

Cabinet

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Report Title: Homes for Lambeth: A Special Purpose Vehicle for Lambeth

Wards: All Wards

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Report summary

Lambeth is in the grip of a severe housing crisis. 60 to 80 families a week join the waiting list for social housing, but only 20 to 40 homes are available. 21000 people are now on the waiting list for social housing in Lambeth. Over 1850 homeless families, the vast majority with children, are now in temporary accommodation and, across the borough some 1300 families are severely overcrowded. Families in high priority on the waiting list, many with disabled children, are waiting years to secure a suitable home.

Families are insecurely housed in the private rented sector and the combination of low wages, benefit cuts and soaring rents in the private sector is seeing more families made homeless or having to move away from Lambeth.

The private market is not building enough of the homes that Lambeth needs and Housing Associations have found their financial situation undermined by recent changes in legislation, which has seen some Housing Associations announce that they will no longer build homes for social or affordable rent.

This council's administration was elected on a pledge to build 1000 extra homes for council rent and to fulfil this pledge the council will establish *Homes for Lambeth*. *Homes for Lambeth* will be a 100% council-owned company to enable the council to access finance and to build the homes we need to house the people of Lambeth where the private market is failing to do so. By establishing *Homes for Lambeth* the council will be able to prevent the normal 15-20% development surplus going to private developers and can instead invest this money in building more homes for local people.

The need for high-quality secure homes in Lambeth goes far beyond council-rent homes. In order to meet the full range of need in the borough the council needs to provide homes at council rent levels, at intermediate (sub-market) rent for families in low-paid work, and homes at market rent for families who can't yet afford to buy a home of their own but want a more secure, long-term home, than the current private rented market can offer.

Building on the vision of a mixed-income development at Somerleyton Road at Brixton, *Homes for Lambeth*, a new special purpose vehicle for housing and regeneration delivery, will allow the council to build homes for council rent, intermediate rent and private rent, all with long tenancies and rent stability. Council-rent properties will be let with lifetime tenancies matching, as closely as possible, existing council tenancy rights with rents set in the same way as for existing council properties, at about a third of market rent.

Subject to the requisite approvals, the first phase of schemes proposed will support the development of 511 homes by September 2018, of which 301 homes are at social rent levels. Over the coming years the council will be able to have much greater control over the pace and type of house building in the borough, so that the delivery of homes in Lambeth meets the needs and aspirations of local families.

Finance summary

Homes for Lambeth will allow the Council to undertake housing and commercial developments and to reinvest the development surpluses generated (which can typically account for 15% to 20% of the Gross Development Value) for the benefit of Lambeth's residents, rather than seeing them go to private developers, thereby enabling the Council to invest more in the creation of the new homes that residents need.

The Council will have first option to provide loans and investments as required to *Homes for Lambeth* on market standard terms, subject to this meeting both the Council's and *Homes for Lambeth's* respective requirements to obtain best value. *Homes for Lambeth* also enables the Council to look to the open market and institutional investors to secure the best value funding for each development.

Financial modelling for an initial, illustrative development portfolio is being developed to support and illustrate the business case for *Homes for Lambeth*. This will process will support the development of key business planning tools to inform the delivery of new schemes (subject to a formal approval process) and effective long-term planning. At this stage, there is no immediate financial implications from the proposal.

Recommendations

- (1) To note the business case and key benefits identified for establishing Homes for Lambeth, a Special Purpose Vehicle for housing and regeneration delivery.
- (2) To approve the proposed strategy for the formation and mobilisation of the primary group of companies that make up Homes for Lambeth and to delegate authority to Officers to set up these companies.
- (3) To delegate authority to Officers (and subsequently the Board of the Special Purpose Vehicle) to proceed to develop the 60-month, Rolling Business Plan for the Special Purpose Vehicle and Scheme-Level Business Plans for each development scheme proposed. These documents will inform the formal Business Case to be considered by the Council prior to it granting approval for each respective scheme to be delivered.
- (4) To agree in principle to grant a long-lease to the Special Purpose Vehicle for the delivery of new homes on the Lollard, Fenwick & Westbury (Phase 1) schemes within 6 months of the formation of the Special Purpose Vehicle, subject to the formal agreement of business plans and the agreement of transfer arrangements for each of these schemes.

1. Context

- 1.1 The Council recognises the importance of good quality homes in Lambeth and the role that housing plays in not only improving the lives of those who live in it but also in making Lambeth a great place to live, work and visit. 'More opportunities for better quality homes' is a key outcome in Lambeth's Community plan 2013-16 and the vision set out in the Lambeth Housing Strategy 2012-16 is that all Lambeth residents 'live in a home they can afford, that is safe and well managed and in a neighbourhood they are proud to live in'.
- 1.2 The people of Lambeth need homes, with security to put down roots, that people from a range of incomes can afford. Lambeth is at its best when its communities are genuinely mixed and diverse. This means building more social homes, but also homes at below market rent for families in low pay, secure market rent for those unable to buy but who need longer term tenancies to build a stable home in the borough, and affordable home ownership for those who can afford it. Our ambitions as a Labour council are not limited to any one subsection of our local community – but to work for the benefit, security and aspirations of the people of Lambeth.
- 1.3 We aim to ensure that every resident in Lambeth has the opportunity to live in a good quality home that is affordable and suitable for their needs. Recognising that good quality housing is a key priority for achieving our community outcomes, we intend to target our resources and use our influence to make sure residents have a range of housing options available to them.
- 1.4 In December 2014 the report Building the homes we need to house the people of Lambeth (108/14-15) set out an ambitious programme of Council led housing delivery that will provide more opportunities for more and better quality homes in Lambeth, including the Council's commitment to 1000 extra homes at Council rent levels and recommended that estate regeneration forms an important part of the strategy to achieve this. Furthermore, in order to meet future housing demands from a growing population the council will need to enable and deliver more than 1559 new homes per annum until 2025.
- 1.5 One of the key recommendations receiving Cabinet approval from the December 2014 report was the recommendation that Officers further examine and develop the business case for the creation of a new housing and regeneration venture (the Special Purpose Vehicle), which may include the creation of one or more Special Purpose Vehicles to facilitate investment and development in new housing that meets the needs of Lambeth's current and future residents.
- 1.6 This report to Cabinet has been produced to address this requirement. It considers potential delivery options, presents the outline business case for such a venture and makes proposals for the creation of a Special Purpose Vehicle to develop and deliver housing & regeneration - *Homes for Lambeth*. *Homes for Lambeth* will be a new commercial venture that will effectively support the Council to take much greater control over the pace and focus of delivering more and better homes in Lambeth as well as regeneration in the borough, thereby supporting the fulfilment of the Council's objectives to meet both the housing and wider needs of Lambeth's residents, through the delivery of new housing across a range of tenures and complementary developments that support local growth. This may also include undertaking

commercial developments for investment purposes, in order to generate investment returns into the General Fund.

The Need for More and Better Accessible Housing Across Tenures in Lambeth

- 1.7 Housing is rising up the political agenda and was more prominent in the election campaign than it has been for many years. There is widespread acknowledgement that we are facing a national housing crisis with demand greatly outstripping supply, resulting in rapidly increasing house prices particularly across London and the South East.
- 1.8 In Lambeth the impact of this housing crisis is pricing people out of the housing market (renting and buying) and there are similar increases in retail rentals that are changing the nature of the borough. Historically lower prices and rents relative to other parts of London mean the issues are more acute in Lambeth (whereas other areas have been unaffordable for many years already):
 - Lambeth, similar to other London boroughs, continues to face massive housing challenges, and a shortage of housing has resulted in an increase of house prices and rent levels. Over the last decade house prices have more than doubled - in 2005, the average house price in the borough was £256k, today it is £535k. Households who might have saved a deposit and bought a home in previous years are renting longer. With less disposable income to accumulate a deposit many face diminishing prospects of buying a home in London. Private renting is getting more expensive with more competition in the market and properties becoming unaffordable for those with modest incomes.
 - While all tenures will make an important contribution to meeting housing need, there is an urgent need for more affordable housing in the borough, especially for families. The Housing Needs Assessment 2012 (HNA) identifies an overall housing requirement across all tenures of 23,900 homes over the next 20 years, of which 70 per cent was a need for affordable housing.
 - There were just over 17,000 households on the housing register at the end of May 2015 - up by 12% when compared to the same date last year. Nearly 2,000 joined the register each year and Lambeth rehoused fewer than 900 from that list in 2014/15.
 - Difficulties accessing the Private Rental Sector due to increased competition, a reduction of social rented lets available and changes to the allocations policy where households who work with us to prevent their homelessness are given additional priority has led to an increase in Temporary Accommodation occupation. This is a major barrier to increasing homelessness prevention activity and reducing the number of households in Temporary Accommodation.
 - Faced with 20 times as many people on our housing waiting list as we have homes available each year, and with 1900 homeless families in temporary accommodation, the council has a moral and political imperative to build homes ourselves.
 - Maintaining current stock levels in the face of the Right to Buy (RTB) - Lambeth has lost 251 council homes through RTB in the past year and the pace of council

RTB sales is likely to continue to outstrip the new supply of council housing in Lambeth. The council is making use of the 'One for One' (1-4-1) RTB receipts in order to support replacement, but the challenge is that 70% match funding is required, and this cannot continue to come directly from the council.

- 1.9 We will invest £490 million pounds over the next five years to bring our housing stock up to the Lambeth Housing Standard: this will include the biggest estate regeneration programme in the Borough's history. We will work with those estates that most need rebuilding and/or upgrading or where there is space for new homes, with a focus on environmental improvements, tackling overcrowding and building additional good quality homes that last for generations. This work will happen despite a £150 million cut in Government funding, which left a £56 million shortfall in monies for refurbishment.
- 1.10 It is expected that Central Government's programme of cuts in funding to local authorities will continue and will deepen. The Council therefore needs to think radically in order to identify new ways to protect its resilience in the face of these cuts and to protect its abilities to deliver the high quality assets and services that Lambeth's residents need and deserve.
- 1.11 The Council has made good progress in bringing forward a number of sites that have been identified as requiring renewal or which offer potential to support new housing delivery as part of the Small Sites and Estates Regeneration Programmes. As such, a strategy for how these sites will be progressed from planning to delivery is both timely and necessary for the fulfilment of Lambeth's housing objectives. A number of these sites have been considered as part of an example Initial Development Portfolio to support and inform the development of the business case for the Special Purpose Vehicle that is proposed in this paper.
- 1.12 The new Lambeth Local Plan sets out how we can improve the quality of the local environment, as well as the quality of people's lives through development in the borough. Our priorities for regeneration, infrastructure and growth are very much at the heart of the Plan and Homes for Lambeth will directly support the Council to take an active role in delivering against these priorities by being proactive in development.

Key Principles for Homes for Lambeth

- 1.13 In recognition of LB Lambeth's strategic aspirations for housing and regeneration, the political and economic context and the known limitations of 'self delivery' (considered in detail in the appended paper 'appendix B' to this report), the following key principles underpin the appraisal of possible options and the business case for *Homes for Lambeth*.
- 1.14 *Homes for Lambeth* must:
 - Support the Council to take greater control over the pace, quality and volume of new housing delivery in Lambeth across a range of tenures, in order to address market failures, better meet the needs of current and future residents and to support the Council's growth agenda. The proposed approach must present the Council with a new platform for delivery that can grow in scope and scale in order to remain fit for purpose over the short, medium and long-term;

- Support the Council to take an active role in delivering complementary regeneration, commercial and infrastructure developments in addition to new housing, thereby delivering developments that effectively support local growth and prioritise residents' needs and interests;
- Support the Council to access funding from a variety of public and private sources in order to support its aspirations for housing deliver and regeneration by acting in a truly commercial way, minimising profit leakage to the private sector and generating income and development surpluses through housing and other development that will be re-invested to deliver new housing for residents;
- Support the Council in its commitment to be the Co-operative Council, protecting and cultivating the Council's key relationships with its tenants and Lambeth's communities through the approach to delivering and operating new developments, by prioritising the needs of current and future residents, promoting direct resident involvement and social value and by providing greater long-term certainty over the availability of accessible, high quality housing in Lambeth across a range of tenures;
- Support the Council to realise its strategies for housing, community benefit and growth by complementing and adding-to the Council's abilities to realise the outcomes that it has agreed with residents and for residents, subject to a full business case being agreed to proceed in this fashion;
- Support the Council to also undertake investment and developments which are intended to generate an investment return, to protect its resilience and future abilities to deliver the services that Lambeth's residents need;
- Provide the Council with a flexible platform that can grow and evolve to support it to realise new strategic delivery opportunities, including opportunities to partner with other public bodies for new asset and service delivery models; and
- Effectively manage the Council's overall exposure to the risks of development, whilst enabling it to fully harness the economic potential of Lambeth's property sector for the benefit of all Lambeth's residents and communities.

Alignment With Policy Objectives & Preceding Cabinet Decisions

1.15 The key principles and short, medium and long-term priorities for establishing a Special Purpose Vehicle for housing and regeneration as part of Lambeth's wider strategic responses to housing and regeneration are closely aligned with the Council's priorities also contained within the Community Plan 2013-16.

Outcome	Short term priority	Long term priority
1. More jobs and sustainable growth <ul style="list-style-type: none"> • People achieve financial security; • Lambeth plays a strong role in the local community; • People have the skills to 	<ul style="list-style-type: none"> • Enable residents to remain in the borough and benefit from its growth; and, • Provide opportunities for new jobs. 	<ul style="list-style-type: none"> • Increase the supply of housing which is affordable to our citizens; and, • Reduce fuel poverty.

<p>find work; and,</p> <ul style="list-style-type: none"> • People live in, work in and visit our vibrant and creative town centres. 		
<p>2. Communities feel safer and stronger</p> <ul style="list-style-type: none"> • People are healthier, for longer Crime reduces; • Older, disabled and vulnerable people can live independently and have control over their lives; • All Lambeth communities feel they are valued and are part of their neighbourhoods; • Lambeth residents have more opportunities for better quality homes; and, • All young people have opportunities to achieve their ambitions. 	<ul style="list-style-type: none"> • Greater local control through the housing strategy proposed and local lettings policies; and, • Targeted training and employment programmes. 	<ul style="list-style-type: none"> • Create safer neighbourhoods through good design, active spaces and strong communities; and, • Provision of new specialist housing such as extra care.
<p>3. Cleaner streets and greener neighbourhoods</p> <ul style="list-style-type: none"> • People lead environmentally sustainable lives; and, • People take greater responsibility for their neighborhood. 	<ul style="list-style-type: none"> • Invest in challenging neighbourhoods, raising their profile and making them attractive places to live, work and visit. 	<ul style="list-style-type: none"> • High quality homes which are more energy efficient and cheaper to run.

Examination & Appraisal of Strategic Options

1.16 Although every local area has different needs, characteristics and strategic drivers, many local authorities now find themselves in a similar position to LB Lambeth and are actively developing Special Purpose Vehicles to secure much greater direct control over housing delivery, not only to mitigate the limitations of self delivery but also to secure new opportunities that are made possible by the powers granted to them in the Localism Act 2011.

1.17 A review of such approaches and the key lessons that can be learned from what others are doing (or planning), has actively informed development of the strategic proposals for Lambeth's Special Purpose Vehicle. Initiatives reviewed are summarised in the table below:

Local Authority & Structure Description	Identified Objectives
LB Ealing: Broadway Living	<ul style="list-style-type: none"> • Avoid the limitations of the HRA borrowing cap;

<p>A wholly owned subsidiary created to enable direct development of mixed tenure housing.</p>	<ul style="list-style-type: none"> • Control over delivery; • Flexibility regarding tenures, partners etc.;
<p>UAC Thurrock: Gloriana</p> <p>A wholly owned vehicle to deliver affordable housing across the borough.</p>	<ul style="list-style-type: none"> • Enable the Council to achieve its stated aim of 1000 new homes in borough over 5 years; • Enable the Council intervention when the housing development market was weak; • Isolate sales risk (Council could purchase sale units through HRA); and, • Complement on-going HRA activities.
<p>LB Lewisham</p> <p>A borough wide vehicle intended to encompass a number of diverse sites and opportunities. Potential to create multi layered legal structure with individual SPVs sitting underneath an operating company.</p>	<ul style="list-style-type: none"> • To leverage the Council's existing asset base; • To generate an additional £9.5 million per annum in net revenue, two thirds of which needs to come from new income streams; • To deliver Lewisham's Regeneration Strategy; • To retain Council assets and protect investment in assets; and, • The urgent delivery of the New Cross Gate site.
<p>LB Enfield: Enfield Innovations Ltd</p> <p>Vehicle to invest in the Private Rented Sector (PRS) in the borough, initial through the Small Housing Sites project but potentially more widely.</p>	<ul style="list-style-type: none"> • To act as an investor in PRS; • To avoid leakage of profit to the private sector; and, • To enable delivery of mixed tenure housing through a vehicle owned as part of the General Fund, avoiding the borrowing cap in the HRA.
<p>LB Wandsworth</p> <p>Vehicle to invest in PRS across the borough.</p>	<ul style="list-style-type: none"> • To maximise potential to realise values in an area and at a time when land prices are steadily increasing; • To enable delivery of PRS housing through the General Fund, avoiding the borrowing cap in the HRA – re-word; and, • To enable the Council to act as an investor.
<p>LB Southwark</p> <p>Wholly owned company to deliver Council homes.</p>	<ul style="list-style-type: none"> • Deliver stated aim of 11000 new Council homes by 2043: increase speed and flexibility to enable delivery on huge scale; • Control over quality of delivery; • Complement the Council's powers as planning authority to enable development on appropriate sites at scale; • Control over long term management; and, • Avoid the limitations of the HRA borrowing cap.
<p>LB Barking & Dagenham</p> <p>Council granted long lease of site to fund which developed units and underlet site to Council's wholly owned company. Quasi PFI solution: company's rental income stream enabled it to repay fund over agreed long term period.</p>	<ul style="list-style-type: none"> • Retain ownership of assets; • Retain all management and nomination; • Ability to sell assets; • Ability to charge varying rents of 50-80% OMR; • Flexibility to offset finance risk by altering rents on a discretionary basis; • Retention of all profits by providing LA guarantee "wrap"; • Nil cash funding requirement; and,

	<ul style="list-style-type: none"> • Funding assurances.
<p>LB Lambeth: Somerleyton Road</p> <p>(for comparison & potential integration) Vehicle to purchase completed development from Council: intention to own asset for the long term.</p>	<ul style="list-style-type: none"> • Control over delivery; • Minimise leakage of profit to private sector; • Avoid the limitations of the HRA borrowing cap; • To ring-fence receipts and surplus from the scheme for reinvestment in this or other identified housing and regeneration projects; and, • Up skill Council officers.
<p>Royal Borough of Kensington and Chelsea</p> <p>Vehicle intended to act as a developer of mixed tenure housing across borough.</p>	<ul style="list-style-type: none"> • Provide good quality, well managed mixed tenure homes to complement the Council's housing provision; • Support the Council's strategic objectives to deliver better quality homes, improved community facilities, well designed public realm, increased mix of uses, and diversified tenure in order to contribute towards better health outcomes, higher educational attainment, more job opportunities, enhanced feelings of safety and reduced crime; • Support the Council in the regeneration of its estates, which would act as a catalyst for wider regeneration of the most deprived parts of the borough; • Provide homes at a range of rent levels and tenures, including target rents; • Facilitate decanting existing residents to unlock estate regeneration, and a range of other tenures to satisfy demand and financial viability, including the delivery of much needed intermediate housing to diversify tenure; • Support the Council in becoming an established developer; • Be a financially robust company; • Allow a commercial focus to the portfolio of newly developed housing; • Secure investment from the public or private sectors; • Deliver a financial return to the Council on its assets and investment; and, • Allow the Council to retain ownership of its land assets.
<p>MB Gateshead LABV</p> <p>A Local Asset Backed Vehicle (LABV), which is a 50/50 joint venture vehicle with private sector partner. The intention is to cross-subsidise between different types of sites and deliver 2500 new homes.</p>	<ul style="list-style-type: none"> • Leverage private sector investment; • Utilisation of under-used sites held in Gateshead's General Fund; • Ensure quality of delivery across all sites regardless of viability/attractiveness; and, • Ring-fence risk, receipts and surplus within a stand-alone business.
<p>Greater Manchester Pension Fund</p> <p>Council to act as developer, commissioning building contractors to deliver mixed tenure housing, with investment from the Council's Pension Fund.</p>	<ul style="list-style-type: none"> • Delivery of affordable housing; • Minimise leakage of profit to private sector; and, • Create viable investment for Pension Fund.

- 1.18 The following key conclusions were drawn from the review, which directly informed the development of the options considered for further appraisal:
- 1.18.1 The case studies available were limited as the creation of Wholly Owned Companies (WOCs) is a relatively recent development, spurred on by the HRA settlement in 2011/12; the surge in Council tenants exercising their right to buy; the Department of Communities and Local Government (CLG) Right to Buy 1-4-1 receipts settlement; and the burgeoning housing market.
 - 1.18.2 Local authorities are using (or planning to use) WOC's for a variety of reasons including: to kick-start housing delivery (affordable or otherwise), to facilitate investment into the private rented sector (PRS), to create mixed tenure schemes and to minimise leakage of profit to the private sector. There must be other strategic drivers (as identified above), which underpin the strategic case for this approach.
 - 1.18.3 Clearly where a WOC is used, a local authority retains 100% of the control, and 100% of the returns, but also 100% of the risk in a scheme. It is possible to mitigate this risk by buying in appropriate expertise: for example, this has been done at Somerleyton Road by appointing Igloo Regeneration Limited to act as development manager.
 - 1.18.4 Joint Ventures can leverage private sector funding via a Local Asset Backed Vehicle (LABV), such as Gateshead for example; or through institutional investment, as at Barking and Dagenham. However this inevitably results in a loss of control for the authority.
 - 1.18.5 It is widely acknowledged that progress in relation to LABVs that have been created around the country in the last 5-10 years or so has been patchy. The Croydon Council Urban Regeneration Vehicle (CCURV) has delivered its first two projects (including a new Council building), but other LABVs have been slower to get off the ground. Whilst it might be thought that this is due to delays in agreeing matters in a joint venture arrangement, it is equally arguable that this is due to the fact that these joint ventures have only been created where the relevant projects were exceptionally complex and as such the delay may simply be attributable to this.
 - 1.18.6 Notwithstanding the above it seems clear that if a local authority has sole control over delivery then it can move as quickly or as slowly as its own constraints allow, and need not be further delayed by third party discussions.
 - 1.18.7 The Council has previously indicated its willingness to borrow prudentially in order to fund development. As such, the right approach for Lambeth may not be predicated on securing a third party funding partner. However, the ability to attract and secure funding from a variety of sources should remain a strategic option available to the Council in order to safeguard its future flexibility to determine its financial strategy and to respond to new opportunities that arise. New strategic approaches to financing emerging and will continue to do so. For example, investment by a Council's own pension fund (as per the example of Manchester City Council), is a relatively new and innovative solution to

facilitating equity injection that has been adopted in response to changes in policy and market conditions.

1.19 Drawing upon the analysis of approaches adopted by other public bodies and further examination of Lambeth’s principles, needs and objectives, the following alternative options for the delivery of housing and regeneration have been identified and appraised:

Delivery Option	Key Benefits	Key Limitations
<p>1. Divested Delivery of Social Homes</p> <p>The Council would progress each site through Planning and would divest development opportunities in which it would not retain an on-going interest other than the freehold of its land.</p> <p>This may include ‘gifting’ land to Registered Providers with the condition that the Council would retain nomination rights for social rent properties, which would be owned by these RPs.</p>	<p>Enables the total pool of housing available at social rent levels to be increased in Lambeth without impacting on the Council’s HRA headroom.</p> <p>The Council would progress each site through planning and lead tenant and stakeholder engagement activities through this key phase.</p> <p>The Council may use 1-4-1 receipts to fund RP development through social housing grant (NB only for affordable housing - this can include 80% market rent) but the Government prohibits aggregating multiple public sector funding streams so the 1-4-1 receipts would need to be the only social housing grant, with the RP finding the other 70% of its build costs.</p> <p>State aid issues would not arise if only social housing is being delivered, as there is a general exemption for social housing although further legal examination of any detailed proposals should be undertaken.</p>	<p>Limited control over the pace, volume and mix of development delivered – this model would not address the breadth of local need.</p> <p>Limited ability to recover costs or share in and re-cycle the development value created, which would impact upon the volumes of homes that could be delivered.</p> <p>Uncertainty over the capacity or appetite of RPs to undertake their proposed role.</p> <p>RPs likely to seek to implement their own tenant management strategies.</p> <p>Limited capacity to participate in commercial development for investment purposes.</p>
<p>2. Joint Venture</p> <p>Following a procurement process to identify its preferred partner(s), the Council would establish a new company in which it would share equity with one or more third parties, which may include:</p> <ul style="list-style-type: none"> • Institutional Investors; 	<p>The Council can harness the expertise and resources of suitably qualified external bodies.</p> <p>Opportunities to share risk and resource exposure.</p> <p>Opportunities for cost</p>	<p>Shared control of the venture and therefore limited control over the pace, volume and mix of development delivered.</p> <p>Market appetite for less commercial elements of the regeneration will be muted.</p>

<ul style="list-style-type: none"> • Integrated Investor, developer and contractor; • Registered Provider; and, • Other local authorities. 	<p>recovery and share of development surpluses, which may be recycled to deliver new homes within the framework of JV's objects.</p> <p>Offers new investment opportunities for the Council.</p>	<p>Unlikely to be able to utilise Right to Buy 1-4-1 receipts.</p> <p>An extensive procurement process may be required because of the scope of the requirement, which would affect programme delivery.</p>
<p>3. Minority Participation Joint Venture</p> <p>As per Joint Venture, but in which the Council does not hold a controlling or equitable interest (i.e. the Council must own less than 50% of the equity in the JV).</p>	<p>Offers the same benefits as a Joint Venture, but with the additional benefit of enabling the Council to utilise 1-4-1 Right to Buy receipts if certain conditions are satisfied.</p>	<p>As for Joint Venture, but offers the Council less effective control and influence over the actions of the venture.</p>
<p>4. Wholly Owned Company With Differentiated Subsidiaries</p> <p>The Council would be the sole shareholder of a new company for the delivery of housing & regeneration, which would be the parent company to a group of differentiated subsidiaries in order to support delivery across tenures and access to funding.</p> <p>The subsidiary companies would include a wholly-owned Registered Provide, a profit making company for developments targeted at private markets and a minority interest Joint Venture that is constituted as a Registered Provider and would enable the Council to deploy 1-4-1 RTB receipts.</p>	<p>The Council would retain significant levels of control and influence over the group by virtue of its shareholding, thus enabling it to determine the pace, volume and mix of development delivered and to place resident and tenants' interests at the heart of the venture's activities.</p> <p>Ability to operate in a truly commercial way, to minimise profit leakage out of the borough and to generate development surpluses that can be re-cycled and reinvested within the venture for new housing delivery and commercial development for investment returns because of the WOC parent company.</p> <p>Creates investment opportunities for the Council and presents access to wider funding sources, including 1-4-1 RTB receipts.</p> <p>A flexible model that can grow in scope and scale where the business case exists to do so depending on the Council's need and aspirations.</p>	<p>The use of WOCs is a relatively new strategic option for local authorities and therefore little by way of market precedents of delivery via such companies. As the sole shareholder, the Council would need the capacity to act in a truly commercial manner, whilst also respecting the need for it to differentiate its interests as a local authority and as a shareholder.</p> <p>In exchange for greater returns, the Council is also taking on greater levels of risk and responsibility than in other partnered approaches. The multi-tier corporate structure and establishment of a number of companies will bring with it additional administrative and audit requirements and costs over and above simpler approaches.</p> <p>The creation of a minority interest subsidiary does introduce a level of shared control for a limited element of delivery.</p>
<p>5. Industrial & Provident Society</p>	<p>The Council would retain</p>	<p>As the Council would not be a shareholder in the IPS, it</p>

<p>Creation of a new, not for profit entity of which the Council will not be a shareholder.</p> <p>The Council would transfer Council-owned land into the IPS at a low or nil value, to enable it to manage-down development costs, thereby enabling the IPS to increase the number of affordable homes provided, particularly increasing the number of those at social/target rent.</p>	<p>100% nomination rights and the objects of the IPS would be focused in local social benefits.</p> <p>Able to utilise Right to Buy 1-4-1 receipts.</p> <p>There will be a charge at the land registry on the properties transferred would make the Council a secured creditor.</p>	<p>would have limited control over the Board.</p> <p>Limited ability to undertake development across a broad range of tenures and asset types.</p> <p>Limited capacity to participate in commercial development for investment purposes.</p> <p>Limited commercial focus may restrict the availability of available funding and financial viability may prove to be challenging.</p> <p>Model may not be suitable for large-scale delivery.</p>
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2 Proposal and Reasons

- 2.1 The approach proposed for Homes for Lambeth is Option 4 (Wholly Owned Company With Differentiated Subsidiaries), as this option offers the strongest blend of key strengths and strategic advantages to LB Lambeth overall when appraised against the key principles for the Special Purpose Vehicle and LB Lambeth's broader strategic objectives. The key conclusions from the appraisal of options are summarised below and are articulated further to present the business case for Homes for Lambeth.
- 2.2 The preferred approach enables the Council to act in a truly commercial way under the powers granted to it under the Localism Act 2011. The Council will effectively act as a property developer, thereby removing the potential leakage of development profit to the private sector, which typically falls within a range of 15 to 20% and may be higher. *Homes for Lambeth* enables the Council to retain and reinvest the surpluses generated for the benefit of Lambeth residents.
- 2.3 A key priority will be to reinvest surpluses to build more and better homes for residents at Council rent levels. This will include surpluses generated through delivering developments targeted at private markets, which offer higher potential returns that then can be re-invested to subsidise and increase the overall volume of affordable housing that can be viably delivered.
- 2.4 The alternative options considered effectively limit the Council's ability to directly harness the full economic potential of the local property market for the benefit of Lambeth's residents. Furthermore, if the Council were carrying out these activities without the structure proposed, all surplus generated would be absorbed into the General Fund, which could mean that the funding may not effectively support the delivery of new homes. Given the implications of the HRA ring-fence, budget cuts imposed by Central Government and the HRA borrowing cap, the Council currently has a limited ability to transfer such funds from the General Fund into the HRA for Council house building activities.

- 2.5 This approach will enable the Council to access and deploy funding from a variety of public and private sources, which could include for example, money secured and loaned in by the Council at a commercially equivalent rate, third party investment or funding available for the re-provision of homes for social or affordable rent (such as 1-4-1 RTB receipts). This benefit is not unique to this option however, but the structure and funding strategy proposed for *Homes for Lambeth* has been designed to optimise potential access to funding. *Homes for Lambeth* will enable the Council to directly invest in meeting its housing priorities and will also enable appropriate funding to be harnessed to optimise the provision of affordable housing that will be offered across a range of tenures.
- 2.6 Strategic control is only shared where absolutely necessary. For example a wholly owned company which is a Registered Provider within the Special Purpose Vehicle structure will receive S.106 receipts and will provide new homes at Council rent levels for existing Council tenants that choose to take up these new homes. A Joint Venture company within the structure which is also a Registered Provider will enable the Council to secure additional investment to deliver new homes at Council rent levels for new tenants. As such, the preferred approach presents LB Lambeth with the highest level of direct influence in terms of addressing market failures and meeting the needs of current and future residents. Through *Homes for Lambeth*, the Council can exert significant, direct influence over the pace, quality and quantity of new housing and regeneration delivered in Lambeth:
- The preferred option provides an effective platform for the Council to implement the principles of the Cooperative Council. Residents will be supported to have an active voice in shaping the delivery of new housing and *Homes for Lambeth* will commit to maximising the social value it can generate in Lambeth and for Lambeth, through its approach to delivering and operating new developments. Furthermore, each scheme committed for delivery via *Homes for Lambeth* will be subject to the formal agreement of the Business Case to Proceed, including the production of a business plan, development appraisal and cash flow model in order to demonstrate the viability and value of the proposals for each respective scheme.
 - Options considered with greater levels of private sector participation at the shareholder level may not be able to fully meet the Council's socially-oriented objectives for housing delivery and regeneration, whilst options that are principally or exclusively for a social purpose may be less able to support delivery at scale or across tenures/property types.
- 2.7 Lambeth's housing estates are the Council's largest land asset and in order to tackle the housing crisis we need to use that land to deliver benefit to as many residents as possible. The preferred option enables the Council to retain the freehold to its sites as the transfer of land is effected on a long-lease basis, which therefore enables the Council to protect the assets in its ownership.
- 2.8 The preferred option provides a robust platform that can grow and evolve over time in order to enable the Council to directly realise new opportunities and new strategies developed with and for residents over the long-term. Other approaches in which the Council is able to exert less control may not serve to be as flexible in practice and the

risk that other stakeholders may not support to new proposals is greater in these circumstances.

- 2.9 Lambeth has also lost 11,579 council homes since 1980. The Right to Buy directly applies to social homes delivered in the HRA, which means that the medium to long-term availability of the housing stock delivered in this way is somewhat uncertain, which ultimately jeopardises the Council's ability to meet the housing needs of current and future residents. As *Homes for Lambeth* will not deliver homes in this way, there will be greater certainty about long-term availability of new homes delivered.
- 2.10 The activities of *Homes for Lambeth* will have a managed impact on the Council's Housing Revenue Account, thereby protecting the Council's ability to meet its obligations to maintaining its HRA properties within the limitations prescribed for the HRA.
- 2.11 *Homes for Lambeth* will also be able to deliver commercial development and infrastructure that supports local communities and is more sensitive to local needs. These types of developments are essential to providing local communities with access to the services and amenities they need and may also generate development surpluses that will be reinvested by *Homes for Lambeth* towards more socially oriented aims.
- 2.12 The proposed group structure effectively manages the Council's overall exposure to the risks of development, whilst enabling it to effectively harness the benefits of participating in this sector for the benefit of Lambeth's residents and communities. The ability to ring-fence development risk through the group structure is a key consideration as the Council will be undertaking activities that are (in recent years) novel, relatively specialist and outside its core areas of operation.
- 2.13 The key disadvantage of this approach is that as a separate company, there will be corporation tax and VAT implications to factor in, as well as additional costs for external audit, IT provision, final accounts and administrative costs. Arguably, many of these costs would be incurred by the Council if the Council decided to build new homes through the HRA or General Fund and other options considered are also subject to this disadvantage. In development of the proposed structure for *Homes for Lambeth*, the Council has sought technical advice to support it to optimise the tax position of *Homes for Lambeth*, in order to maximise the availability of resources for delivering new housing and complementary developments.
- 2.14 It is therefore proposed that Cabinet recommends that the Council should form *Homes for Lambeth*, a Special Purpose Vehicle for housing and regeneration delivery and development, which will both complement and add to the Council's existing abilities to deliver its strategies for housing, growth and community benefit.

Tenant & Resident Considerations

- 2.15 In keeping with its key Cooperative Council commitments and closely the Council's priorities also contained within the Community Plan 2013-16, residents' needs and active co-production are very much at the heart of the Council's proposals for *Homes for Lambeth*:

2.16 This approach will deliver additional housing stock across a range of tenures and mixed communities that is essential to the needs of current and future residents

The homes Lambeth needs will not be delivered by the market and LB Lambeth cannot deliver these within the constraints of its abilities without a Special Purpose Vehicle. We will deliver new housing across a range of tenures, which includes additional homes at Council rent levels, which are vital to the mix we need but hard to secure through other means.

2.17 Through its involvement and by design, *Homes for Lambeth* effectively supports the Council to realise its long-term strategic commitments for housing, regeneration and community benefit

Through its shareholding, the composition of the Board and robust processes governing the development and delivery of new projects, *Homes for Lambeth* enables the Council to act in a truly commercial way that benefits residents and upholds the strategic commitment it has made to be a Cooperative Council.

2.18 The Council will retain control and will undertake direct resident involvement throughout the process of planning, developing and operating new homes

the Council will directly lead all stakeholder engagement undertaken prior to the transfer of assets, which includes working with residents and stakeholders to develop Masterplans for each scheme, undertaking land assembly, which includes offering suitable alternative accommodation for Council tenants and leaseholder buyouts the Council will lead the stakeholder engagement activities to inform the plans for new development and will retain responsibility for the key stages that impact upon tenants' lives in the development process, including site assembly, decant and/or relocation.

While Lambeth has to tackle the housing crisis head on for future generations of Lambeth residents it also has to do its best for its current residents.

No one at Lambeth underestimates the uncertainty, distress and dislocation that regeneration will cause, and we will do all that we can to mitigate this.

Our goal when engaging with current Lambeth residents is to ensure that we will:

- Keep uncertainty for residents to a minimum;
- Residents to have an understand of the bigger picture why Lambeth is proposing changes to their homes and communities;
- Residents to have their voices heard by the decision makers; and,
- Residents to have the information and support that will allow them to make the best choices about their families' futures.

And that Lambeth will do this by providing to residents:

- Clear information on how the whole engagement process will work right from the very first leaflet to the last residents moving into the estate;
- An explanation to residents how specific parts of the engagement processes fit together;
- Information on who is making decisions when they are doing this and on what basis they will be making that decision
- Information, so they can understand on what we are engaging them on and what we are not;
- A clear view to residents how engagement can change the outcome;
- Communications about the regeneration process are clearly labeled as such; and,
- Timely feedback on questions to residents.

In addition, we want all residents of a regenerated estate to benefit from better homes and an improved neighbourhood. And we want them to be involved in the design of the new estates and their own homes.

2.19 A new form of tenancy offer will be offered to Council tenants transferring to new properties, who will also have the option to transfer to suitable alternative Council accommodation if this does not meet their needs

As set out in a report to Cabinet in July of 2015, legal drafting has been undertaken for a Lifetime Assured Tenancy Agreement, which represents the tenant offer of equivalence to the Council's current form of Secure Tenancy it offers to its tenants, but with the intention that the Right to Buy is removed from this offer. This is to help safeguard the long-term availability of homes that meet local needs (the draft agreement is included in appendix A to this report). Accordingly, existing secure tenants would be invited to become assured tenants, losing their existing status, as *Homes for Lambeth* will not satisfy the "landlord condition" under the Housing Act 1985. However, the Council proposes to offer such tenants an enhanced form of assured tenancy, incorporating some of the rights that a secure tenant would have (and an assured tenant typically wouldn't).

2.20 The Council will directly deliver tenant management services for Council tenants transferring into the new housing under Life Assured Tenancy Agreements

This means that Council tenants transferring into new homes under this agreement will benefit from the same level of tenant management services as Council tenants.

2.21 Homes for Lambeth's approach both supports and delivers the Council's commitment to securing social value for Lambeth's communities from its investments and expenditure

Homes for Lambeth will directly support the Council to address the five social value priorities which are driven by our Community Outcomes through its approach to shaping and delivering new development:

Cleaner Streets and Greener Neighbourhoods (Environmental)

New homes and assets delivered will be designed to have a lower environmental impact and carbon footprint than the properties being replaced. This will deliver efficiency savings to the Council and the residents on each scheme. The Masterplans developed for each respective scheme will also prioritise the introduction of enhanced greening within the urban realm.

Safer and Stronger Communities (Social)

The provision of safe, high quality housing is recognised to make a positive contribution to the improved wellbeing of residents in a wider sense. Therefore, by increasing the provision of accessible housing, *Homes for Lambeth* will directly support Lambeth's communities to become safer and stronger. The Council will lead the stakeholder engagement for each scheme and will ensure that residents have both an active involvement and influence over how each new development is planned and operated.

More Jobs (Economic)

Homes for Lambeth will procure services and construction supply chains in order to develop new housing and commercial projects. It will also let out operational contracts for service requirements post construction completion. These key areas of activity

present significant opportunities for the creation of local economic opportunities for Lambeth's residents, which will be realised by Homes for Lambeth through its objects, business planning approach and approach to procurement. Key local socioeconomic impacts that can be created in this way will include:

- Construction Employment opportunities for local people;
- Apprenticeships for local people;
- Training;
- Education to employment-type initiatives (links with schools and colleges, lesson plans, work tasters, careers talks, etc.);
- Supply chain opportunities for local businesses; and,
- Wider community engagement and community benefit activities and CSR.

2.22 Homes for Lambeth will deliver complementary development in a way that empowers residents and recognises community needs

Through its approach to delivering development, *Homes for Lambeth* will prioritise residents' interests though consideration of community needs in determining the assets to be provided and through securing local employment, training and supply chain aligned to the construction and operation of new assets. To articulate this, the Council will establish a considered strategy for stakeholder engagement as part of its approach to all New Projects Delivery activities undertaken prior to transfer alongside *Homes for Lambeth*.

2.23 The articles and governance arrangements for *Homes for Lambeth* will safeguard the Council's long-term commitment to prioritising the needs of Lambeth's communities

The Council will require that any proposed divestment of its shareholdings in Homes for Lambeth and any of its companies will be subject to a 'triple lock' of approvals, including:

- A unanimous vote of full Cabinet; and,
- a 2/3rds vote of full Council approval; and,
- a unanimous agreement of the *Homes for Lambeth Board*.

In addition the Council will deploy a robust approach to governing the actions of *Homes for Lambeth* to ensure that it remains fully committed to its objectives to support Lambeth's communities.

The Development Portfolio

2.24 Over the medium to long-term Homes for Lambeth will enable the Council to develop a broad range of its own sites (including HRA and non-HRA sites), and potentially sites outside of the Council's ownership. For example, these sites could include housing, mixed-use and commercial sites.

2.25 *Homes for Lambeth* will play a key role in supporting the Council to realise its long-term strategic objectives for delivering estates renewal, developing small sites and other developments, which may include schools, community resources, commercial projects and wider infrastructure for example. Over the medium-term, the Council will also look to explore opportunities to work with other public bodies to progress strategies for asset and service development, where these offer clear benefits for Lambeth's communities.

2.26 A portfolio of housing sites has been proposed as the Initial Development Portfolio for potential delivery via *Homes for Lambeth* and commercial opportunities will be added into this portfolio in due course.

2.27 The table below summarises the schemes that are proposed for inclusion in the Initial Development Portfolio as a first phase of schemes, as per the recommendation to Cabinet. Collectively, the first phase will support the development of 511 homes of which 310 homes are at social rent levels. It should be noted that this report does not make a decision on the inclusion of the homes at Somerleyton Road. Further work is being done and a recommendation will come back to Cabinet in the future on whether or not the homes at Somerleyton Road will be included as part of *Homes for Lambeth*.

The Initial Development Portfolio Considered for Delivery via Homes for Lambeth in the First Phase of Schemes (01/01/2016 to 01/09/2018)			
Scheme	Total New Homes Delivered	Homes At Council Rent Levels	Funding Strategy
Lollard	89	70	100% funded by S.106 contributions & Profit on Private Sales
Fenwick	55	55	100% funded by S.106 contributions
Westbury Phase 1	64	64	100% funded by S.106 contributions
Somerleyton Road	303	121	1-4-1 RTB receipts and PWLB borrowing

2.28 It is envisaged that *Homes for Lambeth* will progress rapidly to support the delivery of further housing development and estates regeneration schemes, soon after the initial phase. Whilst the precise details of these schemes are still to be determined through stakeholder engagement processes that are already underway. It is anticipated that housing-led schemes delivered via *Homes for Lambeth* will include the following:

- South Lambeth;
- Westbury (Wider regeneration scheme);
- Cressingham Gardens; and,
- Knights Walk.

Opportunities for the potential development of the following regeneration sites will also be explored:

- Minet Library site; and,
- Larkhall Road depot site.

2.29 This course of action is subject to stakeholder engagement and full business planning and formal agreement of the Business Case to proceed.

2.30 Further schemes that present commercial development opportunities may also be identified in addition to these schemes and it should be noted that the Council's proposals for the development of each of these schemes will also be subject to all requisite stakeholder engagement and due processes that the Council has committed to undertake.

3. Finance

- 3.1 The Special Purpose Vehicle proposed will create an opportunity for the Council to undertake commercial development and to generate and reinvest surpluses (which can typically account for 15-20% or more of the Gross Development Value), for the benefit of Lambeth's residents, thereby enabling the Council to invest in the creation of the new homes that residents need.
- 3.2 The Council will have first option to provide loans and investments as required to Homes for Lambeth on market standard terms, subject to this meeting both the Council's and the venture's respective requirements to obtain best value. *Homes for Lambeth* also enables the Council to look to the open market and institutional investors to secure the best value funding for each development.
- 3.3 Work to establish the funding structure of Homes for Lambeth will continue to be developed. As identified above, *Homes for Lambeth* could secure funding from the Council or a Third Party Investor, or could adopt a blended approach. The nature and terms of funding to be secured by *Homes for Lambeth* will be assessed on an estate and or combined estate regeneration basis and formal authority to enter in to any funding agreements will be sought from the Council at the appropriate time. In order to comply with State Aid legislation, any funding provided by the Council will be at market rates.
- 3.4 A financial model, for an initial illustrative development portfolio has been developed to support and illustrate the business case for *Homes for Lambeth*. This will support the development of the key business planning tools that will support the delivery of new schemes (subject to a formal approval process) and effective long-term planning:
 - *Homes for Lambeth* will use financial modelling to inform and establish a viable Business Case and Business Plan for each development scheme it undertakes. A detailed financial model will be prepared for each estate, as well as for a number of developments, which are addressed collectively as a phase.
 - The Business Plan for each scheme will clearly set out a strategy for this development to be self financing over its lifecycle, or for Homes for Lambeth to cross-subsidise delivery, whereby this presents a robust and viable approach. The income streams from the Initial Development Portfolio could be directly reinvested via Homes for Lambeth to support the delivery of new homes in subsequent phases subject to tax implications.
 - A Rolling, 60 Month Business Plan will be prepared, to support the business planning over a medium-long term scenario and to assist the Council to consider and plan strategies for cross-subsidy between schemes (as identified above).
- 3.5 A series of illustrative scenarios have been developed to test the resilience of the approach and these will also be integrated into the formal business planning approach for each scheme. These scenarios include:
 - The impact of the removal of units and or estates;
 - Increases in finance costs;
 - Increases in capital costs;

- Increases and decreases in private rent and or private sale costs;
 - Increases in on-going operating costs; and,
 - Variances in land assembly costs.
- 3.6 As part of a New Projects Development (NPD) process, *Homes for Lambeth* will work with the Council to prepare a finance and viability model to inform and agree an implementable Masterplan for each scheme. Input from *Homes for Lambeth* will inform key aspects including but not limited to: design, mix of uses, house types, tenure mix and landscaping.
- 3.7 *Homes for Lambeth* will develop a specification of requirements for each of the tenures it will provide. In developing this specification, *Homes for Lambeth* will consider whole life costs and cost in use, enabling it to secure value for money on its Capital Expenditure (CapEx) and Operational Expenditure (OpEx).
- 3.8 There are likely to be significant tax implications from the proposed structures and these will be considered in detail as part of the business planning development. The additional administrative costs arising from operating via the new arrangements will also be modelled.

4. Legal and Democracy

- 4.1 Section 1 of the Homelessness Act 2002 requires the Council to formulate a Homelessness Strategy for amongst other matters preventing homelessness in their district and for securing that sufficient accommodation is and will be available for people in their district who are or may become homeless.
- 4.2 Section 32 of the Housing Act 1985 empowers the Council to dispose of land held for the purposes of part 2 of that Act. The disposal can be in any manner the Council determines, however no disposal can be effected without the Secretary of State's consent.
- 4.3 The Secretary of State has issued some general consents in 2013. Paragraph 3.2 of General Consent A permits the Council to dispose of vacant land at any price determined by the Council. "Vacant Land" for the purposes of the is consent means land where no dwelling-houses have been built or where dwelling-houses have been built, such dwelling-houses have been demolished or are no longer capable of human habitation and are due be demolished.
- 4.4 Section 24 of the Local Government Act 1988 provides that subject to section 25, the Council has power to provide any person with financial assistance for the purposes of, or in connection with, the acquisition, construction, conversion, rehabilitation, improvement, maintenance or management (whether by that person or by another) of any property which is or is intended to be privately let as housing accommodation.
- 4.5 For the purposes of this section and section 25 below a local authority provide a person with financial assistance if they do or agree to do any of the following, that is to say:
- (a) make a grant or loan to that person;

- (b) guarantee or join in guaranteeing the performance of any obligation owed to or by that person;
 - (c) indemnify or join in indemnifying that person in respect of any liabilities, loss or damage; or,
 - (d) if that person is a body corporate, acquire share or loan capital in that person.
- 4.6 For the purposes of this section property is privately let as housing accommodation at any time when:
- (a) it is occupied as housing accommodation in pursuance of a lease or licence of any description or under a statutory tenancy; and,
 - (b) the immediate landlord of the occupier of the property is a person other than a local authority.
- 4.7 Section 25 of the Act provides that a local authority cannot either:
- (a) exercise the power conferred by section 24 above; nor,
 - (b) so exercise any other power whether conferred before or after the passing of that Act as to provide any person, for the purposes of or in connection with the matters referred to above, with any financial assistance or with any gratuitous benefit, except under and in accordance with a consent given by the Secretary of State.
- 4.8 Pursuant to section 26 of the Act the Secretary of State has issued some general consents in 2014. General consent AA1 provides that a local authority may provide any person, or body for the purposes of or in connection with the matters mentioned in section 24(1) of the 1988 Act, with any financial assistance or any gratuitous benefit consisting of amongst other matters the disposal to that person or body of Housing Revenue Account land for the development as housing accommodation or as housing accommodation and other facilities which are intended to benefit mainly the occupiers of the housing accommodation.
- 4.9 The above consent is conditional on:
- (a) any housing accommodation on the land being vacant, or will not be used again as housing accommodation;
 - (b) the disposal is either freehold or by a lease of at least 99 years;
 - (c) the housing accommodation will be constructed within 3 years of the disposal;
 - (d) the housing accommodation will be privately let; and,
 - (e) the Council are not, under any agreement or other arrangement made on or before the disposal, entitled to manage or maintain any of the housing accommodation to be developed on the land.
- 4.10 No further consent of the Secretary of State to a disposal under the above consent AA1 is required by virtue of section 32(2) or 43(1) of the Housing Act 1985.
- 4.11 Section 111 of the Local Government Act 1972 provides that without prejudice to any powers exercisable apart from that section but subject to the provisions of that Act and any other enactment passed before or after this Act, a local authority shall have power to do any thing (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to

facilitate, or is conducive or incidental to, the discharge of any of their functions.

4.12 Section 1 of the Localism Act 2011 provides the council with a general power of competence to do (subject to any other statutory restriction) anything that individuals generally may do, in any way whatever, including the power to do it for a commercial purpose or otherwise for a charge, or without charge, and the power to do it for, or otherwise than for, the benefit of the authority, its area or persons resident or present in its area.

4.13 Section 149 of the Equality Act 2010 places a duty on the Council to, in the exercise of its functions, have due regard to the need to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and,
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

4.14 Section 105 of the 1985 Housing Act requires the Council to maintain such arrangements as it considers appropriate to enable those of its secure tenants who are likely to be substantially affected by a matter of housing management, including a new programme of maintenance, improvement or demolition:

- (a) to be informed of the authority's proposals in respect of the matter; and,
- (b) to make their views known to the authority within a specified period.

The Council is required, before making any decision on the matter, to consider any representations made to it in accordance with those arrangements.

4.15 The Supreme Court in Mosley –v- L.B. Haringey endorsed the principles for fair consultation expounded in R v Brent London Borough Council ex p. Gunning that the basic requirements that are essential if the consultation process is to have a sensible content are that:

- (a) consultation must be at a time when proposals are still at a formative stage;
- (b) the proposer must give sufficient reasons for any proposal to permit of intelligent consideration and response;
- (c) adequate time must be given for consideration and response; and,
- (d) the product of consultation must be conscientiously taken into account in finalising any statutory proposals.

4.16 When deciding whether to adopt the recommendations of this report, officers will be exercising a discretion within the constraints of the duties referred to above and should therefore have in mind the following principles of administrative law:

- a decision must be within the Council's powers;
- all relevant information and consideration, including the Council's fiduciary duty to the Council Tax payer, must be taken into account; and,
- all irrelevant considerations, including unauthorised purposes, must be ignored.

- 4.17 In declaring a decision unlawful because it is unreasonable, the Courts would need to decide that the decision is so outrageous in its defiance of logic or accepted moral standards it is a decision that no sensible authority which had applied its mind to the decision could have arrived at it.
- 4.18 The provision by the Council of financial support to third party may raise questions of state aid under Article 87 of the EC Treaty and the Council must be satisfied that the proposed actions are lawful. The specific ingredients of state aid under Article 87 are: (i) aid; (ii) granted by a Member State or through State resources; (iii) favouring certain undertakings; (iv) distorting or threatening to distort competition; and (v) affecting inter-State trade. An “aid” comprises any form of intervention which has the same or similar effects to a subsidy. There are various exemptions that have been granted such as the provision of social housing.
- 4.19 This proposed key decision was entered in the Forward Plan on 03 September 2015, having subsumed a previous edition of estate regeneration reports, and the necessary 28 clear days’ notice has been given. In addition, the Council’s Constitution requires the report to be published on the website for five clear days before the proposed decision is approved by the Cabinet Member. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days - the call-in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

5. Consultation and co-production

- 5.1 Officers have worked with Members to develop the proposals set out in this report, which includes on-going consultation with the Cabinet member housing.
- 5.2 Local Ward Councillors will be consulted at the point that a development site within their ward is identified for development via *Homes for Lambeth*.
- 5.3 Individual developments will require significant engagement with the local community. This is already apparent on the estate regeneration programme and on housing projects such as Somerleyton Road.

6. Risk management

- 6.1 A project team is in place and a risk register is maintained. Key risks and mitigations are noted below:

Risk	Mitigation
<p>Doing Nothing</p> <p>The risk that the Council does not adopt the proposed strategy or an alternative intervention, leaving delivery to market forces and its current abilities, which would not result in the fulfilment of housing or growth</p>	<p>The risks and limitations of such an approach are clearly presented in this paper and a number of strategic approaches have been examined and tested as alternatives to the status quo.</p> <p>Through its Estates Regeneration Programme, the Council is already progressing sites through the Masterplanning process in the recognition that it must be proactive in order</p>

commitments.	that the needs of current and future residents will be met.
<p>Failure to Effectively Engage Lambeth’s Residents</p> <p>The risk that Lambeth’s residents are not effectively empowered to engage with Homes for Lambeth, thus compromising the Council’s commitment to be a Co-operative Council and creating resident dissatisfaction with the approach.</p>	<p>The Council’s standards and commitments to its tenants and residents sit at the heart of the proposals for Homes for Lambeth.</p> <p>The Council retains significant control and direct involvement throughout the key processes of engaging residents in Masterplanning each scheme and making choices about their housing needs.</p> <p>The Council will retain a direct role in managing the tenancies of homes at Council rent levels and arrangements will be made to effectively empower residents in the way their estates are managed.</p>
<p>Divergence from the Council’s Strategic Intentions</p> <p>The risk that the delivery strategies pursued by Homes for Lambeth diverge from the Council’s strategic commitments for housing and regeneration.</p>	<p>The Council retains greater levels of overall shareholder control than the alternative models considered.</p> <p>Effective governance arrangements and processes around business planning and the delivery of new projects enable the Council to manage down the risk of strategic divergence.</p> <p>The medium to long-term business plans of Homes for Lambeth will be effectively informed by the Council’s key metrics and strategies for local housing need, growth and regeneration.</p> <p>Developments progressed by Homes for Lambeth will be subject to the Council’s formal pathways for planning, housing, regeneration and investments.</p>
<p>Failure to Effectively Progress Schemes for Development</p> <p>The risk that the development programme and financial model are compromised by the failure to deliver the proposed sites for transfer and development by Homes for Lambeth.</p>	<p>The proposed New Projects Delivery Process and supporting resources will enable the Council and Homes for Lambeth to work effectively to progress each scheme against a clear strategic pathway with appropriate checks and balances.</p> <p>The Council retains a leading role in resident engagement throughout this process and proposes to embark upon a full communications strategy to explain its rationale and approach to residents, which will include details of its housing offer.</p> <p>Active business planning and modelling is undertaken using dynamic models and forecasts for the short, medium and long-term, which enables effective plans to be produced that respond to changes to the programme.</p>
<p>Global Change in Law Risk</p>	

<p>Risk that further changes to Central Government policies (such as the proposed Housing Bill) and changes in law impede the legality or viability of the strategy proposed.</p>	<p>The proposed approach meets LBL's strategic objectives and has been reviewed for legal compliance.</p> <p>The legal drafting of key agreements governing the dissolution of the corporate structure, funding and assets will include appropriate stipulations to determining the repatriation of assets to the Council, thereby safeguarding future flexibility to respond to this outcome.</p>
<p>Commercial Development & Delivery Risk</p> <p>Risk that demand or supply side changes impact upon the long-term financial viability of the proposed structure and/or its development schemes</p>	<p>The legal structure proposed limits the exposure of the Council to commercial risk.</p> <p>The group structure also enables a level of ring fencing of risks to be achieved with regard to managing the potential risk contagion between development types.</p> <p>Much of the Council's investment into Homes for Lambeth will be structured as loans on market terms, which provides a level of protection over this investment.</p> <p>Through securing appropriate resources and deploying effective strategic planning, Homes for Lambeth will be able to identify and respond to potential commercial risks. For example, homes delivered for private rent could be used in other ways should the conditions of market demand for this type of product change adversely.</p>
<p>Failure to secure an appropriate partner for the Minority Interest Joint Venture (JVCo.)</p> <p>The risk that muted or unsuitable market interest in this element of the proposed approach results in a failure to create a Minority Interest Joint Venture.</p>	<p>The proposed approach of securing and deploying funding alongside an equity-holding partner is believed to be potentially attractive to a range of investors.</p> <p>The proposed group structure separates out this activity into its own discrete subsidiary company, thereby mitigating the potential risk exposure within the group and enabling this element to be planned further and mobilised when ready without impacting upon the wider mobilisation of the group.</p>

7. Equalities Impact Assessment

7.1 An Equalities Impact Assessment (EIA) has or will be carried out to as part of the stakeholder engagement approach undertaken to prepare the Masterplans for each estate development. Each EIA will be based on the information available at the time of the key decisions for progressing each estate. Information used to undertake an EIA typically comprises:

- Local and Borough-wide Demographic Data;
- Information held by Lambeth Living;
- Consultation work across the estate over the last 2 years;
- Household Needs Survey (carried out in February/March 2015); and
- Test of Opinion Survey (carried out in May/June 2015).

7.2 As each development scheme is progressed, more information will be obtained over time regarding the residents on the estate and the communities in the areas surrounding the estate. This will allow more detailed equalities assessments to be undertaken to support more detailed decisions on design, phasing and general development strategy.

8. Community safety

8.1 *Homes for Lambeth* will contribute positively to community safety by ensuring that each scheme delivered involves the removal of areas that attract anti-social behaviour and providing more passive surveillance of streets and spaces. The wider regeneration initiatives will promote estate pride and actively design out the potential for crime as part of the development process.

8.2 As outlined above, *Homes for Lambeth* will also contribute towards the delivery of safer and stronger communities. The provision of safe, high quality housing is recognised to make a positive contribution to the improved wellbeing of residents. Therefore, by increasing the provision of accessible housing, *Homes for Lambeth* will directly support Lambeth's communities to become safer and stronger. The Council will lead the stakeholder engagement for each scheme and will ensure that residents have both an active involvement and influence over how each new development is planned and operated.

9. Organisational implications

9.1 Environmental

Environmental sustainability will be a key consideration for any proposed interventions and the Council will seek the highest possible standards with the resources available.

9.2 Staffing and accommodation

The programme will be resource appropriately and this may provide opportunities for internal secondments and professional development. Over the medium to long-term there may be an opportunity for staff to be transferred into *Homes for Lambeth*, subject to the business case for this being agreed by Cabinet and a fully compliant TUPE process being successfully undertaken. The governance proposals *Homes for Lambeth* will create new; un-remunerated directorship roles for Council Officers and an appropriate level of support will be provided to assist Officers in these new roles.

9.3 Procurement

There are no immediate procurement considerations arising from this report. However, it should be noted that the Council is currently undertaking an OJEU-compliant procurement process (using the Homes and Communities Agency's Multi-disciplinary Panel) to appoint development managers to support it to progress each the preparation of viable Masterplans for key sites in the borough. It is also intended that direct engagement with Procurement Officers will be undertaken to support the process of forming and mobilising *Homes for Lambeth* and that suitably robust and legally compliant procurement policies and practices will be put into to guide the activities of *Homes for Lambeth*.

9.4 Health

The delivery of additional safe, warm and affordable new homes across a range of tenures, together with the delivery of safer and stronger communities that are designed with and for Lambeth's communities will directly support the health and wellbeing of residents. *Homes for Lambeth* will also make investments to generate income for the General Fund that will support the Council to sustain the delivery of vital services that residents need in the face of sustained Central Government cuts. The Council's Social Value principles are also embedded within *Homes for Lambeth's* approach, which will result in new economic and learning opportunities for residents.

10. Timetable for implementation

- 10.1 The legal registration of the headline company and its subsidiaries will be undertaken within 2 months of Cabinet's decision.
- 10.2 The preparation of the full legal suite of documents to support the governance and activities of the new companies formed will be undertaken within 6 months of incorporation.
- 10.3 During this period, the newly appointed Board will be convened and will be supported to become effective in its role (this may require capacity-building support and secretariat support).
- 10.4 Further strategic development work will be required to identify and appoint a suitable shareholder (or shareholders) to share equity in a Joint Venture company within the Special Purpose Vehicle, which is expected to take up to 6 months.
- 10.5 In order to operate as Registered Providers, subsidiary companies will require registration with the Homes & Communities Agency as Registered Providers, this process may take up to 9 months from the date of legal registration (for the Joint Venture company this is subject to identifying and appointing a suitable shareholder).
- 10.6 The Council will continue to progress its strategies for undertaking stakeholder engagement to develop Masterplans and to progress schemes for transfer, alongside the formation and mobilisation of Homes for Lambeth.
- 10.7 The development of the initial Business Plans for *Homes for Lambeth* (i.e. the 'Rolling Business Plan' and Scheme Business Plans for the initial schemes) and any other control documents that sit outside the legal framework set out above will be undertaken as part of the mobilisation process. In addition to the Initial Development Portfolio of housing schemes, this will include the identification of a number of commercial and/or regeneration development opportunities.
- 10.8 Funding arrangements must be fully developed to meet the working capital requirement for an initial 60 month period.
- 10.9 Arrangements for key appointments for the services and human resources required for both the Council and *Homes for Lambeth* to fulfil their proposed roles will be put in place within 1 month of the registration of the *Homes for Lambeth* group of companies.
- 10.10A formal communications strategy for *Homes for Lambeth* will be launched immediately following the Cabinet approval to set up *Homes for Lambeth*.

Audit trail				
Consultation				
Name/Position	Lambeth cluster/division or partner	Date Sent	Date Received	Comments in para:
Sue Foster	Strategic Director	25.09.15	29.09.2015	Throughout
Rachel Sharpe	Commissioning Director			Throughout
Mike Pocock	Director, Major Capital Projects			Throughout
Krish Angamuthu, Finance	Business Partnering	25.09.15	29.09.2015	Throughout
Legal Services	Enabling: Integrated Support	25.09.15	28.09.15	4.1 – 4.18
David Rose, Democratic Services	Corporate Resources Corporate Affairs	11.09.15	11.09.2015	Throughout
Councillor Matthew Bennett	Cabinet Member:	25.09.15	24.9.2015	Throughout

Report history	
Original discussion with Cabinet Member	03.09.15
Report deadline	30.09.15
Date final report sent	01.10.15
Report no.	76/15-16
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	Yes
Date first appeared on forward plan	03.09.15
Key decision reasons	3. Meets community impact test
Background information	<p>Report to Cabinet, 8 December 2014 - Building the homes we need to house the people of Lambeth</p> <p>Report to Cabinet, 22 October 2012 – Lambeth Estate Regeneration Programme: Strategic Delivery Approach</p> <p>Final Report of the Housing Commission – Cabinet report 25 July 2011</p> <p>Report to Cabinet March 2012 – Lambeth Housing Standard Programme</p>
Appendices	<p>Appendix A: Draft Lifetime Assured Tenancy Agreement</p> <p>Appendix B: Why Does LB Lambeth Need Homes for Lambeth to Support it to Deliver New Housing and Regeneration?</p>

