

GREATER **LONDON** AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2042

Title: Hounslow Town Centre Housing Zone - Additional Funding Allocation

Executive Summary:

Increase the funding allocation for Hounslow Town Centre Housing Zone from £18.5 million to £21.2125 million to support an increase in the number of affordable homes to be provided by Network Homes Limited at the Hounslow Town School site to 142 homes (equivalent to 50%). This funding will only be contractually committed subject to the outcome of due diligence.

Decision:

That the Mayor

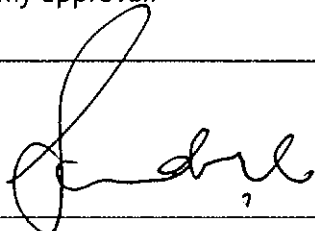
- APPROVES the indicative allocation of a further £2.7125 million being made available for the purposes of unlocking or accelerating the delivery of housing within the Hounslow Town Centre Housing Zone in addition to the indicative allocation of £18.5 million of funding made available in respect of the Hounslow Town Centre Housing Zone under MD1457, noting that such funding shall only be contractually committed subject to the satisfactory outcome of legal and financial due diligence;
- NOTES that this takes the overall indicative funding allocation for the Hounslow Town Centre Housing Zone to £21.2125 million;
- DELEGATES authority to the Executive Director of Housing and Land and the Executive Director of Resources, in consultation with the Deputy Mayor for Housing & Residential Development, to determine that legal and financial due diligence has been satisfactorily undertaken and that it is appropriate for the Greater London Authority to contractually commit Housing Zone grant funding of up to £6.2125 million (which includes the additional £2.7125 million indicatively allocated under this Mayoral Decision) to the intervention known as the Hounslow Town School site within the Hounslow Town Centre Housing Zone; and
- ADDITIONALLY DELEGATES authority to the Executive Director of Housing and Land to approve any amendments required to the Overarching Borough Agreement between the London Borough of Hounslow and the Greater London Authority dated 6 November 2015 he considers necessary or expedient as a consequence of this Mayoral Decision.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

27/10/16

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1. Hounslow Town Centre was designated a Housing Zone by Mayoral Decision 1457, which approved an indicative allocation of £18.5m (subject to the outcome of legal and financial due diligence) to unlock housing and deliver regenerative benefit to the area. The Borough's proposal was for the GLA to invest £3.5m at the Hounslow Town School site to enable the delivery of 200 homes (including 80 affordable homes) alongside a new primary school and a further £15m at Lampton Road to deliver 750 homes on the site of the civic centre which will be relocated to Bath Road. The latter was approved by DD2004 and is now in contract (with an obligation to deliver 919 homes, rather than the 750 homes originally proposed). In accordance with Borough requirements, both schemes were expected to deliver 40% affordable housing. In MD 1547, total homes proposed to be built in the Hounslow Town Centre Housing Zone were 3,478. This is expected to increase to 3,731 as a result of 169 additional homes planned for Lampton Road and 84 for the Hounslow Town School site.
- 1.2. London Borough of Hounslow retains oversight of delivery across the Housing Zone through governance arrangements set out in the Overarching Borough Agreement (OBA) with the GLA, dated 6 November 2015.
- 1.3. Following designation of the Housing Zone, the Borough used the GLA London Development Panel to invite tenders for the provision of a new primary school and homes on the Hounslow Town School site. Countryside Properties Plc was selected as the preferred tenderer with Network Homes Limited (Network) identified as their Registered Provider to be the landlord of the affordable homes.
- 1.4. On 6th October 2016, the Local Planning Authority resolved to grant permission for a new primary school and 284 homes at School Road, up from the initial 200 units planned. Following further negotiation with Countryside Properties Plc and Network, it has been agreed that the proportion of affordable homes to be provided on the Hounslow Town School site will be increased to 50% (142 homes) which requires an additional funding allocation of £2.7125m. The overall average unit cost has not increased and remains in line with MD1457 (£43,750 per unit/home).
- 1.5. Subject to the outcome of this Mayoral Decision and the satisfactory outcome of legal and financial due diligence, a Director's Decision will be prepared to contractually commit funding of up to £6.2125m (the initial £3.5m plus the additional £2.7125m) to support the delivery of 142 affordable homes at the Hounslow Town School site.
- 1.6. The total grant funding budget made available to support Housing Zones in London is £400m (see MD1366 and MD1597). This Mayoral Decision will increase the amount of grant funding indicatively allocated to Housing Zones to £677.23m, thereby slightly increasing the level of over-programming. Over-programming of the indicative funding allocation introduces a competitive element to the contracting process, helping to accelerate the pace of delivery. The additional funding allocation for the Hounslow Town School site, makes clear the Mayor's intentions to increase the level of affordable housing provided within Housing Zones. It is expected that the level of over-programming will be reduced through the financial and legal due diligence process, therefore the marginal increase in over-programming relating to this decision is unlikely to have a significant impact on the overall level of grant funding indicatively allocated to Housing Zones and the over-programming risk.

2. Objectives and expected outcomes

- 2.1 Housing Zone funding for the Hounslow Town School site intervention will unlock housing by facilitating a scheme which makes more efficient use of the land. It will assist the financial viability of the overall development, which includes demolition of the existing school, re-providing a larger school on the western part of the site and enabling surplus land to be released for housing. If the existing school were not demolished it is estimated that site capacity would be reduced to approximately 105 units. The funding will also enable a scheme which carries a significant infrastructure cost to be delivered with a policy compliant level of affordable housing. The additional £2.7125m will increase the percentage of affordable housing to be provided on the Hounslow Town School site from 40% to 50%, making an important contribution to meeting the Mayor's strategic target for 50% affordable homes. It will also help de-risk the scheme and mitigate delays resulting from softening market conditions.

3. Equality comments

- 3.1. Hounslow Town Centre 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, to which the Hounslow Town School scheme will contribute, 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. In order to access this funding Network 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 Network in respect of the Equality Act 2010:
- Network shall comply in all material respects with all relevant Legislation relating to health and safety, equality and relevant employment matters.
 - Network 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

- 4.1. Subject to the satisfactory completion of due diligence, payment of grant in respect of the Hounslow Town School site will be subject to conditions set out in an Affordable Housing Grant Agreement between the GLA and Network Homes Limited together with requirements set out in the GLA's Capital Funding Guide. The scheme will be subject to quarterly monitoring to ensure agreed delivery milestones are achieved. In the event of serious default the GLA shall be entitled to terminate the Agreement and recover grant paid.

- 4.2. 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 School Road project will contribute towards this and support the aim to deliver 42,000 homes per annum prescribed by the Further Alterations to the London Plan March 2015.
- 4.3. Officers have worked very closely with the London Boroughs in the development of the Housing Zone proposals to look at how the GLA, the Boroughs and their partners can work together to deliver homes which would not otherwise be built in the next 10 years. They have also consulted and worked with the other parties to the relevant interventions (in this case Network Homes Limited) and DCLG. It is not considered necessary or appropriate to consult any other persons or bodies specified in section 32(2) of the Greater London Authority Act 1999 for the purposes of this Mayoral Decision.

5. Financial comments

- 5.1 £18.5m was allocated to Hounslow Housing Zone as part of MD1457, which included £3.5m towards the delivery of 200 units (of which 80 units, equivalent to 40% would be affordable units) on the Hounslow Town School site.
- 5.2 With permission for a greater number of homes (284 in total) and the additional grant proposed by the MD (£2.7125m), the total number of affordable homes will rise to 142, which represents 50% of the total.
- 5.3 The grant rate for the additional units beyond the original 80 equals £43,750 per units (£2.7125m for an additional 62units), which is considered reasonable.
- 5.4 As of the 12th October 2016, the current spending on the Housing Zones grant will be £80,525,000, of the original £200,000,000 budget, with a remaining £119,475,000.
- 5.5 The drawdown of funds for this project would be 100% at start on site.

6. Legal comments

- 6.1 Hounslow Town Centre was designated a Housing Zone under MD1457. Where the Mayor designates an area as a Housing Zone, the Mayor may provide financial assistance to help unlock or accelerate the delivery of housing within that zone.
- 6.2 The provision of financial assistance (including by grant) is permissible under section 30(1) of the Greater London Authority Act 1999 (as amended) ("GLA Act"), if the Mayor considers that doing so will further one or more of the GLA's principal purposes of: promoting economic development and wealth creation, social development, and the improvement of the environment in Greater London. The proposed Hounslow Town School site intervention 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 7.3 of the legal comments of MD 1457. As is noted in paragraph 7.4 of MD1457, the London Housing Strategy, which included a policy for Housing Zones, has been subject to an Integrated Impact Assessment, and GLA officers consider that the delivery of new and additional homes within the Housing Zones programme will help to implement Objectives in the Mayor's Equalities Framework "Equal Life Changes for All." (See also sections 4 and 5 of MD1457).
- 6.4 In addition to the above, where the Mayor is proposing to use the power conferred in section 30(1) of the GLA Act, the Mayor must consider consulting in accordance with section 32 of the GLA Act.

Section 4 above refers to the consultation and engagement that has taken place in relation to this matter.

- 6.5 Section 38(1) of the Act provides that any function exercisable on behalf of the GLA by the Mayor shall also be exercisable on behalf of the GLA by any member of staff of the GLA if or to the extent that the Mayor so authorises, whether generally or specially, and subject to any conditions imposed by the Mayor.
- 6.6 The General Delegation contained in section 2 of the Mayoral Scheme of Delegation provides for various functions to be delegated to GLA officers on a standing basis. However, the delegations contained in this Mayoral Decision are beyond the scope of the standing delegations, and therefore need to be made expressly. Officers exercising functions delegated under this Mayoral Decision will need to act in accordance with the terms and conditions of the delegation(s).
- 6.7 The award of GLA funding for Housing Zones is not a procurement, and is not therefore not subject to the requirements of the Public Contracts Regulations 2015. The GLA is still subject to the overarching duties of fairness and transparency. In accordance with paragraph 6.4 of the GLA's Contracts and Funding Code, the GLA must ensure that its funding be distributed fairly, transparently and in accordance with the GLA's obligations requiring equality of opportunity.

7. Planned delivery approach and next steps

Activity	Timeline
Completion of contract	November 2016
Start on Site	May 2017
Practical Completion	March 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 (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? YES

If YES, for what reason:

To allow for completion of the Affordable Housing Grant Agreement with Network

Until what date: (a date is required if deferring) 30 November 2016

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 – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Judith Carlson has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Sponsoring Director:

Jamie Ratcliff has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

James Murray has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 24 October 2016

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Ollé

Date

25.10.16

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

D. Bellamy

Date

26/10/2016.