

BRIEFING FOR BUDGET AND PERFORMANCE COMMITTEE MEETING – 14 SEPTEMBER 2011

PROGRESS REPORT - TRANSFER OF HCA'S FUNCTIONS TO THE GLA

A PURPOSE

At its meeting on 14 September the Assembly's Budget and Performance Committee is examining the financial and performance implications arising from the devolution of the Homes and Communities Agency's (HCA) functions in London to the Mayor and the folding of the London Development Agency (LDA) into the GLA. Ahead of the meeting this Committee has asked for a written update on progressing the transfer of HCA's functions and activities in London to the Greater London Authority (GLA).

This paper responds to that request by

- setting out the role of the new Directorate being set up to take on these devolved functions;
- identifying the activities transferring from the HCA and DCLG to the GLA;
- outlining progress in putting in place the necessary measures to enable the Mayor to successfully fulfil his new responsibilities.

B BACKGROUND

Under the Localism Bill the HCA's investment powers are turned off in London, and the Mayor is given the power to spend resources on housing activities by removing the current prohibition in the GLA Act 1999 preventing him from doing so.

All HCA staff working in its London office have the right to transfer to the GLA under The Transfer of Undertakings (Protection of Employment) Regulations. It is anticipated that between 45 and 50 staff will transfer from the HCA. The exact number will not be finalised until the HCA has completed its corporate wide downsizing, an exercise which has included its London delivery team.

C DIRECTORATE'S ROLE

It is intended to establish a new Directorate on a permanent basis to bring together the functions and staff of the GLA's Housing Unit, of the HCA in London, and the London Development Agency's land and development team. DCLG has agreed to meet the direct staff and accommodation costs of setting up this new Directorate.

The new Directorate's remit can be categorised into the following five core functions:

- Strategy development - development, implementation and delivery of regional housing and regeneration policies; monitoring London's housing market; advising the Mayor and his Office on new housing policies, products and approaches to meet

- Investment – working in partnership with Registered Providers, London boroughs, communities, and developers to deliver homes, housing options, products and services, and to maximise leverage of this public sector investment.
- Housing led regeneration – contribute to the social, economic and physical regeneration of those communities where there are tangible opportunities to unlock growth and to work with existing communities to ensure that they also benefit from these interventions.
- Service delivery – to provide housing services for Londoners that are most effectively delivered on a London-wide basis rather than at a borough level, such as enhancing mobility and choice by setting up a pan-London mobility scheme; by promoting options for existing social tenants wishing to move out of the capital to do so; and tackling rough sleeping so that no-one lives on the streets of London and no-one arriving on the streets sleeps out for a second night.
- Land and property – building out the Mayor’s portfolio for the benefit of Londoners, and encouraging other public sector land owners to do likewise.

D ACTIVITIES TRANSFERRING TO THE GLA

Investment Programmes

For the purpose of this briefing London’s investment programmes have been categorised as

- HCA’s London programmes
- DCLG / HCA corporate programmes
- DCLG revenue programmes already devolved to the Mayor

These are also three budgets, two of which are administered by DCLG and one by the HCA, which will not transfer to the Mayor:

- Private Finance Initiative – there is only one scheme in London (LB Lambeth) and payment is purely an administrative process;
- Stock transfers – a small investment programme governed by statute under which HCA has a defined advisory role: (a) to make recommendations to Ministers based on value for money, and (b) to verify that residents have been consulted properly. The HCA is taking legal advice on whether it can continue this advisory role. If not, the Mayor will delegate this role to the HCA.
- Stock transfer gap funding – London’s entire budget (£37 million) has been pre-allocated, and DCLG’s only role is to make payments with London payments scheduled to finish in 2013/14.

HCA London's programmes

HCA London's main activity is to administer a range of predominantly capital investment programmes. Details of its 2011-15 programmes are set out in Table 1. Responsibility for all of these budgets will transfer to the Mayor from 1 April 2012. For completeness the budgets for year 1 (2011/12) of these programmes (being managed by HCA London) are included.

Unless stated otherwise all of the funding is ring fenced and/or contractually committed to specific programmes for the entire four year spending period, so the Mayor will have very little flexibility to make new investment commitments.

Table 1 – HCA London's Investment Programmes

INVESTMENT PROGRAMME	2011/12 (£)	2012/13 (£)	2013/14 (£)	2014/15 (£)	Total (£)
2008-11					
Funding 2008-11 National Affordable Home Programme (NAHP) commitments to deliver social rented, intermediate rent and low cost homeownership homes.	685,884,860	329,125,145	137,777,694	38,305,564	1,191,093,263
2011-15 Affordable Homes					
New contractually committed programme of social rent, affordable rent and low cost home ownership homes funded under the government's new approach.	7,191,710	79,592,948	213,172,236	327,687,058	627,643,952
Property and Regeneration					
Funding to bring forward HCA owned land and property.					
Capital expenditure	27,100,526	21,344,480	7,380,405	5,611,779	61,437,190
Revenue expenditure	3,534,657	2,223,462	1,926,648	1,556,776	9,241,543
First Buy					
A two year programme (2011/12 – 2012/13) providing an equity loan to first time buyers of up to 20% of the purchase price. The cost of this loan is funded equally between the HCA and the builder of the home being purchased.	19,883,520				19,883,520

Mortgage Rescue					
2011/12 funding only agreed to support vulnerable owner-occupiers facing repossession to remain in their homes. Of this £5,435,336 is available for new referrals and £3,646,287 for 2010/11 referrals.	9,081,623				To be agreed (TBA)

DCLG/HCA corporate programmes

The Mayor is also taking responsibility for capital programmes currently administered corporately by HCA or DCLG as set out in Table 2 below. Except for the Decent Homes programme the budget figures in the table are England wide and are not yet fully committed. London's share of these programmes is yet to be determined.

Table 2: Other Capital Programmes Transferring

	LONDON SHARE OF PROGRAMMES				
INVESTMENT PROGRAMME	2011/12 (£)	2012/13 (£)	2013/14 (£)	2014/15 (£)	Total (£)
Homelessness Change Programme					
£37.5 million to develop new or refurbish existing hostel accommodation for homeless and/or rough sleepers.		London share 'To Be Agreed' (TBA)	TBA	TBA	TBA
Traveller Pitch Funding					
£60 million to support local authorities, housing associations and other delivery partners to provide good quality public sites.	TBA	TBA	TBA	TBA	TBA
Decent Homes					
Committed budget for 2011/12 and 2012/13 with funding for 13/14 and 14/15 provisional to help London boroughs tackle the backlog of council owned homes not meeting the Decent Homes Standard.	110,000,000	171,000,000	194,500,000	345,480,000	820,980,000
Empty Homes					
£100 million targeted at bringing long term empty homes blighting neighbourhoods back into occupation.	TBA	TBA	TBA	TBA	TBA

Mayor's revenue programmes

DCLG has also already devolved responsibility for three revenue budgets to the Mayor from the beginning of this financial year (1 April 2011). As these budgets are funding existing services or are contractual commitments there is little flexibility within these budgets.

Table 3: Revenue budgets transferred from DCLG

INVESTMENT PROGRAMME	2011/12(£)	2012/13(£)	2013/14(£)	2014/15(£)	Total(£)
Housing Moves					
Providing options for older public sector tenants wishing to move out of London.	400,000	400,000			800,000
Pan London Mobility					
Implementing a pan London mobility scheme for public sector tenants.	132,354	102,167	50,479		285,000
Rough Sleeping					
Funding services to help rough sleepers move off the streets.	8,450,000	8,450,000	8,450,000	8,450,000	33,800,000

Land and property assets

The Mayor is still awaiting a decision from DCLG to his request that the HCA's land and property holdings in London be transferred to his ownership at nil cost. DCLG originally indicated that it would make a decision on the future of these holdings ahead of agreeing the GLA's wider financial settlement for the remainder of this spending period. However, DCLG has now decided this request will be considered as part of this settlement and negotiations are scheduled to commence later this month.

To support his request the Mayor has set out the budgetary implications for the GLA of inheriting the LDA's land and property portfolio (on which agreement with central government has already been reached), and has shown the benefits, both financial and in policy terms, of the HCA's London portfolio also transferring to the Mayor. He has demonstrated that until 2015 and beyond, even with the transfer of the HCA's assets the GLA will face significant revenue and capital shortfalls arising from the transfer of assets from the LDA, in particular as a consequence of the Olympic Park and other legacy costs.

The Mayor also asked that the extant HCA Property and Regeneration budget be transferred to enable him to meet the obligations arising from the disposal of HCA assets, and that all the receipts arising from the disposal of these assets, including the loan stock interest in the HCA's Barking Riverside Joint Venture, be paid over to him. In return the Mayor has undertaken to honour all extant agreements and obligations.

The Mayor's case was informed by a due diligence review of the HCA's London land and property portfolio. This established that the HCA owns 15 potential development sites (224.8 ha), of which 11 have residential potential for up to 15,465 homes. The majority of these sites are in the process of being brought forward for development, and have a committed budget

line (Table 1 - Property and Regeneration budget line). A pen picture of each of the sites is included as an appendix to this paper.

In addition the HCA also owns in London a number of small strips of land (such as grass verges, private roads and on so) with no development potential. HCA is still in the process of listing these holdings, all of which were inherited from their predecessor organisations and are thought to have no development potential.

F STAFFING

We anticipate that between 45 and 50 HCA posts will transfer to the GLA under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE). This number will not be confirmed until October 2011, as HCA London is currently completing a restructuring process aimed at reducing posts. This is part of a HCA wide restructuring exercise to reflect its new role and its much reduced staffing budget.

G GOVERNANCE

Performance monitoring and the consideration of relevant expenditure and disposal approvals for the transferring housing functions will be via the GLA's new internal governance arrangements. This includes the overarching Investment and Performance Board (IPB), chaired by the Mayor's Chief of Staff, which is responsible for considering proposals for investment that require Mayoral approval in line with the GLA's newly established gateway process for all new GLA expenditure.

The detailed scrutiny of housing performance and all relevant approvals will be undertaken by the IPM's Housing Investment Group, which is chaired by the Mayor's Housing Adviser. This will meet monthly and be responsible for considering, prioritising and monitoring housing projects that draw on GLA resources, and making recommendations to the IPB. This Group will also monitor and make recommendations on the delivery of the Mayor's housing investment programmes, the future use of the Mayor's housing land and property portfolio, and on all relevant land acquisitions and disposals.

H. BUSINESS PLANNING

Work has started on drafting a three year business plan for the new Directorate with engagement of senior staff from the GLA, HCA and the LDA. The finalisation of the draft business plan will be dependent on the GLA settlement with government and we anticipate that it will therefore be completed towards the end of this calendar year.

I. TRANSITIONAL ARRANGEMENTS

Transitional arrangements have been agreed with the HCA to ensure that the Mayor is able to comment on and influence business and investment decisions which will have future implications for the GLA, and to ensure business continuity.

Due Diligence

A detailed due diligence exercise has been undertaken to assess and review the HCA land, assets and liabilities.

Governance

Although HCA London remains statutorily accountable to its national Board, the GLA's Housing Investment Group is being given an opportunity to comment on HCA London's activities and is therefore operating as a 'shadow' of its post-transition form. It is monitoring and making recommendations to the HCA London Board on the delivery of HCA London's investment programmes and all proposed land disposals

Co-location

During November the LDA's land and property teams and HCA London staff will move into City Hall and sit with existing GLA Housing staff.

Joint working

A number of joint working groups have been established to manage every aspect of the transfer and their membership is drawn from the GLA, LDA and HCA.

Funding the transition costs

The GLA has bid to DCLG for funding towards the additional revenue costs that it is incurring. To date DCLG has approved expenditure of £285,000 to meet the IT costs of moving HCA staff to City Hall. GLA is still in discussion with DCLG about its request for funding to meet other costs it is incurring as it prepares for the Mayor's new responsibilities.

ANNEX A – PEN PORTRAITS

HCA Portfolio

Barking & Dagenham

Land at rear of Former Woolworths Store, 0.16 ha, LB Barking & Dagenham

Strategically important land parcel anticipated to form part of the wider London Road / North Street development in Barking town centre. The site is at the rear of a former Woolworths retail unit, which is close to being sold. Current proposals are for the site to be transferred to LB Barking & Dagenham at nil cost to enable it to form part of their Joint Venture with Bouygues as part of the London Road development scheme. An alternative strategy would be to dispose on the open market, although the site is unlikely to have a significant value to any third party. This approach would also be politically sensitive.

Lymington Fields & Eldonwall Industrial Estate, 13.96 ha, LB Barking & Dagenham

A large greenfield site adjacent to a significant number of industrial and factory units. Phase 1a is currently on-site, although the current development partner (Countryside) is not obliged to continue involvement beyond Phase 1a. Phases 1b and 2 have planning consent, although these may need to be renegotiated on the basis if, as there appears, there are viability issues due to the proposed high number of flats. There may be a future land receipt if the proposed development mix can be revised. In the medium term it is anticipated that the industrial estate may continue to be let out to commercial tenants.

Croydon

Cane Hill Hospital & Well Cottages, 82.83 ha, LB Croydon

A former hospital site located in the Green Belt, with potential for major residential led development. Final land value will depend upon the total number of homes that can be built given the planning constraints. At present the HCA is basing its projections on building 300 – 400 homes, although there is potentially capacity for up to 800 homes. The site is scheduled to be marketed in autumn 2011, enabling the selection of a preferred development partner by early 2012. There are a number of listed buildings on the site which need to be incorporated into proposals. The adjacent Well Cottages site will be disposed of separately. It is thought that the site may be suitable for a large retail store to serve the new community in Cane Hill. A planning application will be submitted in summer 2012.

Greenwich

Greenwich Peninsula, 106.51 ha, LB Greenwich

The redevelopment of the Peninsula is being undertaken on a joint venture basis, and there are two separate joint venture agreements.

Greenwich Millennium Village (the southern site) is being brought forward by Countryside and Taylor Wimpey. The scheme is well underway with around 1,100 of a planned 2,750 homes already completed. Subject to planning, this scheme will be delivered over the next 15 years or so with minimal further investment required from the public sector. However, there is an overage agreement with the former owner, British Gas and payments will need to be made as receipts are received.

The northern site is part of a joint venture with Meridian Delta Limited (Lend Lease and Quintain). This site is adjacent to the former Millennium Dome and has the potential to deliver in the region of 10,000 homes as well as significant commercial space. To date, progress has been slow due to the economic downturn, and delivery of the redevelopment is now scheduled over the next 20-25 years. Further public sector investment will be needed in relation to land assembly and the decommissioning of adjacent gas holders, but significant receipts are anticipated as the site is built out. Overage payments will be due to the Big Lottery Fund and potentially to British Gas if there is a significant market improvement by 2014.

Greenwich District Hospital (project known as 'Heart of East Greenwich'), 2.81 ha, LB Greenwich

A former hospital site with potential for major residential development. The site has detailed planning consent (expiring early 2012), by which point it is hoped that the HCA's preferred development partner (Hadley Mace) will be on site. Affordable homes will be built on the site and the HCA and LB Greenwich are still negotiating the final number with London and Quadrant.

Lewisham**Catford Stadium (including adjacent Network Rail site), 4.14 ha, LB Lewisham**

A cleared site (the former stadium having been demolished), with a current planning consent (expiring January 2012) for significant residential development. The HCA is planning to select a development partner in early 2012. A revised planning consent may need to be sought, following which it is anticipated an unconditional Development Agreement may be signed, with a start on site anticipated in 2013/14.

Newham**Pylon Lands, 5.58 ha, LB Newham**

A series of eight parcels of infill land leased by the HCA to LB Newham (expiring December 2014). Pylons run through the land parcels, which would otherwise have significant residential potential. National Grid are making compensation payments to the HCA to convert temporary wayleave into permanent easement which will retain open space use for as long as pylons remain in place.

Manor Road Retail Park, 2 ha, LB Newham

A retail park containing a small number of large warehouses – current tenants include Wickes and Carpet Right. The site was acquired to assist LB Newham with its regeneration of Canning Town. Agreement has now been reached to redevelop this site for retail use to serve the significant residential development expected in the wider Canning Town area in upcoming years. HCA is currently in negotiations to sell this site, conditional upon planning consent for the scheme being secured, for which discussions are already ongoing.

Southwark**86-88 Newington Butts (including supplementary land), 0.49 ha, LB Southwark**

A cleared site with an implemented planning consent for significant residential development based upon the construction of two towers, including a landmark 43-storey tower designed by Richard Rogers. A disposal process to find a development partner is to begin in autumn 2011, with viability not anticipated to be an issue.

Tower Hamlets**Queen Elizabeth Hospital, 0.62 ha, LB Tower Hamlets**

Former hospital site with potential for residential development. HCA is now at shortlisting stage in procuring a development partner, and one is expected to be selected in late 2011. Planning consent will subsequently need to be secured. Land receipt anticipated to be payable upon practical completion of the site, currently anticipated for 2015/16. Some minor conservation issues will be accounted for during the planning process.

St Clements Hospital, 1.85 ha, LB Tower Hamlets

Similar to the Queen Elizabeth Hospital site, this is a former hospital site with potential for residential development. HCA is at shortlisting stage to find a development partner, with selection expected to be confirmed in late 2011. Planning consent will subsequently need to be secured. Land receipt anticipated to be payable upon practical completion of the site, currently anticipated for 2015/16. The project has received financial support from the GLA through the Targeted Funding Scheme to support delivery. Some minor conservation issues will be accounted for during the planning process, including the re-use of listed buildings.

Blackwall Reach (St Matthias School, 304-314,318-320 Poplar High St & Land At Ditchburn Street) 1.32 ha, LB Tower Hamlets
The project area consists of a number of adjacent land parcels, including a former school, a number of commercial buildings and residential homes (including the Robin Hood Gardens estate). The project is being progressed alongside development partner (Swan/Countryside) who are contracted to deliver the first phase, following which later phases will be marketed. Significant demolition work is required, with decanting of existing tenants an important issue to address. Future land acquisitions are needed, which are likely to require the use of Compulsory Purchase powers. Outline and detailed planning applications for first phase to be submitted in summer 2011, with planning consent anticipated in late 2011, allowing a start on site in early 2012.
Sites 6 & 8 East India Dock, 2.16 ha, LB Tower Hamlets
Two largely vacant plots which have been designated for future residential development. Although the sites have a current planning consent, this consent is considered to be no longer viable. The site is likely to be disposed of in the near future, with firm interest in the site already registered. Given current viability issues for residential development, this site might be better suited, particularly given its proximity to Canary Wharf, for commercial development.
Land At Branch Road, 0.21 ha, LB Tower Hamlets
Due to the site's location above the Limehouse Link road tunnel, there are significant constraints on future development. Given the significant environmental issues (principally air quality and noise levels), there are severe restrictions upon potential future development, which has a subsequent impact upon viability. The site is not currently being actively marketed, and it is likely that it may be retained as open space (its existing use).

Westminster

Trenchard House, 0.13 ha, Westminster City Council
HCA is close to agreeing the sale of this site to Barratt Homes, conditional on planning consent being secured by December 2012 (potentially with an additional one-year longstop date). The site will be redeveloped to provide a high proportion of affordable homes, cross-subsidised by the sale of open market homes which because of the site's Soho location can be sold at a premium.

HCA / Bellway Joint Venture – Barking Riverside Ltd

Barking Riverside, 175 ha, LB Barking & Dagenham
This former power station site is in the ownership of the Barking Riverside Ltd (BRL), a joint venture between the HCA and Bellway. BRL's role is to bring forward development ready plots which are either built out by Bellway or sold onto other developers. HCA has invested through provision of loan stock to Barking Riverside Ltd. Planning consent is in place for a new residential community providing 10,800 homes, supporting amenities and 1,500 jobs on a former power station site. Construction of the first 357 homes is underway but there is currently no commitment to deliver subsequent phases.