



Homes for Lambeth

Business Plan

2020 - 2023

HOMES FOR LAMBETH BUSINESS PLAN 2020-23

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Welcome

In 2019/20 we, in partnership with the council, laid the foundations for our long-term mission to build more and better homes for people living in the borough. This Business Plan shows how we will build on these foundations and deliver over the next three years.

Building great relationships with you – our resident - is crucial for us to become the exemplary landlord you deserve. We will work alongside you, provide you with the information you need, create a dialogue, listen to feedback and provide excellent customer service. Working with you and all of our residents also means supporting you while your new homes are being built and ensuring that you get the services you need when you have moved into your new home.

Having looked carefully at other regeneration projects in the borough, we are actively incorporating the best learning. We are working with our council colleagues to understand the make-up and needs of all residents in each unique community. This is so we can tailor our approach to best meet locally identified opportunities. We will also empower you to take greater control to have the greatest influence in your own wellbeing.

We will invest in your communities to increase access to skills training and job prospects. We are working with the council and with voluntary and community sector partners to support social investment on the estates that will be rebuilt. Joining our resources together in this way will bring about sustainable change and impact to your lives locally and do more than what we could each achieve individually.

Lambeth Council was the first council in London to declare a Climate Emergency and the council's new corporate Carbon Reduction Plan reasserts the commitment to being carbon neutral by 2030. We fully support this commitment and will, on a site-by-site basis, look at specific measures to support this, as well as building in capacity in our homes to accommodate rapidly developing new technology.

Last year saw us expand our capacity, extend our skills and begin to deliver on our early promises. This three-year plan builds on these foundations and demonstrates how we are united in our mission to **build thriving communities and better futures for you - our residents.**

Richard Reynolds
Chair, Homes for Lambeth

Jitinder Takhar
Chief Executive Officer, Homes for Lambeth



Forward from Cllr Matthew Bennett

London is facing a severe housing crisis. In Lambeth this means that over 30,000 people are on the council's waiting list for social housing and over 2,000 homeless families, including some 5,000 children are provided with temporary accommodation by Lambeth Council every night.

The council works hard to secure social and affordable housing in private developments using our planning powers and works closely with our housing association partners to provide more homes for local families, but we know we can do more.

That's why we took the decision to establish Homes for Lambeth, so we can start building homes directly for local people. Over the past year Homes for Lambeth has completed its set up phase, recruiting a skilled team of experienced staff and independent non-executive directors and has started on delivery. This three-year Corporate Plan sets out how HFL will deliver on our core objective of building as much social housing for local people as possible.

Over the next three years Homes for Lambeth will have delivered and be managing 383 new homes, of which 79% will be affordable homes, 223 of them at Council Rent Levels. Homes for Lambeth will also start work on a further 461 homes, including phases on all of the council's estate regeneration schemes. These homes will form the early part of a programme to build over 4,500 homes in Lambeth in the coming years. The council's decision to rebuild some estates will ensure that tenants will all live in the high-quality homes that they deserve.

At the time of publishing this plan the country is facing a public health emergency from the COVID-19 virus, which is likely to have a severe impact on our local economy, jobs and livelihoods alongside the serious consequences for health. This plan would see a direct investment of circa £375m in our local economy, creating hundreds of local jobs, and will form a key part of Lambeth's response to help rebuild our economy once the crisis has passed.

As Homes for Lambeth is publicly owned there are no private shareholders and no developer's profit on the new homes that will be built. Money raised from the sale of any private homes will be reinvested to boost the supply of genuinely affordable housing for local families. Lambeth Council and HFL will also use this plan to seek further grant funding from the GLA to make sure as many of the new homes we build are genuinely affordable homes at council rent levels.

Lambeth was the first London Borough to declare a climate emergency. Homes for Lambeth will not only meet Lambeth's high environmental and energy standards for new homes but will go beyond these with a new set of commitments to monitoring and auditing carbon as part of new developments and designing homes to use less energy as part of our commitment to tackling fuel poverty.

Homes for Lambeth will deliver our commitments, jointly with the council, to tenants and leaseholders on regeneration estates, the Key Guarantees. Together we will also introduce new liveability commitments to support residents through every phase of the rebuilding of their estate. Homes for Lambeth and the council will also work together to deliver an enhanced resident engagement and social investment strategy. This programme is about much more than bricks and mortar and represents a major opportunity to invest in community well-being alongside fighting the housing crisis.

Our values

In putting our team together, we have assembled the skills needed to deliver our ambitious plans, emphasising a staff culture of people who will demonstrate our values in their everyday work.

Our values are:

Partnership – Our approach is collaborative, and we will work with organisations ranging from the council, contractors, residents and local community groups. We want to work with people who reflect the communities we serve. This means we draw people from all sections of the community so that we can have the best possible understanding of those we serve.

Commitment – We rely on the energy and commitment of our staff to establish relationships with our partners. We have the skills and willingness to work hard to deliver our objectives.

Respect – We want to make a positive difference in people's lives. We will listen to and learn from our partners.

**Stewart Davenport,
Chair of HFL Build**

“Homes for Lambeth is a unique organisation. We have taken the best practices from local authority governance and aligned this with rigorous elements of developer management cycles. Together, with the insights and experiences of the skilled executive team, we will ensure that all processes overseeing the delivery of our business plan are robust throughout every phase of the works.”

About us

As we are wholly-owned by Lambeth Council, we combine the best of the public and private sector.

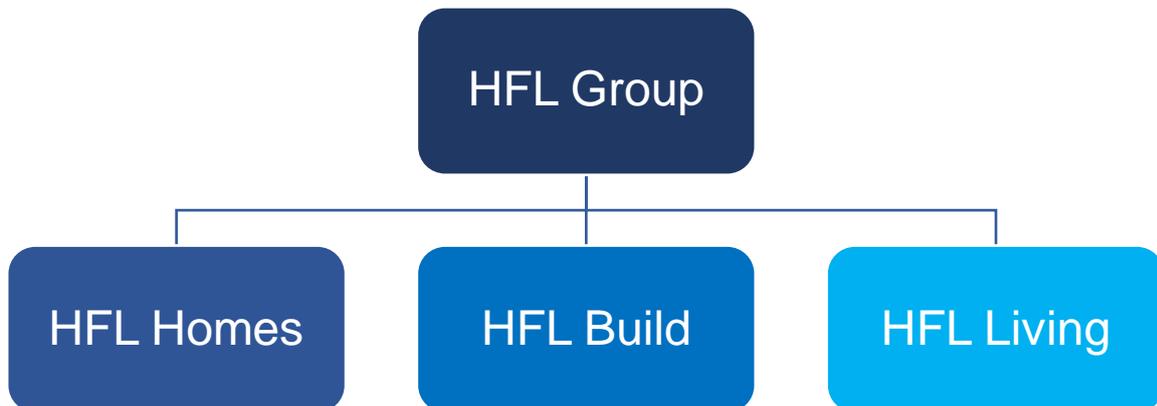
We are structured as follows:

HFL Group is the umbrella company and the parent of the others in the group.

HFL Build: We are the company that builds the homes for the group. Some of these will be sold on the open market to subsidise the construction of genuinely affordable homes. The genuinely affordable homes will be sold to HFL Homes.

HFL Homes: We are a Registered Provider and not-for-profit company. We buy the genuinely affordable homes from HFL Build. We will sell the shared ownership homes and will also manage both the rented and shared ownership homes for the long-term.

HFL Living: We are the company that will manage any private rented homes. We are currently inactive. However, if the housing market changes, we can rent out the private homes to maximise the number of genuinely affordable homes.



How we are we run

We are run by our own boards. Our programme is reviewed regularly and will need to be approved each year by the council.

We are set up to be accountable in three ways.

We answer to the council. We have several council-appointed officers and a councillor on our boards to give the council line of sight of what is happening. Cabinet also agrees our business plan every year, and we work collaboratively with council officers.

HFL Homes is a Registered Provider of Social Housing. This means we come under inspection

by the Regulator of Social Housing, who reviews our delivery of services to tenants. The regulator is interested in what we deliver in terms of value for money, rent setting and tenancy, but their assessment goes further than that. As a Registered Provider we must also meet their standards for contributions to neighbourhoods and communities, how we ensure tenant involvement and empowerment, our quality of governance and our financial viability.

**Richard Reynolds,
Chair of HFL Group**

“The market for residential property in London has a reputation for rewarding those who aim to make the most money, not those with the most socially-responsible agenda. As a commercially run organisation, Homes for Lambeth rightly needs to stand up to public scrutiny of its goals, methods, activities and outcomes.”

**Jitinder Takhar,
Chief Executive, Homes for Lambeth**

“We want to build trust, not just homes. This is our aim – as we continue to develop as an organisation, we will deliver the transformations on our estates and continue with the work to show ourselves trustworthy, dependable and reliable to our residents”.

We are members of the National Housing Federation (NHF). The NHF is the national trade

organisation for the housing sector, and membership comes with an undertaking to adopt and follow their Code of Governance. We have adopted the NHF code of governance. Every year we are required to self-assess our compliance with this code, which covers everything from putting the customer first to ensuring our governing board has the necessary skills and provides equal opportunity and diversity. You can download this Code at <http://bit.ly/NHFCode>.

As our financing comes from the public purse, our performance will be carefully checked to make sure that we are providing the best possible value and outcomes. Our programme will benefit from the board’s ability to recognise opportunities and risks as they come up and make swift executive decisions in response.

Our Development Programme

We will build over 4,500 new homes for current secure tenants, for people waiting on the council's housing lists, and for those who want to buy a home in Lambeth.

Our programme emphasis will always be on maximising the number of council level rent homes. These will provide better homes for current secure tenants and more homes for those waiting on the council's housing lists.

Also returning resident homeowners, you will have affordable options under the Key Guarantees which will allow you to stay on the rebuilt estate. We will also sell homes, either outright or via shared ownership. These will subsidise the genuinely affordable homes.

**Alison Muir,
Board Member HFL Homes**

"I know how important it is for residents to have a home that not only meets their needs but is safe and efficient to run. That is why we are committed to not only build more homes but build better homes."

HFL Homes will manage these properties, giving a long-term connection with the homes and with the families and communities living there.

Fact check – five things to know

1. Existing secure tenants have the right to remain living on the rebuilt estate with their rents set in the same way as they are now. Any increase will be phased in over five years
2. Existing resident homeowners have affordable options to stay as well
3. We will manage the homes and estates we will build
4. Some newly-built homes will be sold
5. Profits from these sales will subsidise the building of the genuinely affordable homes

In this first three years, 80% of homes we build will be genuinely affordable housing (offered either at council level rent or for shared ownership). Over the lifetime of our programme will we build at least 1,000 council level rent homes. Further details are provided in the table below.

This includes the s.106 homes provided at Lollard St, Westbury and Knights Walk.

| Tenure of homes | To end of year 3 (HFL Corporate Plan period)* | To end of year 5 (HFL Corporate Plan period, plus two-year look-ahead)* |
|--------------------------------|---|---|
| Council Level Rent | 223 (58%) | 439 (37%) |
| Other regulated rent ** | 54 (14%) | 91(8%) |
| Intermediate*** | 25 (7%) | 119 (10%) |
| Sub-total affordable | 302 (79%) | 649(54%) |
| Private Sale | 81 (21%) | 547 (46%) |
| Total**** | 383 (100%) | 1,196 (100%) |

*Number of homes (percentage of total homes within period).

** London Affordable Rent and London Living Rent

***the 'Intermediate' homes include a provision of Shared Ownership homes for existing homeowners who wish to remain on the estates. They will pay no rent on any additional value over and above the value of their existing property, in line with the Key Guarantees.

**** the number of homes in the table above are based on affordable homes completed by HfL within the period, s.106 schemes being completed at Westbury, Fenwick and Ethelred (Lollard Street) estates, and private homes completed.

We expect that all current residents will be rehoused in a new home within five years of the start of building work on their estate. We understand that the housing need is pressing and that we have to deliver as effectively and efficiently as possible. The table below shows how many homes we aim to *start* on over the next 10 years. This is a mixture of homes of all types.

| Scheme | 2020-2021 | 2021-22 | 2022-23 | 2023-25 |
|--|-----------|---------|---------|---------|
| Knights Walk I | X | | | |
| South Lambeth I | X | | | |
| Hydethorpe | X | | | |
| Patmos Lodge | X | | | |
| Phase 1 Central Hill (Roman Rise) | | X | | |
| Phase 1 Cressingham (Trinity Rise) | | X | | |
| Phase 2 Fenwick Estate (Fenwick Place) | X | | | |
| Hemans Close | X | | | |
| Knight's Walk II | | X | | |
| Westbury II | | X | | |
| Angel Town | | X | | |
| Wooten Street | | X | | |
| Carmelita & Orsett | | X | | |
| Denby Court | | X | | |
| Somerleyton Road residential phase 1 | | X | | |
| Somerleyton Road residential II | | | | X |
| Larkhall Depot | X | | | |
| Central Hill 2A | | | | X |
| Fenwick 2 | | | | X |
| Totals | 170 | 500 | 115 | 300 |

Building sustainable homes

We will support the council towards its goal of being carbon neutral by 2030.

Our programme will make a significant contribution to making Lambeth greener and cleaner. Building Regulations already require new homes to be more efficient in how they are built and run. We aim to go beyond these minimum requirements. Here are some approaches we are taking:

| Area | Approach |
|---------------------------------------|--|
| Embodied carbon | Some materials are manufactured in a way which produces a lot of carbon. We will source materials produced with lower carbon emissions. We will also consider how best to use discarded materials within our new building to minimise waste |
| Circular economy | Most materials are produced, used once, and then discarded. In a circular economy, materials are used many times. We will look for ways to introduce materials that can be part of a circular economy. |
| Adaptation through design | New houses will be designed to meet the needs of the future. We will consider future climate conditions in our design process and research new technology. |
| Energy efficiency | We will promote the longer-term view of efficiency over cost. |
| Homes for Lambeth Fabric First | Older buildings have high air leakage and rely on mechanical or electrical means of heating and cooling which consumes energy. We will look to reduce this by designing and constructing buildings with thicker walls, floors and roofs ensuring they are better insulated and limiting the air leakage providing improved resident comfort. |

We have given ourselves the task of achieving the highest possible environmental benefit alongside maximising the amount of genuinely affordable housing. As well as being well-designed and well-insulated, our homes will include technologies to let you see how much energy and water you are using, encouraging more conscious use. We will support you to fully understand how you should use the new technologies in your home to lower energy consumption. All our buildings will be future-proofed so they can be adapted to future technologies.

**Jason Emile,
Development Director,
Homes for Lambeth**

“Our commitment to sustainability and environmental credentials throughout the works in this business plan should be exemplary and go beyond bricks. This is about a holistic approach to the way we live, build and engage with our environment.”

Five things to know

- Lambeth Council requires properties to achieve a minimum of 35% reduction in on-site carbon
- Our homes will go beyond this target, and we will support all residents to get the most out of your new home
- We will do this through better design, materials and post-completion operation
- Our designs will also aim to meet future needs arising from climate change
- All our designs will use the emerging 'Future Homes Standards' as a start point

Adapting to the climate emergency

We are committed to responding to the climate emergency and will consider the following solutions when providing new homes.

| | |
|--|---|
| <p>Solar Radiation/Heat Waves</p> | <ul style="list-style-type: none"> • We will design temperature control strategies for each development to ensure energy efficient heating systems • We are committed to designing out overheating in all new homes |
| <p>Precipitation/Flooding</p> | <ul style="list-style-type: none"> • We will introduce Sustainable Urban Drainage Systems to combat flooding |
| <p>Minimising Water Use</p> | <ul style="list-style-type: none"> • Design homes with a maximum water consumption of 105 litres person per day • Smart Water Metering to monitor individual consumption in all new homes |
| <p>Overheating Issue</p> | <ul style="list-style-type: none"> • We will use the cooling hierarchy to minimise overheating risk, prioritising passive measures over mechanical ventilation and cooling |
| <p>Landscape and Ecology</p> | <ul style="list-style-type: none"> • We will introduce drought-resistant planting • We will introduce more trees and planting to all new schemes • All new landscaping to be designed with introducing bio-diversity in mind |

Ensuring health and safety

We want our homes to be safe and desirable places where you and your families can grow and flourish.

As the long-term landlord, the quality and safety of our buildings are crucial to us in protecting you from harm as well as maintaining valuable social assets. We are accountable to the Regulator of Social Housing, which rigorously enforces the Consumer Standards, which safeguard residents. We are also bound by The Health and Safety Executive.

Our homes will be built to prevailing quality standards, including sustainability and safety. All materials will be accredited, and safety assured. Building information will be maintained and made readily accessible to run routine maintenance and asset management activities and to help emergency situations. This will allow us to keep a 'golden thread' of information about our buildings which runs from the day a building starts being designed and continues throughout its life.

Our boards also have a vital role in ensuring health and safety is at the heart of everything we do through their oversight and compliance role. This role will also ensure that the homes we build meet our Design Principles. These were started in 2014 to ensure that our new homes and estates are good quality and support healthy communities.

Design quality and resident enjoyment of your new homes are important to us as we will be caring for these homes and you as a resident for the long term.

Providing value for money

We will use our experience to get the best value for money from our suppliers.

Our success will depend on how well we manage our supply chains. Relationships with our suppliers need to be strong to ensure consistent delivery of high-quality goods, materials and services on time and on budget.

An efficient, agile and compliant procurement process will allow us to balance quality against price and rapidly verify the capabilities of potential suppliers. We will also be able to use our influence over the supply chain to deliver direct benefits such as support for our social investment programme and employment strategy. Savings will be reinvested in building more genuinely affordable homes and services for you.

We will put in place a value-for-money strategy with targets to meet our obligations to the Regulator and we will report on these in our statutory accounts.

Our resident engagement and social investment programme

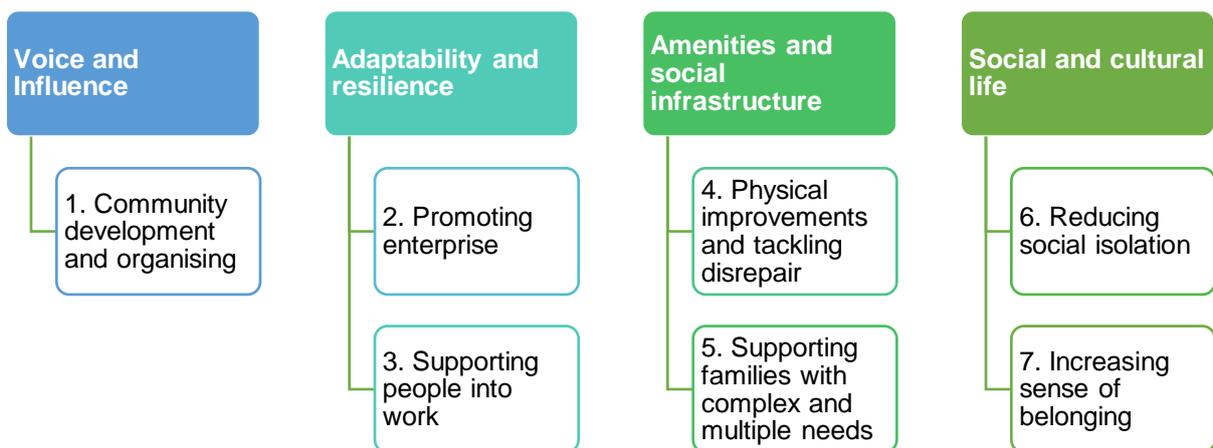
Building better homes does not create strong communities on its own, but it is a good place to start.

A number of estates have already been rebuilt in the borough. Learning from the experiences of these completed estate programmes has given us insight to address the issues from those schemes, leading us to combine our resident engagement and social investment programmes into one as they support each other.

This is why we have called this works-stream RESI.



Based on conversations with stakeholders, desktop research and feedback from you, we are putting together social investment plans for each estate. So far, this work has uncovered **seven** overarching issue-based themes which all interface with the council’s borough plan– see below:





We will consult with you on these plans and how they should be implemented. In doing this, we will seek to build local partnerships around the estates, which we will rebuild, focusing on those who are within a five-minute walk. In addition, we will use information from the council's Equalities Impact Assessment (EQIA) to help us understand the different needs of the estates and you as a resident.

Our mission with the RESI programme is that it should be implemented to best address existing inequalities and help create healthy communities.

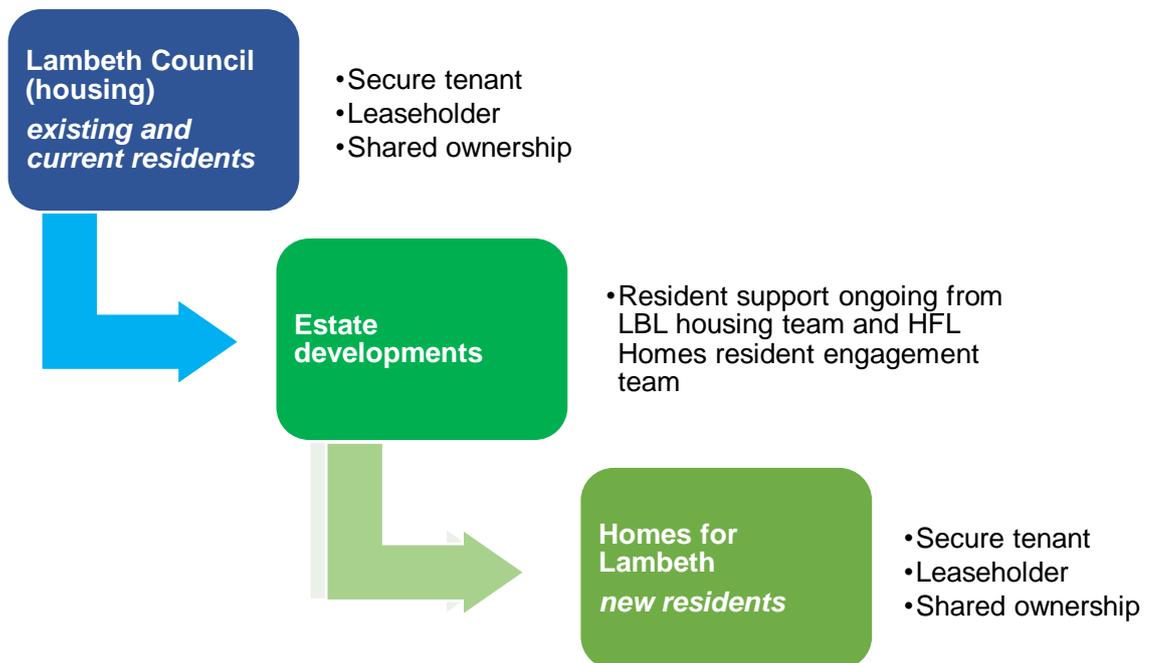
**Richard Stevens,
Chair of HFL Homes**

“Our experience, and independent scrutiny and constructive challenge of management, will support our public commitment to delivering quality homes and resilient estates for Lambeth whilst building thriving communities and better futures”

Supporting communities through the change

The council and Homes for Lambeth are committed to supporting all residents as your estates are rebuilt.

The Council's Liveability Commitments provide our residents living on estates that we will rebuild with a set of standards and practices that mitigate the disruption and disturbance that may be caused before, during and after the rebuild works. We will work closely with the council as it consults on its Liveability Commitments and we will support the council to deliver them.



Engaging with our future Homes for Lambeth residents

We want to have a meaningful two-way conversation with our future residents.

This is where our strength as a housing provider and housing management organisation will be seen as you migrate from residency under the council’s housing arrangements to our own.

**Wendy Stokes,
Chair of HFL Living**

“This is a milestone moment for Homes for Lambeth working in a completely holistic way that involves residents at every stage of the process to deliver our plans for these estates.”

We will work with you on each of the estates we are going to rebuild. We want our conversations to help us develop and deliver the best communications, information and activities to minimise disruption during the transformation of the estates, and how to get the best outcomes for you once the change is complete. We want to talk about practical issues and for you to have an input on the design of your new homes and estates. We have created a framework which shows how we will engage at every phase of the works – see below:

Consult: We will use accessible and inclusive methods of consulting with residents.

Respond: We will provide accessible options for communities to contact us to seek information and raise issues.

Involve: We will create opportunities for local communities to get involved in our activities.

Inform: We will keep residents informed on the issues that affect them through clear, timely and tailored communications.

We will work with the council, our contractors and you too as residents living on the estates we are rebuilding plus those living around all our schemes to ensure that any negative impacts are kept to a minimum, and you benefit from the new developments as well.

| Framework | Resident Engagement |
|-----------|---|
| Inform | Estate newsletters |
| Consult | Consultation and exhibition events |
| Inform | One-to-one resident’s information sharing |
| Respond | Drop-in residents’ sessions |
| Respond | Independent advisors’ surgeries |
| Consult | Community and armchair consultation surveys |
| Involve | Focus groups |
| Respond | Roadshows |
| Respond | Resident and Board “getting to know you” sessions |
| Inform | Website |
| Inform | Met the contractor sessions |
| Involve | Resident engagement panels |
| Respond | Estate walkabouts with housing management |



How we will engage with HFL Homes residents

We want our residents' voices to be heard at the strategic level of HFL Homes.

HFL Homes will sign up to the National Housing Federation's *Together with Tenants'* Charter. This charter sets out ways that housing providers can take better notice of residents' opinions on all matters that have an impact on your homes and services.

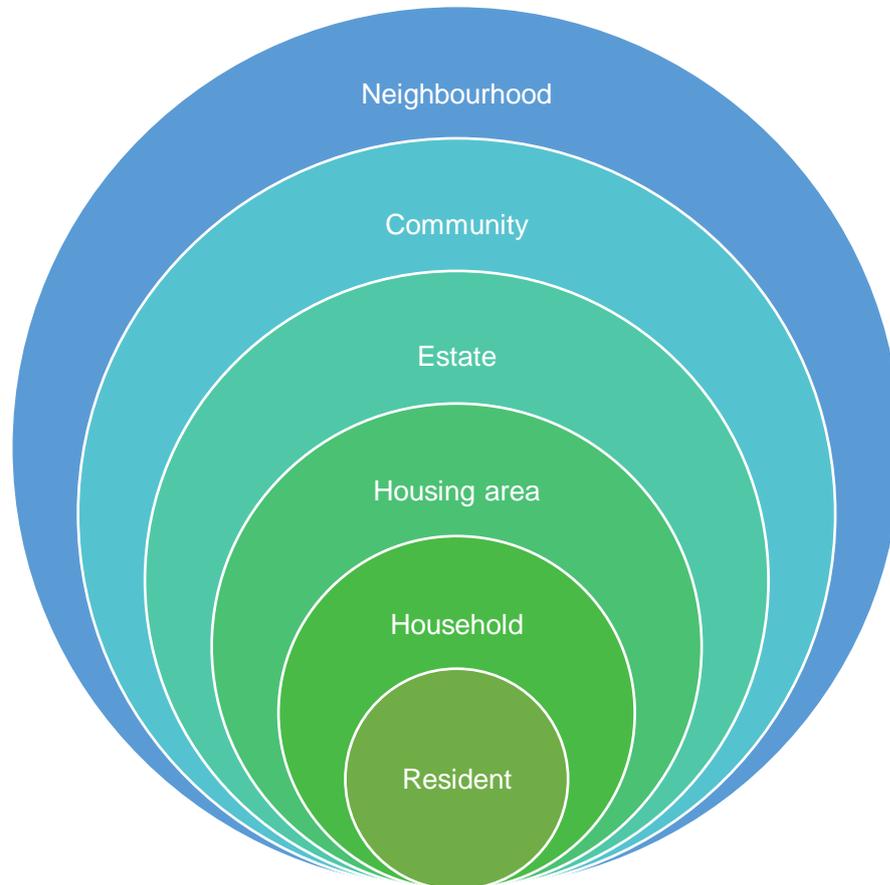
You can download the Together with Tenants charter from this link: <http://bit.ly/NHFTtogether>

Five things to know

1. We want to share plans with residents and co-design services
2. We want residents to have an input on the design of their new homes and estates
3. The programme aims to build communities, not just homes
4. Homes for Lambeth wants a long-term dialogue and relationship with residents
5. We will be following the NHF's Together with Tenants charter to achieve this

How we will support people into work

We will work with resident communities to improve their job prospects.



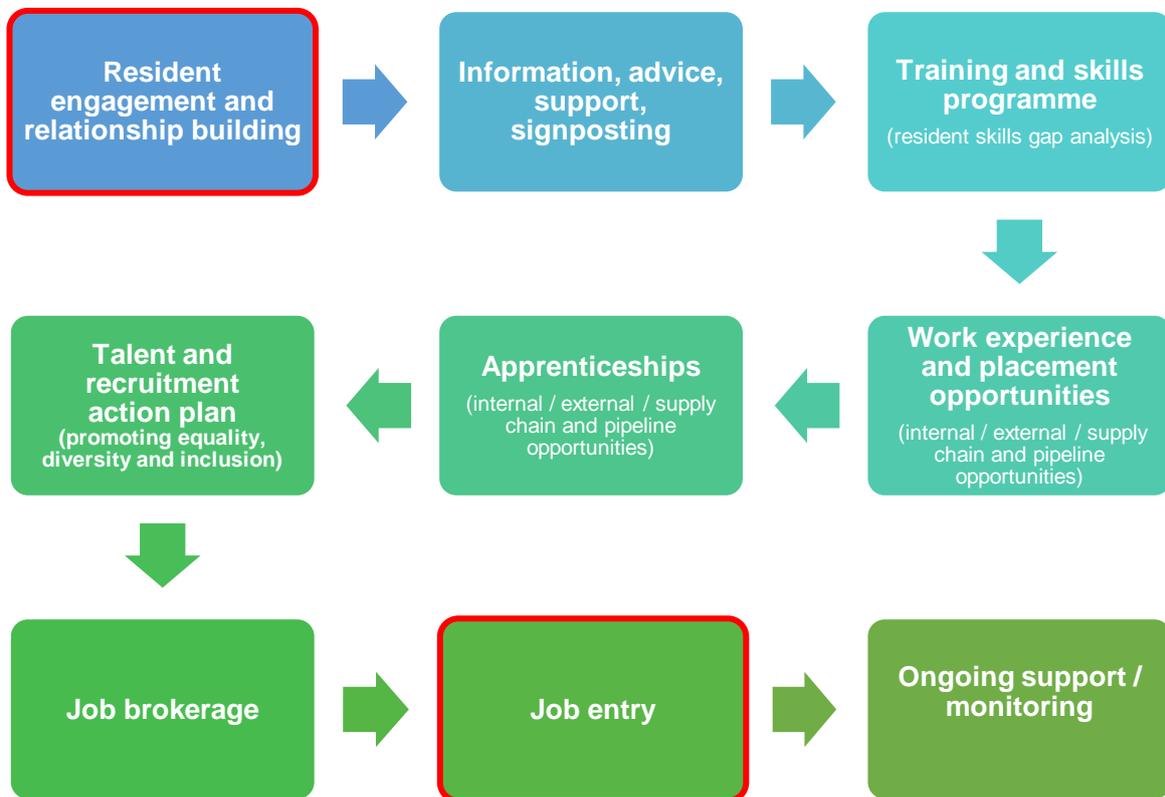
This strand of our social investment programme is of utmost importance in supporting residents, your families and your communities:

- It interfaces with our own HR practices around diversity, equality and inclusion
- It facilitates actions for employment routes with our partners and contractors and
- It enables us to co-ordinate and manage work and skills training activities in those communities where our homes are being developed

Across the programme we expect over 450 apprenticeships, work placements and work experience opportunities to be created. We will work in partnership with the council on this. We want to create meaningful routes to employment for our residents and ensure that these routes are accessible to those living on our estates.

We will do this through for example:

- Offering work tasters, placements, skills and job seeking workshops through our social investment programme
- Providing internship, work experience and opportunities
- Giving local people education, learning and employment opportunities through our own and partner apprenticeships
- Functional skills education, cv writing and interview techniques



How HFL Homes will deliver its services

We believe our residents value both the convenience of digital information and face-to-face discussions.

As HFL Homes residents, you have a right to good quality service. Good service means different things to different people. As a result, HFL Homes will be making digital options available to allow you to talk to us and access services online.

Face-to-face communication is also important, especially where people have complex needs. So, we will provide access to our services through a range of channels and build up our customer information base so that we know what method suits you best.

**Paul Simpson,
Head of Operations and Engagement
Homes for Lambeth**

“We want our residents to get the best possible service from HFL Homes, and we will work with residents to help us do this. Having residents at the centre of what we do is vital for us – we aren’t just going to build homes and go. We are in for the long haul as this is the only way we can build thriving communities and better futures for our residents.”

Our financial plan

Lambeth Council provides loans to build new homes, and we repay the council from the sale of homes

Two main subsidiary companies are operating under HFL Group: HFL Build and HFL Homes.

HFL Build receives loans from the council and uses them to design and build new homes. The council lends at commercial rates to meet State Aid rules. The level of funding allows us to build homes that meet the high standards for quality and environmental performance set out in our own Housing Design Standards and the council's requirements to address the climate emergency.

When the building works are completed, the affordable homes are sold by HFL Build to HFL Homes, and the private homes are sold on the open market. The proceeds of these sales are then used to repay the loans to the council and cross-subsidise the delivery of affordable housing.

In order to buy the affordable housing, HFL Homes will also be receiving loans from the council. These loans will be secured on the value of the homes themselves. HFL Homes then repays the council over a longer period using revenues from rents as well as income from Shared Ownership sales.

**David Gannicott,
Board Member HFL Build and
Living**

“Residents deserve a decent place they can call home, a place they can build a life for themselves and their family. This plan represents a major step forward for Homes for Lambeth and it shows how we will start to deliver what families need in Lambeth”

Additional funding is available to us from grants from the council and from the GLA. These sources of funding help to subsidise the cost of providing affordable housing, making it possible for us to provide a greater number of homes.

Along with the development and affordable housing loans, the council is also providing a working capital loan to cover the costs of overheads such as staffing, office accommodation and IT until such time as we are fully sustainable and self-sufficient.

Because we will be using public funding, the terms of the loans and repayments will be subject to enhanced scrutiny.

Our board monitors the company's finances and external risks under the oversight of the council.

Our business plan balances large loans and major construction costs at the front end against rents and revenues later on. As a result, it needs to be sensitive to changes in market conditions and other factors which arise during the construction period.

Each project within the programme has a detailed assessment of the costs, revenues, quality and time requirements, and the possibility of risks. Actual delivery against the agreed programme will be monitored, and the real-time data will be combined into a single programme-wide debt management and cash flow forecast.

The scheme-by-scheme and programme-wide positions will be reviewed by our executive team, our boards and the council. The programme is regularly monitored, and this means the executive team will pick up on any adverse movements and propose mitigating actions that will keep the programme viable.

We are funded using public money from the council along with grant funding. As a result, there is a detailed financial plan for how and when these loans are repaid and the interest rate that will be applied. The up-front costs of planning and construction will lead to a pipeline of new homes which will be available as council level rent, other affordable lettings, shared ownership or sale.

We have assembled an experienced team of housing industry executives and independent non-executive directors, so the company is in a good position to navigate this complex programme through any market changes, the impact of the climate emergency or shifts in government legislation. The council will have regular updates on our financial performance and the ability to question and challenge material changes to the plan.

Five things to know

1. We will borrow from the council to finance development and the purchase of affordable homes
2. The development loans will be repaid from sales receipts and the loans to purchase the affordable housing will be repaid over a longer period from rental and shared ownership sales
3. The development loans are provided at market rates of interest
4. We will ensure Value for Money in all our activities
5. Good governance is ensured with clear lines of sight for the boards and the council.

Securing our plan

The programme has been carefully ‘stress tested’ to see if it stands up to a range of possible events.

Businesses survive because they have made plans for how to respond to problems. In the housing sector there are several factors which can impact financial plans:

- Lower sales values
- Slower rates of sales
- Increased construction costs
- Increased cost of borrowing
- Empty homes and bad debts
- Delays in the programme
- Lower levels of grant funding

**Melanie Hyland,
Finance Director Homes for Lambeth**

“Our plan is ambitious, both in the number of homes we will build, but also with the thriving communities we plan to support. Most importantly it’s deliverable. We will work with our partners in the council to make sure our performance is exemplary.”

We will be using a dynamic forecasting system which will allow the company to see its financial position and future position. The performance of the schemes and the overall programme are measured by looking at a set of Key Performance Indicators (KPIs) such as the average length of time needed to sell a home, the number of completed homes remaining empty. These KPIs help us spot straight away if the problem factors are starting to emerge.

Our Key Performance Indicators

Our Key Performance Indicators (KPIs) and targets will be refined in partnership with the council over the next few months to ensure that they accurately allow our own executive team, boards and the council to monitor our progress.

Below is the framework for our Key Performance Indicators (KPIs):

| KPI | Measure |
|---|--|
| Customer Experience | ▪ Fire risk assessments in place as a percentage |
| | ▪ Fire risk assessment actions completed as a percentage |
| | ▪ Electrical inspections |
| | ▪ Customer satisfaction with repairs |
| | ▪ Percentage of repairs completed in time |
| | ▪ Percentage of repairs completed at first visit |
| | ▪ Percentage of residents satisfied with handling of complaint |
| | ▪ Percentage of resolution at first point of contact |
| | ▪ Complaints escalated |
| | ▪ Customer satisfaction with landlord rent homes – STAR |
| | Financial |
| ▪ Void Loss | |
| ▪ Rent Arrears | |
| ▪ Earnings before interest, tax, depreciation and amortization (EBITDA) | |
| ▪ Average days to sell homes | |
| ▪ Sales income | |
| ▪ Gearing | |
| ▪ Interest Cover | |
| ▪ Return on Capital Employed | |
| ▪ Loans Drawn Down | |
| ▪ £ WIP | |
| ▪ Value for Money | |
| Quality Homes and Places to Live | ▪ Number of homes in planning |
| | ▪ Number of homes design commissioned |
| | ▪ Number of homes in planning |
| | ▪ Number of homes Master Planning commissioned |
| | ▪ Number of homes started on site as a % of total due |
| | ▪ Number of homes practically completed |
| | ▪ Number of homes sold as a % of total |
| | ▪ Number of homes reserved |
| | ▪ Number of homes unsold and age |
| | ▪ Number of homes let within target |
| | ▪ Days void since practical completion |
| | ▪ Average number of defects |

In addition, our targets for RESI will be formed in partnership with residents and will be informed by information from our research and from the councils EQIA. We will develop our carbon management targets over the lifetime of this plan. However, our targets for carbon management include the following:

- Improved fabric performance
- High performance glazing
- Low air permeability/air leakage
- Heat recovery ventilation
- Lower water usage

Our current proposals are approximately 10 to 15% above the minimum standards of the Mayor of London's new London Plan.

Business Plan for HFL Build – three-year plan with a two-year horizon

The below shows the summary budget for HFL Build for the three years of the Business Plan and the next two years which we have in outline.

| | Covered by the business plan | | | Two-year horizon | |
|---|------------------------------|----------------|----------------|------------------|---------------|
| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| Private homes | - | - | 58 | 112 | 189 |
| Affordable homes | - | 46 | 76 | 238 | 54 |
| Total number of homes | - | 46 | 134 | 350 | 243 |
| Total Turnover | £5.4m | £21.1m | £44.9m | £119.3m | £121.6m |
| Total Costs | £(6.3)m | £(20.4)m | £(41.3)m | £(106.6)m | £(108.9)m |
| Profit Before Interest & Tax | £(0.9)m | £0.7m | £3.6m | £12.7m | £12.7m |
| Finance Costs | £(0.9)m | £(2.5)m | £(6.8)m | £(9.0)m | £(6.7)m |
| (Loss)/Profit Before Tax | £(1.8)m | £(1.8)m | £(3.2)m | £3.7m | £6.0m |

HFL Build incurs losses in the first three years because of its start-up costs and because it is prioritising the building of affordable housing schemes where the price that HfL Homes can afford to pay is less than the cost of construction. These losses are partly financed through deferred repayment of the development loans and the working capital loan. The development losses are fully recovered in later years when the private sale homes on the same estates are built.

These results differ from those in the 'Our Development Programme' section as the s106 sites at Lollard Street, Westbury & Fenwick are not included in HFL Build. In addition, these results are the financial forecast and therefore assume that open market sales are sold over time rather than as soon as the homes are build complete.

Business Plan for HFL Homes – three-year plan with a two-year horizon

The below shows the summary budget for HFL Homes for the three years of the Business Plan and the next two years which we have in outline.

| | Covered by the business plan | | | Two-year horizon | |
|---|------------------------------|--------------|--------------|------------------|---------------|
| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| Supply from HFL Build | - | 46 | 76 | 238 | 54 |
| Section 106 supply from London Borough of Lambeth | - | 64 | 46 | - | - |
| Total new supply | - | 110 | 122 | 238 | 54 |
| Rent & Service Charge Income | £0.7m | £1.1m | £1.9m | £3.0m | £4.9m |
| Sales Income | - | - | £0.5m | £4.7m | £6.7m |
| Total Turnover | £0.7m | £1.1m | £2.4m | £7.7m | £11.6m |
| Total Costs | £(0.6)m | £(0.7)m | £(1.7)m | £(5.9)m | £(8.9)m |



| | | | | | |
|----------------------------------|----------------|--------------|----------------|--------------|--------------|
| Operating Surplus | £0.1m | £0.4m | £0.7m | £1.8m | £2.7m |
| Finance Costs | £(0.2)m | £(0.4)m | £(0.8)m | £(1.5)m | £(2.6)m |
| (Loss)/Surplus Before Tax | £(0.1)m | - | £(0.1)m | £0.3m | £0.1m |

The losses in the first three years are financed through an inter-company working capital loan provided by HFL Group out of the Council's working capital loan. Along with those built by HFL Build, HFL Homes also obtains affordable homes built by third party developers as part of their Section 106 obligations to the council.

Managing our risks

The identification, management and mitigation of risk is a task shared by our executive team, our boards, the council, the regulators and external auditors.

Our three lines of defence in risk management are:

| Defence | Details |
|---|---|
| Ownership and Management of risk | Our executive team members actively look out for risk and make it their responsibility to report it and find solutions |
| Effective Oversight and Risk Management specialism | Our boards review the risks and the proposed solutions, and guide the executives on the basis of experience and a wider strategic vision |
| Independent Assurance and Internal Audit | Independent internal audit teams will inspect and test compliance with our various procedures and financial controls, as well as decisions taken at executive and board level. External auditors will audit our annual financial statements and provide an opinion on them |

The approach to risk management can be summarised in the framework of policies and measures below:

| Management | Internal Review | Board Review | External Review |
|---|--|--|--|
| <ul style="list-style-type: none"> •Memorandum of Understanding •Governance Procedures •Financial Procedures •Scheme of Delegation •Risk Management Framework •Policy Framework •Annual assurance certificates | <ul style="list-style-type: none"> •Internal Audit •Annual assurance reporting •Audit & Risk reporting; •Deep Dives •Risk review •Annual compliance review (legislation, regulation and contracts) •Events and incident reporting | <ul style="list-style-type: none"> •Oversight by the council •Annual compliance with Code of Governance •Annual review of compliance with RSH standards •Financial reporting •Health and Safety Reporting | <ul style="list-style-type: none"> •External Audit •Regulators |

Our Risk Register

We have identified the top risks we face – see table below. We will continue to develop these over the lifetime of the programme.

| HFL GROUP RISK REGISTER DASHBOARD 2020-21 | |
|--|---|
| RISK DESCRIPTION | MITIGATION & ASSURANCE MAPPING |
| Health and Safety | Fire, legionella, asbestos, gas and electrical (FLAGE) monitoring Internal Audit |
| | Enforce terms of construction contracts for remediation Construction Design and Management Regulations fully implemented |
| Delivery plan is not agreed due to financial impact or strategic outputs not being achieved | Regular liaison with the council on programme and financial impact |
| | Regular review and refinement of the delivery plan and validation by the council |
| Economic impact of leaving the EU specifically on costs of labour, materials and house prices | Procurement to encourage long term partnerships for quality and price assurance |
| | Delivery plan to factor in potential additional costs of construction from inception rather than build cost inflation |
| | Zero House Price Inflation assumed to reflect current economic uncertainty |
| Residents not supportive of regeneration programmes and service not meeting expected standards | Equalities Impact Assessment data to be analysed, residents consulted, and tailored strategy developed |
| | Resident concerns to be addressed with regular dialogue |
| | The council fully consulted on breadth of strategy, potential impact and cost |
| Poor performance | Appropriate systems to monitor and report on programme delivery |
| Lack of cost control leading to liquidity risk and potential fraud | Robust systems; monitoring and reporting to LBL and HFL, internal and external audit |
| Poor governance leading to downgraded status and associated risks to reputation and reduced access to funds at appropriate price points | Assurance framework to board; independent assessment; board training and succession plan |
| Delays in programme caused by COVID-19 | We will continue to move forward with our projects. We will do this by using remote working techniques to coordinate among ourselves, our contractors and the council. Also, we will use new engagement approaches when engaging with residents, so we can continue to move forward with our programme. |

Our year ahead

In 2020-21 we will complete our mobilisation of staff, systems and resources and begin planning and building our first set of new homes for Lambeth.

The headline view of our proposed activities is set out below:

| | |
|---|---|
| Develop deliver plan for the business plan | <ul style="list-style-type: none"> Put together a delivery plan for this business plan including KPIs and review processes |
| Deliver development programme to budget and programme and quality standards | <ul style="list-style-type: none"> Start on site on five schemes and 170 homes Extract value for money from our procurement processes and ensure we meet our value for money requirements Create sustainability register to measure effectiveness including technology used and standards achieved Deliver an efficient Assured Shorthold Tenancy programme Market test letting agent efficiency and value Include CSR contributions from the supply chain Establish relationship with GLA Agree and implement approvals and financial monitoring processes |
| Instruct forward work for pipeline | <ul style="list-style-type: none"> Planning applications submitted for 12 schemes Instruct detailed design on 12 schemes Master-planning commissioned on three estates |
| Implement new software systems | <ul style="list-style-type: none"> New finance system implemented New project appraisal system implemented New sales and CRM system |
| Resident Engagement and Social Investment | <ul style="list-style-type: none"> Develop different communication methods for modern engagement with our residents Regular engagement on all six major project estates Work with Lambeth Council on employment, training and apprenticeship initiatives Increase the number of people in resident engagement New tracking system to support engagement and the delivery of the social investment strategy |
| Support the work of Lambeth Council and the Borough Plan | <ul style="list-style-type: none"> Have regular dialogue with ward councillors Establish agile working with client team to deliver joint goals Work collaboratively with LBL employment, resident engagement and social investment work streams |
| Capacity established | <ul style="list-style-type: none"> Recruit permanent finance team Establish sales function and strategy Implement joint working protocol as agreed with council |