

REQUEST FOR MAYORAL DECISION – MD1592

Title: Housing Zones Budget

Executive Summary:

The Mayor's London Housing Strategy includes a policy to create Housing Zones across London. The Housing Zone Prospectus identified that the purpose of Housing Zones is to accelerate or create new housing supply to help meet London's housing requirement of at least 42,000 homes a year. The GLA has received 25 bids for significantly in excess of the £400m available funding.

This decision approves revenue expenditure related to Housing Zones for financial years 2015-16 to 2017-18, covered from interest reclaims generated from the GLA's Affordable Homes Programme.

Decision:

The Mayor approves expenditure of up to £1,757,000 to:

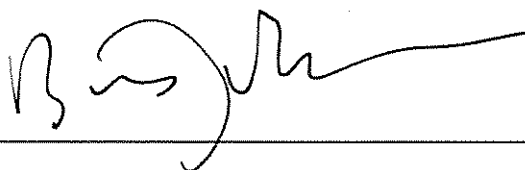
- appoint external property consultants and legal advisors in relation to the legal contracting process, review of state aid compliance, cost and value assumptions and governance structures.
- Undertake activities in relation to publicity, training and events in connection to the housing zone proposals and future announcements; and
- cover Housing Zone staffing costs associated with the newly created Housing Zones Contracting Team.

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:

13. 1. 2016

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

Decision required – supporting report

1. Introduction and background

- 1.1 Publication of the funding prospectus in June 2014 outlined key criteria which are to be applied across all Housing Zone bids and a standardised proforma in order to allow comparison of potentially novel bids.
- 1.2 Bidders were required to identify an annual profile of funding to be drawn down and specific outputs for the expenditure linked to housing delivery (including affordable housing). The deadline for submission of bids in the initial phase was 30 September 2014, although the GLA will continue to consider further applications up until the funding is fully allocated.
- 1.3 In addition to the proforma, bidders were required to submit an executive summary of their proposals, a supporting vision document and a letter of support from the bidding Borough's section 151 officer.
- 1.4 The assessment process has been developed building on the GLA's experience of assessment for a range of housing programmes, including the range of Financial Transactions programmes which have been delegated to the HCA. A brief summary is set out below. The Housing and Land Area Manager, for the relevant borough in which the proposal is located, alongside the Housing Zones Contracting Team will have responsibility for the assessment process, through to final sign-off of detailed due diligence.
- 1.5 Assessment is based on a tiered approach, with an initial review by the relevant Area Manager, followed by detailed internal assessment. At all stages in the process proposals will be subject to internal peer review to ensure that only robust, high quality bids are progressed.
- 1.6 Once sufficient detail of the proposals is received and the bids are of a high enough quality to proceed then each proposal will embark on a phase of further interrogation. This will initially be carried out by the Housing and Land Senior Management Team. Following successful consideration and the receipt of further appropriate information a review will also be carried out by a Challenge Panel comprising of the Housing and Land Senior Management Team and external independent members of the Homes for London Board. All issues will need to be satisfactorily addressed before proposals can proceed to the next stage.
- 1.7 Following the Housing Investment Group's endorsement to proceed, the bid proposal will be subject to significant due diligence by externally appointed consultants which will include the legal contracting process, review of state aid compliance, cost and value assumptions and governance structures.
- 1.8 Property Consultant Detailed Due Diligence

The GLA has appointed Lambert Smith Hampton (LSH) and DTZ as Property advisors to evaluate and report on the accuracy and completeness of the development assumptions, such as costs, receipts and other development assumptions used in each transaction that underpin the Borough's Housing Zone proposals. The Consultants will advise on whether the assumptions are considered to be unreasonable and highlight the risks in relation to issues identified providing clear reasons to support their view.
- 1.9 Legal Advisors - Contracting

The GLA has appointed external legal advisors to produce the different agreements that will be used to govern GLA Housing Zone investment and ensure delivery of outputs. The GLA has

produced an Overarching Borough Agreement and three types of contract that will be used to administer the different types of Housing Zone funding.

- *The Overarching Borough Agreement* – is a Housing Zones principles document.
- *Development Facility Agreement* – is a standard form of agreement to be used to administer loan funding.
- *Borough Intervention Agreement* – is a form of grant agreement to be used to govern the payment of capital grant where the borough is directly procuring delivery of the outputs.
- *Affordable Housing Grant Agreement* – is a form of agreement between GLA and a Registered Provider (Ex-RSL, LA or New RP) for direct provision of affordable housing within the Housing Zones.

1.10 The total cost of up to £1,530,000 for the Housing Zones Consultancy Budget is broken down as follows:

	Financial Year(s)			
	2015-16	2016-17	2017-18	
Property	£270,000	£180,000	£180,000	
Legal	£400,000	£300,000	£200,000	
Total	£670,000	£480,000	£380,000	
				£1,530,000

- 1.11 Housing Zone – Consultancy Budget (MD1438) approved expenditure of £800,000 for Property Consultants and Legal Advisors. The £1,530,000 expenditure figure above at 1.10 includes this approved amount. Approval is sought within this report to secure the additional Housing Zone Consultancy Budget figure (£730,000) over and above the £800,000 approved by MD1438.
- 1.12 The Housing Zone Consultancy Budget of £800,000 approved by MD1438 utilised underspend from the Community Right to Build (CRtB) Budget. This underspend has now been assigned to the H&L Directorate Land & Property Programme as part of the Corporate Budget Setting process. The entire budget for the Housing Zones Programme will therefore be contained within interest reclaims generated from the GLA's Affordable Homes Programmes (approval for which is sought by this report) and not as previously set out within MD1438 from underspend within the CRtB Programme.
- 1.13 Housing Zone Publicity, Training and Events
- A budget of £15,000 for Housing Zone Publicity, Training and Events is required to ensure:
- Greater capacity and skills around Housing Zones and Housing Zones specific issues
 - More efficient sharing of successful ideas and practices
 - Ongoing external publicity of Housing Zone progress, successes and outcomes
 - Support best practice in this and future funding rounds
- 1.14 A specific provision is included within this budget to support the work of Future of London (FoL) - an independent not-for-profit policy network focused on the challenges facing regeneration, housing, infrastructure and economic development practitioners in the Capital.

1.15 Housing Zone – Staffing Costs

A budget of up to £212,000 for staffing costs in relation to Housing Zones and the newly formed Housing Zone Contracting Team responsible for leading the contracting process, working closely with existing teams, partners and the appointed property and legal consultants.

1.16 Use of Reclaimed Interest from the GLA's Affordable Homes Programme(s)

The Housing Zone Budget requested will be administered from reclaimed interest generated in 2014-15 (£2,005,961) and vired to the operational consultancy budget for H&L. The Housing Zone budget requested in this report is for £1,757,000 the remaining balance of the interest reclaimed amount (£248,961) is intended to be used by other programmes/ projects underway within the H&L Directorate and will be covered by a separate and future MD.

1.17 The Mayors Commitment to a Further 10 Housing Zones

The Housing Zone Budget detailed within this report is to cover the first 20 housing zones designated by the Mayor as outlined within the Housing Zone Prospectus and for the associated due diligence and legal contracting work in respect to these housing zones. In relation to the Mayors commitment to designate a further 10 housing zones in the future, further revenue budget may be required if additional zones are considered.

2. **Objectives and expected outcomes**

- 2.1 The justification for investment in any Housing Zone will be that it will deliver homes, that either would not have come forward at all without Housing Zone designation or which will be greatly accelerated in their rate of delivery as a result of that designation. Bids for Housing Zone status are required to have a minimum threshold of 1,000 new homes but the GLA anticipates that most will be for a higher number.
- 2.2 The target is twenty Housing Zones with an aspiration for these to deliver around 50,000 homes over ten years, and possibly more still over the longer term. Housing Zones may deliver homes of all tenures but the development of new homes which are affordable to ordinary working Londoners will be an important priority. Developers will be required to adhere to the Mayor's Concordat that obliges developers to market domestically and the GLA will wish to see other measures put in place to ensure that new homes are available to primary purchasers rather than investors.
- 2.3 In addition to boosting supply in specific areas, Housing Zones will also be locations in which new approaches to delivery are piloted. It is expected that there will be opportunities to test out planning and funding mechanisms that might inform policy more widely.
- 2.4 The 20 Housing Zones announced in London are as follows:

London Borough	Housing Zone Description
Royal Borough of Greenwich	Abbey Wood, Plumstead & Thamesmead
London Borough of Bexley	Abbey Wood & South Thamesmead
London Borough of Barking & Dagenham	Barking Town Centre
London Borough of Wandsworth	Clapham Junction to Battersea Riverside
London Borough of Harrow	Heart of Harrow
London Borough of Hounslow	Hounslow Town Centre
London Borough of Redbridge	Ilford Town Centre
London Borough of Enfield	Meridian Water
London Borough of Lewisham	New Bermondsey

London Borough of Tower Hamlets	Poplar Riverside
London Borough of Havering	Rainham and Beam Park
London Borough of Ealing	Southall
London Borough of Haringey	Tottenham
London Borough of Brent	Wembley
London Borough of Brent	Alperton
London Borough of Waltham Forest	Blackhorse Lane
London Borough of Westminster	Edgware Road
London Borough of Sutton	Sutton Town Centre and Hackbridge
London Borough of Lambeth	Lambeth
London Borough of Merton	Morden Town Centre

3. Equality comments

- 3.1 The designation of these twenty areas as Housing Zones 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, of which this paper relates, 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 within the Housing Zones 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 the decision within this report 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 and designation, any bidding party, be that private sector developer or Local Authority, will be required to enter in to contract with the GLA and / or GLALP to deliver these interventions. Whilst there is a statutory obligation for parties to take account of the impact of schemes under the Equality Act 2010, in order to reinforce these obligations the GLA / GLALP have included the following specific contractual clauses in each and every development agreement which will be in force for every intervention undertaken in the respective Housing Zones, as noted below;
- The Developer shall comply in all material respects with all relevant Legislation, including but not limited to legislation relating to health and safety, welfare at work and equality and diversity, and will use reasonable endeavours to enforce the terms of the Scheme Project Documents to ensure compliance with this clause.
 - The Developer has, and is in full compliance with, a policy covering equal opportunities designed to ensure that unfair discrimination on the grounds of colour, race, creed, nationality or any other unjustifiable basis directly or indirectly in relation to the Works 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 / GLALP.

4. Other considerations

- 4.1 The Housing Zones programme is explicitly designed to be innovative and flexible and as such may involve novel methods of providing funding, or tailoring housing investment or planning policy to local circumstances to increase housing delivery. Any such new approaches will be set out alongside the recommendations for Housing Zone designation in the formal decision making process. The appointment of external advisors in relation to the legal contracting process, review of state aid compliance, cost and value assumptions and governance structures will ensure the GLA can accelerate housing delivery and assess the robustness of Boroughs investment proposals. This approach will mitigate the risks associated with the Housing Zones Programme.

5. Financial comments

- 5.1 Funding for the Housing Zones Budget is to be drawn from GLA's RCGF Interest Reserve, which currently stands at £2,006m.
- 5.2 The proposed expenditure will be spent over three financial years, as follows:

	<i>2015/16</i>	<i>2016/17</i>	<i>2017/18</i>	Totals
Consultancy	670,000	480,000	380,000	1,530,000
Publicity/Training/Events	15,000	-	-	15,000
Salaries	160,000	52,000	-	212,000
Totals	845,000	532,000	380,000	1,757,000

- 5.3 A separate decision will be required to access the remaining balance of £249,000

6. Legal comments

- 6.1 Detailed legal implications in respect of the Housing Zones initiative are set out in MD1366.
- 6.2 Appointment of property/ cost consultants and external legal advisors should be conducted in accordance with the procedures set out in the relevant TfL framework agreements.

7. Investment & Performance Board

- 7.1 This was considered and approved by Housing Investment Group on 10 November 2015.

8. Planned delivery approach and next steps

- 8.1 The next steps are summarised below:

Activity	Timeline
Housing Zone Submission Deadline	30 September 2014
First Housing Zone Announcements (subject to contract)	February 2015
Housing Zones Budget – MD1438	February 2015
Appoint. Property/ Cost Consultants and Legal Advisors	February 2015
First Housing Zone Legally Contracted with Borough	September 2015
MD Approval for Future Years Consultancy Support Expenditure	December 2015

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

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:

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

✓

Assistant Director/Head of Service:

Jamie Ratcliff has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

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:

Richard Blakeway has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. J. Blakeway

Date

8-1-16

CHIEF OF STAFF:

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

Signature

Edmund Hill

Date

11:01:2016

