GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD1597

Title: Housing Zones Designations – Phase 2

Executive Summary:

The Mayor has so far designated 20 Housing Zones in London, in which 53,000 homes are expected to be completed by 2025. Given the success of the original programme, this paper seeks the Mayor's approval to an extension of the Housing Zones programme to create a further 10 Housing Zones to total 30 Housing Zones across London. These Zones will be a mix of existing bids from the first round of proposals, and a series of commissioned Zones resulting from the work of the London Land Commission and other GLA housing programmes.

Decision:

That the Mayor;

- Agrees to extend the Housing Zones programme to create a further 10 commissioned Housing Zones;
- Reallocates £200m from the Mayor's Housing Covenant to the Housing Zones programme to support the delivery of the above;
- Agrees adjustments to the existing Housing Zone delivery profile to increase the total number of homes to be delivered;
- Agrees to extend the delivery completion deadline and long stop dates for the Havelock Estate site within the Southall Housing Zone.

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: Su 28/01/16

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

Decision required – supporting report

1 Introduction and Background

- 1.1 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 to unlock or accelerate over 50,000 new homes and over 100,000 associated jobs by 2025.
- 1.2 The 20th Housing Zone was announced on the 15th October 2015. Together they are expected to deliver over 53,000 new homes, creating over 120,000 new construction jobs, along with regenerating 14 different estates, creating 11 new bridges, improving or building 11 new schools, creating 11 new parks, improving or creating 11 new stations, 9 health centres, 8 civic facilities, 6 libraries and 2 churches.
- 1.3 Given the initial successful bidding round the Housing Zone programme will now be extended to create a further 10 Housing Zones across London.
- 1.4 Through the next 10 Housing Zones it is expected that 25,000 homes will be completed by 2026 and that 6,000 affordable homes will start on site by 2021.
- 1.5 As part of the Spending Review and Autumn Statement 2015 the GLA agreed with Government that £150m from the GLA's affordable housing budgets for 2015-18 would be re-profiled into 2018/19. It is now proposed that this £150m and an additional £50m from the current 2015-18 Mayor's Housing Covenant budget be reallocated to the Housing Zones budget to support these additional 10 zones. Government are aware of our intention to reprofile this funding.
- 1.6 As shown in the table below this decision would leave £95m currently allocated for continuous bidding in the 2015-18 programme.

Budget	allocations	
£m	£m	
£1,250	£1,250	MHC budgets from DCLG
£875	£580	MHC general programme allocations (Nov 15)
£50	£50	Revolving fund allocation (MD 1425 approval)
£200	£200	Assigned to Housing Zones (MD 1411)
£110	£110	Assigned to Challenge Fund (January HIG paper)
£15	£15	Platform for Life (MD 1388)
£0	£200	Additional proposed for Housing Zones
£0	-£95	Headroom for MHC 15-18 programme CME

1.7 Current allocations against the London Housing Strategy target of 42,000 affordable homes completions in 2015-18 are shown below. If all of the allocations were to deliver to time and budget then additional allocations of 6,543 affordable homes would be required at an average grant rate of around \pounds 14,519 per home.

2015-18 Current F'casts/ allocations MHC Allocations 25,132

42,000
6,543
2,100
400
600
6,000
590
527
108

1.8 There is risk in relation to achieving this number due to the low required average grant rate, likelihood of slippage in partners' programmes and significant policy and funding changes that are currently influencing the delivery of affordable housing, particularly reductions in social rents, the introduction of Starter Homes, extending Right to Buy to housing associations and the sale of high value council stock.

1.9 It is considered that reallocating £200m to the Housing Zones budget will maximise housing delivery of all tenures in London whilst leaving a significant level of funding allocated for continuous bidding by partners.

1.10 The additional £200m allocation to create 10 additional Zones is based on the same pro-rata approach taken to the original 20 Housing Zones (£20m per Zone delivered).

1.11 As part of the contractual arrangements with DCLG to release the £200m Financial Transaction funding associated with the first 20 Housing Zones, the GLA have agreed a drawdown schedule for this funding based on the spend projections within the original bidding round and subsequent due diligence. The profile of drawdowns agreed with DCLG is set out in the table in Appendix 1. Any monies not drawn down in line with this timetable will be required to be returned to DCLG. The additional 10 Housing Zones will also be able to access this funding and help to maximise the chances of it all being used to support housing supply in London.

1.12 Instead of a further funding prospectus it is proposed to "commission" the next 10 Zones, using the same series of thresholds used to ensure value for money is achieved within the existing round of 20 Zones, alongside updated criteria to reflect current priorities for the Mayor, London Plan and within the Housing and Land Directorate. These criteria are as follows;

A minimum threshold of 1,000 new homes delivered across the Zone (an original requirement).

Where possible and appropriate, to be located in London Plan Opportunity Areas (an original requirement).

Those new homes to be delivered from 2015-2026 (originally 2025, but extended to reflect the delayed start to Round 2 of the Housing Zones programme).

• Where possible and appropriate, to include public transport hubs (in line with the work of the London Land Commission).

Where possible and appropriate, to focus on and include public sector land holdings or to include proposals for public sector land acquisition (in line with the work of the London Land Commission).

Where possible and appropriate, to use the London Development Panel to bring forward identified sites for residential development (in line with the work of the London Land Commission).

1.13 In line with the previous round of Housing Zone designations, each of the additional 10 Zones would be reviewed by the GLA's Challenge Panel prior to consideration by Housing Investment

Group to test their proposed delivery mechanisms and value for money, benchmarking against comparable schemes and value for money achieved within the first round of Housing Zone designations.

- 1.14 A flexible approach to funding, consistent with good value for money and the rules relating to state aid, will enable housing delivery in locations that require pump-priming investment to achieve viability or accelerate delivery. In assessing bids the GLA will undertake rigorous appraisals to test the link between the proposals and the housing outputs to be unlocked or accelerated.
- 1.15 In order to justify spend on Housing Zones a robust cost benefit analysis will be carried out for each successful bid that is funded. Although the range of items that could be eligible for Housing Zone spend is wide, all will need to demonstrate that they will result in unlocking or accelerating housing delivery.
- 1.16 It is expected that these further 10 Zones will be designated by March 2016.
- 1.17 As part of the Mayor and Government's efforts to address the significant housing challenge within London, the London Land Commission (LLC) has been formed to compile a register of public sector land and identify land which is surplus or could become surplus, and to bring this forward for housing led regeneration. The LLC has now identified 5 areas of work to focus on as strategic priorities and it is anticipated that these may form the basis for some of the next 10 Housing Zones.

1.18 Adjustments to the Existing 20 Zones

- 1.19 MD1545 designated a further 11 Housing Zones within the original programme to a total of 20 Zones. This included designation of the Blackhorse Road and Northern Olympic Park Housing Zone in London Borough of Waltham Forest.
- 1.20 Subsequent to the designation of this Housing Zone it has been noted that there was an error in the calculation of the total number of homes to be delivered within the Housing Zone, and the years in which these homes would be delivered.

1.21	Therefore the correct accompanying table should read;

Housing Zone	Borough	All ten	ures	Afford: only	able	Total Homes	Funding
nousing zone	Dorougii	2015- 2018	2019 +	2015- 2018	2019 +		
Blackhorse Road & Northern Olympic Park	Waltham Forest	1,542	966	346	311	2,508	£44,895,000
Wembley (Brent)	Brent	960	1,420	308	568	2,380	£8,000,000
Meridian Water	Enfield	450	3,200	180	1,280	3,650	£24,985,000
llford Town Centre	Redbridge	556	1,633	129	424	2,189	£54,768,148
Rainham and Beam Park	Havering	703	2,754	98	843	3,457	£30,560,000
Poplar Riverside (Phase 1)	Tower Hamlets	1,643	1,391	279	169	3,034	£51,950,000
Edgware Road	Westminster	361	752	134	384	1,113	£25,500,000
Alperton (Brent)	Brent	506	2,707	206	880	3,213	£17,900,000
Sutton One	Sutton	688	984	232	170	1,672	£175,000
Lambeth	Lambeth	236	1346	116	748	1582	£10,000,000
Morden Town Centre	Merton	0	1070	0	428	1070	£42,000,000

TOTAL 7,645	18,223	2,028	6,205	25,868	£310,733,148
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1.22 This also means the total number of homes to be delivered within the Housing Zones programme overall has increased from 53,617 to 53,648, an increase of 31 units.

1.23 Southall Housing Zone - Top Locks Havelock Estate

- 1.24 Since the MD1457 was signed awarding Southall Housing Zone status Ealing have entered into an Overarching Borough Agreement with the GLA. Ealing have also entered into the first Borough Intervention agreement governed by a signed Director's Decision. This DD also covered the second direct transaction in the Southall Housing Zone for additional family sized affordable housing at the Havelock Estate in Southall. This housing will assist in speeding up the overall programme allowing quicker build on the main grant free estate and provides additional family sized accommodation.
- 1.25 The site is directly adjacent to the Havelock estate and the site needs to be remediated as it is a brownfield site used as a spoil site from the original estate constriction. Site environmental surveys have reported that the site has slow worms that need relocating and Japanese Knotweed therefore the original delivery timelines are now not achievable as they need to relocate the slow worms and kill off the knotweed.
- 1.26 The original delivery dates were set as completion date January 18 and long stop date as March 18. They now require the delivery dates to be moved to completion date September 18 and long stop date March 19. Changing these delivery milestones will mean we lose 26 completions from March 2018.
- 1.27 The recommendation is to extend the delivery completion deadline and long stop for the Havelock Estate to allow the site to be fully remediated. The current proposal is to extend this to September 18 and March 19 respectively.

2 Objectives and Expected Outcomes

- 2.1 The extra 10 Housing Zones are expected to deliver around 25,000 homes in total with 6,000 starts of affordable homes by 2021.
- 2.2 Housing Zones status is an important contribution towards meeting the 42,000 homes a year as set out in the Mayor's London Housing Strategy.

3 Equality comments

- 3.1 The creation of a further 10 Housing Zones are 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.
- 3.2 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.
- 3.3 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.

- 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 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.
- 3.5 In order to access this additional 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.

4 Other considerations

- 4.1 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 specified in section 32(2) of the Greater London Authority Act 1999 for the purposes of this Mayoral Decision.
- 4.2 Any new approaches to Housing Delivery would be described in the individual reports designating new Housing Zones. The appointment of external advisors in relation to 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.
- 4.3 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.
- 4.4 Similarly, as noted in Section 3, in line with the work of the London Land Commission, the GLA will look to ensure that public sector land redeveloped within a Housing Zone is taken forward through the London Development Panel wherever possible and appropriate.
- 4.5 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.

- 4.6 Given the timelines for delivery it is expected that the details for interventions within each Zone will be developed in the months following approval. This will give the new Mayor the ability, should they so choose, to influence and direct the nature and funding of these interventions.
- 4.7 The Mayor's environmental priorities for London are centred on three broad objectives for London to be a resource efficient city, to be a resilient city, and to grow the low carbon economy. Delivering on these objectives to address environmental challenges and unprecedented population growth in London will bring multiple additional benefits to help improve the quality of lives of Londoners. The scale of the proposed housing zones presents significant opportunities for innovative building design to reduce resource costs and unlock investment connecting new developments to necessary utility and social infrastructure assets in innovative and cost effective ways. Such assets include low carbon decentralised energy and water networks, green infrastructure, waste and recycling collection infrastructure, transport hubs, parks and open spaces. Therefore, where possible and appropriate, officers will look to encourage the partners in the development of the Zone to unlock investment in infrastructure and services delivering environmental and wider regeneration, quality of life and place making benefits in line with policy ambitions set out in the London Plan

5 Financial comments

5.1 It is acknowledged that a budget of £200m will be required for a further 10 housing zones.

6 Legal comments

- 6.1 See legal comments in MD1457.
- 6.2 As set out in this report, the GLA proposes to use £200 million from the Mayor's Housing Covenant in order to fund Housing-Zone-related activities in a further ten housing zones.
- 6.3 In accordance with paragraph 6.4 of the GLA's Contracts and Funding Code, the GLA must ensure that its funding be distributed fairly, transparently and in accordance with the GLA's obligations regarding equality of opportunities.
- 6.4 To this end, the officers have set out at paragraphs 3.1 to 3.6 above, the methodology employed to select the further 10 housing zones.

7. Housing Investment Group and Investment & Performance Board

7.1 Both the Housing Investment Group and Investment & Performance Board have reviewed the proposals for an extension of the Housing Zones programme, and support the addition of a further 10 Zones. IPB endorsed the proposals at the meeting of 10 December 2015.

8. Planned delivery approach and next steps

8.1 The next steps following consideration/in-principle approval by IPB are summarised below. These are based on broad estimates and subject to negotiation with any future development partner, and noted risks above:

Activity	Timeline
Mayoral Decision on next phase of Zones	January 2016
Shortlist of Housing Zones agreed internally	January 2016
Challenge Panel Review of proposed Housing Zones	February 2016

Appendices:

Appendix 1 – Financial Transaction Drawdown Schedule Appendix 2 – Challenge Panel Guidance Note

Appendix 1 – Financial Transaction Drawdown Schedule

These tables relate to the commitment to draw down the £200m of Financial Transaction funding agreed for the Housing Zones programme. Under the current agreement, the GLA is entitled to borrow this funding only within the identified tranches.

Tranche A (2015-16)

DRAWDOWN DATE	DRAWDOWN AMOUNT
October 2015	£10 million
January 2015	£10 million
TOTAL	£20 million

Tranche B (2016-17)

DRAWDOWN DATE	DRAWDOWN AMOUNT
April 2016	£12.5 million
July 2016	£12.5 million
October 2016	£12.5 million
January 2017	£12.5 million
TOTAL	£50 million

Tranche C (2017-18)

DRAWDOWN DATE	DRAWDOWN AMOUNT
April 2017	£18.75 million
July 2017	£18.75 million
October 2017	£18.75 million
January 2018	£18.75 million
TOTAL	£75 million

Tranche D (2018-19)

DRAWDOWN DATE	DRAWDOWN AMOUNT
April 2018	£8.75 million
July 2018	£8.75 million
October 2018	£8.75 million
January 2019	£8.75 million
TOTAL	£35 million

Tranche E (2019-20)

DRAWDOWN DATE	DRAWDOWN AMOUNT
April 2019	£5 million
July 2019	£5 million
October 2019	£5 million
January 2020	£5 million
TOTAL	£20 million

Appendix 2 – Challenge Panel Guidance Note

Challenge Panel Guidance Note

This note provides general guidance to those Boroughs / partners presenting their Housing Zone proposals to the Challenge Panel for consideration.

Purpose of the Panel

The Panel represents the next stage of assessment for the Housing Zone proposals following the assessment and review of the proposals by the relevant GLA officer. By the time the Housing Zone proposal reaches the Challenge Panel it will have been subject to detailed review and challenge by GLA officers and input from both the GLA's Legal and Finance teams highlighting areas to be addressed. The Panel represents an opportunity for the Borough / partner to convey their intentions for the Housing Zone to the Panel alongside the relevant GLA officer and for the Panel to challenge areas of the bid where they have concern or would like to see more information.

While the GLA officer assessment will have looked at the overall concept of the Housing Zone bid and the value for money assumptions, the Challenge Panel will begin to make an appraisal of some of the individual transactions that form part of the bid and seek to gain a better understanding of these.

Schedule for Presentations

All Housing Zone proposals will be offered the same opportunity to present to the Panel. This will consist of;

- Presentation (10 minutes maximum)
- Questions from the Panel (30 minutes maximum)

Following on from the presentation and questions the Panel will have an opportunity to discuss the proposals directly with the relevant GLA officer. The presenting Borough / partners will not be present for this discussion.

It is expected that prior to the Panel meeting its members will be familiar with a) the key vision, principals and proposals for the Zone, b) the physical standing of the zone following an unaccompanied site visit.

Therefore presentations should instead focus on the key interventions, the funding needed and the nature of any repayment profiles and sources alongside the delivery mechanisms and governance for the Housing Zone.

Subsequently the officer will relay one of three recommendations to the Borough / partner;

- a) Proceed with the bid to the next stage of assessment, subject to incorporation of recommended amendments, without requiring a further Challenge Panel report.
- b) Requesting the Borough to provide clarity on certain issues and return to the Challenge Panel (via an update report or in exceptional circumstances a further meeting) before proceeding the next stage of assessment.
- c) In exceptional circumstances rejection of the bid without further future consideration due to insurmountable issues.

Questions the members may ask Boroughs

The Challenge Panel will ultimately be looking at how the Housing Zone will unlock new homes, and whether the new homes would be delivered without the GLA's support.

In the lead up to the Challenge Panel meeting, some more detail will be provided to individual Boroughs / partners about the questions that they can expect and the issues that will be challenged, based on the GLA officer's assessment. Below is a list of sample questions that the Panel members may wish to ask bidders for more detail or clarification on;

- 1) Is it clear that the Borough / partner is willing to offer sufficient financial or non-financial resource as part of a "something-for-something" deal to unlock or accelerate housing delivery in the proposed Housing Zone?
- 2) Is there identifiable and named development already underway or ready to commence immediately that could be reasonably accelerated/ complemented?
- 3) Is it clear how quickly an increase in housing could be delivered?

- 4) Are there any potential physical constraints (e.g. infrastructure gaps, contamination, ground conditions etc.) to increased development which haven't been sufficiently addressed?
- 5) Is there evidence of market capacity for the proposed increase in housing?
- 6) Are strategies proposed to accelerate housing delivery and overcome issues of market absorption (e.g. increased levels of shared ownership/long term private rented sector homes)?
- 7) Is it sufficiently clear what the scale of supporting infrastructure (hard and soft), if any, is required? Is it sufficiently clear when it is required to be delivered and what can realistically be funded from other sources?
- 8) Has the Borough / partner explained how the intervention will increase and aid developer confidence and certainty of delivery?
- 9) Has the Borough / partner been able to demonstrate its own commitment and willingness and that of the relevant partners to deliver the housing numbers in the bid proposal?
- 10) Has the Borough / partner clearly evidenced how the planned interventions will deliver the proposed outputs to the proposed timescales?
- 11) Is there a high level risk assessment of the proposals, including reference to the ability and capacity of borough, land owner and other involved partners?
- 12) Is it sufficiently clear how the GLA's investment be treated? Particularly in terms of returns, including any above the principal investment, and how this would be calculated.
- 13) Is there a sufficient level of certainty attached to the proposed funding repayment profile to the GLA?

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:	
<u>Neil Hook</u> 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:	
<u>Jamie Ratcliff</u> 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.	\checkmark
Advice:	
The Finance and Legal teams have commented on this proposal.	\checkmark

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

25.1.16

CHIEF OF STAFF:

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

Elme hul

Signature

25:01:2016 Date