

WMCA Housing & Land Delivery Board

Date	19th January 2022
Report title	Help to Own: Update on Progress
Portfolio Lead	Cllr Mike Bird, WMCA Portfolio Lead for Housing and Land
Accountable Employees	Gareth Bradford, Director of Housing and Regeneration Rob Lamond, Strategic Planning Manager
Previous reports	<ul style="list-style-type: none"> • January 2020: WMCA Board • November 2020: WMCA Investment Panel • December 2020: WMCA Investment Board

Recommendation(s) for action or decision:

The Housing & Land Delivery Board is recommended to:

- a) **Welcome and endorse** the positive findings of a review undertaken by WMCA into Help to Own which provides strong evidence to support the case for a wider roll-out beyond the pilot project, consistent with WMCA's approach to housing and regeneration and the Housing & Land Delivery Board's 2021/22 Deliverables. (NB this is not an investment decision and any future funding would need to be subject to receipt of an appropriate application and appraisal);
- b) **Note** the initial findings of a review of Help to Own, presented overleaf and summarised in Section 3.7;
- c) **Note** that further detailed reporting on progress of the pilot will be available in February 2022;

- d) **Note** that understanding the progress of Help to Own forms an important part of the Board's remit in relation to affordable housing¹ and H&R deliverables.

1.0 Purpose

- 1.1 Help to Own (HTO) is a new affordable housing product which provides a rental solution to local residents that gives long-term tenure security, the benefits of home ownership without many of the risks and complete flexibility to leave whenever the tenant wishes. HTO has been developed to address the substantial issues that many potential buyers who are in work face in raising the deposit to secure a mortgage.
- 1.2 The first HTO scheme was established at The Marches development in Wednesfield (Wolverhampton) in April 2021. It makes 100 properties available to tenants who meet the criteria in an allocation policy and who can demonstrate that they can afford to rent the properties at a market rent over the long-term.
- 1.3 This paper summarises the findings of an initial high-level review of the HTO pilot project undertaken by AMION Consulting and commissioned by WMCA, which involved analysis of management information and consultation with key stakeholders.

2.0 Background

- 2.1 In January 2020, the WMCA Board approved investment of up to £4.78 million from WMCA's devolved housing and land funds, alongside City of Wolverhampton (CWC) investment to deliver a 100 unit HTO pilot scheme at The Marches site.
- 2.2 Under HTO, the customer pays a market rent for 25 years for the home and after that period they can purchase it for £1. The annual increase in rent is set aside into a loyalty account, which is built up over the 25 years and the customer is able to withdraw this pot at any time if they exit the property. During the term, after operational costs, debt servicing and contributions to the loyalty account the net amount is distributed to the shareholders as a dividend. If customers stay for the full 25 years then, at the end of the period, the investors have access to their loyalty account pot. Customers can also use their loyalty account to help with a deposit to purchase the property they occupy at any point during their tenancy, providing additional flexibility for customers. Any disposal during the 25 years results in a capital receipt to the Marches HTO.
- 2.3 The Marches HTO purchased the 100 homes on The Marches development in April 2021. These are being received in tranches as they are completed.

3.0 Review Findings

- 3.1 One important element of the HTO pilot was to **test demand for this new affordable housing product** – to check whether there is a market for a long-term rent to buy offer. **This aspect of the pilot is progressing well.** The most recent management information shows that there has been **considerable interest in the product** which has converted into applications from households which meet the eligibility and affordability

¹ Based on the WMCA broader definition of Affordable Housing

criteria. By December 2021 all of the properties had been allocated to prospective tenants.

- 3.2 The provision of homes through HTO is providing a new route on to the housing ladder for 100 households, complementing other affordable housing policies and products and meeting the needs of a specific group of households for whom raising the deposit is the greatest barrier to home ownership. Whilst the number who go on to purchase their properties will only be known in the long-term, **in the short-term the scheme is already proving attractive to target households.**
- 3.3 The financial performance of the Marches HTO pilot will also only be fully known in the longer term. However, **the project has to date successfully addressed several key financial risks identified at appraisal including securing the debt funding on appropriate terms and achieving rental levels in line with the project's financial model.**
- 3.4 The pilot project has also allowed HTO to develop and refine a number of processes / ways of working which have proved to be successful and could therefore be rolled out to other HTO schemes. For example, the approach to marketing the product included the use of social media and harnessed early adopters as effective advocates, whilst resources were invested in educating the local legal community in how HTO works to enable them to advise clients who wished to participate. An allocations policy was developed which ensures support is targeted on key workers but has not constrained demand for the scheme. Important lessons have also been learned about the types of properties which are most attractive to the target market, and how the handover of properties from the developer to the property manager should be handled.
- 3.5 The pilot has also provided very valuable learning with regard to the management and governance of what is a complex scheme, involving a number of different funders, partners and stakeholders each of whom have their own priorities and responsibilities.
- 3.6 The pilot has benefited from considerable investment of Senior Officer time from within the public sector organisations involved, reflecting the high profile, innovative nature of the intervention and the level of public sector funding invested in HTO.
- 3.7 **The results of the initial high level review are very positive and indicate that the pilot has:**
- demonstrated that there is demand for the HTO product;
 - provided a new route for households to get onto the housing ladder – complementing rather than duplicating other schemes;
 - established governance structures and documentation that could be replicated for any future HTO projects offering economies if more schemes are brought forward;
 - successfully passed the first risk hurdles, although as would be expected various potential risks remain such as longer-term void levels, long-term attractiveness of the properties and the impact of economic downturn / higher unemployment / higher interest rates;

- The Marches HTO has secured debt funding, achieved the target rental levels and expenditure has been in line with expectations. Any future scheme will need to show whether the concept can be delivered without the need for grant funding; and
- indicated that the approach is potentially scalable. Finding appropriate sites will be key - the homes will need to be affordable for those who do not have sufficient funds for a deposit – but of a high enough quality and in an attractive enough area to be appealing as a long-term home. It is interesting to note that several local authorities in other parts of the Country have already expressed an interest in HTO.

3.8 Overall, the pilot has successfully proved the concept and there is strong evidence from the review by AMION Consulting to suggest that the approach should be endorsed for a wider roll out on policy grounds, although each future investment would need to be fully assessed on its own merits.

4.0 Financial Implications

4.1 This report sets out a review of the progress to date of the HTO pilot. There are no un-budgeted financial implications as a result of the recommendations within this report. There may be, in future, financial implications arising should there be further investment into the HTO product.

4.2 Any WMCA investment to invest further in the HTO would be governed and administered through WMCA's Single Assurance Framework, Single Commissioning Framework, the Commissions Pathway and in line with the accounting and taxation policies of the WMCA and HMRC.

5.0 Legal Implications

5.1 This paper provides an update review on The Marches HTO project. The HTO concept has been developed and implemented with the support of external legal advisors for the purpose of providing strong evidence of a wider roll out beyond the pilot project. Any future applications for funding will be supported by legal advice on individual schemes.

6.0 Equalities Implications

6.1 The Marches HTO project is considered to be having a positive impact on people from lower socio-economic backgrounds due to its delivery of a new form of affordable housing.

7.0 Inclusive Growth Implications

7.1 With its location in Wednesfield, The HTO Marches project is promoting regeneration and supporting the government's "Levelling Up Agenda". It is piloting of a new form of affordable housing and approach to increasing owner occupation including amongst key workers, which is a core element of the WMCA's Regional Affordable Housing definition.

8.0 Geographical Area of Report's Implications

8.1 The report relates to The Marches site but the principles could be applied across the whole of the WMCA area.

9.0 Other Implications

9.1 None

10.0 Schedule of Background Papers

10.1 None