

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD2186

**Title: Southwark Housing Zones, London Borough of Southwark**

### Executive Summary:

This Director Decision approves entering into two affordable housing grant agreements with London Borough of Southwark in relation to two housing zones: Canada Water and Old Kent Rd and Peckham.

On 17/03/2016, MD1632 designated two housing zones in Southwark:

- (a) Canada Water
- (b) Old Kent Rd and Peckham

Initially, there were indicative funding allocations for these two housing zones of £25m each, i.e. £50m in total. In each case, there was £20m of affordable housing grant and £5m of recoverable grant. This was subject to the outcome of the GLA's due diligence, which is now complete. In the intervening period, there have been profiling and resource changes. As a result, there will no longer be any recoverable grant for either housing zone, and the affordable housing grant for Old Kent Road and Peckham has reduced to £18,582,417. The affordable housing grant for Canada Water is still £20m.

### Decision:

That the Executive Director of Housing and Land and the Executive Director of Resources:

1. approve the contractual commitment of £20m of affordable housing grant for Canada Water and £18,582,417 for Old Kent Road and Peckham, both Housing Zones in Southwark;
2. agree the re-profiled start on site and completion dates for the delivery of the housing outputs, and timing for funding payments as detailed in this report.

### 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:**

*Tom MIDDLETON ON BEHALF OF MARTIN CLARKE*

**Date:**

*19.09.18*

**Name:** Martin Clarke

**Position:** Executive Director Resources

**Signature:**

*David Lunts*

**Date:**

*19.09.18*

## PART I - NON-CONFIDENTIAL FACTS AND ADVICE

### Decision required – supporting report

#### 1. Introduction and background

- 1.1 On 17/03/2016, MD1632 designated two housing zones in Southwark:
- (a) Canada Water
  - (b) Old Kent Rd and Peckham.
- 1.2 The two housing zones were indicatively allocated £20m of affordable housing grant and £5m of recoverable grant each, i.e. £50m in total. This was subject to the outcome of the GLA's due diligence.
- 1.3 The overarching borough agreement for Old Kent Rd (principles document) was signed on 06/03/2017. For Canada Water, the equivalent principles document was a memorandum of understanding, which was signed on 20/04/2017. The GLA's due diligence is now complete and London Borough of Southwark (LBS) is ready to enter into funding contracts for the grant allocated. There will be an affordable housing grant agreement (AHGA) for each of the two housing zones. Signing of the agreements will create funding commitments, which will bind the parties and mean that the allocations will no longer be indicative or provisional.

#### 2. Outputs

- 2.1 Both housing zones have a completions deadline of 31/03/2026.
- 2.2 The Canada Water town centre sites form the largest element of housing development at Canada Water. British Land will develop those sites in partnership with LBS. There are also a number of smaller sites which LBS owns and which are the subject of an OJEU procurement exercise which should be completed by April 2018. Table 1 below has current forecasts by tenure for Canada Water starts on site.

Tenure	Starts on site to March 2021	Starts on site April 2021 to March 2026	TOTAL
Affordable rent direct	320	24	344
Affordable intermediate direct	138	17	155
Market sale direct	655	0	655
Market sale indirect	170	47	217
<b>TOTAL homes</b>	<b>1,283</b>	<b>88</b>	<b>1,371</b>
<b>% affordable</b>	<b>36%</b>	<b>47%</b>	<b>36%</b>

- 2.3 The Old Kent Rd and Peckham housing zone also features a number of smaller sites which LBS owns and have already been the subject of an OJEU procurement exercise: Clarion Housing Association will be responsible for developing those sites. The largest site in this housing zone is the area around the Cantium retail park. There are a number of developers working on schemes there, including Aviva

in partnership with Galliard Homes. Table 2 below has current forecasts by tenure for Old Kent Rd and Peckham starts on site.

<b>Table 2 Old Kent Rd &amp; Peckham starts on site profile</b>			
<b>Tenure</b>	<b>Starts on site to March 2021</b>	<b>Starts on site April 2021 to March 2026</b>	<b>TOTAL</b>
<b>Affordable rent direct</b>	395	26	421
<b>Affordable intermediate direct</b>	68	0	68
<b>Affordable indirect</b>	253	186	439
<b>Market sale direct</b>	0	845	845
<b>Market sale indirect</b>	559	290	849
<b>TOTAL homes</b>	1,275	1,347	2,622
<b>% affordable</b>	56%	16%	35%

2.4 Figures in tables 1 and 2 above indicate that there are expected to be 1174 affordable starts on site in these two housing zones by 31/03/2021, contributing to the Mayor's target of 90,000 affordable housing starts during 2016-21.

### **3. Resource changes**

3.1 The original bids were for £20m of affordable housing grant and £5m of recoverable grant in each housing zone. Recoverable grant is an interest free loan and both bids said this funding would be used for abnormal site costs. Subsequently, there were some more specific recoverable grant proposals for both housing zones, but they were not sufficiently advanced to meet the GLA's January 2018 deadline for housing zones to be in contract. Therefore, there will no longer be recoverable grant for either of these housing zones.

3.2 Canada Water will still have affordable housing grant funding of £20m. The affordable housing grant requirement for Old Kent Rd and Peckham has reduced from £20m to £18,582,417. This is because the original bid for the latter housing zone assumed that L.B. Southwark would develop all the council-owned sites in that zone. Since then L.B. Southwark has appointed Clarion Housing Association as developer, on the council's behalf, of the affordable rented housing on those sites but has designated Clarion as developer and owner of the shared ownership homes on the same sites. As a result, L.B. Southwark will not be claiming grant for the shared ownership homes, reducing the grant requirement.

3.3 In accordance with the Housing Zones Change Management Process (DD1485), the changes were categorised as Tier 2 changes and Housing Zones Steering Group approved the reduction in grant and recoverable grant for Old Kent Road on the 24<sup>th</sup> October 2017; and the reduction in recoverable grant on Canada Water was approved on the 28<sup>th</sup> November 2017.

### **4. Appraisal**

4.1 The GLA's value for money assessment of the affordable housing grant requirement is also summarised in part 2, and confirms that the level of funding recommended is acceptable.

## 5. Project Milestones

5.1 Table 3 below summarises milestones for the two housing zones, with the first affordable housing schemes starting on site in 2018, and everything completing by March 2026.

Activity	Timeline	
	Canada Water	Old Kent Rd & Peckham
Complete affordable housing grant agreement	Jan-18	Jan-18
First starts on site	Oct-18	Jul-18
Completion of housing zone outputs	Mar-26	Mar-26

## 6. Governance

6.1 The GLA will contract with LBS and manage the relationship through the existing governance structure. This currently involves monthly officer meetings, with a higher-level board meeting every three months. Those meetings will continue after the agreements are signed, but may become less frequent to mirror the quarterly review meetings which generally operate for GLA affordable housing grant programmes.

## 7. Risks

7.1 Evaluation and mitigation of risks are covered in part 2 of this report.

## 8. Equality comments

8.1 The GLA's *Integrated Impact Assessment (IIA) of Further Alterations to the London Plan* (March 2015), included an equalities impact assessment of policies for increasing housing supply, which is one of this housing zone's principal objectives. The IIA concluded that provision of housing, including maximising the delivery of affordable housing, would complement other objectives of the London Plan (e.g. Policy 3.5), ensuring that housing design takes account of needs of different groups.

8.2 Delivery of new and additional homes can help achieve Objectives 1, 2, 3 and 4 of the Mayor's Equalities Framework "Equal Life Chances for All" (June 2014) through provision of new homes which are well designed, and new housing products.

8.3 This report recommends entering into agreements with LBS, and those will place obligations on LBS in respect of the Equality Act 2010.

- Complying 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.

## **9. Know your customer**

- 9.1** The GLA has carried out 'know your customer' checks to verify the party with which it is contracting under these proposed transactions. LBS is a statutory body, formed in 1965 by the London Government Act 1963. It is required by statute to produce a statement of accounts each year and to have these audited. Its primary address is: P.O. Box 64529, London SE1P 5LX. GLA officers have confirmed from an official government website that the authority exists; they have also confirmed that the lead officer involved in the proposed transactions at the authority works within the department of the relevant executive officer.

## **10. Finance comments**

- 10.1** This decision requests approval for the GLA to provide non-recoverable grant funding of £38.6m to LB Southwark for provision of affordable housing in two Housing Zones: Canada Water (allocation of £20m) as well as Old Kent Rd and Peckham (allocation of £18.6m). GLA reached a satisfactory due diligence result prior to reaching this decision (per findings set out in Part 2).
- 10.2** Grant/Recoverable Grant funding profile at £400m is currently over forecast by £233m. It should be noted, however, that only £174m (exclusive of the current commitment) has actually been committed on fourteen interventions.

## **11. Legal comments**

- 11.1** 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 these interventions 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.
- 11.2** The interventions will deliver affordable housing, and it is open to the GLA to take the view that funding them will promote both social and economic development and is therefore within its powers, contained in section 30(1) of the GLA Act.
- 11.3** 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. As is noted in paragraph 7.4 of MD 1457, the London Housing Strategy, which included a policy for Housing Zones, has been subject to an Integrated Impact Assessment, and GLA officers consider that the delivery of new and additional homes within the Housing Zones programme will help to implement Objectives in the Mayor's Equalities Framework "Equal Life Changes for All." (See also sections 4 and 5 of MD1457).
- 11.4** The GLA has engaged with LBS 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 32C2) of the GLA Act for the purposes of this Director Decision.
- 11.5** 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.
- 11.6** External lawyers have been instructed to prepare and negotiate the funding contract for the GLA.

**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**

If YES, for what reason:

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 – YES**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Mick Breheny has drafted this report in accordance with GLA procedures and confirms that:

✓

**Assistant Director/Head of Service:**

Heather Juman 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 8 January 2018.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

Date

19.01.18

TOM MIDDLETON on BEHALF OF MARTIN CLARKE