

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2187

Title: St Ann's Hospital Acquisition

Executive Summary:

Barnet, Enfield and Haringey Mental Health NHS Trust identified the opportunity to release part of the existing St Ann's Hospital site in Haringey to the market for residential development to fund the redevelopment of existing hospital facilities. As part of the Mayor's commitment to unlocking housing on public sector land in London, draft terms have been agreed with the Trust to acquire the site. GLAP will then procure a development partner through the London Development Panel.

This DD seeks approval for the necessary budget to purchase this site for future disposal via the London Development Panel 2 (LDP).

Decision:

The Executive Director of Housing and Land approves the use of the Mayor's Land Fund budget for the purchase of the St Ann's Hospital site, in accordance with MD2207.

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 & Land

Signature:



Date:

20.12.17

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 Barnet, Enfield and Haringey Mental Health NHS Trust (the Trust) own and manage a number of health facilities across North London, including the St Ann's Hospital site in Haringey. The site comprises an 11.24 hectare hospital on the southern side of St Ann's Road, bounded to the south by the Overground railway, Hermitage Road to the east and the rear gardens of properties that face Warwick Gardens to the west. The site is within the St Ann's ward and lies within the St Ann's Conservation Area.
- 1.2 Whilst the buildings on the hospital site are used for clinical mental health facilities, along with staff accommodation and ancillary buildings, many of these buildings do not meet modern care standards, and a number of others are currently vacant, creating a pressing need to create a new consolidated facility for future health care provision.
- 1.3 The Trust undertook an extensive review of the future need for facilities and identified that building a new facility to meet those needs on the site would cost in the order of £38m. In 2014, the Trust identified the opportunity to release up to two thirds of the existing site for residential led redevelopment in order to cross subsidise the delivery of the new healthcare facilities on the remaining land.
- 1.4 An outline planning consent was sought and granted from the London Borough of Haringey (the Council) in March 2015 for the health facility and 470 homes of which 14% would have been affordable. It was not felt that the scheme was able to maximise the potential for the site, nor deliver an appropriate level of affordable housing, and as a result the Council included a review mechanism in the consent that 60% of any receipts achieved for the site over £38m (index linked) would be recycled back to deliver affordable housing on site or elsewhere as appropriate.
- 1.5 The Trust proposed to dispose of the site to the open market with the benefit of the existing consent in late 2017 / early 2018 and appointed a technical and consultant team to both market the site and prepare due diligence information.

London Estates Board / Mayor's Land Fund

- 1.6 The Mayor has been clear that public land should deliver more for the residents and communities in London, and has taken a number of key steps towards that aim including;
 - Adopting the Mayor's Affordable Housing and Viability Supplementary Planning Guidance document (2017) (the SPG), and issuing the Draft London Plan (2017, policies H5 and H6) which sets out guidance for public land, which the Mayor sees as playing an important role in delivering 50 per cent affordable housing overall and requires 50 per cent affordable housing to benefit from the 'fast track' approach to planning;
 - Establishing the London Estates Board (LEB) with national and local partners including the Department of Health, NHS England, NHS Improvement and London Councils to co-ordinate efforts on the disposal and management of NHS land within London;
 - Creating the Mayor's Land Fund (MD2207) to put in place resources to acquire land and enable key strategic sites in order to unlock affordable housing delivery in London.

- 1.7 Following the decision by the Trust to dispose of the land to the private market, GLAP has engaged with the Trust about the opportunity to acquire the site funded via the Mayor's Land Fund for a market value (i.e. the value of the existing consent) and dispose of it through the soon to be established London Development Panel 2 (LDP). Without the intervention by the Mayor, the site would be disposed of to the wider market and would not achieve the aims of the LEB or Mayors Land Fund.
- 1.8 The Trust require certainty by 22nd of December on a potential purchase by GLAP of the site, and completion on or before the 31st of March 2018 in order to let the relevant contracts and ensure delivery of the new facilities can take place on schedule. Without this certainty before Christmas 2017, the Trust will proceed to dispose of the site to the wider market, and any opportunity for GLAP to achieve the wider aims of the LEB or Mayors Land Fund would be lost.
- 1.9 As set out in MD2207, an Investment Committee has been established to appraise and agree investment decisions. Due to the need for the Trust to have certainty on funding for the new facilities early in 2018, as set out in this report and in MD2207, this proposed acquisition is being proposed as a priority for consideration by the Committee. It is fully in accordance with the aims and objectives of the Mayor's wider ambitions regarding public land, NHS estates and delivering genuinely affordable homes for Londoners.
- 1.10 Following approval of MD2207 the Investment Committee met on the 18th of December 2017 and agreed to proceed with this purchase.

Site Acquisition and Disposal

- 1.11 It is proposed that GLAP acquires the contiguous areas of land not required by the Trust to deliver the new health facility for the purposes of residential led redevelopment, to deliver a minimum of 50% affordable housing, in line with the ambitions of the SPC and draft London Plan, the LEB's vision for health estates and primary purposes of the Mayor's Land Fund.
- 1.12 By purchasing this site, the Mayor would be able to ensure the delivery of a critical new health facility for communities in London, and to deliver substantially more genuinely affordable homes in an area of critical need, recycling any uplift or financial gain back to improving communities and lives of Londoners, and ensuring (as set out below) that the resulting development has true community leadership and support.
- 1.13 The value of the land will be based on the residual value (the remaining value once all development costs and values are taken in to account) of the existing consented scheme.
- 1.14 The receipt for the land will then allow the Trust to commission and deliver its new facility, subject to securing a new planning consent. This will be required as the existing consent covers both the proposed new hospital and homes, and if GLAP proceed with a purchase these will need to be decoupled. It is expected that the new facilities will be open in 2020.
- 1.15 There are a number of health facilities operating in buildings on the land to be acquired by GLAP, the services will eventually transfer to the new hospital. It is proposed that GLAP will lease the land and buildings back to the Trust, and take vacant possession of the land in a pre-agreed sequence. Notably, a number of these buildings are of heritage value and form part of a wider conservation area and so would likely be retained and converted rather than demolished.
- 1.16 The Trust will decant existing operations from up to 60% of the site (Phase 1) within 3-6 months of purchase, followed by the remaining land in 2 parcels circa 2021 (Phase 2) and 2023 (Phase 3). This would allow a phased redevelopment of the scheme by the selected LDP member. Initial soft market

testing by the Trust indicates this is an entirely acceptable position for vacant possession of the land given the size and scale of the opportunity.

- 1.17 GLAP will procure a new development partner via the LDP 2 following confirmation of the new panel members. This process is anticipated to commence in May 2018 and likely take approximately 9 months, and result in a further Mayoral Decision which will recommend entering in to contract with a named development partner following the LDP selection process. The selected development partner will then work with GLAP and other key stakeholders to secure a new residential led planning consent for a minimum of 50% affordable housing.
- 1.18 The Trust is very keen to explore the potential for key worker housing for hospital staff. Recognising GLAP's obligations to achieve Best Consideration, the Trust has agreed that it will work with GLAP to ensure any proposals for Key Worker homes tied to the hospital are financially viable and deliverable. This may be, for example, by committing to long term rental of these properties or similar financial arrangement.
- 1.19 Discussions have taken place with the Council regarding the level of development on the site. It has been agreed that providing the resulting development is of benefit to the community, delivers genuinely affordable homes for Londoners and is in line with both the Local and London Plan, then an increase in density may be acceptable.

St Ann's Redevelopment Trust (StART) and Community Led Housing

- 1.20 The original proposal for the site raised significant concern in the local community about the level of affordable housing and the opportunity this site could have presented for a community led development. As a result, the St Ann's Redevelopment Trust (StART) was formed by an expansive group of proactive community members and they have been exploring options for the site to be viably delivered.
- 1.21 Core to StART's vision for the site is the realisation of a community led development that ensures genuinely affordable housing including the potential for community owned affordable housing, Community Land Trusts (CLT), key worker housing and similar models alongside community uses including open spaces and play facilities.
- 1.22 Given that community led models are often less viable when compared to private sector housing, StART has similarly recognised that increasing the density of proposals on the site would be needed to achieve the overall vision.
- 1.23 The GLA has been working for the past year to explore what assistance the Mayor and GLAP can provide to delivering their ambitions, including exploring whether they can raise finance to purchase the site themselves and other models of intervention. Having explored options, it is proposed that alongside others (such as the Borough and Trust) StART are recognised as a key stakeholder entity in the future development process.

Funding disposal of the site via the London Development Panel 2

- 1.24 In addition to the necessary budget to acquire the site itself, GLAP will need to bring on board expert legal and external advice initially to acquire the site and subsequently to draw up the necessary documentation and run the procurement process to identify a development partner via LDP 2. This expenditure will be a revenue cost, and will be funded from the Mayors Land Fund revenue budget as set out in MD2207.

2. Objectives and expected outcomes

- 2.1 The Trust will deliver modern mental health facilities for the benefit of communities in North London using the receipt from the sale of the land. The GLA will seek to deliver a minimum of 50% affordable homes on the site including specialist affordable housing products. The comprehensive high quality regeneration of the site will bring many benefits to local communities.

3. Equality comments

- 3.1 Under section 149 of the Equality Act 2010 (the "Equality Act"), as a public authority, the GLA must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation, and to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. Protected characteristics under the Equality Act comprise age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation and marriage or civil partnership status.
- 3.2 When considering the needs of the existing community and those that will be affected by the proposed development (both currently and in the future development scheme), any development activity will look to minimise disadvantages to all protected characteristic groups within society. This decision is therefore not expected to have any negative impact on persons with a protected characteristic under the Equality Act, as it will enhance existing facilities for those using the current site and provide community led regeneration on the remaining site.
- 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 affordable homes, housing products and well-designed housing schemes.

4. Other considerations

- 4.1 As with any land purchase, there are several key risks that need to be considered if GLAP proceeds with this transaction. These include;

Potential Risk	Mitigation
Land value may increase or decrease with the wider housing market	Officers will carefully monitor the wider market trends and take professional advice on the appropriate time and market circumstances for disposal of the land to maximise the benefits to the community.
The increased development density may result in concerns and objections from the wider community	As noted, the proposed route for disposal will ensure the ongoing and detailed input of the wider community, including through StART to ensure the community is involved in developing ideas for the proposed.
An ambitious affordable housing mix may result in a reduced residual land value	Detailed modelling will be undertaken of all proposed affordable housing mixes to ensure GLAP's obligations under s333z (c) of the GLA Act are met. This may include the use of Affordable Housing Grant to ensure the viability of the scheme.
Delays in securing consent or construction of the new health facilities means vacant possession of the full site is delayed	The likely scale of the scheme, and wider potential for market absorption means the homes delivered on the scheme will be

	released in phases, allowing time to achieve full vacant possession in accordance with a pre-agreed sequence with the Trust. Should there still be an issue, GLAP will ensure there are substantive penalties within the proposed lease back arrangements to ensure the Trust remain on target.
A market downturn or other issues cause cashflow issues and result in a halt to development	Whilst the wider housing market is highly sensitive to external factors, the market for affordable housing is much less so, and a scheme with a high level of affordable housing such as this is insulated against market downturns, and can be re-phased to accommodate this should it be needed.

5. Financial comments

- 5.1 The decision is seeking approval for the acquisition of St Ann's Hospital site for development. Acquisition of the site is expected to be completed by 31 March 2018.

6. Legal comments

- 6.1 Section 30 of the Greater London Authority Act 1999 (as amended) (GLA Act) gives the Mayor a general power to do anything which he considers will further one or more of the principal purposes of the GLA as set out in section 30(2) which are:
- i. Promoting economic development and wealth creation in Greater London;
 - ii. Promoting social development in Greater London; and
 - iii. Promoting the improvement of the environment in Greater London

and, in formulating the proposals in respect of which a decision is sought, officers confirm they have complied with the GLA's related statutory duties to:

- Pay due regard to the principle that there should be equality of opportunity for all people;
- Consider how the proposals will promote the improvement of health of persons in Greater London, promote the reduction of health inequalities between persons living in Greater London, contribute towards the achievement of sustainable development in the United Kingdom and contribute towards the mitigation of or adaptation to climate change in the United Kingdom; and
- Consult with appropriate bodies.

- 6.2 Section 1 of this report indicates that the decision sought of the Executive Director falls within the GLA's statutory powers.

7. Planned delivery approach and next steps

- 7.1 The next steps following approval of this decision are summarised below. The timescales are based on estimates and are subject to negotiations with the vendors of the sites.

Activity	Timeline
Mayoral Decision to acquire the site	December 2017
Procurement of a Legal Advisors from TfL's Framework to carry out due diligence	December 2017
Commissioning of Financial Advisors to undertake necessary due diligence	December 2017
Offers accepted for site purchase	January 2018
Purchase of site	March 2018
Launch of site to LDP2	Q2 2018/19
Selection of Development Partner	Q2 2019/20

Appendices: 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: *This report contains sensitive information related to the purchase of premises and release prior to the completion of the purchase would likely impact on the GLA to complete the purchase on the proposed terms.*

Until what date: **30 June 2018**

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:

Neil Hook has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

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

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

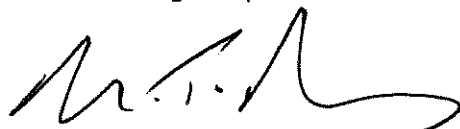
Corporate Investment Board

This decision was agreed by the Corporate Investment Board on the 11/12/2017

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature



Date

18.12.17

Tom MIDDLETON on BEHALF OF MARTIN CLARKE