

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2438

Title: Housing Zone completion deadlines

Executive Summary:

The Housing Zone programme was launched in 2015 to accelerate housing within defined red line areas using flexible loan and grant investment. The original programme was intended to last for 10 years. There are now projects which need to be retained within the Housing Zone programme which will complete later than 2026. This Director Decision seeks approval to extend completion dates within the Plumstead Housing Zone in Greenwich.

Decision:

That the Executive Director of Housing and Land approves:

An extension to the deadline for completions in the Greenwich, Plumstead Housing Zone so they can take place up to the end of 2028/2029.

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: Rickardo Hyatt

Position: Interim Deputy Executive
Director of Housing and Land

Signature:



Date:

11 February 2020

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 In 2014, the then Mayor launched a prospectus for the new Housing Zone programme. Over ten years these Housing Zones were intended to deliver over 50,000 homes, with priority given to shared ownership. To support these aims, the Mayor made an initial £400 million available. At least half of this was in the form of repayable investment, funded by the Ministry of Housing and Local Government (MHCLG). The remainder was available in a flexible funding form, including grant, funded from the affordable housing programme. In June 2014, MD1366 approved the prospectus and set out the funding envelope. It does not refer to a deadline year for completions, but the prospectus does refer to a 10-year programme, with the caveat that some Housing Zones will be shorter and some longer.
- 1.2 In July 2015, Plumstead (Greenwich) and Abbey Wood and South Thamesmead (Bexley) were designated as Housing Zones under MD1457. Both Housing Zones related to the Thamesmead area but, given that Housing Zone funding was allocated per borough, there was a Greenwich and a Bexley approval. Greenwich was allocated £23.833m to unlock 1,459 homes, including 681 affordable.
- 1.3 In July 2016, due diligence and negotiation were complete and DD2009 agreed the final allocation and contracting for both Thamesmead Housing Zones. Peabody, the main Housing Association partner and landowner had decided not to contract on the loan element of the Housing Zone allocation, so the final allocation for Greenwich was £12.775m grant for 681 affordable homes. A single Affordable Housing Grant Agreement was signed with Peabody for both Thamesmead Housing Zones. These homes were originally forecast to complete in 2024.
- 1.4 For the Housing Zone programme as a whole, completions by 2026, 10 years after the contracts were signed, have been prioritised.
- 1.5 For the reasons set out in part 2, the completion dates for the Plumstead Housing Zone have been delayed to 2028/29 and consequently Peabody have requested the GLA's agreement to extend the completion dates for this Housing Zone before they enter into contract on a major site in Greenwich.
- 1.6 MD1457, which designates Plumstead as a Housing Zone, states that this programme sits outside the normal scheme of delegations, so decisions need to be made expressly.
- 1.7 At the time of the original MD, completions were key to GLA officers' reporting to MHCLG and the Assembly. Under current programmes, start on site is the GLA's key metric. Changes to Housing Zones are therefore assessed on their impact on starts by 2022, which are unchanged by this decision.
- 1.8 Proposed changes to Housing Zones are rigorously assessed by a Housing Zone Steering Group comprising the Assistant Director of Housing and Heads of Area. This Steering Group ensures that key objectives of the programme are still being met and projects continue to offer value for money. It has reviewed the proposed change set out in this report and recommends that such change is approved by the Director.

2. Objectives and expected outcomes

- 2.1 The main outcome will be that Peabody contract with Berkeley for 1,750 new homes, of which 700 are affordable, with an aspiration to further increase.

- 2.2 The working relationship with Royal Borough of Greenwich and Peabody will be maintained. The Housing Zone has been the foundation of better and more productive joint working, which would be undermined by removing Housing Zone status.
- 2.3 Housing Zone grant levels are relatively low (£18,000 per home), so retaining them within the Housing Zone ensures a significant number of new homes that offer good value for money.

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 Housing Zones 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 Objective 1 of the Mayor's equality, diversity and inclusion strategy 'Inclusive London' (May 2018) to increase the supply of homes that are genuinely affordable to buy or rent. This change to the Housing Zone deadline will ensure that 700 affordable homes are delivered.
- 3.4. The Affordable Housing Grant agreement with Peabody requires it to have due regard to the public sector equality duty under Part 11 of the Equality Act 2010 insofar as its activities under the Agreement could reasonably be deemed to be functions of a public nature for the purposes of that Part.

4. Other considerations

- 4.1. The officers involved in the drafting or clearance of this form do not have an interest to declare in accordance with the GLA's policy on registering interests which might, or might be seen to, conflict with this Director's Decision.
- 4.2. DD2009 sets out the detailed contractual arrangement on the Thamesmead Housing Zones. It refers to delivery of 1,272 homes by 2024. It also references the decision-making framework, set out in DD1485, which sets out the change management process for the Housing Zones programme. It provides that the Assistant Director of Policy, Programmes and Strategy or, in his absence, a Head of Area (one not connected with the Housing Zone in question) may approve variations to Housing Zone contracts where this is in accordance with the Mayoral Scheme of Delegation and within the funding envelope initially agreed for the Housing Zone. The programme was originally intended to last 10 years and this is the first change that the Steering Group has considered which extends completions beyond 2026. Therefore, the Steering group believes that it is appropriate that this change is approved by the Executive Director.
- 4.3. This decision supports the Mayor's 2018 Housing Strategy, notably the commitment to invest in homes and infrastructure and ensure that homes are genuinely affordable. The original Housing Zone programme included affordable housing at up to 80% market rent. GLA officers have worked with Peabody to ensure that homes in this Housing Zone are genuinely affordable, either London Affordable Rent or London Shared Ownership.
- 4.4. The first risk arising from this decision is that when homes complete, there is insufficient budget to fund any grant balance. This risk is mitigated by the fact that 75% of the GLA grant funding for any

potential scheme may be drawn down by Peabody at “pre start on site” on meeting certain criteria (explained further in DD2009) with the remaining 25% of GLA grant funding to be drawn down at practical completion of the scheme. The second risk is that the delayed deadline will encourage a slowdown in delivery on site, so that homes are not available to Londoners for a prolonged period. However, Peabody are progressing at pace with this project and it will be closely monitored. If a scheme does not progress after a pre-start on site grant payment has been made, then the grant will be recovered by the GLA and, further, if certain project waypoints are not met then this may trigger termination if the GLA determines (acting reasonably) that proper progress has not been made by Peabody in delivering the affordable housing outputs.

5. Financial comments

- 5.1. The financial implication as a result of this DD is rephasing of the budget from 2026 to the end of 2028/29 for completions in the Greenwich, Plumstead Housing Zone. This can be absorbed into budgets in that year within the Affordable Housing Programme.

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 intervention with Peabody described in this report and to extend the completion date to 2028/29 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. As stated in DD2009, 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, which are explained in paragraph 7.3 of the legal comments of MD 1457. In this respect the Director should also have regard to section 3 of this report.
- 6.4. In order to ensure that the extended completion dates under this Director Decision have contractual effect, the relevant dates in the affordable housing grant agreement (AHGA) between the GLA and Peabody should be reviewed and updated in accordance with the process for such amendments under the AHGA.

Appendices and supporting papers:

Appendix 1 - Housing Zone boundary map showing original sites, with current sites shown as P1, P2 and TR.

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? YES/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 -Yes

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Heather Juman has drafted this report in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service:

Rickardo Hyatt 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 10 February 2020.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Allen

Date

11.2.20

