

Hackney Housing Company Limited Annual Report of Directors 2020-21

Directors

Dawn Carter-McDonald (Appointed 12th June 2019-resigned 31st March 2021)

Simon Theobald (Appointed 12th June 2019)

James Goddard (appointed 24th July 2019)

Stephen Haynes (appointed 11th November 2021)

Secretary

Zoe Collins (Appointed 21st December 2018 - resigned 4th March 2021)

Andy Spragg (Appointed 11th November 2021)

Registered Address

Hackney Town Hall, Mare Street, Hackney, London, United Kingdom, E8 1EA

Company Registration Numbers

Hackney Housing Company Limited (No.11738936)

Hackney PRS Housing Company Limited (No.11750933)

Hackney HLR Company Limited (No.11750958)

Nominated Accountants

BDO LLP

Independent Auditors

Mazars LLP

Nominated Solicitors

LBH Legal and Governance Services

Pinsent Masons LLP

Group Financial highlights

Year end 31st March 2021

Asset Value £19.0m Investment Properties (Market Value £21.9m)

Borrowing £13.7m

Equity £5.8m

Turnover £0.689m

Operational Highlights

Acquisition and letting of 8 Hackney Living Rent properties at Burdock Court (Bridge House) by LBH Housing management

Letting of 25 properties at Hoxton Press by Regent Property Management
Lease and letting of 3 properties at Church Street, Stoke Newington by Regent
Property Management
Better Renting principles included in all tenancy agreement

Board of Directors' Report

Overview

The Hackney Housing Company Group comprises of 3 companies, the parent company, Hackney Housing Company Limited with 2 operational subsidiaries Hackney PRS Company Limited (PRS Company) and Hackney HLR Company Limited (HLR Company). The PRS Company became operational in August 2019 on the acquisition of properties at Hoxton Press. The HLR Company became operational in July 2020 with the acquisition of 8 properties at Burdock Court

The PRS company acquisitions were funded by a loan and equity from London Borough of Hackney on terms agreed and validated as commercial and not considered State Aid.

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PRS Company

The private rental market has had a difficult year with the impact of Covid. The Better Renting principles allowed tenants that were facing financial hardship or where their work arrangements had changed, to terminate their tenancy agreement with 1 months notice. Of the original 25 tenants, only two were in occupation at March 21, but these have now vacated their properties. The properties have been relet with minimal void periods, but the rental values have been substantially lower. Monthly rental income has reduced by around 20% and there are additional costs when new tenancies commence. There are signs that rental offers are increasing, but with 3 year tenancy agreements it will be some time before the market increases are reflected in the rental income for the company.

Regent Management Company has provided an excellent service to the company, and worked hard to find new tenants for vacated flats. Regent have managed the tenancies and dealt with any management issues that arise. There have been minor issues with the heating and furniture, which they have resolved following approval from Directors.

The Company also had an issue with a tenant who removed all the furnishings at the end of their tenancies and so legal proceedings were started to recover the cost, but the tenant eventually reimbursed the costs to replace the items. There are also 2 tenants who ended tenancies with arrears, which are being chased and recovered.

The PRS company makes profit from the appreciation (uplift) in property values over time. The annual operational cost included in the business plan showed a deficit in the first 10-12 years then, generating operating surplus as rental values increase. The reduction in rental value in 2020 will extend the deficit period to 15-20 year, depending on the rental market growth but in all scenarios this working capital loan is repaid within the 30 year business plan and the Company will generate an operational profit with additional capital surplus generated from the uplift the property values.

As a result of the initial operational deficit, there is a requirement for a working capital loan from the Council, mainly to pay the loan interest charges to the Council. Therefore it is requested that the Council approves a £1m working Capital Loan on the same commercial terms as the original asset loan. Further loans will be required, but this will be assessed over the business plan and the total value of loan and equity should not exceed the market value of the properties.

The most recent market valuation of the properties was £17.5m, in excess of the borrowing and equity. This valuation has reduced from last year's valuation as the first owner premium has been removed. The sale agreement prevents sales in the first 5 years and so it is expected that the valuation will recover over the remaining period to generate a significant profit.

HLR Company

The HLR company acquired 8 properties as part of the Council's regeneration scheme. The 8 tenants were selected from an independent draw of over 400 applications for these properties. The successful tenant moved in during August 2020. The first year of operations showed a small loss but the properties remain viable in the longer term.

Outlook

During the pandemic, the housing market stabilised, but with less demand and additional properties in the rental market, rental values have fallen. The PRS properties require a higher standard of service and so the use of a letting agent has been invaluable. For the HLR properties at Bridge House, the company appointed the Council's Housing Management Service to provide the letting and property management services alongside the New Build management arrangements. The

company will look to support the development of the Council's letting services, but the quality and cost will need to be monitored and reviewed.

Recently, the PRS company has signed a short term lease (7years) with The Council's Strategic Property Services for 3 flats at Church Street, Stoke Newington for use as private renting. These properties have been furnished and are let. The Council will review the options for these properties at the end of the lease.

The HLR company will be considering the acquisition of the 16 refurbished units at Gooch House for letting in 2022.

There are many opportunities to acquire and let properties outside of the approved remit of the Housing Company. During the year the board will consider alongside discussion with the Council (Shareholder) how it can support the delivery of alternative forms of affordable housing in the borough.