

# Broadway Living Limited business plan



2021 – 2026

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**Confidential Financial Appendix separately attached**

# 1. Introduction

This business plan is a response to, and sets out, Ealing Council's new commission to Broadway Living Limited (BLL) together with the objectives, activities, staffing and resourcing, funding and governance necessary to deliver that commission. The plan also forecasts BLL's financial performance to 2026 and provides an insight into work beyond that date. The Council's new commission reflected in this plan represents a crossroads in the story of the BL group, and it sets out how BLL will help the Council and BLRP tackle the housing crisis over the coming years.

The Council's updated commission to BLL will make house-building a core Council activity. It has tasked BLL with delivering the Greater London Authority's £99.4m grant to the borough (from the GLA's Building Council Homes for Londoners programme), which will deliver over 1,100 of these new homes through the approved BLRP business plan and set a new target of delivering 500 new affordable homes a year.

BLL was originally established by the Council in 2014 to address the lack of high quality, public-funded, affordable rental accommodation in the borough. Six years on, BLL is an award-winning developer – and a key component in the Council's plans to deliver 2,500 genuinely affordable new homes by 2022.

BLL has set up a wholly owned subsidiary, Broadway Living RP (BLRP) and in October 2020 it secured registration with the Regulator of Social Housing, as a not-for-profit registered provider, enabling it to receive grant. BLRP will develop and own affordable housing and other housing assets.

The Council, as ultimate parent, and BLL, have approved BLRP's business plan to develop over 1,500 new homes over the next eight years, and the Council has agreed to provide up to £400 million debt finance to deliver BLRP's business plan. BLL will transfer the assets it currently owns to BLRP, and the acquisition of these BLL assets is included in the BLRP business plan.

The establishment of BLRP has created a group structure, with BLL as the parent company, in which the Council is the sole shareholder. In this plan where we refer to BL, this is the over-arching 'brand' which describes the two companies BLL and BLRP, which together form the BL group of companies. The group itself is not a legal entity. References in this plan to BLL or BLRP are specific to that company.

Further to the Council's new commission, it is intended that BLL will provide development management and other professional services to BLRP for the delivery of its business plan and will provide development and sales management and regeneration services to the Council for the delivery of the Council's large, complex, regeneration programme, and for the delivery of its Housing Revenue Account new-build programme. The provision of these services is BLL's core business and the basis for this business plan. The business plan will be updated to reflect any future changes in the Council's commission to BLL.

On implementation of this business plan and the transfer of its assets to BLRP (to take place within the first year of business), BLL will be a 'for-profit' professional services company. Its income will be derived from fees charged for the development management services it provides to BLRP and to Ealing Council which will be in line with those charged generally in the industry. The cost of operating BLL will be paid for through the value it generates for the Council.

This plan also explains how, through good governance, risk management, and accountability policies, BLL will ensure the appropriate and effective identification, quantification and management of risk involved in the group's activities in delivering the Council's new commission.

Prior to this plan achieving Cabinet approval, and implementation of BLL's resource plan, the Council will continue to provide development management services to BLRP, and the cost to the Council of these services will be recouped through the BLRP's business activities and is reflected in the business plans and financial forecasts for BLRP.

BLL will expand to become the Council's main vehicle for housing development consultancy services. Together, BLL and BLRP will transform the way in which the Council benefits from its housing and land assets. They will support the Council's commitment to create 2,500 genuinely affordable new homes by 2022, make best use of the Council's land and work with partners to increase the number of high-quality socially rented homes. BLL will support BLRP to develop a future, sustainable long-term programme of housing development, using profits from private sales to subsidise more genuinely affordable homes.

In addition to the schemes driving the recently approved BLRP business plan, the Council has also identified land with potential for up to a further 6,000 new homes. BLL (providing the development services) will assess this additional land and progress opportunities using agreed diligence and governance processes between BLL, BLRP and the Council, to form a new programme of activity to bring into a future BLRP business plan, or for delivery in the Housing Revenue Account.

This business plan sets out the ways in which BLL will help the Council and BLRP achieve these aims, along with the controls, protections, structures and forecasts that will deliver sustainable, high-quality, affordable homes for the communities in Ealing.

## 2. Executive summary

This business plan sets out the objectives, activities, services to be provided, staffing and resourcing, funding, governance and the commissioning of Broadway Living Limited BLL. The plan also forecasts its financial performance to 2025 and provides an insight into work beyond that date. The headings below reflect the structure of this plan and summarise the sections they relate to.

### 2.1 Operating context

Ealing set up Broadway Living to contribute towards alleviating the shortage of affordable homes in the borough and substantial pressure on the Council's housing waiting list. Through its Council Plan 2018-22 Ealing Council committed to creating 2,500 new good quality genuinely affordable homes in the borough by 2022 and a new target of creating 500 new affordable homes annually has been set.

The Council's new commission to BL group, including BLL and its subsidiary BLRP, is driven by the primary objective to make house-building a core activity of Ealing Council once more, so that the housing crisis that affects its residents can be tackled more effectively. BLL will form an essential consultancy component of delivery mechanisms for building more and better homes in the borough, including delivery of the GLA-grant funded programme of 1,100 homes, alongside the Council's direct delivery and collaborations with developers and housing associations.

Impacts of Coronavirus and Brexit which was finalised as this plan was being developed on BLL's operating context, identified as either construction and market impacts, have been noted or anticipated and will be monitored closely.

### 2.2 Company structure

Broadway Living Limited (BLL) and Broadway Living Registered Provider (BLRP) have been established within the Council 'family' of businesses to deliver the Council's vision and strategic objectives and its new commission to Broadway Living group.

BLL, as a for-profit company limited by shares, will be the development agent providing development and regeneration consultancy services in return for fees via respective service level agreements to BLRP and to the Council, helping the Council to deliver its wider regeneration programme retained in the HRA, and the new housing funded by GLA grant - some elements of which will be retained by the HRA, and some by BLRP.

The Council and the BL boards have agreed a Scheme of Delegations setting out what is retained for approval by the Council as shareholder, and what sits within the accountability of the BLL and BLRP boards. The structure and memberships of the BLL and BLRP boards are set out and the Council will approve appointments and removals of directors, and any future business plans, or amendments to these.

### **2.3 BLL Governance**

BLL (and BLRP) are moving into an ambitious development phase and a new commissioning structure within the Council has been established to ensure there is appropriate oversight, supporting key decisions to be made within the agreed scheme of delegations. The Council's new commissioning role will guide and govern strategic functions, governance and decision-making, monitoring and accountability and delivery.

BLL's relationship with its sole shareholder (the Council) is governed by its Articles of Association which set out its objectives and activities and the matters that are reserved to the shareholder, including appointment and removal of directors and their powers, which can only be changed by the Council. The Council's Shareholder Representative is the Chief Executive of the Council.

### **2.4 Broadway Living Group's vision and objectives**

The Council's objective is to build its organisational and financial capacity so BLL, operating commercially but with a public sector ethos, becomes a centre of development expertise, innovation and advice for the Council to enable it to tackle those issues, and the wider regeneration issues of which the shortage of enough housing of the type and quality required is a core element. BL group's vision, corporate values and strategic objectives, which apply to BLL, have been agreed between the Council and BL, as a response to the Council's commission to BL and are set out in detail in section 6.

BLL's objectives include; the delivery of the GLA grant programme; to secure a future development programme; the provision of development management services for schemes already approved (and set out in the BLRP business plan); to deliver homes and services to enhance safety and well-being; and the development of BLL as a centre of development expertise that delivers value for money.

### **2.5 BLL services and staffing**

A key commission of the Council is for BLL to develop its capacity and resources to be a centre of development expertise and provide a development management service to the Council, including for its regeneration programme, and to provide development management services to BLRP. The scope of service will be set out in three Service Level Agreements (SLAs):

- Council providing office, finance, HR and IT services to BLL
- BLL providing development management, marketing and sales services to BLRP
- BLL providing services development management, marketing and sales to the Council

BLL's proposed structure and posts provide for a total of 32 staff (an organisational diagram is shown in section 7.3 below). Staffing and resources have been benchmarked against comparable council-led housing and regeneration development companies in London. Senior posts of managing director, new business director, development director, regeneration director, senior business manager and company secretary will run the business.

The senior business manager will liaise with the Council's Finance Manager and the finance department to manage BLL's finances and budget, management accounting for the business, including preparation of funding agreements, scheme appraisal reviews, day to day development finance activities, monitoring loan covenants, updating business plans and preparing financial information on the company and scheme for the Board and the Council.

Fees to be charged by BLL for development management services have been reviewed externally and are both comparable to levels in the market, and represent value for money.

## **2.6 BLL funding and budgets**

BLL is funded by development management fee income. A five year Profit & Loss forecast has been constructed which details income, expenditure and net profit/loss after tax. The financial controls will be set out in a Financial Management Policy for BL, the Council and BLRP and reviewed regularly. They have been discussed, and will be approved by, both BL and BLRP Boards, and the Council. The Board of BLRP have a regulatory responsibility to meet the Regulator of Social Housing's standards, in particular the Governance and Financial Viability Standards.

## **2.7 Risk management and mitigation**

BLL has adopted a risk management policy and process which requires risk to be actively managed and routinely updated and reviewed by the Board no less than four times a year. The Board is required to maintain risk registers, to support them in monitoring and managing the risks associated with all business activities proposed in this Business Plan. Risks are assessed in accordance with established Ealing Council risk management guidelines, including the application of a pre- and post-mitigation risk score.

The key areas of risk for BLL are those that would lead to failure to deliver the Council's housing strategy - development service delivery failure to BLRP, or to the Council, or both, or financial problems within BL or BLRP which could require further Council financial support as BL shareholder and would include risk arising from the new housing stock created and under management. A BLL risk register has been prepared and is included in S10.

## **2.8 Beyond 2026 and conclusions**

A year ago it became apparent a crossroads had been reached in BL group's potential for growth. The Council's bold response was to establish its own Registered Provider, BLRP, to attract GLA grant and assist in tackling the shortage of affordable homes in the borough. BL's successes to date and the borough's ongoing need for more homes, called for an enhanced effort and resources to deliver what the people of Ealing need.

BLL's essential role is delivery agent for the Council's housing strategy by providing enhanced development management and regeneration consultancy services within the Council's family of businesses; to create a programme going up to and beyond 2026 that will deliver at least 500 new



genuinely affordable homes in Ealing every year - the target set for BLL by the Council's new housing commission function. BLL will drive and help bring forward a development programme that meets that target using the skills and resources described in this plan.

## 3. Operating context

This section summarises key strategic and contextual drivers for BLL.

### 3.1 Evidence of need for Broadway Living group products and BLL services

Ealing set up BLL to contribute towards alleviating the shortage of affordable homes in the borough and substantial pressure on the Council's housing waiting list. BLL will form an essential consultancy component of delivery mechanisms for building more and better homes in the borough, alongside the Council's direct delivery and collaborations with developers and housing associations.

Ealing has a high level of need for affordable rented homes. Its 2018 Strategic Housing Market Assessment identified a need for 18,100 new social rent, London Living Rent and Affordable Rent properties in the 25 years between 2016-41. Over the period 2011-17 average private rents increased by 31% to around £1,500 per month and lower quartile house prices increased by 51% to £355,000.

The last census showed overcrowding at 23% of households. With nearly 14,000 households on the council's housing register (May 2018), and only around 800 social rented homes coming available to let each year, it is clear that many households are living in accommodation that is unaffordable, of poor quality, or otherwise does not meet their needs. An additional challenge is the loss of social housing stock through Right to Buy sales, which requires around 100 new social homes each year just to sustain provision.

### 3.2 The Council Plan

Through its Council Plan 2018-22 ([https://www.ealing.gov.uk/info/201033/council\\_and\\_local\\_decisions/300/council\\_plan/1](https://www.ealing.gov.uk/info/201033/council_and_local_decisions/300/council_plan/1)), Ealing Council has committed to creating 2,500 new good quality genuinely affordable homes in the borough by 2022. This would be a threefold increase in output compared to 2016-17 figures.

These will be delivered through a range of activities, such as the Council attracting private investment to develop sites, identifying new sites through the local plan, strengthening planning obligations, and using Council land. Some will be delivered by registered provider partners, and others by the Council itself and its subsidiary companies. By using a range of methods, including facilitation and direct delivery, the Council will maximise the potential output of affordable homes and will closely monitor delivery.

In terms of direct delivery, funding has been secured through the GLA's Building Council Homes for Londoners Programme, with a number of named sites identified and set out in the BLRP Business Plan approved by Cabinet in November 2020, with further sites included in the Housing Revenue Account budget.

The role and activities of BLL have been reviewed and will be strengthened as detailed in this business plan to support delivery of the Council Plan and BLRP's business plan.

### **3.3 Why Broadway Living Limited and not the Council?**

The Council continues to operate its homes through its Housing Revenue Account. The establishment and activities of the BL group since 2014 has demonstrated that it provides the Council with greater freedom to creatively manage its assets and engage in commercial activity more effectively, while contributing to the continued and improved operation of the HRA.

The expansion of BLL's role and capabilities as provider of development management and regeneration consultancy services represents the Council's belief in and commitment to this approach as the best way to tackle the borough's housing issues. The establishment and expansion of the BL group brings potential downsides, such as complexity, transaction costs, and possible value leakage. The group structure and the expansion of BLL's development management role, proposed in this plan, however, together with enhanced governance and risk management protocols, described in sections 5 and 10, will help manage these risks. It will also be easier to attract staff and expertise and brings with it the added value of external board members, while providing greater future flexibility.

This business plan addresses and explains how the Council and BLL, alongside BLRP, will manage these and other detailed issues.

### **3.4 The Council's commission to BLL**

The Council's new commission to BL group, including BLL and its subsidiary BLRP, is driven by the primary objective to make house-building a core activity of Ealing Council once more, so that the housing crisis that affects its residents (like the rest of London) can be tackled more effectively.

In doing this it will be able to apply GLA grant to deliver new homes. It will be able to create new, better, environmentally and economically sustainable places using the schemes that deliver the homes to be development-managed by BLL and owned by BLRP.

And to do this effectively, the Council needs an entity like BLL to act as a centre of development expertise that can help it manage commercial relationships with development partners on its behalf and provide expert advice to the Council. To do this well, BLL needs to project the right public sector values and ethos (set out in section 6.1 below).

The BLL and BLRP Boards and six senior council officers discussed the Council's commission to BL group in two workshops in November 2019 and January 2020 and as a result, the Council refreshed its commission to the BL group as follows:

- Develop a sustainable and long-term pipeline of genuinely affordable homes, starting with GLA programme of c.1,100
- Re-establish housing development as part of the Council's core business
- Build homes that meet the needs of the climate emergency and enhance the health and wellbeing of communities
- Manage the commercial relationships with development partners on behalf of the Council
- Act as a centre of expertise, advice and innovation for the Council

The establishment and commissioning of BLL, in the manner described in this business plan, will ensure these objectives are delivered.

### **3.5 Impacts arising from Coronavirus and Brexit**

Various impacts of the Coronavirus pandemic during 2020 made themselves apparent as this plan was being developed. Brexit has also been finalised. At the time of writing in January 2021 a new national lockdown had just been implemented and the first vaccinations against the virus had taken place. The potential impacts of the third lockdown and the rolling out of the vaccination programme have yet to emerge, as have the impacts of Brexit. But they might broadly be categorised as either 'market' or 'construction' impacts, sometimes a combination of the two. Key impacts noted during 2020 were:

#### **Construction impacts**

- Delays on site as contractors were initially unable to work, although the principle of construction work being allowed to continue in lockdown seems well established
- Reduced contractor productivity on restarting work - this threat has reduced as the pandemic has progressed
- Contractors' reluctance to tender for new work - [what can we say here? That contractors are coming to grips with the effects of the pandemic and there are no major signs that appetite for new work has diminished, especially in housing?]
- Unpredictable supply chain capacity/workforce availability/difficulties in pricing - supply chains have been affected both by the pandemic and Brexit and changes to the VAT rules for importers from the EU. These impacts will be closely monitored.

#### **Market impacts**

- Initial slowing of sales and uncertainty in sales pricing. It is reported that there will be considerable pressure on the UK housing market emerging possibly in Spring, downwards from depressed economic activity, but also possibly upwards from housing activity that has been suppressed in the pandemic. This too will be monitored.

- Impacts in terms of values, rents, and on the wider economy. It is too early to identify exactly what these are but there have been reports of reduced rents, for example, as people struggle with reduced household incomes. This will be monitored and reported.

It is anticipated that these construction and economic impacts arising from the Pandemic and Brexit are likely to continue during 2021 and after, albeit reducing as time progresses.

In terms of Brexit, the trade deal reached by the Government with the EU will hopefully mitigate some of the anticipated economic impacts in the UK, but it is difficult to isolate these from similar impacts arising from the pandemic..

In addition, the pandemic has undoubtedly had a substantial impact leading to unemployment and increased business uncertainty. Recruiters are receiving more applicants for a range of job roles, substantially more for some, including those posts involved in property maintenance for example. However, the competition for development related posts appears to continue to be challenging. If the Government's 'build, build, build' campaign is implemented this situation is not expected to change, and it may increase.

This business plan is based on costs, values and programme assumptions applicable at Q4 of 2020 and takes account of coronavirus impacts apparent at this date.

Potential future impacts could include programme delays, increases in delivery costs, and reductions in sales/rental values and the beneficial impact of successful vaccines being administered more widely. Negative impacts will be mitigated as far as possible by scenario planning of potential outcomes, with fair amendments to construction contract terms, contingency allowances and exit strategies.

Impacts will be constantly monitored and reported regularly and this business plans updated as required by changing circumstances.

## 4. Company structure

### 4.1 Introduction

Broadway Living Limited (BLL) and Broadway Living Registered Provider (BLRP) have been established within the Council 'family' of businesses to deliver the Council's vision and strategic objectives and its new commission to Broadway Living group.

BLL, as a for-profit company limited by shares, will be the development agent providing development and regeneration consultancy services in return for fees via respective service level agreements to BLRP and to the Council, helping the Council to deliver its wider regeneration programme retained in the HRA, and the new housing funded by GLA grant - some elements of which will be retained by the HRA, and some by BLRP.

BLRP is non-profit making and is a subsidiary of its parent, BLL. It is a company limited by guarantee and operates under its own Memorandum and Articles of Association which set out the company's status and activities. BLRP will own and manage affordable homes that it acquires and develops as part of Ealing Council's growth and regeneration activities.

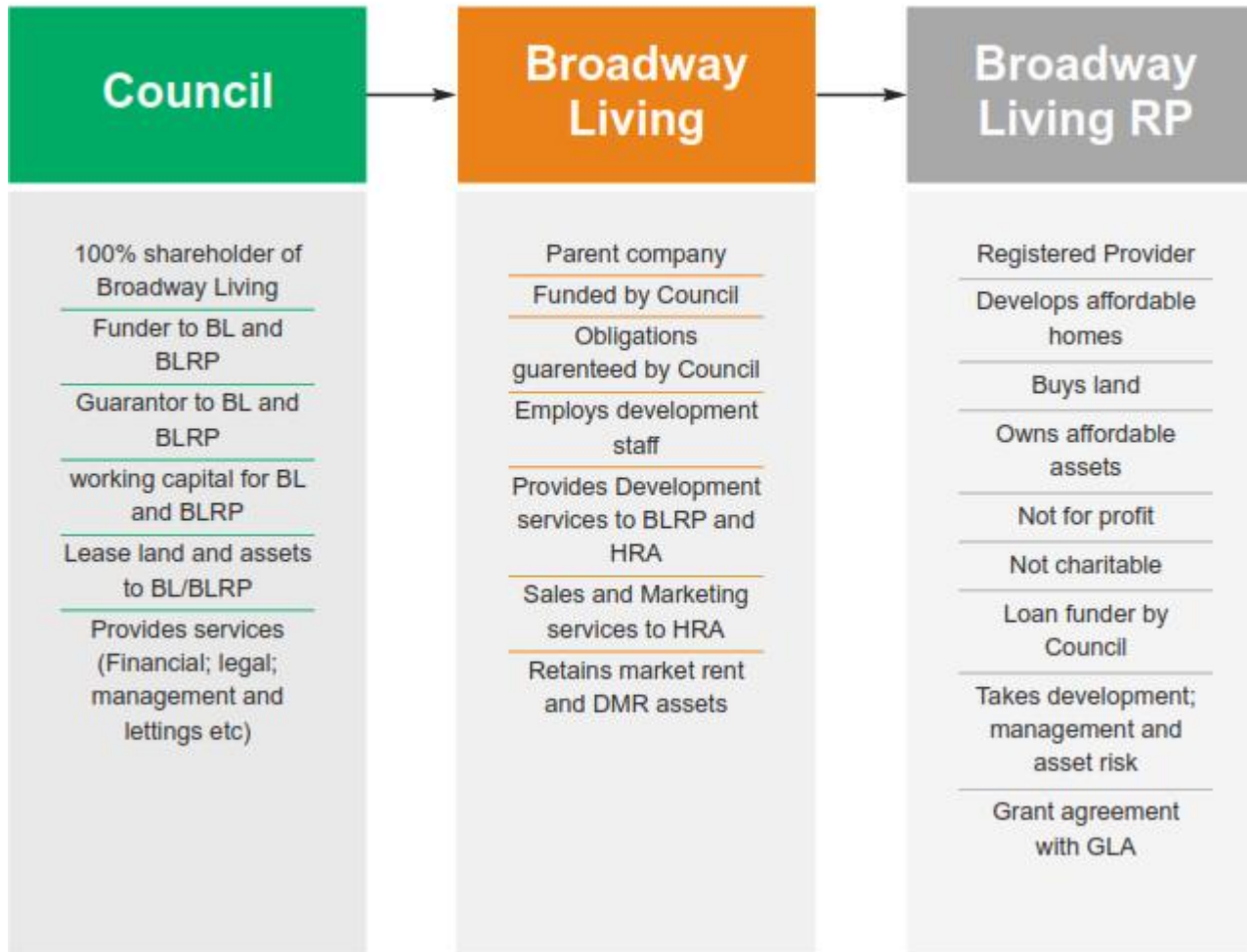
BLL is bringing forward this business plan for approval by the Council as shareholder, to enable it to offer a comprehensive development management and regeneration consultancy service to the Council and BLRP.

The Council and the BL boards have agreed a Scheme of Delegations setting out what is retained for approval by the Council as shareholder, and what sits within the accountability of the BLL and BLRP boards. The Council's agreement is required to amend the delegations of authority for both BLL and BLRP.

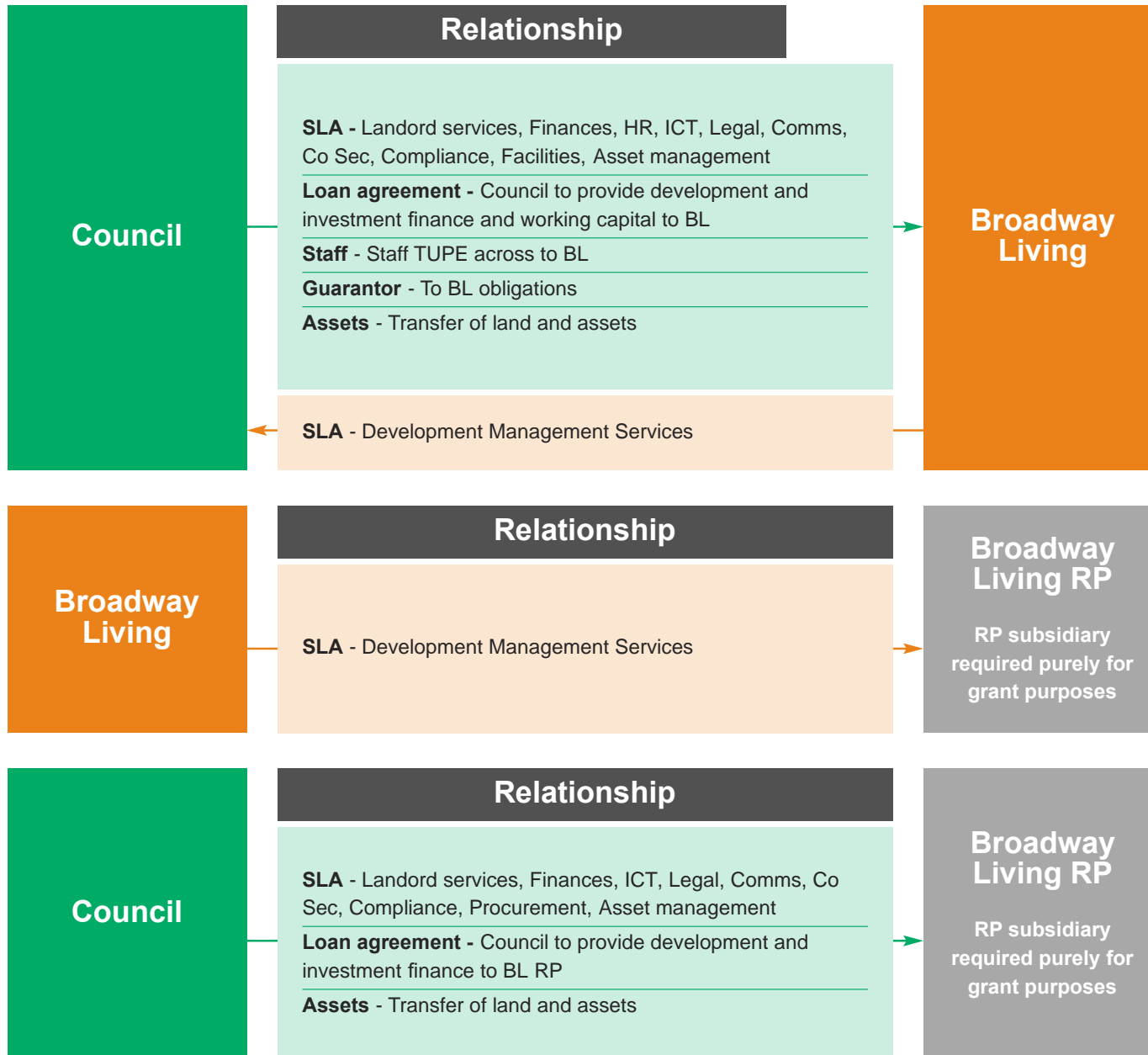
Key functions retained by the Council as shareholder is the appointment to, or removal of directors on BLL and BLRP's boards; and the approval of their business plans. By setting out the governance framework in this way, it enables the BL group companies to be run in a commercial way whilst still being sighted on the requirements of the shareholder.

Broadway Living group structures, roles and responsibilities and respective relationships with the Council and BLRP are shown in the diagrams below.

## BL group structure



**Broadway Living Group and the Council's relationships**





## **4.2 BLL and BLRP boards**

The BLL board currently has four directors, two of which are independent and two are Council employees.

The BLRP board has five directors, three independent (one from the BLL board), and two being Council employees (one of whom sits on BLL's board).

The independent directors of BLL and BLRP are paid £5,000 pa, plus expenses, as is usual across the Local Housing company and Registered Provider sector. Council directors are not paid any additional amounts to undertake this work.

The independent directors have been and will continue to be recruited using an open process, to ensure there is a broad skill set and relevant experience to effectively oversee the business. Directors' names and backgrounds of the non-council directors are shown below.

The boards are bringing forward an induction and training programme to ensure all board members have a thorough understanding of their obligations as company directors, and the additional requirements for BLRP Board members as part of the BLRP regulatory framework.

Both boards have completed a skills audit and have identified areas where additional training is needed. A programme of skills training will be developed to address this.

The boards will seek independent advice to support good governance and decision making. Boards will procure this advice as required. This may include legal, tax, financial and other advice.

## Broadway Living Board

<p><b>John Higgins (Chair)</b></p> <p>Chief Executive of First Priority HA</p> <p>20 years+ strategic finance, housing and business development experience in social housing and care sectors at senior management and director level</p> <p>Held non-exec director positions, including with Reading Council's housing company</p>	<p><b>Michael Hill</b></p> <p>Over 40 years' experience in local government planning and central government</p> <p>35 years at Countryside where he was New Business Director and Business Strategy Director</p> <p>Non-exec director at Bexley Council's housing company</p>	<p><b>Head of Corporate Health and Safety</b></p>	<p><b>Assistant Director of Children's Services</b></p>
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## Broadway Living RP Board

<p><b>Colin Sherriff (Chair)</b></p> <p>Non-exec board member at two RPs</p> <p>Over 20 years at CEO and Board Director level in housing sector</p> <p>Has held interim and CEO positions in a number of housing associations</p>	<p><b>Tomasin Renshaw</b></p> <p>Director of Development at Grosvenor</p> <p>20 years' experience in large scale mixed use developments</p> <p>Mentor for Women in Property and 30% Club</p>	<p><b>Michael Hill</b></p> <p>Over 40 years' experience in local government planning and central government</p> <p>35 years at Countryside where he was New Business Director and Business Strategy Director</p> <p>Non-exec director at Bexley Council's housing company</p>	<p><b>Assistant Director of Children's Services</b></p>	<p><b>Head of Housing (Prevention)</b></p>
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## 5. BLL Governance

### 5.1 The Council's new housing commissioning function

BLL (and BLRP) are now moving into an ambitious development phase and a new commissioning structure within the Council has been established to ensure there is appropriate oversight, supporting key decisions to be made within the agreed scheme of delegations.

BLL as a service company is being commissioned as the delivery agent of the Council's housing strategy. The commissioning function will ensure that there is a clear and transparent framework for Council decision-making and that the Council can be assured that it has accountability for BLL (and BLRP).

The Council's commissioning function will guide and govern:

- **Strategic functions** – setting the strategic housing strategy, working with BLL and BLRP to develop annual business plans and support the shareholder representative
- **Governance and decision making** – to create a streamlined and clear oversight and governance of the companies ensuring delivery of development and financial metrics
- **Monitoring and accountability** – regular monitoring of business plans and SLAs, corporate council position where there may be conflicts on development proposals
- **Operational and delivery** – clear commissioning briefs for BLL services, through SLAs and via its Asset Board,

The Council as corporate client will specify what type and mix of housing is needed and establish what expected corporate outcomes, such as service-driven, community-driven, and financial receipts, are required from BL group. It will include the monitoring of the performance and activities of BLL and BLRP.

### 5.2 BLL corporate governance, consents and delegations

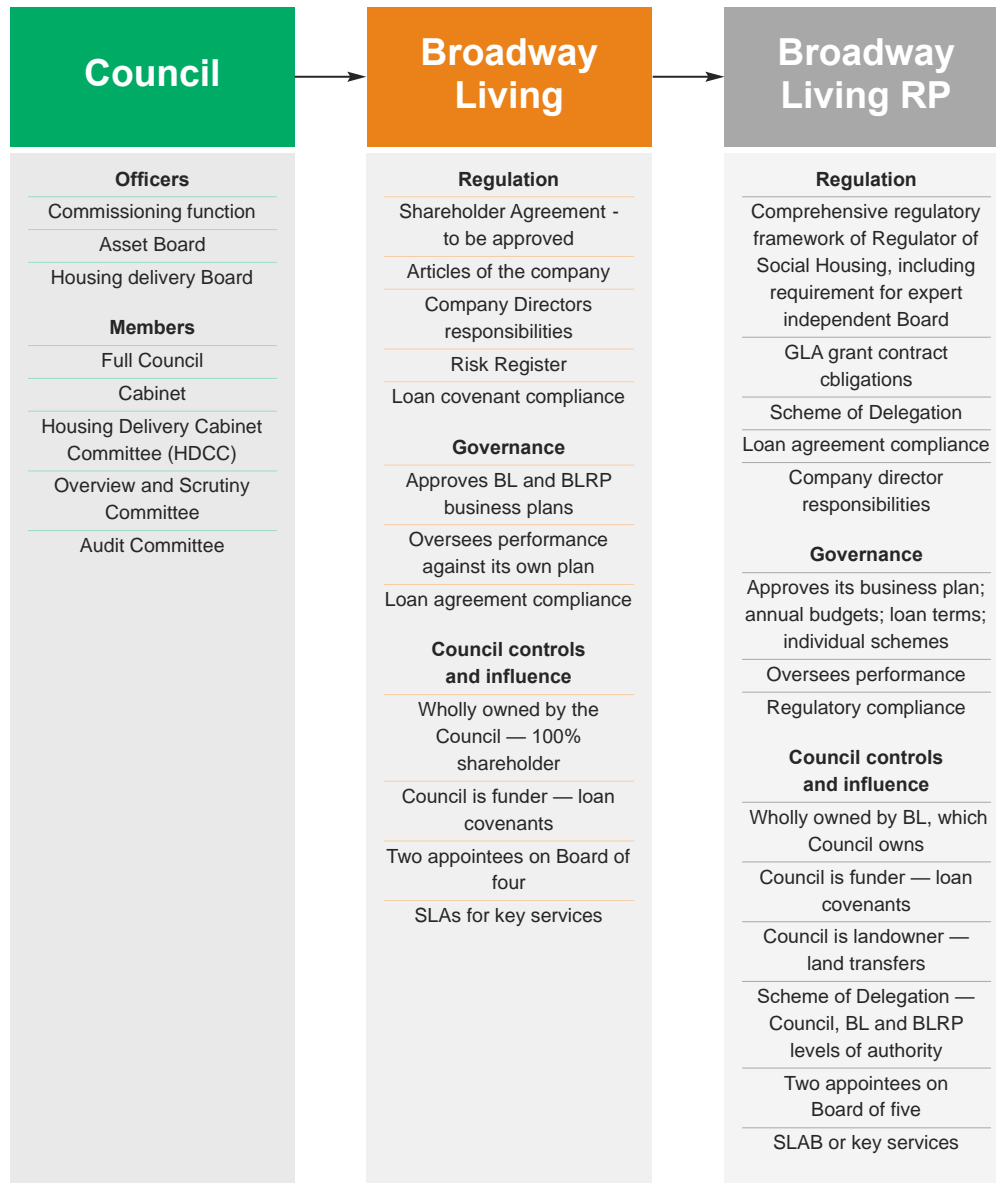
BLL's relationship with its sole shareholder (the Council) is governed by its Articles of Association, updated on 11<sup>th</sup> June 2018. These articles set out the objectives of the company, and its activities, and the matters that are reserved to the shareholder; they include the appointment and removal of Directors, and set out Directors' powers, which are defined, and can only be changed, by the Council.

The Articles of Association provide the Council with control of BLL, which is delegated to the Shareholder Representative – the Chief Executive of the Council. As sole shareholder decisions on the activities of BLL (and BLRP) require the Council’s approval. This is achieved through decisions taken by any one, or combination of, the following Council entities:

This structure will ensure that the Council’s ambitious target of delivering 2,500 genuinely affordable homes over the next four years as part of the Council’s Corporate Plan and thereafter 500 homes per year homes in the borough is achieved. Acting as the corporate client the Council will ensure BLL is clear about its remit and its outputs are aligned with the Council’s strategic vision.

The diagram below sets out how the overall structure, governance, regulatory and legal controls, together with member and officer controls and influences will operate together to provide the control of and accountability for BLL required:

## Governance and control diagram



## 6. Broadway Living Limited - vision and objectives

### 6.1 BLL vision and corporate values

A key driver is to re-establish house-building as a core Council service to tackle the issues arising from the borough's shortage of housing. The Council's objective is to build its organisational and financial capacity so BLL, operating commercially but with a public sector ethos, becomes a centre of development expertise, innovation and advice for the Council to enable it to tackle those issues, and the wider regeneration issues of which the shortage of enough housing of the type and quality required is a core element. BL group's vision, corporate values and strategic objectives have been agreed between the Council and BL, as a response to the Council's commission to BL (see 5.1 above). These are set out and defined below.

#### **BL group vision**

*To provide safe, sustainable, high-quality affordable homes and places for communities in Ealing.*

**Sustainable** - the provision over the long term, of mixed tenure homes, partly subsidised by cross-subsidy from the creation of market homes, that provide value for money, deliver good social outcomes and minimise impact on climate change.

**High quality** - means zero-carbon, safe and healthy homes and places that are well-designed and managed. A new Design Guide is being developed.

**Affordable** - homes should be affordable to rent or part-buy if no more than one third of the gross income of average local salary is spent on housing costs.

#### **BL group corporate values**

*In all its dealings delivering the vision, the group will express these values:*

**Care and respect:** 'Improving lives of residents' through the creation and long term provision of safe, sustainable, high quality, affordable homes.

**Accountable:** BL's values will reflect those of the Council. In being accountable, it will encourage and manage effectively the participation of all stakeholders in its decision-making. It will act on feedback to improve performance, and use its best endeavours to deliver the Council's strategies and objectives - to make things happen in the way envisaged by the Council and the BL and BLRP boards and to deliver value for money.

**Collaborative:** BL will be ambitious and confident in leading partnerships. It will share knowledge and ideas and challenge constructively and respectfully listen to feedback. It will overcome barriers to develop outcomes for residents and people.

**Trustworthy:** BL will do what it says it will do, on time and to budget. It will be open and honest and treat all people fairly.

**Innovative:** BL will explore ways to do things better, faster and for less cost. It will bring in ideas from outside to improve its products and performance and take calculated risks to improve outcomes. It will learn from mistakes and failures.

The boards of BLL and BLRP have agreed five strategic objectives for the period of this business plan. Delivery against these objectives will be regularly reviewed by the boards, and objectives will be reviewed annually with the Council as BLL shareholder.

1. BLL will manage the delivery the GLA's grant programme (£99.4m) to contribute to Ealing's target of 2,500 genuinely affordable homes.
2. BLL, as development manager, will secure a sustainable programme of development for 2022/23 and beyond, and meet the target of 500 new, genuinely affordable homes a year.
3. BLL to provide a development management service to the Council for its housing regeneration programme that delivers value for money.
4. Deliver homes and services that enhance the safety, health and wellbeing of communities in Ealing, and minimise impact on the climate emergency.
5. Build organisational and financial capacity so BLL becomes a centre of development expertise, innovation and advice for the Council.

Objective	2020/1	2021/2	2022/3
<b>1. Deliver GLA grant programme</b>	<p>Planning approval and start on site, Southall market car park - 125 homes</p> <p>Planning approval and start on site, Buckingham Avenue - 40 homes</p> <p>Planning approval and start on site – the six 'package 1' sites – 134 homes.</p>	<p>Planning approval and start on site for the remainder of GLA programme requiring starts on site by March 2022. Preparation of additional schemes to take up potential BLRP or HRA programme slippage, and any further grant available from the GLA in 2018-23 programme.</p> <p>Work up new allocations in the 2021/26 GLA programme for starts on site.</p>	<p>Completion of planning and procurement processes for the balance of the BLRP Business Plan schemes to achieve start on site by March 2023.</p> <p>Work up new allocations in the 2021/26 GLA programme for starts on site.</p>
<b>2. Secure future development programme</b>	<p>Progress proposals for redevelopment of three school sites in Ealing (2 LA owned).</p>		<p>Ongoing review of Council land opportunities to take the programme forward.</p>

Objective	2020/1	2021/2	2022/3
	<p>Ongoing review of Council land opportunities to take the programme forward.</p> <p>Work up and submit bid to GLA for fundng in the 2021-26 programme.</p>	<p>Ongoing review of Council land opportunities to take the programme forward.</p> <p>Engagement with the private market, developers, land owners and agents to identify and secure non-Council land opportunities.</p>	<p>Engagement with the private market, developers, land owners and agents to identify and secure non-Council land opportunities.</p>
<b>3. Development management services to the Council for following schemes:</b>			
<i>Havelock</i>	Agree revised terms with Catalyst	Revised Planning submitted for Havelock phase 2 plus	Enable works to start on site
<i>High Lane</i>	<p>Submit Planning application</p> <p>Completion of decants and buy-backs phase 1 site following confirmation of CPO</p>	Decant and start on site	
<i>Copley</i>	<p>Copley energy centre contract to start on site. Achieve 'Heat on' date.</p> <p>Progression of Phase 6 (201 new homes, community square, community centre,</p>	Hand-over of blocks forming affordable, and sale elements of the scheme.	Hand-over of blocks forming SO and SR elements of the scheme.



Objective	2020/1	2021/2	2022/3
	<p>management office and 2 x commercial units).</p> <p>Progression of phase 3 (19 refurbished flats and 3 x new build for SR).</p> <p>Scoping of phase 5 (refurbishment of 99 existing homes).</p> <p>Development of viability for circa 680 new homes as part of Phase 7</p>	<p>Unlikely to be handed-over until spring 2022 owing to programme delays (TBC).</p> <p>Phase 5 progresses.</p> <p>Report to Council's Cabinet; develop outline masterplan; commence negotiations with Network Rail. Ballot of residents. Decant and phasing programme developed.</p>	<p>Residents move into refurbished homes, enabling homes to be released for decants from phase 7.</p> <p>Decant &amp; buy-back programme underway. Develop CPO. Ground 10A consultation. Enabling works for construction of phase 7.</p>
<b><i>Golf Links</i></b>	<p>Set up Resident Steering Group – engage Independent tenant advisor.</p> <p>Carry out Housing needs survey</p>	<p>Ballot of residents. Decant and phasing programme developed. Revise planning approval for phase 3</p>	<p>Enable start on site for phase 3</p>
<b><i>Green Man Lane</i></b>	<p>Negotiate Dean Hall Church land swap on the estate and preparing demolition for phase 4</p>	<p>Completion of phase 3 Hand-over of blocks forming SO and SR elements of the scheme.</p> <p>Decant final tenants</p>	<p>Enable start on site for final phase</p>

Objective	2020/1	2021/2	2022/3
	Housing Needs surveys and (Ground 10a and CPO) to commence		
<b>Dean Gardens</b>	Enable start on site for phase 2 – license /lease agreements		Decant final tenants
<b>South Acton</b>	<p>Ongoing decant - currently over 600 active decants/buy backs in 8 phases/16 blocks.</p> <p>Post completion viability assessments for phases 2-5 in order to calculate overage/escrow sum due to LBE.</p> <p>Post-Covid re-phasing programme to be developed for the estate.</p> <p>Work with the Parks team to ensure Avenue Road and Bollo open space progress in unison with phasing programme.</p> <p>Get VP and successfully secure South Acton Working Men’s Club</p>	<p>Negotiate additional homes from Countryside</p> <p>Four additional blocks/2 phases to commence decant (156 homes)</p> <p>Phase 8.2 – post-planning VA and site hand-over. Subject to confirmation of CPO.</p> <p>Phase 8.1 - post-planning VA and site hand-over. Subject to confirmation of CPO.</p> <p>CPO phases 9.3, 9.6, 7.3 &amp; 7.4.</p> <p>Establish viability of the Michael Flanders site.</p>	<p>On-going land assembly, completions and PDA commitments i.e: PPV assessments &amp; PCV assessments.</p> <p>Work with new phasing plan, amendments to the masterplan</p>

Objective	2020/1	2021/2	2022/3
	<p>premises, following County Court case.</p> <p>Completion of first phase of 6.1 new build – hand-overs and resident moves.</p> <p>Phase 9.4 – conclusion of PPVA and site hand-over.</p>		
<b><i>Chesterton &amp; Evesham Ph2</i></b>	Establish housing need to Decant from Phase 1 build	Establish case for further development	Decant into stock
<b><i>Older Persons Housing strategy</i></b>	Agree decant strategy Linked to Lexden site and others	Housing need survey of Older persons	Decant into stock
<b><i>Yeading 1 Phase 3</i></b>	Engage in wider estate review of Northolt	Explore case for further development	
<b>4.Deliver homes and services to enhance well-being</b>	<p>Draft Development Guide issued, with focus on well-being, affordability and sustainability</p> <p>All scheme proposals assessed against Development Guide.</p>	<p>Finalise Development Guide, and ongoing review.</p> <p>All scheme proposals assessed against Development Guide.</p>	<p>Ongoing review of Development Guide.</p> <p>All scheme proposals assessed against Development Guide.</p>

Objective	2020/1	2021/2	2022/3
<b>5. Organisational capacity - build BLL as centre of development expertise</b>	Implement recruitment plan, recruiting to key posts. Conclude TUPE consultation.	Implement TUPE.  Continue recruitment to key posts.  Implement learning and development programme to support staff.  Ongoing review of resources to meet corporate objectives.  Agree and implement suite of supporting strategies policies and service level agreements Complete rebrand, agree and implement communications plan.	Ongoing review of resources to meet corporate objectives.

## 7. BLL services and staffing

### 7.1 Provision of development services to BLRP and the Council

A key commission of the Council is for BLL to develop its capacity and resources to be a centre of development expertise and provide a development management service to the Council, including for its regeneration programme, and to provide development management services to BLRP.

The scope of service will be set out in three Service Level Agreements (SLAs):

- Council providing office, finance, HR and IT services to BLL
- BLL providing development management, marketing and sales services to BLRP
- BLL providing services development management, marketing and sales to the Council

In the interim, before the SLAs are agreed and in place, the Council will continue to provide the development management services to BLRP. There is also one other SLA for services the Council will provide directly to BLRP.

The Council's regeneration programme involves regeneration of eight major estates, with just under 4,000 homes being replaced with 6,500 new homes. Five estates are being redeveloped in partnership with housing associations (one recently complete) and three are Council-led. Approximately 2,000 homes have already been built, 1,000 are on site and 3,500 are in the pipeline. One of those three Council-led schemes is Copley Close. 35 of the homes created in Copley Close will be purchased by BLRP on completion.

BLL will create a dedicated regeneration team to manage the Council's regeneration programme, with the Council's strategic housing and commissioning function acting as client. Priorities will be agreed with the Council through early engagement to consider the best options for stock investment and community outcomes.

### 7.2 Staffing and resources

This section includes the proposed organisational structure of BLL necessary for it to deliver its objectives, acting as the 'delivery agent' to the Council and BLRP. The structure is supported by reports from consultants Forrest HR and Savills which provide assurance on the structure, role profiles, and salaries. BLL board approved these proposals in August 2020 along with an implementation plan.

Section 8.8 demonstrates how the proposed staffing levels will be resourced from fee income. Section 8.9 describes enabling activities.

The staff complement will be resourced through direct recruitment and through TUPE (Transfer of Undertakings (Protection of Employment Regulations)) transfer from Ealing's Housing and Regeneration department, with staff transferring on current terms. Initial direct recruitment and TUPE transfer will be complemented with interim appointments and consultants as necessary. The full staff complement is not required from day one but will be recruited as the BLRP programme is secured and moves forward, with the recruitment of specialist delivery roles taking schemes from pre-construction to completion.

The TUPE of staff from the Council to BLL is subject to consultation, which will begin following approval of this business plan by the Council. Both BLL and the Council have approved the principle of TUPE transfer. The Council's HR team will support in scope Council staff throughout this process; BLL will have independent advice. Externally sourced recruits will be contracted into BLL on new terms and conditions approved by BLL.

BLL will act as employer, and has adopted employment policies as required by statute and additional policies as indicated by good practice. Employment policies are based on extant Ealing policies where appropriate. New policies, needed to reflect the nature of employment under new terms and conditions, reflect industry good practice. All policies will be capable of review and amendment as required.

BLL will also require a payroll system, will need to offer pensions both to TUPE and new staff, and have appropriate employer insurances. It is proposed that the Council's HR service will offer payroll and pension services under an SLA. To continue provision of pensions to TUPE staff, BLL will apply for admitted body status to the Local Government Pension Scheme (LGPS) now operated by the Council. It is proposed to establish a defined contributions pension plan for externally recruited employees.

BLL Board has approved its corporate values, which will form the framework for the corporate culture and behaviours (set out in Section 6.1 above). This framework will be developed and implemented by the BLL senior leadership team once appointed.

### **Benchmarking staffing and resources**

The staffing and resources of comparable council-led housing development companies have been analysed in a benchmarking exercise to understand and check the proposed arrangements for BLL are in line with these companies - they include Homes for Lambeth, Croydon's Brick by Brick and Lewisham Homes. The exercise has provided assurance that BLL's proposals in this plan are considered to be appropriate and in line with what other London councils are doing. As further assurance, the proposed structure and posts for BLL is similar to that adopted by many Registered Providers delivering large-scale development programmes (see 7.3 below).

### **7.3 Proposed staffing structure**

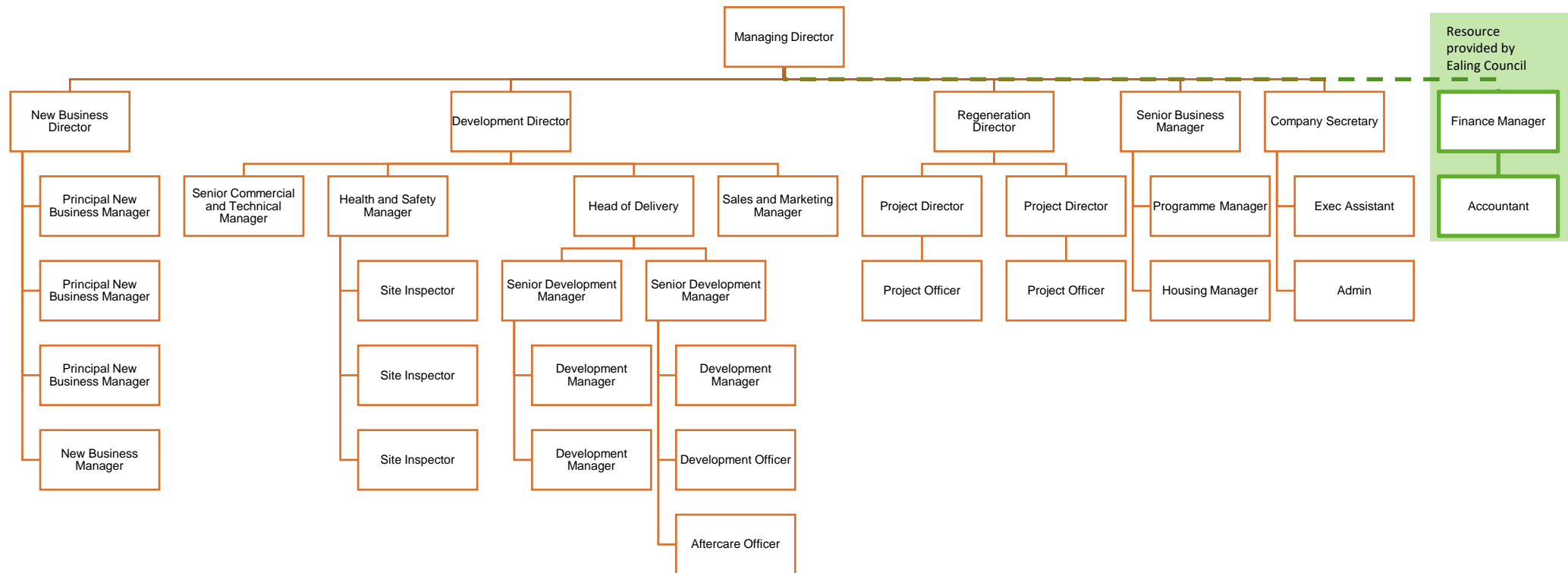
The proposed structure and posts, providing for a total of 32 staff, is set out in the BLL organisation diagram below. Key functions of BLL sit in the remit of senior officers, with three director level posts designed to provide a sound basis for handling a complex programme of diverse schemes.

A major part of the development programme for the Council is the delivery of identified and future estate regeneration. This activity requires specialist experience of estate regeneration and management of multi-faceted schemes and programmes. This includes managing the commercial and contractual relationships between the Council and its developer partners for five large, complex, estate regeneration projects. The Director of Regeneration and dedicated regeneration development staff are included for this purpose.

The business management, financial, commissioning, programme management and housing management functions are required within the business to ensure that BLL and BLRP can manage their business effectively, including interaction with the Council for services provided by it.

The level of staffing envisaged is required to deliver the scale of programme proposed and already being undertaken, while the structure provides for scaling up activity over time.

# BLL proposed staffing structure diagram





Around half the roles in this structure are likely to be filled by existing staff in the Council's Housing and Regeneration team, though this is subject to consultation and final approval of the consultation outcome by both the Council and BLL. The TUPE consultation is proposed to be held in early 2021.

Remaining roles will be recruited externally. The agreed implementation plan proposes that the managing director and the three directors will be in post on day one, through TUPE, and transfer of existing interim staff. Recruitment of external staff will begin on approval of this business plan, with key roles to be recruited over year 1 as required.

The staff structure below the Managing Director splits activities on a functional basis between New Business, Development Delivery, Regeneration, Business Management and Company Secretarial. The teams will work closely together to deliver BLL's objectives, with the three director level posts, the Senior Business Manager, Company Secretary and Finance Manager all part of the senior management team with the managing director.

The teams and their respective responsibilities are described below.

#### **7.4 New business**

This team will be accountable for identifying and securing land and new business for BLRP; and for both BLRP and the Council, will be accountable for development due diligence and feasibility, and progressing schemes through planning.

The new business team is at the front end of development and so needs to be at full compliment at an early stage. In addition to securing the existing BLRP programme, and progressing feasibility and planning on several regeneration schemes, the team will be accountable for identifying and progressing schemes to meet Broadway Living's objective of securing a programme of development activity in 2022/23 and beyond.

Team activity will range from land acquisition and planning for schemes to be delivered through direct development by BLRP, such as Lexden Road in the agreed BLRP business plan; BLRP partnership schemes, such as Perceval House and Gurnell leisure centre, where BLRP is acquiring from the Council the affordable homes required under planning requirements (s106); progressing masterplanning for Council regeneration schemes, such as the Golf Links estate masterplan; feasibility work for regeneration schemes supporting agreement of business plans; to negotiating with land owners and developers for third party land or development opportunities.

#### **7.5 Development**

The Development team will be accountable for delivery of projects from planning consent through to practical completion, marketing and sale of shared ownership and private sale homes, and management of defects, including customer care, through the liability period. This includes accountability for all technical matters, including the specification of homes, health and safety, development procedures; and all commercial aspects, including forms of building contract, consultants briefs and appointments, procurement of contractors.

The team will be involved in all projects from an early stage, to ensure proposals meet statutory and regulatory requirements, to support value optimisation, and to ensure seamless progression as schemes move from planning to delivery.

Team activity will range from the procurement and appointment of technical consultant teams, contractors, sales agents; project management of schemes from planning to final completion including programme, quality and account management; commissioning of buildings and handover to client teams, customer care and handling of defects; agreeing marketing strategies and sales; to maintaining technical documentation, development procedures, and procurement frameworks.

The technical and commercial aspects of the team's function will be covered by a Technical and Commercial Manager. Health and safety and construction quality will be managed in house by the Health and Safety Manager and their site inspection team. This is in line with developing registered providers' practice to employ in-house staff resource to monitor quality and safety on site, in response to the rightly increasing emphasis and requirements surrounding fire risk assessments and building safety

The Development Director will also have accountability for marketing and sales, and the structure includes a Sales Manager. This role will have responsibility for sales and marketing for around 350 sales homes, either shared ownership or full sale, in the current BLRP programme and an additional 85 direct sales homes in the Council's regeneration programme. In the short term this post will manage the input of external consultants into the sales and marketing strategies and delivery of sales for the early schemes in the programme. The Sales Manager will review the resource required as the development programme evolves.

## **7.6 Regeneration**

The Regeneration team will be accountable for managing the Council's substantial estate regeneration programme, including working with development partners and the Council to ensure each party meets its obligations in any Principle Development Agreements. Five of the eight active regeneration schemes are currently being delivered in this way.

Regeneration schemes require a holistic approach with team activities covering visioning, feasibility studies, market research, design development, planning, development, property and housing management, community engagement and investment. Schemes have complex, frequently changing development appraisals and business plans. They may require on-going resident consultation and engagement to develop proposals and manage other issues and may require resident ballots to agree proposals, alongside the development and delivery of community investment and economic regeneration initiatives and accountability to the community and stakeholders for delivery of agreed regeneration objectives.

The regeneration team's work may also be speculative in discovering and developing proposals, so costs of this work need to be monitored, carefully managed and quantified, and can be paid for from BLL's envisaged future development activity. This also applies to consultancy work on the Council's regeneration programme.

The regeneration director will be responsible for directing and overseeing the team's work, supported by two project directors and two project officers. Part of the director's role will be to communicate regeneration policy externally to prospective partners/investors. There will also be a need to prepare initial development studies, and to marshal relevant information for these, which can be 'packaged' and handed over to the development team for further detailed development and implementation.

The regeneration team will have oversight of the development management of the Council's direct development regeneration schemes and also the management of the contractual relationship on estate regeneration schemes being delivered by others.

Housing needs analysis and decanting of tenanted properties, will remain with the Council, though there will be close co-operation between the BLL regeneration team and Council officers delivering these activities.

### **7.7 Business management, programme management, housing commissioning and Company Secretary**

Overall financial management of BLL will sit with the Finance Manager within the Council's finance team (in place), providing financial management services as a cost to BLL via the Service Level Agreement between the Council and BLL.

Within BLL, a Senior Business Manager, will carry out a corporate service role, with oversight of housing, commissioning and programming. They will work across the company to manage the BLL business, and will be a link with the Finance Manager. As part of its commissioning function the senior business manager will manage relationships with service providers, ensuring that the provision of the services meets agreed KPIs set out in the SLAs.

This role will work with Finance Manager for and day to day development finance activities, ie paying contractors, drawing down/repaying loans, grants, monitoring loan covenants, etc.

The **Programme Manager** will set up and maintain accurate programme data and reports, and report on performance of the development and sales programme to the management team and BLL Board. They will be responsible for reviewing scheme appraisals with the development teams, the senior business manager and finance manager, managing the grant programme with the GLA and for making and monitoring grant claims. The post is a key point of contact for the senior business manager and wider finance team, to work on cashflow management, funding drawdown and financial performance of the programme.

The **Housing Manager** will be accountable for the commissioning and handover of completed units into management, working with lettings, property and housing management functions, as well as legal and finance teams. The role will also act as the BLRP client to the development function sitting in BLL, and will be the contact point inside BL representing BLRP for any resident queries not properly addressed through operation of the Council's housing management service.

This post is critical to achieving the successful handover and occupation of units as well as the successful provision of on-going management of the homes retained by BLRP. As the programme grows, it may be necessary to increase the resource in this area.

The **Company Secretary** role will be responsible for the governance arrangements and compliance requirements of BLL and BLRP as well as an office manager role. This role has been undertaken to date by external consultants, supported by an internal Project Manager.

### **7.8 Proposed BLL fee levels**

As a professional services company, BLL will cover its overheads, including resources costs, by charging fees for the services it provides.

The level of development management fee BLL will charge, in line with industry standard rates, is capped at between 3 to 5% of total scheme costs for BLRP schemes, depending on the size of individual schemes, with the fee capitalised by BLRP. Larger schemes will attract the lower figure of 3%, smaller schemes the higher figure of up to 5%. For the purposes of the Business Plan financial model 3.5% has been assumed for all BLRP development schemes and 1.5% – 3.5% has been assumed for the HRA Regeneration schemes.

A 3.5% fee is consistent with the assumption in many RP plans, which range from 3 – 5%, sometimes varied depending on the complexity and duration of the scheme. It is also consistent with development management charges seen in the private sector. In practice the fees will likely need to vary within the 3-5% range depending on the size and complexity of schemes and the resource required to deliver that scheme.

Resources required to deliver a scheme are mainly driven by its complexity rather than size and smaller and/or more complex schemes usually require more resource to manage relative to overall scheme value. Therefore, smaller schemes can reasonably expect higher management fees (in % terms) and for BL to be able to sustainably deliver those the Council or BLRP may need to account for a higher fee when establishing viability and capital budgets for such schemes.

The development management fee will cover the costs of the development operation and its overheads plus a margin of 10%. It is proposed that the billing profile to BLRP and the HRA is on this cost-plus structure. This is the preferred approach as it provides BLL with a predictable income and cashflow that covers expenditure and provides a buffer for some of the financial uncertainties around creating a new business whilst minimising

reliance on working capital from the Council. If there is a need for working capital over the first few years to support the BLL and BLRP business plans that is likely to vary on a year by year basis, which will need to be identified, justified and agreed by the BLL board and the Council.

The total development fee income from the current BLRP and HRA programmes is expected to be in the region of £23m. Calculations suggest that the income from the identified BLRP and Council HRA programmes, together with an additional charge for the management of regeneration schemes by third parties, will support the proposed level of staffing for 6-7 years. The profile of the first five years of income is shown in the five-year operating account in section 8.

This fee income will also need to support speculative work on new schemes which will be needed for the long-term viability of BLL. These schemes will be charged at the agreed fixed fee at that stage and BL will need to secure enough schemes to support its staffing and overheads cost and meet its income margin target.

To sustain the levels of income currently forecasted beyond the first six years of the Business Plan, new schemes will need to be secured from 2022/23 onwards. This will have resource implications for both BLL and the Council (if further regeneration schemes are identified). Depending on the volume of new schemes BLL's staffing budgets and resources may need to change to a level appropriate to the volume of schemes it manages. A review of BLL's and the HRA's capacity to deliver this speculative work will be done ahead of next year's business plans for BLL and the HRA.

In addition to development management fees the BLL draft budget assumes 2% of sales value fee income to cover sales and marketing costs of schemes for shared ownership and marketing schemes. This provides a further tranche of fee income to BLL above the development management fee and will cover sales and marketing - both in-house costs, legal and valuation costs and external agency fees and marketing costs.

## 7.9 Enabling activities

The table below summarises actions taken by Broadway Living group to create conditions for the establishment of BLL and BLRP, and summarises BLL's future activities:

What we have done	What we will do
<ul style="list-style-type: none"> <li>• Sustained delivery of identified development opportunities</li> <li>• Identified and secured future opportunities and forward pipeline</li> <li>• Agreed with the Council our vision, objectives and values</li> <li>• Reviewed the legal company structure necessary to deliver objectives</li> <li>• Secured registration with RoSH for BLRP</li> <li>• Submitted draft application to GLA for Investment Partner status</li> <li>• Agreed governance arrangements for current and future activities</li> <li>• Secured multi-tenure landlord (and other support) services from the Council</li> <li>• Agreed the scope of development and regeneration services to be provided to the Council</li> <li>• Agreed heads of terms for acquiring land from the Council for this business plan</li> <li>• Drafted loan terms with the Council</li> <li>• Starting recruitment to the BL staff team structure</li> </ul>	<ul style="list-style-type: none"> <li>• Act as agent for the development of affordable homes, market and sub-market homes for rent and sale, for BLRP and on behalf of the Council</li> <li>• Agree with the Council working capital for BLL and for BLRP, and development and investment funding to deliver both BLRP and BLL business plans</li> <li>• Acquire land from the Council for BLRP and progress developments on this land</li> <li>• Secure new development opportunities that meet Council and BLRP objectives</li> <li>• Progress residential development schemes in which BLRP will have an interest in the land, or, acting as agent for the Council, appoint consultants, obtain planning consent, procure development and construction partners, progress construction, accept handover of completed homes, secure occupation and management of the homes</li> <li>• Manage the sales process for BLRP or for the Council where sub-market or market homes are developed for sale</li> <li>• Recruit staff and manage resources sufficient to deliver our objectives</li> <li>• Research and secure grants, resources and wider opportunities to increase delivery of affordable homes</li> <li>• Operate as landlord for affordable, sub-market and market homes, until transfer of assets to BLRP</li> <li>• Advise on membership of joint ventures or limited liability partnerships, where these are appropriate delivery vehicles</li> <li>• Manage the branding and marketing of BLL and BLRP</li> <li>• Liaise with the GLA and other grant-investing bodies, securing subsidy and contributing to meet housing and regeneration targets</li> <li>• Contribute to Ealing's housing and regeneration policy work</li> <li>• Represent Ealing Council in forums with other providers</li> </ul>

## 7.10 BLL corporate infrastructure

### 7.10.1 Service Level Agreements (SLAs)

**Council providing services to BLL:** BLL has entered into a new SLA for the Council to provide services covering provision of finance, IT, legal, procurement, HR and comm's services. The inclusion of HR and IT and facilities services recognises BLL's role as employer. In entering into the new, wider-ranging SLA with the Council, BLL and the Council will be contracting as separate legal entities. It is therefore necessary that the contract incorporates standard commercial terms that define the relationship and terms of service, with clear service performance and quality standards and accountability protocols to be followed and fees to be paid. It will be reviewed annually by the parties to ensure flexibility on services and costs.

Use of the Council's resources (staff and systems) will assist in making BLL a robust trading entity. Given the existing reliance by BLL on the Council's infrastructure, the Council should be able to offer the BLL a significant level of value for money that it may find hard to match with another provider. This in itself will contribute to the wholly owned Council companies being robust and help protect the Council's investment.

**Proposed new contract between the Council and BLRP:** BLL also has an existing SLA with the Council for providing housing management of the existing assets it is currently managing. This will be deleted once BLL transfers these assets to BLRP, as intended in the first year of business, and replaced with a new SLA to cover these services which will then be provided by the Council to BLRP.

**BLL's services to the Council and to BLRP:** BLL will also enter into two new SLAs as a service provider to the Council, and also to BLRP. These contracts will cover the following services:

- BLL/Council: Development, sales, and regeneration development management services
- BLL/BLRP: Development and sales services; governance and operational support

### 7.10.2 Monitoring SLA performance

All SLAs will be underpinned by key performance indicators (KPIs) which ensure quality of service delivery. Some of the KPIs will be time-based, ensuring that services are provided efficiently. There will also be qualitative KPIs that ensure parties receive high levels of service which are competitive for the industry, and which specify key milestones, and quality standards, and that also meet BLL's value for money policy. This policy will be based on benchmarking of value for money within the industry and be reviewed annually to re-set or adjust targets.

Named contacts will be specified and escalation procedures will be in place to ensure that services are consistently delivered to a high standard from all parties. Quarterly reviews by BLL Board will provide early warning if, for example, the key Council objective of 500 new units a year is in doubt. All SLAs will be reviewed after 12 months to provide overview and flexibility in adjusting services, fees and costs.

### **7.10.3 Office premises and ICT systems**

BLL staff will be located at Perceval House, or other temporary or permanent Council offices, for at least the first year of operation, and BLL will rely on the council's email, data management and other ICT systems and services. This will be covered in the SLA between the Council and BLL. The budgets 20/21 and 21/22 include an allowance to cover office and ICT overheads.

### **7.10.4 Website and supporting e-comms**

BL group has its own website which it maintains. It is developing a communications strategy including internal and external communications and marketing. The communications strategy will be presented to the BLL and BLRP Boards for approval.

### **7.10.5 Insurances**

Appropriate insurances will be required to support corporate and delivery activities (e.g., Directors' liability, public liability, buildings insurances, etc.) for BLL and BLRP.

### **7.11 Professional, taxation and regulatory registrations**

The BLL Board will be responsible for ensuring that the company is registered appropriately with all statutory and trade bodies required to support its effective functioning. There will be a range of registrations for the company to put in place including, but not limited to, VAT registration and VAT group.

The BLL Board will ensure that all policies required to support the mobilisation and effective functioning of BLL across the business plan period are put in place. The Board will ensure, where possible, that policies mirror or support those of the Council, and will prepare, maintain and review a schedule of all policies.

### **7.12 Planned procurement and agreements**

BLL will develop a procurement policy to cover all its and BLRP procurement activity. The BL companies expect to undertake the following procurements during the life of this business plan:

- Professional advisors and contractor procurement for development schemes
- Formal tax and legal advice for development schemes and land transfers to ensure tax efficiency and full awareness of tax implications



- Services to support executive and corporate functions of BL companies (where these are not provided by the Council)
- BLL will procure on behalf of BLRP a new accounting system to replace the existing system, *QuickBooks*, as this system is not scalable to manage the volume of business anticipated
- Tenancy and asset management services – BLL currently engages the Council’s landlord services for its existing stock. BLRP will enter into an SLA with Council to provide this service once BLL assets are transferred to it.
- Specialist technical service providers

### **Key agreements**

BLL will manage for BL group a range of key agreements and contracts over the business planning period to deliver development, estates and tenant management activities, and corporate activities. The BLRP business plan will reflect the details of relevant key agreements. These are likely to include (but not exclusively):

- Form of agreement(s) for lease
- Form(s) of lease and associated agreements (e.g. warranties, wayleave agreements)
- Funding and associated agreements and finance documents
- Lease and tenancy agreements
- Service contracts for service providers
- Construction contracts and associated agreements such as warranties, parent company guarantees, bonds etc
- Estates and tenant management services contract
- Planning agreements including S106 agreements, S278 agreements etc
- Service level agreements

Within BLL, all contracts and agreements will be reviewed and approved by the relevant party/parties to the contract in accordance with BL policies. Where the Council is counterparty to a key agreement or contract, the Council’s own decision-making rules and processes as set out in the Council’s constitution will govern the Council’s endorsement of the respective agreement or contract.

### **7.13 Supporting strategies**

BL group has agreed its vision and strategic objectives. BLL will develop a range of strategies and policies, some for itself, some on behalf of BLRP, to frame and support delivery of group objectives which will also be reflected in BLRP's vision and objectives. These will include, but are not limited to:

- **Development strategy** – BLL will bring forward for BLRP Board's approval a detailed development strategy to set out how BLRP will meet its objectives to deliver more and better affordable homes
- **Investment policy** - Details of this are set out in section 8 below
- **Estate and tenant management strategy** – BLL will develop this for approval by BLRP
- **Communications strategy** – BLL will develop this for approval by BLRP
- **ICT strategy** - BLL will develop and implement this strategy for both companies
- **Procurement strategy** - Details on how services will be provided by the Council to BLL, by BLL to the Council and BLRP, via SLAs, are covered above
- **Risk strategy** - BLL has developed its own risk strategy (section 10 below) and will help to develop and manage BLRP's risk strategy, set out in the BLRP business plan. Both strategies will be evolved as business activities develop.

#### **7.14 Branding and corporate identity**

BLL will manage the BL group brand (see 8.13 below). This was used for the Council's highly successful shared ownership and market sales programme. The BL name helped market these homes, creating a successful and recognised brand that is known as a part of the Ealing corporate family. The brand has been strengthened by recognition as an award-winning developer, winning *The London Evening Standard* New Homes Awards 2018, *First Time Buyer Readers' Awards* 2018, *WhatHouse? Awards* 2018 and was a finalist for The Planning Awards 2018.

BL group will continue to develop its corporate identity of which BLRP will be a key element and ensure all stakeholders and the supply chain understand:

- What BL group is, its structure, and the role of BLRP within that
- Its relationship with the Council
- The mission given to it by the Council
- Why it is taking the actions that it is

A key part of this will be continuing to explain how BLL and BLRP are supporting the Council's plans to build more and better affordable homes for the people of Ealing. This process will also lay the foundation for future marketing of homes for sale and rent.

BL group recognises the need to align messaging externally, to customers in particular, with internal messages, to create a high-achieving employee culture. A strong employer brand will also help to minimise employment turnover.

BL group will continue to develop and publish content for a range of audiences, to be released as press releases on social media, and via presence at industry events. This will be complemented by marketing development work: identifying and targeting new developers, stakeholders and audiences for Broadway Living.

BL group will develop guiding principles for handling and differentiating between corporate communications (such as press releases, leaflets or video content) and customer service communications (such as estate maintenance queries). A process will be developed and agreed to decide who deals with different queries, the length of time to respond to questions and how any complaints and requests from tenants in Broadway Living properties are dealt with separately from press/industry liaison.

## 8. BLL Funding and budgets

### 8.1 Introduction

As set out in section 7.8 BLL is funded by development management fee income. It also has a legacy function as a landlord and therefore its historic budgets will include landlord income and management expenditure.

*The budget below does not factor in BLs current position as a landlord and is only concerned with the budget/business plan for the Development Management Business*

### 8.2 Expenditure assumptions

The finance appendix has a full breakdown of operating budgets and the assumptions behind the budget costing.

The biggest category of spend is employee costs. The budget in year one is less than year two reflecting vacancies but assumes that all posts are recruited to by the end of the year. In years 1 to 3 there is an allowance for additional agency staff to help manage the early years of the business which coincides with the forecasted peak of the BLRP and HRA Development Programmes. The finance appendix includes a table setting out post remuneration and the number of posts within each salary range.

Expenditure on service level agreements with the Council make up the second largest category of spend followed by overhead and professional services. A breakdown of these are within the finance appendix.

### 8.3 BLL 5 Year Profit & Loss Account Forecast (all figures in £000s)

Budget:	2021.22 Yr. 1	2022.23 Yr. 2	2023.24 Yr. 3	2024.25 Yr. 4	2025.26 Yr. 5	Total
<b>Income</b>						
BLRP Fees chargeable	£2,021	£2,726	£2,599	£1,494	£2,267	£11,107
HRA Fees chargeable	£1,365	£772	£969	£1,862	£1,156	£6,123
<b>Total fees</b>	<b>£3,386</b>	<b>£3,497</b>	<b>£3,567</b>	<b>£3,356</b>	<b>£3,423</b>	<b>£17,230</b>
<b>Expenditure</b>						

Employees	(£2,432)	(£2,750)	(£2,805)	(£2,606)	(£2,658)	(£13,250)
Overheads	(£230)	(£131)	(£134)	(£137)	(£139)	(£771)
Professional Services	(£73)	(£17)	(£17)	(£18)	(£18)	(£143)
LBE SLA Recharges	(£313)	(£250)	(£255)	(£260)	(£265)	(£1,342)
<b>Total Operating Costs</b>	<b>(£3,048)</b>	<b>(£3,148)</b>	<b>(£3,211)</b>	<b>(£3,020)</b>	<b>(£3,081)</b>	<b>(15,507)</b>
<b>Net profit/(loss) before tax</b>	<b>£339</b>	<b>£350</b>	<b>£357</b>	<b>£336</b>	<b>£342</b>	<b>£1,723</b>
<b>Corporation Tax at 19%</b>	<b>(£64)</b>	<b>(£66)</b>	<b>(£68)</b>	<b>(£64)</b>	<b>(£65)</b>	<b>(£327)</b>
<b>Net profit/(loss) after tax</b>	<b>£274</b>	<b>£283</b>	<b>£289</b>	<b>£272</b>	<b>£277</b>	<b>£1,396</b>

The Profit & Loss account above shows the development allowances generated by BLL as the development manager of its clients; Council and BLRP. All scheme-specific professional fees are paid directly via the client with budget allowances made in their respective Business Plans with BLL managing the consultants/contractors.

#### 8.4 Budget monitoring and reporting

The Finance SLA requires that the BLL financial performance against budget is reported regularly to the board. This is already established practice and will continue with the added requirement to forecast on the BLL income pipeline. In addition BL group will be reporting to the Council, as shareholder, on a quarterly basis.

#### 8.5 BLL Financial controls

BLL will ensure it has robust financial controls. The Board of BLRP also have a regulatory responsibility to meet the Regulator of Social Housing's standards, in particular the Governance and Financial Viability Standards. The standards are designed to ensure no social housing asset is put at risk. The BLRP Board will monitor this compliance, with BLL overseeing this as parent and reporting its own compliance to the Council, as shareholder. The financial controls will be set out in a Financial Management Policy for BL, the Council and BLRP and reviewed regularly. They have been discussed, and will be approved by, both BL and BLRP Boards. They include:

- Independent assurance to BLL and BLRP on the terms of Council funding
- Compliance with GLA capital funding conditions and Council's loan conditions

- Implement the Investment Policy
- Maintain sufficient liquidity in both companies
- Clear SLAs and charging for services between BLL/BLRP and the Council, and between BLL and BLRP
- BLRP board to monitor compliance with Viability standard
- BLL and BLRP will adopt Financial Regulations and Contract Procedures with clear levels of delegated authority
- There will be sufficient segregation of duties on payment authorisations
- BLL and BLRP operating budgets will include for the resources necessary to deliver the objectives

The BL boards recognise that sound financial management will be critical to the success of the group. A key element of that will be ensuring that development, investment and working capital loans can be repaid to the Council as its lender. The basis of financial viability for each site will be agreed prior to drawdown of funds by the BLRP Board and the Council as lender, and will be regularly monitored throughout the delivery period. BLL will regularly review performance of the BLRP business plan, ensuring growth and risks are carefully managed. The companies will have sufficient financial and human resources to do so. Operational responsibility for this will rest with the BLL Managing Director, overseen by the BLRP and BL boards.

### **8.6 Tax implications**

The Council's tax advisors have considered and are providing ongoing advice on BLL's tax position and how this effects the Council's tax position. No assumption has been made about prior year allowable losses. If available, however, this could improve the position shown here by reducing BLL's corporation tax liability for the earlier years where it makes a profit.

### **8.7 Existing BLL budget**

BLL has existing income realised from its current landlord function for 42 rented homes. The budget for 2020/21 was a surplus of £368,000 net rents (before interest). This however does not form part of the long-term financial plan and as such is not factored into the financial implications and figures above. The BLRP business plan includes funding to transfer these properties from BL Limited at the end of 2020/21. This timing is looking unlikely given the practical obstacles to achieve the required undertakings to get the properties transferred such as valuing occupied, tenanted properties.

Therefore, due to this delay this budget will carry into 2021/22 and enhance the income position in this year. An adjustment will take place when the property transfers are completed.

### **8.8 Impact on BLRP Business Plan**

In putting together the BLL Financial Plan consideration has been given to the impact of the non-development SLAs BLRP will have with the Council and BLL. These include support for regulatory requirements and company services such financial, legal and secretarial. These will have an effect on BLRP's operating budget requirements. The effect of these will be confirmed once the timing of the property transfers from BLL is concluded. Any delay to the property transfers will reduce the net rental income for BLRP in 2021/22 and may require working capital to support it in the period leading up to the transfer.

## 9. Risk management and mitigation

### 9.1 Risk management policy

BLL has adopted a risk management policy and process which requires risk to be actively managed and routinely updated and reviewed by the Board no less than four times a year.

A 'risk aware' culture encourages the identification and assessment of risks on a corporate and development programme level, identifying and assigning ownership for mitigation.

The Board maintains risk registers, to support them in monitoring and managing the risks associated with all business activities proposed in this Business Plan. Risks are assessed in accordance with established Ealing Council risk management guidelines, including the application of a pre- and post-mitigation risk score.

When recommending this business plan to the Council's Cabinet for approval, the BLL Board will bring to the Council's attention (as BLL shareholder) the key, or headline risks associated with this plan. BLL will also work closely with the BLRP Board and Council's Housing Commission functions to ensure BLL is providing the necessary risk management assurance in carrying out its development management role.

### 9.2 The BLL Risk Register

The risks set out in the extract from the Risk Register (below) are the main corporate risks, with potential mitigation strategies, identified by the BL Boards. The key areas of risk for BLL are those that would lead to failure to deliver the Council's housing strategy - development service delivery failure to BLRP, or to the Council, or both, or financial problems within BL or BLRP which could require further Council financial support as BL shareholder, and would include risk arising from the new housing stock created and under management.

Key strategic risk	Type of risk	Risk effect	Mitigation
<b>Governance failure due to failure to embed new structure with Council, Boards and Leadership team.</b>	Corporate	Loss of Council support. Possible Regulatory impact on BLRP.	Fully documented procedures. External Company Secretary arrangements. Governance framework to be embedded in BL/BLRP, Executive and Council as shareholder. Refreshed governance arrangements through the Council commissioning function



<b>Reduction/delay to fee income from BLRP and/or the Council due to risks to delivery or viability of their development programmes.</b>	Financial	Reduction in fee income reduces viability of financial plan. Need for Council financial support, as shareholder.	Close oversight of BLRP business and financial plan, and BLRP's management of its risk register. Regular reporting on HRA business plan performance and risk register.  Fee income target to achieve annual surplus provides cushion against in year variance.
<b>Cost of 'back office' service delivery exceeds financial plan provision.</b>	Financial	Increased cost reduces viability of the plan. BL unable to meet its staff and other costs. Need for Council Financial support.	Fees and services detailed in SLAs and contracts actively managed. Payroll and Council fees payable in arrears to optimise BL cashflows. Early warning of potential cost increases through monthly Management Accounts; business plan reviews and financial forecasts.
<b>Inability to attract and retain sufficient staff to provide services to BLRP and the Council.</b>	Corporate	BL unable to provide services to BLRP or the Council within budget. Potential additional cost to plan. Potential breach of SLAs. Need for Council Financial support. Possible failure of the business.	Resource plan created with industry benchmarking of roles and terms. External assurance that resource plan enables scale of service delivery. Annual review of salaries and terms by BL Board to ensure on-going competitiveness. Budget provision for use of interims in recruitment period.
<b>Development service failure by BL.</b>	Corporate	Termination of SLA by BLRP and/or Council. Loss of fee income. Need for Council support/wind up of Company.	Service standards and KPIs clearly set out in SLAs, and review arrangements agreed with Council and contract manager in BL. Quality Management System being developed in BL, including detailed procedures. Experienced senior staff and expert Board oversight.
<b>Landlord function risk crystallises.</b>	Management delivery	Loss of rental income/H&S event/Managing Agent service failure/unplanned stock investment impact on financial performance of the business; reputation; and service to customers. Need for Council financial support.	BL business plan assumes transfer of existing assets to BLRP in year 2, so this is a year one risk. Monthly reports from BL's agent (Council's landlord services); oversight by Board; internal audit of function to be included in audit plan. HM Contract includes clear KPIs for performance on key indicators.

<b>Non-compliant cladding</b>	Financial	Where identified, this will need to be removed and replaced, with cost risk.	May impact BL budget for 2021/22.
<b>Covid 19 risk - business continuity, income, service delivery, Health and Safety, delays to development</b>	Corporate	Council revenue funding shortfall could lead to reduction in BL activity and budget cuts. Covid 19 involves BL in increased costs in addressing new operational requirements. Staff resource reduced due to health risks.	Separate Covid 19 risk plan/business continuity plan in place. Regular financial budget review of programme and costs with Council finance team prior to commitment. Service in place to support and protect staff.

### 9.3 Risk - conclusion

The above table represents all the risk which officers will identify, monitor, and report on to the BLL Board to ensure mitigation and accountability to the Board and to the Council is maintained, and to ensure there is strong governance of BLL and BLRP as provided for by the over-arching corporate structure and governance arrangements set out in sections 4 and 5 above, and delivered by the BLL vision and objectives, staffing and resources, set out in sections 6 and 7.

## 10. Beyond 2026 and conclusion

A year ago it became apparent a crossroads had been reached in BL group's potential for growth. The Council's bold response was to establish its own Registered Provider of affordable homes, BLRP, to attract GLA grant and assist in tackling the shortage of affordable homes in the borough. BL group's successes to date and the borough's ongoing need for more homes, called for an enhanced effort and resources to deliver what the people of Ealing need.

BLL's essential role is delivery agent for the Council's housing strategy by providing enhanced development management and regeneration consultancy services within the Council's family of businesses; to create a programme going up to and beyond 2026 that will deliver at least 500 new genuinely affordable homes in Ealing every year - the target set for BLL by the Council's new housing commission function. BLL will drive and help bring forward a development programme that meets that target using the skills and resources described in this plan.

BLL must deliver value for money and be self-financing through the value it generates and the fees it earns for providing its services, in delivering the GLA grant-funded development programme of 1,100 homes (set out in the BLRP business plan), the Council's wider regeneration plans, and in bringing forward new development opportunities, both within the BL group and for the Council.

That expansion of activity brings with it associated risk. The robust governance, corporate structures and approach to risk management described in this plan will ensure BLL's accountability and its delivery of the Council's commission.

BL group is designed to deliver new homes for the benefit of Ealing's residents across a range of tenures, and enhance their access to the opportunities that will flow from that essential provision.

