

REQUEST FOR MAYORAL DECISION – MD1457

Title: Designation of Housing Zones (Round 1)

Executive Summary:

Designation of Tottenham; Heart of Harrow; Southall; New Bermondsey; Hounslow Town Centre; Barking Town Centre; Plumstead; Abbey Wood & South Thamesmead; and Clapham Junction & Battersea Riverside as Housing Zones. Alongside the designation, the Mayor indicatively allocates up to £251.1 million to fund interventions to unlock or accelerate the delivery of up to 27,780 homes within these Housing Zones. This funding and any non-financial interventions will only be contractually committed subject to the outcome of due diligence.

Decision:

That the Mayor:

- DESIGNATES the areas identified within the Royal Borough of Greenwich and London Boroughs of Haringey, Harrow, Ealing, Lewisham, Hounslow, Bexley, Barking & Dagenham and Wandsworth as Housing Zones;
- APPROVES the indicative allocation of £251.1 million being made available to fund the interventions specified in these zones for the purposes of unlocking or accelerating the delivery of housing within each designated Housing Zone in line with the proposed housing delivery outputs specified in this report, noting that such funding shall only be contractually committed subject to the outcome of legal and financial due diligence;
- DELEGATES authority to the Executive Director of Housing and Land and the Executive Director of Resources, in consultation with the Deputy Mayor for Housing, Land and Property, to approve the interventions that are to be funded following due diligence and to contractually commit funding of up to £251.1 million across the designated Housing Zones; and
- AGREES that, where considered appropriate by the Executive Director of Housing and Land in consultation with the Deputy Mayor for Housing, Land and Property, the GLA shall provide non-financial assistance sought by the boroughs and will support the requests for non-financial assistance, where that assistance is sought from outside the GLA.

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:

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

Decision required – supporting report

1 Introduction and Background

- 1.1 The Mayor's London Housing Strategy sets out plans to create a number of "Housing Zones" to boost housing supply in London. It also identified that a range of planning and financial measures would be used in these areas to unlock and accelerate housing delivery and to build more homes affordable to working Londoners.
- 1.2 In line with MD1366, the Housing Zone Prospectus was launched on the 13th of June 2014 with proposals to deliver 20 Housing Zones across London. The primary aim of the programme is for Housing Zones to deliver, over ten years, at least 50,000 homes. Under the Housing Zones programme, London boroughs can ask the Mayor to designate a geographical area as a Housing Zone, and may bid for GLA funding to unlock and accelerate housing supply within that zone. The Housing Zone Prospectus sets out the bidding process and what can be funded.
- 1.3 To support these aims, £400 million has been made available in London.
- £200 million is a loan from DCLG to the GLA for the GLA to onward lend this money for the purposes of Housing Zones. It is known as a "Financial Transaction" and is referred to as such in this Mayoral Decision and associated documentation. The GLA must repay DCLG's loan and so all GLA Financial Transaction money is only available as a loan to be repaid at an agreed rate of interest, and to an agreed schedule. It is accessible to private developers and private Registered Providers, and is intended to kick-start development. The terms for this funding were agreed under MD1481.
 - £200 million will be made available on a more flexible basis. This £200m has been reallocated from the existing Mayor's Housing Covenant 2015-18 programme to the Housing Zones programme (as is noted in MD1366). It will be available largely through London Boroughs. The GLA's preference will be to pay grant on a recoverable basis, but it will also consider non-recoverable grant-funding, particularly where affordable housing is being delivered.
- 1.4 In total, £251.1 million of funding has been requested for interventions across 9 housing zones. £113.7 million of these monies would be repaid as Financial Transactions, £30.1 million would be repaid to the GLA as recoverable grant and £107.3 million would be committed as grant funding.
- 1.5 It should also be noted that HM Treasury have made £540 million of additional borrowing available to Boroughs through the Public Works Loan Board (PWLB), available at the "Project Rate" for 2014/15 and 2015/16 that can be bid for through the Housing Zones process. Some of the proposals covered in this paper include plans to borrow from the PWLB at the Project Rate but this additional borrowing is not included in the figures quoted.
- 1.6 Should any area designated as a Housing Zone seek additional PWLB funding post-designation it is expected they will approach the PWLB directly to seek this additional borrowing.

2. The Proposed Housing Zones

- 2.1. Proposals have been submitted for the areas identified in Appendix 1 to be designated by the Mayor as Housing Zones. In summary, together they are seeking a total of £251.1 million to deliver directly and indirectly 27,780 homes, of which it is estimated (subject to Planning) 9,128 would be affordable units. An expected £154.8 million of funding would be returned to the GLA as either Financial Transaction or Recoverable Grant monies. Further details of the proposed interventions (both financial and non-financial) and the approach to delivery are set out below and in Part 2 of this report.
- 2.2. In summary, the Housing Zones are proposing to achieve the following levels of development within their respective Zones;

Housing Zone	All tenures		Affordable only		Total Homes	Funding
	2015-2018	2019 +	2015-2018	2019 +		
Tottenham	815	1,150	163	397	1,965	£44,115,000
Heart of Harrow	1,799	3,495	273	1,272	5,294	£31,404,000
Southall	474	3,871	285	1,500	4,345	£20,125,000
New Bermondsey	532	1,840	31	206	2,372	£20,000,000
Hounslow Town Centre	268	3,210	268	1,115	3,478	£18,500,000
Barking Town Centre	1,115	1,180	358	410	2,295	£42,317,000
Plumstead	70	1,389	55	626	1,459	£23,833,000
Abbey Wood and South Thamesmead	0 (347 starts)	1,216	0 (200 starts)	591	1,216	£38,429,366
Clapham Junction & Battersea Riverside	2,143	3,213	1,017	579	5,356	£12,350,000
TOTAL	7,216	20,564	2,450	6,696	27,780	£251,073,366

- 2.3. A further 151 units will be delivered through the London Housing Bank funding stream within the Housing Zones, totalling 27,931 units of all tenures.
- 2.4. Funding for Hounslow Housing Zone includes an element of revolving funding which can potentially deliver an additional 2,460 residential units of all tenures, totalling 30,391 homes.
- 2.5. Boundaries for the proposed Housing Zones are included as Appendix 1 to this report.

Next Steps

- 2.6. Following approval for the list of financial and non-financial interventions listed in Part 2 of this report, the GLA will commence full due diligence for each of the proposed interventions to ensure that, in addition to the previous challenge and interrogation, the proposals comply with all relevant law (including state aid), and represent the value for money for the investment proposed.

- 2.7. This due diligence will be supported by the property and legal consultants appointed in accordance with MD1438 who will review the legal and property considerations within each intervention to ensure their integrity and validity. Considerable work will also be carried out by teams within Housing & Land and Finance.
- 2.8. Following that review, if, in the opinion of the Executive Director of Housing and Land (in consultation with the Deputy Mayor for Housing Land and Property) and the Executive Director of Resources, there is a satisfactory outcome to due diligence, individual interventions will be signed off allowing the necessary contract to be entered into, committing the funding.
- 2.9. In some instances it will be appropriate, following due diligence, for amendments or changes to be made to the proposals as framed within this paper. Funding contracts will also need to be structured to allow flexibility within the agreed interventions to allow re-profiling across the available funding and outputs to occur, providing the overarching funding envelope agreed through this Mayoral Decision is not exceeded.
- 2.10. Under the General Delegation in the Mayoral Scheme of Delegation, Senior Members of Staff in the Housing and Land will be able to approve such matters, but are expected to only do so where they consider that the revised interventions will be effective in unlocking or accelerating housing delivery (broadly in line with the housing delivery outputs within the designated Housing Zones as specified in this report), and will continue to represent value for money.

3. Objectives and expected outcomes

- 3.1. It is considered that designating these areas as Housing Zones and investing in them as proposed in this Mayoral Decision will bring about the delivery of much needed homes, in a cost effective manner, that either would not have come forward (without that designation or investment); ; or which will be accelerated in their rate of delivery as a result of that designation and investment. The designation of Housing Zone status and investment in the interventions as described in this report is aimed at meeting the huge challenge of building at least 42,000 homes as year as set out in the Mayor's London Housing Strategy.

4. Equality comments

- 4.1. The designation of these nine areas as Housing Zones is aimed at implementing the Mayor's policies set out in the Mayor's London Housing Strategy. In January 2014 the GLA published an integrated impact assessment ("IIA"), including an equalities impact assessment, of that strategy. The policies related to increasing housing supply, of which this paper relates, were covered by the Integrated Impact Assessment (IIA) for the Further Alterations to the London Plan.
- 4.2. The IIA concluded that updating housing projections and targets would support the delivery of sufficient housing and may help stabilise housing prices, supporting equal opportunities throughout communities. Furthermore, the provision of housing, including maximising the delivery of affordable housing would be in line with other policies of the Plan (e.g. Policy 3.5), ensuring that the needs of different groups are taken into account in the housing design.
- 4.3. The delivery of new and additional homes within the Housing Zones will help to implement Objectives 1, 2, 3 and 4 of the Mayor's Equalities Framework "Equal Life Chances for All" (June 2014) through the creation of new homes, housing products and well-designed housing schemes.

- 4.4. The designation of a Housing Zone within an area is designed to identify a site or sites as an area for housing growth and delivery within London, often partnered with a series of funding streams and non-financial assistance to deliver these new homes, and therefore the decision within this report will facilitate these goals and ultimately ensure that the needs of different groups are taken into account in the design and development of housing.
- 4.5. In order to access this funding and designation, any bidding party, be that private sector developer or Local Authority, will be required to enter in to contract with the GLA and / or GLALP to deliver these interventions. Whilst there is a statutory obligation for parties to take account of the impact of schemes under the Equality Act 2010, in order to reinforce these obligations the GLA / GLALP have included the following specific contractual clauses in each and every development agreement which will be in force for every intervention undertaken in the respective Housing Zones, as noted below;
- The Developer shall 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 Scheme Project Documents to ensure compliance with this clause.
 - The Developer 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 at all times and will provide a copy of that policy and evidence of the actual implementation of that policy upon request by GLA / GLALP.

5. Other considerations

- 5.1. In keeping with the objectives of the Housing Zones prospectus, the Housing Zones programme is explicitly designed to be innovative and flexible and as such may involve novel methods of providing funding, or tailoring housing investment or planning policy to local circumstances to increase housing delivery. Officers have worked very closely with the Boroughs in the development of the Housing Zone proposals to look at how the GLA and the Boroughs can work together to deliver homes which would not otherwise be built in the next 10 years. They have also consulted and worked with DCLG. It is not considered necessary or appropriate to consult any other persons or bodies including those specified in section 32(2) of the Greater London Authority Act 1999 for the purposes of this Mayoral Decision.
- 5.2. Any new approaches to housing delivery are set out alongside the recommendations for each Housing Zone designation contained in Part 2 of this report. The legal contracting process, review of state aid compliance, cost and value assumptions and governance structures will ensure the GLA can accelerate housing delivery with a high degree of confidence and assess the robustness of Boroughs investment proposals.
- 5.3. As part of the due diligence process, the GLA's Finance team will assess the repayment plan as set out in the Housing Zone bid, ensuring that matters relating to security and loan pricing are fully resolved.
- 5.4. Boroughs and counterparties to the Housing Zones designation will be encouraged to use the Mayor's Architecture, Design and Urbanism Panel to commission masterplanning work which comes out of the designation, to ensure that the highest quality design is achieved from the interventions that are supported.

5.5. In regards to the potential levels of housing delivery and numbers of affordable homes to be delivered within the Housing Zones, it should be noted that the figures stated here do not prejudice any future Mayoral decisions on planning designations/de-designations or consideration of future planning applications of potential strategic importance.

6. Financial comments

6.1. The Housing Zone programme is funded by £200m loan funding from DCLG known as “Financial Transaction” funding and £200m from the Mayor’s Housing Covenant 2015-18 programme.

6.2. The average funding amount per unit is £9,715 based on total funding and total units (£31,585 per affordable unit, if all funding applied to affordable units); notwithstanding that part of the funding is loan funding or returnable grant funding.

6.3. Financial Transaction funding is to be issued as loan funding, with interest, to private bodies only and must be returned to DCLG.

6.4. The designation of £251.1m of Housing Zone funding is not agreement to enter into funding agreements with partner organisations which will be subject to further approval under the appropriate delegations following financial and legal due diligence.

6.5. All Financial Transaction loan funding will be conditional upon detailed due diligence and the provision of adequate security by loan applicants. Interest rates for these loans will be set based on this work.

6.6. The funding available is capital in nature and no revenue funding is available to be granted to applicants to fund, for example, feasibility or temporary improvements.

6.7. The overall risk profile of the investments made across the Housing Zones programme will need to be considered within the context of other GLA lending schemes to ensure the portfolio is balanced in risk.

7. Legal comments

Designation of areas as a Housing Zone and financial and non-financial assistance

7.1 Where the Mayor designates an area as a Housing Zone, the Mayor may provide financial and non-financial assistance to help unlock or accelerate the delivery of housing within that zone.

7.2 The designation and provision of financial assistance (whether by grant or loan) and non-financial assistance is permissible under section 30(1) of the Greater London Authority Act 1999 (the GLA Act), if the Mayor considers that doing this will further one or more the Authority’s principal purposes of: promoting economic and social development in Greater London, and improving the improvement of the environment in Greater London. The funding available is capital in nature and must be used as capital expenditure.

7.3 In determining whether or how to exercise the power conferred by section 30(1) of the GLA Act (and therefore in determining whether or how to designate and provide financial and non-financial assistance), the Mayor must:

- (i) have regard to effect that these decisions will have on the health of persons in Greater London, health inequalities between persons living in Greater London, the

achievement of sustainable development in the United Kingdom and climate change and its consequences (sections 30(3-5) of the GLA Act;

- (ii) pay due regard to the principle that there should be equality of opportunity for all people (section 33 of the GLA Act); and
- (iii) have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010);

- 7.4 As noted in section 4 above, in January 2014 the GLA published an integrated impact assessment (“IIA”), including an equalities impact assessment and health impact assessment, of the London housing strategy, which included a policy for Housing Zones. It is also noted in section 4 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 Chance for All.”*
- 7.5 Going forward, the Mayor will also need to have due regard to the Public Sector Equality Duty, and the matters set out in sections 30(3-5) and 33 of the GLA Act, when entering into any funding agreements.
- 7.6 In addition to the above, where the Mayor is proposing to use the power conferred in section 30(1) of the GLA Act, the Mayor must consider consulting in accordance with section 32 of the GLA Act. Section 5 above refers to the consultation and engagement that has taken place in relation to this matter. The Mayor will also need to consult in accordance with section 32 of the GLA Act, as appropriate, prior to entering into any funding agreements.
- 7.7 Section 31 of the GLA Act prohibits the Mayor from using his power in section 30(1)(a) of the Act to incur expenditure in doing anything which may be done by Transport for London, which on the face of it would prevent the GLA from incurring expenditure in providing funding for transport provision. However, section 31(5B) of the GLA Act provides that nothing in section 31(1)(a) shall be taken to prevent the Authority incurring expenditure in doing anything for the purposes of, or relating to, housing or regeneration. Accordingly, the GLA has the power to fund proposed transport-related interventions within the proposed Housing Zones.
- 7.8 Section 31(3)(b) prohibits the Mayor from using his power in section 30(1)(a) of the Act to incur expenditure in providing *“any education services”* in any case where the provision in question may be made by a London borough or any other public body. Providing the GLA does not fund the provision of *“any education services,”* it can fund matters related to education.
- 7.9 Under section 34 of the GLA Act, the Mayor is empowered to do anything (including the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the exercise of any functions of the Authority exercisable by the Mayor.

State Aid and other matters

- 7.10 Prior to entering into any funding agreements in respect of the interventions contained in Part 2 of this Mayoral Decision, appropriate advice must be sought by the GLA as to due diligence; state aid; and appropriate security for lending. The GLA will need to give detailed consideration to this advice, and obtain appropriate advice and assistance in preparing the necessary documentation to provide Housing Zone funding.

GLA Land and Property Ltd

- 7.11 Consideration will need to be given as to whether any proposed GLA funding is, by virtue of section 34A of the GLA Act and the Greater London Authority (Specified Activities Order) 2013/973, a specified, commercial, activity that must be dealt with by GLA Land and Property Ltd (“GLAP”). If it is, GLAP will be required to enter into the relevant contractual funding agreements, committing the GLA funding. GLAP does not need to be expressly authorised to do this in this Mayoral Decision, by virtue of section 4.3 of the Mayoral Scheme of Delegation. The entering into of such agreements is the implementation of decisions contained within this Mayoral Decision.

Social housing

- 7.12 Section 333ZE of the GLA Act applies sections 31-36 of the Housing and Regeneration Act 2008 (HRA) to the GLA, with modifications. To comply with the requirements of section 31 of the HRA as modified, where the GLA is proposing to give financial assistance on condition that the recipient provides low cost rental accommodation, the GLA must impose a further condition ensuring that a registered provider of social housing is the landlord of the accommodation when it is made available for rent.
- 7.13 Under section 333ZH of the GLA Act, where the GLA is proposing to give financial assistance on condition that the recipient provides low cost home ownership accommodation, the GLA must consult the Regulator of Social Housing about the proposals.
- 7.14 Under section 333ZE(3) of the GLA Act sums received by the GLA in respect of repayments of grants made by it for the purposes of social housing are to be used by it for those purposes.

Delegation to GLA Officers

- 7.15 Section 38 (1) of the Act provides that any function exercisable on behalf of the GLA by the Mayor shall also be exercisable on behalf of the GLA by any member of staff of the GLA if or to the extent that the Mayor so authorises, whether generally or specially, and subject to any conditions imposed by the Mayor.
- 7.16 The General Delegation contained in section 2 of the Mayoral Scheme of Delegation provides for various functions to be delegated to GLA officers on a standing basis. However, the delegations contained in this Mayoral Decision are beyond the scope of the standing delegations, and therefore need to be made expressly.
- 7.17 Officers exercising functions delegated under this Mayoral Decision will need to act in accordance with the terms and conditions of the delegation(s).

Procurement

- 7.18 The award of GLA funding for Housing Zones is not a procurement, and is not therefore subject to the requirements of the Public Contracts Regulations 2006. The GLA is still subject to the overarching duties of fairness and transparency.

8. Investment & Performance Board and Housing Investment Group

- 8.1. Supportive comments were received on the overarching Housing Zone proposals from Investment & Performance Board on how the diverse areas of the GLA could best interact with the Housing Zone programme. These comments have been acted on within the GLA teams and have resulted in the formation of a number of new working groups and practices in order to ensure the co-ordination across the GLA family and beyond to partner organisations.
- 8.2. Housing Investment Group made a number of recommendations to each Housing Zone. Details of these recommendations and how they have been incorporated are contained in Part 2 of this report as they relate to commercial interests and considerations within each zone.

9. Planned delivery approach and next steps

Activity	Timeline
Confirmation of Housing Zone status	July 2015
Detailed Due Diligence commences	July 2015
Contracting commences	July 2015
Delivery of interventions	Late 2015 onwards

Appendices and supporting papers:

Appendix 1 – Maps of the proposed Housing Zones

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:

Neil Hook has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director/Head of Service:

Jamie Ratcliff has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Sponsoring Director:

David Lunts has reviewed the request and is satisfied it is correct and consistent with the Mayor’s plans and priorities.

✓

Mayoral Adviser:

Richard Blakeway has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

CHIEF OF STAFF:

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

Signature

Date