

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2437

Title: Clerkenwell Fire Station Conversion and Redevelopment

Executive Summary:

The London Borough of Islington (LBI) requires financial assistance to acquire the Clerkenwell Fire Station for conversion and redevelopment. Funding of up to £4 million from the Small Sites Fund (Mayoral Decision 2396 Land Assembly, Small Sites and Accelerated Construction Funds) would form part of a funding package enabling LBI to acquire the site from the London Fire Commissioner to deliver 50 homes.

Funding will be made available as non-recoverable grant and the main conditions of funding will be to deliver 50 homes of which a minimum of 50 per cent are affordable; and that the development must start on site by a long stop of March 2022.

MD2396 delegated authority to the Executive Director of Housing and Land 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.

Decision:

That the Interim Deputy Executive Director of Housing and Land approves:

The provision of grant funding to the London Borough of Islington for up to a maximum of £4 million from the Small Sites Fund (MD2396 Land Assembly, Small Sites and Accelerated Construction Funds) to contribute towards the cost of acquiring the former Clerkenwell Fire Station site, which is expected to enable the delivery of 50 homes including a minimum 50 per cent affordable.

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: Interim Deputy Executive Director, Housing and Land

Signature:



Date:

28/01/20

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. MD2396 Land Assembly, Small Sites and Accelerated Construction Funds, signed in November 2018, approved receipt of funds totalling £486m from Government to help unlock and accelerate housing delivery in London through land assembly, infrastructure investment and provision of gap funding.
- 1.2. It 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 form seeks the Director's approval to allocate grant of up to £4 million from the Small Sites Fund to the London Borough of Islington (LBI). The grant is intended to enable LBI to acquire land interests from the London Fire Commissioner (LFC) to unlock residential development on site.
- 1.4. By providing funding through the Small Sites Fund, the Greater London Authority (GLA) will enable LBI to acquire land to deliver 50 homes, expected to comprise 24 open market sale homes and 26 affordable homes. These homes are expected to start on site no later than 31 March 2022, which is acceptable within the parameters of the Small Sites Fund.

Site history and proposition

- 1.5. The LFC owns the freehold interest in the property (site plan included in Appendix 1) and it was declared surplus to the operational requirements of the London Fire Brigade and closed in January 2014. On the 22nd May 2014 LBI listed the whole station as an Asset of Community Value (ACV). On the 23rd May 2014 the London Fire and Emergency Planning Authority (LFEPA), LFC's predecessor, wrote to notify LBI they were formally selling the property.
- 1.6. Full details about the proposed sale were provided to the body which nominated the building as an ACV. No bid was received from them or any other community group before the expiry of the moratorium period at the end of November 2014. The status of the building as an ACV expired on 27th May 2019.
- 1.7. LBI published a planning brief for the whole site in November 2014. The objectives of the brief include the provision of publicly accessible social infrastructure, a range of new homes, high quality amenity space and that the redevelopment should achieve a high-quality architectural design in keeping with local characteristics. The fire station building is Grade II* listed and falls partly within and adjacent to several conservation areas.
- 1.8. The property is currently being used as temporary accommodation. The LFC has confirmed that LBI can be given vacant possession of the property at completion of the purchase. The existing occupiers have licenses from the LFC that can be terminated on relatively short notice.
- 1.9. Over the last five years the opportunity of developing this prime zone one site has raised a lot of interest, ranging from hotel operators to a community group, but no sale has been agreed. The GLA Housing and Land Directorate has been working in collaboration with the LFC and LBI to agree a disposal strategy for the site, which meets the Mayor's policy objectives and enables LBI to deliver a scheme that meets their own objectives, as detailed in their 2014 planning brief.
- 1.10. Following a site feasibility exercise commissioned by the LFC and LBI, in consultation with the GLA's Housing and Land Directorate, LBI will now take forward a preferred development option. This is based on the adaptive reuse of the listed fire station for residential and commercial use, with the

construction of a separate residential building, comprising 50 homes in total. This preferred development option has the support of the Local Planning Authority (LPA).

- 1.11. In March 2019, the LFC, LBI and GLA entered a memorandum of understanding (MOU) setting out a process for transfer of the site from LFC to LBI. To demonstrate best consideration on the disposal, and to ensure impartiality, it was agreed that each party (LBI, LFC and GLA) would commission a 'Red Book' valuation set against an agreed brief, and that the highest valuation would be the purchase price.
- 1.12. The basis for grant request is set out in Part 2 of this DD.
- 1.13. LBI is seeking £4m from the GLA's Small Sites Fund to part fund the acquisition of land leading to the delivery of 50 homes of which a minimum of 50 per cent are affordable. The land acquisition costs associated with the affordable housing would be funded by LBI using RtB receipts and the GLA funding would be apportioned to the land acquisition costs associated with the open market sale homes.
- 1.14. Further detail of the funding package is set out in Part 2 of this DD.
- 1.15. It is expected that LBI will retain the site until the open market sale units are built out, and then sell the units at a market price.
- 1.16. The Clerkenwell Fire Station conversion and redevelopment will be directly delivered by LBI, and LBI has confirmed that it will manage the affordable rent homes upon completion. LBI has a strong track-record of council-led delivery having delivered 297 homes in the past five years. LBI has agreed to commit the resource required for delivery, and progress will be closely monitored by the GLA through regular reporting and site visits.

2. Objectives and expected outcomes

- 2.1. The grant will enable the acquisition of land leading to the delivery of 50 homes, expected to comprise 24 open market sale homes and 26 affordable homes. Of the affordable homes, LBI currently intends to let twenty homes at LBI target rents (LBI's social rent) and make available the other six homes for temporary accommodation at Local Housing Allowance (LHA) rents, which is met by housing benefit. The table below compares the proposed rents with the Mayor's London Affordable Rent (LAR) and London Living Rent (LLR). The target rent level sits between LAR and LLR but is nearer to the lower LAR.

19/20 Weekly Rental Comparison for Clerkenwell

	LBI Target (average)	LHA	LAR	LLR
1 bed	£160.88	£276.51	£155.13	£284.08
2 bed	£217.54	£320.74	£164.24	£315.69

- 2.2. Further to standard terms and conditions, the conditions of this funding require that:
 - the scheme is London Plan compliant, delivering a minimum of 50 per cent affordable housing;
 - grant may be recovered by the GLA in the case of underspend and/or the achievement of enhanced sales values;
 - the GLA retains the ability to recover funding in the case of failure to deliver the units funded in part or whole by GLA grant; and

- LBI commits to funding the delivery of the site, including any cost overruns.
- 2.3. The GLA also makes available to LBI its Architecture, Design and Urbanism Panel (ADUP) and support from the GLA to use it.
 - 2.4. Grant payment will be made directly to LBI, which has sole responsibility to deliver the scheme. The contractual start on site date will be before the end of January 2022 with the long stop start on site date of March 2022. This aligns with the terms of the Small Sites Fund.
 - 2.5. The memorandum of understanding (MoU) between the MHCLG and the GLA governing the £486m land fund, which includes the £126m Small Sites Fund, sets out that 'all sites must represent good value for money and be capable of achieving a benefit cost ratio of 1.5.' This site surpasses the minimum benefit cost ratio threshold of 1.5, achieving a score of 1.54.

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. 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.
- 3.3. The housing shortage in London disproportionately affects people with certain protected characteristics. Increasing the supply of housing, and affordable housing, will help to achieve positive impacts in line with the 'three needs' outlined above.
- 3.4. The allocation of the funding is from the Small Sites Fund and is aimed at implementing the Mayor's policies set out in the London Housing Strategy and the London Plan. In September 2017, the GLA published an impact assessment, including an equalities impact assessment, of the Housing Strategy. Policies related to increasing housing supply and delivering affordable housing, to which this project will contribute, were also covered by the Integrated Impact Assessment (IIA) for the Draft London Plan, published in November 2017.
- 3.5. The IIA concluded that the cumulative impact of these policies combined with policies for flexible housing mix, inclusive design and accessible housing would contribute to creating inclusive communities, relieve housing pressures that disproportionately affect lower-income groups and ensure the needs of diverse groups are considered in housing delivery and design. The Mayor's Equality, Diversity & Inclusion Strategy was issued in May 2018. The first chapter of this document is entitled "A Great Place to Live". Priority outcome 1.1 in the vision refers to delivering affordable, accessible and decent homes. This grant funding will help to deliver new housing, making the whole development financially viable, indirectly facilitating the delivery of new affordable homes in London.
- 3.6. To access the grant funding, LBI will be required to enter into a grant agreement with the GLA, which places the following obligations on LBI in respect of the Equality Act 2010: to comply in all material respects with all relevant legislation, including but not limited to legislation relating to health and safety, welfare at work, and equality and diversity; and to have, and fully comply with, a policy covering equal opportunities designed to ensure that unfair discrimination on the grounds of colour, race, creed, nationality or any other unjustifiable basis directly or indirectly in relation to the delivery of the agreement is avoided at all times. LBI will also 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. There is a risk that the LPA does not grant planning permission. The risk to the project has been mitigated by developing a proposal in line with the LPA's planning brief and with LPA support. The risk to the GLA will be mitigated by the GLA retaining the ability to recover funding from LBI in the case of failure to deliver.
- 4.2. There is a risk that listed building consent is not granted. The risk to the project has been mitigated by having engaged heritage experts to undertake the feasibility study, to develop a proposal in the context of the heritage listing. The risk to the GLA will be mitigated by the GLA retaining the ability to recover funding from LBI in the case of failure to deliver.
- 4.3. There is a risk that the grant funding awarded to LBI is not sufficient to deliver the scheme, for reasons including cost increases associated with converting the Grade II* listed building, a reduction in forecasted sales/rental income, and/or interest rates increasing further. The risk to the project has been mitigated by the inclusion of substantial contingency sums should unexpected costs arise. This risk can also be mitigated by the GLA requiring that LBI commits to funding the delivery of the site, including any cost overruns.

b) links to Mayoral strategies and priorities

- 4.4. The Mayor has secured £486m of funding from Government to help unlock and accelerate housing delivery in London through land assembly, infrastructure investment and provision of gap funding. The £486m represents London's share of the Accelerated Construction Fund (£100m), the Small Sites Fund (£126m) and of the Land Assembly Fund (£260m). This project draws on the Small Sites Fund.
- 4.5. This funding will help to achieve the ambitious targets set out in the London Housing Strategy 2018 and London Plan, including the Mayor's commitments to take a more interventionist approach in London's land market; increase the proportion of social rented and other genuinely affordable homes; accelerate the speed of building; and capture more value uplift for the public benefit.

Conflicts of Interest

- 4.6. There are no known conflicts of interest to note for any of those involved in the drafting or clearance of this decision.

5. Financial comments

- 5.1. This decision requests approval for the grant of £4m to the London Borough of Islington to contribute towards the payment for the acquisition of land for the construction of 50 homes, 26 of which will be affordable.
- 5.2. This grant will be funded from the MHCLG Small Sites fund.
- 5.3. The grant may be recovered by the GLA in the case of underspend and/or the achievement of enhanced sales values.
- 5.4. The GLA retains the ability to recover funding under certain circumstances.

6. Legal comments

- 6.1. The provision of financial assistance (including grant funding) for the acquisition of land to facilitate new housing supply 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 £4m grant to LBI 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. Officers must ensure that all necessary and appropriate steps are taken and a suitable funding agreement entered into with LBI to formalise the provision of the grant funding, including requirements regarding state aid compliance, before committing to the same.

7. Planned delivery approach and next steps

Activity	Timeline
Appointment of project team	March 2020
Planning application submitted	March 2021
Planning approval obtained	July 2021
Start on site	January 2022
Practical completion	March 2024

Appendices and supporting papers:

Appendix 1: Clerkenwell Fire Station - Site Plan

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 - YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Alison Mayer has drafted this report in accordance with GLA procedures and confirms the following:

✓

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

This decision was agreed by the Corporate Investment Board on 27 January 2020.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. J. Bille

Date 28.1.20

