

**Lafford Homes Limited**  
**2022/23**  
**Annual Report**



**Lafford  
Homes**

Unlocking More Choice





# Summary

**This document provides an overall summary on the progress of Lafford Homes Limited in its seventh year of successful operation. The Company was established by North Kesteven District Council for the purpose of investing in private sector housing with a focus on new housing as part of its strategy of escalating housebuilding in the district.**

**This report is submitted to the Annual General Meeting on 27 July 2023**

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# Our Company Development

## Establishing the Company

Housing demand in North Kesteven continues to be high for both market and affordable housing.

The Central Lincolnshire Local Plan (adopted in April 2023) identifies for the period 2018 to 2040 a housing requirement of 24,244 dwellings or 1,102 dwellings per annum across the three districts that comprise Central Lincolnshire and which includes North Kesteven.

The economic vision and strategy of the Local Plan is to seek to facilitate the creation of 24,000 new jobs over the plan period. To facilitate this target and ensure the provision of new homes is in balance with job creation, the Local Plan aims to facilitate the delivery of 1,325 dwellings per year, or 29,150 dwellings.

The Central Lincolnshire Housing Needs Assessment (2020) provides evidence of the affordable housing need in Central Lincolnshire and identifies a newly arising need for 592 affordable homes per year to 2040. As such around 12,000 dwellings delivered over the plan period should be affordable homes.

Established on 4 August 2016, Lafford Homes was created to focus on supporting the delivery of homes across the local area. Through the delivery of high quality private rented accommodation and where scheme viability may permit the provision of affordable rented homes and new homes for sale.

Lafford Homes was not established to directly compete with existing private developers and landlords but rather to work with and support developers in achieving their schemes.

The Company does not have a directly employed workforce, it contracts with existing developers to identify and build out its schemes. It has a structure of three directors, with a service level agreement for the operational management and maintenance of its property portfolio.



# Mission:

Lafford Homes Ltd is a profitable, sustainable, and flexible housing company that is focused on assisting North Kesteven District Council in achieving its objectives arising from the Central Lincolnshire Local Plan 2023 to 2040, and on helping to meet the housing demands of local people in North Kesteven by being an exemplar landlord.

# Vision:

Lafford Homes Ltd will improve the quality and supply of housing in North Kesteven by being the major provider of quality properties for rent in the district.

# Strategic Objectives:

Lafford Homes will:

- Make a profit for shareholders from the provision of market rental housing (both within and outside of North Kesteven) and potentially market sale housing.
- Provide market rental sector housing as an exemplar model for private landlords.
- Assist in the supply of affordable housing, as required under planning obligations, and as can be afforded by the company.

# Our Business Operations:

This section of the annual report focusses on the ongoing management of the Company, and the Directors oversight.

## Strategy and Business Model:

The aim of this annual report is to provide shareholders (i.e., North Kesteven District Council) with an overview of the performance of the Company compared with its strategy and business plan since its last AGM on 21 July 2022. The AGM this year corresponds with the accounting period which ended on 31 March 2023. The next Business Plan will be submitted for approval by the Council as part of its budget management process in the Autumn of 2023.

The key source of reference in this report is the 2022/2023 Business Plan approved by NKDC on 13 January 2022. This section of the report will review performance against that business plan and will also set out how the Company's Directors aim to build upon those achievements.

## Summary of Achievements and Progress to date:

- New developments on Sleaford Road, Metherringham and Furlong Way, Sleaford approaching completion, creating 26 new properties, meaning that the company will own a total of 141 homes.
- 42 new properties have been approved for development by the Board. 16 homes at Clover Warehouse, Sleaford and 26 properties at Park Lane, Billingham.





# Performance

The company's reputation is of utmost importance to the Lafford Homes Board and a performance management regime has been established. This includes housing performance measures relating to the management of rental income, voids and repairs.

It also embraces more commercial data concerned with level of rents agreed with new tenants against expected rent levels for the property as well as other cost driven information. This approach has helped drive improvements in performance particularly in voids and repairs, but the company is still looking at options to improve performance.



- Properties Under Construction – 26  
- Tenancy Turnover – 17%

- Properties in Ownership – 115  
- Average Void Time – 28 days



- Rent Collected – 97.91%  
- Rent Loss Due to Voids – £12,291

- Former Tenant Arrears - £27,855  
- Total Repair Spend - £23,829



- Repairs within Target – 63%  
- Average Repair Time – 22 days

- Void Works with Target – 95%  
- Average Void Works – 8 days

## Financial Accounts

Lafford Homes Ltd have appointed Streets Chartered Accountants as its external auditors to audit the accounts for the period 1 April 2022 to 31 March 2023.

This Process has been completed and an unqualified opinion has been issued by the auditors.

The accounts are presented to Shareholders as part of a separate report to allow them to scrutinise them in more detail.

## Statement on Viability

The Statement of Accounts show that the Company made an overall profit for 2022/23. This is largely a result of an increase in the value of its property portfolio. Furthermore, the underlying operating profit remains strong and continues to grow. The Company's core business of providing rental properties continues to strengthen demonstrating higher levels of financial resilience.

	2023	2022
Turnover	£872,352	£603,794
Cost Of Sales	£158,321	£135,681
Gross profit	£714,031	£468,113
Administrative expenses	£148,627	£338,737
Operating profit	£1,762,973	£806,850
Interest payable and similar expenses	£449,828	£350,999
Profit before taxation	£1,313,145	£455,851
Tax on profit	£227,537	£96,753
Profit for the financial year and total comprehensive income	£1,085,608	£359,098
Retained earnings/(losses) at the start of the year	£581,481	£222,383
Retained earnings at the end of the year	£1,667,089	£581,481

There has been further progress on a number of our other sites:



## Orford Avenue, Waddington

- Work began on site July 2020 and the final phase completed in August 2022.
- 42 properties now built and successfully let.
- Lafford Homes 100<sup>th</sup> was part of this development and was let in April 2022.



## Old Quarry Close, Metherringham

- Groundwork commenced in May 2022 on a previously industrial site, to provide 20 units; 15 at market rent and 5 at affordable rent.
- Properties will consist of 1 bed flats, a 2 bed bungalow alongside 2 and 3 bed houses.
- These homes are due to be let early June 2023



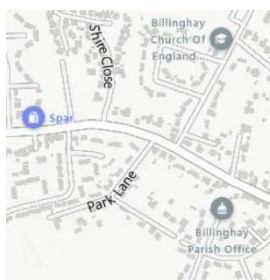
## Furlong Way, Sleaford

- Work began in Holdingham, Sleaford 19<sup>th</sup> November 2021 to build 6 new homes.
- The 3 bed semi-detached houses are due to be ready to let in summer 2023.



## Old Clover Warehouse, Sleaford

- Conversion of an existing warehouse to create 16 market rental units.
- 8 properties will be 1 bed flats and the remaining 8 will be 2 bed flats.
- Anticipated start date for grounds works June 2023.
- Completion date is due to be September 2024



## Park Lane, Billingham

- Construction of 26 residential dwellings comprising of:
  - 7 x 3 bed semi-detached houses.
  - 13 x 2 bed semi-detached houses (1 at Affordable rent).
  - 2 x 2 bed bungalows.
  - 4 x 1 bed flats (Affordable Rent)
- Anticipated start date is October 2023, with completion in April 2026

# Looking Forward

Development opportunities being explored include:

- **South East of Sleaford** – potential for between 60 and 120 Units across two sites.
- **North of Sleaford** – potential for the delivery of up to 206 units of market and affordable housing.

Due to the sensitive nature of development site opportunities means full site details must remain confidential until negotiations are complete, progress will be shared through the Project Board meetings when available.

For clarification the minimum financial criteria for consideration of a major scheme to ensure its viability is set out below:

Cash flow Profit	Achieved from the first full year of the scheme
Gross Rental Yield on Investment	4.5% / 3.25% - Affordable Rental scheme
Net Rental Yield on Investment	1.45%
Net Pay Back	40 years





## Risks

The Board has in place an approved Risk Strategy, setting out the Company's approach and management of risks. Furthermore, Lafford Homes has maintained a risk register from its inception. This is contained within the CAMMS performance management system. A report on current risks is considered at each Board meeting along with key issues and the performance framework.

The Company's overarching appetite towards risk is reviewed twice a year, taking into account current and anticipated market forces and operational performance. Risk reviews ensure a robust and comprehensive approach to new opportunities.

The Company closely monitors the operational and market environment, reflecting changes in the risk register. This dynamic approach ensures issues that may affect development activity are captured and reviewed, in conjunction with any influencing factors that may be identified through housing sector media, commentary and partnerships.

Current key issues are the shortage, delivery challenges, and the cost of building materials. This may affect scheme costs and timescales. Our constructor partners are ensuring we are fully aware as this issue develops. Other risks that have been identified include:

- Potential government policy changes.
- NKDC resources delivery capacity to meet increasing service demands.
- Higher than expected running costs.
- Meeting the challenging ambition of net zero carbon in new property designs

## Uncertainties

A strengths, weakness, opportunities and threats (SWOT) analysis was originally prepared following the Company's Strategic Options Appraisal and has continued to be reviewed and used to horizon scan for potential impacts on the Company's strategic aims and operational delivery.

Cost of living is a current area of concern linked to the recent rise in consumer inflation rates. Some tenants are now struggling due to the increasing cost of food and utility prices. Lafford Homes works closely with tenants to support them by using NKDC resources.

The rising build and repair costs are putting some pressure on the company. Lafford Homes still remains financially buoyant with active development programmes but has to remain conscious of likely changes in the economy which might require a change in approach.

Whilst the private sector market is currently buoyant with increasing market rents, there is no guarantee this will continue. This will be reflected with caution in new site appraisals to ensure long term affordability for the company. The Board also consider exit strategy for each site as a matter of course incorporating options for unit sale on the open market.

The current SWOT analysis affirms that Lafford Homes is a stable organisation with financial backing, good access to funds with strategic agility to react to changes within the wider market. This strength is moderated by the fact that the company relies on a single source of funding i.e., the council.

## Financial Accounts

Lafford Homes have appointed Streets Chartered Accountants as its external auditors for this financial year 1 April 2022 to 31 March 2023. This process has been completed and an unqualified opinion has been issued. The accounts presented to Shareholders in conjunction with this Annual report, provides the opportunity to scrutinise in more detail.

The Company seeks to continue with Streets Chartered Accountants for 2023-2024, subject to Shareholder support at this AGM

# Our Governance

Lafford Homes is committed to a strong focus on, and robust approach to, governance. The following key arrangements demonstrates this:

- The Board takes collective responsibility for the operation and management of Lafford Homes. The quorum for Board meetings is two, although there continues to be full attendance at the majority of Board meetings.
- Decision making is conducted through monthly Board meetings, with provisions to allow urgent decisions to be reached between Directors electronically.
- The Board is responsible to Shareholders, North Kesteven District Council as the sole shareholder and a Shareholders Agreement is in place that governs the relationship between the Council and Lafford Homes. The Company's strategic direction is established through its business plans approved by the shareholders, covering investment and expansion plans.
- Service Level Agreement with Council services covering the core operational management of the portfolio, setting out responsibilities and expectations to minimise risk of conflicts of interest.

The Council's Executive Board acts as the shareholders on behalf of the Council and attends the AGM as well as approves funding arrangements through the Business Plan.

In February 2023, Assurance Lincolnshire undertook an audit of Lafford Homes Governance. With some recommendations, the overall report was positive.

*"A well-defined Company Accountability Framework sets out measures that enable it to conduct its business efficiently, with processes, reviewed to support continuous development"*

The Board welcomed this outcome, developing an action plan for those areas requiring improvement and is pleased to confirm all actions are underway, to be completed within the agreed timescales.

# Chairman's statement

**Philip Roberts is the current Board Chair**

The last year has been busy and productive for Lafford homes both in terms of making progress with developing new properties but also working through the issues to emerge from the cost-of-living challenges.

We continue to operate in a unique market and provide much needed homes predominantly in the private rented sector, but we also offer a selection of more affordable homes to help meet wider housing pressures in the district. Our new properties at Station Rd Waddington have been finished and all have been made available for letting, making homes available for 40 families around the Lincoln fringe. The scheme is the largest development to date and takes the number of homes the company owns and manages up to 141. As the year comes to a close, we are putting finishing touches to two further developments, the first at Metherringham, on the site of the council's old depot and the second in the Holdingham area of Sleaford. Both sites will offer quality homes in sought after locations and already the numbers applying for tenancies exceeds the number of homes on offer. It's clear our business model continues to have relevance within the local housing market.

The Board of Lafford Homes is very conscious that it has been a difficult time for many families coming out of the pandemic and facing cost of living challenges, particularly linked to food and fuel prices. As such we have been very mindful about our approach to set rents to ensure that they are fair as well as reflecting market forces.

There is a significant advantage of the company collaborating closely with the council in that all tenants have been able to access the support and advice that is available to Housing Revenue Account tenants. As ever our advice would be to anyone who is struggling to meet the cost of household bills to contact our tenancy services at the earliest opportunity so that we can work through all the available solutions.

Looking at the year ahead we have some exciting opportunities to develop sites around the district. We have agreed to convert a warehouse in Sleaford to provide 16 new flats, conveniently close to the station. These properties will provide all the benefits of modern living in an exciting and prestigious development, and we look forward to work starting later in 2023.

At the same time, the company is very conscious of the significant challenges of climate change, and we recognise the need to achieve net zero climate emissions for all our new build properties. For this reason, we have embarked on a new plan which we will see highly efficient passivhaus properties developed on sites with the increased costs being part funded by the sale of a small number of properties rather than tenants themselves. The first site of this nature will be built in Park Lane, Billinghay and should be available to rent from autumn 2024.

The company has a small board of directors of three colleagues, Jason Jarvis, Matthew Spittles and myself. I would like to offer my thanks to the board members for their hard work over the course of the last 12 months and for continuing to realise the company's ambitions to be a landlord of choice. The Board are grateful for the Council in continuing to fund capital developments and place its trust in the company to deliver new properties and make a rate of return to the Council. The company would achieve little without the professionalism of a wide range of colleagues, but especially those in housing and property services, the finance team and our communications colleagues. We thank you all for being part of the Lafford Homes journey and making sure that we continue to deliver on schemes, operate profitably and offer support to our tenants.



**Philip Roberts**

Lafford Homes Chairman



# Company Directors

The Company has three director positions, all of whom are appointed in association with North Kesteven District Council. The existing Directors are:

## Philip Roberts

Chairman

Also Deputy Chief  
Executive with North  
Kesteven District Council



## Jason Jarvis

Company Secretary

Also Assistant Director  
of Finance with North  
Kesteven District Council



## Matthew Spittles

Non-Executive Director



The Board takes on a sizeable workload between a relatively low number of individuals and the Company will consider regular reviews for the most appropriate time to increase its director base. Matthew Spittles has agreed to act as development champion to review progress on all new opportunities and to work closely with the property team on site delivery.

A register of director's interests is maintained and is a matter referred to in the section on governance. The Board also take professional development seriously and a standard item on all agendas covers director training to ensure that such opportunities are identified and pursued.

## Annual Report Approval

This report has been approved by the Directors of Lafford Homes Ltd:

**Philip Roberts** (Chairman)

**Jason Jarvis** (Company Secretary)

**Matthew Spittles** (Non-Executive Director)





# Lafford Homes

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Lafford Homes Limited is a registered company in England & Wales 10313301.

Registered office: Council Offices, Kesteven Street, Sleaford, NG34 7EF.

Lafford Homes Limited is a wholly owned Company of North Kesteven District Council.

Lafford Homes Limited is a member of the National Landlords Association - Membership number: 167924

Information Commissioner's Office (ICO) reference number: ZA531015

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