

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2269

Title: Grant funding for Rural Urban Synthesis Society (RUSS) Community Land Trust

Executive Summary:

This Directors Decision seeks approval for a capital grant from the GLA's Homes for Londoners Affordable Homes Programme Innovation Fund of £988,000 to the Community Land Trust (CLT) Rural Urban Synthesis Society (RUSS) to deliver 33 high quality homes that are permanently affordable.

The RUSS is a members-led Community Land Trust based in South London and founded in 2009 with the aim of creating sustainable community-led neighbourhoods and truly affordable homes in London.

In 2016, RUSS signed a Development Agreement with Lewisham Council for a 'community-led, affordable, self-build housing development' on the derelict former school and industrial site at Church Grove. The project received planning permission on the 7 June 2018.

Decision:

That the Executive Director of Housing and Land approve:

Grant funding of £988,000 to the CLT Rural Urban Synthesis Society to support its delivery of 33 affordable homes.

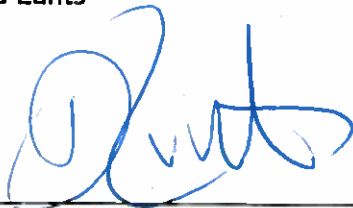
AUTHORISING DIRECTOR

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: David Lunts

Position: Executive Director Housing and Land

Signature:



Date: 20.8.18

PART I – NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

Innovation Fund

- 1.1 MD2125 was signed on 13 June 2017 and approved a total programme budget of £3.25bn for the *Homes for Londoners: Affordable Homes Programme 2016-21*. MD2282, signed on 2 May 2018, increased this budget to £4.92bn,
- 1.2 The Innovation Fund, drawing on £300,000,000 of this funding, was launched as part of the *Homes for Londoners: Affordable Homes Programme 2016-21* on 29 November 2016. The Funding Guidance invited providers to submit proposals which sought to deliver affordable housing using GLA investment in innovative ways. A template 'Expression of Interest' (EOI) form was published on 2 December 2016 and providers were invited to complete and return the form by the closing date of 13 April 2017.
- 1.3 The Expression of Interest (EOI) submitted by RUSS was assessed according to the criteria for the Innovation Fund, as set out in the *Homes for Londoners: Affordable Homes Programme 2016-21 Funding Guidance* and carried forward into a due diligence phase.

RUSS

- 1.4 RUSS is an ambitious and innovative Community Land Trust established in 2009 with the brief of delivering sustainable, permanently affordable and community-led housing for London. Below are the 10 guiding principles of the CLT:
 1. Create socially, environmentally and economically sustainable neighbourhoods in the city.
 2. Balance the interests of residents, the wider community and Lewisham Council as landowner.
 3. Build truly affordable homes.
 4. Place decisions that affect their neighbourhoods under the control of residents.
 5. Establish neighbourhoods embedded in the local community including space for community use.
 6. Establish Neighbourhoods that reflect the local population with a mix of families, couples and single people, both young and old, and with a range of incomes.
 7. Reduce environmental impact by efficiently using energy and building materials
 8. Give residents the opportunity to be involved in the design, construction and management of their neighbourhoods.
 9. Create opportunities for training in organising and building for residents and others.
 10. Make projects self-financing with robust financial and delivery systems.

2. Objectives and expected outcomes

2.1 RUSS established a partnership with LB Lewisham in 2015, when it secured a Conditional Development Agreement (CDA) through competitive OJEU tender for a 33-unit residential development on vacant borough-owned land in Church Grove, Ladywell, SE13. The site is bounded by the Ravensbourne river to the north. The council depot and some other light industry are also located on the north side of the river. A plan of the Site is provided at Appendix 1.

2.2 The following homes will be delivered on the Site:

Tenure	Number of Homes	Start on Site Date	Practical Completion Date
Fixed Equity	14	June 2019	June 2021
Shared Ownership	12	June 2019	June 2021
London Living Rent	2	June 2019	June 2021
Social Rent	5	June 2019	June 2021
Total	33		

2.3 The GLA is providing grant of £38,000 per unit for each of the fixed equity and shared ownership units. It will not be providing funding for the 7 London living rent and social rent units because, if these units were funded by the GLA, 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. Nevertheless, RUSS is still committing to deliver all 33 affordable homes.

2.4 The funding agreement, which has been negotiated with RUSS (with external legal advice), comprises certain elements which are bespoke to this project. Approval for the funding of this project is sought therefore through a Decision form by the Executive Director of Housing & Land and in line with the Mayoral Decision Making (scheme delegation) at the GLA. The Mayoral decision-making framework paragraphs 18.1-18.2 (rules concerning the Affordable Homes Programme) apply.

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 Throughout the decision-making process relating to the funding of this project due regard has been had to the 'three needs' outlined above. The housing shortage in London disproportionately affects

people with certain protected characteristics. Increasing the supply of housing, and in particular affordable housing will help to achieve positive impacts in line with the 'three needs'.

- 3.4 The allocation of the funding is from the Homes for Londoners: Affordable Homes Programme 2016 – 21 Innovation Fund and is aimed at implementing the Mayor's policies set out in the London Housing Strategy. In September 2017, the GLA published an impact assessment, including an equalities impact assessment, of that strategy. Policies related to increasing housing supply and delivering affordable housing, to which this Church Grove 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 taken into account in housing design.
- 3.6 The delivery of new homes by RUSS through the Innovation Fund 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.

4. Other considerations

Due Diligence

- 4.1 Project due diligence was undertaken by officers of the Housing and Land Directorate applying the methodology used to assess affordable housing bids submitted to the GLA for funding. This includes assessment of value for money, strategic fit with GLA priorities and review of deliverability.

Value for Money

- 4.2 The value for money assessment considers the grant rate proposed for the project and judges this against the total project costs. On the basis of the assessment carried out the project is deemed to represent good value for money.
- 4.3 RUSS is delivering a 100% affordable housing project. A development appraisal has been provided by the developer and interrogated by officers in the Housing and Land Directorate which supports the justification of grant to fund the gap in viability. The grant rate of £38,000 for the fixed equity and shared ownership homes is in line with grant benchmarks as set out within the addendum to the Affordable Homes Programme 2016-21 for intermediate homes that start on site prior to 31 March 2020. Without the GLA grant the project would become stalled and the affordable housing not delivered to current project milestones.

Strategic Fit

- 4.4 The rationale for funding the Church Grove project is that it facilitates the delivery of 33 genuinely affordable homes by mitigating the viability gap. The project supports Mayoral priorities as outlined in 3.3-3.6 and 4.3 of this Directors Decision.

Deliverability

- 4.5 The project received planning permission (DC/18/105951) on the 7 June 2018. This Directors Decision allows the GLA to contractually commit £988,000 of grant funding to deliver 33 affordable homes against the key project milestones as set out within Section 7 below. Failure to deliver the homes within these timeframes will result in the GLA being able to reclaim the grant.

- 4.6 Following the announcement of an additional £1.67 billion for affordable homes for London in the Spring Statement 2018, and the associated increase in the GLA's target for starts of affordable homes to 116,000 by 2022, the Church Grove project supports the Mayor's commitment to engaging with current and potential delivery partners to agree additional delivery of genuinely affordable homes.

Conclusion

- 4.7 The assessment undertaken by officers in the Housing and Land Directorate concluded that the Church Grove project meets the GLA requirements in terms of value for money, strategic fit with GLA priorities and deliverability. Officers therefore recommend that it is appropriate for the GLA to contractually commit grant of £988,000 to fund the project.

Key Risks

- 4.8 Housing delivery and property development is an intrinsically risky exercise. In addition, there has been marked construction price inflation in recent years. Further cost inflation and uncertainties in the availability of construction labour in London (especially post-Brexit) has the potential to exacerbate build price rises further.
- 4.9 To mitigate these risks sale value, cost and inflation assumptions within the development appraisal have been considered as part of the due diligence and will be monitored throughout the project. In addition, a project contingency has been allowed for to lessen any impact on the viability of the project.

Mayoral Strategies

- 4.10 *Reversing the Decline of Small and Medium Sized Builders:* the London Housing Strategy sets out the Mayor's commitment to increase the availability of land for small builders and that the process for bringing forward small publicly owned sites for housing-led development needs to be simplified. The success to-date of the Church Grove project supports this aim.
- 4.11 *Increase Housing Supply:* the Church Grove development will contribute towards meeting the Mayor's key strategic priority set out in policy H5 of the new London Plan, to deliver more affordable housing, and to meeting the need to provide 66,000 additional homes per year identified by the Strategic Housing Market Assessment (November 2017). The homes delivered by this project are forecast to start on site prior to 31 March 2021, thereby contributing to the Mayor's target to deliver 116,000 affordable housing starts by 31 March 2022.

5. Financial comments

- 5.1 This Director's Decision requests approval for the GLA to provide £988,000 of grant funding to the CLT, RUSS. The grant will provide £38,000 per unit for 26 fixed equity and shared ownership homes. The total scheme will create 33 affordable homes but, no grant is awarded to 7 rental properties because RUSS is not a registered provider of social housing.
- 5.2 The grant will be funded from the £300m innovation fund; part of the Homes for Londoners: Affordable Homes Programme 2016-21.
- 5.3 Due diligence has been performed by members of the Housing and Land team on RUSS and the assessment concluded that the project meets the GLA requirements for value for money and strategic fit with GLA priorities and deliverability.

- 5.4 The GLA can reclaim the grant if RUSS fails to deliver the homes within the timetable set out in section 7.

6. Legal comments

- 6.1 Detailed legal comments in respect of the Affordable Homes Programme 2016-21 (including the Innovation Fund) are set out in MD2125.
- 6.2 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 Church Grove project provided 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. The project will deliver 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, which are explained in paragraph 6.3 of the legal comments of MD2125. As noted in section 3 above, in September 2017 the GLA published an impact assessment, including an equalities impact assessment, of the revised draft London Housing Strategy. Policies related to increasing housing supply and delivering affordable housing, to which the IF and HIF will contribute, were also covered by the Integrated Impact Assessment (IIA) for the Draft London Plan, published in November 2017. It is also noted in section 3 that the delivery of new homes by RUSS through the Innovation Fund will help to implement objectives in the Mayor's Equalities Framework "Equal Life Chance for All."
- 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 project which is the subject of this Director Decision. 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 External lawyers have advised GLA officers in relation to the form of funding agreement between the GLA and RUSS.

7. Planned delivery approach and next steps

Milestone	Milestone Longstop Date
Planning Permission	30 September 2018
Building Contractor appointed	31 January 2019
Lease completion	31 March 2019
Start on Site	30 June 2019
Practical Completion	30 June 2021

Appendices and supporting papers:

Appendix 1 – Site Plan

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:

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:

Amy Cook has drafted this report in accordance with GLA procedures and confirms that:

✓

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.

✓

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 20 August 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

20.8.18

