



HACKNEY HOUSING COMPANY - BUSINESS PLANS AND ANNUAL REPORT OF THE DIRECTORS

Key Decision No: NH Q48

CABINET MEETING DATE (2019/20)

16 March 2020

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 Adviser, Private Renting and Affordability

KEY DECISION

Yes

REASON

Affects two or more wards

GROUP DIRECTOR

Ajman Ali, Group Director Neighbourhoods and Housing

1. CABINET MEMBER'S INTRODUCTION

1.1 Renters in Hackney are on the frontline of Hackney's housing crisis, facing a lack of regulation that too often means unpredictable rents, insecure tenancies and a difficulty finding a good, stable and well-managed place to live.

1.2 Our #BetterRenting campaign is not just fighting for changes in law to offer renters greater stability, affordability and protection. We're also directly intervening by taking tougher action against rogue landlords and demonstrating what a good landlord looks like through our own Hackney Living Rent Homes.

1.3 Hackney Living Rent offers the standards and protections that we think should be standard in the private rented sector, including longer tenancies, no unfair evictions, annual rent increase limited to CPI+1%, and deposits capped at three weeks' rent.

1.4 Most importantly, it offers genuine affordability in a sector where rents have risen dramatically quicker than incomes. By setting rents at a third of local incomes, Hackney Living Rent gives local people who are unlikely to qualify for social housing but unable to buy outright the opportunity to rent a home that won't compromise their living standards or prevent them saving for a deposit. With the first Hackney Living Rent homes being let this Spring at Bridge House and Gooch House in 2021.

1.5 The housing companies we have set up give the council a mechanism for addressing these issues, enabling us to deliver on our commitments that are set out in Hackney's Housing Strategy 2017-22 and our 2018 Manifesto. These companies will allow us to continue to deliver on our ambition to respond to the multiple challenges faced by those impacted by the housing crisis, specifically in this case those that are finding it harder and harder to rent in the private sector in Hackney.

2. GROUP DIRECTOR'S INTRODUCTION

2.1 In January 2018, Cabinet agreed to the creation of a Group of three wholly owned Local Authority Housing Companies for the purpose of purchasing properties delivered by the Council's regeneration programmes.

2.2 In August 2019 the Hackney Private Rented Sector (PRS) Housing Company Ltd acquired properties at Hoxton Press. The company acquired the leasehold interest (250 year lease) in 25 properties at Hoxton Press, Mono Tower. This development was part of the London Borough of Hackney (LBH) Regeneration programme developed by Anthology at Colville.

2.3 Hackney Living Rent (HLR) Housing Company Ltd is making arrangements for the acquisition of eight properties from the Council's Bridge House development and is discussing the acquisition of certain properties at Gooch House.

2.4 The companies are looking and will seek to identify other opportunities within the Council's development portfolio to provide the surpluses to fund more HLR properties throughout the borough.

3. RECOMMENDATION(S)

Cabinet is recommended to:

3.1 Approve the three Hackney Housing Companies' business plans as attached at Appendices 1 to 3 which, subject to Resolution by the Companies' Board of Directors, will be adopted by the respective companies.

3.2 Note the Hackney Housing Company's annual Director's Report appended at Appendix 4.

4. REASONS FOR DECISION

4.1 The business plans describe the parent and subsidiary companies' business, covering their mission, governance, products and services, market, marketing strategy, operations financial forecast, risk mitigation and exit strategy.

4.2 In adopting the proposed business plans, the group of companies will assist the shareholder in delivering on commitments to make available to local residents: 1) an additional affordable accommodation tenure for households unable to access the private market but whose means exclude them from being awarded a Council home with a social rent; 2) high quality and well managed private rented sector accommodation.

4.3 The Council is the sole company shareholder and the business plans developed and proposed by the Directors should be based on the shareholders objectives and priorities.

5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5.1 A requirement of the housing company is that business plans are taken to Cabinet to be approved as Cabinet exercises the main shareholder functions.

5.2 The Hackney Housing Company and its subsidiaries could not operate commercially or strategically without business plans.

6. BACKGROUND

6.1 Policy Context

6.1.1 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.

6.1.2 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 betterment of Hackney and given fairer access to the economic opportunities in the borough.

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 low to 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 The Business Plans were developed in consultation with the Hackney Housing Company Board of Directors and the shareholder. Consultation with them will continue in the forthcoming 12 months as the business plans and key performance indicators (KPIs) are developed.

6.5 Risk Assessment

6.5.1 Each company’s business plan includes a detailed risk assessment. The main potential risks facing the companies are financial. Risk mitigation is detailed in the business plans.

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

7.1 There are no direct financial impact of this report and the business plan and finances of the housing companies will be reported to Cabinet along with the audit of their accounts consolidated in to the Council's financial statement. Any loans and equity will be subject to Group Director of Finance and Corporate Resources approval before submitting to Cabinet for Shareholder approval.

8. VAT Implications on Land & Property Transactions

8.1 The housing companies are not VAT registered and so there are no VAT implications. VAT will be charged on any transaction between the Council and the company, but this is not recoverable by the companies.

9. COMMENTS OF THE DIRECTOR, LEGAL & GOVERNANCE

9.1 This report recommends Cabinet approve the three business plans for each of the three housing companies and asks it to note the annual directors' report.

9.2 As the sole shareholder, the Council has the ultimate control over the operations of the Company. The day to day and purely operational decisions of the Housing Company shareholder is undertaken by an "intelligent shareholder" role, performed by the Group Director of Finance and Corporate Resources, but any new or significant changes in the operations of the Company should be agreed by Cabinet. This is in accord with the Mayor's Scheme of Delegation dated January 2017 which states that, "...the Council's representation on ...companies...where the representation relates to an executive responsibility or function" shall be undertaken by the Mayor and Cabinet.

9.3 It will be important to ensure that any financial arrangements between any of the three individual companies are compliant with the requirements regarding State aid in the European Union. State aid is generally prohibited in the EU, and is defined as an advantage conferred on a selective basis to undertakings by national public authorities. To be State aid there has to have been an intervention by the State or through State resources (e.g. grants, interest and tax reliefs, guarantees etc.) which gives the recipient an advantage on a selective basis and competition has been or may be distorted and the intervention is likely to affect trade between Member States. Despite the general prohibition on State aid there are a number of different exemptions for certain types of aid. The Council is seeking external legal advice on the applicability of an exemption to State aid in respect of social housing and the arrangements between Hackney HLR Housing Company Limited and the other companies. The Council will ensure that any arrangements are compliant with such provisions.

APPENDICES

Appendix 1

Hackney Housing Company Limited (HHC) Business Plan

Appendix 2

Hackney HLR Housing Company Limited (HLR) Business Plan

Appendix 3

Hackney PRS Housing Company Limited (PRS) Business Plan

Appendix 4

Hackney Housing Company - Annual Report of Directors 2019

EXEMPT

Not applicable.

BACKGROUND PAPERS

None

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