

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD2210

### Tottenham Hale Housing Zone: Ashley Road South Cashflow Funding

#### Executive Summary:

The purpose of the Housing Zones programme is to increase housing supply by accelerating and/or unlocking development. This decision seeks approval to enter into a Borough Investment Agreement with the London Borough of Haringey to provide £7,325,000 of recoverable funding to enable 113 additional affordable homes to be delivered on a site adjacent to Ashley Road in the Tottenham Hale Housing Zone.

Tottenham Hale was designated a Housing Zone under Mayoral Decision MD1457. MD1457 delegated authority to the Executive Director of Housing and Land and the Executive Director of Resources to approve the interventions that were to be funded and contractually commit that funding.

#### Decision:

That the Executive Director of Housing and Land and the Executive Director of Resources, in consultation with the Deputy Mayor for Housing, approve:

- entering into a contractual commitment to provide up to £7,325,000 grant funding to the London Borough of Haringey to fund the Ashley Road South Cashflow Funding intervention specified below within the Tottenham Hale Housing Zone; and
- the re-profiled start on site and completion dates for the delivery of homes, and the funding interventions and repayment timescales 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:**



**Date:**

15/02/18

**Name:** Martin Clarke

**Position:** Executive Director Resources

**Signature:**



**Date:**

14.2.18

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

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

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

- 1.1. MD1457 designated an area within London Borough of Haringey (LB Haringey) as a Housing Zone and indicatively allocated it funding – subject to the outcome of legal and financial due diligence – to unlock and accelerate housing in the area. Following this designation, the GLA and LB Haringey entered into an Overarching Borough Agreement in September 2015, which formalised the indicative allocation.
- 1.2. This Director Decision seeks approval to enter into a Borough Intervention Agreement (BIA) with LB Haringey to provide £7,325,000 of recoverable funding to bring forward 113 affordable homes within the Tottenham Hale Housing Zone, under the Ashley Road South Cashflow Funding intervention.
- 1.3. The £7,325,000 funding is recoverable grant funding. As this grant is directly funding affordable homes, in line with the HZ programme governance procedures, GLA officers have not instructed property consultants to undertake due diligence. Rather they have undertaken an assessment of strategic fit, value for money and deliverability. The funding will be repaid by LB Haringey in stages, with the final instalment being repaid by 30 December 2024.
- 1.4. The Ashley Road South Cashflow Funding intervention will unlock 113 affordable housing starts by March 2019, which will assist in the delivery of the GLA's 90,000 affordable homes target.

#### Summary of proposed interventions

- 1.5. A key ambition in LB Haringey's Tottenham regeneration programme is to create a new district centre at Tottenham Hale, delivering a 21<sup>st</sup> century affordable neighbourhood of choice. This aspiration will help ensure access to affordable housing for local people, something identified as one of the most critical issues for local people through responses to consultation on the District Centre Framework (published in December 2015).
- 1.6. The Council's aspirations have therefore focused on achieving a policy-compliant mix of 40% affordable housing across all Housing Zone sites in Tottenham Hale, through maximising the potential of each individual site to contribute in its own way.
- 1.7. Some of the sites at the core of the district centre are owned by Council and are part of a portfolio of sites being brought forward through the Strategic Development Partnership (SDP) with Argent Related. The Council receives land receipts from the SDP on a site-by-site basis at milestones relating to housing delivery. To maximise affordable housing delivery across the district centre, LB Haringey has taken the decision that land receipts from these higher-value sites are to be used to provide scheme finance on other sites in Tottenham Hale which will enable more affordable homes to be delivered thereby providing greater value-for-money.
- 1.8. However, the profile of the land receipts on Council-owned sites being brought forward through the SDP means that there is a time lag and LB Haringey would be unable to directly purchase offsite affordable units on sites elsewhere in the district centre. It has therefore been agreed that Housing Zones recoverable grant could be used to provide this funding upfront, essentially cash-flowing and accelerating the provision of offsite affordable housing.
- 1.9. Ashley Road South has been identified as a crucial site for both affordable and family housing, due to its size and its proximity to Down Lane Park. Furthermore, key portions of the site are to be delivered

by Notting Hill Housing Group, a registered provider and strategic partner of the GLA with extensive experience in delivery and management of affordable housing stock. Through discussions with Notting Hill Housing, it was identified that an additional 113 affordable units could be provided at Ashley Road South by using Housing Zone funding that will allow 113 homes to be delivered as affordable rather than private. This will mean that close to 100% of the homes on the Ashley Road South site will be affordable, contributing significantly to the overall percentage of affordable housing delivered across Tottenham Hale.

- 1.10. Officers will ensure that these additional affordable homes are compliant with GLA guidelines on affordable housing. Without the GLA's recoverable grant, funding these purchases would not be possible due to the structure and timing of the SDP land receipt payments to LB Haringey, and Tottenham Hale town centre would risk non-policy compliance on levels of affordable housing as a result.

#### Proposition

- 1.11. It is proposed that the GLA provides £7,325,000 of recoverable Housing Zone grant to LB Haringey via a Borough Investment Agreement to deliver 113 affordable homes (by providing the funding that allows these homes to be delivered as affordable rather than private) on Notting Hill Housing's Ashley Road South scheme. This intervention will accelerate 113 additional affordable homes by March 2025.

#### Funding

- 1.12. LB Haringey will be paid £7,325,000 of recoverable Housing Zone grant. In return, the GLA will contractually require LB Haringey to deliver completion of 113 affordable homes by 31 March 2021. The funding will be drawn-down by LB Haringey once the Ashley Road South scheme starts on site, by March 2019. LB Haringey will repay the GLA in full by September 2024, which will allow the GLA to recycle the funding into other projects.

#### Stakeholders

- 1.13. The contracting entity for this Borough Investment Agreement will be LB Haringey. Other key stakeholders include Notting Hill Housing, who will deliver the additional 113 affordable homes, and Argent Related as LB Haringey's partner in the SDP.

#### Assessment of strategic fit, value for money and deliverability

- 1.14. As GLA grant is directly funding affordable homes, in line with the HZ programme governance procedures GLA officers have not instructed property consultants to undertake due diligence. An assessment has identified that the intervention meets the Housing Zone Programme requirements for strategic fit, value for money and deliverability of the intervention:

#### *Strategic fit*

- 1.15. Maximising and accelerating the delivery of affordable housing is a clear aim of the Housing Zone programme, and this intervention provides vital cashflow funding that is accelerating the delivery of much-needed affordable housing.

#### *Value for money*

- 1.16. The Housing Zone funding payable on this scheme equates to £64,823 per affordable home, which is considered reasonable given that these units would otherwise have come forward as open market

housing, and that the Housing Zone funding will be repaid to the GLA in full by September 2024. LB Haringey will repay the funding in the following instalments:

- £3,000,000 by 31 Dec 2020
- £662,500 by 31 March 2023
- £3,662,500 by 30 September 2024

### *Deliverability*

- 1.17. Notting Hill Housing is a strategic partner of the GLA and has a strong track record of delivery. Officers are confident that the Ashley Road South scheme will start on site by March 2019, and will manage the risk through formal quarterly Housing Zone programme board meetings with LB Haringey and Notting Hill Housing.

### Dependencies

- 1.18. The success of the Ashley Road South Cashflow Funding intervention depends on:
- The payment of Housing Zones recoverable grant to LB Haringey to cashflow the purchase of 113 affordable homes from Notting Hill Housing
  - The successful delivery of the Ashley Road South scheme by Notting Hill Housing to agreed project milestones

### Project Milestones

- 1.19. Key project milestones include the following:
- That delivery starts on site at Ashley Road South by March 2019
  - That Ashley Road South reaches completion by 31 March 2021
  - That LB Haringey repays the full Housing Zone funding to the GLA by 30 September 2024

### Governance

- 1.20. The Borough has a Housing Zones Board in place which will steer the direction and delivery of the project to completion alongside key partners. The GLA sits on this board and has full oversight of expenditure and commitments.

### Conclusion

- 1.21. It is considered appropriate for the GLA to contractually commit the funding in respect of the proposed intervention, given it involves the payment of standard affordable housing grant. GLA investment of £7,325,000 will bring forward 113 additional affordable homes completions by March 2021, thereby contributing to the Mayor's target to deliver 90,000 affordable housing starts by that date.

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

- 2.1. The GLA's Housing Zone funding will cashflow the purchase of 113 affordable homes from Notting Hill Housing, which will have started on site by 31 March 2019 and complete by March 2021. The funding will then be repaid to the GLA in full by September 2024. The 113 affordable homes comprise:

- 53 shared ownership homes
- 60 London Living Rent homes

### **3. Changes to the Tottenham Hale Housing Zone**

- 3.1. LBH has revised its estimated funding profile and projected housing starts and completions compared to the position set out in MD1457 and the Overarching Borough Agreement. The restructuring within the HZ does not result in Haringey's indicative allocation exceeding that approved by MD1457.
- 3.2. In accordance with the Housing Zones Change Management Process (DD1485), Housing Zones Steering Group approved the changes on 8 January 2018. It was agreed the changes fell within a 'Tier 2' pre-contract variation, and would therefore require Housing Zones Steering Group review followed by agreement in principle by the Assistant Director – Programme Policy and Services, or in their absence a Head of Area other than the Head of Area in whose area the Tottenham Hale HZ is, before being submitted for a Director Decision.

### **4. Equality comments**

- 4.1. The Mayor published a draft London Housing Strategy in September 2017. The strategy has a three-month consultation period and an equality impact assessment will also be undertaken in parallel. The Housing Zone programme is included within that impact assessment.
- 4.2. 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.
- 4.3. Throughout the decision-making process relating to the funding of this intervention 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 affordable housing will help to achieve positive impacts in line with the 'three needs'
- 4.4. The Mayor's Vision for a Diverse and Inclusive City was issued as a consultation draft in June 2017. The first chapter of this document is entitled 'A Great Place to Live'. Priority outcome 1.1 in the vision refers to delivering affordable, accessible and decent homes. This funding will help to deliver new affordable homes in London.
- 4.5. The IIA concluded that updating housing projections and targets would support the delivery of sufficient housing and may help to stabilise house prices, supporting equal opportunities throughout communities. Furthermore, the provision of housing, including maximising the delivery of affordable housing, would be in line with the other policies of the Plan (e.g. Policy 3.5), ensuring that the needs of diverse groups are considered in housing design.
- 4.6. 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 creating new homes and housing products as well as well-designed housing schemes.
- 4.7. The designation of an area as a Housing Zone is intended to identify an area with high potential for housing growth and delivery within London. The GLA Housing Zone designation and associated

funding is often partnered with other 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 considered in the design and development of new homes.

4.8. To access this funding, LBH will be required to enter into contract with the GLA to deliver the interventions specified in this Director Decision. With regards to project delivery, the contract places the following obligations on LBH in respect of the Equality Act 2010:

- LBH will comply and shall use reasonable endeavours to procure that its partners 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 intervention related documents to ensure compliance with this clause.
- LBH confirms that it 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 always (in so far as it is able) and will provide a copy of that policy and evidence of the actual implementation of that policy upon request by the GLA.

## 5. Other considerations

### a) Key risks and issues

Outputs: Delivery of 113 additional affordable homes on Ashley Road South

- 5.1. Risk: Failure of Notting Hill Housing to deliver the Ashley Road South scheme to assumed project milestones will delay project delivery and the achievement of 133 affordable housing starts by March 2019.
- 5.2. Mitigation: Notting Hill Housing is a strategic partner of the GLA and has a strong track record of delivery. Officers are confident that the Ashley Road South scheme will start on site by March 2019, and will manage the risk on an ongoing basis, including through formal quarterly Housing Zone programme board meetings with LB Haringey.

Financial: Repayment of GLA Housing Zone funding by agreed timescales

- 5.3. Risk: Failure of Argent to meet delivery milestones on SDP schemes elsewhere in Tottenham Hale may mean a delay in LB Haringey receiving a land receipt, thereby hindering the ability of LB Haringey to repay GLA Housing Zone funding by the agreed timescale, and thus the ability of the GLA to recycle this funding into other housing interventions.
- 5.4. Mitigation: Officers are confident that the risk to GLA repayment is low. Analysis of LB Haringey's projected cashflows show that, by 2021, the Council will have sufficient capital funding to repay the GLA its Housing Zone funding by the agreed milestone. Should such capital funding not be available, LB Haringey has a considerable number of assets and income which can be used to repay the GLA investment. The funding agreement includes absolute obligations to repay the GLA by the agreed repayment dates so the GLA has sufficient time to recycle this funding into other projects.

### b) Know Your Customer checks

5.5. In line with the GLA's Anti-Money Laundering policy as approved by DD2095, GLA officers have carried out Know Your Customer (KYC) checks as detailed below:

- It was confirmed that LB Haringey has an official government website. The identity of the officer dealt with during the transaction was verified.

c) *Links to Mayoral strategies and priorities*

5.6. The purpose of the HZ programme is to increase housing supply by accelerating and unlocking development. The 113 affordable homes unlocked by this HZ investment will contribute to the Mayor's target to deliver 90,000 genuinely affordable housing starts by 2021. The affordable homes being delivered at Ashley Road South includes 60 London Living Rent properties, which the Mayor has identified as a priority for delivery.

5.7. The investment in Tottenham Hale district centre will also contribute to the ambition in the Mayor's draft London Housing Strategy to invest in London's growth areas, which include HZs.

d) *Environmental considerations*

5.8. The scale of the HZ programme presents significant opportunities for innovative building design to reduce resource costs, and unlock investment connecting new developments to necessary utility and social infrastructure assets. Such assets include: low-carbon decentralised energy and water networks; green infrastructure; waste and recycling collection infrastructure; low-emission transport hubs; and parks and open spaces. Boroughs and counterparties to HZ designation should look to include opportunities to address environmental and wider regeneration, quality of life and place-making benefits that are viable and will help unlock investment in line with policy ambitions set out in the London Plan. GLA support can be made available to help identify environmental opportunities in specific locations.

## 6. **Financial comments**

6.1. This decision requests approval to contractually commit up-to £7.325m of recoverable grant funding to the London Borough of Haringey (LBH) to fund the Ashley Road South Cashflow Funding intervention within the Tottenham Hale Housing Zone. The grant will be re-paid back by LBH in full (September 2024), allowing the GLA to recycle these funds into other projects (see Section 1.12 above for further details).

6.2. An assessment of strategic fit, value for money and deliverability, undertaken by the GLA officers, was satisfactory and outlined in detail in Sections 1.3 and 1.14 – 1.17 above.

6.3. The total indicative allocation for the Tottenham Hale Housing Zone is £99.3m (£44.1m — MD1457 and £55.2m — MD2036), £14.67m of which has been committed as a recoverable grant funding (DD2161) towards various costs to support the residential development on the Hale Wharf site within this Housing Zone.

6.4. Grant/Recoverable Grant funding profile at £400m is currently over forecast by £24m. It should be noted however, that only £190m (exclusive of the current commitment) has been committed on thirteen interventions.

## 7. Legal comments

- 7.1. 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 proposed 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.
- 7.2. The intervention will unlock the delivery of housing and 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.
- 7.3. 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 the Public-Sector Equality Duty in section 149 of the Equality Act 2010 as set out above.
- 7.4. The GLA has engaged with the London Borough of Haringey in relation to the interventions which are 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.
- 7.5. External lawyers have been instructed to prepare and negotiate the funding contracts for the GLA, including the incorporation of any provisions required to ensure compliance with State Aid rules. No funding is to be paid out unless, amongst other requirements, London Borough of Haringey’s solicitor has either provided an opinion (satisfactory to the GLA) as to the State Aid treatment of the intervention or undertaken to meet the GLA’s reasonable legal costs in procuring an opinion from the GLA’s solicitors as to the same matter. Further, if there is found to have been any unlawful State Aid, and the intervention cannot be restructured to be compliant, the London borough of Haringey must repay the unlawful State Aid following a written demand for repayment by the GLA.

## 7. Planned delivery approach and next steps

<b>Activity</b>	<b>Timeline</b>
Borough Intervention Agreement signed	January 2018
Ashley Road South starts on site	March 2019
GLA funding drawn down by LB Haringey	March 2019
Ashley Road South completes	March 2021
Final instalment of GLA funding repaid	September 2024

**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? 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 – NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Andrew Williams has drafted this report in accordance with GLA procedures and confirms that:

✓

**Assistant Director/Head of Service:**

Fiona Duncan 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 12 February 2018.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. J. Lela*

Date

*14.2.18*

