

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO HEALTH & HOUSING COMMITTEE

Agenda Item No. 6

meeting date: THURSDAY, 3 SEPTEMBER 2015
title: ALTERNATIVE MODELS FOR DELIVERING AFFORDABLE HOUSING
WITH PRIVATE FINANCE INSTITUTIONS
submitted by: MARSHAL SCOTT – CHIEF EXECUTIVE
principal author: RACHAEL STOTT – HOUSING STRATEGY OFFICER

1 PURPOSE

- 1.1 To inform Committee of the current issues in affordable housing delivery and the option of private investment companies providing the affordable units.
- 1.2 Relevance to the Council's ambitions and priorities
 - Community Objectives – To address the housing needs of all households in the borough.
 - Corporate Priorities – None.
 - Other Considerations – None.

2 BACKGROUND

- 2.1 Over the past 6 months several issues have created difficulties for affordable housing delivery in the borough, regionally and nationally. Most significant are the budget announcements of right to buy being extended to social housing and the 4 year 1% rent cut.
- 2.2 These changes along with the high numbers of affordable housing being developed have created a situation where we cannot always secure a Registered Provider to deliver all the affordable units on new sites.
- 2.3 This had led to an increasing number of applications to change the tenure proposed on the site from shared ownership to discount sale. This has been agreed on 3 sites to date. By changing the tenure from shared ownership to discount sale removes the need for any investment from a Registered Provider. Discount sale requires a fixed discount of 30% in Clitheroe and Longridge and 40% in all other parishes from the open market value. The properties still remain affordable in perpetuity and for households with a local connection.
- 2.4 Unfortunately Registered Providers are informing us that in light of the legislative changes their ability to deliver affordable housing and make investments in new schemes has been significantly reduced.

3 PROPOSAL

- 3.1 In response to this current issue, alternative delivery models have been proposed on sites as developers want to prevent any risk of sites being stalled due to the inability to deliver the affordable element of the site.

3.2 One proposal is to use private investment companies to support affordable housing delivery. The Strategic Housing Working Group met on 15 July for a presentation from a private investment company who have requested permission to delivery units on scheme in Whalley. The scheme presented used the HCA model licence for the delivery of the shared ownership units, and partnered with Guinness Housing Association for the day to day management. I attach the governance structures and business as a link for further information at the end of the report.

4 RISK ASSESSMENT

4.1 The approval of this report may have the following implications:

- Resources – Private investment will bring additional resources to deliver units in the borough.
- Technical, Environmental and Legal – Any approved schemes will require a Deed of Variation to the Section 106 Agreement to allow a non RP to deliver the units.
- Political – Householders could raise the issue of future security of these units.
- Reputation – If no registered provider can be secured then we would not want to see the sited stalled and no development.
- Equality & Diversity – No implications identified.

5 **RECOMMENDED THAT COMMITTEE**

5.1 Agree to further investigate the use of private investment to deliver affordable housing in the borough. To liaise with other local authorities that have used private finance on used schemes and consult with the Homes and Communities Agency.

RACHAEL STOTT
HOUSING STRATEGY OFFICER

MARSHAL SCOTT
CHIEF EXECUTIVE

BACKGROUND PAPERS

None

For further information please ask for Rachael Stott, extension 4567.

REF: RS/ELH&H

Affordable Home Ownership

from

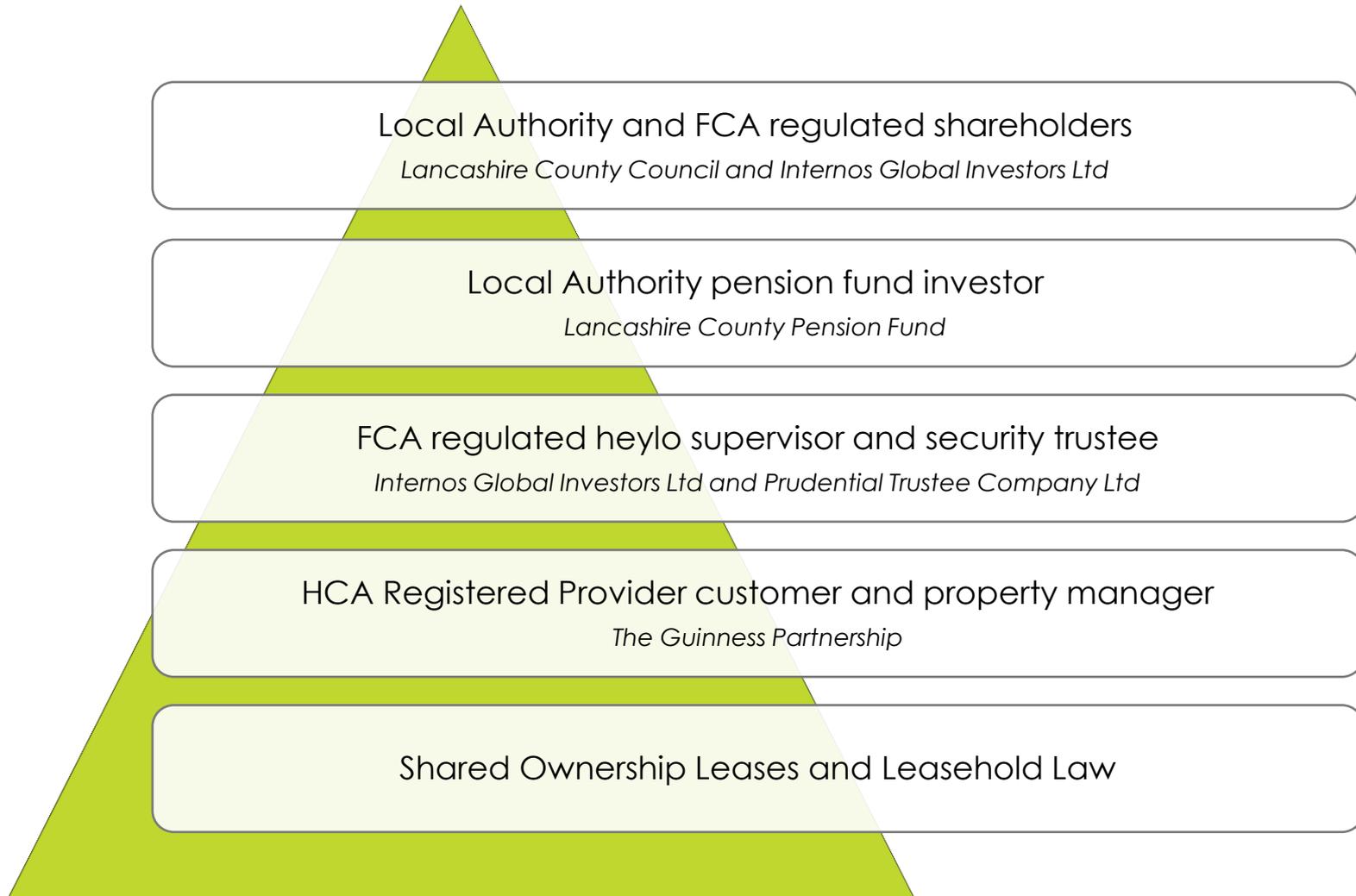
heylo housing

COMPLIANT WITH LA, HCA AND GLA QUALIFICATION THRESHOLDS,
LA SECTION 106 AND NOMINATION AGREEMENTS

Who is heylo housing



- heylo housing (heylo) is a residential property company with a long term investment strategy to provide affordable housing across the UK.
- A private joint venture company between a leading Local Authority (LA), a Financial Conduct Authority (FCA) regulated investment manager and a team of affordable housing specialists, heylo was established to acquire affordable housing with a particular focus upon shared ownership.
- heylo's Articles state "the provision of affordable housing" as its objects.
- heylo has secured £180m of long term committed funding from its shareholder and cornerstone investor Lancashire County Council.
- heylo currently provides over 500 affordable housing properties across 24 LAs in England and Wales.
- heylo's long term affordable housing activities are supervised, under contract, by an FCA regulated investment manager.
- Whilst heylo is not registered with the Homes and Communities Agency (HCA), heylo delivers HCA compliant leaseholder and shared ownership services via a long term agreement with a Registered Provider (RP) – The Guinness Housing Association Ltd a registered provider subsidiary of The Guinness Partnership Ltd.
- heylo is a member of the National Landlords Association and the Guild of Residential Landlords.



- heylo shared ownership properties and customers are managed under long term contracts by one or more RPs regulated by the HCA.
- These long term contracts require the RP to deliver leaseholder and leasehold property management in accordance with:
 - *The lease (and any superior title requirements);*
 - *All related property documents (including s106 and Nominations Agreements);*
 - *HCA Regulations;*
 - *All applicable Legislation and Applicable Standards; and,*
 - *Good Industry Practice.*
- heylo has a national, long term management agreement in place with the Guinness Housing Association Ltd an RP subsidiary of The Guinness partnership Ltd (heylo is also open to putting similar long term management contracts in place with local and regional RPs).
- At law, Leaseholders have full leasehold protection under a HCA form of lease.
- Leaseholders have the benefit of RP management from the day of legal completion with the house builder.
- The Home Reach lease includes a transparent, affordable, annual management fee (rather than the variable service charge approach typically employed to date).

heylo compliance with planning requirements



- In addition to the long term management agreements with HCA RPs, heylo, as landlord, will undertake to comply with all relevant obligations contained in the s106 and nomination agreements.
- Following the initial compliant sale, staircasing activity is managed in line with HCA regulations under the long term management agreement with Guinness Housing Association – a registered provider subsidiary of The Guinness Partnership (or other RPs).
- Staircasing reinvestment will therefore be in line with the mechanism in the s106 – perfectly aligned with heylo's requirements for long term shared ownership rents across the UK.
- Given the nature of staircasing receipts heylo will undertake, as part of the s106, to reinvest the planning gains (identified as 40% of the open market value of the original residual amount) as follows:
 - *First, in the LA*
 - *Second, in the relevant Sub-regional Strategic Housing Market Area*
 - *Third, within England, Wales and Northern Ireland*
- If heylo has not reinvested such amounts within 5 years then heylo will be liable to pay a commuted sum equivalent to the planning gain to the LA.
- Post initial tranche sale, staircasing (and capital transactions) and re-investment in each LA will be reported on a 5 yearly cycle.

What is Home Reach



- Available from heylo, Home Reach is a compliant shared ownership affordable housing model for s106 delivery across England and Wales.
- Home Reach operates via legal contracts with national and regional house builders. These contracts ensure compliance with planning obligations and national affordable housing policy without the direct engagement of an RP.
- Home Reach delivers increased value from s106 shared ownership properties – which has the potential to unlock development and or deliver sustained s106 affordable housing delivery in the face of economic challenge.
- Home Reach uses HCA standard form leases with initial rents set below the affordability and infrastructure levy thresholds.
- Home Reach contracts between heylo and house builders ensure that Home Reach buyers meet the affordability and salary requirements, and limits, as set out by the HCA (using all current and future HCA calculators).
- Home Reach buyers are also independently financially qualified in line with current mortgage lender MMR guidelines to ensure monthly costs are sustainable and deliver long term affordability.
- Home Reach properties are marketed and offered for sale in full compliance with Nomination Agreements and in conjunction with local Zone / HomeBuy agents.

How does Home Reach work



- heylo and house builder enter into a global contract for delivery of Home Reach shared ownership properties across multiple sites and geographies.
- House builder identifies developments with s106 requirements that it wishes to use Home Reach on.
- heylo (and the house builder) seeks approval from the relevant LA for heylo to be recognised as a suitable counterparty for the transfer of the s106 shared ownership properties.
- heylo enters into contract with the house builder for all shared ownership properties on the scheme giving certainty of transfer and s106 compliance.
- House builder constructs properties in accordance with all planning and any space design standards required by LA.
- House builder markets and sells shared ownership properties in accordance with nominations agreement. Working in conjunction with local Zone / HomeBuy agent and Independent Financial Advisers (IFAs) the house builders must ensure all buyers are 'qualifying' and pass affordability checks.
- House builder and heylo report regularly to LA with sales progress and an allocation report.
- The Home Reach contract requires the house builder and the IFA involved in the sales process to demonstrate compliance with planning, s106, nominations, affordable housing policy and affordability requirements in order that the property can be transferred to heylo and the house builder can obtain the improved value Home Reach offers.