

Heylo Housing launch (22 March 2017)

Good evening,

I'd like to congratulate those who organised tonight's launch on their choice of venue. Holding an event that focuses on the importance of house building at the Royal Institute of British Architects does seem most appropriate.

It's a pleasure to be here celebrating Heylo's Registered Provider status and to be sharing a platform with Nicholas Raynsford, who I spent many years working with during my time as Leader of the Royal Borough of Kensington and Chelsea.

With this background in local government politics I can say that housing, both supply and affordability, is a central issue across the country.

Take for instance last year's London Mayoral elections.

- Both the main mayoral candidates led their campaigns with housing.
- Both promised to build more than 50,000 new homes a year.
- And both campaigned on making these houses affordable.

So now that the circus of an election is over, it's time that the new Mayor needs to honour these commitments. Meeting them will be

no easy feat.

One of my roles is as the Chairman of LPFA, which can most simply be described as London City Hall's pension fund. So when the Mayor speaks about areas of investment, I tend to listen carefully.

The LPFA is one of 89 pension funds that make up the Local Government Pension Scheme – the LGPS. With the exception of the LPFA and a few others, all these funds are owned and administered by Local Authorities – bodies that are direct beneficiaries both financially and socially, of social housing.

The Scheme is currently undergoing complete structural reform, with those 89 funds joining forces to create eight sizeable investment pools for the purpose of infrastructure investing.

The LPFA was ahead of the curve by 18-months and was already establishing the Local Pensions Partnership with its pooling partner, the Lancashire County Pension Fund – helayo's founding debt investor.

It is this that connects us to the innovative venture that we are here to celebrate tonight. As we progress in pooling our investments with Lancashire, LPFA will share in the investment in Heylo, making my interest in this exciting venture more than just academic.

I do believe housing will play an important part in pension funds' investment portfolios and the current pooling agenda I mentioned is an opportunity for this.

The combined skills and investment capacity of LPFA and Lancashire is already leading to further investment in housing and I'm convinced other pools with in-house capabilities and significant investment scale will follow suit.

There is enormous potential for pooled local authority pension funds to invest in housing infrastructure in the UK. Given the combined scale of the LGPS is over £230bn, just a small allocation to shared ownership, via models similar to heylo, could fund the delivery of more than 65,000 new homes.

This would also produce around £7bn of liability matching investments to underpin long term returns for scheme members. As such LGPS could be instrumental in opening up a new investment class of inflation linked affordable shared ownership housing to the broader private pensions funds market.

The Shared Ownership model is particularly attractive for two reasons.

Firstly, it is well matched to investors' needs. Long-term tenancies and rents mean that it allows investors to match their liabilities and guarantee stable returns for members.

Secondly, it helps meet important public policy objectives, in that it helps to address the UK's housing shortage and it provides affordable housing.

This view is based on our experience of investing social housing, which presents many difficulties for funds. For example, we are involved in a housing development in East London. This project has been progressing for nearly three years. For a £5bn pension fund, this doesn't represent sufficient value for the time and effort involved.

What funds need in order to see value in these projects is that they are of sufficient scale, which is difficult for social housing, with much of what is viewed being individual projects, such as flats.

That is why we are pleased to see support for the Shared Ownership approach in the Government's Housing White Paper, which rightly recognises the needs of investors and aims to encourage major institutional investment in new-large scale housing for affordable home ownership.

We are also supportive of the White Paper's measures to assist local authorities in building new homes, and other major initiatives – such as the Housing Infrastructure Fund and Accelerated Construction – all of which will be critical to meeting the housing need in areas of high-demand.

With that I'll hand over to Nick McAlpine-Lee for more about Heylo and I hope you have a good evening.

Thank you.