

Autumn Statement 2016

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Aims of Today

- Provide you with our view on the Autumn Statement announcement
- To update you on our Autumn Statement submission
- To share more details of an emerging idea to Government
- To get your views on how we can strengthen this offer



Autumn Statement 2016 – housing headlines

- **Relax restrictions on AHP for a “wider range of products”**
- **£1.4bn to deliver an extra 40,000 affordable homes**
- **Regional roll-out of VRtB**
- **Confirmation of housing white paper**



Autumn Statement 2016 – General headlines

- **Growth downgraded**
 - **Budget 2016 v AS 2016**
 - 16/17: 2.2% v 2.1%
 - 17/18: 2.1% v 1.4%
 - 18/19: 2.1% v 1.7%
 - 19/20: 2.1% v 2.1%
 - 20/21 2.1% v 2%
- **No surplus by 19/20 – now £20.7bn**
- **Personal allowance - £11,500 in April (£11,000 now)**
- **NLW - £7.50 in April (£7.20 now)**
- **End of Autumn Statements and March Budgets**



New ministers and a new pragmatism



JAMs

“If you’re from an ordinary working class family, life is much harder than many people in Westminster realise. You have a job but you don’t always have job security. You have your own home, but you worry about paying a mortgage. You can just about manage but you worry about the cost of living and getting your kids into a good school”.

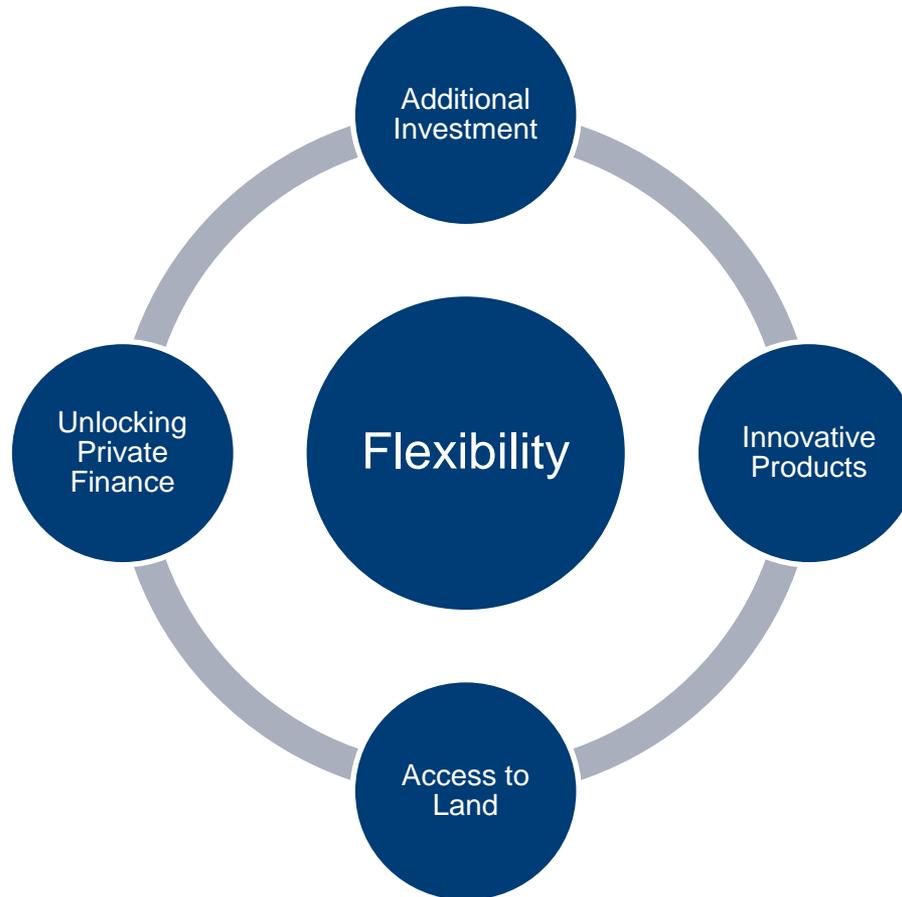


The Challenge We Set Ourselves

- An offer which speaks to the pragmatism of new ministers
- A submission that works for all members in all markets
- A submission that helps government achieve it's own political priorities
- But which also has the sector's social mission at its heart.



Autumn Statement – 23 November



Flexibility of funding

- Sought to shift AHP from tenure to supply
- If AHP was flexible HAs would have bid for 60% more homes.
- Use remaining 4.7bn in the Shared Ownership AHP flexibly and build 155,000 with a further 75,000 if you also flexed the £2.3bn for brownfield remediation
- We asked for a new long term programme approach

Questions

We have claimed that flexibility will drive numbers.

- Are you confident that now the government has given us increased flexibility you will deliver more?
- Are there other barriers and how can government address them?

Additional Investment

- With more investment we can achieve more
- Emphasises housing's role in driving rapid economic growth
- An extra £3bn of investment would have delivered an additional 100,000 homes
- This would be roughly split between ownership, sub-market rent and new models

Question

How confident are you that you will bid for this additional programme?

Unlocking private finance

- Private finance housing associations bring to the table is as important as government investment.
- The recently closed Affordable Homes Guarantee Scheme (AHGS) allowed housing associations to deliver 27,000 affordable homes at no cost to taxpayer. Should be reopened.
- There is up to £4bn of unused guarantee capacity that could be allocated to support additional affordable housebuilding.
- This should be extended to cover refinancing of existing debt, allowing housing associations to take on more private finance to fund affordable housing.

Question

Would additional government backed borrowing help you build more?
Would refinancing via this route be attractive?

Access to Land

- Right land available at the right price means more homes can be built more quickly
- We ask Government to give housing associations priority access to the public land available in return for speeding up building rates.
- Land could be allocated on the basis of number and speed of homes that would be built on it rather than price alone.
- Treasury guidance on best value should be reviewed to take this into account.
- As well as taking action nationally, more could be done locally via devolution deals.

Question

In your local areas what are the key barriers to accessing public sector land? Will the measures we are proposing help? What else can we do?

New innovative products

- Sector wants to help those ‘just managing’
- This group not well served by the modern options on the housing market.
- With flexible funding and additional investment, housing associations can innovate to change that.
- We have been working on a new model that allows this group to build equity in their homes without the need for borrowing

Question

Do you agree with the importance of developing an offer for this group?

What are you already doing to provide an offer for this group?

Why the strong offer for the 'just managing'?

- There is a gap in our current offer
- Housing this group is part of what we have always done
- It works politically
- It works in terms of mission

Who are we talking about?

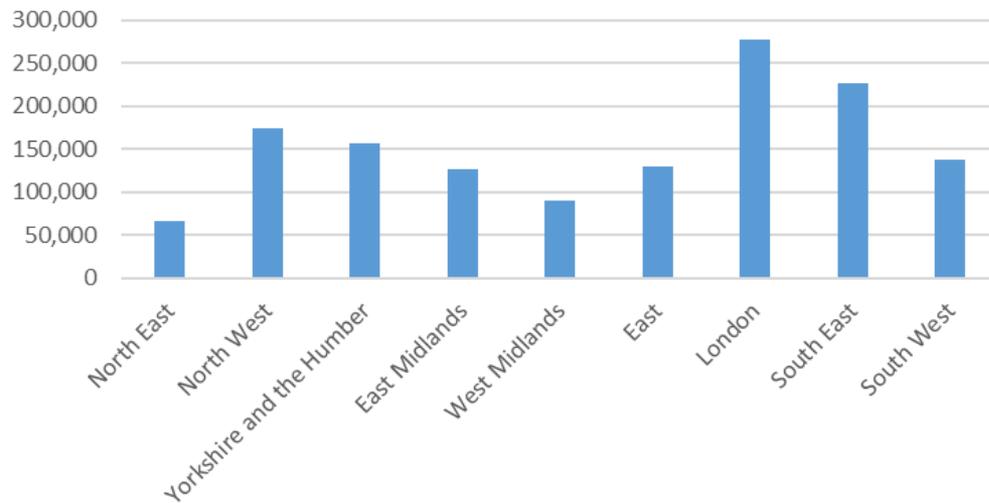
- They are in work
- They earn less than the median household income and may have insecure or irregular income
- But earn too much to be allocated social housing
- They are renting privately, but like 86% of people, are likely to aspire to own their own home

The “Just About Managing”

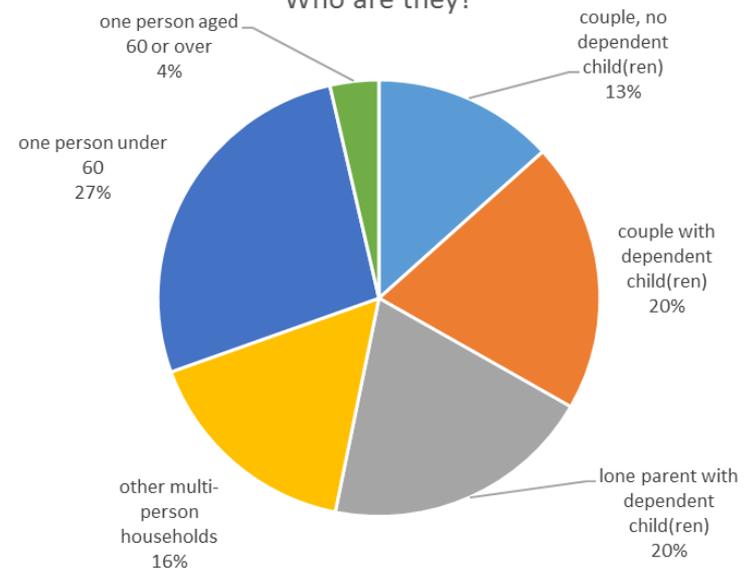
- This gives us a group of 2.43 million households
- Around 57% of this group are in the private rented sector.
- 1.38 million households.

Where and who are the “just about managing”

Where are they?



Who are they?



Why are they struggling to get by?

- **Lack of affordability:** with high and rising rents and house prices.
- **Lack of certainty:** with short-term tenancies and unpredictable rent rises.
- **Lack of a route to home ownership:** with high costs making it difficult to save for a deposit.

Key components of a better offer

- More affordable
- More certain
- A route to home ownership

Our proposal – “Buy As You Go”

Buying a home with no deposit and no mortgage

- **More affordable.** The customer makes monthly payments which are broadly equivalent to 90% of market rent.
- **More certain.** The monthly payments could be fixed throughout or increase by inflation
- **A route to homeownership.** The customer starts purchasing equity from day one – buying ‘a brick a week’. The customer assumes repairs and maintenance responsibilities from day one
- **More flexibility.** The customer would have a range of exit points

Testing the offer

- Spoken to a number of members ahead of submission
- Spoken specifically to members who have already been innovating in this area as well as big developers
- Individual members have run the offer through their development appraisal tools
- Held a webinar with members and had blogs etc
- Spoken to core Federation groups
- Spoken informally to government on the key elements of the offer
- Sought legal and financial advice on the offer

What members said

- Consensus on the political advantages of an offer for this group
- Enthusiasm for the general concept
- Belief that this could work if it was part of a more flexible investment programme and with the right level (and treatment) of grant investment
- But members had some questions too, around:
 - Market size and relationship with other products
 - Response of lenders and use as security
 - Prospective legal structure
 - Avoiding FCA regulation

Issues we're continuing to explore

- **Legal structure.** Our legal advice which indicates there are two possible structures – trust model or deferred payment model. Both have their advantages and disadvantages.
- **FCA regulation.** We recognise that avoiding this is critical. Our legal advice suggests that, under both models, the offer can be designed in a way which means FCA regulation isn't required.
- **Treatment of grant.** We understand this too is critical and recycling grant in the usual way may not be possible. One option may be to recycle grant in proportion to the equity purchased.
- **Response of lenders.** We are exploring with sector's valuers and are confident that the product will achieve a security valuation that is required to support its financial viability. After initial discussions it seems likely that at a minimum the security valuation will be approximate to EUV-SH over the course of its life.
- **Affordability and viability.** We understand the fine balance between rents, build costs and sales values – and it will work better in some markets than others. Modelling to date suggests that, subject to the level/treatment of grant (and usual development assumptions), the offer is affordable and viable in a range of markets. Viability improves where the customer takes out their equity after c.10 years.

Questions on “Buy As You Go”

The work Savills has carried out means that we can be confident there is a market to this product in all regions. With that in mind:

- If this was part of a more flexible SOAHP programme, would your organisation consider delivering this offer?
- Do you believe there are any barriers to you delivering BAYG housing in any substantial way?
- How could these barriers be overcome?
- What are the sorts of features you would look for to enable you to deliver BAYG housing?
- Are there any specific issues for your organisation that you want us to be aware of during the next stage of policy development?

Next Steps

- We are clear that this proposal needs to be seen as part of a package with flexibility at its heart.
- We will continue informal discussions with government over our offer
- Autumn Statement and Housing White Paper
- If government is supportive we will need to be agile and responsive, both as the Federation and as individual developing HAs
- On BAYG we will be pulling together organisations with a track record in developing similar models and offering to work with government on the detail of any proposal

Questions?