Heylo Housing Ltd

Heylo Housing Ltd is a commercial company set up in 2014 by Assettrust Housing's principal shareholder Giles Mackay, Lancashire County Pension Fund (LCPF) and fund manager Internos. (Assettrust Housing itself went into administration in 2013 following financing problems.)

This scheme involves purchase of 'second-hand' properties by Heylo. After providing 30% 1-4-1 grant, the Authority obtains a 10% share and pays lease charges on the remaining 90% at 3.65%, increasing annually by rpi plus 0.75%. The property is managed and maintained by the authority and let at the maximum permissible LHA rate to defray these costs. The scheme has primarily been intended to provide short-term housing.

High local property costs combined with above inflation increases to lease payments to Heylo would lead to unsustainable costs and a drain on the HRA whilst the nature of cheaper properties on the market could lead to housing management issues. The following aspects would need consideration:

- *Asset management* By the nature of the scheme, cheaper second-hand private sector properties would be purchased. These could prove expensive to manage and maintain and might fail decent homes standards, reducing SDC property standards and increasing pressure on maintenance budgets. Input from asset management would be required to assess suitability of any property considered.

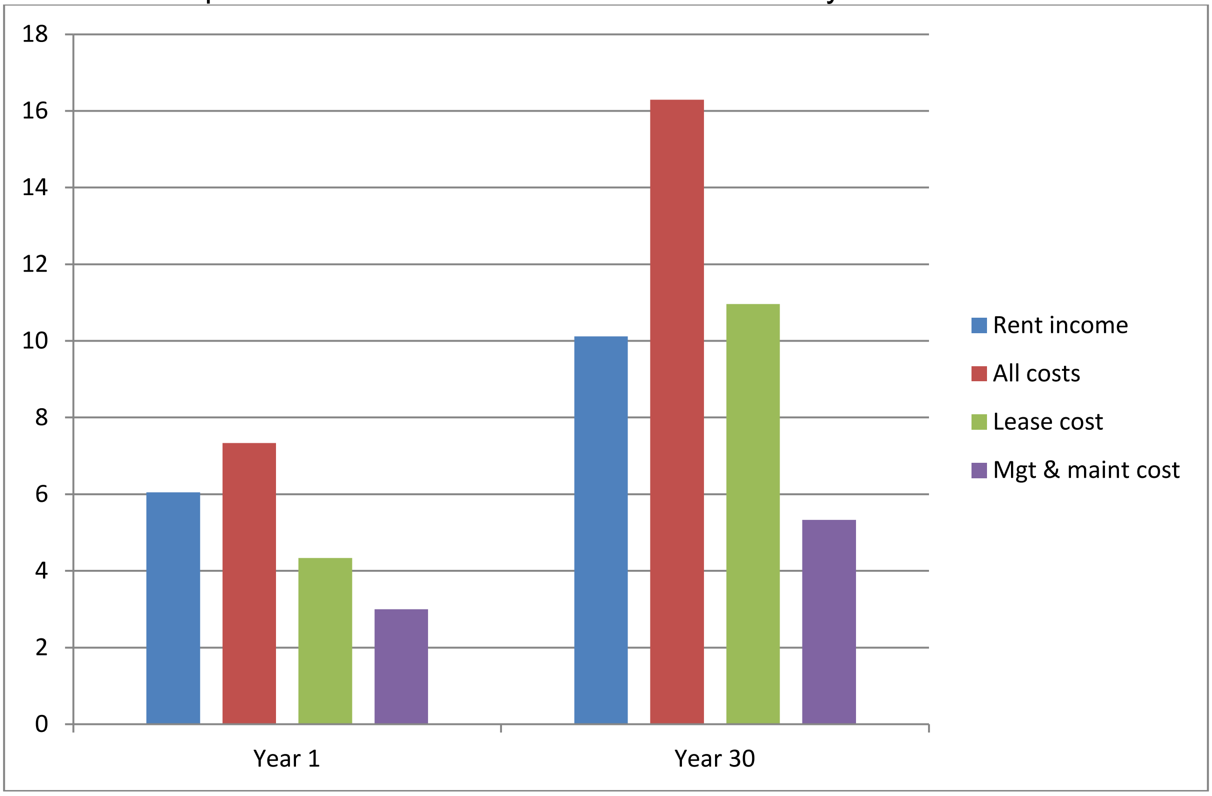
- *Higher rents* Letting at LHA rates would be significantly more costly than most other lettings by SDC (including new builds). Higher rents, combined with implementation of Universal Credit could lead to additional financial pressure for tenants and an increased risk of bad debts and arrears.

- *Financial sustainability* Despite the higher rents, after allowing for escalating lease costs and Stroud's typical maintenance and management costs (£3,000 per unit) the properties would make a loss every year. Over the longer term the lease costs alone would exceed rental income, impairing the HRA financial position.

After considering such aspects the Head of Housing Contracts has indicated serious concerns over the resource demands and financial impacts to the HRA and stated that this would be an incredibly difficult option to pursue.

As an example of the cost, were Stroud to provide £1m of 1-4-1 grant, £3.3m worth of properties could be purchased – around 22 units at an average of £150k each. This would generate a total loss of £2.4m over 30 years. Annual losses would increase from £29k in year 1 to £148k by year 30, by which time the total annual lease costs of £277k would exceed expected rental income of £245k (before any allowance for management and maintenance).

Chart 2: Example annual cost in £'000 for a 2 bedroom Heylo unit



The analysis is based upon the information provided from Heylo combined with typical parameters from Stroud's 30 year plan.

Some councils are using this model to provide temporary accommodation (potentially offsetting higher short term costs and avoiding the long-term escalation of lease charges) but it has been advised that Stroud does not have much need for temporary accommodation as it normally proves possible to move households on into permanent accommodation fairly quickly.