Homes for Lambeth Budget and Delivery Plan

1. Introduction

1.1. This Budget and Delivery Plan addresses the critical initial incorporation and mobilisation period for the first companies that are to become part of the Homes for Lambeth Group. It sets out the overall strategic aspirations and delivery parameters for Homes for Lambeth’s first year of trading (2017/18), although reference to the five-year (60 month) horizon is included where this is pertinent to the understanding of the proposed first year activities.

1.2. This Budget and Delivery Plan contains information in the following sections:
- Purpose of the Delivery Plan
- Homes for Lambeth Vision & Objectives
- Commercial Strategy
- Housing Delivery Strategy for 2017/18
- Mobilisation Plan
- Longer Term Development Delivery Strategy
- Budget 2017/18

2. Purpose of the Delivery Plan

2.1. This Delivery Plan provides an overview of the activities of Homes for Lambeth during its set up and mobilisation in 2017/18. During this course of the year, Homes for Lambeth will refine its Business Plan with a view to recommending it to Homes for Lambeth Board and Cabinet of the London Borough of Lambeth for approval.

2.2. As set out within the Scheme of Delegations for Homes for Lambeth, once the Business Plan is formally adopted, the Boards of Homes for Lambeth will proceed to direct the companies in accordance with it and within the parameters defined therein.

2.3. It is expected that performance against the Business Plan, its deliverables and objectives will remain under review through the following mechanisms:
   2.3.1. Regular review of risk and performance (financial and non-financial) by Homes for Lambeth Board
   2.3.2. Performance and risk dashboard presented for review by the Ownership and Stewardship Committee as a standing agenda item
   2.3.3. Key Performance Indicators designed into Homes for Lambeth’s procured contracts (e.g. commercial and socioeconomic performance standards within construction and housing management services once appointed)

2. Homes for Lambeth Vision & Objectives

2.4. The Homes for Lambeth Group of companies will be established by Lambeth Council to deliver new homes across a range of tenures to meet the acute housing need in the Borough. It will deliver new homes to address market failure in the volume and quality of housing in the local area. It will play a key role in Lambeth’s ‘toolkit’ for delivering new housing and regeneration to meet the current and future needs of Lambeth’s residents – enabling Lambeth Council to deliver in ways that are restricted within the Housing Revenue Account. Homes for Lambeth will be an active developer and landlord by delivering new homes, and retaining ownership of these properties to lease and sell to residents. Homes for Lambeth will also acquire land and new homes developed by private developers under Section 106 (‘S106’) agreements.
2.5. The vision for Homes for Lambeth is:

*To work with Lambeth Council and others to provide high quality new housing and regeneration in Lambeth that addresses local housing need and contributes positively to the local area.*

The HfL Group will fulfil this vision by realising the following objectives:

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>DELIVERABLES &amp; MEASURES FOR 2017-18</th>
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<tbody>
<tr>
<td>Investing resources efficiently to maximise housing and regeneration outcomes</td>
<td>• Delivery of housing outcomes set out in Housing Delivery Strategy for 2017/18 – focus on S106 sites and preparing for estate regeneration schemes</td>
</tr>
<tr>
<td>Providing high quality services for residents</td>
<td>• Procure housing management provider for Lollard Street S106 and commence procurement for housing management provider framework</td>
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</table>
| Maximising partnerships with public and private sector organisations | • Decision on proceeding with the joint venture proposal and beginning investor procurement (if required)  
• Partnership working with Lambeth to secure affordable housing grant from Greater London Authority for Homes for Lambeth schemes  
• Register Lambeth Homes with Homes and Communities Agency |
| Being a strategic delivery partner for Lambeth Council | • Effective reporting to the Ownership and Stewardship Committee  
• Monitoring Service Level Agreements with Lambeth Council for effective working relationships  
• Providing timely decisions for S106 and estate regenerate sites (planning and development) in line with Lambeth Council’s programme |
| Building and maintaining financial strength to deliver homes | • Working within Budget for 2017/18  
• Thorough due diligence and viability testing prior to entering into lease and funding agreements (ensuring debt can be repaid over agreed term) |
| Engaging with local communities and investing for the long term | • Agree KPIs for housing management services prior to launching procurements  
• Entering into long lease agreements for s106 sites  
• Adopting the Key Guarantees |
| In addition, Lambeth Homes Limited shall have the objective of providing social housing in England | • Successful HCA Registration, which includes satisfactory governance and operational provisions |

3. **Commercial Strategy**

3.1. Homes for Lambeth will not assume the responsibilities that Lambeth Council currently holds. Rather, it will be a vehicle through which the Council can deliver its housing ambitions, and enable the Council to deliver new homes in ways that would not be possible within the limitations of the Housing Revenue Account.
3.2. The initial costs incurred by Homes for Lambeth will be funded by a start-up loan from Lambeth Council which will be repaid once Homes for Lambeth is able to do so (see Budget below). The Business Plan will set out the arrangements for capital investments and development by Homes for Lambeth which are expected to be funded through borrowing from Lambeth Council. Debt for the initial developments will be repaid at the end of the relevant development period once homes have been sold to private individuals and/or to Homes for Lambeth subsidiaries. The subsidiaries will repay debt over a longer period of time (50 years) through income generated from rental receipts. Where surpluses are generated, these can be used to re-invest in affordable housing in the Homes for Lambeth Group.

3.3. During 2017/18, Homes for Lambeth will further test the option of establishing a joint venture company with a private investor. The purpose of this company would be to enable the use of Lambeth Council’s 1-4-1 Right to Buy receipts and initial market testing indicates a strong interest from institutional investors. However, Homes for Lambeth and Lambeth Council must ensure that this vehicle represents value for money compared with other options such as the use of affordable housing grant available through the Greater London Authority. A recommendation on this will be brought to the Homes for Lambeth Board for decision later in the year.

3.4. During 2017/18, Lambeth Council will continue its programme for acquiring leaseholds that have been purchased under the Right to Buy on estates that are due for redevelopment. Rather than leave these homes empty until the time of redevelopment, Lambeth Council will review on a case-by-case basis whether they should be used for Temporary Accommodation or rented on the private market. Where Lambeth Council decides to rent homes on the private market, it is expected that this will be done through Homes for Lambeth.

4. Housing Delivery Strategy for 2017-18

4.1. It is currently expected that Lollard Street S106 will be the first housing scheme that Homes for Lambeth will manage (70 social rent homes) through the Registered Provider Lambeth Homes. It will be important for Homes for Lambeth to establish its credibility in the early years of operations to demonstrate to Lambeth Council and stakeholders that it has the skills, expertise and capability to take on complex estate regeneration schemes.

4.2. Homes for Lambeth also plans to acquire two further S106 sites that will deliver housing for social rent at Westbury and Fenwick estates. The decision on entering into these leasehold agreements and associated financial arrangements will be assessed as part of the Business Plan and decisions will be brought to the Homes for Lambeth Board and Lambeth Council later in the year.

5. Mobilisation Delivery Plan

5.1. The table below sets out the primary activities that Homes for Lambeth expects to undertake during the critical 2017/18 mobilisation period. These activities will be funded by the set-up budget referred to below in Section 7.

<table>
<thead>
<tr>
<th>Category</th>
<th>Planned Activities and Procurements</th>
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<tbody>
<tr>
<td>Set-up/Mobilisation of companies</td>
<td>• Incorporate the companies, agree policies and procedures</td>
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<tr>
<td></td>
<td>• Recruit Non-Executive Directors and agree remuneration packages</td>
</tr>
<tr>
<td>Resources</td>
<td>• Procure interim Managing Director and Finance oversight roles</td>
</tr>
<tr>
<td></td>
<td>• Procure necessary secondments and service level agreements with Lambeth Council</td>
</tr>
</tbody>
</table>
## Operations
- Procure management systems and statutory requirements e.g. finance system, insurance, legal advisors, auditors
- Procure Lollard Street housing management provider and commence procurement for housing management framework

## Capital Investments & Legal Transactions
- Procure legal advisors and negotiate agreements for renting leasehold buy backs, Leases for S106 sites, Agreements for Lease and Lease (plus associated documents) for estate regeneration schemes

## Development
- Planning and development for estate regeneration projects (joint working with Lambeth)

### 6. Longer Term Development Delivery Strategy

6.1. Whilst this Budget and Delivery Plan focuses on 2017/18, some of the activities undertaken by Homes for Lambeth during this year are part of a longer term delivery strategy. The table below demonstrates the wider context of Homes for Lambeth’s activities in the following four years of its activities (2018/19 – 2021/22) for which key delivery activities in 2017/18 will be undertaken.

<table>
<thead>
<tr>
<th>Period</th>
<th>Forecast Key Activities and Forecast Milestones</th>
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<tbody>
<tr>
<td>2018/19</td>
<td>• Lollard Street S106 operational&lt;br&gt;• Housing management procurement framework complete&lt;br&gt;• Contractors appointed and construction starts for first estate regeneration schemes</td>
</tr>
<tr>
<td>2019/20</td>
<td>• Fenwick and Westbury S106 complete&lt;br&gt;• First phases of initial wave of estate regeneration schemes completed&lt;br&gt;• Later phases of initial estate regeneration schemes start construction&lt;br&gt;• Rental, sales and marketing activity&lt;br&gt;• Planning permission and start on site for second stage estate regeneration schemes.</td>
</tr>
<tr>
<td>2020/21</td>
<td>• Later phases of first wave estate regeneration schemes handed over from contractor&lt;br&gt;• Rental, sales and marketing activity&lt;br&gt;• Residents begin to move in to homes on first wave estate regeneration schemes&lt;br&gt;• Construction on second wave schemes</td>
</tr>
<tr>
<td>2021/22</td>
<td>• Continuation of completions and hand-overs on first wave schemes and construction with phased completion on second wave schemes&lt;br&gt;• Rental, sales and marketing activity</td>
</tr>
</tbody>
</table>

6.2. Schemes will only be assessed by Homes for Lambeth once they have been approved by Lambeth Council. Proceeding with schemes at each Gateway Stage will be subject to viability and approval by the Homes for Lambeth Boards.

6.3. Homes for Lambeth will work with Lambeth Council Officers on the design, development and planning of future schemes to ensure that they are financially viable and deliver the objectives set out by Lambeth Council and Homes for Lambeth. Decisions on proceeding with schemes will be subject to approval through Lambeth Council’s established processes and the proposed Scheme of Delegations.
7. **Budget 2017/18**

7.1. The Cabinet paper requests approval for a set-up loan of £5m for the first five years of operations. The draw down for year 2017/18 is set out in the table below.

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget</th>
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<tbody>
<tr>
<td>Staff, interim support and Lambeth re-charge</td>
<td>£345k</td>
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<tr>
<td>Buy back strategy and housing management procurement (Lollard)</td>
<td>£263k</td>
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<tr>
<td>Professional fees and other operational costs</td>
<td>£486k</td>
</tr>
<tr>
<td><strong>Total (excl VAT)</strong></td>
<td><strong>£1.09m</strong></td>
</tr>
<tr>
<td><strong>Total (incl VAT)</strong></td>
<td><strong>£1.31m</strong></td>
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