

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2212

Title: Heart of Harrow Housing Zone, London Borough of Harrow – Poet's Corner Phase 1

Executive Summary:

The purpose of the Housing Zones programme is to increase housing supply by accelerating and/or unlocking development. This decision seeks approval to make a £3,000,000 contribution to the London Borough of Harrow's acquisition of the Wealdstone Social Club Site and associated pre-planning design survey costs. Further GLA grant funding of £750,000 will also be awarded for supported housing. Approval is therefore being sought for funding to the London Borough of Harrow of £3,750,000.

The Heart of Harrow Housing Zone was designated a Housing Zone by MD1457. MD1457 delegated authority to the Executive Director of Housing and Land and the Executive Director of Resources, in consultation with the Deputy Mayor for Housing, Land and Property (now the Deputy Mayor for Housing and Residential Development), to approve the Interventions that were to be funded following due diligence and contractually commit that funding.

Decision:

That the Executive Director of Housing and Land and the Executive Director of Resources, in consultation with the Deputy Mayor for Housing and Residential Development, approve:

1. In light of the due diligence set out in Part 2, a contractual commitment of £3,000,000 of grant funding to the London Borough of Harrow to fund the acquisition by the Borough (by means of private treaty) of the Wealdstone Social Club Site, together with pre-planning design work and associated survey work so as to facilitate a Planning Permission submission for the Site.
2. Funding to the London Borough of Harrow of £750,000 to provide homes for supported housing.
3. That the total funding of £3,750,000 be invested as a non-recoverable grant.
4. The start on site and completion dates for the delivery of the housing outputs and the amount and timing of funding payments as detailed in this report.

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: David Lunts

Signature:



Name: Martin Clarke

Signature:



Position: Executive Director Housing and Land

Date:

06/02/18

Position: Executive Director Resources

Date:

6.2.18

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. Heart of Harrow was designated a Housing Zone by Mayoral Decision 1457, which approved an indicative allocation of £31.4m to unlock housing and help to deliver a total of 5,294 homes within the respective Zone. The current Harrow Civic Centre site (known as Poet's Corner) was one of the identified Sites to contribute towards this delivery target. The Overarching Borough Agreement was signed on 30 September 2015 on this basis, and no further agreements have been entered into since this date.

Summary of Proposed Intervention

- 1.2. The London Borough of Harrow intends to develop Poets Corner Phase 1 for a residential led mixed use development as part of a wider phased development of its land at the existing Civic Centre site.
- 1.3. The new "Poet's Corner" development will be located on the current Harrow Civic Centre site, including the Harrow and Wealdstone Social Club site, and will comprise of approximately 850 homes. This is an increase from the stated number of expected homes (578) across all phases in MD1457 for the Poet's corner site.
- 1.4. Poets Corner phase 1 will deliver at least 350 homes of which a minimum of 123 will be affordable housing. As part of this affordable housing offer, phase 1 will include 20 homes developed as Supported Housing.
- 1.5. Harrow anticipates delivery of phase 1 of the Poets Corner development by the end of March 2022, with all starts on site by the end of March 2019.

2. Objectives and expected outcomes

The key terms of GLA investment are as follows:

Funding

- 2.1. *Agreed Intervention:* The acquisition by the Borough by means of private treaty of the Wealdstone Social Club Site. The procurement by the Borough of pre-planning design work and associated survey costs, so as to facilitate a Planning Permission for the Site.
- 2.2. *Payment Arrangements:* The Borough may draw down funding in a single tranche.
- 2.3. *Pro Rated Sum:* Should the Borough fail to deliver some or all of the Discounted Rent Dwellings or the Supported Housing Dwellings by the Practical Completion date, the Borough must repay to the GLA the Pro Rated Sum (£30,488) for those homes which have not been delivered.
- 2.4. *Reapplied Pro Rated Sum:* Should any of the Discounted Rent Dwellings and/ or Supported Housing Dwellings be subject to a change of use or disposal the Borough must repay to the GLA the Reapplied Pro Rated Sum (£30,488) for those homes.
- 2.5. *Value for money:* The grant rates when reviewing the £3,750,000 on a per affordable home basis (for a minimum of 123 homes) at a rate of £30,488 per home is considered reasonable. Particularly, given 20 of these affordable homes are to be delivered as Supported Housing.

Appraisal

- 2.6 The GLA instructed Property Consultants to undertake an assessment of the proposition covering all areas in relation to deliverability including a financial assessment of the Intervention. The Property Consultants concluded it would be unlikely that a comprehensive regeneration of the site would progress without the purchase of the Wealdstone Social Club site. Without the Housing Zone funding for the purchase of the social club the Council would have to choose between having a smaller less comprehensive scheme for Phase 1 or use its Compulsory Purchase Order (CPO) powers to purchase the site at a later date. The Council's assessment that this would likely add 18 months onto the development programme and potentially cost at least 10% above market value in legal and consultant fees was evaluated as appropriate. Investment in the proposition was therefore deemed reasonable and justified.

Phase 1 - Borough Direct Zone Outputs

2.7

Tenure	Number of Homes
Discounted Rent Dwellings	103
Supported Housing Dwelling	20
Market Rent Dwellings/ Market Sale Dwellings	227

- 2.8 The Discounted Rent and Supported Housing Dwellings will be genuinely affordable as these will be let at a rent level (inclusive of service charge) which does not exceed one third of the gross median incomes for the London Borough of Harrow or (if lower) 70% of the market rent for an equivalent property of the relevant size and number of bedrooms in the Borough.

Deliverability - Project Milestones

- 2.9 The key project milestones are summarised as follows:

Activity	Milestone Date
Site acquisition date	7 August 2017
Planning Permission application submission date	31 July 2018
Start on Site Date	31 March 2019
Practical Completion date	31 March 2022

- 2.10 Delivery of the Scheme within the agreed project milestones is deemed realistic.

Strategic Fit

- 2.11 The purpose of the Housing Zones Programme is to increase housing supply by accelerating and unlocking development to deliver 75,000 homes by 2026. The Harrow Poet's Corner site will directly contribute towards this goal as well as support the aim to deliver 42,000 homes per annum prescribed by the Further Alterations to the London Plan March 2015. All affordable homes unlocked by this intervention are projected to start on site prior to 31 March 2021, thereby contributing to the Mayor's target to deliver 90,000 affordable housing starts by that date.

Governance

- 2.12 The Borough has a Housing Zone Programme Board in place which will steer the direction and delivery of the project to completion alongside key partners. In addition, the Project has a well-defined and experienced Project Team in place to deliver the project.

Conclusion

- 2.13 In summary, the assessment undertaken by officers of the Housing and Land Directorate concludes that Poet's Corner meets the GLA's requirements in terms of value for money, strategic fit with GLA priorities and deliverability. It determined the following:
- a) That the grant requested of £3,750,000 is an appropriate level of funding to provide to the scheme, which will deliver 123 genuinely affordable homes in the first phase by March 2022.
 - b) That the scheme fits with GLA strategic priorities, including the aim to unlock and increase housing supply.
 - c) That the scheme is deliverable within the Project Milestones specified in this Director's Decision.
- 2.14 Housing Zone grant funding for the Poet's Corner site will help to assist the financial viability of the overall development. By providing funding at an early stage, it is anticipated that this funding will aid the overall cashflow of the Scheme, carrying through into the second phase to also assist with optimising affordable housing delivery at this later stage.

3 Equality comments

- 3.1 Heart of Harrow Housing Zone 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, 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 will help to implement Objectives 1, 2, 3 and 4 of the Mayor's Equalities Framework "Equal Life Chances for All" (June 2014) through the creation of new homes, housing products and well-designed housing schemes.
- 3.4 The designation of a Housing Zone within an area is designed to identify a site or sites as an area for housing growth and delivery within London, often partnered with a series of funding streams and non-financial assistance to deliver these new homes, and therefore this decision will facilitate these goals and ultimately ensure that the needs of different groups are taken into account in the design and development of housing.
- 3.5 Under section 149 of the Equality Act 2010, as public authorities, the Mayor and the GLA are subject to a public sector equality duty and must have 'due regard' to the need to (i) eliminate unlawful discrimination, harassment and victimisation; (ii) advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and (iii) foster good relations between people who share a relevant protected characteristic and those who do not.

Protected characteristics under section 149 of the Equality Act are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status.

- 3.6 In order to access this funding the London Borough of Harrow will be required to enter into an agreement with the GLA to deliver the intervention. With regard to project delivery the agreement places the following obligations on the London Borough of Harrow in respect of the Equality Act 2010:
- The London Borough of Harrow shall comply in all material respects with all relevant Legislation relating to health and safety, equality and relevant employment matters.
 - The London Borough of Harrow has, and is in full compliance with, a policy covering equal opportunities designed to ensure that discrimination prohibited by the Equality Act 2010 is avoided at all times and will provide a copy of that policy and evidence of the actual implementation of that policy upon request by GLA.

4 Other considerations

a) Key risks and issues

- 4.1 The main risk is that planning permission for the Poet's Corner site will not be granted within the expected timescales, potentially pushing the delivery to the very back of the overall timescales for delivery within Housing Zones.
- 4.2 As the owning and managing authority, the London Borough of Harrow is taking on the risk relating to the timing and cost of delivery of this site, but they have been bringing forward appropriate resource to manage this. There remains some risk around the Borough's experience and skill requirements in building and managing a Build-to-Rent portfolio, which forms part of the output on this site and others within the borough.
- 4.3 Risks on this site are largely mitigated by the fact that the London Borough of Harrow is fully committed to delivering this site, and as the local planning authority has significant experience with the planning process in the borough.
- 4.4 The Borough is also engaged in a number of large and high profile schemes across the borough, which implies that financial and other resource capacity will be stretched for a long period during the delivery of this site. This is partially mitigated by the importance to the borough of relocating the existing Civic Centre, in order to be able to bring this site forward.
- 4.5 There is some political risk associated with the potential for a change of parties in the future to cause a change in direction regarding uses for council land. This will however be managed through the planning system.

b) Environmental considerations

- 4.6 The scale of the Housing Zones programme presents significant opportunities for innovative building design to reduce resource costs, and unlock investment connecting new developments to necessary utility and social infrastructure assets. Such assets include low carbon decentralised energy and water networks, green infrastructure, waste and recycling collection infrastructure, low emission transport hubs, parks and open spaces. Boroughs and counterparties to Housing Zone designation should look to include opportunities to address environmental and wider regeneration, quality of life and place making benefits that are viable and will help unlock investment in line with policy

ambitions set out in the London Plan. GLA support can be made available to help identify environmental opportunities in specific locations.

- 4.7 The London Borough of Harrow is intending to provide a district heating network within the Harrow Housing Zone, and the Poet's Corner site is expected to benefit from this network.
- 4.8 LB Harrow identified some flood risk issues associated with the site, but they have sought to mitigate this through additional investigation.

5 Financial comments

- 5.1 This decision requests approval to contractually commit a total of £3.750m of non-recoverable grant funding to the London Borough of Harrow (LBH) towards acquisition of the Wealdstone Social Club Site, by means of private treaty, and other associated costs (£3m) as well as provide homes for supported housing (£750k). GLA obtained a satisfactory due diligence result prior to reaching this decision (per findings set out in Part 2).
- 5.2 Total funding indicatively allocated for this Housing Zone is £31.4m (MD1457)
- 5.3 As it is a non-recoverable grant allocation, it represents a financial risk to the GLA, which is mitigated through contractual obligation from LBH to repay the funding in the event of non-delivery (see Paragraph 2.3 above for further details).
- 5.4 Grant/Recoverable Grant funding profile at £400m is currently over forecast by £24m. It should be noted, however, that only £190m (exclusive of the current commitment) has been committed on thirteen interventions.

6 Legal comments

- 6.1. Under section 30(1) of the Greater London Authority Act 1999 (as amended) ("GLA Act"), the GLA has the power to provide the funding for the proposed intervention providing it considers that doing so will further one or more of its principal purposes of: promoting economic development and wealth creation, social development, and the improvement of the environment in Greater London.
- 6.2. The intervention will unlock the delivery of housing and 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.
- 6.3. In exercising the power contained in section 30(1) of the GLA Act, the GLA must have regard to the matters set out in sections 30(3-5) and 33 of the GLA Act, and also the Public Sector Equality Duty in section 149 of the Equality Act 2010 as set out above.
- 6.4. The GLA has engaged with the London Borough of Harrow in relation to this intervention which is the subject of this Director Decision. 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. External lawyers have been instructed to prepare and negotiate the funding contract for the GLA, including the incorporation of any provisions required to ensure compliance with State Aid rules. No funding is to be paid out unless, amongst other requirements, London Borough of Harrow's solicitor has either provided an opinion (satisfactory to the GLA) as to the State Aid treatment of the intervention or undertaken to meet the GLA's reasonable legal costs in procuring an opinion from the GLA's solicitors

as to the same matter. Further, if there is found to have been any unlawful State Aid, and the intervention cannot be restructured to be compliant, the London borough of Harrow must repay the unlawful State Aid following a written demand for repayment by the GLA.

7. Planned delivery approach and next steps

Activity	Milestone Date
Borough Intervention Agreement for Poets Corner Signed	January 2018
Site acquisition date	August 2017
Planning Permission application submission date	July 2018
Start on Site Date	March 2019
Practical Completion date	March 2022

Appendices and supporting papers:

Appendix 1 – Heart of Harrow Housing Zone Boundary

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? NO**

If YES, for what reason:

NO

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

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 – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Richard Cawser has drafted this report in accordance with GLA procedures and confirms that:

✓

Assistant Director/Head of Service:

Nick Taylor 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:

The Corporate Investment Board reviewed this proposal on 5 February 2018.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. J. Allen

Date

6.2.18