



Report for:
ACTION/INFORMATION* (delete as appropriate)

Item Number:

Contains Confidential or Exempt Information	NO
Title	Broadway Living - Risks and Mitigations
Responsible Officer(s)	Peter George – Strategic Director of Economy and Sustainability
Author(s)	Ozay Ali, Interim Housing Development Transformation Director; Philip Browne, Director of Housing Development
Portfolio(s)	Cllr Shital Manro, Cabinet Member for Good Growth and New Homes
For Consideration By	Overview and Scrutiny Committee
Date to be Considered	30 th November 2023

Purpose of Report:

To consider the Council's risks regarding Broadway Living, including changes to the business plan due to the fiscal environment changing, exposure to financial and reputational risk and BL's delivery of genuinely affordable homes

1. Recommendations

- a. To note changes in Broadway Living’s business plan, arising out of a harsher economic and operational climate for the development of affordable housing across the country.
- b. note the ongoing transformation activities that will impact on Broadway Living’s future business plans
- c. To note the various reviews/policy work that will strengthen controls and reduce risk across the entire development process

2. Key Implications

Taken as a suite of actions and interventions by Ealing Council, it is anticipated that the Council will ensure value for money in its pursuit of delivery genuinely affordable homes.

3. Background and timeline

In **October 2013**, the Council initiated a significant endeavour to bolster affordable housing by establishing Broadway Living, a wholly-owned subsidiary. This initiative, further formalised with its incorporation in **March**

2014, was driven by two key motivations: addressing the financial limitations faced by local authorities prior to the lifting of the HRA borrowing cap, and capitalising on commercial opportunities that local housing companies provide in mitigating homelessness and housing pressures.

This strategic move was mirrored by many councils, who recognised the myriad benefits of setting up independent housing companies. These benefits included strategic alignment with the parent/grandparent council, enhanced autonomy in managing assets, reduced susceptibility to changes in government policy, expanded commercial opportunities, a dynamic and innovative organisational culture, attraction and retention of specialised staff, and valuable insights from external board members experienced in housing development and management. This model was also anticipated to offer greater flexibility in delivery mechanisms.

In a significant development, **2020** saw Broadway Living RP (BLRP) gain registration with the Regulator of Social Housing as a not-for-profit Registered provider, positioning itself with the primary aim of developing, owning, and managing affordable housing. BLRP was established in a group company structure, with Broadway Living as the parent entity and the Council as the grandparent. Both companies operate under the governance of their independent boards, which include Council representatives, and are financed primarily through rental income, Council loans and grants from the Greater London Authority (GLA).

BL Ltd has 44 homes and BLRP currently has 61 homes in management, which will rise to circa 376 homes with completion of their Tranche 1 Programme, which is supported by grant funding from the GLAs extended Affordable Homes Programme 2016/23.

Over the last two years, the Council's governance of Broadway Living (BL) and Broadway Living RP (BLRP) have been the subject of several reviews and audits to pinpoint improvement areas. In January 2022, PricewaterhouseCoopers (PwC) led a significant review, followed by an internal review by interim Director of Housing, Sheron Carter, which examined governance processes within the Council including gateways for approving development proposals and land transfers. In May 2022, the 'Future Together' Away Day was organised to discuss collaborative improvements. In March 2023, PwC completed another internal audit focusing on the strategic alignment of the companies and the Council, while Savills reviewed the BL and BLRP boards at BL's request.

The findings from these five assessments, conducted over sixteen months, were integrated into the report, 'Building a Better Future: A Compilation of Recommendations for Broadway Living & Broadway Living RP'. While some of the recommendations from these reviews and audits might be outdated or already in progress, others are still relevant and require action.

Additionally, in June 2023, an independent 'Resource and Skills' audit was conducted by Joanna Embling, a consultant in Housing Development and Regeneration.

The overarching mission of the Broadway Living Group is to provide 'sustainable, high-quality affordable homes and foster thriving communities in Ealing'. Their core values encompass care and respect, accountability, collaboration, trustworthiness, and innovation.

Long-term, and subject to viability, Broadway Living RP aims to develop around 250 homes annually. Its funding sources and revenue streams include GLA grants, Council loans, rental income, cross-subsidisation from a sale homes programme, and other smaller grants.

The existing business plans for Broadway Living and Broadway Living RP need to be recalibrated to take into account the current economic realities that confront all developers, Registered Housing Providers and local authorities.

In terms of that recalibration, Officers are considering strategic options that will help Broadway Living and Broadway Living RP further contribute towards the delivery of 4,000 genuinely affordable homes and the Boards of Broadway Living and Broadway Living RP will be consulted and engaged throughout the process.

In January 2024 the Council is taking the Housing Strategy to Cabinet and at the same time will publish the Affordable Housing Delivery Plan. The former will provide the strategic overview and direction for the Council's approach to housing in the Borough, whilst the latter will focus on providing a plan on

4. Financial

a) Financial impact on the budget

The business plan of Broadway Living has been adversely affected by the reduced development activities due to harsher economic conditions across the development sector. The sharp rises in general inflation, construction cost related inflation & interest rates have all contributed to adversely impact on scheme viability for all developments funded by Ealing Council.

b) Financial background

The Council has secured £108m grant from the Greater London Authority for the 2021-2026 Affordable programme. Currently, £10m has been allocated to Broadway Living Ltd to support funding for its Affordable programme.

C) Financial overview

The Accounts of Broadway Living Ltd is due to be published in December 23, further updates will be made available in due course. However, Broadway Living RP's Accounts has been filed with the regulator back in September 2023.

d) Financial Viability impacts on delivery

As mentioned in 4 a) above, the programme has been adversely impacted due to the challenging operating climate that is affecting viability across the entire development sector. The Council and BLRP are currently re-assessing the viability of the programme and all of the projects within it, but we can report that the **Buckingham Avenue project** will be delivered into Broadway Living RP on completion, which should take place in March 2024. A project overview is appended to this report.

Further discussions about the potential transfer [to Broadway Living RP] of the developments at Southall Car Park and Dean Gardens have not been concluded as yet and will be subject to agreement on the terms of any transfer.

5. Legal

The Council is working on preparing a **Housing Development Transformation Plan** that will set out how the Council will organise development activities given the harsher economic climate. As part of that plan, the Council will prepare a new Shareholder Agreement, Loan Agreement and will seek to generally improve governance, monitoring and liaison arrangements with Broadway Living. The Council will consult with the Board of Broadway Living to develop the transformation plan and officers will ensure that the plan is adequately resourced within the appropriate legal and financial frameworks.

6. Value For Money

The Council is acutely aware of the need to provide value for money within a controlled set of development processes. Accordingly, the Council has commenced a series of critical reviews that will ensure that the Council delivers value for money across all development activities, including any that are delivered into Broadway Living or Broadway Living RP. These are summarised below:

- a. Housing Development Gateway Review Process – the Council is currently in the process of designing a new approvals process that will apply to all development funded by the Council. Broadway Living/Broadway Living RP developments will also be subject to the same procedures as apply to Council developments.
- b. Hurdle rates and other financial factors – these key elements of ensuring value for money are being improved to ensure that they consistently reflect the Council's financial policies. The application of new hurdle rates and economic factors will also ensure that the viability of Broadway Living and Broadway Living RP, as required, are maintained in the future.

- c. Financial Capacity Reviews – the HRA and GF are currently undergoing financial capacity reviews that will inform the Council’s capacity to support additional/new borrowing and onward lending to Broadway Living/Broadway Living RP

It is essential to note that the reviews being undertaken are interdependent and collectively will contribute to better value for money in future development activities, including those on behalf of Broadway Living.

7. Sustainability Impact Appraisal

All developments delivered to Broadway Living will meet the Council’s sustainability policies

8. Risk Management

The actions outlined in this report will reduce risk and ensure that the Council’s good reputation is upheld. The improved operating arrangements will also ensure that Broadway Living/Broadway Living RP can each continue to make a valuable contribution to the delivery of genuinely affordable homes in the future.

9. Community Safety

There are no community safety implications in this report.

10. Links to the 3 Key Priorities for the Borough

Delivering genuinely affordable homes will help the Council meet one of its key priorities, **fighting inequality**.

The lack of genuinely affordable homes has a devastating impact on the health and wellbeing of those in our community who are poorly housed or who may be homeless or at risk of homelessness.

11. Equalities, Human Rights and Community Cohesion

There are no specific implications within this report.

11. Staffing/Workforce and Accommodation implications:

There are no immediate implications for Broadway Living in this report, but as the Transformation Plan evolves, it is clear that a resourcing plan will need to be developed to ensure that Broadway Living is well resourced and able to deliver its commitments.

12. Property and Assets

There are no specific implications in this report.

13. Consultation

The Council will be consulting the Boards of Broadway Living and Broadway Living RP as new operating arrangements are progressed.

14. Timetable for Implementation

The timetable for implementing the new arrangements is Q2/2024.

15. Appendices –

- a. Appendix 1 - Cabinet Report – July 2021
- b. Appendix 2 - Buckingham Avenue – project overview

16. Background Information

- a. Appendix 3 - Broadway Living Business plan 2020-2025