

## REQUEST FOR DIRECTOR DECISION – DD1100

**Title:** Mayor's Housing Covenant Other Product allocations – LB Hammersmith and Fulham

### Executive Summary:

To approve the selection of London Borough of Hammersmith and Fulham Council, following its bid for funding made under the Mayor's Housing Covenant having successfully passed financial detailed due diligence and having completed the detailed legal due diligence contemplated under DD1074. This is a DD in accordance with the delegation agreed in MD1174.

### Decision:

The Executive Director of Housing and Land is content that the provisos contained within DD1074 have been satisfied, insofar as:

- the detailed legal due diligence regarding the proposed product has been completed;
- the terms of the agreement have been finalised.

And approves the GLA entering into the legal agreement with the London Borough of Hammersmith and Fulham in respect of the allocation of £2.7m funding under the Mayor's Housing Covenant to deliver 100 homes.

### AUTHORISING DIRECTOR/HEAD OF UNIT

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**

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

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

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

- 1.1 The funding prospectus for the Mayor’s Housing Covenant was published on 28 September 2012 following decision by the Mayor (MD 1065 27 September 2012).
- 1.2 The funding prospectus invited organisations to bid for funding to deliver one of, or a combination of, the following options with a deadline for bids of noon on 30 November 2012:
  - A flexible affordable home ownership product - which will flex between a rent to save option, shared ownership or equity loan according to the financial circumstances of the purchaser.
  - FirstBuy, using almost identical terms and conditions as the current programme.
  - Other affordable home ownership options (Other Product) which have a track record of success with customers and retail mortgage lenders.
- 1.3 The Mayor delegated authority to approve the final set of bids, subject to detailed due diligence, to the Executive Director of Housing and Land, in consultation with the Deputy Mayor for Housing, Land and Property. The Executive Director of Housing and Land subsequently agreed pursuant to DD1074 to the selection of London Borough of Hammersmith and Fulham Council subject to the successful completion of detailed legal due diligence and subject to the terms of the agreement being finalised. Details of the proposed programme are outlined in DD1074.
- 1.4 The detailed legal due diligence has now been successfully completed and the product and programme are considered to be compliant with the GLA’s funding requirements.
- 1.5 The form of Delivery Agreement between the GLA and the Council has also now been agreed . In summary, the agreement will govern and ensure that:
  - the GLA investment is applied in the correct manner to bring forward 100 discounted market sale homes to improve the mid-market offer in the borough for working Londoners;
  - the GLA investment is, so far as possible, protected; in the event of a purchaser staircasing through purchase the Council has the option to repay the GLA’s grant/share or (for the first twenty years of the programme and subject to the GLA’s consent) pay this sum into a “pot” for the delivery of additional affordable homes; and,
  - the GLA investment is tracked and monitored in accordance with GLA procedures, allowing the GLA and the Council to plan future investment into affordable homes.

#### **2. Issues for consideration**

- a) Links to strategies and Mayoral and corporate priorities

The allocation of this funding delivers on the 2012 Mayoral Manifesto commitment to extend First Steps to assist Londoners who are currently locked out of home ownership. These funding allocations would deliver 100 homes over the next four years.

b) Impact assessments and Consultation

The availability of this funding was announced with the publication of the funding prospectus and the placement of a voluntary notice in the OJEU. This ensured the widest possible audience for the funding opportunity.

The policy changes linked to this funding stream were outlined in an accompanying paper which invited consultation responses up until 19 December 2012. The results of these responses are currently under consideration.

c) Risk

Dramatic changes to the housing market in London, up or down, could negatively impact upon this programme. Price falls could render schemes financially unviable for providers and increases could move homes out of reach of the target market. The housing market will be monitored on an ongoing basis. This may affect the ability to recover the investment but this risk is mitigated to some extent through the proposal not to share the risk of a fall in OMV.

There is a general development risk that schemes proposed to us by partners will not be delivered on time. This has been mitigated by a careful review of deliverability of all schemes, particularly those completing in 2015/16. Scheme progress will be monitored on an ongoing basis as part of contract management.

### 3. Financial Comments

3.1 See Part 2 (confidential) paper.

### 4. Legal Comments

Section 30 of the Greater London Authority Act 1999 (as amended) ("GLA Act") gives the Mayor a general power to do anything which he considers will further one or more of the principal purposes of the GLA. The principal purposes, as set out in section 30(2), are:

- (a) promoting economic development and wealth creation in Greater London;
- (b) promoting social development in Greater London; and
- (c) promoting the improvement of the environment in Greater London.

and in considering the allocation in respect of which a decision is sought, officers confirm they have complied with the GLA's related statutory duties to:

- pay due regard to the principle that there should be equality of opportunity for all people;
- consider how the proposals will promote the improvement of health of persons in Greater London, promote the reduction of health inequalities between persons living in Greater London, contribute towards the achievement of sustainable developments in the United Kingdom and contribute towards the mitigation of or adaptation to climate change in the United Kingdom; and
- consult with appropriate bodies.

Previously the GLA was prohibited from using this general power to incur expenditure in providing any housing. This prohibition was, however, removed by section 186 of the Localism Act 2011, which came into effect on 1 April 2012.

Section 34 of the GLA Act allows the Mayor to do anything which is calculated to facilitate or is conducive or incidental to the exercise of any of his functions.

The foregoing sections of this report indicate that the decision requested falls within the above statutory powers of the GLA exercisable by the Executive Director of Housing and Land, in consultation with the Deputy Mayor for Housing, Land and Property (pursuant to the delegated authority granted under MD1174).

External legal support has been provided by Trowers and Hamlins LLP, procured via TfL Legal, in relation to the legal due diligence, drafting and negotiation of the associated legal agreements.

## **5. Investment & Performance Board**

This decision was considered and supported at Housing Investment Group on 28<sup>th</sup> February 2013, and it was decided it did not need to be considered further by that meeting in line with MD 1174.

## **6. Background/supporting papers**

MD1065, MD1145, MD1174 and DD1074.

**Public access to information**

Information in this form is subject to the Freedom of Information Act 2000 (FOI Act) and other legislation. Information on this decision will be included in the Mayor's report and decision list. The form will be available publically from then. Any facts and advice that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this approval to be deferred? YES

If yes, for what reason:

To enable the GLA to manage announcements with partners in relation to the allocations.

Until what date: 17/01/2014

Is there a part 2 form – YES

**ORIGINATING OFFICER DECLARATION:**

	Tick indicates approval (✓)
<b>Drafting officer:</b> <u>Nick Taylor</u> has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision:	✓
<b>Assistant Director/Head of Service:</b> <u>Jamie Ratcliff</u> has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.	✓
<b>Advice:</b> The Finance and Legal teams have commented on this proposal.	✓

**Executive Director, Resources**

I have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

**Signature**

**Date**