

REGENERATION SALES & MARKETING STRATEGY UPDATE Key Decision No - NH Q50	
CABINET MEETING DATE (2019/20) 24 February 2020	CLASSIFICATION: Open If exempt, the reason will be listed in the main body of this report.
WARD(S) AFFECTED All wards	
CABINET MEMBER Mayor Philip Glanville Councillor Sem Moema, Mayoral Advisor - Private Renting and Housing Affordability	
KEY DECISION Yes REASON Affects two or more wards Spending/or saving	
GROUP DIRECTOR Ajman Ali, Acting Group Director, Neighbourhoods and Housing	

1. CABINET MEMBER'S INTRODUCTION

- 1.1. Hackney is building. Through our ambitious direct delivery housing model, we have already directly built almost 1,000 desperately-needed new homes since 2010, and we're well on our way to meeting our commitment of creating and starting on site 2,000 new homes between 2018-22 – more than half of them for Council social rent and shared ownership.
- 1.2. Our priority is always to build genuinely affordable council homes for social rent. But with the cost of renting and buying privately in Hackney increasing dramatically over more than a decade, families who are unlikely to be prioritised for a council home, but are unable to buy outright are struggling to find a decent, affordable and secure place to live. Meanwhile, the continued lack of government funding for social housing means we still need to sell some homes outright to fund the council homes we build.
- 1.3. That's why our award winning in-house team and the developments they lead provide a mix of housing that both meets the range of different housing needs in Hackney and allows us to self-finance genuinely affordable housing within a challenging financial climate. This mix includes council homes at real social rents, on council tenancies and prioritised for families that need them most. It includes homes for shared ownership and Hackney Living Rent, giving families who won't be prioritised for a council home the chance to get a foot on the housing ladder or pay a rent that gives them more security or lets them save for a deposit. And it includes homes sold outright, helping to pay for it all.
- 1.4. Across all these tenures, our commitment remains that local families get priority on all the homes we build. By selling and marketing all our homes ourselves through Hackney Sales – our in-house sales and marketing team – we give priority for shared ownership homes to those living and working in Hackney, and ensure outright sale homes are marketed at local families who want to live in Hackney rather than property investors or buy-to-let landlords.
- 1.5. We've now helped almost 100 families secure a shared ownership home in the borough, with the overwhelming majority of sales being to those who live and/or work in Hackney. These offer significant savings compared with renting privately – the average monthly cost of a three-bedroom shared ownership home is £1,708 , compared with £2,197 in the private rented sector.
- 1.6. Meanwhile, we've sold 13 homes outright to owner occupiers directly through Hackney Sales, with over 87% of all of our buyers living and/or working in Hackney. Proving that it is possible to prioritise local buyers, lock in more of the sales value that would be lost using private agents and generate the long-term income through our in-house sales team needed to keep building council homes for social rent.

2. GROUP DIRECTOR'S INTRODUCTION

The Regeneration programme is based on the delivery of mixed tenure developments delivering homes for social rent, shared ownership and outright sale. The Council first approved the Sales & Marketing Strategy in July 2016

and since then Hackney Sales has directly disposed of new outright sale and shared ownership homes delivered by the Council's Regeneration Programme at Great Eastern Buildings, Kings Crescent, and Aikin Court.

Hackney Sales is currently marketing homes at Bridge House, Colville and St Leonard's Court. This report requests that Cabinet grants further approval in order to facilitate the ongoing delivery of our in-house sales service.

Since 2018 many developers, who require a rapid return on investment, have reduced their activity. However, the Council's strategy to market homes for owner-occupation and shared ownership rather than to investors has been largely unaffected by market caution. Shared ownership remains in high demand across the borough with the Council's current projects achieving 80% of sales off-plan. To meet the ongoing challenge of delivering homes that meet the needs and financial capability of our residents it is key for the sales and marketing service to have a flexible approach, and be able to develop project specific marketing plans in order to achieve sales in line with financial appraisals.

3. RECOMMENDATION(S)

Cabinet is recommended to:

3.1 Approve the use of the Council's Help to Buy Equity Loan Funding Agreement or any equivalent replacement scheme to market qualifying outright sale homes being delivered at Lyttelton House and all future projects where the Council's Cabinet Procurement Committee has authorised a direct disposal strategy as part of the procurement.

3.2 Authorise the disposal of homes delivered by the Regeneration Programme to Hackney Housing Company and its subsidiaries.

3.3 Approve the updated Sales & Marketing Framework which supports the continued direct disposal of homes delivered by the Regeneration Programmes.

4. REASONS FOR DECISION

The reasons for providing this report and the recommendations set out within it are:

- To extend the authority granted in relation to the direct disposal of outright sale homes at Lyttelton House and all future pipeline projects, to include the use of the Council's Help to Buy Equity Loan Agreement.
- To provide Cabinet with an updated Sales & Marketing Strategy, which reflects the business growth since July 2016 and authorises disposals to Hackney Housing Company.
- To confirm continued support for the Hackney Sales brand for the direct disposal of homes delivered by the Regeneration Programmes, and

confirm support for the additional use of the Hackney Sales brand for Assured Shorthold lettings on behalf of the Council's Housing Company

5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

The alternative options considered by Cabinet in July 2016, including the earlier practice of entering into a Service Level Agreement with an external supplier to market our new homes, would not support the delivery of the Strategy. The Council has developed the required in-house sales and marketing expertise for the Strategy to be delivered; focusing on local residents and the wider aspirations of the Regeneration Programmes.

The Council's innovative approach to regeneration and direct delivery of shared ownership and market disposals has proven to be a success in helping households purchase a home the borough. This update report seeks continued support for the Strategy and Framework approach and introduces new initiatives to further reinforce our commitment to delivering genuinely affordable housing.

6. BACKGROUND

6.1 Utilisation of Help to Buy

At the Councils' Cabinet Procurement Committee held on 18 January 2018, the direct disposal approach for the homes for outright sale being delivered at Lyttleton House, Frampton Park was approved. These homes are due for completion in June 2020, and marketing will commence in the spring. The project will deliver ten, two and three-bedroom homes intended for outright sale, and the final values (to be determined by a suitably qualified surveyor) may qualify them for the Help to Buy shared equity scheme.

The Help to Buy initiative, administered by Homes England, is an Equity Loan Fund that is made available by the Agency for the purpose of assisting first time buyers of new build homes, with a value of up to £600,000, by granting them an equity loan of up to 40% of the market value of the property to use as part of their purchase.

The Council entered into a Help to Buy Equity Loan Funding Administration Agreement with Homes England (formerly the Homes and Communities Agency) on 10 September 2018, primarily for use on some of the Council's other capital projects, which are delivering a high number of homes for disposal on the open market. The Regeneration Division will establish a detailed Help to Buy process, utilising current resources and governance arrangements, to mitigate any risks related to forecast completions and available funding.

6.2 Disposal of new homes for Hackney Living Rent

The manifesto commitment to deliver homes for Hackney Living Rent will commence with the delivery of eight homes at Bridge House, Homerton. These new homes are being delivered as part of the Regeneration Programme and will need to be purchased by the Housing Company prior to any lettings being agreed. The Council has power to dispose of its property, and where it is general fund property, Section 123(1) of the Local Government Act 1972 provides the Council with the power to dispose of land and property, provided such disposal is made for the best consideration reasonably obtainable.

The Council's Hackney Sales team will advertise and allocate the Hackney Living Rent homes on behalf of the Housing Company.

6.3 Updated Sales & Marketing Strategy and Framework

The Council first approved its Sales & Marketing Strategy in July 2016, and it was subsequently updated in November of the same year to deal primarily with affordability concerns across the borough. Cabinet received a further update on the outputs of the Strategy via the Regeneration Programme Update & Development Strategy report in April 2019. To date the Council has marketed and disposed of homes delivered by the Council's Regeneration Programme at Great Eastern Buildings, Kings Crescent and Aikin Court, and are currently marketing new homes on site at Bridge House, St Leonard's Court and Colville.

The Sales & Marketing Strategy and accompanying Framework continues to support a consistent approach to the disposal of homes delivered by the Regeneration Programme regardless of delivery route. This update captures changes to the affordable homes brand and process at central government level and continues the flexible approach of balancing the commercial nature of the sales function with the Council's strategic objectives.

The Framework attached at Appendix 1 covers the key subjects of regulation, branding, advertising, eligibility, priority, sustainability and affordability, valuations and allocations; which form the basis of the Council's decision making process relating to the delivery of homes for shared ownership disposal. While the format of the document has changed for ease of use, the content remains unchanged except for the following key changes:

- Regulation - this section of the original Framework has been moved into a separate operational document for ease of use and cross reference.
- Priority, Allocations and Reservations - we will prioritise households who are able to fill the number of bedroom spaces, however we will no longer refuse or delay applications from (for example) couples who are buying a two or three-bedroom home for future children. The Homes England Capital Funding Guide removed this restriction allowing for: a) couples to plan for their future; and b) affordability on three-bedroom homes, not to become such an issue for couples who were not yet

paying childcare costs and finding they were ruled out due to affordability.

- **Sustainability and Affordability** - the updated Framework includes a reduced mortgage rate used to calculate target incomes, from 4% to 3.5%. This small reduction of 0.5% better represents the rate of interest charged on mortgages secured by shared ownership buyers, while recognising that some buyers may not be able to access the best mortgage rates available. Data collected from the sales secured since 2016 demonstrates that the mortgage rates being secured by our buyers is below the prudent 3.5% current assumption, as shown below.

Regeneration scheme	Average mortgage rate
Great Eastern Buildings	2.2%
Kings Crescent	1.92%
Bridge House	2.1%
St Leonards Court	1.97%

6.4 Hackney Sales brand and marketing

The Hackney Sales brand has been used successfully to market Council delivered homes for shared ownership and outright sale since 2016. Our sales brand supports the commercial activities of the Regeneration Programme, enabling the Council to stand out from its competitors and differentiate its purpose. The brand guidelines document, which received Cabinet authority as part of the wider Sales & Marketing Strategy in July 2016, has been updated to give clearer guidance to officers and/or service providers when establishing marketing plans including the use of social media. The new document is shown at Appendix 2.

The growth of delivery detailed in the April 2019 Regeneration Programme Update and Development Strategy can only be met by high performing support services including Sales and Marketing. Presently, our delivery model is 100% in-house. To support the natural evolution of Hackney Sales so that it can continue to deliver a fully comprehensive service, build confidence in the Hackney Sales model, and establish a strong reputation for its sales and marketing work and the Council's new homes activity more generally; we intend to procure a Digital Marketing Partner in the coming months. This will help to connect with the target audience in the right way at the right time.

A proactive approach to forecasting against current markets, to secure good quality sales leads for both shared ownership and outright sale, is a key component to the continued success of the Regeneration Programme. Bespoke digital marketing activities will focus on our immediate projects and the database interest levels, in order to determine the most effective activity

needed to increase sales leads from our priority groups. With the ambition to deliver a high volume of enquiries and registrations from those who live and/or work in Hackney, and to reduce reliance on paid social media and Adwords, an expert service will also improve our use of social media platforms, in order to create meaningful engagements between Hackney Sales and our prospective and existing customer base, and to build brand trust.

The increased volume in new homes being delivered for direct disposal will require the Hackney Sales team to prioritise on-site sales activities. Securing expertise to manage the associated key marketing activities will ensure that sales portal and social media content reflects the Strategy, is accurate at all times and relevant to the individual project.

The success of the Sales and Marketing service within the Divisional Programme Office lends itself to undertake a number of activities required to manage the marketing, allocation and letting of Hackney Housing Company assets by way of Assured Shorthold Tenancies. Extending the sales and marketing expertise to additional areas of work within the Regeneration Directorate and Hackney Housing Company enables resources to be utilised efficiently.

7. Policy Context

Hackney is building 2,000 new homes in the borough, and is retaining the ownership of the Council 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.

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.

As stated in Hackney's inclusive economy strategy 2019-25 "Building an inclusive economy is not just about economic opportunity, it is also about people feeling they belong in the borough and feel safe and included here". With the provision of Living Rent homes in the borough through the Housing Company, we can ensure that those living and/or working in the borough are able to keep contributing to the sustainability of Hackney and are given fairer access to the economic opportunities in the borough.

8. Equality Impact Assessment

No Equality Impact Assessment is required for this report.

9. Sustainability

The schemes delivered by the Regeneration Programme will provide new high quality homes for shared ownership which support the need for intermediate housing. All projects will contribute to the creation of new mixed and socially and environmentally sustainable communities across the borough.

This means that all new homes will have significantly reduced carbon dioxide emissions and water usage. In addition, new developments will be built so that the building fabric is thermally efficient in order to reduce energy consumption and address fuel poverty for residents. A range of technologies and systems such as water recycling systems (grey and black), SUDS, solar energy, biomass, and CHP are being explored and/or implemented to help achieve low carbon living across the new developments. Many schemes are or will be car free. Secure, sheltered and adequately lit cycle storage, with convenient access to the street is provided on every scheme – in line with the requirements for cycle storage set out in the London Housing Design Guide.

10. Consultations

The Hackney is Building campaign promotes the Council's commitment to ensuring social value from economic growth in line with existing corporate communications and engagement guidance, including the Single Equalities Scheme. The Hackney Sales brand sits alongside this campaign, and residents of all estates and properties continue to be consulted and involved in the redevelopment and regeneration of their estates including the delivery of new build home ownership options.

11. Risk Assessment

Sales risks are managed through the robust Regeneration Programme Governance Framework and associated Gateway Review process. The key risk of purchaser affordability for shared ownership is monitored throughout the lifecycle of a project, and our transparent approach to affordability assessments undertaken in line with the Homes England Capital Funding Guide ensures that home ownership is sustainable. The inherent risks arising from both increases and decreases in house prices are noted on all project risk assessments, and the market is monitored on a project by project basis to highlight any movement which may impact the financial viability.

It should be noted that the Council is taking on the increased risk of a growing direct sales programme, as the number of projects being delivered via Development Agreements with a private sector partner is reduced. The direct disposal of all homes for outright sale, remains subject to further approval from Cabinet Procurement Committee as detailed within the proposed procurement approach on a site by site basis, including the detail of the exit

strategies which would be implemented to manage adverse external influences.

12. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

There are no direct implications from the recommendations in this report, but they are fundamental to the delivery and viability of the Regeneration Programme. The recommendation helps to promote sales and provides options to mitigate the inherent risk of property sales that are reliant on the price and demand of the housing market.

13. VAT Implications on Land & Property Transactions

The sale of new build properties, both outright sale and shared ownership are zero rated supplies and therefore have no VAT implication

14. COMMENTS OF THE DIRECTOR, LEGAL & GOVERNANCE SERVICES

- 14.1** Under the Hackney Mayoral Scheme of Delegation of January 2017, the disposal of land is reserved to the Mayor and Cabinet.
- 14.2** The Council has power to dispose of its property and where it is general fund property, that power is in s.123 Local Government Act 1972. Section 123(1) of the Local Government Act 1972 provides the Council with the power to dispose of land and property, provided such disposal is made for the best consideration reasonably obtainable. However, the General Disposal Consent 2003 removes the requirement for local authorities to seek specific consent from the Secretary of State for any disposal of land where: the local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of: (i) the promotion or improvement of economic well-being; (ii) the promotion or improvement of social well-being; (iii) the promotion or improvement of environmental well-being; and the “undervalue” (i.e. the difference between the unrestricted value of the interest to be disposed of and the consideration accepted) is £2 million or less. Where the case does not fall within the terms of this General Consent then an application to the Secretary of State for Communities and Local Government for a specific consent is required.
- 14.3** Section 32 of the Housing Act 1985 empowers the Council to dispose of land held for the purposes of Part II of that Act. Although the disposal can be any manner the Council determines, the Consent of the Secretary of State is required to any disposal of Part II land (HRA). The Secretary of State has issued a General Consent Order (The General Housing Consents 2013 – S32 of the Housing Act 1985). The General Housing Consent 2013, titled Disposal of Land, at A3.1.2(c)(ii), permits a disposal for consideration equal to its market value to a company owned by a Local Authority with a Housing

Revenue Account, provided that the disposal is one of the first five such disposals in a financial year

- 14.4** The General Consent Order 2013 also includes provisions to dispose of shared ownership leases

15. COMMENTS OF THE DIRECTOR OF STRATEGIC PROPERTY SERVICES

This report seeks authority to both dispose of and acquire residential property. The Council will be under a statutory duty to achieve best consideration on these disposals and in the circumstances envisaged in this report compliance with this obligation will be best achieved by ensuring that disposals are made at a value determined by a suitably qualified surveyor as being that which is the market value at the time.

Whilst there is no similar obligation relating to repurchases, as long as the Council satisfies itself that the prices agreed represent market value then it will have addressed its wider duty to the general taxpayer in dealing with public money.

APPENDICES

Appendix 1: Sales & Marketing Framework (Update)

Appendix 2: Hackney Sales Brand Guidelines (Update 2020)

BACKGROUND PAPERS

There are no background papers

Report Author	Melodie Hampson - Tel : 0208 356 7418 Head of Sales & Marketing melodie.hampson@hackney.gov.uk
Comments for and on behalf of the Group Director of Finance and Resources	Simon Theobald - Tel : 0208 356 4304 Head of Finance, Neighbourhoods & Housing simon.theobald@hackney.gov.uk
Comments for and on behalf of the Interim Director of Legal & Governance	Georgia Lazari - Tel : 0208 356 1369 Acting Senior Regeneration Lawyer georgia.lazari@hackney.gov.uk
Comments for and on behalf of the Director of Strategic Property Services	Chris Pritchard- Tel : 0208 356 3700 Director, Strategic Property Services chris.pritchard@hackney.gov.uk

