

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2108

Title: Additional funding for the St Michael's Centre Community Right to Build project

Executive Summary:

This Director Decision seeks approval to provide an additional £15,493 in grant funding to St Michael's Centre, a youth club and registered charity based in Fulham, to cover an identified project funding shortfall. The requested amount is in addition to the Community Right to Build grant of £54,000, which was previously awarded to St Michael's Centre under DD 1374 through the *Build Your Own Home – The London Way* funding programme for the purpose of preparing a planning application for its community and housing development proposals up to the point of submission.

Decision:

That the Executive Director of Housing and Land agrees to increase the grant allocation of £54,000 that was previously awarded to St Michael's Centre under DD1374 through the Community Right to Build funding stream of the *Build Your Own Home – The London Way* funding programme by £15,493, bringing the total grant allocation for this project up to £69,493.

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 of Housing and Land

Signature:



Date:

28/03/17

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 The Localism Act 2011 introduced a new procedure known as a Community Right to Build Order, through which communities could take control of delivering the development they want in their area. To assist community groups to bring forward their own development proposals under Community Right to Build Orders, HM Government agreed to make available £20.5 million of national resource funding. This would allow community-led developments to proceed without the need for a conventional planning application.
- 1.2 On 27 June 2012, MD 1018 approved the Greater London Authority's (GLA) proposal to the Department of Communities and Local Government (DCLG) to administer and operate a reasonable allocation of the aforementioned funding in London. DCLG allocated £8 million to the GLA for the purpose of supporting proposals to bring forward Custom Build Housing and community-led development. Subsequently, on 17 July 2012, the GLA launched its *Build Your Own Home – The London Way* funding prospectus, which was comprised of two funding streams: a Custom Build Housing capital funding pot of £5 million and a Community Right to Build revenue funding pot of £3 million. In addition, MD 1018 delegated authority for these two funding streams to the Executive Director of Housing and Land.
- 1.3 The GLA's Community Right to Build funding stream was originally restricted to community groups seeking to develop a Community Right to Build Order up to the point of submission. However, DCLG later extended the funding to community groups seeking to pursue the traditional planning application route.
- 1.4 Successful applicants for this funding are eligible to receive grant (paid out in tranches) once each of four milestones has been achieved. The four milestones cover the entire process a community organisation would need to undertake in order to apply for a Community Right to Build Order or a traditional planning application. A funding payment is triggered for each of the following key milestones:
- Milestone 1: Body corporate established;
 - Milestone 2: Initial proposals developed, project eligibility established and outline feasibility study produced;
 - Milestone 3: Detailed proposals developed;
 - Milestone 4: Valid application for a Community Right to Build Order or traditional planning permission submitted.
- 1.5 On 7 September 2015, DD 1374 allocated a grant of £54,000 to St Michael's Centre (SMC), a youth club and registered charity based in Fulham in the London Borough of Kensington and Chelsea, under the Community Right to Build funding stream. The original long-stop date for the project to complete was 31 March 2016, but given that GLA funding was only approved six months prior to this, consent was given to extend the long-stop date by one year to 31 March 2017. While SMC is on track to achieve its Milestone 4 and draw down its final grant payment by this project long-stop date, it has identified a project funding shortfall of £15,493. SMC's proposal at the time of seeking its initial GLA grant was to refurbish its community centre, however, after undertaking site investigations and a feasibility study, it was later determined that it would be more beneficial to rebuild the centre; this led to an increase in the level of design work required, resulting in increased design costs and the funding shortfall for which grant is sought. Given that SMC is a very small charitable organisation, it does not have sufficient financial resources to cover this funding gap

itself. Continuing with the project could have serious implications for the future of the charity and the continuation of their work in the area. Therefore, it has requested that the GLA awards SMC an additional grant to cover this funding gap. This will increase SMC's total GLA grant allocation to £69,493.

2. Objectives and expected outcomes

- 2.1 The purpose of the GLA's Community Right to Build funding stream is to provide assistance to community-led groups interested in delivering community aspirations for development in their local area. As agreed under DD 1374, SMC is in the process of drawing down the final tranche of its GLA grant of £54,000, in order to develop a traditional planning application. SMC plans to redevelop its existing two-storey Victorian building into a day nursery for the local community; provide a revitalised and more appropriate leisure or teaching space for its existing youth club; as well as two new affordable homes and one new market home. To date, SMC has drawn down £40,593 of this grant; £29,000 against Milestone 2 and £11,593 against Milestone 3. No funding was attached to Milestone 1, given that SMC was already an incorporated body at the time it applied for GLA funding. The remaining grant of £13,407 will be drawn down by SMC no later than 31 March 2017.
- 2.2 The total cost to SMC of preparing and submitting a planning application for the project proposal outlined above, is £93,449. Once the grant SMC was awarded under DD 1374 is deducted from this cost, there remains a total project funding shortfall of £39,449.
- 2.3 Paragraphs 4.66 and 4.67 of the *Build Your Own Home – The London Way* funding prospectus stated that organisations would normally have to fund any additional costs from other resources and that no further funding would be made available in respect of additional costs. However, the GLA takes the view that, exceptionally, it will provide additional funding to SMC and that it is justified in doing so given the circumstances of the case as set out in this decision and for the following reasons:
- 2.3.1 SMC is only seeking an additional £15,493 in GLA grant to assist with this identified project funding gap and is meeting the rest of the £39,449 shortfall itself. The GLA's funding to SMC remains in line with the value for money eligibility criteria set out in the funding prospectus – in particular, that community groups should contribute at least 10% of the estimated costs of developing the proposal up to the point of submitting a Community Right to Build Order or planning application. The remaining £23,956 cost (26% of the total project cost) will be met by SMC. This is only possible as the architects, who remain highly confident that the project will achieve planning permission, have agreed to allow SMC to pay their fee after planning has been achieved through an overage agreement.
- 2.3.2 Habitat for Humanity (HfH), appointed by SMC to manage the project, has confirmed that full project costs have now been incurred. A breakdown of the full costs SMC will be drawing down grant against, accompanied by invoices evidencing incurred costs relating to the previously awarded grant of £54,000 and the additional grant of £15,493 sought, have already been provided to the GLA, in advance of the project long-stop date of 31 March 2017. GLA officers have assessed the breakdown of costs and are satisfied that they are reasonable and all associated with the process of obtaining the planning permission.
- 2.4 As the *Build Your Own Home – The London Way* funding programme closed for bidding in January 2015, it is not possible to draw the grant requested from the Community Right to Build funding stream. Instead, the Assistant Director – Policy, Programme and Services has agreed in principle, subject to obtaining this Director Decision, that this additional grant funding can be taken from the Housing and Land directorate's operational budget.

3. Equality comments

- 3.1 The likely potential equalities impacts of this decision have been considered with regard to the most recent iteration of the Mayor's Equalities Framework; Equal Life Chances for All, agreed in June 2014 under MD 1349. This decision will not materially alter the likely potential impacts of the previous decisions (MD 1018) on those with protected characteristics. These decisions were made having regard to previous iterations of the Mayor's Equalities Framework and implemented Mayoral strategies, notably those relating to housing, planning and economic development, which have themselves been subject to an equalities impact assessment.

4. Other considerations

a) Key risks and issues

As with any funding programme there is a risk of insolvency, fraud or misappropriation. This is mitigated by paying the funding in arrears following the achievement of each relevant milestone and against evidence of appropriate and incurred expenditure. It should also be noted that the GLA has a well-established relationship with HfH, who has successfully managed a number of Community Right to Build projects through to completion. Therefore, this risk is deemed to be minimal.

b) Links to Mayoral Strategies and Priorities

SMC's proposal accords with the Mayor's aspiration to see more community-led housing projects delivered in London, as stated in the *Home for Londoners: Affordable Homes Programme 2016-21 Funding Guidance* which was published on 23 November 2016. Although only a modest number of homes are proposed to be delivered, SMC's project will contribute to the Mayor's long-term aim for half of all new homes to be affordable.

5. Financial comments

- 5.1. This decision requests approval for a grant funding of £15,493 under the Community Right to Build programme to St Michael's Centre to cover the project funding shortfall.
- 5.2. Community Right to Build funding for this financial year has already been fully allocated, hence, the above expenditure will be covered from Housing & Land's Management & Consultancy budget and will be expended in 2016/17 financial year.

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. The principal purposes, as set out in section 30(2), of the GLA Act are:

- (1) Promoting economic development and wealth creation in Greater London;
- (2) Promoting social development in Greater London; and
- (3) Promoting the improvement of the environment in Greater London

and, in formulating the proposals in this report, 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, health inequalities between persons and contribute towards the achievement of sustainable development in the United Kingdom; and
- Consider consulting with appropriate bodies.

- 6.2. Previously the GLA was prohibited from using this general power to incur expenditure in providing any housing. This prohibition was, however, removed by s.186 of the Localism Act 2011, which came into effect on 1 April 2012.
- 6.3. Given the above, Section 34 of the GLA Act which allows the Mayor to do anything which is calculated to facilitate or is conducive or incidental to the exercise of any of his functions (including his functions under Section 30) and the Mayor's powers (under Section 38 of the GLA Act) to delegate to any GLA member of staff functions of the GLA that are exercisable by him, the foregoing sections of this report indicate that the Executive Director of Housing and Land has the power to agree the decision set out above.
- 6.4. Officers must ensure that the GLA funding is distributed fairly and transparently in accordance with the GLA's equality policies and in a manner which affords value for money in accordance with the Contract and Funding Code.
- 6.5. Further, officers must ensure that:
- 6.5.1. GLA funding is not used for any activities or overheads incurred in respect of activities for which recipients charge and a clear operational limit is place on their use of funds for the administration of the relevant project in this regard;
- 6.5.2. The recipient is required to have a separate account for the receipt and use of GLA funding or, if this is not possible, that they show the funding and related expenditure as a restricted fund in their accounts under a clear identified, e.g. "GLA community right to buy funding".
- 6.5.3. The funding is compliant with state aid and any award by the recipient of funding to sub recipients (if permitted) under the funding project is made in accordance with EU "de minimis" principles;
- 6.5.4. To the extent that the GLA funding is to be used by the recipient for the purchase of services, supplies or works, such services, supplies or works are procured competitively in accordance with public sector procurement principles; and
- 6.5.5. The variation to the existing contractual arrangements to incorporate the additional funding to SMC is put in place before any further commitment to fund is made.

7. Planned delivery approach and next steps

Activity	Timeline
Approval of this DD	27 March 2017
Manual accrual of additional 2016-17 GLA grant to SMC	3 April 2017
Delivery End Date	31 March 2017
Project Closure:	31 March 2017

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? 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 – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Marianne Danielewicz has drafted this report in accordance with GLA procedures and confirms that:

✓

Assistant Director/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:

The Corporate Investment Board reviewed this proposal on 27 March 2017.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Allge

Date

28.3.17