

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2437

Title: Housing Infrastructure Fund – Forward Funding Business Case Submission (March 2019)

Executive Summary:

Up to £4.1bn of Forward Funding (FF) over the period 2017-2023 has been provisionally allocated from the Government's Housing Infrastructure Fund (HIF) to help unlock a strategic pipeline of housing delivery in England. This funding will be awarded, following a competitive bidding process, to up to 45 higher tier authorities. The GLA has already submitted five business cases as part of the competitive bidding process and a funding allocation of £291m has been approved for the Docklands Light Railway Accelerated Growth Programme. This MD approves the submission of the business case for Transforming London Riverside in March 2019 and a delegation to the Mayor's Chief of Staff in consultation with the Executive Director of Resources to approve a drawdown of funding up to £0.8m in support of the bid already submitted for Old Oak and Park Royal Development Corporation (OPDC). Further MDs will be presented for approval, prior to the receipt of any HIF allocation from Government.

Decision:

That the Mayor:

1. Approves the submission to Government in March 2019 of a business case for Transforming London Riverside supporting a bid for capital funding of up to £250m HIF FF to help unlock the delivery of up to 14,868 new homes;
2. Delegates authority, in respect of that funding bid, to the Executive Director of Housing and Land, in consultation with the Executive Director of Resources, to approve the final business case, as described in Part 2 of this decision, subject to the satisfactory completion of the detailed modelling and appraisal required; and
3. In respect of the separate and previous HIF funding bid for Old Oak submitted in September 2018 following MD2355, delegates to the Mayor's Chief of Staff, in consultation with the Executive Director of Resources, a drawdown of funding for OPDC of up to £0.8m from the Mayoral Development Corporation Reserve to ensure deadlines are met in the event the bid is successful. This delegation replaces the delegation to the Mayor's Chief of Staff under MD2401 and applies from 1 April 2019 expiring on 31 March 2020.

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:

12/3/19

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

Decision required – supporting report

1. Introduction and background

- 1.1 Central Government's £2.3bn Housing Infrastructure Fund (HIF) was announced in the 2016 Autumn Statement. The programme provides funding for infrastructure investment to unlock additional homes, with a focus on areas of greatest housing demand. The HIF Prospectus was published on 4 July 2017 inviting bids for funding to be invested over the period up to March 2021. In the Autumn Budget 2017 a HIF extension was announced, more than doubling the size of the fund and extending availability to March 2023. A further £0.5bn was announced in the Autumn Budget 2018. The total value of the fund is now around £5.5bn of which £4.966bn has been provisionally allocated as set out in 1.2 and 1.3 below.
- 1.2 HIF may be used to deliver physical infrastructure including: transport and travel, utilities and digital communications, schools and community facilities including healthcare, heritage asset protection and green and blue infrastructure including flood defences. Land assembly is an eligible cost provided this is associated with infrastructure delivery. The Fund has two parts:
 - **Marginal Viability Funding (MVF)** – a soft ceiling of £10m per scheme to provide the final or missing piece of infrastructure to get additional sites allocated or existing sites unblocked quickly, with a requirement for London bids to be led by the boroughs.
 - **Forward Funding (FF)** – a soft ceiling of £250m per scheme available to higher tier authorities to support a small number of strategic and high-impact infrastructure schemes with a requirement for London bids to be led by the GLA.
- 1.3 Ministry of Housing, Communities and Local Government (MHCLG) officials have confirmed that MVF schemes will be required to deliver expenditure by March 2022, while FF projects will be monitored against an expenditure deadline of March 2024. Nationally, a total of £866m has been provisionally allocated to MVF schemes to March 2022, and £4.1bn has been provisionally allocated for FF schemes to March 2024.
- 1.4 Up to £110.7m has been provisionally allocated to borough-led MVF schemes in London. Further to MD2341, the GLA will enter into an associated Memorandum of Understanding (MoU) with Government to fund the delivery of up to 12 infrastructure schemes capable of unlocking the delivery of up to 18,000 new homes.
- 1.5 The GLA submitted Expressions of Interest for FF in September 2017 and, in March 2018, MHCLG announced they would be working with the GLA to progress selected schemes through a co-development stage culminating in the submission of full business cases. Further to MD2355, business cases for Docklands Light Railway – Accelerated Growth Programme and Old Oak – Delivering London's Largest Opportunity Area were submitted in September 2018. Further to MD2388, business cases for East London Line – Growth Capacity, Meridian Water Infrastructure and Royal Docks Infrastructure were submitted in December 2018.
- 1.6 A funding allocation of £290.7m for the Docklands Light Railway was announced in the Autumn Budget 2018. Further funding announcements are not expected until the Spring Statement on 13 March.
- 1.7 Transforming London Riverside will be the last of the London co-development schemes to be submitted to MHCLG. The final deadline is 22 March 2019.

- 1.8 The draft business case was subject to review by the HIF FF Steering Group on 14 February. The Steering Group is comprised of representatives from TfL Spatial Planning and senior managers from across the GLA including Investment and Operations, Transport, Planning, Group Finance and GLA Economics. Officers from the Environment Team have also been engaged and provided feedback on the draft business case. GLA Chief Finance Officer sign off is a pre-requisite for the submission of business cases to MHCLG. Financial risk to the GLA has been a key area for scrutiny by the Steering Group.
- 1.9 Following review of the draft business case by the Steering Group, outstanding issues have been subject to detailed discussions with delivery partners. Further details of these issues and the process by which they will be addressed are set out in the part 2 report.
- 1.10 Under GLA Financial Regulation 26.2, bids for external funding in excess of £500,000 are to be approved by the Mayor. Approval is now being sought to submit the business case for Transforming London Riverside to MHCLG in March 2019.
- 1.11 Subject to a funding allocation being approved by Government, a further MD will be required to enter into an agreement with MHCLG for the receipt of external funding.
- 1.12 MD2401 approved a delegation to the Mayor's Chief of Staff, in consultation with the Executive Director of Resources, to draw down a maximum of £0.8m in 2018-19 from the Mayoral Development Corporation Reserve in support of OPDC's HIF bid which was submitted in September 2018, in the event that the bid was successful. This was to ensure that the infrastructure works to be funded by HIF grant could be delivered to deadline. A decision on the outcome of the bid is still awaited and the anticipated expenditure was not incurred in 2018-19, therefore approval is sought to extend this delegation to 2019-20.

2. Objectives and expected outcomes

- 2.1 Subject to funding, the HIF FF schemes will deliver a range of physical infrastructure required to unlock a strategic pipeline of delivery in London's Opportunity Areas and strategic transport corridors. The Government's HIF funding is intended to address market failure where the need for infrastructure is blocking development. Infrastructure may include: land assembly, transport and travel, utilities and digital communications, schools and community facilities including healthcare, heritage asset protection and green and blue infrastructure including flood defences.
- 2.2 The proposed Transforming London Riverside intervention could support the delivery of up to 14,868 new homes of which between 35% and 50% are expected to be affordable.

3. Equality comments

- 3.1 In September 2017, the GLA published an impact assessment, including an equalities impact assessment, of the London Housing Strategy. Policies related to increasing housing supply and delivering affordable housing, to which the FF HIF schemes will make a significant contribution, were also covered by the Integrated Impact Assessment (IIA) for the Draft London Plan, published in November 2017.
- 3.2 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 different groups are taken into account in housing design.

- 3.3 The delivery of new and additional homes will help to implement strategic objectives 1, 4, 7, 9 and 25 of Inclusive London: the Mayor's Equality, Diversity and Inclusion Strategy (2018) by incorporating the principles of inclusive design into transport and regeneration schemes and by increasing the supply of homes that are genuinely affordable to buy or rent. If successful, the FF schemes will help fund the infrastructure needed to unlock a strategic pipeline of delivery with up to 14,868 new homes, including between 35% and 50% affordable.
- 3.4 Under section 149 of the Equality Act 2010, as public authorities, the Mayor and the GLA are subject to a public-sector equality duty and must have 'due regard' to the need to (i) eliminate unlawful discrimination, harassment and victimisation; (ii) advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and (iii) foster good relations between people who share a relevant protected characteristic and those who do not. 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.
- 3.5 Throughout the decision-making process relating to HIF FF due regard has been – and will continue to be – paid to the 'three needs' outlined above. The housing shortage in London disproportionately negatively affects people with certain protected characteristics. Increasing the supply of housing (by funding infrastructure to unlock additional housing supply) will help to achieve positive impacts in line with the 'three needs'.

4. Other considerations

Key Risks and Issues

- 4.1 It is anticipated that the GLA will enter into either a Memorandum of Understanding or individual funding agreements with MHCLG in respect of successful FF schemes including accountability for the delivery of infrastructure milestones. Where milestones are not delivered by the programme longstop, MHCLG reserves the right to recover unspent grant. Where appropriate, the GLA will transfer the risk of cost overruns and failure to deliver by the programme longstop to delivery partners, which include TfL. Progress in delivery of HIF FF schemes will be monitored by the HIF Programme Delivery Board chaired by the Executive Director of Housing and Land.
- 4.2 The GLA is responsible for ensuring that projects are compliant with state aid and EU procurement rules.

Links to Mayoral Strategies and Priorities

- 4.3 The draft new London Plan 2017 and the London Housing Strategy 2018 set ambitious new targets to deliver the homes necessary to meet housing need and ensure London's competitiveness. To create this step change in housing delivery, the Mayor is committed to targeting investment to accelerate and de-risk housing and regeneration sites across London, including securing a significant share of the Government's Housing Infrastructure Fund (Draft LHS Policy 3.2).
- 4.4 HIF FF will provide necessary investment to assist the GLA in unlocking London's emerging Opportunity Areas and releasing new capacity in transport corridors. This will make an important contribution toward meeting current housing targets as well as setting up a long-term delivery pipeline to 2035 and beyond. HIF FF complements existing Programmes, including the Mayor's Affordable Homes Programme 2016-2021.
- 4.5 The GLA has engaged with the London Boroughs of Havering and Barking and Dagenham, Be First (Regeneration) Limited, Barking Riverside Limited, Transport for London, Network Rail, Trenitalia

C2C Limited, Clarion, Countryside and Notting Hill Genesis in relation to the HIF bid for Transforming London Riverside. It is not considered necessary or appropriate to consult any other persons or bodies including those specified in section 32(1) of the Greater London Authority Act 1999 for the purposes of this Mayoral Decision.

5. Financial comments

- 5.1 The GLA will be the accountable body for these projects should HIF grant funding be awarded so it will be necessary to ensure that financial risk from cost overruns or slippage outside of the funding delivery deadline of March 2024 rests with the appropriate delivery body. The Transforming London Riverside bid will require the GLA to take delivery risk for the fit out of Beam Park Station. Further comments on this issue are contained in part 2 of this decision.
- 5.2 The £0.8m that may be required to support delivery of the OPDC HIF bid in 2019-20 is contained within the Mayor's Development Corporation Reserve.

6. Legal comments

- 6.1 The receipt of funding from MHCLG and the provision of financial assistance (whether by grant or loan) for the delivery of infrastructure projects which unlock new housing supply is permissible under sections 30(1) and 34 of the Greater London Authority Act 1999 (the GLA Act), if the Mayor considers that doing this will further one or more the GLA's principal purposes of: promoting economic and social development in Greater London, and improving the environment in Greater London. This is subject to comments set out at paragraph 6.7 below.
- 6.2 In determining whether or how to exercise the power conferred by section 30(1) of the GLA Act, the Mayor must:
- (i) Have regard to the effect that these decisions will have on the health of persons in Greater London, health inequalities between persons living in Greater London, the achievement of sustainable development in the United Kingdom and climate change and its consequences (sections 30(3-5) of the GLA Act);
 - (ii) Pay due regard to the principle that there should be equality of opportunity for all people (section 33 of the GLA Act); and
 - (iii) Have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) 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 (section 149 of the Equality Act 2010).
- 6.3 In this respect the Mayor should have regard to section 3 above.
- 6.4 Going forward, the Mayor will also need to have due regard to the Public Sector Equality Duty, and the matters set out in sections 30(3-5) and 33 of the GLA Act, when entering into any funding agreements.
- 6.5 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. In this respect, regard should be had to Section 4 above. The GLA will also need to consult in

accordance with section 32 of the GLA Act, as appropriate, prior to entering into any funding agreements.

- 6.6 Section 31 of the GLA Act prohibits the Mayor from using his power in section 30(1)(a) of the Act to incur expenditure in doing anything which may be done by Transport for London, which on the face of it would prevent the GLA from incurring expenditure in providing funding for transport provision. However, section 31(5B) of the GLA Act provides that nothing in section 31(1)(a) shall be taken to prevent the Authority incurring expenditure in doing anything for the purposes of, or relating to, housing or regeneration. Accordingly, the GLA has the power to fund proposed transport-related infrastructure within HIF FF schemes.
- 6.7 Where the GLA is proposing to provide capital funding to a functional body (including TfL), this funding should be provided under section 120 of the GLA Act. Section 120(3) provides that: "A grant under this section must not be made subject to any limitation in respect of the capital expenditure which it may be applied towards meeting." Legal advice should be obtained as to the arrangements which may be put in place between the GLA and the relevant delivery partner prior to any provision of funding. Legal advice should also be sought as to the terms of any funding agreement or Memorandum of Understanding between the GLA and MHCLG.

7. Planned delivery approach and next steps

Activity	Indicative Timeline
Business Case Submitted to MHCLG	March 2019
Funding Announcement	By October 2019
MD to approve receipt of external funding	By December 2019
Delivery Start Date	April 2020
Delivery End Date	March 2024

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

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 – YES

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:

✓

Sponsoring Director:

David Lunts 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 11 March 2019.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. J. Blag

Date

11. 3. 19

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

11 / 3 / 2019.

