

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2207

Title: Homes for Londoners Land Fund

Executive Summary:

The draft London Housing Strategy sets out the Mayor's commitment to taking a more interventionist approach in London's land market with the aim of: getting more homes built; increasing the proportion of affordable homes; accelerating the speed of building; and capturing more value uplift for the public benefit.

A £250 million land fund has been established for City Hall to buy and prepare land for new and affordable housing. The fund is to be drawn from the GLA's housing and land resources and receipts.

This MD seeks endorsement of the key objectives of the fund, approval of the proposed governance arrangements, and approval also of revenue expenditure equivalent to two per cent of the fund for due diligence, professional support and estate management

Decision:

That the Mayor approves:

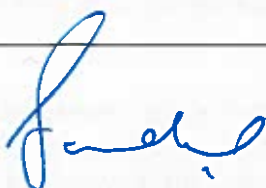
- i. The establishment of an investment fund for buying and preparing land for new and affordable housing, comprising £250m funded from housing and land resources and receipts from the GLA and Greater London Land & Property (GLAP);
- ii. A delegation to the Executive Director of Housing and Land to approve, via a director decision form and subject to approval from a new Investment Committee, the fund's investments – both the outgoing GLA investment and the receipt of income from those investments to recycle into the fund; and
- iii. Separate expenditure, funded by GLAP's revenue account, of up to two per cent of the value of the fund (i.e. up to a maximum of £5m) for due diligence, professional support for the fund's investment opportunities and estate management.

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:

15/12/12

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

Decision required – supporting report

Introduction and background

1. On 6 September 2017, the Mayor announced his intention to earmark £250 million for City Hall to use for buying and preparing land for new and affordable housing. It is intended that the funding will recycle over time to continue unlocking opportunities across the capital. The Mayor has also made it clear that he is prepared to use City Hall's statutory powers, including Compulsory Purchase where appropriate and necessary, to secure land for new and affordable homes.
2. This approach is set out in the new draft London Housing Strategy which commits the Mayor to taking a more interventionist approach in London's land market, with the aim of getting more homes built; increasing the proportion of affordable homes; accelerating the speed of building; and capturing value uplift for public benefit. This builds on the case for a new initiative on land that was made by the work of Liz Peace's Homes for Londoners Board's task-and-finish group on new delivery models. This group has now reported and its main finding was the need to radically improve the co-ordination and assembly of land via the public sector, recommending that the GLA should play the key pan-London role.
3. The relevant section of the draft London Housing Strategy is referenced below:

The Mayor will support proactive intervention in London's land market to ensure land identified for housing comes forward more quickly. This will include:

- i. *refocusing City Hall resources toward actively identifying opportunities for, and intervening to enable, the release of more land for housing, supported by an expansion in the skills, capacity, and resources of City Hall's Homes for Londoners team;*
 - ii. *supporting councils and housing associations to acquire land, promote projects and invest in infrastructure; and*
 - iii. *where necessary, directly intervening to co-ordinate key projects and assemble land.*
4. The GLA's interventions will require both capital expenditure and an element of revenue support to address due diligence, technical, legal and other professional fees, estate management costs and, as is common practice in similar investment funding arrangements, this MD seeks a maximum of 2 per cent (£5m) as being appropriate.
5. Alongside the new fund, the GLA's Housing and Land team will refocus and extend its efforts to support a greater range of interventions around land for affordable housing. The initial proposals for staffing changes associated with this have been agreed by the Head of Paid Service and were the subject of a consultation report to the GLA Oversight Committee on 23 November 2017.
6. This MD is focussed on the aims and objectives of the dedicated £250m land fund which will be drawn from the GLA's housing and land resources and receipts. The fund will recycle land receipts so that where land is acquired and sold on to developers and/or housing associations, then receipts from those sales will be reinvested into identifying and delivering more land into the system for similar purposes.
7. The land fund will operate to bring forward sites where a strategic investment case can be made. Wherever possible, GLA officers will work to achieve acquisitions via partners with the fund making purchases only where a clear case for additionality is made. This may include, *inter alia*, sites where 'marriage value' is achievable with adjacent land owners; instances where a medium or longer-term opportunity is apparent; sites over which GLA control is desirable and unattainable through other means; or where third parties are reluctant to take undue risk.

8. This MD therefore seeks:

- Endorsement of the key objectives of the fund;
- Approval of the proposed governance approach; and
- Approval of separate revenue expenditure equivalent to 2% of the £250m fund, over the lifetime of the programme, to support land and property due diligence work and estate management.

Objectives and expected outcomes

9. The key objectives of the fund are to:

- support opportunities to bring land forward for housing development more quickly;
- enable the GLA to be able to pursue innovative approaches to the procurement of new housing and to have a significant level of influence over the pace, quality and tenure profile of affordable housing delivery in London;
- develop a pipeline of short, medium and longer-term land holdings and/or opportunities for assembly i.e. taking a portfolio investment approach to ensure that short term 'wins' are balanced by a longer-term pipeline;
- work with partners to inject financial support towards the cost of land and infrastructure for schemes where additional affordable housing may be possible or where acceleration may be achieved; and
- provide an opportunity to explore the potential for additional third party investment in land and property transactions undertaken by the GLA.

10. The objectives of the fund will be supported by an Investment Plan which will be developed with appropriate external support. As third-party investment goes beyond the current operating model of GLAP there will be a need to determine the business case and most appropriate structure for this type of investment. This would be the subject of a future Mayoral decision.

Capital

11. It is proposed that the fund is dedicated specifically to site acquisition, land assembly, and the enabling costs of development. The fund will be backed by GLAP's current and forecast land receipts, with any short-term needs to provide cash flow provided through other housing and land resources.

12. It is therefore proposed that the £250m is initially sourced from GLAP land receipts supported by available GLA treasury management working capital where there is a need for 'cash flow'. This funding would be recycled together with any growth as schemes are delivered.

13. The aim of the fund will be to recover the initial costs of site acquisitions as the fund's schemes are developed and to use the receipts to replenish the fund for further interventions, helping to generate both early and longer-term delivery of affordable homes on a self-sustaining basis.

14. Building a credible long-term pipeline of land holdings and opportunities for the assembly of land may require investment beyond the £250m that is likely to be drawn down over the first two to three years of the fund. Separate authority would be required for this additional expenditure. Based on the financial performance of the GLA's current portfolio, it is anticipated that investment returns are unlikely to be realised earlier than 3 years from the date of any land acquisition although smaller sites may generate a faster turnaround than the larger brownfield regeneration sites that the GLA has tended to bring forward in recent years.

Revenue

15. To enable the land fund to operate, separate expenditure of up to 2 percent of the £250m fund (£5m) will be required for due diligence and transactional work on identified opportunities as well as estate management of acquired sites. The profile of this expenditure will depend on the timing of acquisitions. This expenditure will be funded by GLAP.

Governance

Role of the GLAP Board

16. As a subsidiary company of the GLA, GLAP was established in April 2012 to take on responsibility for the assets that were inherited from the London Development Agency, the Homes and Communities Agency and the London Thames Gateway Development Corporation. GLAP was created under the Greater London Authority Specified Activities Order 2013 so that the GLA's commercial operations could be placed on a level playing field with those in the private sector for taxation and related purposes. GLAP operates under instruction and approval from the Mayor and undertakes its activities entirely and exclusively in pursuit of the Mayor's planning, housing and regeneration policies.
17. The current GLAP directors are the Mayor's Chief of Staff, the Deputy Mayor for Housing and Residential Development, the Executive Director of Resources, the Executive Director of Housing & Land and the Assistant Director of Strategic Projects & Property.

Investment Committee

18. It is proposed that an Investment Committee is established, as a sub-committee of GLAP, to provide leadership and direction to use of the land fund. It will be responsible for preparing an Investment Plan which will be presented to the Mayor for approval; it will scrutinize proposals for intervention and make decisions on asset acquisitions and disposals in accordance with the approved Investment Plan. The Mayor will be updated on activity within the land fund on an annual basis.
19. The Committee will be responsible for the following areas of work:
 - Preparing and approving an Investment Plan for the land fund through a Mayoral Decision;
 - Initial filtering of opportunities for intervention to determine those with the potential to be brought forward as business cases;
 - Regularly reviewing the GLA's Investment Plan and ensuring that 'filtered' opportunities are appropriate and in line with the objectives of the land fund and the GLA's Investment Plan;
 - Making decisions in relation to land and property acquisitions, opportunities for land assembly or capital investments which support the objectives of the land fund and the GLA's Investment Plan;
 - Reviewing and approving business cases, strategies, and delivery plans for proposed land, property, and/or capital investment opportunities; and
 - General programme oversight, strategic guidance and performance monitoring.
20. The Investment Committee will be chaired by the Executive Director of Housing and Land who will have overall responsibility for the Committee. Other committee members will include the Deputy Mayor for Housing and Residential Development, the Assistant Director of Strategic Projects and Property and the Group Treasurer/Chief Investment Officer. The overall programme lead and individual project leads would attend meetings as and when necessary.
21. The inclusion of up to two external Committee members is also proposed. The external members would bring strong commercial acumen, experience of providing investment expertise and guidance, and will have a track record in one or more of the following areas: property development and

finance, infrastructure delivery, land assembly, acquisition and disposal. The external members would provide advice and make recommendations to the Committee as necessary.

22. Draft terms of reference for the Committee are set out in Appendix 1.

Delegated Authority

23. This MD seeks authority to establish a standing delegation for individual spending decisions to be taken at executive director level i.e. by the Executive Director of Housing and Land in accordance with the involvement of the Investment Committee as outlined above in paras 18-22. The Deputy Mayor for Housing and Residential Development would be consulted on emerging director decision forms in the normal way. This process will provide the opportunity for review and/or endorsement at CIB on a weekly basis, ensuring that Housing and Land is able to respond authoritatively and quickly to opportunities for intervention that may arise in the market.
24. This is particularly important for the GLA where development opportunities are marketed openly. The property market is a fast-paced environment and transactions take place at speed. This delegation will enable officers to undertake necessary due diligence and, at least, confirm initial interest in acquiring land and/or property within timescales driven by the market; without a delegation, there is a real risk that officers would be unable to compete, resulting in missed opportunities.
25. It is intended that the current scheme of delegation (Mayoral Decision Making in the GLA) will be amended to reflect this way of working, as part of the annual review, in May 2018.

Equality comments

26. Under section 149 of the Equality Act 2010 (the "Equality Act"), as a public authority, the GLA 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. Protected characteristics under the Equality Act comprise age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation and marriage or civil partnership status.
27. When considering the needs of the existing community and those that will be affected by the proposed land fund, any resulting development activity will minimise disadvantages to all protected characteristic groups within society. This decision is therefore not expected to have any negative impact on persons with a protected characteristic under the Equality Act but where the fund is used to acquire existing residential properties further consideration will need to be given to such characteristics and the impact of such acquisition on the owners or occupiers of those properties.

Other considerations

Links to Mayoral strategies and priorities

28. The land fund links directly to the draft London Housing Strategy which sets out a policy rationale for the GLA to take a more interventionist approach in London's land market; with the aim of getting more homes built, increasing the proportion of affordable homes, accelerating the speed of building and capturing value uplift for the public benefit.

Impact assessments and consultations

29. This MD was drafted in consultation with the Deputy Mayor for Housing and Residential Development and other executive and senior staff within the GLA.

Financial comments

30. The funding source for the initial £250m cash injection is GLAP's current and forecast receipts, with any cash flow needs financed in the short term from the GLA's treasury management working capital. Any growth in the Fund would be recycled as investments mature. However, if the cash injection was not returned and the fund suffered capital losses, other housing resources would be top-sliced to secure sufficient budgetary provision. Revenue costs of up to £5m would be contained within GLAP's account.

Legal comments

31. Section 30 of the Greater London Authority Act 1999 ('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) of the GLA Act are:

- (i) promoting economic development and wealth creation in Greater London;
- (ii) promoting social development in Greater London; and
- (iii) promoting the improvement of the environment in Greater London.

32. In determining whether or how to exercise the power conferred by section 30(1) of the GLA Act, the Mayor must:

- (iv) have regard to the effect that his decision 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;
- (v) pay due regard to the principle that there should be equality of opportunity for all people (section 33 of the GLA Act); and
- (vi) 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).

33. Given the above, Section 34 of the GLA Act which allows the Mayor to do anything which is calculated to facilitate or is conducive or incidental to the exercise of any of his functions (including his functions under section 30) and the Mayor's powers (under Section 38 of the GLA Act) to delegate to any GLA member of staff functions of the GLA that are exercisable by him, the foregoing sections of this report indicate that the Mayor has the power to agree to the decisions set out above.

Planned delivery approach and next steps

Activity	Timeline
Investment committee established	December 2017
Investment plan commissioned	January 2018
Investment plan complete	March 2018

Appendices and supporting papers:

Appendix 1 – Draft Terms of Reference for the Investment Committee

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:

Davena Wilson has drafted this report in accordance with GLA procedures and confirms the following:

✓

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:

James Murray 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 11 December 2017.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

11.12.17

TOM MIDDLETON ON BEHALF OF MARTIN CLARKE

CHIEF OF STAFF:

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

Signature

Date

11/12/2017.

