

# **LONDON BOROUGH OF HAMMERSMITH & FULHAM**

**Report to:** Cabinet

**Date:** 10/11/2025

**Subject:** Update on Housing Company

**Report of:** Cllr Rowan Ree, Cabinet Member for Finance and Reform

**Report author:** Labab Lubab, Head of Partnerships, Investment and Assurance

**Responsible Director:** Sukvinder Kalsi, Executive Director of Finance and Corporate Services

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## **SUMMARY**

This report updates Cabinet on the process of establishing a wholly-owned Housing Company (the Company) following its in principle approval of the Outline Business Case (OBC) in November 2024.

Following the in-principle approval, officers have developed a Business Plan (the financial implications of which are summarised in exempt appendix 2) and taken necessary external professional, legal and financial advice on the basis of the functions that the Company plans to fulfil. This report summarises the Business Plan and sets out a series of recommendations which, if approved, will enable the Company to become operational and deliver against its objectives.

In short, the Business Plan sets out the Company's ambition to refurbish a number of void council-owned blocks and explore the potential to acquire additional homes using the Company. Three disused blocks have been identified as the most appropriate pilot schemes. Upon completion, these blocks would deliver the first 7 new homes for the Company. Indicative modelling suggests that the Company may be capable of delivering up to 30 homes in its first year.

This report contains a number of recommendations. It asks Cabinet to approve the decision to establish the Company and to note the Business Plan that the Company's Board will consider and develop. It then asks Cabinet to approve the provision of a loan facility (details of which are included at exempt Appendix Two) in order to finance the first year of the Company's operations. There are a series of recommendations which request that authority be delegated to the Cabinet Member for Finance and Reform and/or Executive Directors to implement further functions to this end.

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## **RECOMMENDATIONS**

That Cabinet:

1. Agree that Appendices Two and Three, are not for publication on the basis that they contain information relating to the financial or business affairs of any

particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

2. Approve the decision to establish and incorporate a wholly-owned Housing Company
3. Note the existing delegations (approved within the Cabinet Report at Appendix One) that permit the Executive Director of Finance and Corporate Services in consultation with the Cabinet Member for Finance and Reform and the Director of Legal Services to carry out the necessary functions to implement Recommendation 2.
4. Note the strategic direction of the Company's Draft Business Plan (as summarised in exempt Appendix Two) that its Board will consider once operational.
5. Approve the provision of a loan facility, up to the amount specified in exempt Appendix Two, to the Company for its use as working capital in order to finance its operations and to refurbish three void properties and other investment opportunities that may arise.
6. Delegate authority to the Cabinet Member for Finance and Reform, in consultation with the Executive Director of Finance and Corporate Services and the Director of Legal Services, to agree the final terms of and to implement the loan facility.
7. Delegate authority to the Cabinet Member for Finance and Reform, in consultation with the Executive Director of Finance and Corporate Services and the Director of Legal Services, to authorise the transfer of underutilised assets to the Company.
8. Delegate authority to the Executive Director of Finance and Corporate Services and the Executive Director of Place to, acting on behalf of the council, negotiate, agree and enter into Service Level Agreements with the Company on behalf of services within their remit(s) to support the operations of the Company.
9. Note that Officers will provide regular progress updates and briefings to Cabinet and Cabinet Members, including an annual update report to Cabinet.

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**Wards Affected:** None

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Our Values	Summary of how this report aligns to the <a href="#">H&amp;F Corporate Plan</a> and the H&F Values
Building shared prosperity	The council's business plan reflects the administration's manifesto commitment to establish a council-owned Housing Company to diversify affordable housing

	options across the borough. The provision of additional affordable housing is important to fostering inclusive economic growth.
Doing things with local residents, not to them	Where the Company undertakes refurbishment and capital works schemes it will seek to adopt the council's best practice around resident engagement.
Being ruthlessly financially efficient	The outline business case for the Company and the Business Plan are predicated on the assumption that this approach will be able to yield significant financial savings across the HRA and the General Fund.
Taking pride in H&F	Ensuring that the council makes best use of its stock by bringing complex void properties back into use is important to improving the local environment and the national housing crisis.
Rising to the challenge of the climate and ecological emergency	The Company, as a wholly owned subsidiary of the council, will recognise the actions required by the H&F 2030 Climate and Ecological Emergency Strategy and seek to deliver against this plan.

## Financial Impact

Financial analysis and commentary can be found in Exempt Appendix 2 under 'Financial Implications

*James Newman - Assistant Director for Finance (Deputy s151) - 23 September 2025*

## Legal Implications

The Council has taken specialist legal advice from Trowers & Hamblins on all aspects of establishing and operating a housing company. This advice is contained in exempt Appendix Three. It includes the legal powers relating to the establishment of a company, its financing and governance, the roles and responsibilities of its directors as well as the relationship between the Council and the company including its scrutiny.

As well as considering this advice, Cabinet must be satisfied that the proposed business plan is robust and realistic, taking account of potential market fluctuations so that the risks to the Council of establishing and financing a housing company are balanced by the likely economic benefits that will arise from establishing the company.

If a housing company is incorporated by the Council, legal advice to the company will continue to be provided by Trowers & Hamblins, with the Director of Legal Services continuing to advise members and Council officers.

## **Background Papers Used in Preparing This Report**

Creating a Housing Company – Report to Cabinet in November 2024: [Cabinet Report - Creating Housing Company Final 22.10.2024.pdf](#)

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## **DETAILED ANALYSIS**

### **Summary of Outline Business Case approved in November 2024**

1. In November 2024, Cabinet approved the in-principle decision to create a Housing Company. A summary of the approved recommendations within that report is provided below:
  - In-principle, approval of the decision to create the Company
  - Delegation of authority provided to the Executive Director of Corporate Services (in consultation with the relevant Cabinet Member and the Director of Legal Services) to execute all functions necessary to establish the Company, to appoint external consultants to provide professional advice, and to appoint directors
  - Note that Cabinet would be subsequently asked to consider the Company's Business Plan
2. The report set out the strategic rationale for the establishment of a Housing Company and, in light of the council's strategic objectives and housing challenges, identified three functions that the Company could fulfil in response:
  - Function One: Property acquisitions
  - Function Two: Bring complex council-owned voids back into use
  - Function Three: Address the increased demand for temporary Accommodation
3. The OBC contains a detailed description of each function and the benefits envisaged. The outline business case assessed the proposal through the Treasury's Five Case model which determined that there is:
  - Strong strategic alignment between the council's corporate objectives and the establishment of a wholly owned Housing Company.
  - Economic benefits such as revenue generation, increased affordable housing supply, and long-term asset retention.
  - An appropriate strategy in place to deal with commercial risks and ensure Business Plan deliverability.

- A range of options to finance the Company and that mechanisms are in place to model investments to protect the long-term financial sustainability of the Company, as well as the council's financial interests.
  - Appropriate staff and monitoring mechanisms to, with the correct legal advice, develop effective governance mechanisms for the Company.
4. Although the decision was taken in November 2024 to approve the OBC and to delegate authority for the incorporation of the Company, officers have chosen to not implement that authority until the Business Plan has been developed. A detailed Business Plan allows the council to better understand the financial, legal, and governance implications of the proposals.
  5. In the meantime, however, officers have taken professional advice on the legal, technical, and governance aspects of the business planning process and the incorporation of the Company so that it can be quickly operationalised upon approval of the recommendations within this report.

### **Legal advice and governance proposals**

6. The legal implications on the powers that the council possesses to establish the Company and to carry out the proposed functions are described in detail within the relevant section of this report.
7. It is proposed that the Company appoints a board of at least three directors. It is recommended that the Directors be council officers of at least Assistant Director seniority. Board Directors will be required to respond to a person specification that encompasses the key skills required to meet the needs of the Company. It is envisaged that Directors will bring skills relating to one or more of the following disciplines: finance, property and housing management and operations, business management.
8. It is standard practice across the sector to have a board of between three to five directors. Given the scale and scope of this Business Plan, it is proposed that the company appoint a board of at least three directors. Moreover, the council as sole shareholder may deem it appropriate and beneficial to appoint a non-executive director or independent chair with other relevant business skills within the sector.
9. In any event, it is deemed that senior officer board representation spanning finance, housing management and operations, and housing delivery will provide the board with sufficient skillsets and expertise to exercise its duties on the basis of the current proposed Business Plan.
10. Company Directors will receive training upon appointment and are aware of the risk of conflicts of interest that exist in regard to the role of Director and the role of decision-maker within the council as regards, for example, lending and borrowing and transfers of property. Appropriate governance mechanisms will be in place to ensure clear demarcations of responsibility and to mitigate against potential conflicts of interest as described above.

11. In order to implement the Business Plan, it is recommended that the Company has a lean staffing structure, consisting of an (initially) part-time Finance resource and Managing Director with some further project resource. Staffing resource, whether that be full-time or part-time, will be governed by service level agreements between the council and the Company, or interim support where preferable.
12. Under the proposals, the service level agreements would cover functions such as housing management, maintenance and other finance functions such as rent collection for homes held within the Company. The agreements would also cover the resource required for the delivery of schemes and activity within the Company. The council's legal advisors have drafted these agreements which will be subject to approval by relevant Executive Directors.
13. The nature of the service level agreements means that no staff will be subject to TUPE arrangements and that no staff will be directly employed by the Company. This arrangement means that the substantive roles of those engaged by the Company under service legal agreements will not change, but that staff will act on behalf of the Company for a certain proportion of their contracted time under the terms of the service level agreement.
14. In order that the Company can operate dynamically Directors will have a range of powers, including the authority to approve expenditure within the loan facility up to a defined amount. It is important to note however that as sole shareholder the council and its Cabinet are ultimately responsible for establishing the strategic direction of the Company and issuing direction to the Directors. This oversight will be facilitated through both formalised updates to Cabinet and more regular commercial meetings that monitor the performance of the Company at a strategic level.
15. The Business Plan and the external legal advice, appended at exempt appendices Three and Four respectively, describe the indicative roles and responsibilities that would be expected to be undertaken by officers, board directors, and the shareholder representatives respectively.

## **Summary of Company Business Plan**

### ***Structure and assumptions***

16. This section of the paper serves to summarise the contents of the Business Plan and the overarching rationale and assumptions on which it is founded.
17. Cabinet should note that the third workstream outlined in the OBC (PSL temporary accommodation transfer) is not, owing to its complexity and resource intensity, included within the current Business Plan and will be considered separately following the conclusion of additional due diligence.
18. In view of the council's financial constraints, the Business Plan has been modelled in such a way that it provides the organisation with the opportunity to deliver a small number of pilot schemes in years one and two to prove concept with the ability to scale-up with more significant investment should the council deem this beneficial.

19. The financial assumptions that underpin the Business Plan have been subject to rigorous review and scrutiny from external advisors and the council's finance department. This review has ensured that the assumptions are in line with other developing organisations across London and have been benchmarked particularly against other wholly-owned Housing Companies.
20. For consistency across the organisation, the assumptions and financial hurdles also closely reflect those that are applied within the council's own direct delivery and housing supply programmes.
21. The Business Plan describes the purpose of the company and its strategic vision within its present operating context. It also sets out the anticipated activities of the company within its first year and the associated financial implications. Appended to the Business Plan are additional documents such as the draft service legal agreements, exit strategy, risk register and articles of association.
22. Encompassed within the Business Plan is a requirement for the Company to establish and adopt a robust exit strategy. At present, it is not proposed that the Company would employ staff directly so it would be possible to terminate or adjust service level agreements according to operational requirements. In terms of the Company's asset portfolio, the exit strategy will concentrate on the disposal of assets back to the council directly or to third parties so that the council can realise its equity.
23. Risk mitigation plans are also in place for the Company. As set out in the Business Plan, the Company aims to deliver a range of affordable housing options but retains the flexibility, as may be required, to charge market rents in order to generate additional income to support its operations.

### ***Outputs and activity***

24. The Company plans to operate across refurbishment schemes and acquisitions in its first year. An indicative schedule of year one schemes is, subject to viability and market conditions, outlined below.
25. As the Company is not a Registered Provider of Social Housing, it will neither operate social rent homes nor grant secure tenancies. Decisions in regard to the tenure of housing let by the Company will be at the discretion of its board, but in order to respond to the objectives of its shareholder it will seek, subject to ongoing viability, to deliver intermediate housing for groups such as key workers.
26. The Housing Company may utilise newly refurbished and acquired properties to support the shareholder's needs. For example, this could include alleviating temporary accommodation pressures, which offers dual benefits: (1) rents set at Local Housing Allowance levels help sustain the company's business plan viability, and (2) it may deliver revenue savings for the shareholder in other areas. Decisions on such matters will be made by the Board of Directors at appropriate junctures.
27. The outputs of the first year of operation within the Business Plan, and the associated proposed staffing structure to deliver them, are proposed as pilot schemes in order to prove concept and deliver some early schemes. Subject to

successful implementation, Cabinet may choose in future years to scale the operations of the Company.

28. The finance comments Exempt Appendix Two describe the costs associated with the refurbishment of the three identified void blocks and the indicative costs associated with a potential acquisition programme.
29. The on-cost assumptions that sit within the financial modelling described in the finance appendix are based on an outline staffing structure that consists of – through the implementation of service level agreements – a part-time managing director, finance director, and delivery lead.

### **Reasons for Decision**

30. This decision is required as Cabinet is the appropriate decision-maker to approve both the establishment of a wholly-owned subsidiary and the necessary budget requirement for the provision of a loan facility.

### **Equality Implications**

31. There are no direct equality implications arising from the decisions sought in this report in relation to the establishment of the housing company. The decisions do not disproportionately affect protected characteristic groups.
32. Where the company may in future decide to adopt a business case and plan for the proposed function(s), these decisions will be informed by Equality Impact Assessments which will take into account the most recent and available data in terms of both the proposals and the borough demography

### **Risk Management Implications**

33. The OBC, approved by Cabinet in November 2024, highlighted a number of key risks associated with the incorporation and operation of a wholly owned Housing Company, including the requirement for Directors to receive appropriate and robust training on their duties and responsibilities.
34. This report recommends that Cabinet approve a capital budget to, through General Fund on-lending, finance the first year of the Company's operations in line with the Business Plan. In approving the capital budget, Cabinet is also asked to note the Business Plan that will be subject to Board approval once the Company is incorporated.
35. The Business Plan outlines a number of the key risks associated with the establishment of the Company and outlines how the Company will treat the risks associated with its own operations.
36. In terms of risks presented to the council as funder and shareholder, a short summary is provided below.

Risk description	Mitigation
Legal risk – The council is not legally permitted to act in accordance with the recommendations in this report.	Reduce risk: External specialist legal advice has been sought (advice note included at exempt Appendix Four). This legal advice confirms that the council possesses the relevant powers needed to fulfil its functions as funder and shareholder.
Financial risk – The council, in funding the company, is failing to make a sound investment that protects its financial interests and meets its investment hurdles.	Reduce risk: The outputs of the business plan have been subject to robust financial modelling to ensure that the proposed schemes and investments meet the council's financial hurdles. Robust governance procedures are in place for the Company so that Board Directors appropriately monitor and drawdown funding.
Legal/Financial risk – The council does not have correct expertise in navigating complex tax implications both to the company and the impact on the personal taxation status of the directors.	Reduce risk / transfer risk: The administration, management and taxable status of the company should be advised by external accountants and solicitors. However, it is noted that the actual responsibilities remain with the directors and it is beholden on them to determine impact to their own taxable status.
People risk – The legal status of all LBH&F staff requested to complete duties for the company and the impact on their personal status is complex.	Reduce risk: The legal, working and financial impact for all those LBH&F staff required to complete any duties for the company must be enshrined in contracts. It is vital that any staff working for the company have the work planned in advance and the impact on deliverables for LBH&F is taken into account. Any LBH&F should not be identified as 'moonlighting'. The impact upon their own personal taxation status should also be determined in advance.
Operational risk – The council has concerns regarding the ongoing performance of the Company and continued financing of its operations.	Reduce risk: Cabinet and Cabinet Members will receive regular updates from the Company Directors. The council, as sole shareholder, retains the ability to cease the Company's operations and the Company will possess an exit strategy to this end.

Reputational risk – Resident and local press perspective may view the establishment of a limited company as an attempt by the council to escape from local authority assurance and oversight and to the possible commercialisation of services and administration.	Reduce risk: Regular company reports including balance sheets, performance, deliverables, contracts as well as commentary must be made accessible to residents.
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*Jules Binney, Risk and Assurance Manager, 27<sup>th</sup> August 2025*

## **Climate and Ecological Emergency Implications**

37. Similarly to the implications outlined in the OBC, there are no direct climate and ecological emergency implications arising from the approval of the recommendations within this report.
38. The Company's Business Plan sets out that it recognises the council's Climate and Ecological Emergency strategy and that accordingly Directors will, in approving investment decisions, require that the energy efficiency and other sustainability credentials of schemes have been maximised within what is permitted by the viability of individual investment proposals. The Business Plan and the Company's operations will have regard to the council's adopted Retrofit Strategy, which sets out a fabric-first approach focused around cost-effective interventions.
39. The Company, in reporting back to Cabinet on an annual basis, will provide an update in respect of how it is embedding its sustainability objectives through its activities.

*Meghan Kingsley-Walsh, Heat Decarbonisation Lead, 27/08/2025*

## **Personnel**

40. As highlighted elsewhere in this report, the Company will not employ staff directly. Rather, functions will be carried out through service level agreements with relevant council departments.

## **LIST OF APPENDICES**

Appendix 1 – November 2024 Cabinet Report – Housing Company OBC  
 Exempt Appendix 2 – Exempt Finance Implications  
 Exempt Appendix 3 – External legal advice from Trowers and Hamlins