

REQUEST FOR MAYORAL DECISION – MD1438

Title: Housing Zone Consultancy Support

Executive Summary:

The Mayor's London Housing Strategy includes a policy to create Housing Zones across London.

The Housing Zone Prospectus, identifies that the purpose of Housing Zones is to accelerate or create new housing supply to help meet London's housing requirement of at least 42,000 homes a year. The GLA has received 25 bids for significantly in excess of the £400m available funding.

This Mayoral Decision asks the Mayor to approve the Housing Zone Consultancy budget to assist with the legal support, detailed interrogation and due diligence of the Housing Zone proposals.

Decision:

That the Mayor approves expenditure of up to £800,000 to appoint Property/ Valuation/ Cost Consultants and Legal Advisors to assist in carrying out the detailed due diligence phase which will include a comprehensive review of development/ financial assumptions within bidders proposals together with a review of state aid compliance, governance and legal contracting work.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:

Date:

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 Publication of the funding prospectus in June 2014 outlined key criteria which are to be applied across all Housing Zone bids and a standardised proforma in order to allow comparison of potentially novel bids.
- 1.2 Bidders were required to identify an annual profile of funding to be drawn down and specific outputs for the expenditure linked to housing delivery (including affordable housing). The deadline for submission of bids in the initial phase was 30 September 2014, although the GLA would continue to consider further applications up until the funding is fully allocated.
- 1.3 In addition to the proforma, bidders were required to submit an executive summary of their proposals, a supporting vision document and a letter of support from the bidding Borough's section 151 officer.
- 1.4 The assessment process has been developed building on the GLA's experience of assessment for a range of housing programmes, including the range of Financial Transactions programmes which have been delegated to the HCA. A brief summary is set out below. The Housing and Land Area Manager, for the relevant borough in which the proposal is located, will have responsibility for the assessment process, through to formal decision.
- 1.5 Assessment will be based on a tiered approach, with an initial review by the relevant Area Manager, followed by detailed internal assessment. At all stages in the process proposals will be subject to internal peer review to ensure that only robust, high quality bids are progressed.
- 1.6 Once sufficient detail of the proposals is received and the bids are of a high enough quality to proceed then each proposal will embark on a phase of further interrogation. This will initially be carried out by the Housing and Land Senior Management Team. Following successful consideration and the receipt of further appropriate information a review will also be carried out by a Challenge Panel comprising of the Housing and Land Senior Management Team and external independent members of the Homes for London Board. All issues will need to be satisfactorily addressed before proposals can proceed to the next stage.
- 1.7 Following the Housing Investment Group's endorsement to proceed, the bid proposal will be subject to significant due diligence by externally appointed consultants which will include the legal contracting process, review of state aid compliance, cost and value assumptions and governance structures.
- 1.8 The total cost of up to £800,000 will be contained within Housing & Land budgets. It is currently envisaged that the majority of spend will occur in financial year 2015/16, with some expenditure in the current year. The exact profile will depend on progress with assessment and contracting.

2. Objectives and expected outcomes

- 2.1 The justification for investment in any Housing Zone will be that it will deliver homes, cost effectively, that either would not have come forward at all without Housing Zone designation or which will be greatly accelerated in their rate of delivery as a result of that designation. Bids for Housing Zone status will be required to have a minimum threshold of 1,000 new homes but the GLA anticipates that most will be for a higher number.

- 2.2 The target is twenty Housing Zones with an aspiration for these to deliver around 50,000 homes over ten years, and possibly more still over the longer term. Housing Zones may deliver homes of all tenures but the development of new homes which are affordable to ordinary working Londoners will be an important priority. Developers will be required to adhere to the Mayor's Concordat that obliges developers to market domestically and the GLA will wish to see other measures put in place to ensure that new homes are available to primary purchasers rather than investors.
- 2.3 In addition to boosting supply in specific areas, Housing Zones will also be locations in which new approaches to delivery are piloted. It is expected that there will be opportunities to test out planning and funding mechanisms that might inform policy more widely.

3. Equality comments

- 3.1. Housing Zones designation is aimed at implementing the Mayor's policies set out in the Mayor's London Housing Strategy. In January 2014 the GLA published an integrated impact assessment ("IIA"), including an equalities impact assessment, of that strategy. The policies related to increasing housing supply, of which this paper relates, were covered by the Integrated Impact Assessment (IIA) for the Further Alterations to the London Plan.
- 3.2. The IIA concluded that updating housing projections and targets would support the delivery of sufficient housing and may help stabilise housing prices, supporting equal opportunities throughout communities. Furthermore, the provision of housing, including maximising the delivery of affordable housing would be in line with other policies of the Plan (e.g. Policy 3.5), ensuring that the needs of different groups are taken into account in the housing design.
- 3.3. The delivery of new and additional homes within the Housing Zones will help to implement Objectives 1, 2, 3 and 4 of the Mayors Equalities Framework "Equal Life Chances for All" (June 2014) through the creation of new homes, housing products and well-designed housing schemes.

4. Other considerations

- 4.1 The Housing Zones programme is explicitly designed to be innovative and flexible and as such may involve novel methods of providing funding, or tailoring housing investment or planning policy to local circumstances to increase housing delivery. Any such new approaches will be set out alongside the recommendations for Housing Zone designation in the formal decision making process. The appointment of external advisors in relation to the legal contracting process, review of state aid compliance, cost and value assumptions and governance structures will ensure the GLA can accelerate housing delivery and assess the robustness of Boroughs investment proposals.

5. Financial comments

- 5.1 This work costing up to £800,000 can be funded from underspend within the 2014-15 Community Right to Build budget. If work is completed in 2015-16, carry forward of this budget to fund the work will be subject to due process and must be requested at the end of this financial year.
- 5.2 Any additional revenue budget needed will need to be found from further savings within existing budgets.
- 5.3 Finance and Legal involvement in the progress and decision making relating to Housing Zones will be an ongoing requirement to manage the risk inherent in the programme.

6. Legal comments

- 6.1 Detailed legal implications in respect of the Housing Zones initiative are set out in MD1366.

- 6.2 Appointment of property/cost consultants and external legal advisers should be conducted in accordance with the procedures set out in the relevant TfL framework agreements.

7. Investment & Performance Board

- 7.1 On 2 October 2014 Housing Investment Group received a report outlining the assessment process and update on the joint DCLG, HCA and GLA Financial Transactions Review. The report also outlined the request for the budget of £800,000 to appoint Property/ Cost Consultants and Legal Advisors. The Group endorsed the recommendation to approve the Consultancy Support budget and noted the assessment and Financial Transactions Review process.

8. Planned delivery approach and next steps

- 8.1 The next steps are summarised below:

Activity	Timeline
Housing Zone Submission Deadline	30 September 2014
MD Approval for Consultancy Support Expenditure	February 2015
Appoint Property/ Cost Consultants and Legal Advisors	February 2015
First Housing Zone Announcements (subject to contract)	Qtr-1 2015/16
First Housing Zone Legally Contracted Borough	Qtr-1 2015/16

Appendices and supporting papers:

None

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) 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 either be published within one working day after approval or on the defer date.

Part 1 Deferral:**Is the publication of Part 1 of this approval to be deferred? YES**

If YES, for what reason:

Live procurement exercise to appoint Property and Legal advisors. MD to be deferred until procurement concluded.

Until what date: 30 April 2015

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Amy Cook has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director/Head of Service:

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

✓

Sponsoring Director:

David Lunts has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Richard Blakeway has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

Date