



## **Cabinet Report**

**Date of Meeting** December 2014

**Report title:** Building the homes we need to house the people of Lambeth

**Wards:** All

### **Joint Report Authorised by:**

Director Commissioning: Rachel Sharpe

Director Delivery: Mike Pocock

**Portfolio:** Cabinet Member Housing: Cllr Matthew Bennett

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## **Report summary**

Lambeth Council is committed to delivering 1,000 extra homes at Council rent levels, leveraging in more investment via new, radical methods to fund and deliver a new generation of homes for the people of Lambeth.

The report sets out an ambitious programme of Council-led housing delivery that will provide more opportunities for better quality homes. The programme will improve the living conditions for existing residents and provide much needed, new, high quality housing which is affordable to our residents.

1,000 new Council homes will be delivered over the next 5 years through a combination of estate regeneration, small sites development and specific housing projects.

The intention is to maximise the provision of new homes at Council rent levels by using external capital and long-term investment models; retaining the homes within the Council's ownership and minimising the use of private sale to subsidise social housing.

Local people and local partners will be central to the programme's success. The Council will continue to embrace innovative delivery models that maximise the number of genuinely affordable homes and retain as much control as possible within the local community.

## **Finance summary**

- Dashboard summary of the HRA Business Plan indicating HRA headroom.
- Highlight the costs required to set up and run a Housing Regeneration Special Purpose Vehicle to enable the recycling of capital receipts for future re-investment in Housing within the borough.

## **Recommendations**

- (1) To progress phase 1 and phase 2 of the estate regeneration programme.
- (2) To agree to identify further estates based on the criteria, agreed at Cabinet in October 2012, to be included within the programme.
- (3) To progress the small sites programme as detailed in this report.
- (4) To note the detailed progress on establishing a Special Purpose Vehicle to deliver the 1,000 new homes at Council rent and the emerging financial model.
- (5) To note the draft regeneration Resident's Charter.

## 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 To achieve the outcomes agreed in the Lambeth Community Plan 2013-16 the Council will need to improve the living conditions for existing residents and provide much needed new, high quality housing which is genuinely affordable. As we do not have enough free space in Lambeth to build the new homes we need we must embark on the biggest estate regeneration programme in the borough's history. Raising the standard of Council housing, building homes which are of a high architectural standard and high-quality build.
- 1.3 The Council is committed to delivering 1,000 new homes at Council rent. Where homes are delivered through the Housing Revenue Account, the Council is the landlord, tenancies are secure tenancies and let on social rents. Where homes are delivered through a Special Purpose Vehicle (wholly owned by the Council), the Council retains a constitutional as well as contractual control, tenancies are assured tenancies or contractual tenancies let on social rents.
- 1.4 Lambeth has 25,496 Council homes (2011 Census). This is down from 41,335 Council homes in 1981 largely as a result of the right to buy and of properties transferred to Registered Providers. Over the same periods rent levels have increased by approximately 500% (based on a rent tenancy from 1980 that started at £19.77 a week and is now £107.60 a week) while private rents and house prices have accelerated far ahead of that.
- 1.5 While our Council housing stock has fallen the population of Lambeth has grown to over 300,000 with forecasts from the GLA of another 100,000 by 2050. There are over 20,000 people on Lambeth's housing waiting list and over 1600 families are in temporary accommodation, unable to secure a permanent home in the borough. Every week over 20 homeless households are added to the list of people needing housing by the borough.
- 1.6 Over the coming years the number of homes lost through the right to buy is forecast to increase significantly. In 2013-14 fewer than 100 homes were bought by tenants, in 2014-15 this number is expected to pass 250. Over the next four years we have a manifesto pledge to deliver an additional 1000 homes for council rent, but even with this ambitious pledge, we could still see either no increase in the number of council homes or a net loss over the period 2014-18.

London Boroughs	Commitment
Lewisham	
Southwark	
Westminster	
Camden	
Enfield	

- 1.7 Given the growing scale of the housing crisis we need to go beyond our pledge to deliver 1000 extra homes for Council rent. We also need to provide more homes for key workers squeezed

between a Private Rented Sector that is increasingly unaffordable and social housing for which they will never be eligible. We need homes for the 1600 families in temporary accommodation, within our Private Rented Sector which are secure and affordable. We need homes for young families and young professionals renting in the Private Rented Sector who can't afford to buy and won't raise families in an insecure Private Rented Sector but who want to stay in the borough.

- 1.8 Our housing strategy will seek to deliver homes for Council rent, homes for subsidised rent, homes for private rent and affordable home ownership. The private market is more than good enough at delivering homes for private sale. Our role as a local authority is to fill the gaps that the private market cannot.
- 1.9 But this will mean an entirely new model of housing finance and delivery. Moving into a space that councils haven't previously occupied and engaging with the private sector in a way that hasn't been done before.

### **Policy Background and Delivery Options**

- 1.10 The Housing Revenue Account (HRA) reforms allow the Council to borrow up to XXXX from the headroom (the difference between the actual level of debt and the government imposed cap). The majority of this headroom is required to deliver the Lambeth Housing Standard and therefore there is insufficient headroom to achieve the Council's aspirations for 1,000 new homes at Council rent.
- 1.11 Therefore, many local authorities are looking at options to stimulate and support housing delivery. There is recognition that land disposal to a Registered Provider or developer is not the only option and that better outcomes can often be achieved if the Council plays a more proactive role.
- 1.12 The base position for council led housing delivery is that capital investment in HRA assets is accounted for within the HRA, and any financing requirements lead to an increase in the HRA capital finance requirement. However, Councils are constrained in their ability to increase their HRA capital financing requirement as each Council is restricted as to how much debt it can take on.
- 1.13 As a result, many Councils are looking at different delivery models which can lever in external investment to drive forward positive change, including setting up wholly owned Special Purpose Vehicles (SPVs).
- 1.14 There are 3 main options for a local authority to deliver new homes:
  - i) HRA delivery  
The land and the assets remain in the HRA. Any investment (capital expenditure and resulting income) is accounted for in the HRA capital finance requirement and therefore any financing requirement leads to an increase in the HRA capital financing requirement, which is ultimately capped;
  - ii) General Fund delivery  
The land and any assets are appropriated from the HRA to the General Fund. Any capital investment and resulting income is accounted for in the General Fund. The financing requirement would not impact the HRA capital financing requirement. However, the General Fund would have to compensate the HRA for the land/assets that were appropriated.
  - iii) Special Purpose Vehicle  
The land and any assets are acquired by the wholly owned company or SPV from the Council. Any capital investment and revenue income is accounted for by the company. There are

options for financing the company (i.e. Public Works Loan Board, institutional investors) which would be unlikely to impact the HRA capital financing requirement.

- 1.15 There is no single solution that is right for all projects and the decision for which delivery route will need to be assessed against the following criteria: deliverability, financial impact, support Council priorities and risks to the Council.
- 1.16 The short, medium and long term priorities for the programme are closely aligned with the Council's priorities also contained within the Community Plan 2013-16.

	Outcome	Short term priority	Long term priority
1.	<b>More jobs and sustainable growth</b> People achieve financial security Lambeth plays a strong role in the local community People have the skills to find work People live in, work in and visit our vibrant and creative town centres	<ul style="list-style-type: none"> <li>• Enable residents to remain in the borough and benefit from its growth</li> <li>• Provide opportunities for new jobs</li> </ul>	<ul style="list-style-type: none"> <li>• Increase the supply of housing which is affordable to our citizens</li> <li>• Reduce fuel poverty</li> </ul>
2.	<b>Communities feel safer and stronger</b> 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 All young people have opportunities to achieve their ambitions	<ul style="list-style-type: none"> <li>• Greater local control through housing co-operatives and local lettings policies</li> <li>• Targeted training and employment programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Create safer neighbourhoods through good design, active spaces and strong communities</li> <li>• Provision of new specialist housing such as extra care</li> </ul>
3.	<b>Cleaner streets and greener neighbourhoods</b> People lead environmentally sustainable lives People take greater responsibility for their neighbourhood	<ul style="list-style-type: none"> <li>• Invest in challenging neighbourhoods, raising their profile and making them attractive places to live, work and visit.</li> </ul>	<ul style="list-style-type: none"> <li>• High quality homes which are more energy efficient and cheaper to run</li> </ul>

## 2. Proposal and Reasons

- 2.1 The expectation is that a significant proportion of the 1,000 new homes at Council rent will come from the small sites programme, housing projects and estate regeneration. Approximately 500 new homes (not all at Council rent) are in the process of being delivered. Some of these are already funded through right to buy receipts and capital pot investment, others have funding strategies in place however no draw down has taken place (i.e. Somerleyton Road) and some are still at the feasibility stage. Sites with the potential to deliver a further 1,000 extra homes in ag-

gregate have been identified, desk top capacity studies carried out and development appraisals completed demonstrating the development costs required. These sites will be included in further modelling to ascertain which of the 3 delivery approaches outlined in 1.14 are the most appropriate.

### Progress with the Special Purpose Vehicle and the Financing Options

- 2.2 The Council will undertake a full options analysis on Special Purpose Vehicles to ascertain which approach is a best fit for the outcomes we want to achieve as a local authority. The table below sets out some relevant examples as to how other local authorities are approaching the problem:

London Borough	Description
Ealing	Established Broadway Living, a wholly owned SPV, which delivers intermediate and private rent homes on behalf of the Council.
Lewisham	Conducting options appraisal regarding creation of borough-wide SPV to deliver and manage private rented homes, potentially through corporate relationship with Catford Regeneration Partnership Limited (existing wholly owned subsidiary that manages Catford shopping centre)
Enfield	Established a wholly owned SPV, which delivers intermediate and private rent homes on behalf of the Council. The revenue income to the SPV covers the build costs of new homes at Council rent which remain within the HRA.
Wandsworth	Conducting options appraisal for creation of vehicle to invest in private rented homes on borough-wide basis
Southwark	Intends to establish a wholly owned SPV to deliver 000's of affordable homes in the borough
Milton Keynes	Has established borough-wide wholly owned LLP vehicle to bring forward development on assets acquired from HCA in 2013, totalling up to 5000 plots.

- 2.3 The options analysis will include:

- Risk analysis.
- Taxation and state aid report.
- Best value considerations.
- Vires and consent issues.
- Legal governance structures.
- Financial impact of legal structure including set up costs and obligations once assets are transferred.

- 2.4 Whilst a detailed options analysis will be undertaken, the basic assumptions are that land would transfer from the HRA to a wholly owned Council SPV and developments would predominantly progress on a rented basis with the income from the rental stream being used to pay back borrowing. The borrowing could come from a number of sources including Lambeth prudentially borrowing from the Public Works Loans Board. The SPV would deliver the development on behalf of the Council. The new intermediate and private rented homes would be retained in the SPV whilst the homes at Council rent levels would transfer back into the HRA. The rental income

from the intermediate and private homes should be sufficient to cover the build costs of the new homes at Council rent levels.

2.5 The benefits of this approach include:

- 2.5.1 This approach will reduce the use of HRA financial capacity. Where delivery of social housing is concerned, it is important to demonstrate the reasons for doing this through a company. These reasons would include ringfencing development risk, delivering regeneration and socio-economic outputs.
- 2.5.2 There is no financial risk associated with the right to buy if the housing is delivered by the SPV as the SPV would be the landlord (and the Council would presumably not have provided social housing grant to the SPV) and therefore the right to buy would not arise. The HRA properties would however retain the right to buy when they are transferred back to the Council
- 2.5.3 The creation of a separate vehicle would give the Council flexibility to leverage in private sector finance by way of equity participation in future years, if desired.
- 2.5.4 This approach means that the Council can ringfence development risk through the use of a limited liability company: a key consideration if it is undertaking activities that are (in recent years) novel, relatively specialist and outside its core areas of operation.

2.6 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.

2.7 There would need to be an element of private sale in order to offer an option for leaseholders to remain on the estates once they have been redeveloped. Delivering market sale within the SPV would potentially generate a profit in the company which would be subject to corporation tax. However, the transfer of land from the Council could be subject to an overage agreement which had the effect of adjusting the land price so that profits were available to the Council to cross-subsidise delivery of the overall project.

2.8 A report will be brought back to Cabinet on the SPV. The report will set out in detail the governance arrangements, a risk analysis as well as a benefits analysis for Members to consider.

**Progress with estate regeneration and housing delivery**

2.9 A number of sites have been identified through a process set out in the October 2012 Estate Regeneration report whereby any estates meeting one or more of the following criteria would be eligible for regeneration:

- where the costs of delivering the Lambeth Housing Standard are prohibitive and/or
- Where residents and the Council have identified that the Lambeth Housing Standard works in themselves will neither address the fundamental condition of the properties nor address many of the wider social and economic issues experienced by residents and/or
- where the wider benefits arising from regeneration justify the intervention.

2.10 In addition to estate regeneration a number of housing sites have been identified which could provide new homes at Council rent.

2.11 The table below sets out phases 1 and 2 of the estate regeneration programme:

	Potential funding stream
<b>Phase 1 Estate Regeneration</b>	
Fenwick	£106 (and PWLB or Institutional Investment)
Cressingham Gardens	PWLB or Institutional Investment
Central Hill	PWLB or Institutional Investment
<b>Phase 2: Estate Regeneration</b>	
Knights Walk	PWLB or Institutional Investment
South Lambeth	PWLB or Institutional Investment
Westbury Estate	PWLB or Institutional Investment

- 2.12 Residents in the phase 1 estates have been engaged and for each project a design team has been appointed jointly with the resident association to develop options for the estate. The phase 2 estates are at an earlier stage with resident engagement and the appointment of design teams underway.
- 2.13 The sites above will form the basis for the Council's estate regeneration programme and a cash flow model will be developed for all of the sites to explore how the Council can minimise the amount of private homes and maximise the number of homes at Council rent. The model will be flexible enough to allow sites to drop out or be added in, however, at this stage the purpose of the model is to demonstrate that the investment needs required to deliver the new homes can be repaid by external funding and the income generated from the new homes.
- 2.14 We will consult with residents on estates over the style and architectural design of their estates and their homes and ensure that they are fully involved in the selection of contractors who will carry out the work. We appreciate that this will be a difficult and stressful time for many residents but this is the only way to ensure that Lambeth residents live in high-quality homes and that their children can stand a good chance of securing a home in the borough. The Deputy Cabinet Member for Housing is working with residents to coproduce a charter for the principles that the council will follow throughout the estate regeneration process and a draft is attached to this report (Appendix 1).
- 2.15 The Council will also commission a further study to look at Council assets which are either within or neighbouring some of the borough's major development opportunities such as Vauxhall Nine Elms Battersea (VNEB), Waterloo and Brixton. The study will assess the potential of these assets and translate that into what the benefit could be for the local community. Once the benefits are better understood the Council can then coproduce plans and strategies with the communities living there.

### Progress with the small sites programme

#### 2.16 LJ

### Develop a planning framework

- 2.17 A planning framework will be agreed with the Local Planning Authority at the outset of the programme. This will set out the policy framework within which planning applications for the programme will be considered.

- 2.18 Appended to the framework will also be agreements with the Local Planning Authority as to how we resource the programme and this could be through Project or Programme Performance Agreements.

### **Housing management and housing management models**

- 2.19 The work around cooperative housing models should be revisited and progressed. There is an opportunity within a council-led estate regeneration programme to build in from the design stage cooperative models of housing management.
- 2.20 This report recommends that the housing management models workstream is continued and results in a series of models which could be adopted for the regeneration estates. This could play a key role in the initial engagement of residents as we discuss the long term management and maintenance of the development well into the future.
- 2.21 A Lambeth specification for affordable housing is being developed and this could also be used as a template for all developments within the programme.

### **Confirm ability to stop Right to Buy**

- 2.22 Cabinet confirms the right to buy is suspended on the identified estates in 2.11.

## **3. Finance**

### **Budgets**

#### **3.1**

- 3.1 Appendix 1 sets out the Staff costs, Projects and budgets available.

## **4. Legal and Democracy**

- 4.1 MANDATORY: DO NOT DELETE OR AMEND TITLE OF THIS SECTION. COMMENTS REQUIRED FROM ENABLING: INTEGRATED SUPPORT: HEAD OF LEGAL SERVICES (OR RELEVANT LAWYER). This paragraph helps ensure the Council operates within the legislative framework and safeguards against costly legal challenges. Specific legal powers and advice provided by the) on how to exercise them. Depending on the subject of the report it will need to be cleared by the relevant lawyer (see Section G of Making and Reporting Decisions).
- 4.2 FOR ALL REPORTS TO BE PUBLISHED, COMMENTS ALSO REQUIRED FROM ENABLING: CORPORATE AFFAIRS: DEMOCRATIC SERVICES: [democracy@lambeth.gov.uk](mailto:democracy@lambeth.gov.uk). Comments will include Forward Plan, pre-decision publication arrangements.

## **5. Consultation and co-production**

- 5.1 MANDATORY: DO NOT DELETE OR AMEND TITLE OF THIS SECTION. In making decisions and co-producing services, engagement is key. This section enables the consultation that has been undertaken to be highlighted. Include a summary of the views received from external consultation.

## **6. Risk management**



6.1 [MANDATORY: DO NOT DELETE OR AMEND TITLE OF THIS SECTION.] Identify potential risks associated with the options and the proposed course of action.

## **7. Equalities impact assessment**

7.1 An EQIa will be completed for each project at the point that a decision is taken to proceed.

## **8. Community safety**

8.1 [MANDATORY: DO NOT DELETE OR AMEND TITLE OF THIS SECTION.] Needs to be considered by law (Crime & Disorder Act 1998, Section 17).

## **9. Organisational implications**

The following sections must be considered, but are optional and each should be deleted if not relevant to the report. If there are no organisational implications, state "None".

### **9.1 Environmental**

For Procurement reports, please include how the report demonstrates responsible procurement.

Keep to one paragraph, if needed.

### **9.2 Staffing and accommodation**

Keep to one paragraph, if needed. HR must be consulted on any potential implications of staffing or accommodation.

### **9.3 Procurement**

Cover any key procurement information and considerations and how the Procurement process was used. Include "Responsible Procurement Implications".

A separate part 2 (exempt from disclosure) report is sometimes required. Advice on drafting part 2 reports is set out at doc 02 08. This includes detailed advice on the content of part 2 procurement reports.

### **9.4 Health**

Keep to one paragraph, if needed.. In respect of policy reports, how does the policy meets the priorities of the health and wellbeing strategy and what evidence there is to support the proposed actions in the Joint Strategic Needs Assessment (JSNA)?.

## **10. Timetable for implementation**

<b>Site</b>	<b>Description</b>	<b>Decision on preferred option</b>
Cressingham Gardens	Decision on preferred regeneration option.	January 2015
Central Hill	Decision on preferred regeneration option.	June 2015
Fenwick	Decision on preferred regeneration option.	June 2015
Westbury	Decision on preferred regeneration option.	Sept 2015
South Lambeth	Decision on preferred regeneration option.	Sept 2015
Knights Walk	Decision on preferred regeneration option.	Sept 2015

	tion option.	
Small sites programme (phase 1)	Agree programme, delivery and procurement strategy of small sites development	June 2015
Establishing an SPV	Decision on SPV	Sept 2015

Audit trail				
Consultation				
{This is important as it shows that consultation has been undertaken in the preparation of the report and provides a quick reference point for specific comments. It is important that officers remember to liaise with relevant councillors such as the Cabinet Member and the relevant Ward Members.}				
Name/Position	Lambeth cluster/division or partner	Date Sent	Date Received	Comments in para:
	Strategic Director ?			
Finance clearance	Business Partnering			
Legal clearance	Enabling: Integrated Support: Legal Services			
Democratic Services clearance	Enabling: Corporate Affairs: Democratic Services			
Councillor	Cabinet Member:			
Councillor	Ward Councillor			
External				
For internal reports, list internal meetings where issue has been considered				

Report history	
Original discussion with Cabinet Member	XX.XX.14
Report deadline	XX.XX.14
Date final report sent	XX.XX.14
Report no.	/14-15 Democratic Services to complete
Part II Exempt from Disclosure/confidential accompanying report?	Yes/No
Key decision report	Yes/No
Date first appeared on forward plan	XX.XX.14

<p><b>Key decision reasons</b></p> <p>Delete as appropriate or state N/A</p>	<p>EITHER 1. Will amend Community Plan Outcomes Framework or Budget and Policy Framework</p> <p>OR 2. Expenditure, income or savings in excess of £500,000</p> <p>OR 3. Meets community impact test</p>
<p><b>Background information MANDATORY</b></p> <p>Insert headings for a few main <b>public</b> documents you have used or referenced to write this report. This is a legal requirement. For Cabinet reports, insert hyperlinks. Do not list private documents (such as OB reports). Detailed procurement information will need to be provided in an internal procurement report but will not be appended to this report (and the public info. will be a background document).</p>	<p>Policy doc ABC</p> <p>Govt advice DEF</p> <p>Cabinet report GHI</p>
<p><b>Appendices</b></p> <p>If (in rare circumstances) appendices are essential to the understanding of the report, list titles here. Ensure that appendices have proper titles.</p>	<p>None.</p>

DELETE THIS PAGE IF THIS IS NOT A DELEGATED DECISION REPORT. If it is, update to show consutees and the approver.

**APPROVAL BY CABINET MEMBER OR OFFICER IN ACCORDANCE WITH SCHEME OF DELEGATION**

Note: the Council will be adopting a process of electronic approval; this section will then be deleted from the template.

DELETE THE SIGNATURE PARAS. BELOW THAT ARE NOT REQUIRED

**I confirm I have been consulted on this report:**

Signature \_\_\_\_\_ Date \_\_\_\_\_

Post TYPE FIRST AND SECOND NAMES  
AND OFFICER POST TITLE (IN FULL) HERE

**I approve the above recommendations:**

Signature \_\_\_\_\_ Date \_\_\_\_\_

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AND OFFICER POST TITLE (IN FULL) HERE

**I confirm I have consulted the relevant Cabinet Members, including the Leader of the Council (if required), and approve the above recommendations:**

Signature \_\_\_\_\_ Date \_\_\_\_\_

Post TYPE FIRST AND SECOND NAMES  
CABINET MEMBER: TITLE

**Any declarations of interest (or exemptions granted):**

Issue	Interest declared
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