs and give the new LLP the ability to deliver new mid-market rented opportunities in the future, along with other organisations.

Recommendation

The Members are asked to approve the merging of three LLPs referred to in section 2.1 of this report into one LLP, subject to detailed considerations of the legal implications by the Head of Corporate Governance.

Designation: Director of Development and Infrastructure

Date: 12 May 2016

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Background Papers: Resources Committee 18 August 2010 – NHT model
Resources Committee 17 August 2011 – NHT model
Resources Committee 21 March 2012 – NHT model
Finance, Housing and Resources Committee – 22 August 2012 – NHT model
Finance, Housing and Resources Committee – 5 June 2013 – NHT model
Resources Committee 25 November 2015 – NHT model