

LBTH Housing Companies – Mulberry Housing Society and Seahorse Homes Limited

Housing and Regeneration Scrutiny Sub-
Committee

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Background



- In 2017 Cabinet agreed to set up two companies; Mulberry Housing Society and Seahorse Homes Limited to provide an additional housing delivery option outside of the Housing Revenue Account.
- The principles for how the companies would operate were set out in that report. They are as below.
- Seahorse Homes Limited was set up to acquire and develop housing for market rent.
- The Council would provide Seahorse Homes with equity and loans at commercial rates.
- The Company returns a dividend to the Council and potentially grants funds to Mulberry Housing Society to cross-subsidise affordable housing.
- Mulberry Housing Society was set up to acquire and develop housing for social and intermediate tenures.
- The Council would provide loan funding, as well as Right-to-Buy receipts and commuted S106 sums.
- Homes held within Mulberry Housing Society do not qualify for the Right to Buy.
- Funding for the companies would be based on the viability of business cases on an acquisition-by-acquisition basis and in line with MHCLG and CIPFA guidance.



Mulberry Housing Society



- Charitable community benefit society (CBS)
- Its charitable objects are to carry on for the benefit of the community:
- The business of providing and managing housing, including Social Housing, and providing assistance to help house people and associated facilities, amenities and services for poor people or for the relief of aged, disabled (whether physically or mentally) or chronically sick people;
- Such other charitable purposes beneficial to the community consistent with the objects above as the board shall determine.
- Following a review of their purpose in 2020, the Board has resolved to specialise in the provision of intermediate housing in Tower Hamlets, though will continue to provide social housing alongside intermediate tenures.
- Cannot trade for profit and any profits must be used for the purpose of furthering its objects.
- The Council holds a minority share (40%) and has agreed a Deed of Covenant with the Society.
- The Board is composed of three independent board members (Mike Tyrrell, Ken Jones and Syed Uddin) and two Council board members (Ann Sutcliffe and Paul Butler).
- They have not yet begun trading or made any acquisitions.



Seahorse Homes Limited



- Wholly-owned council company (WOC) limited by shares. The Council is the sole Shareholder.
- The business of Seahorse Homes Limited is:
 - To operate as a commercial company;
 - To purchase land and property within the UK at market value from either the Council or on the open market; and
 - To acquire, develop, construct and refurbish residential homes within the UK which it will rent on the open market
 - Together with any activities reasonably incidental to the above.
- The Company will acquire and develop properties in Tower Hamlets, London and beyond for market rent and sale
- The Council CEO (Will Tuckley) is the Shareholder Representative and can exercise the Council's rights as a shareholder
- The Board is comprised of three executive directors (Ann Sutcliffe and Karen Swift; there is currently a director vacancy)
- They have not yet begun trading or made any acquisitions.



Changes in national and local contexts



- Removal of the HRA borrowing cap (though there is still an obligation to borrow prudentially within the HRA).
- LBTH is delivering new homes & increasing housing supply through Housing Revenue Account.
- Following reform to Public Works Loan Board lending terms on 23rd November, should an LA buy an investment asset(s) primarily for yield, or on-loan to a company that does so, it will not be able to take out new loans from the PWLB in the three years following the acquisition of the asset. This could possibly impact funding for Seahorse Homes if they are acquiring a property primarily for yield.
- Impact of Covid-19 on London and wider UK housing markets and rental yields.
- Developments in national policy, for example the Social Housing White Paper (which sets out a new Charter for Social Housing Residents, increases the powers of the Regulator for Social Housing and includes focus on affordable home ownership) and the 'Right to Regenerate' consultation (which proposes a strengthened right for individuals, businesses and organisations to purchase and redevelop underused or empty Council land).



Opportunities and future activity



Seahorse Homes Limited	Mulberry Housing Society
<ul style="list-style-type: none"> Buy market units on mixed-tenure Council developments off-plan 	<ul style="list-style-type: none"> Buy intermediate tenure units on Council developments off-plan
<ul style="list-style-type: none"> Acquire individual units or blocks for market rent or sale, generating a profit 	<ul style="list-style-type: none"> Develop affordable housing in joint-venture arrangements, for example with Seahorse Homes Limited
<ul style="list-style-type: none"> Partner with developers to build market rent and sale housing 	<ul style="list-style-type: none"> Acquire S106 social housing schemes
<ul style="list-style-type: none"> Cross-subsidise affordable housing through joint-venture or grant arrangements, for example with Mulberry Housing Society 	<ul style="list-style-type: none"> Become a Registered Provider of Social Housing (RP) and access GLA grant
<ul style="list-style-type: none"> Use as a vehicle for other commercial activities or to support strategic aims of the Council 	<ul style="list-style-type: none"> Links into work on the Council's Intermediate Housing Register of Interest





Questions?

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