

#### **PE44. HEARTHSTONE SOCIAL AND AFFORDABLE HOUSING MANDATE**

The Committee and Board considered a report by the Director of Corporate and Housing Services on the matters relating to the Fund's investment in social and affordable housing with Hearthstone Investments.

The Committee had agreed on 17 March 2014 to the investment of £30m Hearthstone Investments Housing Fund for Scotland to fund new social and affordable housing. The investment was made on the basis of £15m being allocated to social housing and £15m to affordable housing.

The areas covered in the update report included:-

- The investment of £15m in a Places for People Bond to back the social and affordable housing programme;
- The work in partnership with Castle Rock Edinvar, Edinburgh on the delivery of new property units;
- The £15m earmarked for social housing has, to date, been invested in successive short term debt instruments with the Places for People Group and the commitment to invest £15m in social housing in the Forth Valley area;
- The social housing programme involving the construction of 195 units across the area comprising:-
  - Clackmannanshire - Sauchie 39 units;
  - Falkirk - Bellsdyke 62 units and Overton 34 units;
  - Stirling - Durieshill 60 units; and
- The additional £10m from Scottish Government thereby increasing the total social housing programme to £25m;
- The timetable for completion of all social housing units;
- The affordable housing purchases totalling £7.9m (the balance of £7.1m still requiring to be deployed) as follows:-
  - Bo'ness 17 units - £1.8m;
  - Rutherglen 16 units - £1.6m; and
  - Aberdeen 18 units £4.5m; and
- The changes to the Government policy on social and affordable housing provision leading the Places for People Group to restructure its Medium Term Bond Issuance Programme;
- The Places for People Group's re-launched latest bond issuance programme and the option for the Fund to consider Hearthstone using the £15m to acquire further affordable housing assets and then leasing them back to the Places for People Group thus enabling an estimated yield of around 6% (net of fees) based on the rental stream and the capital growth of the properties over the term of the lease;
- The risk profile associated with the physical property; and
- The issues associated with the purchase and leaseback proposal.

## Decision

The Committee and Board noted the developments surrounding the social and affordable housing mandate.

The Committee agreed to approve that the £15m investment earmarked for affordable housing should be used to acquire new affordable housing units with a view to these being leased back to the Places for People Group.