

<b>COMMITTEE:</b>	Audit and Governance Committee
<b>MEETING DATE:</b>	24 <sup>th</sup> March 2026
<b>BY:</b>	Deputy Chief Executive Children and Communities
<b>REPORT TITLE:</b>	East Lothian Mid-Market Homes LLP
<b>REPORT STATUS:</b>	Public

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## **1 PURPOSE OF REPORT**

- 1.1 To inform the Audit and Governance Committee of the 2024/25 accounts and the performance of ELMMH.

## **2 RECOMMENDATIONS**

Members are recommended to:

- 2.1 Note the contents of the report and the performance of ELMMH for 2024/25.

## **3 BACKGROUND**

- 3.1 Following Cabinet approval of this development proposal in January 2017, ELMMH LLP was created as a partnership vehicle between the Council and Scottish Futures Trust (SFT) initially to facilitate the leasing of these 50 homes.

- 3.2 East Lothian Mid-Market Homes LLP is an innovative partnership between East Lothian Council and Scottish Futures Trust Investments Limited which was established to deliver additional affordable housing without subsidy and contribute towards meeting East Lothian Council's housing commitments. East Lothian Council has 83.33% of the voting rights in the partnership and is entitled to 99.999% of residual profits. However, residual profits are not distributed to the Members and are reinvested to provide future affordable housing options.

- 3.2 The mixture of 2 and 3 bedroom homes were initially let from July 2019 at 80% of the then Local Housing Allowance (LHA) level relevant to the size of properties in line with East Lothian Council's Affordable Housing Policy. Due to a recent increase in LHA levels, the current rental levels

for 2024/25 for these homes are 66% of the LHA level for the 2 bedroom homes and 60% of LHA for the 3 bedroom homes comparing favourably with similar mid-market housing association rents which are typically 85% to 95% of LHA within East Lothian.

- 3.3 Since the ELMMH LLP has been in place, it has since purchased 10 further properties with grant funding from the Second Homes Council Tax Fund approved by Cabinet. These properties are rented on a similar basis by ELMMH LLP. These acquisitions were completed to prevent these properties being removed from the affordable housing portfolio within East Lothian as new buyers of these properties on an affordable housing basis had not been identified.
- 3.4 ELMMH LLP is a subsidiary organisation of the Council and assists in contributing to the affordable housing objectives of the Council plan. This report is provided to the Audit & Governance Committee to assist in fulfilling appropriate Governance and scrutiny processes by providing open and consistent reporting on an annual basis.

### **Governance**

- 3.5 ELMMH LLP Senior Management Team meetings are held on a quarterly basis with minutes taken and approved at subsequent meetings
- 3.6 ELMMH LLP is audited by External Auditors, Whitelaw Wells. End of year accounts have been signed off by the Board of Members and were provided to Whitelaw Wells for final sign off in August 2025.
- 3.7 Final accounts for 2024/25 demonstrated a cash balance of £224,366 and were signed off by both the Senior Management Team and the Board of Members in August 2025. (see appendix A).
- 3.8 The auditors also confirmed there were no irregularities, including fraud, nor any instances of non-compliance with statute, regulations, contracts or the LLP's Memorandum and Articles of Association which might prejudice the LLP's going concern status.
- 3.9 An initial template financial model over a 40 year period was developed utilising an SFT model. However an updated model had been developed by Finance colleagues which updates actual outturns and projections on income and expenditure. Final accounts as of 31 March 2025 for ELMMH demonstrate a cash balance of £224,366.

***This model also reflects changes such as; rental increases, bad debt, voids, increases in material costs for repairs and replacement and was used to help set 2026/27 rent increase. This was set at 8% to ensure reserves necessary for the expected level of lifecycle costs will be covered.***

- A risk matrix has also been developed and reviewed and monitored by the Senior Management Team. ***The main risks are in relation to rent arrears and the rising cost of repairs.***

- 3.10 The Membership Agreement requires that specific agreements and policies, should be in place. A deed of Entrustment, together with an Acquisitions and Allocations Policy and a Management and Maintenance Agreement have also been developed and approved. Further policies have been drafted with a new officer to be appointed to ensure there is a full suite of updated policies and processes for the LLP
- 3.11 The Board of membership has since been reviewed and a change in membership has been made with both Deputy Chief Executives now sitting on the Board of Members. The Head of Housing has been appointed Chair of the Senior Management team with Managers from Finance, Legal and Housing also appointed to the Senior Management team. The Management Team have agreed to continue to review this membership on an ongoing basis with the next review due in April 2026.

As part of this review, Internal Audit have been asked to carry out a further audit to ensure the necessary controls are in place to improve the efficiency and effectiveness

#### **4 POLICY IMPLICATIONS**

- 4.1 None

#### **5 RESOURCE AND OTHER IMPLICATIONS**

- 5.1 Finance: None
- 5.2 Human Resources: None
- 5.3 Other (e.g. Legal/IT): None
- 5.4 Risk:

#### **6 INTEGRATED IMPACT ASSESSMENT**

- 6.1 ***Select the statement that is appropriate to your report by placing an 'X' in the relevant box.***

An Integrated Impact Assessment screening process has been undertaken, and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

X
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**or**

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:



Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

*[Enter information on impacts that have been identified]*

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

[https://www.eastlothian.gov.uk/info/210602/equality\\_and\\_diversity/12014/integrated\\_impact\\_assessments](https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments)

## 7 APPENDICES

### 7.1 Accounts

## 8 BACKGROUND PAPERS

### 8.1

## 9 AUTHOR AND APPROVAL DETAILS

### Report Author(s)

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<b>Date</b>	12 <sup>th</sup> March 2026

**Head of Service Approval**

<b>Name</b>	
<b>Designation</b>	
<b>Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed</b>	
<b>Approval Date</b>	