Incorporating and Mobilising Homes for Lambeth

Wards: All

Portfolio: Councillor Paul McGlone, Deputy Leader of the Council (Investment and Partnerships)

Report Authorised by: Sue Foster: Strategic Director for Neighbourhoods and Growth

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Report summary
Lambeth is a fantastic place to live, with a strong and diverse community of which we are all proud to be a part. However, the scale of the housing crisis facing thousands of Lambeth families is substantial. While Lambeth has exceeded its targets in the London Plan with an additional 5,700 homes in the three years to April 2016, changes in government policy have seen too few social and affordable homes built across London. In Lambeth that has meant the waiting list for housing has grown to over 23,000 people with fewer homes becoming available each year and overcrowding for families getting worse, with over 1,300 families severely overcrowded in their current home.

In the private sector, house prices in Lambeth have risen by 62% on average in the past five years, putting home ownership in the open market out of the reach of an increasing number of local people. Private rents have also risen by 28% in this period, with an average two bed flat in the borough costing nearly £1600pcm. These rising housing costs, combined with reductions in benefits, mean that many families find themselves priced out of the community they know and love. Despite being one of the most effective boroughs in London in preventing homelessness we have also seen the number of homeless families needing temporary accommodation rise to over 1,800. This number includes almost 5,000 homeless children.

In the context of this apparent market failure, the Council is taking a bold step in establishing Homes for Lambeth, a Council-owned house builder, housing association and private rented landlord. Homes for Lambeth will build more and better homes and contribute towards the Council's target of 1,000 new homes at Council rent. Homes for Lambeth will allow Lambeth to build homes of a range of tenures for people on a range of incomes. We will provide a better deal for private renters by building homes with long tenancies, proper management and rent stability.

This report builds on the October 2015 Cabinet decision to set up Homes for Lambeth and now seeks further Cabinet approvals to proceed with the incorporation of the group of companies that make up Homes for Lambeth, to agree the governance arrangements, to approve an initial start-up loan and note the proposals to deliver 189 new social rent properties as part of the first phase of development for Homes for Lambeth. Once completed, these new 189 social rent homes will be made available to families on the Council's housing waiting list.
Finance summary

Cabinet had previously agreed to provide £25m from the single capital pot to fund the initial development costs of the estate regeneration programme and small sites programme. This budget funds the initial costs of development management teams working across both programmes to achieve planning permission as well as homeowner buybacks.

As these projects and programmes evolve, detailed financial modelling will be undertaken to confirm that these costs will be recouped by Lambeth Council from Homes for Lambeth when the long lease is granted for development on the relevant site.

Through this Cabinet paper, approval is sought for a £5m set-up loan facility. This will provide Homes for Lambeth with working capital to fund its initial set up and operating costs covering a 5-year period, based on our analysis of this requirement. This set-up loan will be made on a state aid compliant, commercial basis. Drawdown approvals from this loan facility will be subject to a repayment assessment and Council’s approval process as detailed under para 2.33 below.

It is anticipated that once further detailed financial modelling and viability assessment for each scheme separately is undertaken then a further report will be presented to Cabinet requesting a second loan facility to enable the delivery of the 189 new homes at social rent. This development delivery loan facility will be made on a state aid compliant basis, noting that the arrangements will reflect that providing affordable housing is a ‘Service in the General Economic Interest’.

Recommendations

1. To approve the governance arrangements as outlined within this report and to delegate authority to the Strategic Director of Neighbourhoods and Growth to take the necessary steps to set in place these arrangements.

2. To approve the incorporation of the Homes for Lambeth group of companies, specifically: Homes for Lambeth Group, Homes for Lambeth Developments, Homes for Lambeth Property and Lambeth Homes (the registered provider).

3. To approve the governance arrangements for a Homes for Lambeth Ownership and Stewardship Committee which will support the Council to scrutinise and manage its interest as a shareholder in Homes for Lambeth.

4. To approve the principle of a set-up loan facility of £5m to fund the first five years of Homes for Lambeth’s operations.
1. **Context**

1.1 We know that there are not enough homes to meet the needs of people in Lambeth, particularly ones that families can afford and we know that the lack of good affordable housing is closely linked to a whole range of other problems that have an impact on people’s lives including health and wellbeing, poverty and deprivation.

1.2 Building more homes in the borough is a key driver of *inclusive growth*; one of the three priorities set out in Lambeth’s Borough Plan (2016-2021), as approved by Cabinet in September 2016. The Borough Plan sets out clear commitments to maintain socially mixed communities in Lambeth; and prevent homelessness by placing people in suitable, affordable, permanent homes as quickly as possible. However, these outcomes will not be achieved without significant investment in social and affordable housing across the borough.

1.3 We are committed to a new generation of Council-led housing. Built to modern standards, exemplars in sustainable design (such as the scheme at Akerman Road) and providing larger homes which meet the needs of our current tenants.

1.4 Rather than solely partnering with existing housing associations or private developers to help us build the homes we need, in October 2015 the Council decided to establish Homes for Lambeth; a group of companies wholly owned by the Council which can access funding to provide more and better homes. This approach gives Lambeth greater control over the type, quality and design of new homes in the borough as well as enabling a stronger focus on providing new homes let at Council rents. Homes for Lambeth will act as a house builder, delivering more homes through estate regeneration and small sites schemes, a housing association and long term provider of private rent housing; ensuring that these homes are properly managed and maintained.

1.5 To support Homes for Lambeth, the Council has produced the Lambeth design principles, set out in paragraph 2.28, which aim to ensure a consistent supply of high quality homes. Added to this is a comprehensive offer for both Council tenants and resident homeowners on our estates, our ‘Key Guarantees’ (approved by Cabinet in March), which provide certainty to residents as well as an opportunity for every resident to stay living on a rebuilt estate in a home they can afford and which meets their needs.

1.6 In October 2015 Cabinet approved the proposed strategy for the formation and mobilisation of the primary group of companies that make up Homes for Lambeth and delegated authority to officers to set up those companies and develop a rolling business plan. Cabinet also agreed in principle to grant a long lease to Homes for Lambeth to deliver new homes on the Lollard Street, Fenwick and Westbury schemes.

1.7 In the period since the October 2015 Cabinet approval, officers have undertaken a body of work to further test, refine and develop the proposals for Homes for Lambeth and to lay the foundations for the incorporation and mobilisation of the Homes for Lambeth group of companies.

2. **Proposal and Reasons**

**Proposals for Incorporation**

2.1 The further work undertaken by officers and external advisors has led to the proposal outlined in this report. The Council is to incorporate a group of companies which will form Homes for Lambeth.
2.2 This report recommends the incorporation of the following companies. These companies will each become part of the Homes for Lambeth Group:

<table>
<thead>
<tr>
<th>Homes for Lambeth Group Ltd</th>
<th>The holding company within the Homes for Lambeth Group, with parent company responsibilities across its subsidiaries.</th>
</tr>
</thead>
</table>
| Homes for Lambeth Developments Ltd | This company will build the new homes; and,  
| | This company is to be a subsidiary of, and wholly owned by, Homes for Lambeth Group Ltd. |
| Lambeth Homes Ltd | This company will be registered with the Homes & Communities Agency as a Registered Provider of Affordable Housing and will own and manage the affordable housing;  
| | This company is to be a subsidiary of, and wholly owned by, Homes for Lambeth Group Ltd.; and,  
| | This company will be the landlord for existing Lambeth Council tenants who elect to transfer to Homes for Lambeth properties. |
| Homes for Lambeth Property Ltd | This company will hold housing stock offered for private rent to Lambeth residents; and,  
| | This company is to be a subsidiary of, and wholly owned by, Homes for Lambeth Group Ltd. |

2.3 The group structure proposed affords the Council a range of benefits that support its strategic objectives to deliver more and better homes for Lambeth’s residents. These key benefits include:

- The companies within the Homes for Lambeth Group enable the delivery of mixed tenure developments which have integrated housing management services provided to service a range of tenures;
- The Registered Provider enables the Council to offer Lifetime Assured Tenancies to residents, thereby providing certainty to residents on key issues such as rents, security of tenure and tenant rights;
- The Registered Provider will be regulated by the Homes and Communities Agency providing an additional layer of assurance for the management of affordable housing; and,
- The group structure enables Homes for Lambeth to attract funding to invest in new housing and for any surplus to be recycled and reinvested in the provision of more affordable housing.

**Homes for Lambeth Objectives**

2.4 The governance proposals for the Homes for Lambeth Group are proposed to support it to deliver against the following objectives:

- To build more and better homes to help tackle the housing crisis;
- To provide high quality services for residents;
- To invest resources efficiently and to maximise housing and regeneration outcomes;
- To maximise partnerships with public and private sector organisations;
- To be a strategic delivery partner for the London Borough of Lambeth;
- To build and maintain financial strength and deliver more homes;
- To engage with local communities and invest for the long term; and,
- To provide social housing.

**Homes for Lambeth Governance Structure**

2.5 The governance structure for the Homes for Lambeth Group has been developed to provide the Council and residents with sufficient oversight and ultimate shareholder control, whilst giving each Homes for Lambeth company sufficient independence to operate according to its respective business plan. Lambeth Homes Ltd (Homes for Lambeth’s wholly-owned Registered Provider of Social Housing), the proposals will allow this company to satisfy applicable requirements set by the HCA with regard to the control and independence of this company.

2.6 This structure puts the governance of Homes for Lambeth firmly within the Council’s democratic structures. The HfL Ownership and Stewardship committee will be a subcommittee of the cabinet and will provide recommendations to cabinet on how it should exercise the control of Homes for Lambeth that it has as the only shareholder. All decisions made by the Cabinet based on recommendations from the HfL Ownership and Stewardship committee will be subject to the normal checks and balances of the Council’s constitution.

2.7 This arrangement shows the Council’s commitment to using Homes for Lambeth to support its goal of building the more and better homes that the borough needs.

2.8 Figure 2 below illustrates the proposed governance structure. As identified below, the directorship of each HfL company will comprise a majority of Council officers, together with the appointment of suitably qualified independent, external individuals to supplement the skills of each Board.
2.9 The post holders of the following Council posts are proposed to be appointed as the initial directors of Homes for Lambeth companies at incorporation. These individuals will not receive additional remuneration for performing their respective new roles.

2.9.1 Homes for Lambeth Group Ltd, Homes for Lambeth Developments Ltd & Homes for Lambeth Property Ltd:

- Cabinet Member (to be appointed by the Leader)
- Strategic Director Neighbourhoods and Growth
- Finance Director; Head of Finance, Capital & Tax
- Director with Lead Responsibility for Estate Regeneration
- Head of Legal, Housing; and
- Assistant Director Housing Regeneration.

2.9.2 Lambeth Homes Ltd:

- Head of Finance, Capital & Tax
- Director with Lead Responsibility for Estate Regeneration
- Head of Legal, Housing
- Assistant Director Housing Regeneration.
Homes for Lambeth is a key strategic intervention that will require the Council to work in new ways, which will require the deployment of both existing and new skills at the Board levels of all Homes for Lambeth companies. The recruitment and appointment of four suitably skilled individuals who are independent to the Council is proposed alongside the appointments of Lambeth Officers to the board. These four independent posts are:

- 1 Independent Chair for Homes for Lambeth Group Ltd Board (and Homes for Lambeth Developments Ltd and Homes for Lambeth Property Ltd as these reflect the arrangements for Homes for Lambeth Group Ltd)
- 1 Non Executive Director for Homes for Lambeth Group Ltd Board (and Homes for Lambeth Developments Ltd and Homes for Lambeth Property Ltd as these reflect the arrangements for Homes for Lambeth Group Ltd)
- 1 Independent Chair Lambeth Homes Ltd Board (Registered Provider)
- 1 Non Executive Director Lambeth Homes Ltd Board (Registered Provider)

The appointment of these four posts will contribute significantly to the overall success of the proposals for Homes for Lambeth:

a. An initial review of the skills required for effective delivery has identified that commercial negotiation, development and house building are key areas that can be bolstered through targeted, independent appointments
b. A review of lessons learned from other Local Authority Trading Companies identified that a number of these companies included Independent Chair and/or NED members, either within the first iteration of the board or as a later revision for similar reasons
c. The process of registering Lambeth Homes Ltd. as a Registered Provider with the Homes & Communities Agency will require a number of tests concerning independent governance to be met. The appointment of independent representations to its Board will help to satisfy this requirement.
d. The governance arrangements that are to be put in place between the Council and Homes for Lambeth companies (including the Memorandum of Agreement and Scheme of Delegation) will ensure that the Council is able to exert an appropriate level of control over Homes for Lambeth’s activities.

Independent post holders will be remunerated for their positions and responsibilities, in keeping with industry norms for the responsibilities and expertise sought for these posts. Although the target remuneration for each of the four individuals created will be refined further through the recruitment process, the expected remuneration levels are summarised below:

<table>
<thead>
<tr>
<th>External Individual</th>
<th>Estimated Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Chair for Homes for Lambeth Group Ltd Board (and Homes for Lambeth Developments Ltd and Homes for Lambeth Property Ltd as these reflect the arrangements for Homes for Lambeth Group Ltd)</td>
<td>Up to £18,000 p.a. (For all of these companies not each)</td>
</tr>
<tr>
<td>Non-Executive Director for Homes for Lambeth Group Ltd Board (and Homes for Lambeth Developments Ltd and Homes for Lambeth Property Ltd as these reflect the arrangements for Homes for Lambeth Group Ltd)</td>
<td>Up to £14,000 p.a. (For all of these companies not each)</td>
</tr>
<tr>
<td>Independent Chair Lambeth Homes Ltd Board (Registered Provider)</td>
<td>Up to £5,000 p.a. (Registered Provider)</td>
</tr>
<tr>
<td>Non-Executive Director Lambeth Homes Ltd Board (Registered Provider)</td>
<td>Up to £4,000 p.a. (Registered Provider)</td>
</tr>
</tbody>
</table>
2.12 The formal adoption of the governance proposals will be subject to adoption by the respective Homes for Lambeth companies once they are incorporated. Future appointments and amendments to any Homes for Lambeth Board (including the appointment of independent, external individuals) will be subject to the process for approvals set out in the Scheme of Delegations for Homes for Lambeth, once it has been adopted.

2.13 In the HFL group structure Lambeth Council will have the ability to direct directors of Homes for Lambeth Group to carry out (or refrain from carrying out) certain activities and it will have the right to nominate all the directors.

2.14 These structures will safeguard the Council’s long-term commitment to prioritising the needs of Lambeth’s communities. In addition the Council will require that any proposed sale of part or all of Homes for Lambeth (and any of its companies) be subject to a ‘triple lock’ of approvals:

- 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.

**Homes for Lambeth Ownership and Stewardship Committee**

2.15 The Council will be the sole shareholder of Homes for Lambeth Group Limited which will in turn own several other companies (as above). The role of the HfL Ownership and Stewardship Committee is to provide internal reporting, scrutiny and monitoring of the companies in the Homes for Lambeth Group, on behalf of the Council.

2.16 The membership of the HfL Ownership and Stewardship Committee is proposed to comprise the following post holders:

- Deputy Leader for Investment and Partnerships (Chair);
- Tenant Member;
- Deputy Leader for Finance and Resources;
- Cabinet member for Planning, Regeneration and Jobs;
- Cabinet Member for Housing and Environment

2.17 This committee and its membership further shows how Homes for Lambeth’s will be anchored firmly within the Council’s structures and will be subject to democratic control.

2.18 The proposals for the HfL Ownership and Stewardships Committee support a key recommendation proposed to Cabinet for approval. The full Terms of Reference proposed for the Committee are provided as Appendix A to this Report.

2.19 The HfL Ownership and Stewardship committee is constituted under Cabinet Procedure Rule 1.3(e) of the Constitution. It will operate as a panel, in accordance with the arrangements as set out in the Constitution, Part 2, Section 2.

2.20 The HfL Ownership and Stewardship committee is accountable to Cabinet and will operate within the Council’s wider governance framework and in accordance with the provision of the Constitution of the London Borough of Lambeth.
2.21 Future decisions concerning appointments to the membership of the HfL Ownership and Stewardship committee will be made by the Council at its Annual General Meeting with each appointment lasting a period of two years.

**Key Governance Documents**

2.22 A suite of governance documents has been developed alongside the structural proposals. These documents will be formally adopted by Homes for Lambeth companies once incorporated. The Council’s own decision-making rules and processes are set out in the Council’s Constitution and its relevant dealings with Homes for Lambeth will be subject to these rules and processes. Examples of such dealings are illustrated in the table below.

<table>
<thead>
<tr>
<th>Council / Stakeholder Activity</th>
<th>HfL Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council decisions regarding lending into Homes for Lambeth companies require approval at Asset Management Cabinet Advisory Panel (AMCAP), followed by a Cabinet Member Decision</td>
<td>Homes for Lambeth Board to directly liaise with AMCAP and Council officers</td>
</tr>
<tr>
<td>Development schemes seeking Planning Consent from the Council must be decided by the Council’s Planning Applications Committee</td>
<td>Council officers to make a formal proposal with Homes for Lambeth input</td>
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<tr>
<td>Matters relating to the disposal of land: Approval for the Council to enter into an Agreement to Lease or Full Lease with Homes for Lambeth for Council land must be granted by AMCAP, followed by a Cabinet Member decision</td>
<td>Homes for Lambeth Board to directly liaise with AMCAP and Council officers</td>
</tr>
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<td>Council officers to make a formal proposal with Homes for Lambeth input</td>
</tr>
<tr>
<td>Cabinet approvals are sought by officers for key decisions regarding proposals for development and regeneration (E.g. CPO &amp; Appropriation)</td>
<td>No direct input from Homes for Lambeth other than inputting into Housing &amp; Regeneration scheme proposals as they are developed</td>
</tr>
<tr>
<td>Council decisions to progress the Business Case for development into more detailed proposals: For Estates Regeneration schemes, these decisions are taken by the Estates Regeneration Board (ERB) then AMCAP</td>
<td>Homes for Lambeth representatives to directly liaise with Council officers</td>
</tr>
<tr>
<td>Council decisions to progress the Business Case for development into more detailed proposals: For Estates Regeneration schemes, these decisions are taken by the Estates Regeneration Board (ERB) then AMCAP</td>
<td>Council officers to make a formal proposal with Homes for Lambeth input</td>
</tr>
<tr>
<td>Council decisions to progress the Business Case for development into more detailed proposals: For Estates Regeneration schemes, these decisions are taken by the Estates Regeneration Board (ERB) then AMCAP</td>
<td>Homes for Lambeth companies may attend these meetings and make representations directly by invitation</td>
</tr>
<tr>
<td>For non-Estate Regeneration schemes, these decisions are taken by the AIMG - Asset Investment Management Group (Officer Group) then AMCAP</td>
<td>Homes for Lambeth drawing down from the proposed set-up loan facility made that is to be made</td>
</tr>
</tbody>
</table>

2.23 The controls afforded to the Council as the Shareholder of Homes for Lambeth will be in addition to those set out in the Council’s Constitution and will be defined in the Scheme of Delegations which will become of the formal governance documentation that governs Homes for Lambeth and is included as Appendix B to this report.

**Delivery Plan**

2.24 Homes for Lambeth will be responsible for a range of activities and its primary functions will change as the company and its projects evolve. The table below sets out the primary activities that Homes for Lambeth expects to undertake during the 2017/18 period; these activities will be funded by Homes for Lambeth drawing down from the proposed set-up loan facility made that is to be made
available by the Council and which Homes for Lambeth will repay once it is able to do so, on terms agreed with the Council.

<table>
<thead>
<tr>
<th>Category</th>
<th>Planned Activities</th>
<th>Target Milestones</th>
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| Set-up/Mobilisation of companies| • Incorporate the company  
• Mobilise the Boards formally and recruit Independent Non-Executive Directors  
• Prepare and adopt policies and procedures  
• Begin HCA registration process | Summer 2017                        |
| Resources                       | • Appoint interim Managing Director and Finance oversight roles  
• Agree secondments and service level agreements with Lambeth Council | Summer 2017                        |
| Procurements                    | • Operational matters e.g. finance system, insurance, legal advisors, auditors | Summer 2017                        |
|                                 | • Lollard Street housing management provider                                       | Aim to complete end 2017           |
|                                 | • Housing management provider framework for subsequent schemes                    | Aim to complete Summer 2018        |
| Capital Investments & Legal Transactions | • Enter agreement(s) with Lambeth for renting leasehold buy back units | Summer 2017                        |
|                                 | • Enter agreements with Lambeth for S106 sites                                    | Subject to due diligence for each scheme (summer 2017 – Spring 2018) |
|                                 | • Prepare Agreements for Lease and Lease for estate regeneration schemes           | Summer 2017                        |
| Development                     | • Planning and development for estate regeneration projects (joint working with Lambeth) | Ongoing during 2017/18             |

2.25 It is currently expected that Lollard Street S106 will be the first housing scheme that Homes for Lambeth will manage (70 social rent homes). It will be important for Homes for Lambeth to establish its credibility in the early years of operations to demonstrate to the Council and stakeholders that it has the skills, expertise and capability to take on complex estate regeneration schemes. The Budget and Delivery Plan at Appendix C provides the context of future development activities that Homes for Lambeth expects to undertake beyond 2017/18.

2.26 Homes for Lambeth will work with Lambeth on the design, development and planning of future schemes to ensure that they are financially viable and deliver the objectives set out by Lambeth and Homes for Lambeth. Decisions on proceeding with each scheme will be subject to approval through Lambeth’s established processes and the Scheme of Delegations formulated for Homes for Lambeth.

**Tenant & Resident Considerations**

2.27 The Chair of the HfL Ownership and Stewardship Committee will be responsible for engaging with residents, and the Committee shall determine what role residents (including Lambeth Homes Ltd tenants) will play in the scrutiny and oversight of Homes for Lambeth activities. This will include, but is not limited to, having a Tenant Member on the Shareholder Committee.
2.28 Homes for Lambeth will be required to adopt the Key Guarantees for regeneration estates, agreed by Cabinet in March 2017 which provide certainty to residents as well as opportunities for residents to remain in their existing neighbourhood in a new home owned and managed by Homes for Lambeth.

2.29 As articulated in section 2.23 of the October 2015 Cabinet Paper proposing the establishment of Homes for Lambeth, 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.

2.30 The Council will require that any proposed divestment of any 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 respective Homes for Lambeth Board.

2.31 Beyond this, development of governance arrangements and operational activities are underpinned by the Council’s commitment to support Lambeth’s communities and the following proposals for Homes for Lambeth companies:

- The HfL Ownership and Stewardship Committee is tasked with ensuring residents’ interests are upheld in the Council’s decisions regarding Homes for Lambeth as Shareholder, in addition to its other formal decisions.
- Homes for Lambeth will provide the Council with the tools it needs to address market failures and deliver more and better homes for Lambeth residents. Through Homes for Lambeth business planning objectives and delivery actions, Homes for Lambeth companies will prioritise the delivery of housing stock across a range of tenures that meets the needs of current and future residents.
- Homes for Lambeth companies will support the Council to realise its long-term strategic commitment for housing, regeneration and community benefit.
- The process of progressing the development and design proposals for each scheme is Council-led and informed by extensive resident engagement.
- The Council considers residents’ needs and interests as part of its formal decisions to support planning proposals.
- Independent Non-Executives with expertise in resident relations will be appointed to the relevant Homes for Lambeth Boards.
- Estates and tenant management arrangements for all Homes for Lambeth schemes will be aligned with the Council’s own engagement approach to tenants and residents. This will be underpinned within Homes for Lambeth’s contracts with estates and tenant management service providers.
- Homes for Lambeth’s Registered Provider subsidiary will offer a new, enhanced form of assured tenancy, incorporating some of the rights that a secure tenant would have (and an assured tenant typically would not).
- Homes for Lambeth strategies for procuring works and services will seek to secure Social Value outcomes (such as local training, apprenticeships and employment opportunities for local communities) from the economic activities of Homes for Lambeth companies.

2.32 Resident engagement and feedback over the past few months has identified that the potential for a future administration to sell Homes for Lambeth at a future point is a key area of resident concern.
Whilst the triple asset local provides a level of protection, the broader governance and operational arrangements put in place (as above) will further protect residents’ interests.

**Approvals and Gateways in the Project Delivery Process**

2.33 Projects will not transfer from Lambeth to Homes for Lambeth as the default option. The Council will first undertake an assessment to ensure that Homes for Lambeth is the appropriate delivery option for a site or estate. Each project will then be assessed by Homes for Lambeth on its ability to meet Lambeth’s objectives.

2.34 Homes for Lambeth will work with Lambeth officers in an iterative way during the design and development stages of the project to ensure that the scheme is viable and deliverable within the Homes for Lambeth business plan. This close working, with regular checks on viability, will reduce the risk of delivery challenges or delays arising later.

2.35 Effective Project Management techniques will be integrated within Homes for Lambeth’s approach to developing and delivering its development projects. These techniques will be formalised through the development and adoption of project management controls, including a Gateway Process, which will be undertaken as part of the mobilisation of Homes for Lambeth. This will enable Homes for Lambeth and the Council to ensure that key readiness to proceed criteria have been satisfied at several key ‘gateway’ milestones throughout the process of developing each project.

2.36 A Project Execution Plan will be developed for each development, which sets out the programme key actions, milestones, responsibilities and decisions for Homes for Lambeth and key stakeholders (such as the Council) over a timetable.

**Design Principles**

2.37 To support Homes for Lambeth, the Council has produced the Lambeth design principles, set out below, which aim to ensure a consistent supply of high quality homes. More information about each principle is available on the Lambeth estate regeneration website at [http://estateregeneration.lambeth.gov.uk/design](http://estateregeneration.lambeth.gov.uk/design)

2.38 Work on the Housing Design Principles for Lambeth was started in 2014 to ensure that our new homes are good quality, economic and easy to maintain, and that the lessons of previous development projects could be learned. Levitt Bernstein Architects held a series of guided workshops with Lambeth’s planning department and housing management staff as well as resident representatives from Tenants and Leaseholders Council and Councillors.

2.39 These design principles, and the design standards that support them, represent live documents, which will remain under review as the programme of home building progresses. Through the process of masterplanning estates, the Council will look for feedback from residents and where necessary will amend, improve and update these standards from time-to-time.

- Secure, warm, safe and comfortable homes with high levels of insulation and sound proofing;
- Practical homes with plenty of storage space and easy access to services
- Where we are re-housing residents on the new estate, they will be involved in the design process;
- Personal outdoor space for each home;
- New homes are indistinguishable by tenure and fit well into the existing pattern of streets and open spaces;
- Communal spaces that residents enjoy spending time in, designed with safety in mind;
• Discrete and convenient storage for waste and recycling and secure covered storage for cycles;
• Places that support the character of the area, contribute to Lambeth’s rich architectural heritage, and are built to last;
• Streets and public spaces that create a safe and secure environment for all; and,
• Sustainable buildings and spaces that are easy and economical to manage and maintain.

**Contracting Authority Status**

2.40 Due to the level of control exercised by Lambeth Council over the Homes for Lambeth Group, the wholly owned companies will be classed as ‘Contracting Authorities’ for procurement. This means that they will follow the Public Contracts Regulations 2015.

3. **Finance**

3.1 Since the decision was taken by Cabinet in 2015 to proceed to incorporate Homes for Lambeth companies, a body of work has been undertaken to further develop the financial proposals for Homes for Lambeth. This has included optimisation of the corporate structure proposed for the Homes for Lambeth group of companies (for tax, financial and strategic purposes).

3.2 A key recommendation of this report is that Cabinet agrees the principle that the Council will provide a set-up loan facility to Homes for Lambeth for £5m to cover Homes for Lambeth’s running costs for a five-year period. Drawings from this facility made by Homes for Lambeth will be subject to an assessment of its ability to repay and approval by the appropriate delegated authority within the Council, thereby enabling the Council to ensure that appropriate control measures are in place and value for money is delivered. The draw down for 2017/18 is expected to be c. £1.3m which will be assessed and presented to AMCAP for approval as detailed in para 2.13 above. This working capital loan will be repayable to the Council and will be made on state aid compliant terms, which acknowledge and reflect that providing affordable housing is a ‘Service in the General Economic Interest’.

3.3 The Council and Homes for Lambeth will continue to refine the business plan for Homes for Lambeth over the coming months. It is expected that once the Boards of Homes for Lambeth have been established, the Business Plan will be recommended to the Council for approval in line with the Scheme of Delegations. As part of this body of work, Homes for Lambeth expects to request a development delivery loan from the Council to fund capital investments during 2017/18 which will be subject to detailed viability assessment of each loan separately and Council’s approval process as detailed in para 2.13.

3.4 It should also be noted that the Council’s existing approvals processes for disposing of land will still need to be followed prior to granting the leaseholds for Homes for Lambeth’s schemes. This process will also include a thorough due-diligence and detailed viability assessment of each site separately. The Council’s approval process are detailed under para 2.13 and between 2.24 to 2.27 paragraph above.

4. **Legal and Democracy**

4.1 Section 1(1) of the Localism Act 2011 introduced the “general power of competence” for local authorities, defined as “the power to do anything that individuals generally may do” and which expressly includes the power to do something for the benefit of the authority, its area or persons resident or present in its area. The generality of the power conferred by subsection (1) is not limited by the existence of any other power of the authority which (to any extent) overlaps the general power.
4.2 Section 4(2) of the Localism Act 2011 provides that where, in exercise of the general power, a local authority does things for a commercial purpose the authority must do them through a company.

4.3 Section 95 of the Local Government Act 2003 authorises the Council to do for a commercial purpose anything which it is authorised to do for carrying on any of its ordinary functions (other than where it is under a statutory duty to provide that function) however, this power is only exercisable through a company.

4.4 Section 111 of the Local Government Act 1972 enables the Council to do anything which is calculated to facilitate, or is conducive to or incidental to, the discharge of any other of its functions, whether involving expenditure, borrowing or lending money, or the acquisition or disposal of any rights or property.

4.5 Section 9 of the Housing Act 1985 empowers the Council to provide housing accommodation by erecting houses, or converting buildings into houses, on land acquired by them. This power may equally be exercised in relation to land acquired for the purpose of disposing of houses provided, or to be provided, on the land, or of disposing of the land to a person who intends to provide housing accommodation on it.

4.6 Section 17 of the Housing Act 1985 empowers the Council to acquire land as a site for erection of houses or to acquire houses, or buildings which may be made suitable as houses, together with any land occupied with the land or buildings. The power conferred this section includes power to acquire land for disposing of houses provided, or to be provided, on the land or of disposing of the land to a person who intends to provide housing accommodation on it.

4.7 Section 24(1) of the Local Government Act 1988 provides the Council with the power, subject to the consent of the Secretary of State, to provide any person with financial assistance for the purposes of, or about 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. Financial assistance is defined to include the making of a grant or a loan, guaranteeing the performance of any obligation owed to or by that person; indemnifying them against loss, or where that person is a body corporate acquiring shares or loan capital in that person.

4.8 Under section 26 of the Local Government Act 1988 the Secretary of State has issued “The general consent under section 25 of the Local Government Act 1988 for financial assistance to any person 2010”. General consent C empowers the Council to provide any person with any financial assistance for the purposes of or about the matters referred to in section 24(1) of the 1988 Act.

4.9 Subject to the Secretary of State’s consent, section 32 of the Housing Act 1985 gives the Council the power to dispose of land held under part 2 of the Housing Act 1985 in any manner it sees fit.

4.10 Pursuant to Sect 34 of the 1985 Housing Act the Secretary of State has issued “The General Housing Consents 2013 Section 32 of the Housing Act”.

4.11 General consent A3.1.1 permits a local housing authority to dispose of land held under part 2 of the Act for consideration equal to its market value. However, this does not apply to a disposal to a body in which the authority owns an interest except the first 5 disposals in a financial year. “Land” includes buildings (which could include dwelling-houses, houses and flats) and other structures, and any estate, interest, easement or right over land.
4.12 Section 123 of the Local Government Act 1972 empowers the Council to dispose of land in any manner it sees fit, save that it cannot dispose of land, otherwise than by a lease of less than 7 years, at less than the best consideration that can reasonably be obtained, without obtaining the Secretary of States' consent.

4.13 The Secretary of State has issued the general consent “Disposal of land for less than the best consideration that can reasonably be obtained: circular 06/2003”. This permits local authorities to dispose of land for less than the best consideration that can reasonably be obtained, where the Council considers the disposal will help secure the promotion of economic, social or environmental well-being of its area, and the undervalue does not exceed £2,000,000.

4.14 In determining whether to dispose of land for less than the best consideration reasonably obtainable, and whether any specific proposal to take such action falls within the terms of the consent, the Council should ensure that it complies with normal and prudent commercial practices, including obtaining the view of a professionally qualified valuer as to the likely amount of the undervalue and ensuring that any disposal is state aid compliant.

4.15 The provision by the Council of financial support to the companies 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) there is aid; (ii) it is granted by a Member State or through State resources; (iii) it favours certain undertakings; (iv) it distorts or threatens to distort competition; and (v) it affects inter-State trade. An “aid” comprises any form of intervention which has the same or similar effects to a subsidy. Independent legal and accountancy advice have confirmed the terms of the loans to the company is state aid compliant.

4.16 Section 149 of the Equality Act 2010 sets out the public-sector equality duty replacing the previous duties in relation to race, sex and disability and extending the duty to all the protected characteristics i.e. race, sex, disability, age, sexual orientation, religion or belief, pregnancy or maternity, marriage or civil partnership and gender reassignment. The public sector equality duty requires public authorities to have due regard to the need to:

   a) Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited under that act

   b) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it; and

   c) Foster good relations between those who share a protected characteristic and those who do not share it, which involves having due regard to the need to—

      (i) tackle prejudice, and

      (ii) promote understanding.

4.17 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard to the need to—

   a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;

   b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it, including steps to take account of disabled persons' disabilities;

   c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
4.18 Compliance with the duties in section 149 of the Act may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under the Act.

4.19 The Equality Duty must be complied with before and at the time that a policy is under consideration or decision is taken - that is, in the development of policy options, and in making a final decision. A public body cannot satisfy the Equality Duty by justifying a decision after it has been taken.

4.20 When considering whether to adopt the recommendations of this report, the decision maker will be exercising discretion within the constraints of the duties referred to above and should therefore have in mind the following principles of administrative law:

a) the decision must be within the Council’s powers;

b) all relevant information and consideration, including the Council’s fiduciary duty to the Council Tax payer, must be considered; and

c) all irrelevant considerations, including unauthorised purposes, must be ignored.

4.21 This proposed key decision was entered in the Forward Plan on 31 March 2017 and the necessary 28 clear days' notice has been given. The report will be published for five clear days before the decision is considered by Cabinet. Should it be approved, a further period of five clear days, the call-in period, must then elapse before the decision becomes effective. 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 Consultation and coproduction with residents and the wider community is central to the development of individual regeneration schemes and officers from the Housing Regeneration team are working closely with residents and communities to support them through the process, ensure they have a say in the look and feel of their new homes, and help them to understand what Homes for Lambeth is, and what it means for them.

5.2 Consultation and coproduction has, and will continue to, play a key role in the development of key Homes for Lambeth policies, including the Key Guarantees (agreed by cabinet in March 2017).

5.3 Prior to the Key Guarantees being approved by Cabinet they were extensively consulted on and developed in collaboration with Lambeth residents. The formal consultation period ran for 5 weeks, from 17th October to 21st November 2016 and consultation activities included the distribution of booklets, events on each of the six estates, drop-ins, workshops and the receipt of feedback through the estate regeneration website. Suggested improvements from residents which were incorporated included that tenants will be able to claim for replacement or new blinds and curtains as a disturbance payment.

5.4 Building on this, residents will shortly be consulted on the tenancies and leasehold agreements which Homes for Lambeth will provide. As a part of this consultation, residents will have access via their Independent Resident Advisory free legal advice.

5.5 Residents of the affected estates will also be asked for their views on the specification of service for future housing management arrangements. This specification will define what Homes for Lambeth expect from companies bidding to provide housing management services. The specification will also determine the cost of these services.
5.6 Homes for Lambeth will then shortlist suppliers who have shown they can meet this specification. As estate redevelopment work nears completion, shortlisted bidders will be invited to talk to residents at an exhibition and answer questions about managing their new estate. Residents will score each supplier on their ability to meet the needs of the estate, and on their approach to estate management. These scores, along with scores from a full tender process and an interview, will decide which supplier is chosen.

5.7 Officers have worked with Members to develop the proposals set out in this report, which includes on-going consultation with the Deputy Leader for Investment and Partnerships.

5.8 Local Ward Councillors will be consulted at the point that a development site within their ward is identified for development via Homes for Lambeth.

6. **Risk management**

6.1 The risks highlighted in the table below are a summary of a more comprehensive risk register. These are the key programme risks for Homes for Lambeth.
<table>
<thead>
<tr>
<th>Risk</th>
<th>Likelihood</th>
<th>Impact</th>
<th>Mitigation</th>
<th>Post Mitigation Likelihood</th>
<th>Post Mitigation Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delay in sites being brought forward in time to facilitate decants</td>
<td>3</td>
<td>7</td>
<td>Early engagement with Lambeth to identify and appraise potential opportunity sites. Develop asset management strategy</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Delays mean that RTB receipts cannot be spent within permitted the timeframe</td>
<td>3</td>
<td>6</td>
<td>Financial modelling to profile expenditure. Develop strategy with Lambeth for use of RTBs or alternative investment uses</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Reduction in sales prices and rental values so fewer affordable homes can be provided</td>
<td>2</td>
<td>7</td>
<td>Run sensitivities to test resilience to market downsides. Ongoing monitoring of market conditions</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Freeholder/leaseholder buy back costs above budgeted estimates due to higher number of leaseholders opting for the offer and house price inflation</td>
<td>3</td>
<td>6</td>
<td>Assumptions in financial model to include Lambeth’s estimates buy back rates and costs including compensation.</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Risk that operating costs, voids and bad debts are higher than forecast leading to viability challenges and reduced or no surpluses generated</td>
<td>3</td>
<td>6</td>
<td>Incentivise managing agent to perform well with KPIs, tight variation controls and strong contract management. Maintain stock in good standard with active marketing to attract tenants. Down side sensitivities in financial model.</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>
7. **Equalities impact assessment**

7.1 The Boards of the Homes for Lambeth companies will adopt a suite of policies that guide how they will carry out their business. This suite of policies will include an Equalities policy reflecting the principles included in the Council’s policy.

7.2 The impact of estate regeneration will be different for each project at different times and therefore Equalities Impact Assessments are required on a project basis and reviewed at regular intervals. No specific equalities impact assessment has been carried out to inform this Cabinet Report as these are being carried out at a project level.

7.3 In progressing estate regeneration projects, Homes for Lambeth will abide by the Council’s approach to equalities, which are embedded in the Future Lambeth Borough Plan. The principles that will be followed by the Housing Regeneration team will be:

7.4 **Information.** Any equalities strategy for an estate regeneration project is only as good as the information it is based on. It is therefore essential to collect adequate information concerning those affected by estate regeneration and to maintain such information up-to-date. This is undertaken through the course of estate regeneration projects by means of activities such as housing needs assessments, which are carried out for all affected households.

7.5 **Training.** Equalities principles must be embedded in all minor decision-making throughout an estate regeneration project. This requires that those working on estates projects are continually mindful of equalities issues and have access to adequate training to ensure that they embrace such principles in their day-to-day work.

7.6 **Assessment.** Formal equalities impacts need to be carried out to inform any major decisions or commitments on the future of an estate. For a typical estate regeneration project, equalities impact assessments are required at the following stages:

- Feasibility Stage – to help inform whether or what part of an estate will be redeveloped – an Equalities Impact Assessment accompanies the Cabinet Decision on the scale of redevelopment for an estate;
- Masterplanning and Local Lettings Plan Stage – to help inform the design work and to ensure that the replacement homes adequately cater for the existing community of residents, whose homes are being demolished – an Equalities Impact Assessment then accompanies any Cabinet Report that seeks authorisation for a compulsory purchase order; and
- Allocations – to help inform the allocations process to ensure that homes are allocated in a way that conforms with equalities principles – once construction and decanting has commenced, equalities reviews will be undertaken at pre-defined intervals specific to each estate.

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, committed to in the Homes for Lambeth design principles, 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**
Homes for Lambeth will be resourced appropriately and this may provide opportunities for internal secondments and professional development. 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. Four remunerated roles for Non-Executive Directors will be created.

9.3 **Procurement**
Due to the level of control exercised by Lambeth Council over the Homes for Lambeth Group, the wholly owned companies will be classed as ‘Contracting Authorities’ for procurement. This means that they will follow the Public Contracts Regulations 2015.

The table in Section 2.13 highlights the procurement activity that Homes for Lambeth expects to undertake during 2017/18. Lambeth Council may assist in running these procurement processes but it will be Homes for Lambeth that enters the contracts.

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 processes to appoint legal services and resident advisors to support estate regeneration activity. Officers are also working with industry experts to develop a procurement framework to appoint Housing Management Providers, starting with Phase 1. Direct engagement with procurement officers is taking place to support the formation and mobilisation of Homes for Lambeth and to ensure that suitably robust and legally compliant procurement policies and practices are put in place 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. The Lambeth Health and Wellbeing Strategy (2016) identifies having a good home as an important factor in preventing ill health and poor wellbeing. 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 A 2017/18 delivery plan for Homes for Lambeth, including key actions and target dates around incorporation and scheme delivery, is set out in sections 2.24 of this report.

10.2 A high-level delivery plan which outlines the forecast key activities for 2018-22 can be found in Appendix C to this report.
## Audit Trail

<table>
<thead>
<tr>
<th>Name/Position</th>
<th>Labeth Directorate/Department or Partner</th>
<th>Date Sent</th>
<th>Date Received</th>
<th>Comments in para:</th>
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<tbody>
<tr>
<td>Cllr Paul McGlone</td>
<td>Deputy Leader (Investment and Partnerships)</td>
<td>20.04.17</td>
<td>24.04.17</td>
<td>Throughout</td>
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<tr>
<td>Sue Foster</td>
<td>Strategic Director for Neighbourhoods and Growth</td>
<td>19.04.17</td>
<td>03.05.17</td>
<td>Throughout</td>
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<td>Rachel Sharpe</td>
<td>Director Strategic Housing, Regeneration and Communities</td>
<td>07.04.17</td>
<td>17.04.17</td>
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<td>Krish Angamuthu, Finance</td>
<td>Corporate Resources</td>
<td>07.04.17</td>
<td>12.04.17</td>
<td>Finance summary and section 3</td>
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<td>David Weller, Finance</td>
<td>Corporate Resources</td>
<td>07.04.17</td>
<td>12.04.17</td>
<td>Finance summary and section 3</td>
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<td>Greg Carson, Legal Services</td>
<td>Corporate Resources</td>
<td>07.04.17</td>
<td>13.04.17</td>
<td>4.1 to 4.20</td>
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<td>Henry Langford, Democratic Services</td>
<td>Corporate Resources</td>
<td>07.04.17</td>
<td>13.04.17</td>
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## Report History

| Original discussion with Cabinet Member | 20.04.17 |
| Report deadline                      | 03.05.17 |
| Date final report sent               | 03.05.17 |
| Part II Exempt from Disclosure/confidential accompanying report? | No |
| Key decision report                  | Yes     |
| Date first appeared on forward plan  | 05.04.17 |
| Key decision reasons                 | 2. Expenditure, income or savings in excess of £500,000 |

## Background information

- Report to Cabinet, 12 October 2015 - Homes for Lambeth: A Special Purpose Vehicle for Lambeth
  - [https://moderngov.lambeth.gov.uk/documents/s77350/Homes%20for%20Lambeth%20an%20SPV%20for%20Lambeth.pdf](https://moderngov.lambeth.gov.uk/documents/s77350/Homes%20for%20Lambeth%20an%20SPV%20for%20Lambeth.pdf)

- Report to Cabinet, 8 December 2014 - Building the homes we need to house the people of Lambeth

- Report to Cabinet, 22 October 2012 – Lambeth Estate Regeneration Programme: Strategic Delivery Approach
|---|---|
| **Appendices** | **Appendix A** – HiL Ownership and Stewardship Committee Terms of Reference  
**Appendix B** – Homes for Lambeth Scheme of Delegation  
**Appendix C** – Budget and Delivery Plan |