

<b>Committee(s)</b> Policy and Resources - for Decision	<b>Date(s):</b> 6 June 2019
<b>Subject:</b> Housing Delivery Strategy – Request for Funding to Appoint Advisors	<b>Public</b>
<b>Report of:</b> City Surveyor	<b>For Decision</b>
<b>Report author:</b> Fiona McKeith, City Surveyors	

### Summary

The City of London Corporation (City Corporation) set a target to deliver 3,700 homes on sites in its ownership by 2025. The complexity, and subsequent timeline, of bringing some significant sites forward for development is such that this target may not be completed within the original timescale set.

In response to this, Policy and Resources committee approved on the 5 July 2018 a proposal by the Housing Delivery Programme Working Group to develop an additional policy and identify further external housing opportunities whereby the City Corporation can help unlock housing schemes whilst not competing with others in this market place. See Appendix 1. Funding to resource this was estimated as £100,000 and subsequently sought from the Finance Committee in September 2018, who in turn requested that the City Surveyor (CS) look instead to fund from the CS local risk.

A competitive procurement exercise has now been undertaken and won by Gerald Eve Property Consultants for a lump sum of £45,000 to undertake an opportunity search, analysis of identified opportunities and provide recommendations on approach and next steps for members to consider.

The consultants if appointed will undertake a workshop in the first instance with relevant officers and the Chairman of the Housing Delivery Programme Working Group to clarify the parameters of the search as well as the metrics for assessing the opportunities. The commission expects a minimum of ten opportunities to be identified within two months. The consultant will also provide a comprehensive scene setting of the current London Housing market, including drivers and constraints, to inform the analysis of the opportunities. The report output will be presented to the Working Group for consideration.

Subsequent funding to take forward viable opportunities within the context of the Fundamental Review would be separately requested should members wish to proceed with any of the opportunities.

It is not possible to fund this initial work through the CS local risk due to the carry forward into 2019/20 of circa £500,000 overspend from the previous year. Hence this report seeks approval for the budget of £45,000 to being drawn from the 2019/20 Policy and Resources Committee's City's Cash Project Contingency Fund. The current uncommitted balance available in the 2019/20 Policy and Resources Project Contingency Fund is £450,000 prior to any allowances being made for any other proposals on today's agenda.

## **Recommendation**

Members are asked to:

- (i) To approve the use of the 2019/20 Policy and Resources City's Cash Project Contingency Fund as the funding source for the £45,000 budget and respective external opportunity search and analysis.
- (ii) To note that should viable opportunities be identified which members wish to progress further funding to take these forward will be separately requested.

## **Appendices**

Appendix 1 – 5 July 2018 Report - Policy and Resources Committee - Housing Delivery

### **Fiona McKeith**

Head of Corporate Development Management  
City Surveyors

T: 020 7332 3897

E: [fiona.mckeith@cityoflondon.gov.uk](mailto:fiona.mckeith@cityoflondon.gov.uk)]

## Appendix 1 – P&R Housing Delivery paper 5 July 2018

<b>Committee</b>	<b>Dated:</b>
<b>Policy and Resources</b>	<b>5 July 2018</b>
<b>Subject: Housing Delivery</b>	<b>Public</b>
<b>Report of:</b> Andrew Carter, Director of Community and Children's Services Paul Wilkinson, City Surveyor	<b>For Decision</b>
<b>Report author:</b> Simon Cribbens – Assistant Director, Community and Children's Services	

### Summary

The City of London Corporation (City Corporation) set a target to deliver 3,700 homes on sites in its ownership by 2025. The complexity, and subsequent timeline, of bringing some significant sites forward for development is such that this target will not be completed within the timescale set. This is likely to reduce delivery of new homes by 2025 to the 700 units planned on existing social housing estates and 200 units on other sites.

Members of the Housing Delivery Programme Working Group would like the City Corporation to consider an additional policy to identify other housing opportunities, to resource the development of these options and commit in principle to investment in such options.

### Recommendations

Members are asked to:

- Note the challenges to delivering the existing policy of 3,700 additional homes by 2025.
- Consider the development of an additional policy and options to increase the supply of new homes beyond the use of its own sites and if agreed to:
  - Agree in principle to the allocation of resources for future investment.
  - Note the potential and range options and opportunities set out.
  - Approve resources of up to £100k from City Cash to provide expertise and capacity to develop and propose costed options for delivery.
  - Amend the Terms of Reference of the Housing Programme Delivery Working Group accordingly.

## **Main Report**

### **Background**

1. In October 2015 the City of London Corporation set out its policy response to the capital's housing shortage. This committed to the delivery of 3,700 additional homes by 2025.
2. An assessment of opportunities to increase housing supply identified capacity within the City Corporation's existing social housing estates for approximately 700 additional homes. Outside of these estates, the City Corporation has identified sites in its ownership with the potential to deliver a further 3,000 new homes post their current operational or investment use.
3. The shortage of housing in London remains acute. Since the City Corporation set out its approach in 2015, the capital has witnessed the tragic events of Grenfell Tower, and renewed commitments to tackling housing shortage from the government and Mayor of London. These have served to ensure housing remains a significant political, social and economic issue.
4. This context provides an opportunity for the City Corporation to fulfil the aims of its Corporate Plan to contribute to a flourishing society and thriving economy.

### **Current Position**

5. Delivery on sites within the City Corporation's social housing estates has focused on smaller scale development, yielding 62 new homes to date. Seven other current schemes are expected to deliver a further 270 new homes, support by £14.6 million grant funding secured from the Greater London Authority (GLA).
6. Beyond these schemes, delivery within the social housing portfolio will focus on larger scale opportunities offering better economies and value (albeit at greater complexity). This focus coincides with changes to planning policy, London Plan targets and approaches in boroughs in which the Corporation has housing stock. Together, these offer the potential to deliver more homes than originally proposed for these estates.
7. However, the social housing (Housing Revenue Account) business plan is being reviewed in the light of investment commitments arising from a new stock condition survey of existing homes, and commitments to retrofit fire safety measures. These needs may reduce the resources available for new build development.
8. The greatest potential for delivery on other City Corporation sites is focussed on the opportunities provided by the Markets Review. These sites have been assessed as having capacity to deliver in excess of 4,000 homes, subject to planning. However, realising these opportunities is subject to decisions regarding the relocation of existing wholesale markets, planning challenges, and a change in legislation. The timeline and complexity of these elements means the sites may

not be available for redevelopment for up to ten years. Therefore, there can only be confidence in the delivery of the 700 homes planned on existing social housing estates by 2025 and a further 200 units on other sites (see Appendix 1)

9. Other significant opportunities are being explored, but are contingent on negotiation with, and the co-operation of, third party leaseholders and the local planning authority.

### **Housing Delivery Programme Working Group**

10. To support the City Corporation's housing delivery, a member-led Housing Delivery Programme Working Group has been established. Its remit relates to the delivery of the target and policy agreed in October 2015. The conclusion of members of this Working Group is that the delivery of 3,700 new homes on these sites cannot be achieved by 2025.

11. This conclusion has given rise to consideration within the Working Group as to whether the City Corporation's contribution to tackling housing shortage should be met through additional policy approaches. It is proposed by members of that Working Group that any such approaches, if supported, should

- i. Look at all opportunities for delivering new homes with a focus on:
  - City Corporation owned land
  - land owned by other London Boroughs or authorities within close proximity to London that could be developed in partnership with the City Corporation
  - land owned by other parties including the GLA, Homes England, Housing Associations, the NHS, TfL or similar that could be developed in partnership
- ii. Where such opportunities:
  - drive additional volume that might not otherwise be delivered
  - accelerate housing output.

12. In doing so the City Corporation would seek to provide and encourage the provision of homes of mixed tenures for those on a range of incomes. It would avoid simply bidding for land on the open market where the role of City Corporation would not bring added value, additional volume or accelerate delivery.

13. Such an approach would recognise the potential of a broad range of investment vehicles for supporting delivery through partnerships, joint ventures and scheme borrowing with both the public sector and private sector. These would be evaluated on a scheme by scheme basis.

### **Potential future approaches**

14. The high profile nature of the City Corporation's policy commitment to new homes has encouraged a number of partners – both in private and public sectors – to propose development opportunities and potential ventures.

15. At face value some would appear to propose schemes that would otherwise be delivered by the market. However, other proposals seek support to unlock delivery - including investment in homes on public sector land, supporting schemes with partner authorities and investing in infrastructure. In addition, a more ambitious approach to the regeneration of some City Corporation housing estates could deliver significantly more units than planned. A number of these emerging proposals are set out in Appendix 2.
16. Members of the Working Group also suggested the City Corporation could use its brand and balance sheet to give reassurance to developers of potential schemes and accelerate delivery where market conditions had softened.
17. While a range of external opportunities beyond our own land exist for the City to consider, it was noted that their exploration would need a dedicated and skilled resource. It was also noted that any such approaches imply a financial investment, potentially of significant scale, and that further exploration should only be pursued if there was commitment in principle to consider such additional investment alongside what will be required to deliver our own sites and other City priorities.

## **Proposals**

18. Members are asked to consider whether in the light of the conclusions of the Housing Delivery Programme Working Group, the City Corporation should develop an additional policy and options to increase the supply of new homes beyond the use of its own sites. These options would remain consistent with the other principles agreed in the City Corporation's policy "Increasing the Supply of Homes – the Role of the City of London Corporation".
19. If such an approach is supported, Members are asked to agree in principle to the allocation of resources for future investment, the source of which will be identified as proposals develop, and which will depend on the capacity in which the City is acting. This would enable a meaningful dialogue with partners to identify the range and cost of options for full and future consideration by Members.
20. The return on such investment would depend on the quality of the decision taking, market conditions and unforeseeable external factors. It is noted that private sector investment in social and affordable housing is currently targeting up to 5 per cent and in some cases 6 per cent investment yields.
21. To provide guidance and focus to the options that should be pursued for detailed consideration, it would be necessary to amend the terms of reference of the Housing Delivery Programme Working to reflect any agreed change in policy or remit. The current Terms of Reference are appended (Appendix 3).
22. To progress these proposals, Members would need to approve and resource additional capacity, with appropriate skills, knowledge and experience. This would be delivered through either a fixed term appointment or commissioning of an external advisor.

23. The duration and scale of such a resource will be driven by the number of opportunities identified for appraisal and whether subsequent or additional opportunities are sought.
24. Members are therefore asked to make available funding of up to £100,000 from City Cash to support this work.

### **Corporate & Strategic Implications**

25. The City Corporation's contribution to tackling housing shortage will support its corporate strategy aims to "contribute to a flourishing society" and "support a thriving economy".
26. As the proposals progress, specific consideration can be given to the capacities in which the City may most appropriately undertake the activities (ie City's Cash, as trustee of Bridge House Estates, or in its local authority capacity). This will need to include consideration of trustee duties (if BHE is involved) and of relevant statutory powers (if the City acts in its local authority capacity). These issues would be the subject of further reports containing detailed consideration of the issues highlighted and all other issues which emerge.

### **Implications**

27. The cost of delivering any wider housing ambition will be contingent on the site, nature and scale of any such scheme. A recent example includes reported expenditure of over £40m by the Mayor of London to acquire a hospital site for 800 homes in north London. It should also be noted that the average cost of delivering affordable housing in the capital – including land and on-costs – is currently estimated in the range of £300,000 - £400,000 per unit.

### **Health Implications**

28. Adequate housing is fundamental to the health and wellbeing of individuals, and therefore increasing the supply of homes will have positive implications for health.

### **Conclusion**

29. Tackling housing shortage in the capital remains one of the most urgent issues facing all tiers of government in London. The City Corporation has committed to play its part to address this issue by increasing the supply of homes on development sites across London. In doing so it has the opportunity to provide and encourage the provision of homes of mixed tenures for those on a range of incomes.

### **Appendices**

- Appendix 1 - Delivery opportunities on City Corporation sites outside of the Housing Revenue Account (non-public)
- Appendix 2 – Housing opportunities: emerging proposals (non-public)

- Appendix 3 – Housing Delivery Programme Working Group: Terms of Reference

## **Background Papers**

16 October 2015: Report – Policy and Resources Committee: Increasing the Supply of Homes. Role of the City of London Corporation

### **Simon Cribbens**

Assistant Director – Commissioning and Partnerships

T: 020 7332 1638

E: [simon.cribbens@cityoflondon.gov.uk](mailto:simon.cribbens@cityoflondon.gov.uk)



## **Appendix 3 - Housing Delivery Programme Working Group: Terms of Reference**

### **Housing Delivery Programme Working Group**

- the Chairman of the Policy and Resources Committee (or his/her representative Sir Mark Boleat also appointed by the Committee as Chairman)
- the Chairman of Community and Children's Services Committee (or his/her representative – Dhruv Patel)
- the Chairman of the Housing Management and Almshouses Sub Committee (or his/her representative – Randall Anderson)
- four Members of the Court of Common Council elected by the Policy and Resources Committee (Michael Cassidy, Alderman Greg Jones, James Thomson and Philip Woodhouse)

### **Terms of Reference**

To be responsible for supporting the Policy and Resources Committee in progressing the delivery of the Corporation's target of establishing 3,700 new houses over the next 10 years, 700 on the City Corporation's Housing Revenue Account estates and 3,000 on other sites owned by the Corporation.