



Housing Association Resource for Investment Scheme (HARIS)

20 October 2016

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What does our sector look like?

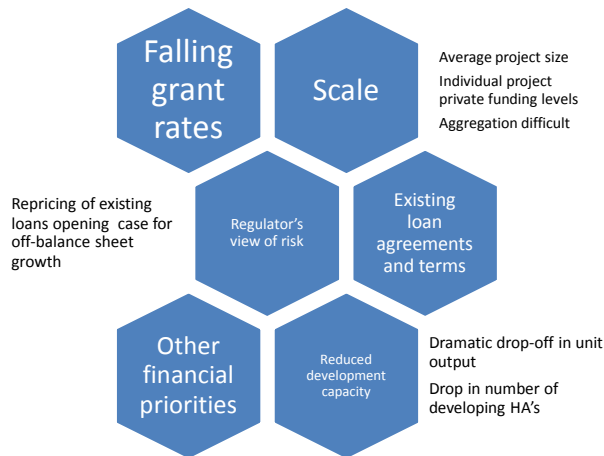
- 280,000 homes for rent,
 - plus shared homes, part ownership and factoring
- 11% of all housing in Scotland
 - 46% of all affordable rented housing
- 150 HAs and co-ops
 - Range of sizes: 400, 4000, 40,000. Typical around 1800 units
 - Roles vary
 - Very general to very specialised
 - Very local to national, across Scotland
 - All registered social landlords (RSLs) regulated by the Scottish Housing Regulator therefore comfort to investors
- Strong track record for innovation and reputation good
 - Demand is strong

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Sector challenges



- Housing a political priority
- Support for social housing
- Housing need continues to rise
- Most HA's want to do more but are limited
- Challenging unit target
- Councils want HA's to do more if they can
- Subsidy changes
- **BUT** funding constraints remain

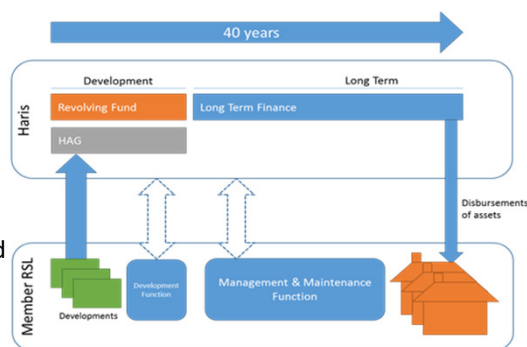
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What is HARIS?

- RSL, charity HARIS owns homes
- Members put projects to HARIS for approval in 2 stage process
- HARIS assesses project viability within its model
- HARIS builds significant number of homes over 5 year period
- Partner RSL develops, manages and maintains on Devt Agreement and M and M Agreement (not a lease)
- HARIS creates a finance requirement at a scale likely to be of interest to institutional investors
- Modelled on 2000 units requiring £110m of long term money
- What is HARIS not?



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The position now...

- Funding position has eased, grant rate improved
- Members more confident about long-term financial planning
- Examples of funding announcements:
 - POLHA £10m RCF (BoS) & £35m private placement with Canada Life
 - LHA £2m charitable bond from Allia to provide 50 units in Lochaber
 - Hanover Scotland £20m Revolving Credit Facility with LBG, and £20m private placement funded by a large institutional investor
 - Link Group £45m private placement with M and G
 - £280m EIB funding to NI HA's
- EU Funding still an option?

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Lessons...

- Timing is important
- Building, securing member buy-in, maintaining co-operation
- Sector leadership especially anchor associations
- Ready supply of existing properties would have helped
- Ownership isn't everything
- Circumstances changed - members not (yet) ready to commit
 - Local authority issues, local loyalties
 - If HAs can develop on own account they will choose to
 - Lack of Development opportunities including s75 sites (Part V)
 - Clarity of the HARIS offer and a manageable group
 - Concerns over loss of control, creation of super-RSL
 - Nagging balance-sheet concerns
 - Lack of focus on the long game

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Is HARIS investable/deliverable?

- **Safe investment in a sector which is enormous force for good**
 - Never been a lending failure, demand for product high
 - HARIS could benefit from reassurance of regulation as an RSL
 - Some investor interest based on index-linked rental stream
 - Recent interest from financial intermediary
 - Maintaining contact with EIB despite Brexit
- **Support of Scottish Government**
 - Investigating the feasibility of a Sector aggregating vehicle an early priority of Government's Housing Delivery Plan
 - Need to be convinced enough active members to make it viable
 - Pressure on Financial Transactions money
- **Registration no small hurdle but...**
- **HARIS is ready to go should circumstances change:**
 - Interest from range of RSLs, Legal structure, Governance, Agreements well advanced, Financial model that could work



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Does it matter?

- **More than just housing**
 - Potential to change lives for the better, health, economic and educational benefits
 - Recent report £3.25 SRIO for every £1 invested in social housing
- **Housing associations as community anchors**
 - Support, care, regeneration, employment training, supporting the development of local social enterprises, money, energy advice services
- **HARIS – should members decide to pursue it**
 - Design excellence
 - Place-making track record of the member associations
 - Provide homes that meet the highest possible design and quality standards within acceptable cost limits
 - Opportunity for rural associations, off balance sheet solutions



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Thank you

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