

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD2755

### Title: Southall Gateway Housing Zone, London Borough of Ealing – Contract Changes

#### Executive Summary:

In MD1457 the Mayor designated an area within Southall as a Housing Zone and indicatively allocated £19.875m of GLA funding for interventions to unlock or accelerate the delivery of housing within the Zone. The funding has now been contractually committed including £5.75m of recoverable grant funding approved by DD2153 for land assembly to unlock homes at Southall Gateway.

This decision form seeks approval to convert £5.75m of recoverable grant approved in DD2153 to capital grant for affordable housing (social housing assistance) and transfer the £5.75m grant liability and associated affordable housing obligations to PA Housing upon the transfer of land previously acquired by LB Ealing using the Housing Zone funding.

Subject to planning permission, these changes will help unlock the delivery of around 530 homes, an increase of 105 homes compared with the original approved outputs for the project. Furthermore, the proportion of affordable homes to be provided by the scheme is increasing from 35% to 85%, providing significant affordable housing additionality.

#### Decision:

That the Mayor approves:

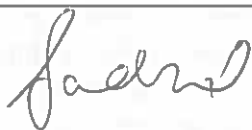
1. the conversion of £5.75m of recoverable grant funding previously allocated to LB Ealing in DD2153 for the purpose of unlocking the delivery of housing within the Southall Gateway Housing Zone, to capital grant for affordable housing (social housing assistance); and
2. the transfer of £5.75m capital grant for affordable housing (social housing assistance) previously allocated to LB Ealing in DD2153 for the purpose of unlocking the delivery of housing within the Southall Gateway Housing Zone and associated affordable housing obligations to PA Housing.

#### 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:

10/3/21

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

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

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

- 1.1. In MD1457 (August 2015) the Mayor designated an area within Southall as a Housing Zone and indicatively allocated £19.875m of GLA funding for interventions to unlock or accelerate the delivery of housing within the Zone. The funding was approved subject to the outcome of legal and financial due diligence on the proposed interventions. All of the funding has now been contractually committed.
- 1.2. Following legal and financial due diligence, DD2153 (August 2017) approved the allocation of £5.75m of recoverable Housing Zone grant funding to LB Ealing. It was envisaged that the capital grant would be used to acquire third party land for development with potential to deliver a total of 425 homes including 149 (35%) affordable homes. While the £5.75m investment was approved as recoverable grant, DD2153 anticipates that this can be recycled into future delivery subject to a further decision being made towards the end of the development once the sales values were confirmed.
- 1.3. The original approval was to support a comprehensive scheme incorporating land to the west and east of a footbridge link across the railway line (see red dotted line in Figure 1.1 below) which is currently being reinstated as part of the regeneration plans for Southall. It included proposals to relocate the existing Gurdwara further to the east on Park Avenue and provide new public realm fronting onto South Road. However, following further engagement with the Gurdwara community, these plans changed, limiting opportunities to leverage marriage value. LB Ealing began to concentrate on sites located to the east of the footbridge link known as the Thames Materials and Silverline sites.
- 1.4. In recognition of this change, a reduction in Direct Zone Outputs from 425 to 200 homes including 70 (35%) affordable was approved in accordance with the post-contract change management process set out in DD1485 (May 2016) and a Memorandum of Agreement was signed by the GLA and LB Ealing in November 2018.
- 1.5. Ealing also secured loan funding via the Local Enterprise Partnership for London (LEAP) Growing Places Fund, part of which was used to acquire the 'Thames Materials' site in 2016. The Housing Zone funding was subsequently used by the Council to acquire the adjacent Network Rail 'Silverline' site in 2018.
- 1.6. Ealing intended to dispose of the sites via the London Development Panel and soft market testing was undertaken in November 2018. Ealing also undertook further engagement with PA Housing (PAH) who own a small estate of 23 homes at neighbouring Milan Road. With significant change taking place in the surrounding area, PAH indicated that it was now interested in exploring opportunities to maximise potential across an expanded site including Milan Road. Ealing and PAH subsequently agreed to commission joint feasibility for their sites. The extent of Ealing and PAH land ownership is shown in Figure 1.1 below.
- 1.7. Gort Scott architects were commissioned to undertake a high-level capacity study which was based on an outline scheme developed through informal pre-application discussions with the Council and Network Rail. Network Rail indicated in principle support for the scheme subject to a detailed Asset Protection Agreement. This work indicated the potential for around 530 homes providing a significant uplift across the two sites compared with a piecemeal approach to development. The outline scheme was then subject to high level costing and viability testing using a range of scenarios with varying levels of affordable housing. The preferred scheme includes 85% affordable homes and will be designed with the aim of achieving Passivhaus standards.

**Figure 1.1 Park Avenue Site and Landownership**



- 1.8. The parties approached the GLA to discuss grant funding, requesting to convert the recoverable HZ grant to non-recoverable grant which will remain in the scheme. The scheme will also require funding under the Mayor's Affordable Homes Programme 2016-23 and PAH has submitted bids to the GLA for consideration. Further details of the overall funding package required to support scheme viability are set out in Part 2 of this decision form. There is a small residue of £167.4K Housing Zone funding which Ealing proposes to use towards initial capitalised development costs incurred in procuring delivery of the scheme to Golden Brick stage. The Borough Investment Agreement (BIA), will be amended to allow the Housing Zone funding to be used to support the Borough's acquisition and development costs.
- 1.9. Ealing's Cabinet agreed to dispose of the site to PAH in December 2020, subject to formal GLA approval and 'best consideration' sign off. PAH will seek final Board approval to enter into the Development Agreement with LB Ealing on 25 March 2021.
- 1.10. This decision form seeks approval to convert the £5.75m recoverable grant to non-recoverable grant to help fund the delivery of 70 affordable homes within the proposed development and support scheme viability. This will be implemented via Deeds of Variation to the Overarching Borough Agreement (OBA) and BIA with LB Ealing. The BIA will also be amended to allow Ealing to claim initial development costs incurred in procuring delivery of the scheme to Golden Brick stage.
- 1.11. The GLA will then enter into a Deed of Covenant with PA Housing to transfer the £5.75m grant liability and associated affordable housing obligations to PA Housing upon transfer of the land previously acquired with Housing Zone funding by LB Ealing. The funding will be subject to the recovery and recycling arrangements set out in the Recovery of Capital Grants from Registered Providers and Recycled Capital Grant Fund (Greater London) General Determination.
- 1.12. External legal consultants have been instructed to prepare the Deeds of Variation to the OBA and BIA and to draft the Deed of Covenant. The GLA's costs will be recharged to the counterparties on completion of contracts.

## **2. Objectives and expected outcomes**

- 2.1. It is proposed that the Southall Gateway scheme will now provide around 530 homes (subject to planning permission). This represents an uplift of 105 homes compared with the scheme approved in DD2153 and an uplift of 330 homes compared with the current approved output schedule (see paragraph 1.4 above).
- 2.2. The proportion of affordable homes to be provided by the scheme is increasing from 35% to 85%. The Housing Zone funding will be vested in the direct delivery of 70 affordable homes as per the current approved contract schedule. But the funding will also help to unlock the delivery of around 384 further affordable homes. The total net additional number of direct and indirect affordable homes unlocked will be 431 as it is proposed that the 23 existing affordable homes at Milan Close will be decanted and demolished.
- 2.3. In accordance with principles set out in Better Homes for Local People – The Mayor’s Good Practice Guide to Estate Regeneration, this scheme will result in a significant increase in affordable housing and existing residents will have full rights of return to a home within the new development. The proposed scheme requires the demolition of 23 existing affordable homes with around 48 homes to be re-provided within the existing estate boundary, therefore a ballot is not required in this case as the number of new homes to be re-provided within the red line boundary of the existing estate will be less than 150.
- 2.4. Southall Opportunity Area is designated within The London Plan and an Opportunity Area Planning Framework was adopted by the Mayor and LB Ealing in 2014. Southall Gateway sits at the heart of the Opportunity Area alongside Southall Station which will be served by up to ten Elizabeth line services an hour in each direction when the full Crossrail route opens. The station itself will be upgraded to provide a new entrance and ticket hall with accessible lifts providing step free access from platform to street level. The proposal set out in this decision form will help to unlock the delivery of a significant number of new homes in this highly accessible location.

## **3. Equality comments**

- 3.1. Under section 149 of the Equality Act 2010 (‘the Equality Act’), as a public authority, in carrying out his functions the Mayor must have due regard to the need to eliminate unlawful discrimination, harassment and victimisation, and to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. This is known as the Public Sector Equality Duty. Protected characteristics under 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 (the duty in respect of this last characteristic is to eliminate unlawful discrimination only). In line with best practice, the impact on groups who also have the potential to be socially excluded, in this case, people on low incomes or from deprived communities, has also been considered notwithstanding that these specific attributes are not protected under the Equality Act but may be common to people with protected characteristics.
- 3.2. The housing shortage in London disproportionately negatively affects people with certain protected characteristics. Increasing the supply of affordable housing will help to achieve positive impacts for people in those impacted groups. Therefore, by optimising the site’s potential and increasing the proportion of affordable homes from 35% to 85%, the proposal will increase the number of affordable homes in LB Ealing and help to implement the policies set out in the current London Housing Strategy. Groups with protected characteristics stand to benefit from an increase in affordable housing where they are disproportionately over-represented in markers of housing need. Over 90% of the local population in Southall is comprised of Black, Asian and Minority Ethnic (BME) groups who are disproportionately likely to experience poverty and associated housing constraints. These groups will therefore benefit from an increased supply of affordable housing, particularly homes at social rents.



- 3.3. Public transport is also key to ensure the GLA can achieve positive equality impacts. By unlocking the delivery of 530 homes – a high proportion of which will be affordable – in a highly accessible location, adjacent to an Elizabeth line station, the proposal will enable more Londoners to benefit from public transport resulting in positive impacts on protected groups who are more likely to live in affordable housing and travel by public transport.
- 3.4. The proposal will help to implement the objectives of the Mayor's Equality, Diversity and Inclusion Strategy, Inclusive London. It will deliver against his commitment to make London a great place to live, where all Londoners have a good quality home at a price they can afford.

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

##### *a) Key risks and issues*

- 4.1. Southall Gateway will be the biggest scheme in PAH's portfolio in terms of homes and building height. The Regulator of Social Housing has awarded PAH gradings of V1 for Financial Viability and G1 for Governance. This means that they are fully compliant with the Governance and Financial Viability Standard of the regulatory code. PAH is rated A3/A by Standard and Poor's. Its growth plan provides a target of 6,000 homes for delivery over the next 10 years. PAH has positioned itself as a financially resilient organisation with a steady growth plan which will not over-stretch the organisation financially. Further information on PAH's approach to risk management is included in part 2 of this decision form.
- 4.2. Of the 23 existing homes on the PAH estate, one is currently vacant and 22 are subject to Assured Tenancies. PAH has recent experience of achieving successful decants on a voluntary basis and a timescale of two years is anticipated to achieve vacant possession. PAH is already engaged in negotiations to acquire additional homes to support the decant process.
- 4.3. The site is adjacent to the Great Western mainline. Initial discussions with Network Rail at feasibility stage have been positive. The relationship with Network Rail will be managed via an Asset Protection Agreement and PAH has recent experience of successfully negotiating Asset Protection Agreements with Network Rail.
- 4.4. There is still a risk that Network Rail may object to the scheme when it comes forward for planning consent. However, the scheme is adjacent to the TfL/Grainger Southall Sidings site. A planning application to develop 460 homes for private rent on the Southall Sidings site was submitted in May 2020 and Ealing's Planning Committee resolved to grant planning permission, subject to a section 106 agreement in September. The proposed development at Southall Sidings includes 5 blocks of 4 to 16 storeys. There were no objections that we are aware of on this scheme from Network Rail.
- 4.5. Under the terms of the proposed disposal, land in the Council's ownership will be transferred to PAH for development. By virtue of Section 123 of the Local Government Act 1972, the Council may dispose of land held by it in any manner it wishes subject to obtaining best consideration. At the time of disposal, the Council will commission an independent surveyor to confirm and certify that the value attributed to the land meets the Council's section 123 obligations.
- 4.6. Under Regulation 32 (2) (b) (iii) of the Public Contract Regulations 2015, a competitive procurement is not required if it can be demonstrated that the developer, PAH, has an exclusive right that potential competitors could not take advantage of. In this case, the development could not be carried out by an alternative developer unless the Council acquired the neighbouring land on their behalf, and PAH would have good standing to object to any Compulsory Purchase Order (CPO).

##### *b) Links to Mayoral strategies and priorities*

- 4.7. The London Plan identifies Southall as an 'Opportunity Area', capable of providing around 9,000 homes and 3,000 jobs. Part A of Policy SD1 seeks to ensure that Opportunity Areas fully realise their growth and regeneration potential. Part A (5) seeks to ensure that Opportunity Areas maximise the delivery of affordable housing. Opportunity Areas are identified as, "significant locations with

development capacity to accommodate new housing, commercial development and infrastructure (of all types), linked to existing or potential improvements in public transport connectivity and capacity". An Opportunity Area Planning Framework was adopted by the Mayor and LB Ealing in 2014. Southall Gateway sits at the heart of the Opportunity Area alongside Southall station which will be served by up to ten Elizabeth line services an hour in each direction when the full Crossrail route opens, making it quicker and easier to get to destinations across London.

- 4.8. The London Housing Strategy (2018) sets out the Mayor's long-term strategic target for half of new homes to be genuinely affordable. At Southall Gateway, the Mayor is working with LB Ealing and PAH to bring forward surplus and under-used land to support the development of more genuinely affordable homes. By repurposing recoverable Housing Zone grant from this legacy project into the direct delivery of 70 affordable homes, the Mayor is helping to unlock a total of 431 net additional affordable homes for Londoners, making an important contribution to his long-term strategic target.
- 4.9. In the London Environment Strategy (2018), the Mayor sets targets for London to be a zero-carbon city by 2050 with all new buildings to be zero-carbon by 2019. LB Ealing declared a Climate and Ecological Emergency in May 2020. It is proposed that the scheme will be designed and built with the aim of achieving Passivhaus standards to mitigate climate change.

#### *c) Consultations and impact assessments*

- 4.10. A housing needs assessment has been undertaken and residents will be offered the right of return or enabled to move off-site. A dedicated officer will work with residents and proactively identify potential alternative homes that meet their needs.
- 4.11. Informal pre-application discussions with the local planning authority suggest that proposed building heights and massing are likely to be acceptable in principle. The outline scheme has been designed to mitigate the impact on Park Avenue by concentrating building mass and height along the edge of the railway.
- 4.12. Network Rail was consulted during the feasibility stage and expressed in principle support for the scheme subject to an Asset Protection Agreement.
- 4.13. The proposed scheme will be subject to statutory consultation through the planning process. This will include written consultation with statutory consultees and local residents.

#### *d) Declarations of interest*

- 4.14. 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 Mayoral Decision.

#### *e) Conclusions and recommendation*

- 4.15. It is impossible to mitigate all of the risks inherent in a large and complex development of this nature but the only realistic alternative option to the proposal set out in this decision form is to 'do nothing' at the current time. This would involve LB Ealing land banking the Thames Materials and Silverline sites either until there is an upturn in the market or until a 'regeneration premium' materialises at Southall. This is not considered to be a desirable option as it fails to support the Mayoral strategies and priorities set out in paragraphs 4.7 to 4.9 above. The affordable homes would not be delivered and, without a land receipt LB Ealing would be unable to repay either the Housing Zone recoverable grant funding or the Growing Places Fund loan.

## **5. Financial comments**

- 5.1. This decision requests approval for the transfer of £5.75m of recoverable grant into non-recoverable grant and remain in the Southall Gateway scheme. The funds will be vested in the direct delivery of 70 affordable homes and will help to unlock the delivery of a further 384 affordable homes.

- 5.2. The grant was originally awarded to the London Borough of Ealing as Housing Zone grant. Ealing Council have decided to dispose of the site to PA Housing. The grant will remain with the scheme. The GLA will then enter into a Deed of Covenant with PA Housing to transfer the grant liability and associated affordable housing obligations to PA Housing upon transfer of the land.
- 5.3. The decision to transfer the grant from recoverable to non-recoverable negates the opportunity to reinvest the grant into other potential development schemes.
- 5.4. There is a small residue of £167.4k Housing Zone funding which Ealing proposes to use towards initial capitalised development costs incurred in procuring delivery of the scheme to Golden Brick stage.

## **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 grant funding for the project explained above, provided that doing so will further one or more of the GLA's principal purposes of: promoting economic development and wealth creation, social development, and the improvement of the environment in Greater London. The project will deliver new housing, including 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.
- 6.2. In exercising the power in section 30(1), the GLA must have regard to the matters set out in section 30(4-6A) of the GLA Act, and also the Public Sector Equality Duty in section 149 of the Equality Act 2010. Reference should be made to section 3 above in this respect.
- 6.3. In addition to the above, where the GLA is proposing to use the power conferred in section 30(1) of the GLA Act, the GLA must consider consulting in accordance with section 32 of the GLA Act. GLA officers have confirmed 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.
- 6.4. External lawyers have advised GLA officers in relation to state aid compliance.
- 6.5. Officers must ensure that all necessary and appropriate steps are taken, and a suitable funding agreement entered into with PAH to formalise the provision of the grant before committing to the same.

## **7. Planned delivery approach and next steps**

<b>Activity</b>	<b>Timeline</b>
Enter into Deeds of Variation to OBA and BIA with LB Ealing	March 2021
Development Agreement entered into by LB Ealing and PA Housing	March 2021
Enter into Deed of Covenant with PA Housing	March 2021
Detailed Planning Approval Notice issued	June 2022
Start on site	November 2022
Practical completion	December 2028

## **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? YES**

If YES, for what reason: To allow LB Ealing and PAH to enter into the Development Agreement

Until what date: (a date is required if deferring) 31 May 2021

**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:**

Rickardo Hyatt has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

**Mayoral Adviser:**

Tom Copley 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 the 8 March 2021.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature**

*D. Gove*

**Date**

9 March 2021

**CHIEF OF STAFF:**

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

**Signature**

*D. Bellamy*

**Date**

8 March 2021