

## REQUEST FOR DIRECTOR DECISION – DD2088

### Title: Hounslow Town Centre Housing Zone – Additional Funding Allocation (Lampton Road)

#### Executive Summary:

This Director Decision signs off due diligence undertaken in respect of the additional funding allocation for the Hounslow Town Centre Housing Zone approved by MD2063 and variances to the milestones included in DD2004 in respect of the Lampton Road development.

#### Decision:

That the Executive Director of Housing and Land and the Executive Director of Resources, after consulting with the Deputy Mayor for Housing and Residential Development, approve:

1. entering into a contractual commitment to provide £3.2m affordable housing grant and £1.28m Recycled Capital Grant Fund to fund additional affordable housing units at Lampton Road within the Hounslow Town Centre Housing Zone; and
2. the revised milestone dates for the delivery of new homes.

#### 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: 15.03.18.

Name: Martin Clarke

Position: Executive Director Resources

Signature: 

Date: 14.03.18

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

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

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

- 1.1 Hounslow Town Centre was designated a Housing Zone by Mayoral Decision 1457, which approved an indicative allocation of £18.5m (subject to the outcome of legal and financial due diligence) to unlock housing and regenerate the area. Director Decision 2004 committed £15m of this toward affordable housing at the Lampton Road site, with the remaining £3.5m allocated for investment at the Hounslow Town School site. A further £2.7125m was agreed by MD2042 in order to raise the level of affordable housing on the Hounslow Town School site to 50 per cent.
- 1.2 London Borough of Hounslow (the Borough) retains oversight of delivery across the Housing Zone through governance arrangements set out in the Overarching Borough Agreement (OBA) with the GLA, dated 6 November 2015.
- 1.3 Following designation of the Housing Zone, the Borough used the GLA London Development Panel to invite tenders for the provision of a new Civic Centre and homes on the Bath Road and Lampton Road sites. Notting Hill Housing Trust and Bouygues Development were selected as the preferred tenderer.
- 1.4 The Local Planning Authority granted planning permission for 919 homes at the Lampton Road site, up from the initial 750 units proposed. Director Decision 2004 approved funding of £15m for the provision of 300 affordable homes on this site, noting that the GLA would negotiate with Notting Hill Housing Trust with the aim of matching the Mayor's long term strategic target of 50% affordable housing. Following further negotiation with Notting Hill Housing Trust, it is now proposed that the proportion of affordable homes to be provided on the Lampton Road site will be increased to 50% (460 homes), requiring additional funding of £4.48m. Notting Hill Housing Trust proposes to include a contribution of £1.28m from the Recycled Capital Grant Fund (RCGF). Further to MD 2063, the balance of £3.2m will come from the Housing Zones Programme, taking the total Housing Zone allocation for Lampton Road to £18.2m. The additional 160 homes proposed are shared ownership and total funding per unit is £28K which is in line with the set grant rate available under the Homes for Londoners: Affordable Homes Programme 2016-21.
- 1.5 Due diligence has now been undertaken, the conclusions of which are set out below. A new Affordable Housing Grant Agreement has been prepared to support the delivery of 160 additional affordable homes at the Lampton Road site. This AHGA, together with a Deed of Variation to the existing Affordable Housing Grant Agreement (executed 29 November 2017) amends previously approved milestones to allow for the acceleration of existing contracted outputs.

#### Summary

- 1.6 NHHT requires GLA investment in the form of affordable housing grant in accordance with the Housing and Regeneration Act 2008 to convert 160 homes from private sale to shared ownership and deliver a total of 50% affordable homes at Lampton Road.
- 1.7 Under the draft development documentation, the Borough, NHHT and their contractor partner have agreed a process for reassessing the tenure mix should rental income increase. If rental income increases, the mechanism allows for the proportion of affordable rent units to increase. The existing AHGA anticipates that the proportion of affordable rent units included within the original 300 affordable homes to be provided at Lampton Road, may increase. This review mechanism is not affected by the inclusion of the additional 160 shared ownership units and does not apply to the additional units.
- 1.8 The contracted position as set out within the original AHGA in relation to the delivery profile of homes and tenure apportionment in each phase (subject to the mechanism for increasing the proportion of affordable rent units referred to above) has been adjusted by the Deed of Variation to accelerate the delivery of affordable homes with 100 shared ownership units being brought forward

into Phase 1 for completion by March 2019. Phase 1 will now be 100% affordable. The 160 additional units being contracted in the new AHGA will all be delivered in Phase 2A. The revised delivery profile for affordable homes is set out in the table below

Phasing	Contracted Delivery Profile	Revised Delivery Profile
Phase 1	18 Affordable Rent Homes and 42 Shared Ownership Homes by 31 March 2019;	18 Affordable Rent Homes and 142 Shared Ownership Homes by 31 March 2019;
Phase 2a (additional Units)	-	160 Shared Ownership Homes by 31 March 2023
Phase 2b	72 Affordable Rent Homes and 168 Shared Ownership Homes by 31 March 2023	72 Affordable Rent Homes and 68 Shared Ownership Homes by 31 March 2023
Total	300 Units	460 Units

### Funding

- 1.9 The additional 160 homes proposed are shared ownership and total GLA funding per unit is £28K which is in line with the set grant rate available under the Homes for Londoners: Affordable Homes Programme 2016-21. The total additional funding requirement is £4.48m. Notting Hill Housing Trust proposes to include a contribution of £1.28m from the Recycled Capital Grant Fund (RCGF) and, further to MD 2063, the balance of £3.2m will come from the Housing Zones Programme, taking the total Housing Zone allocation for Lampton Road to £18.2m.
- 1.10 The £3.2m of additional GLA grant funding will be drawn down by NHHT at start on site of Phase 2a. This improves economic viability, enabling the units to be converted for a flat rate of £28K per unit, significantly lower than the average grant rate for shared ownership units included in the original bid (£39,286). Should only partial delivery be achieved then grant recovery will reflect the number of affordable housing completions that are delivered on a pro rata basis for Phase 2a.
- 1.11 In accordance with the change management procedure set out in DD1485, Housing Zone Steering Group approved the accelerated delivery of affordable homes and £3.2M increased grant funding for the 160 additional shared ownership units on 19<sup>th</sup> December 2016. Corporate approval for the additional funding is via MD2042 and this DD2088.

### Appraisal

- 1.12 Project due diligence was undertaken by officers of the Housing and Land directorate applying the methodology used to assess affordable housing bids submitted to the GLA for funding via the Mayor's Housing Covenant 2015-18 Programme. This includes assessment of value for money, strategic fit with GLA priorities and a review of deliverability.

### Value for Money

- 1.13 The value for money assessment takes into account the grant rate proposed for the project and judges this against the total scheme costs. On the basis of the assessment carried out the project is deemed to represent good value for money.
- 1.14 The additional 160 units are being converted from market sale to shared ownership. Such conversions generally incur a significant opportunity cost to the developer which is compensated by additional grant. At Lampton Road, total funding equates to £28K per unit, significantly lower than the average grant rate for shared ownership units included in the original bid (£39,286). At £28K per unit, proposed funding is in line with the set grant rate available under the Homes for Londoners: Affordable Homes Programme 2016-21.

## Strategic Fit

- 1.15 The additional funding will enable the delivery of 160 shared ownership units, increasing the level of affordable homes provided at Lampton Road to 50% and making an important contribution to delivering the Mayor's strategic target.

## Deliverability

- 1.16 The Borough is in contract with Bouygues (UK) Limited, BY Development Limited and NHHT for them to construct a new Civic Centre on a nearby council-owned site and 919 new homes at Lampton Road.
- 1.17 Construction of the new Civic Centre commenced in December 2016 and topped out in February 2018. Phase 1 of the Lampton Road scheme commenced in December 2016 and topped out in November 2017. Phase 2 will commence by December 2019, after the existing Civic Centre has been decanted.

## Due Diligence on the project cost

- 1.18 The Borough used the GLA's London Development Panel to seek tenders for the construction of the proposed Civic Centre and the subsequent residential development. Following shortlisting four tenderers were invited to submit detailed tenders. The Borough commissioned GVA to manage the tender evaluation process and process was undertaken with input from Borough officers and GLA representatives.
- 1.19 The tenders were scored and the Bouygues, Notting Hill Housing Trust bid was selected as the Most Economically Advantageous Tender.

## Project Milestones

- 1.20 The key project milestones are summarised as follows:
- 1.21 Planning consent for the Lampton Road Scheme was granted by the Borough on the 10th March 2016.

Phase	Units	Forecast Start on Site Date	Forecast Practical Completion Date	Absolute Longstop Completion Date
Lampton Road – Phase 1	160	31 Dec 2016 (actual)	31 Mar 2019	31 Mar 2020
Lampton Road – Phase 2a	160	31 Dec 2019	31 Mar 2023	31 Mar 2025
Lampton Road – Phase 2b	140	31 Dec 2019	31 Mar 2023	31 Mar 2025

## Governance

- 1.22 The Overarching Borough Agreement dated 6 November 2015 between the GLA and the Borough sets out the governance structure for the overall Hounslow housing zone proposal. The GLA has entered into an Affordable Housing Grant Agreement (AHGA) with NHHT in respect of the Lampton Road scheme. Milestones for Phase 1 and 2b were amended by a Deed of Variation executed in November 2017. The additional units included in Phase 2a will be subject to a separate AHGA. Each AHGA includes a specific clause and obligations in regard to monitoring and reporting. This relationship will be managed on a reciprocal basis through quarterly review meetings by a designated officer from the GLA's Housing and Land Directorate with oversight from the Housing and Land Senior Management Team.

## Stakeholders / Contractual Arrangements

- 1.23 The counterparty in respect of the Lampton Road project is Notting Hill Housing Trust. NHHT has entered into a Housing Zone Affordable Housing Grant Agreement with the GLA for Phase 1 and 2b which is subject to a Deed of Variation executed in November 2017. The additional units included in Phase 2b will be subject to a separate AHGA. The development of the new Civic Centre and Lampton Road was tendered through the London Development Panel (LDP) and is covered through a Development Agreement entered into between the London Borough of Hounslow, Bouygues as lead LDP bidder and Notting Hill Housing Trust.

## Conclusion

- 1.24 In summary, the assessment undertaken by officers of the Housing and Land directorate concluded that the Lampton Road scheme (additional units) meets the GLA's requirements in terms of value for money, strategic fit with GLA priorities (including the aim to unlock and increase housing supply) and deliverability. Officers recommend therefore that it is appropriate for GLA to contractually commit additional affordable housing grant of £3.2m and RCGF of £1.28m to fund the additional units at Lampton Road.
2. **Objective and expected outcomes** 2.1 The additional funding will enable the delivery of 160 shared ownership units, increasing the level of affordable homes provided at Lampton Road to 50% and making an important contribution to delivering the Mayor's strategic target.
- 2.2 The milestone changes included in the Deed of Variation will accelerate the delivery of affordable homes with 100 shared ownership units being brought forward into Phase 1 for completion by March 2019. Phase 1 will now be 100% affordable.
3. **Equality comments** Hounslow Town Centre Housing Zone is aimed at implementing the Mayor's policies set out in the Mayor's London Housing Strategy. In September 2017, the GLA published an impact assessment, including an equalities impact assessment, of that strategy. Policies related to increasing housing supply and delivering affordable housing, to which the Hounslow Town Centre Lampton Road scheme will contribute, were also covered by the Integrated Impact Assessment (IIA) for the Draft London Plan, published in November 2017.
- 3.2 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.
- 3.3 Throughout the decision-making process relating to the funding of these interventions due regard has been had to the 'three needs' outlined above. The housing shortage in London disproportionately negatively affects people with certain protected characteristics. Increasing the supply of housing, and in particular affordable housing will help to achieve positive impacts in line with the 'three needs'.
- 3.4 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 diverse groups are taken into account in housing design.

- 3.5 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 homes, housing products and well-designed housing schemes.
- 3.6 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 this decision will facilitate these goals and ultimately ensure that the needs of diverse groups are taken into account in the design and development of housing.
- 3.7 In order to access this funding NHHT will be required to enter into a contract with the GLA to deliver the intervention. With regard to project delivery the agreement places the following obligations on NHHT in respect of the Equality Act 2010:
- The counterparty shall comply in all material respects with all relevant Legislation relating to health and safety, equality and relevant employment matters.
  - The counterparty has, and is in full compliance with, a policy covering equal opportunities designed to ensure that discrimination prohibited by the Equality Act 2010 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.

#### **4. Other considerations**

##### Key Risks and Issues

- 4.1 The GLA payment of the additional £3.2m affordable housing grant and £1.28m RCGF is subject to the following conditions to mitigate the key risks and issues identified which may affect the delivery of the Scheme:
- NHHT must represent and warrant to GLA that it possesses a secure legal interest in the site on which Phase 2 will be delivered;
  - NHHT must represent and warrant to the GLA that it has obtained all Consents necessary for the lawful development of the scheme; and
  - NHHT can only draw down grant on or after start on site of Phase 2 has been achieved.

##### Links to Mayoral Strategies and Priorities

- 4.2 The purpose of the Housing Zones Programme is to increase housing supply by accelerating and unlocking development to deliver 50,000 homes by 2025. NHHT propose to accelerate the delivery of affordable homes with 100 shared ownership units being brought forward into Phase 1 for completion by March 2019, making Phase 1 of the scheme 100% affordable.
- 4.3 The additional funding will enable 160 homes to be converted from market sale to shared ownership, increasing the level of affordable homes provided at Lampton Road to 50% and making an important contribution to delivering the Mayor's strategic target.

#### **5. Finance comments**

- 5.1 This decision requests approval to contractually commit £4.48m of non-recoverable grant funding to Notting Hill Housing Trust (NHHT), to enable the delivery of 160 shared ownership units, increasing the level of affordable homes provided at Lampton Road to 50%, within Hounslow Town Centre Housing Zone. £3.2m will be committed as a contribution from Housing Zone Grant programme, whereas NHHT proposes to include a contribution of £1.28m from the Recycled Capital Grant Fund (RCGF).

- 5.2 An assessment of strategic fit, value for money and deliverability, undertaken by the GLA officers, was satisfactory and outlined in detail in Sections 1.12 – 1.17 above.
- 5.3 Total funding indicatively allocated for this Housing Zone initially was £18.5m (MD1457), which subsequently was increased by £2.71m (MD2042) in order to raise the level of affordable housing on the Hounslow Town School site to 50 per cent. Additionally, MD2063 increased the overall allocation for Hounslow Town Centre Housing Zone to the total £24.41m by approving additional £4.48m (which this decision will commit in full).
- 5.4 Non-recoverable grant allocation of this proposal represents a financial risk to the GLA, which is mitigated through contractual obligation from NHHT to repay the funding, on a pro rata basis, in the event of non-delivery (see Section 1.10 above).
- 5.5 Grant/Recoverable Grant funding profile at £400m is currently over forecast by £20m. It should be noted however, that only £193m (inclusive of the current commitment) has been committed on thirteen interventions. There is additional £47.28m that currently in the process of being committed on further five interventions, which will bring the total of committed and pending to £240.28m.

## 6. Legal comments

- 6.1 Under section 30(1) of the Greater London Authority Act 1999 (as amended) (“GLA Act”), the GLA has the power to provide the funding for the Lampton Road site intervention providing it considers that doing so will further one or more of its principal purposes of: promoting economic development and wealth creation, social development, and the improvement of the environment in Greater London.
- 6.2 The intervention will deliver affordable housing, and it is open to the GLA to take the view that funding it will promote both social and economic development, and is therefore within its power, contained in section 30(1) of the GLA Act.
- 6.3 In exercising the power contained in section 30(1) of the GLA Act, the GLA must have regard to the matters set out in sections 30(3-5) and 33 of the GLA Act, and also the Public Sector Equality Duty in section 149 of the Equality Act 2010 as set out above.
- 6.4 The GLA has engaged with NHHT and the Borough in relation to the intervention which is the subject of this Director Decision. It is not considered necessary or appropriate for the GLA to consult with any other persons or bodies including those specified in section 32(2) of the GLA Act for the purposes of this Director Decision.
- 6.5 The GLA funding for this intervention is grant funding. It is not being provided on a commercial basis and is not therefore a specified activity under section 34A of the GLA Act that is required to be provided through GLA Land and Property Limited.
- 6.6 External lawyers have been instructed to prepare and negotiate the funding contract for the GLA.

## 7. Planned delivery approach and next steps

Activity	Timeline
Completion of AHGA	March 2018
Start on site (phase 2b)	December 2019
Practical Completion	March 2023

### 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? Yes**

If YES, for what reason: to allow time for the contract to be executed.

Until what date: 1 April 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 – No**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Judith Carlson has drafted this report in accordance with GLA procedures and confirms that:

✓

**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 (insert date)

12/03/18

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature



Date

14.03.18

TOM MIDDLETON ON BEHALF OF MARTIN CLARKE