

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2051

Title: Sutton One Housing Zone, Lodge Place and other Priority Sites

Executive Summary:

This Director's Decision seeks approval to sign off due diligence undertaken in respect of the intervention that the GLA proposes to fund in the Sutton One Housing Zone and enter into a Borough Intervention Agreement with the London Borough of Sutton to provide such funding.

Decision:

That the Executive Director of Housing and Land and the Executive Director of Resources, after consulting with the Deputy Mayor for Housing and Residential Development:

- agree that the outcome of due diligence, detailed in this report, demonstrates it is appropriate for the GLA to contractually commit grant funding of £175,000 to the intervention specified below within the Sutton One Housing Zone, and
- note the deduction of £175,000 for this intervention from the grant budget for Housing Zones.

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:

31.10.16

Name: Martin Clarke

Position: Executive Director Resources

Signature:



Date:

28.10.16

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 The Sutton One proposal was designated a Housing Zone by MD1545 and funding of £175,000 was indicatively allocated to that zone (subject to the outcome of legal and financial due diligence) to unlock and accelerate housing delivery.
- 1.2 In December 2015, the GLA and the London Borough of Sutton (LBS) entered into an Overarching Borough Agreement (OBA) to record the indicative allocation of funding for the Sutton One Housing Zone. LBS will retain oversight of delivery across the Housing Zone by implementing governance arrangements outlined in the OBA with the GLA.
- 1.3 Due diligence has now been undertaken in respect of the intervention within the Sutton One Housing Zone, the conclusion of which is set out below.

Summary

- 1.4 LBS has requested GLA investment in the form of grant to unlock delivery of a 51 unit scheme at the Lodge Place site by April 2018. In exchange for GLA's commitment to fund the Lodge Place site, LBS will contractually commit to facilitate delivery of a further 1,621 homes across 7 other priority sites by March 2024 within the Housing Zone. See Appendix 1 of this Director's Decision for a map of the Housing Zone with the priority sites identified.

Proposition

- 1.5 GLA funding will contribute towards enabling costs of the Lodge Place site. It is anticipated that planning consent will be secured by March 2017 in order that start on site is achieved by end of July 2017 and practical completion by April 2018. The site will deliver 51 homes, of which 20 (39%) will be affordable. Of the affordable homes, 14 will be for affordable rent and 6 will be for affordable home ownership.
- 1.6 To deliver the ambitions of the Housing Zone and provide certainty of delivery, LBS have established a wholly owned Development Company, Sutton Living Limited. Sutton Living will finance acquisition of the Lodge Place site through prudential borrowing made available to it by LBS. Sutton Living has reached agreement with the vendor to buy the Lodge Place site subject to contract.
- 1.7 The other priority sites are at varying stages of the development process. GLA will maintain ongoing dialogue with LBS and relevant registered providers and developers to ensure that the levels of affordable housing are optimised on a site by site basis. Where appropriate GLA will consider proposals for further grant funding to deliver up to 50% affordable housing. The other priority sites are:

Site	No. of Homes
Times Square	60
24 Sutton Court Road	132
Felnex	725
Land to the North of Hackbridge Station	200
South Point, Sutton Court Road	332

Wandle Riverside	124
Mill Green Business Park	48

Funding

- 1.8 LBS has requested a total of £175,000 of non-recoverable grant. This grant will fund enabling costs of the Lodge Place development, thereby facilitating delivery of the 51 homes proposed for the site.

Appraisal

- 1.9 Project due diligence was undertaken by officers of the Housing and Land directorate on the basis of value for money, strategic fit with GLA priorities and deliverability.
- 1.10 Overall, the funding per home across the entire Housing Zone is £105. In respect of the Lodge Place Site to which the funding will be directly attributed, the grant rate per home is £3,431 and per affordable home is £8,333. Across these two measures, GLA investment represents very good value for money.
- 1.11 The Sutton One Housing Zone will contribute towards the implementation of the Mayor's policies, as set out in the Mayor's London Housing Strategy, where the overarching aim is to increase housing supply. The provision of housing, including maximising affordable housing delivery, is also prescribed in the Further Alterations to the London Plan March 2015 (e.g. Policy 3.3 and Policy 3.11). The Housing Zone Programme aims to increase housing supply by accelerating and unlocking housing development to deliver 75,000 homes to meet a variety of housing needs by 2026. The Lodge Place site will directly contribute towards this objective, as well as support the aim to deliver 42,000 homes per annum prescribed by the Further Alterations to the London Plan March 2015.
- 1.12 The Lodge Place site is considered to be highly deliverable. It is anticipated that planning permission will be granted by March 2017 to enable start on site by July 2017 and completion by April 2018. The current start on site forecast date for Lodge Place represents a change from the proposed delivery date set in the Overarching Borough Agreement between GLA and Sutton. This change has been caused by a delay in submission of the planning application for the scheme. In accordance with the Housing Zone Change Management Process (DD1485) this 'Tier 1' change is agreed in principle by the relevant Head of Area. More than 80% of the homes in the wider housing zone are subject to existing planning consents therefore the other priority sites are deemed to be deliverable by March 2024.

Governance

- 1.13 The GLA will contract with LBS and this relationship will be managed on a reciprocal basis through quarterly meetings in order to ensure transparency. The relationship will be managed by a designated officer from the GLA's Housing and Land directorate with oversight from the Housing and Land Senior Management Team. LBS has set up a Housing Zone Delivery Board that comprises senior officers from LBS – including Housing, Regeneration, Planning, Asset Management and Finance as well as senior GLA representatives. The Board will oversee delivery across the Housing Zone, in particular, having input to negotiations with developers/landowners on site acquisitions.

Stakeholders / Contractual Arrangements

- 1.14 The counterparty in respect of the Lodge Place scheme is LBS who will enter into a Borough Intervention Agreement with the GLA. Under the terms of the Borough Intervention Agreement LBS will be obliged to procure delivery of the schemes within the Housing Zone. LBS will then enter into a contractual arrangement with Sutton Living to pass on the funds in order to facilitate delivery of the scheme.

Conclusion

- 1.15 On the basis of the assessment undertaken by officers of the Housing and Land Directorate, Lodge Place and the other priority sites are deemed to meet the GLA's requirements in terms of value for money, strategic fit with GLA priorities and deliverability.

2. Objective and expected outcomes

- 2.1 The Lodge Place site is expected to deliver 51 homes by April 2018, of which 20 will be affordable. The other priority sites will deliver a further 1,621 homes by March 2024.

3. Equality comments

- 3.1 Sutton One Housing Zone will contribute towards the implementation of the Mayor's policies as 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, to which the Housing Zone projects will contribute, were covered by the IIA for the Further Alterations to the London Plan.
- 3.2 The IIA concluded that updating housing projections and targets would support the delivery of sufficient housing and may help to stabilise housing prices, thereby promoting 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.
- 3.3 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 the creation of new homes, housing products and well-designed housing schemes.
- 3.4 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 this decision will facilitate these goals and ultimately ensure that the needs of different groups are taken into account in the design and development of housing.
- 3.5 In order to access this funding, LBS will be required to enter into a contract with the GLA to deliver the interventions specified in this Director's Decision. With regard to project delivery, the contract places the following obligations on LBS in respect of the Equality Act 2010:
- LBS will comply (and will procure that Sutton Living comply) in all material respects with all relevant legislation relating to health and safety, equality and relevant employment matters, and will use reasonable endeavours to procure that all Borough Parties do likewise.
 - LBS confirms that it has, and is in full compliance with (and will procure that Sutton Living has and is in full compliance with), a policy covering equal opportunities designed to ensure that discrimination prohibited by the Equality Act 2010 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 the GLA.

4. Other considerations

a) key risks and issues

- 4.1 The sites identified within the Housing Zone are owned by third parties. Access to GLA funding will be conditional upon the Lodge Place site being acquired by LBS.

- 4.2 There is a risk that Sutton Living may not have the capacity to deliver the programme to forecast. To mitigate this risk its business plan will be reviewed regularly by the Delivery Board, which has been put in place by LBS to oversee Housing Zone delivery.
- 4.3 LBS will provide a governance structure that enables some flexibility within the proposed delivery framework to ensure the agreed outcomes can be delivered. LBS has committed resource to creating a new "Account Manager" role to deal with planning, relationship and programme management. Planning KPIs have also been agreed and are included in the Overarching Borough Agreement.
- 4.4 Overall, the level of affordable housing proposed across the other priority sites is 24%. GLA will maintain ongoing dialogue with LBS and relevant delivery partners and will consider proposals for grant funding to deliver a minimum of 35% affordable housing on each of the other priority sites.

b) links to strategies and priorities

- 4.5 The purpose of the Housing Zones Programme is to increase housing supply by accelerating and unlocking development to deliver 75,000 homes by 2026. The projects in the Sutton One Housing Zone will directly contribute towards this goal as well as support the aim to deliver 42,000 homes per annum prescribed by the Further Alterations to the London Plan March 2015.

5. Finance comments

- 5.1 These funds are from the £200m that has been allocated from the existing Mayor's Housing Covenant 2015-18 programme to the Housing Zones programme (as is noted in MD1366). This is available largely through London Boroughs.
- 5.2 £175k was specifically allocated to this project by MD1545.
- 5.3 As of 31st August 2016 £71,925,000, of the £200,000,000 has been allocated with a remaining £128,075,000.
- 5.4 This intervention will help release 8 sites, but the funds are being used in the enabling works on one site.
- 5.5 The development will produce much needed housing for London and help towards the Mayor's targets.
- 5.6 The financial intervention of £175k supports the building of 51 dwellings, at approximately £3.4k per dwelling, this development is very good value.
- 5.7 At such minimum cost towards the construction there has been no need to appoint property consultants to rule on the reasonableness of costs and evaluation of value on this project.
- 5.8 This grant is none refundable and that seems reasonable given the level of grant/amount of affordable dwellings being provided.

6. Legal comments

- 6.1 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 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.

- 6.2 The intervention will accelerate 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.
- 6.3 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 MD1545. As is noted in paragraph 7.4 of MD1545, 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 MD1545).
- 6.4 The GLA has engaged with LBS (and Sutton Living) in relation to the intervention that 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 32(2) of the GLA Act for the purposes of this Director Decision.
- 6.5 The GLA funding for the 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 (GLAP).
- 6.6 External lawyers have advised the GLA as to whether providing grant funding to LBS for the intervention is compatible with State Aid rules. For this intervention, State Aid should not arise with regard to the transfer of grant between the GLA and LBS on the basis that they are both public bodies discharging their statutory responsibilities. Further, given the low level of funding being provided to LBS, it would be proportionate for the GLA to allow LBS to apply the benefit of the intervention (in respect of its arrangements with Sutton Living, which could be a beneficiary of the funding) either:
- under the Service of General Economic Interest (SGEI) Decision of the European Commission, which specifies the conditions under which State Aid in the form of public service compensation is compatible with State Aid law, or
 - as SGEI de minimis aid, whereby under the de minimis regulation, compensation under a given threshold is deemed no aid.
- 6.7 External lawyers have been instructed to prepare and negotiate the funding contract for the GLA, including the incorporation of any provisions required to ensure compliance with State Aid rules.

7. Planned delivery approach and next steps

Activity	Timeline
Completion of Contract	October 2016

Appendices and supporting papers:

Appendix 1 – Site Plan – Sutton One Housing Zone

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:

Rickardo Hyatt 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 10 October 2016.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Alce

Date

28.10.16

