

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2477

Title: Community-led housing – Rural Urban Synthesis Society (RUSS) Community Land Trust

Executive Summary:

This Director Decision seeks approval for grant of £127,000 of capital funding from the Mayor's Community Housing Fund Programme to the Rural Urban Synthesis Society (RUSS) Community Land Trust to enable the delivery of a revised scheme of 36 affordable community-led (Community Land Trust) homes in LB Lewisham.

This funding would augment £988,000 allocated to RUSS from the Mayor's Innovation Fund and approved by the GLA (via DD2269) in August 2018. The additional funding is required to pay for work to value-engineer the project, streamline the design and undertake a re-tendering process. This additional work is needed because it has become apparent, following a recent tender exercise, that the total cost of the scheme will be far higher than originally envisaged and that, as a consequence, it needs to be refined and retendered.

Decision:

That the Executive Director of Housing and Land approves:

Expenditure of £127,000 from the Community Housing Fund, to provide grant to the Rural Urban Synthesis Society Limited (RUSS) to support its delivery of affordable community-led homes.

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: Rickardo Hyatt

Position: Deputy Executive Director – Housing and Land

Signature:



Date:

11 May 2020

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. The Mayor is committed to increasing the supply of community-led housing (CLH), believing that Londoners should be able to play a leading role in building their own communities. The London Housing Strategy sets out a target to identify a pipeline of community-led schemes with capacity to deliver 1,000 homes by 2021.
- 1.2. To help achieve this, he is funding the London Community-Led Housing Hub to provide support to community groups that wish to develop homes. He has also secured £38m for London from the Government's Community Housing Fund (CHF) (approved through MD2372). The Fund, which launched in January 2019, is being allocated through a programme of continuous bidding. It will be used to facilitate the delivery of community-led homes started by April 2023. £30m of the CHF is capital and £8m is revenue. The £30m capital fund is administered by the GLA. £3.8m of the £8m revenue funding is enabling the Community Led Housing London Hub to support community groups at an early stage, with the GLA administering revenue grants for later stage pre-development costs.
- 1.3. In August 2018, the GLA approved a capital grant of £988,000 from the Innovation Fund to the Rural Urban Synthesis Society (RUSS) to deliver a scheme of 33 affordable homes - 14 fixed equity, 12 shared ownership, two London Living Rent and five social rent (via DD2269). The GLA grant was solely for the fixed equity and shared ownership homes, and equated to £38,000 per unit. No grant funding was provided for the London living rent and social rent units because the landlord of the units would need to be a registered provider of social housing (by virtue of section 31 of the Housing and Regeneration Act 2008) and RUSS is not a registered provider. To support RUSS with their cashflow to take the project forward, it was agreed that they would draw down the GLA funding at pre-development stage.
- 1.4. In 2016, RUSS signed a Development Agreement with LB Lewisham for a 'community-led, affordable, self-build housing development' on a derelict former school and industrial site. The project received planning permission on the 7 June 2018. To date £731,120 of the GLA's funding has been drawn down, in line with agreed milestones. The final tranche of £256,880 was scheduled to be paid to RUSS at start on site. LB Lewisham has agreed with the GLA that if RUSS fails to comply with its obligations under the GLA funding agreement, the borough will either repay the GLA's funding or itself procure delivery of affordable homes on the site.
- 1.5. RUSS have secured in principle development finance and social investment and, at the end of 2019, put the scheme out to tender. However, due to several factors, the costs outlined in the tenders that RUSS have recently received are significantly higher than originally envisaged. These factors include a significant escalation in construction costs since RUSS submitted their bid to the Innovation Fund in 2017 and the need to alter the design of and specification for the scheme to accommodate post-Grenfell amendments to building and fire regulations.
- 1.6. RUSS have been working with their architects and main contractor to reduce the cost of the scheme. Partly to save costs, but also to meet the new fire regulations, they propose changing the frame of the building from timber to concrete. They also now plan to redeploy an area that was originally allocated for permanent community space for housing (relocating the community space elsewhere). In addition, they propose streamlining the layout of the scheme, as there may be the potential to create three additional homes within the original footprint, which would generate additional income.
- 1.7. Additional work is now needed to value-engineer the project, streamline the design (partly to enable the scheme to deliver additional units), and undertake a re-tendering process (which would take place in autumn 2020). This work will cost £383,880 - £127,000 more than is remaining of the original grant. It is therefore proposed that, to enable this work to proceed, the final tranche of the original funding is brought forward to May 2020 and used for this purpose, and £127,000 of additional funding is allocated to RUSS, from the Community Housing Fund.

2. Objectives and expected outcomes

- 2.1. The proposed additional funding of £127,000 will enable RUSS to undertake the work needed to progress its scheme and potentially deliver an additional three affordable community-led homes (. Without it, RUSS believe that they would be in a default position and the entire scheme could not proceed.
- 2.2. Ultimately, RUSS expect to start on site in early 2021, with completion in two tranches in the summer and autumn of 2021. The scheme could potentially deliver 36 homes (two additional shared equity and one additional social rent home).
- 2.3. Following the work outlined above, RUSS will almost certainly still face a funding gap and require further grant funding. The GLA will consider any further funding bid at that point, in line with the methodology used to assess affordable housing bids submitted to the GLA for funding.

3. Equality comments

- 3.1. Section 149(1) of the Equality Act 2010 provides that, in the exercise of their functions, public authorities must have due regard to the need to: eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 3.2. There is a chronic shortage of affordable housing in London and those with protected characteristics are more likely to disproportionately suffer as a result of that shortage. A full equality impact assessment was conducted to inform the development of the Mayor's London Housing Strategy. Community-led housing generally produces decent affordable homes and is often designed to help particular groups of people and to meet community need.
- 3.3. By encouraging and facilitating community-led housing which meets local communities' needs, the GLA expects to create a positive impact in equalities terms and to advance equality of opportunity for those with protected characteristics who are currently disadvantaged by the housing situation in London.

4. Other considerations

Bid assessment, moderation and due diligence

- 4.1 Both RUSS's original bid (to the Innovation Fund) and this one have been assessed and moderated by officers and senior management in the Housing and Land Directorate, applying the methodology used to assess affordable housing bids to the GLA for grant funding, according to the criteria outlined in the CHF prospectus and in line with the decision-making processes in place for the Fund. Due diligence included an assessment of value for money, strategic fit with GLA priorities and review of deliverability. The assessments concluded that the project meets GLA requirements in terms of value for money, strategic fit with GLA priorities and deliverability.

Key risks

Risk description	Rating	Mitigating action
After the work proposed above has been undertaken, the total cost of the scheme/funding gap may make it poor value for money.	Medium risk	<p>The GLA will consider any further funding bid, in line with the methodology used to assess affordable housing bids submitted to the GLA for funding.</p> <p>LB Lewisham has underwritten the £998,000 of Innovation Fund grant, so if the scheme fails to deliver either that grant will be repaid to the GLA or LB Lewisham will deliver affordable housing on the site. However, the proposed £127,000 additional funding would be at risk to the GLA.</p>
<p>The COVID-19 emergency may:</p> <ul style="list-style-type: none"> - negatively impact on deliverability of construction projects - result in a reduction in house prices, reducing the viability of RUSS's scheme. - make development finance difficult to secure due to a potential change in loan to value and liquidity ratios 	Medium risk	Under the direction of the Deputy Mayor for Housing and Residential Development, the Housing and Land team, in partnership with key stakeholders, is undertaking work to seek to enable a rapid and sustainable recovery to housing delivery following the COVID-19 emergency.

Links to Mayoral strategies and priorities

4.2 Policy 5.3a of the Mayor's London Housing Strategy includes the following proposals:

'Working with councils and others, the Mayor will support Londoners to be involved in planning and delivering new homes. This will include:

- i. setting a target to identify a pipeline of community-led housing schemes by 2021, with capacity to deliver at least 1,000 homes;*
- ii. supporting the expansion of community-led housing schemes through a new Community-Led Housing Hub for London; and*
- iii. investing in community-led housing schemes and lobbying Government for a share of the national Community Housing Fund.'*

4.3 Policies H2 and H12 of the Draft New London Plan include the following proposals:

Small sites should play a much greater role in housing delivery and boroughs should pro-actively support well-designed new homes on small sites through both planning decisions and plan-making in order to ... support those wishing to bring forward custom, self-build and community-led housing.

To determine the appropriate mix of unit sizes in relation to the number of bedrooms for a scheme, applicants and decision-makers should have regard to ... the potential for custom-build and community-led housing schemes.

Impact assessments and consultations

4.4 LB Lewisham are supportive of the proposal which is the subject of this report.

Declarations of interest

- 4.5 The officers involved in the drafting or clearance of this form do not have an interest to declare in accordance with the GLA's policy on registering interests which might, or might be seen to, conflict with this Director's Decision.

5. Financial comments

- 5.1 This decision requests approval for expenditure of £127,000 to RUSS as grant to support the delivery of up to 36 affordable community-led homes. DD2269 approved grant funding of £998,000 to RUSS for the delivery of 33 affordable homes from the Affordable Homes Programme. This makes a total GLA funding of £1,125,000 for this scheme.
- 5.2 The expenditure of £127,000 will be funded from the Community Housing Fund as approved by MD2372 and is expected to be incurred over 2020/21.

6. Legal comments

- 6.1. The provision of financial assistance (including grant funding) to facilitate community-led housing is permissible under sections 30(1) and 34 of the Greater London Authority Act 1999 (the GLA Act), if the GLA considers that doing this will further one or more of the GLA's principal purposes of: promoting economic and social development in Greater London and improving the environment in Greater London. The foregoing sections of this report indicate that it is open to the Director to take the view that the provision of this grant to RUSS will promote economic and social development in Greater London.
- 6.2. In determining whether or how to exercise the power conferred by section 30(1) of the GLA Act, the GLA must:
- (i) have regard to the effect that these decisions will have on the health of persons in Greater London, health inequalities between persons living in Greater London, the achievement of sustainable development in the United Kingdom and climate change and its consequences (sections 30(3-5) of the GLA Act);
 - (ii) pay due regard to the principle that there should be equality of opportunity for all people (section 33 of the GLA Act); and
 - (iii) have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010).
- 6.3. In this respect regard should be had to section 3 above.
- 6.4. 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. The GLA has engaged with RUSS and LB Lewisham in relation to the proposal which is the subject of this report. GLA officers have confirmed it is not considered necessary or appropriate for the GLA to consult with any other persons or bodies including those specified in section 32(2) of the GLA Act for the purposes of this Director Decision.
- 6.5. Before committing to provide the grant funding, officers must ensure that a suitable funding agreement is entered into with RUSS in respect of the additional £127,000 grant funding, whether by variation to the existing GLA grant agreement or otherwise, and that the existing GLA grant

agreement is appropriately varied to reflect any necessary changes including amendments to the timing of drawdown of the final tranche grant (as per paragraph 1.7 above) and any changes required to milestone dates.

7. Planned delivery approach and next steps

Activity	Timeline
Value-engineering and redesign	Summer 2020
Retendering	Autumn 2020
Start on site	Early 2021
First tranche of completions	Summer 2021
Second tranche of completions	August 2021

Appendices and supporting papers:

None.

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 either be published 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

If YES, for what reason:

Until what date: (a date is required if deferring)

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included 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:

Debra Levison has drafted this report in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service:

Rickardo Hyatt 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.

✓

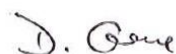
Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 4 May 2020.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature



Date

13 May 2020