

## The Highland Council

Resources Committee – 23 November 2016

Agenda Item	22
Report No	RES/92/16

### 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 for a further 16 units at Munloch and Raining's Stairs Inverness through the Highland Housing Alliance.

#### 1. Background

- 1.1 The National Housing Trust (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) has built 162 NHT homes. 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	1 and 2 bedroom flats
Ballgate kiltarlity	10	2 and 3 bed houses

- 1.5 O'Brien Homes has built a further 15 homes at West Hill, Inverness, with a further 12 similar type homes in Dingwall, giving a total of 189 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. The HHA has a substantial waiting list for homes and are able to fill a home quickly in the event a tenant moves out.
- 1.7 The 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.
- 1.8 The Highland Council's Programme of Action includes a commitment to deliver another 50 new mid-market houses in the Highlands by 2017.

## **2. Munloch, and Raining's Stairs, Inverness**

- 2.1 The HHA has approached the Council to provide a loan to part fund the purchase and servicing of NHT houses, 6 new homes at Munloch and 10 new homes at Raining's Stairs, Inverness, using the Council's Landbank Fund. Prudential borrowing is required for up to up to £1,700,000 (final figures to be agreed). Based on the success of NHT new homes, in the Inverness area in particular, and further research carried out by the Council on likely demand, it is proposed that the Council use land bank funding to part fund the project which is approved separately by PDI committee.

## **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. The original standard NHT model is no longer in operation and it is proposed that this project is approved subject to a guarantee limited to £5,000 per unit as per the previously approved North Dingwall project. The previous guarantees have never had to be drawn down on any project and it is considered that £5,000 per unit is more than sufficient to cover any risk to the Council.

## **4. Implications**

- 4.1 Resource: The use of prudential borrowing of £1,700,000 is required for this project, with any interest accrued 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 up to £750,000 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 NHT 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 Rural: The Munloch project benefits a rural community.
- 4.5 Climate Change/Carbon CLEVER and Gaelic: There are no climate change/Carbon Clever, or Gaelic implications associated with this report.

## **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 £1,700,000 to part fund the delivery of 16 new NHT mid-market houses at Munloch and Raining's Stairs Inverness.

Designation: Director of Development and Infrastructure

Date: 24 October 2016

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