

**HOUSING COMPANY – ALLOCATION POLICY, TENANCY CONDITIONS AND BOARD OF DIRECTORS**

**Key Decision No. NHQ15**

**CABINET MEETING DATE (2019/20)**

**15 July 2019**

**CLASSIFICATION:**

**OPEN**

**If exempt, the reason will be listed in the main body of this report.**

**WARD(S) AFFECTED**

**ALL WARDS**

**CABINET MEMBER**

**Philip Glanville, Mayor of Hackney**

**Councillor Sem Moema, Mayoral Advisor - Private Renting and Housing Affordability**

**KEY DECISION**

**Yes**

**REASON**

**Affects two or more wards**

## **GROUP DIRECTOR**

**Kim Wright, Group Director Neighbourhoods and Housing**

### **1. CABINET MEMBER'S INTRODUCTION**

**1.1** Renters in Hackney deserve better. Around one third of Hackney residents now live in the private sector – double that of ten years ago. While a majority of private renters in Hackney are satisfied with their homes, there are too many properties suffering from poor conditions and management. Renters also face insecurity, often with six-month tenancies and high or unpredictable rent rises.

**1.2** Our #BetterRenting campaign is tackling these concerns – successfully lobbying the Government to ban tenancy fees, increase our powers to tackle rogue landlords and outlaw unfair 'Section 21' evictions, amongst many other actions.

**1.3** But I'm determined that we'll also intervene in the market to demonstrate what a good landlord looks like. Our new homes for Hackney Living Rent will help struggling renters – saving them around £11,000 a year on the market rate at our first development in Homerton. We will let and manage these homes ourselves – meaning that as well as a discounted rent, tenants can be sure they will have stable and secure homes, and that they won't face unwarranted fees and charges or excessive rent increases. And we'll prioritise people who live and work here when allocating our homes for living rent – meaning those at risk of being forced out of Hackney due to rising rents are able to stay in their borough, keeping our communities together.

**1.4** Government rules mean we have needed to set up a wholly owned housing company, to deliver on our commitments, set out in Hackney's Housing Strategy 2017-22, to provide new Hackney Living Rent homes - homes that are genuinely affordable to those on medium incomes, with rent levels set at one third of average local incomes.

**1.5** Hackney's Housing Company will also deliver a Private Rental Sector product that aligns with our #BetterRenting campaign; offering longer tenancies, no unfair evictions and deposits of no more than three weeks rent.

### **2. GROUP DIRECTOR'S INTRODUCTION**

**2.1** The lettings policy that is proposed for the Hackney Housing Company's Hackney Living Rent properties, subject to consultation, addresses the need to

prioritise working people on moderate incomes, who need stable, secure and genuinely affordable homes.

**2.2** Whilst owned by Hackney's Housing Company these Hackney Living Rent properties will be offered and will remain as a rental product. The properties will not be subject to Right to Buy or conversion to any other home ownership products.

**2.3** The policy has been developed through close engagement with various internal teams. Following the initial lettings, there will be a wider public consultation exercise to assess whether there are any other groups that may not be currently identified in the criteria for allocating new homes.

**2.4** The proposed tenancy agreements for new Hackney Living Rent and private rented homes ensure that the Council is following the principles set out in the #BetterRenting campaign, as well as ensuring that future changes can be accommodated, such as changes resulting from the Government's proposal to end Section 21 "no fault" evictions. We propose to set an example to the private rented sector by offering longer term tenancies of at least three years, which aligns with the Council's #BetterRenting principles and ensures that households have a secure and stable tenancy.

**2.5** The Housing Strategy adopted by the Council in January 2018 includes a key action to set up a housing company, to help provide new Hackney Living Rent homes – homes that are genuinely affordable to those on medium incomes with rent levels initially set at one third of median local incomes. In January 2018, the Cabinet approved the creation of a council-owned housing property company to deliver these Hackney Living Rent homes and agreed to a recommendation that the policy regarding the letting of homes owned by the company should be consulted on and brought back to Cabinet for approval before any lettings take place. This cabinet report is to agree this Lettings Policy, subject to consultation.

**2.6** The Lettings Policy represents a new lettings approach for new forms of housing for the Council: Hackney Living Rent and Private Rent. The impact of the policy will be monitored and evaluated throughout the first year of operation and the Company performance, including a review of the Lettings Policy, will be formally reported to Cabinet annually.

**2.7** This Lettings Policy caps the upper limit for household eligibility at a maximum of £60,000pa. Officers will keep this limit under a particular review and scrutiny throughout the first lets undertaken by the Hackney Housing Company. The cap is therefore subject to change should the experience of the initial lettings process indicate that the cap is set at a level requiring modification.

### **3. RECOMMENDATION(S)**

**Cabinet is recommended to:**

**3.1 Approve the Hackney Housing Company lettings policy which, subject to Resolution by the Company Board of Directors, will be adopted in order to prioritise applicants for Hackney Living Rent and Private Rent homes.**

**3.2 Note the draft Assured Shorthold Tenancy Agreements (appendices 2 and 3) to be used by the Hackney HLR Housing Company and Hackney PRS Housing Company respectively, subject to Resolution by the Company Board of Directors, and to note the alignment to Hackney's Better Renting principles.**

### **4. REASONS FOR DECISION**

**4.1** The Lettings Policy proposed for adoption by the Hackney Housing Company will ensure that there is a fair and balanced approach to allocating Hackney Living Rent (HLR) properties to prospective tenants. As set out in the Hackney Housing Strategy there is an identified housing pressure for people on middle incomes in Hackney, initially those with a household income of up to £60,000 per annum. This Lettings Policy, subject to consultation, will ensure that people living locally who fall into this category will be prioritised for Hackney Living Rent homes.

**4.2** In the Lettings Policy for Hackney Living Rent properties, priority is given to working applicants who have been living or working in the borough for at least thirty six months - this includes those in temporary accommodation and the private rental sector. The policy also adds a priority for those residents who are children of social housing tenants. This primary focus on local workers and residents means that people who would not typically qualify for social housing and for whom home ownership is out of reach are offered a stable tenancy and a high-quality, genuinely affordable home.

**4.3** The lettings policy will also ensure that those living and/or working in the borough will be the initial priority for the private rented sector products delivered by the company, ensuring that local residents can benefit from the #BetterRenting principles that have been incorporated by the Hackney Housing Company.

### **5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

**5.1** Cabinet adopted the Hackney Housing Strategy 2017-22 in January 2018. Action 8 of the Strategy committed to setting up a wholly owned company to help provide new Hackney Living Rent homes.

**5.2** It is unfeasible that the lettings of the Housing Company could be managed transparently, within the strategic aspirations of the Council, without a lettings policy.

## **6. BACKGROUND**

### **6.1 Policy Context**

**6.1.1** In July 2011, Cabinet approved the Estate Regeneration Programme and in February 2016 the Housing Supply Programme. In April 2019, Cabinet endorsed the progress of these programmes and the future aspiration for Council-led housing delivery in the borough.

**6.1.2** The Council is directly delivering over 3,000 new homes in the borough and is retaining the ownership of the social rented and shared ownership properties it is building. It is also supporting the development of a number of outright sale properties, in order to generate the funding and cross-subsidy needed to build the new genuinely affordable homes. The creation of a Housing Company to purchase and retain ownership of some of these properties gives the option for the Council to generate revenue from long-term income streams that provides alternative housing tenures and further supports the objectives of the Council's Regeneration Programme.

**6.1.3** Creating open, cohesive, safer and supportive communities is one of the five themes of Hackney's Sustainable Community Strategy 2018-28. Whilst the Council's Regeneration Programmes already make a significant contribution to meeting this priority, the creation of a Housing Company extends the range of tenures that can be offered by the Council.

**6.1.4** The Housing Strategy adopted by the Council in January 2018 reinforces the priority of building high quality, well-designed, and genuinely affordable new homes and includes an action to set up a housing company, to help provide new Hackney Living Rent homes – homes that are genuinely affordable to those on medium incomes with rent levels targeted to be at one third of average local incomes.

**6.1.5** The Housing Strategy also includes an objective of addressing standards and affordability in the private rented sector. The Hackney Housing Company will enable the Council to offer private rented properties and demonstrate that quality, security and affordability can be delivered successfully in the PRS. These private rented properties will be let alongside the Hackney Living Rent homes and will help to cross-subsidise the cost of supplying Hackney Living Rent homes at a lower rental level .

**6.1.6** In January 2018, the Cabinet approved the creation of a Council-owned housing property company and two subsidiaries; Hackney HLR Housing Company and Hackney PRS Housing Company and the associated business plans. Cabinet also agreed to a recommendation that the policy regarding the tenancy conditions and the allocation of homes owned by the company should be consulted on and brought back to Cabinet for approval before any lettings take place.

**6.1.7** The Board of Directors were appointed at the first meeting of the Housing Company in June 2019 and, in line with the approvals granted by Cabinet, comprise the Director of Regeneration, Head of Regeneration Finance and the Head of Legal and Governance. The Company Secretary is also in place as the Head of the Regeneration Divisional Programme Office.

## **6.2 Equality Impact Assessment**

**6.2.1** The Housing Company will facilitate an increase in the range of tenures and housing opportunities that the Council can provide and consequently the range of people who could benefit. In particular, the delivery of living rent properties will provide high quality housing to those on middle incomes who are not able to afford the private rented market and do not qualify for social housing.

## **6.3 Sustainability**

**6.3.1** None of the recommendations in this report would have a direct impact on the physical or social environment.

## **6.4 Consultations**

**6.4.1** There will be a wider consultation exercise carried out after the initial lettings in regard to the Lettings Policy. The first lettings will operate as a 'pilot scheme' for the first tranche of up to eight Hackney Living Rent homes at Bridge House. Lessons learned during the pilot will help inform a review of the initiative, alongside the wider consultation exercise.

## **6.5 Risk Assessment**

**6.5.1** The creation of a Hackney Living Rent product meets a gap in market provision for renters on low and middle incomes to whom the market is unaffordable and that may also live in substandard and unstable accommodation. However, the Housing crisis we face means there is an unprecedented housing need.

**6.5.2** A significant risk, therefore, associated with this product and Lettings Policy is a reputational risk to the Council if the Lettings Policy is not deemed to be fair or adequate in housing those in the greatest housing need. To mitigate this risk a consultation and engagement strategy will be put in place communicating the range of ways the Council is seeking to address failures in the housing market and take feedback from residents and stakeholders as to how this offer can be tailored.

**6.5.3** There is also a high risk that demand for the Hackney Living Rent and Private Rent products will far exceed the supply of available homes, especially in the first tranche of available homes. This is to be mitigated by the Lettings Policy, creating clearly defined eligibility criteria for applicants and a transparent selection process

## **7. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES**

**7.1** There are no direct financial implications of the Lettings Policy to the Council. The rent levels and tenancy conditions will be considered in the Housing Company's Business Plans and influence the number of properties that can be acquired for either Hackney Living Rent or Private Rent.

## **8. COMMENTS OF THE DIRECTOR, LEGAL & GOVERNANCE SERVICES**

**8.1** The "general power of competence" under Section 1 of the Localism Act 2011, which gives the local authority the power "...to do anything that individuals generally may do" would enable the creation and operation of companies such as Hackney Housing Company. The power is not limited either by the need to evidence a benefit accruing to the local authority's area, or in geographical scope. However, existing and future restrictions contained in the legislation continue to apply.

**8.2** There are no additional legal implications arising from the recommendations within the Report, as any change to Living Rent Lettings policy will need to be presented to Members for further consideration and approved by the Board of Directors of the Hackney Housing Company.

## **APPENDICES**

### **Appendix 1**

Hackney Housing Company Lettings Policy

### **Appendix 2**

Hackney Housing Company - Hackney Living Rent Tenancy Agreement

### **Appendix 3**

Hackney Housing Company - Market Rent Tenancy Agreement

## **BACKGROUND PAPERS**

None

<b>Report Author</b>	Nathan Keats / Zoe Collins / James Goddard 020 8356 3766 nathan.keats@hackney.gov.uk
<b>Comments for and on behalf of the Group Director of Finance and Resources</b>	Simon Theobald 020 8356 4304 simon.theobald@hackney.gov.uk

**Comments for and on  
behalf of the Interim  
Director of Legal &  
Governance**

Chima Obichukwu  
020 8356 4538  
chima.obichukwu@hackney.gov.uk