

## REQUEST FOR DIRECTOR DECISION – DD2626

### Title: Lambeth and Maudsley hospitals redevelopment grant funding

#### Executive summary:

This decision requests approval for £10m of grant to be provided from the Land Assembly Fund (as approved by Mayoral Decision 2396) to the South London and Maudsley NHS Foundation Trust, in order to fund the preliminary costs of redeveloping the Lambeth and Maudsley hospital sites. The sites, which are due to be completed by 2027, will deliver up to 740 homes (of which at least 50 per cent will be affordable by habitable room).

Accessing private finance would require the Trust to secure borrowing against its land, and therefore to have vacant possession of the sites now. However, due to ongoing operational use of the sites, vacant possession can only be achieved between late 2023 and early 2024, meaning that the GLA's grant would accelerate the delivery of the homes on these sites by 10 to 12 months.

#### Decision:

That the Executive Director of Housing and Land, in accordance with the delegation provided by MD2396, approves expenditure of £10m grant funding from the Mayor's Land Fund to the South London and Maudsley NHS Foundation Trust, to enable the Trust to finance its pre-development costs and accelerate the delivery of up to 740 homes (of which at least 50 per cent will be affordable), in line with the terms outlined in this Decision Form.

#### AUTHORISING DIRECTOR

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

**Name:** Tim Steer

**Position:** Executive Director, Housing and Land

**Signature:**



**Date:**

27 March 2023

## **PART I – NON-CONFIDENTIAL FACTS AND ADVICE**

### **Decision required – supporting report**

#### **1. Introduction and background**

##### *Land Fund and related Mayoral Decisions*

- 1.1. MD2396 (Land Assembly, Small Sites and Accelerated Construction Funds), signed in November 2018, approved receipt of funds from government totalling £486m. This funding was to help unlock and accelerate housing delivery in London through land assembly, infrastructure investment and provision of gap funding, in order to support the delivery of 8,000 housing completions in London by 2030.
- 1.2. MD2396 delegated authority to the Executive Director of Housing and Land, in consultation with the Deputy Mayor for Housing and Residential Development, to approve, via a Director Decision, the allocation of new funding in accordance with the terms associated with the programme and in pursuit of the Mayor's housing ambitions.
- 1.3. This decision seeks approval to allocate a £10m grant from the Land Assembly Fund to the South London and Maudsley NHS Foundation Trust (the Trust), to fund the pre-development costs of a scheme that is expected to deliver up to 740 homes.
- 1.4. Due diligence has now been completed in respect of the proposed intervention, the details of which are set out below and in Part 2 of this Director's Decision.

##### *Site context and development proposal*

- 1.5. The Trust is bringing forward proposals to redevelop the Lambeth and Maudsley hospital sites. Following the construction of new, fit-for-purpose replacement healthcare facilities, and the consolidation of existing assets, the capacity on the Lambeth and Maudsley sites has been identified as surplus to operational requirements; therefore, proposals for the residential-led redevelopment of the sites have been brought forward.
- 1.6. Lambeth Hospital is a 2.9-hectare site in the London Borough of Lambeth (LB Lambeth), located a short distance away from Clapham North Underground station. It is proposed that the site be redeveloped to provide 553 homes, of which 50 per cent will be affordable (by habitable room).
- 1.7. Mapother House and the Michael Rutter Centre for Children and Adolescents are located within the wider Maudsley Hospital campus in the London Borough of Southwark (LB Southwark). The redevelopment of the 0.9-hectare site will provide 187 homes, with 50 per cent of these being affordable (by habitable room).
- 1.8. Both sites have received resolution to grant permission from their respective councils, and the Mayor has approved the proposals for the Maudsley Hospital site via a Stage 2 referral. The principle of the Lambeth Hospital redevelopment and the proposed affordable housing offer was supported by the Mayor following a Stage 1 referral. The Section 106 Agreement for the Lambeth Hospital redevelopment is nearing agreement between the applicant and borough officers ahead of a Stage 2 referral to the Mayor.
- 1.9. Since the proposals for the Lambeth site include a building more than 30 metres tall, and had not been referred to the Mayor prior to the establishment of his position on second staircases for buildings of this height, the scheme will have to address this requirement in order to gain full planning consent. The Trust has committed to working with the GLA and borough planners to make any necessary changes to the design of the scheme. As design changes to incorporate a second staircase may require a change in the floorspace available for residential use, the proposed funding agreements between the GLA and the Trust would allow for a reduction in the number of homes delivered, by a maximum of 10 per cent (unless otherwise agreed by the GLA, at its sole discretion).

Any such decrease would only be allowed if the current proportion of affordable housing remains at least 50 per cent by habitable room.

#### *Affordable housing*

- 1.10. The affordable housing quantum and tenure split is shown below for each site.

<b>Maudsley site</b>	Units	Habitable rooms	% (habitable room)
Private	108	291	50%
Low-cost rent	55	208	35%
Intermediate	24	88	15%
<b>Total</b>	187	587	
<b>Lambeth site</b>			
Private	300	756	50%
Low-cost rent	170	538	36%
Intermediate	83	212	14%
<b>Total</b>	553	1,506	

- 1.11. The low-cost rented tenures on the Maudsley site will be Social Rent, while on the Lambeth site these will be a mixture of London Affordable Rent and Lambeth Tenancy Strategy Rents (restricted to three-bed and four-bed units). The intermediate tenures on both sites will be comprised solely of shared-ownership homes.
- 1.12. It is expected that the private market homes will be delivered as a build-to-rent (BtR) product. This will be confirmed when the scheme's funding and exit strategy is agreed, which is currently planned for June 2023.

#### *Ownership and delivery structure*

- 1.13. The Trust has freehold ownership of both sites, but in order to develop the sites the Trust intends to form a joint venture with the Maudsley Charity, its charitable trust and strategic partner.

#### *Pre-development costs*

- 1.14. The grant of £10m would be used to fund the scheme's pre-development costs, which include costs relating to design (to progress the scheme design from RIBA Stage 2+ design to RIBA Stage 4); costs relating to demolition and enabling works; Section 106 costs; and other administrative costs.
- 1.15. As vacant possession of both sites can only be secured between late 2023 and early 2024, following the decant of their current uses to replacement facilities, the Trust cannot use the sites as security to raise this amount from private lenders. Direct funding by the Trust is not possible due to budgetary and regulatory constraints (Capital Departmental Expenditure Limits), nor is the Maudsley Charity able to provide this funding due to constraints in its investment policy.
- 1.16. If the GLA did not provide grant funding, the Trust would have to wait until vacant possession is secured in order to raise capital and begin the pre-development work. GLA funding would therefore accelerate the delivery of the homes by at least 10 months.
- 1.17. The Trust may be required to repay the grant in certain circumstances, including where: the Trust or the joint venture raises other finance in respect of the development (described further in Part 2 of this Decision); disposals of the site(s) occur that are neither anticipated under the funding arrangements, nor otherwise agreed by the GLA; and there is failure to achieve key milestone dates if an extension of time is not agreed.

## **2. Objectives and expected outcomes**

- 2.1. The funding will accelerate the delivery of up to 740 homes – of which at least 50 per cent will be affordable (by habitable room) – on public land. By supporting the redevelopment of the two sites, the following non-residential benefits will also be achieved:
- provision of a new street layout, improving the connectivity and permeability of both sites (and in particular, strengthening connections with Denmark Hill station on the Maudsley site)
  - provision of new green space, play space and public realm
  - provision of around 300 square metres of flexible floorspace for community or commercial use
  - re-provision of the existing nursery (with capacity for 69 children) in a new purpose-built facility.

## **3. Equality comments**

- 3.1. Under Section 149 of the Equality Act 2010, the Mayor and the GLA are subject to a public-sector equality duty and must have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and any other conduct that is prohibited by or under the Equality Act 2010
  - advance equality of opportunity between people who share a relevant protected characteristic and those who do not
  - foster good relations between people who share a relevant protected characteristic and those who do not.
- 3.2. Protected characteristics under Section 149 of the Equality Act are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status. The duty involves having appropriate regard to these matters as they apply in the circumstances, including having regard to the need to: remove or minimise any disadvantage suffered by those who share or are connected to a protected characteristic; take steps to meet the different needs of such people; and encourage them to participate in public life or in any other activity where their participation is disproportionately low.
- 3.3. The Lambeth and Maudsley hospital sites fall within the LB Lambeth and LB Southwark respectively. The proposed development would advance equality of opportunity for residents of these boroughs by providing access to good quality, affordable housing.
- 3.4. LB Lambeth's most recent 'Equalities Insight' document (2017), and data from LB Southwark identifies several features of each community. These are listed below.

### *LB Lambeth*

- Almost half of Lambeth residents (43 per cent) identify as being from non-White ethnic backgrounds, with the largest community being Lambeth's Black African community (12 per cent). This proportion is higher for the borough's younger population, particularly children.
- The 2011 Census indicates that Lambeth ranks second in the country in terms of the size of its Black British/Caribbean population, and first for South/Latin Americans.
- Within Lambeth, 12.7 per cent of the population indicated that their day-to-day activities are limited to some extent by health problems or a disability.

- Deprivation data suggests that Lambeth suffers from high levels of poverty, deprivation and inequality, making Lambeth the fifth most deprived borough in London.
- Lambeth is in the top 20 local authorities nationally for the proportion of people in shared-ownership, council-rented and private-rented accommodation; and has one of the lowest rates for owner-occupiers and mortgagees.

#### *LB Southwark*

- The borough has a smaller retirement-age population (65-plus) compared to the rest of London and England (Census 2011). However, 31 per cent of older people living in Southwark live in income-deprived households (the sixth highest proportion amongst all local authorities in England according to the 2019 Index of Multiple Deprivation).
  - Approximately 21 per cent of Southwark's population live in communities ranked within the most deprived nationally; this rises to 23 per cent among those under 18. Approximately 15,000 (25 per cent) of children in Southwark live in poverty; this rises to 43 per cent after accounting for housing costs.
  - Southwark is a diverse borough, with residents from a wide range of ethnicities and backgrounds. A much larger proportion of Southwark's residents come from Black, Asian and other minority ethnic backgrounds (49 per cent) when compared to England as a whole.
- 3.5. GLA research ('Housing and race equality in London', March 2022) indicates that people from Black, Asian and Ethnic Minority backgrounds are more likely to experience poverty; less likely to own their own home; and disproportionately affected by overcrowding. Increasing the supply of homes to buy (or rent) should contribute to improving the affordability of housing in the area and by providing a number of larger homes, the scheme should also contribute to alleviating overcrowding in both boroughs. These effects should contribute to improving the lives of, in particular, the Black, Asian and Ethnic Minority communities in Lambeth and Southwark, which constitute a larger proportion of the population than the national average, as identified above.
- 3.6. The delivery of low-cost rented homes being delivered by this scheme will be of particular benefit to Black, Asian and Ethnic Minority Londoners, older people, and those living with long-term health conditions, who are more likely to be in need of this type of housing.
- 3.7. Housing research by the GLA also shows that private renters are the most likely to live in homes below the Decent Homes Standard. Furthermore, Black and Asian households in private rented housing are particularly likely to live in homes that do not meet the standard. It is expected that an experienced BtR operator will be chosen to manage the BtR homes delivered by the scheme, which should therefore provide private renters with well-maintained homes that meet the Decent Homes Standard.

## **4. Other considerations**

### *Key risks*

- 4.1. The key risks and issues identified for this project are set out below.

No.	Risk	Impact	Likelihood	Mitigation
1	<b>Planning:</b> the Lambeth scheme has not yet received full planning consent, and has not yet been referred to the Mayor at Stage 2 (and will therefore have to address	High	Low	<ul style="list-style-type: none"> <li>• The funding will be provided to the Trust on the condition that planning consent is achieved (and therefore that the second-staircase requirement is met).</li> </ul>

	the new requirement for second staircases in tall buildings).			<ul style="list-style-type: none"> <li>The Trust has committed to meeting the second-staircase requirement and has instructed its planning consultants to revisit the design.</li> </ul>
2	<b>Regulatory approval:</b> the formation of a joint venture between the Trust and the Maudsley Charity to deliver the redevelopment is a relatively unique model within the NHS context, and is therefore likely to receive enhanced scrutiny from the NHS regulator prior to approval of the Trust's business case for the scheme.	High	Medium	<ul style="list-style-type: none"> <li>The funding will be conditional on the Trust achieving the necessary regulatory approval for the scheme.</li> <li>The funding commitment from the GLA will strengthen the Trust's position with the regulator regarding the project's business case.</li> </ul>
3	<b>Programme delays:</b> timely delivery of the proposed redevelopment is dependent on the completion of two new health facilities, which will replace the existing buildings. Vacant possession of the redevelopment sites cannot be achieved without the replacement facilities being available to receive the decanted services.	Medium	Medium	<ul style="list-style-type: none"> <li>Practical completion of the replacement facilities is scheduled for September 2023 and March 2024 respectively, with current progress indicating that the construction programme is on track to complete by these dates. Agreed contractual provisions penalise delays to the agreed construction programme.</li> <li>Appropriate contractual provisions will be included in the construction contracts and conditional sale agreements for the Lambeth and Maudsley sites to accommodate any delays to granting vacant possession.</li> </ul>
4	<b>Viability changes:</b> increases in construction costs and/or decreases in the forecast revenues may threaten the viability of the scheme.	Medium	Medium	<ul style="list-style-type: none"> <li>The funding will be conditional on the viability of the scheme being monitored regularly.</li> <li>Sensitivity testing has been undertaken, to the satisfaction of GLA officers, to ensure that the scheme can remain viable in the face of changes to costs and revenues.</li> </ul>
5	<b>Exit strategies:</b> the strategy for the sale of the private market units (i.e. a traditional sale model, or a BtR model) is not yet finalised, and an agreement with a registered provider (RP) to purchase the affordable housing has not yet been reached. Delays in finalising this strategy may lead	Medium	Medium	<ul style="list-style-type: none"> <li>A development manager has been appointed to confirm the exit strategy and undertake engagement with investors.</li> <li>The Trust has assumed that the private units will be delivered as a BtR product, subject to engagement with BtR operators and finalising this strategy in June 2023.</li> </ul>

	to uncertainties around the viability of the scheme.			<ul style="list-style-type: none"> <li>• Soft market testing with RPs will take place from March 2023.</li> </ul>
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#### *Links to Mayoral strategies and priorities*

4.2. The project would contribute to a number of Mayoral objectives:

- The London Housing Strategy, Policy 3.1: proactively intervening in London's land market to increase the pace of housing delivery (3.1b), and working with public landowners to ensure the public sector leads the way in supporting housing delivery on its own land (3.1c).
- The London Plan, Policy H1: contributing to meeting LB Lambeth's and LB Southwark's housing supply targets of 1,135 and 2,355 homes respectively.
- The London Plan, Policies H4 and H5: increasing the affordability of housing in London by delivering 50 per cent affordable housing on public sector land and achieving a compliant affordable housing tenure mix.
- The London Housing Strategy: supporting the allocation of intermediate housing to key workers (the Trust has indicated that it may seek to some of its return in the form of residences held by the Trust for the purpose of key worker accommodation – most likely at the Maudsley site, given proximity to the Maudsley Hospital and King's College Hospital).

#### *Consultations and impact assessments*

4.3. Public consultation – including with the relevant statutory bodies – has been undertaken as part of the local planning application process. In addition, GLA officers have consulted extensively with senior officers at the Trust throughout the development of this funding proposal. It is therefore not considered necessary or appropriate to consult with any other persons or bodies, including those specified in section 32 (1) of the Greater London Authority Act 1999 (GLA Act), for the purposes of this Decision Form.

#### *Conflicts of interest*

4.4. There are no conflicts of interest to note from any of those involved in the drafting or clearance of this Decision Form.

### **5. Financial comments**

- 5.1. The decision is seeking approval for GLA to award a grant of £10m South London and Maudsley NHS Foundation Trust (The Trust). The Trust has plans for a residential-led redevelopment of surplus sites identified, following the construction of its new healthcare facilities. The residential-led development of the sites is expected to deliver 740 homes, of which 50per cent will be affordable. GLA has set out conditions in its Heads of Terms for repayment of the grant.
- 5.2. Further information on the terms of the funding agreement is set out in Part 2 of the Decision Form.

### **6. Legal comments**

- 6.1. Under section 30(1) of the GLA Act 1999 (as amended), the GLA has the power to provide the grant funding for the project explained above, provided that doing so will further one or more of the GLA's principal purposes of promoting economic development and wealth creation, social development, and the improvement of the environment in Greater London. The project will enable the delivery of new housing, including affordable housing, and it is open to the GLA to take the view

that funding it will promote both social and economic development, and is therefore within its power contained in section 30(1) of the GLA Act.

- 6.2. In exercising the power in section 30(1), the GLA must have regard to: the matters set out in section 30(4-6A) of the GLA Act; and the Public Sector Equality Duty set out in section 149 of the Equality Act 2010. Reference should be made to section 3 above in this respect.
- 6.3. In addition to the above, where the GLA is proposing to use the power conferred in section 30(1) of the GLA Act, the GLA must consider consulting in accordance with section 32 of the GLA Act (see 4.3, above).
- 6.4. External lawyers have advised GLA officers in relation to subsidy control compliance.
- 6.5. Officers must ensure that all necessary and appropriate steps are taken and a suitable funding agreement entered into with the Trust to formalise the provision of the grant before committing to the same.
- 6.6. Further legal comments are set out in Part 2 of the Decision Form.

## **7. Planned delivery approach and next steps**

- 7.1. The table below sets out the next steps and timescales.

<b>Activity</b>	<b>Timeline</b>
Signed funding agreement/contract with Trust	May 2023
Vacant possessions of development sites	September 2023 and March 2024
Expected repayment date	March 2024
Starts on site	April 2025
Practical completion – Maudsley	July 2026
Practical completion – Lambeth	October 2027



**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will be published either within one working day after it has been approved or on the defer date.

**Part 1 - Deferral**

**Is the publication of Part 1 of this approval to be deferred? NO**

**Part 2 – Sensitive information**

Only the facts or advice that would be exempt from disclosure under the FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

**Is there a part 2 form – YES**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to  
confirm the  
following (✓)

**Drafting officer:**

Rohan Ranaweera and Amy Cook have drafted this report in accordance with GLA procedures and confirms the following:

✓

**Assistant Director/Head of Service:**

Simon Powell has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

**Financial and Legal advice:**

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

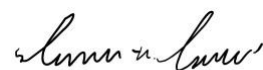
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**Corporate Investment Board**

A summary of this decision was reviewed by the Corporate Investment Board on 27 March 2023.

**EXECUTIVE DIRECTOR, RESOURCES:**

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

**Signature:**

pp. Enver Enver on behalf of David Gallie

**Date:**

27 March 2023