

## REQUEST FOR DIRECTOR DECISION – DD2355

### Title: Small Sites – Small Builders 2019 – 2021 Programme

#### Executive Summary:

MD2133 gave delegated authority to the Executive Director for Housing and Land to approve spending of £0.473m for 2017-18 and up to £14.703m from April 2018 until April 2021 to expand the Small Sites Small Builders Programme.

The Programme has developed following the successful launch of the pilot in February 2018 and it is recommended that the Executive Director approves expenditure of up to £11.842m across 2019/20 and 2020/21. The funding sources of the expenditure are £10.525m of Growth Deal monies (including £0.665m carried forward from 2018/19) and £1.317m from the Housing and Land Reserve (including £0.297m carried forward from 2018/19).

#### Decision:

That the Executive Director of Housing and Land approves:

Expenditure of up to £11.842m across 2019/20 and 2020/21 on the Small Sites Small Builders Programme, funded from Growth Deal monies (£10.525m) and the Housing and Land Reserve (£1.317m), to include expenditure of up to £140,000 for staff costs (1 x Grade 10 two-year fixed term contract and 1 x Grade 8 two-year fixed term contract).

#### 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:**

30 May 2019

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1. As outlined in the London Housing Strategy the number of small builders operating in London has reduced significantly over the past 15 years, resulting in an over-reliance on large sites and new homes in London being delivered predominantly by a small number of large developers. The reasons for the decline in small builders are well documented and include difficulty in obtaining finance, planning uncertainty, limited risk appetite, and lack of available sites. London boroughs and other public-sector landowners often struggle to bring forward small sites because of a lack of available resources, and a perceived imbalance between the effort involved and the benefits received.
- 1.2. MD2133 authorised expenditure of up to £473,000 to pilot an innovative programme to unlock publicly-owned small sites by bringing forward around ten TfL small sites for development by small and medium builders (SMEs) and community-led housing groups. Subject to evaluation of this pilot, the Mayor also delegated to the Executive Director Housing and Land authority to authorise further expenditure of up to £14.703m from April 2018 to April 2021.
- 1.3. The programme aims to provide public landowners with an alternative mechanism to bring small sites forward, which seeks to balance the convenience of land auctions with some of the delivery controls in development agreements. By taking a proportionate approach to those controls, the bidding/selection process will be simpler than a regulated procurement process, the complexity of which tends to exclude smaller builders. Beyond the pilot, the programme can also provide funding for landowners to carry out due diligence on their sites, to provide more certainty to bidders, and to help to unlock unviable sites.
- 1.4. The pilot of ten TfL sites was launched in February 2018 using a marketing portal on the GLA website. Some 130 bids were received from 80 different organisations across the spectrum of the SME sector, including from registered providers and community-led housing groups. Overall the successful bids offered more units and more value than anticipated and included a range of high quality and innovative schemes. The pilot was successful in demonstrating the value of the concept and DD2263 approved continuation of the Programme and expenditure of up to £3.872m in 2018/19.
- 1.5. Approval is being sought for expenditure of up to £11.842m from April 2019 to April 2021, which includes £962,000 carried forward from 2018/19. This will cover the remaining two years of the programme, rather than an annual approval as previously outlined in DD2263. This will provide greater confidence to boroughs and other public land owners to engage with the programme, improve the ability to appoint staff and build capacity.
- 1.6. Negotiation of contracts with successful bidders has progressed well, with six sites in contract. Barnet Council has resolved to grant planning consent on the first site submitted for planning (Beechwood Avenue), which will deliver 97 homes, of which 50% will be affordable (by habitable room). This has received positive press coverage, including from publications such as Architects' Journal, Building Design and Inside Housing. Discussions continue on two further sites, with the remaining two being withdrawn from the process, one because of planning issues with the local council and one which has now been re-marketed as the selected bidder withdrew at a late stage.
- 1.7. Three linked TfL sites at Wapping were advertised through the Portal in September 2018. Kuropatwa (the same developer as for Beechwood Avenue) has been selected.
- 1.8. Following a review of the pilot and agreement to continue with the full programme in July 2018 targeted engagement has taken place with several London Boroughs to secure interest in accessing the next round of the Programme. Five boroughs submitted bids to access funding for due diligence,

originally for 38 sites. These bids were accepted, grant letters have been agreed with three boroughs and due diligence is underway for 25 sites. Discussions are ongoing with the other two boroughs.

- 1.9. In addition, one borough has submitted a bid for site identification work. This has been agreed in principle and a grant agreement will be progressed.
- 1.10. The intention is that once due diligence is completed sites that are suitable for development will be advertised on the GLA portal. A further borough has confirmed that it wants to use the portal to bring forward sites for community-led housing and will have one site ready for May 2019. A workshop is planned for June, prior to advertising these sites to encourage further interest from other boroughs and public sector landowners.
- 1.11. At the end of March 2019 nine sites (including one re-marketed from the first round) were uploaded to the GLA portal by TfL. The nine sites have an estimated capacity of 90 homes. One site will be 100% affordable and three will be 50% affordable; the remaining sites fall below the ten-unit threshold and therefore on-site provision of affordable housing would not be required. Overall 39 homes are expected to be affordable.
- 1.12. Two bids for capital funding to unlock unviable sites have also been received from Waltham Forest Council. One has subsequently been withdrawn, however, the other, which comprises a bid to gap fund works at Central Parade is being progressed. A draft funding agreement has been shared with the borough. The funding will support various works, such as diversion of utilities, demolition, provision of new servicing and parking arrangements, to enable the delivery of 19 homes. The total funding requirement of £665,000 has been carried forward to the 2019/20 budget. The remaining capital underspend has been re-allocated to Good Growth reserve projects, as per MD2133 and DD2263.

## 2. Objectives and expected outcomes

- 2.1. The main aim of the programme in 2019/20 and 2020/21 is to secure commitments from London boroughs and other public sector landowners to bring sites through the programme; further TfL sites are also expected to be brought forward. The budget of £11.842m is comprised of capital and revenue expenditure and is profiled in the table below. The split between revenue and capital expenditure is fixed.

<b>Programme costs</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Total</b>
Capital	£5,345,000	£4,320,000	£9,665,000
Revenue	£1,117,056	£1,060,000	£2,177,056
<b>Total Small Sites</b>	<b>£6,462,056</b>	<b>£5,380,000</b>	<b>£11,842,056</b>

- 2.2. The revenue funding will be used principally to fund due diligence (such as ecology, arboricultural and ground condition surveys, reports on title, valuations, daylight/sunlight, rights to light and transport assessments) and site identification for land owners as well as preparation of material to advertise sites on the Portal. Funding will also be used for staff costs, website development, the landowners event and further legal and commercial advice if necessary. A profile of the spend is set out in the table overleaf.
- 2.3. It is proposed that the allocation of the revenue budget between site preparation and site identification remains flexible at this stage to enable resources to be deployed in response to demand. Therefore, the total number of sites that are funded for due diligence and subsequently brought forward through the Portal will depend on the split between funding due diligence and site identification and other revenue costs. Approximately 60 sites could be funded based on an assumption that £1.5m out of a total revenue budget of £2.177m (for 2019/20 and 2020/21) is spent on due diligence. Based on the average estimated capacity of the sites released to date this

would deliver around 660 homes. Site identification for up to four boroughs could also be funded, based on £100,000 per borough.

<b>Item</b>	<b>Budget</b>
Site preparation (due diligence and particulars) and site identification	£1,900,000
Staff costs	£140,000
Other programme administration (website development, adverts/marketing/agency support, legal/commercial advice), if required, otherwise re-allocated for site preparation and identification	£137,056
<b>Total revenue</b>	<b>£2,177,056</b>

- 2.4. It is anticipated that the capital funding of £9.7m (for 2019/20 and 2020/21) would support between 15 and 30 sites, depending on the level of funding required. This would fund capital works, such as demolition, de-contamination or utilities diversion, the cost of which would otherwise render the scheme unviable. It is estimated that between 165 homes and 330 homes will be delivered on these sites, depending on the capacity of these sites and the level of gap funding required.
- 2.5. To boost the take up of capital funding it is proposed to add flexibility into the programme by enabling public landowners to access funding and then bring forward sites themselves (instead of being required to advertise them on the Portal).
- 2.6. It is also proposed to increase the project management resource, through the recruitment of a second project officer (at Grade 8 two-year Fixed Term Contract) to a) ensure the opportunity to market sites and to access related funds is adequately promoted to boroughs and to a wider and more diverse range of delivery partners e.g. registered providers, and b) increase the frequency of funding rounds and support funding requests in between rounds.

### **3. Equality comments**

- 3.1. The programme is not anticipated to have a negative impact on any groups identified under the Equality Act 2010. The programme will be developed and delivered in compliance with relevant Codes of Practice and in line with the requirements of the public-sector equality duty to ensure that the following issues have been considered:
  - i) Physical proposals will meet planning and Building Regulations requirements in terms of accessibility to ensure we minimise disadvantage suffered by people who share a protected characteristic.
  - ii) Documents and publications will comply with Mayor of London branding guidelines, these being based on guidance from the Royal National Institute of Blind People.
  - iii) The ability to set out requirements for affordable housing and community-led housing will benefit disadvantaged groups with protected characteristics who are disproportionately impacted by lack of affordable housing.
- 3.2. Public sector landowners will already share the public-sector equality duty. This will be stipulated in any grant agreements.

### **4. Other considerations**

- 4.1. The programme links to wider Mayoral strategies and priorities, including the Housing Strategy, which seeks to diversify the housebuilding industry and draft London Plan Small Sites policy, which

establishes a presumption in favour of appropriate residential development on small sites and small sites target for boroughs.

- 4.2. Risks at a programme level include demand and supply of sites coming through the platform. This will be mitigated by engagement with landowners and offering additional flexibility in funding eligibility. Officers have already engaged with a range of public landowners, small developers, community-led housing groups and their representative bodies in formulating the programme, including London Councils and the Federation of Master Builders.
- 4.3. Risks associated with individual sites will be identified through detailed site surveys and due diligence as part of the programme. The reputations of the public landowner and GLA may be negatively impacted if sites are poorly developed or not built out at all. The programme involves a proportionate approach to these risks, and the intention is to dispose of sites to organisations who intend to build good schemes.

## 5. Financial comments

- 5.1. Growth Deal 3 is an allocation of capital grant funding.
- 5.2. Up to a further £11.842m can be drawn down until April 2021. This includes £9.665m Growth Deal capital funding (including £665k carried forward from 2018/19), £0.860m Growth Deal funding swapped to revenue via the Capital Programme Reserve, and, as per the above, £1.020m revenue funding sourced from Housing and Land budgets plus £0.297m carried forward from 2018/19.
- 5.3. The programme funding sources and the spending profile are summarised below:

	2017/18	2018/19	2019/20	2020/21	Total
Capital from Growth Deal	£0	£2,880,000	£4,680,000	£4,320,000	£11,880,000
Revenue from Growth Deal	£185,000	£475,000	£440,000	£420,000	£1,520,000
<b>Sub-total from Growth Deal</b>	<b>£185,000</b>	<b>£3,355,000</b>	<b>£5,120,000</b>	<b>£4,740,000</b>	<b>£13,400,000</b>
Additional Revenue from H&L	£288,000	£468,000	£380,000	£640,000	£1,776,000
<b>Total Small Sites budget</b>	<b>£473,000</b>	<b>£3,823,000</b>	<b>£5,500,000</b>	<b>£5,380,000</b>	<b>£15,176,000</b>
carried forward underspend (capital)			£665,000		
carried forward underspend (revenue)		£49,201	£297,056		
<b>Total Spend actual/forecast</b>	<b>£394,103</b>	<b>£684,646</b>	<b>£6,462,056</b>	<b>£5,380,000</b>	<b>£12,920,805</b>

- 5.4. Any under-spends that accrue in year from the Growth Deal capital will be reallocated to the Good Growth Fund, which is part of the LEAP's Growth Deal 3 Programme; £2.215m of the 2018/19 capital budget underspend has been reallocated in this way.

## 6. Legal comments

- 6.1. This report requests approval of expenditure already authorised via MD2133. The previous sections of this report indicate that the decisions requested of the Executive Director concern the exercise of the

GLA's general powers, falling within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development and wealth creation, social development or the promotion of the improvement of the environment, in Greater London.

- 6.2. In implementing the proposals in respect of which a decision is sought, officers should comply 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 to contribute towards the achievement of sustainable development in the United Kingdom; and
  - Consult with appropriate bodies.
- 6.3. In taking the decisions requested, the Executive Director must have due regard to the Public Sector Equality Duty under section 149 of the Equality Act 2010, namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, to advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation) and to foster good relations between persons who share a relevant protected characteristic and persons who do not share it. To this end, the Executive Director should have particular regard to section 3 (above) of this report.
- 6.4. To mitigate any risks that proposed funding might be considered to be state aid, officers should work with TfL Legal to consider the structure of proposed funding arrangements and the detail of such arrangements.
- 6.5. As noted above, the complexity of the Public Contracts Regulations 2015 (which implement the EU Public Procurement Directive) can mean that smaller builders are put off bidding for schemes. This programme takes a proportionate approach, balancing the risk of people not bidding with the risks to delivery. The programme has been designed to fall outside the scope of those Regulations.

## 7. Planned delivery approach and next steps

Activity	Timeline
Complete due diligence on borough sites	May 2019
Launch sites as they become ready for market along	May 2019 onwards
Landowners workshop	June 2019
Authorisation of Grade 8 fixed term contract	June 2019
Engagement with boroughs and other public-sector landowners	Ongoing

## Appendices and supporting papers:

None.

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) 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 it has been approved 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 - Sensitive information**

Only the facts or advice that would be exempt from disclosure under FoIA should be included 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:**

Justin Carr has drafted this report in accordance with GLA procedures and confirms the following:

✓

**Assistant Director/Head of Service:**

Simon Powell 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**

This decision was agreed by the Corporate Investment Board on 20 May 2019.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. D. Allcock*

Date

*29.5.19*

