

## **LONDON BOROUGH OF HAMMERSMITH & FULHAM**

**Report to:** Cabinet

**Date:** 10/10/2022

**Subject:** New Funding for Affordable Homes in Hammersmith and Fulham

**Report of:** Cabinet Member for the Economy – Councillor Andrew Jones

**Report author:** Labab Lubab – Development Programme Manager

**Responsible Director:** Jon Pickstone – Strategic Director for the Economy

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### **SUMMARY**

This report seeks Cabinet's approval to enter into a funding agreement with the Greater London Authority (GLA), for the delivery new affordable homes in Hammersmith and Fulham.

The council has successfully secure £32.3m of grant from the GLA's Affordable Housing Programme 2021 – 2026 (AHP 21-26). This will be used to fund 394 new affordable homes in the borough. The council is also investing resources to renew community assets, such as schools, community and civic spaces and taking a leading role in 'Building Shared Prosperity' and 'Taking Pride in H&F'.

These new affordable homes form part of the council's development programme of 1800 new homes and are a significant step toward meeting the council's commitment to see 3000 new, energy efficient affordable homes built or underway in the borough over the next 4 years.

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### **RECOMMENDATIONS**

1. That Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
  2. To approve entering into a funding agreement with the GLA for the Affordable Housing Programme 2021-26 for funding the total amount of £32,304,000
  3. To delegate approval of variations to the terms of the funding agreement with the GLA (including grant amounts per project) to the Strategic Director for the Economy, in consultation with Director for Finance.
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**Wards Affected:** ALL

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<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Building shared prosperity	By entering into the funding agreement, the council will be able to fund the delivery of much needed affordable housing in the borough. Each proposed scheme will use the council's Social Value strategy to ensure that local businesses and residents benefit from the contracts that are procured down the line.
Creating a compassionate council	The funding that has been secured will help the council deliver much-needed homes to meet the acute need in the borough.
Doing things with local residents, not to them	The council's development programme is one of the first areas of council operation to fully adopt and embed the principles of co-production. All developments, including grant funded ones, will be subject to extensive engagement and have resident involvement built into the process for developing scheme designs from initial feasibility to more detailed designs
Being ruthlessly financially efficient	Every proposed development included in the council's bid for funding has been appraised and shows that it is financially viable and capable of delivering long term returns for the Council. This is achieved through extensive engagement with finance colleagues, throughout the lifetime of each project, in addition to creating additional control steps ahead of submission for formal governance approval.
Taking pride in H&F	The funding will help enable the schemes will delivery of quality homes in the borough in addition to improved community facilities. Officers will also encourage inclusion of carbon neutral design proposals and green initiatives where possible.
Rising to the challenge of the climate and ecological emergency	Each project in the council's development programme currently delivers enhanced level of energy efficiency and carbon reduction levels.

## Financial Impact

The strategic financial objectives for the Housing Revenue Account (HRA) include creating a platform from which a significant number of new homes can be built from the optimisation of capital funding sources, including capital receipts, grants, partnership contributions and borrowing. The delivery of new homes is expected to generate significant revenue income that will financially support the HRA over the longer-term.

This agreement will contribute towards this strategic objective by providing potential capital grant funding of £32,304,000 towards the provision of 394 homes across the 10 development sites detailed in Appendix 1.

Each of the 10 sites is at a different stage of development and will need to satisfy the Council's governance, affordability, and viability requirements before start on site is agreed and the grant drawn down.

There is risk that adjustments may need to be made to some schemes and that the grant sums may differ. Any such variations will need to be agreed in advance with the GLA.

*Finance Comments provided by Andrew Lord, Head of Finance, Strategic Planning and Investment. 7<sup>th</sup> June 2022.*

*Verified by: Sukvinder Kalsi, Director of Finance, 26 August 2022*

## Legal Implications

1. This report seeks the approval to enter into a new funding agreement with the Greater London Authority (GLA) for the new affordable housing programme (2021 – 2026).
2. The funding agreement is on standard grant funding terms and I would highlight the following key provisions:
  - a. **Clause 17** – Withholding of grant: this clause sets out the situations in which the grant could be withheld.
  - b. **Clause 18** – Repayment of grant: this clause sets out where repayment of the grant can be required.
  - c. **Clause 19** – Default events & termination: this clause lists circumstances in which the Grant Agreement can be terminated.

*Joginder Bola, Senior Solicitor (Contracts & Procurement), 13 June 2022*

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## Background Papers Used in Preparing This Report

N/A

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## **STRATEGIC CONTEXT**

1. In 2019, the council launched the Building Homes and Communities Strategy, through which it committed to using its assets to:
  - Build up to 1,800 new homes in the borough over 10 years.
  - Utilise assets to help manage demand and avoid costs, for instance from specialist housing or temporary accommodation
  - Generate long-term sustainable income for the council to safeguard frontline services
2. More recently, the council pledged to secure up to 3,000 new affordable homes over the next four years through a range of avenues including the development programme, partnership initiatives and the planning pipeline.
3. To turn the council's house-building ambitions into a reality, officers regularly explore external funding opportunities to supplement the council's own resources. This GLA funding will help the council maximise the provision of affordable homes, in particular the much-needed low cost rental housing, such as social rent homes.
4. The council has already demonstrated its commitment to building as many affordable homes as possible in its projects. This is exemplified Hartopp and Lannoy scheme which aims to deliver 134 new homes, of which 112 will be affordable (84%). This scheme was part-funded under the GLA's previous affordable housing programme (2016-23).
5. Not only that, but the scheme will also be built as operationally net-zero (PassivHaus Classic standards), which means incoming tenants could benefit from savings of up to 60% in their energy bills. This is how the council will rise to the cha, which will alleviate fuel poverty for some of the most vulnerable in our borough.

### **Affordable Housing Programme 2021-2026**

6. The GLA launched the AHP 2021-26 in November 2020, with bids submitted between February and April 2021. The prospectus invited bids from strategic partners, like the council, to bid for GLA funding to help subsidise the costs of building of new affordable homes in the borough.
7. Officers undertook full financial appraisals for schemes in the Council's development programme and submitted a bid to the GLA April 2021 to enable delivery of new 397 affordable homes.
8. Following assessment and adjudication, the GLA notified the successful bidders in September 2021 with the council securing funding for 194 affordable homes across 6 named sites across the borough and for indicative allocations for a further 200 affordable (estimated across 4 further sites). Details of the council's bid can be found in exempt Appendix 1. These include:

- The White City Central scheme where the council has collaborated with the local community on plans that will deliver 268 new homes, 134 of them affordable, as well as community facilities and a re-provided nursery. The council secured GLA funding to help meet the cost of 107 of the affordable homes.
  - The redevelopment of the Mund Street school site on the Gibbs Green estate which will deliver 100 new homes, half of which will be affordable with GLA funding supporting delivery of 38 of them.
  - The infill sites approved by Cabinet in July 2022 of Becklow Gardens, Barclay Close, The Grange garages (W12) and land near Jepson House which will see around 80 new homes delivered, of which 49 will be affordable, and all 49 are supported by GLA grant.
  - The bid also includes an indicative allocation for 200 affordable homes currently allocated across 4 sites. This component of the grant is expected to include the community schools' projects at Avonmore and Flora Gardens, which will deliver 100 affordable homes across both sites, as well re-provide new, modern schools.
9. Following assessment and adjudication, the GLA notified the successful bidders in September 2021, with the signing of the funding agreements expected by end of summer 2022.
  10. The funding agreement requires the council, and all other successful bidders, to start the construction phase of each project by 31 March 2026. In addition, projects must be completed by 31 March 2029. The council' proposed developments sites included in the programme currently meet this criteria.
  11. The council will progress each project through the appropriate governance process and secure the applicable permissions. This will range from seeking and funding and procurement approvals through the council's usual governance process, to applying for and obtaining, Planning permission for each development.
  12. The council will undertake to utilise all GLA funding in accordance terms of the funding agreement, and will also continue to adhere to its 'Ruthlessly Financially Efficient' value in assessing and progressing each project.

## **Reasons for Decision**

13. Entering into the AHP 2021-26 funding agreement with the GLA, will enable the council to drawdown the allocated funding, as needed, to facilitate the delivery of the 394 new affordable homes in the borough.

## **Equality Implications**

14. It is not anticipated that there will be any direct negative impact on any groups with protected characteristics, under the terms of the Equality Act 2010, from the entering into funding agreements with the GLA.
15. For any housing developments utilising the funding, officers will ensure that all equality implications are fully considered.

## **Risk Management Implications**

16. Risks in relation to entering into the AHP 2021-26 funding agreement include:
17. The Council must meet the requirements of the funding agreement (to assist the Council in the construction of affordable housing which will be owned and operated by a local authority) and start on site requirements, which may not be met if the Council experiences delays.
18. Securing appropriate permissions for the identified schemes.
19. If the conditions of the funding are not met, the GLA could withhold grant or ask for repayment.
20. The GLA funding is a contribution to the development costs. The Council will need to identify additional sources of funding once the cost of these schemes has been established.
21. Officers will need to ensure that appropriate programme and risk management arrangements are put in place to monitor the delivery of the projects in line with the grant funding requirements and permissions granted.

*David Hughes, Director of Audit, Fraud, Risk and Insurance, 15 June 2022*

## **Climate and Ecological Emergency Implications**

22. It is not anticipated that there will be any direct negative impact on Climate and Ecology from the entering into funding agreements with the GLA.
23. However, to rise to the challenge of the climate and ecological emergency and help achieve the Council's zero carbon aims, officers have embedded additional design principles in all projects, that will reduce greenhouse gas emissions above and beyond the most recently published Building Regulations

(Part L). This is in addition to meeting the council's own Climate and ecology policy objectives.

24. Each scheme will be subject to further scrutiny as it progresses through the Council's governance processes for funding approval.
25. Where feasible, schemes could also be designed to be operationally net-zero carbon projects, such as the council's exemplar Hartopp and Lannoy Project which has been submitted for planning approval in May 2022.

*Hinesh Mehta, Head of Climate Change 21 June 2022*

## **LIST OF APPENDICES**

### **Appendix 1 – EXEMPT**