

REQUEST FOR MAYORAL DECISION – MD2493

Title: Old Oak and Park Royal Development Corporation Supplementary Budget 2019-20

Executive Summary:

This decision seeks Mayoral approval for the provision of a supplementary budget of up to £10m for the Old Oak and Park Royal Development Corporation (OPDC) to support the Corporation in securing the Government's Housing Infrastructure Fund (HIF) allocation of £250m for Old Oak North.

The funding, which it is anticipated will be recovered from the HIF allocation once it is contracted, is required both to support the due diligence and conditions that need to be met prior to contracting with MHCLG and to maintain momentum to ensure that the deadline for spending the HIF funding is met.

Decision:

The Mayor approves:

1. Revenue grant funding to OPDC of up to £10m in 2019-20 under section 121 of the GLA Act 1999 to support the work programme required to secure the Government's Housing Infrastructure Fund (HIF) allocation of £250m for Old Oak North which cannot be contained within OPDC's existing 2019-20 Budget.
2. That this grant be paid, as follows:
 - a. £1.8m to be paid immediately; with
 - b. further sums to be drawn down to support the work programme for HIF, by agreement with the Mayor's Chief of Staff, in consultation with the GLA's Executive Director of Resources.
3. The grant to be temporarily funded from the Mayoral Development Corporation Reserve (£1.235m) and the Strategic Investment Fund (all remaining payments), pending the sums to be repaid from HIF funds.
4. The Mayor's Chief of Staff, in consultation with the GLA's Executive Director of Resources, be delegated to review progress and risks monthly and agree any further expenditure required to secure the HIF funds which cannot be contained within OPDC's existing 2019-20 Budget. This delegation is to supersede the existing delegation approved in MD2401.

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:

15/7/19

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

Decision required – supporting report

1. Introduction and background

- 1.1. In July 2017 the Government launched the Housing Infrastructure Fund, a capital grant programme of up to £2.3bn to deliver physical infrastructure and unlock up to 100,000 new homes in England.
- 1.2. OPDC submitted an Expression of Interest (EOI) for £250m of Housing Infrastructure Fund (HIF) funding in September 2017, to bring forward development in Old Oak North by delivering infrastructure and land acquisition to enable a first phase of development activity. The key deliverables were to:
 - Fund the prompt delivery of road and utility infrastructure to make currently inaccessible land available for redevelopment; and
 - Acquire a range of fragmented land ownerships to create viable development plots and catalyse OPDC's vision for Old Oak.
- 1.3. The OPDC EOI was shortlisted on 20 March 2018 and the GLA (which led on all the London HIF bids) was invited to submit a '5-Case' Outline Business Case (OBC) to Homes England (HE). This was submitted on 10 September 2018 following MD2355 and OPDC engaged with the Government and HE to clarify matters in connection with the OBC to enable the bid to progress.
- 1.4. The OPDC bid was awarded the full £250m at the Spring Budget on 13 March 2019, after which the Ministry of Housing, Communities and Local Government (MHCLG) outlined the further due diligence and conditions that are required to be met prior to contracting and draw down of funding.
- 1.5. OPDC's budget for 2019-20 was set prior to the confirmation that its HIF bid had been successful and so contained provision only for its core activities (excluding any contingency provision held by the GLA), with no additional provision made for HIF related activity, although it was agreed that OPDC's budget would be kept under review and revisited in light of a successful HIF bid.
- 1.6. Subsequently under the delegation in MD2401 given to the Mayor's Chief of Staff, in consultation with the Executive Director of Resources, £450k was paid to UK Power Networks in May to help secure electricity in the area, it being more cost effective to align this with HS2 works. This payment was funded from the Mayor's Development Corporation Reserve.
- 1.7. This decision seeks Mayoral approval for the provision of a supplementary budget for OPDC of up to £10m in 2019-20 to support the Corporation to secure the Government's Housing Infrastructure Fund (HIF) allocation of £250m for Old Oak North which cannot be contained within OPDC's existing 2019-20 Budget. The funding is anticipated to be recovered from the HIF allocation once it is contracted. It is a requirement of HIF that all funds be spent by March 2024 and therefore it is necessary to progress time-critical activities ahead of receipt of the HIF funding, as well as undertaking the work required to meet the Government's proposed conditions.
- 1.8. An immediate payment of £1.8m is to be made which reflects what has been spent to date and what is about to be committed in the next few weeks, minus sums which can be contained within OPDC's existing budget. Subject to ongoing monthly reviews, the Mayor's Chief of Staff, in consultation with the GLA's Executive Director of Resources, is to be delegated authority to consider and agree the further expenditure required to secure the HIF funds which cannot be contained within OPDC's existing 2019-20 Budget.
- 1.9. Consideration has been given to providing the financial support to the OPDC in the form of a loan pending the receipt of the HIF funding. However, this would require interest to be charged and

require the OPDC to set aside an appropriate amount to repay this loan from its revenue resources unless and until the HIF funding is contractually secured. As the GLA is funder of the OPDC, these costs could require additional funding to be provided by the GLA. As such there would be no financial benefit to the GLA from this approach.

2. Objectives and expected outcomes

Housing Infrastructure Fund

- 2.1. The overall objective of the OPDC HIF programme (Old Oak – Delivering London’s Largest Opportunity Area) is to address market failure by installing strategic infrastructure and bringing forward key development sites to enable the building of 10,000 homes in the core development area of Old Oak North and a further 3,000 homes in the immediately surrounding area. This will be the first stage towards delivery of OPDC’s wider vision for Old Oak as a major new mixed purpose district for London with up to 25,000 new homes, built around a major new HS2/Elizabeth Line interchange station and characterised by high-quality design and public realm, an intelligent mix of uses, affordable housing, and a sustainable approach to managing energy and other utilities.
- 2.2. Set out below at Table 1 is a summary of the additional expenditure OPDC has incurred up to 30 June 2019 and that which it is about to commit in the next few weeks to secure HIF funds, which cannot be contained within its approved 2019-20 Budget. This table reflects the re-prioritising of OPDC’s existing Budget to reduce the additional call on the GLA.

Table 1 – Summary of immediate expenditure to be paid

Workstream	Capital	Revenue	Total
	£000's	£000's	£000's
Delivery			
Asset & Property Management	0	20	20
Developer Procurement	0	65	65
General Management Support	495	424	919
Infrastructure	305	0	305
Land Assembly Strategy & CPO	485	75	560
Land Transactions	0	712	712
Masterplan	210	210	420
Old Oak North Technical Planning	100	0	100
Planning Consent	120	0	120
Utilities	895	0	895
Total Delivery	2,610	1,506	4,116
Planning			
Local Plan Examination in Public	0	341	341
Total Planning	0	341	341
Total Expenditure	2,610	1,847	4,457
Existing Delivery Budget	0	2502	2502
Existing Planning Policy Budget	0	155	155
Surplus/(Deficit)	(2,610)	810	(1,800)

- 2.3. Set out overleaf at Table 2 is a summary of the additional expenditure OPDC plans to incur to secure the HIF grant, over and above that set out in Table 1 above.

Table 2 – Summary of additional expenditure proposed to be incurred

Workstream	Capital £000's	Revenue £000's	Total £000's
Delivery			
Asset & Property Management	0	10	10
Developer Procurement	40	0	40
General Management Support	1395	278	1673
Infrastructure	1640	0	1640
Land Assembly Strategy & CPO	590	90	680
Land Transactions	0	1498	1498
Masterplan	0	120	120
Old Oak North Earthworks	150	0	150
Old Oak North Technical Planning	400	0	400
Planning Consent	130	0	130
Utilities	1770	0	1770
Total Delivery	6,115	1,996	8,111
Planning			
Local Plan Examination in Public	0	89	89
Total Planning	0	89	89
Total Expenditure	6,115	2,085	8,200
Existing Delivery Budget	0	0	0
Existing Planning Policy Budget	0	0	0
Surplus/(Deficit)	(6,115)	(2,085)	(8,200)

3. Equality comments

- 3.1. Under section 149 of the Equality Act 2010 (the "Equality Act"), as a public authority, OPDC 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.
- 3.2. When considering the needs of the existing community and those that will be affected by the proposals for the redevelopment of Old Oak North, any resulting development activity will minimise disadvantages to all protected characteristic groups within society.
- 3.3. This decision is not expected to have any negative impact on persons with a protected characteristic under the Equality Act.
- 3.4. Further equality comments in respect of the GLA in relation to the OPDC HIF bid are set out in paragraph 3 of MD2355.

4. Other considerations

a) Key risks and issues

- 4.1. The key risk associated with this decision is that, without the additional funding, there are insufficient resources in OPDC's core budget to progress the additional due diligence and technical work required to meet MHCC's conditions to secure the £250m HIF funding that is essential to the project.

- 4.2. Expenditure controls are in place at OPDC which require the Chief Executive's approval for new and additional expenditure, including the preparation of a business case for filling any vacant posts. The GLA and OPDC are, and will continue, reviewing progress and risks on an ongoing monthly basis, to inform decisions about releasing further funding to secure the HIF allocation which cannot be contained within OPDC's existing 2019-20 Budget. This phased approach will ensure the prudent allocation of further funding alongside a regular review of expenditure requirements in light of the careful management of programme risks.
- 4.3. OPDC's regeneration plans are fundamentally based around High Speed 2 (HS2) and the associated major new station. Despite HS2 having been legislated for and work being well underway, there has been political speculation regarding its future. The contingent approach to funding recommended in this report will allow the latest risks (both in regard to HS2 and otherwise) to be assessed before funding is released, making the commitments that are necessary to keep the development of OPDC's area on track in recognition of HIF expenditure deadlines, but not more than is required given the uncertainty referenced above.

b) Links to Mayoral strategies and priorities

4.4. This project will support the following Mayoral priorities:

- **Housing:** More Londoners have access to good-quality homes that meet their needs and that they can afford – by delivering local infrastructure to support delivery of new homes, including genuinely affordable homes; and;
- **Future Economy and Good Growth:**
 - London has an internationally competitive business environment, from skills to infrastructure investment, that supports sustainable growth, trade and investment by transforming brownfield land at Old Oak North into an exemplar new sustainable, residential and employment district around the new High Speed 2 (HS2) transport hub; and;
 - **Good Growth:** All Londoners can participate, shape and share in the benefits of change and growth in their local communities by providing new jobs, developing skills and supporting businesses.

c) Impact assessment and consultations

4.5. Impact assessments have been conducted in the preparation of OPDC's Local Plan, informed by the work of the Master planning team, including the completion of the Local Plan Second Regulation 19 consultation, prior to the commencement of the Examination in Public.

5. Financial comments

- 5.1. This report recommends that OPDC's approved 2019-20 Budget of £9.5m be increased by up to a further £10m. Taken with the additional allocation of £0.45m already made, OPDC's 2019-20 Budget is recommended to be increased up to £19.95m.
- 5.2. The basis of the £1.8m immediate additional payment to be made reflects OPDC's actual expenditure up to 30 June 2019 and what is about to be committed in the next few weeks to deliver the programme set out in the approved HIF bid, less sums re-prioritised in their 2019-20 Budget.
- 5.3. It is anticipated that the additional sums to be recommended will be recovered from the HIF allocation once it is contracted. Therefore, the intention is that there will be no permanent call on the GLA's resources from this recommendation. However, there is a risk that full recovery of the amounts to be allocated may not be made.

- 5.4. In the interim it is proposed that the £1.8m is funded first from the balance of Mayor's Development Corporation Reserve which is earmarked for OPDC of £1.235m and then £0.565m from the unallocated balance of the Strategic Investment Fund (SIF) from 2018-19. The additional expenditure proposed to be incurred of up to £8.2m is to be funded from the 2018-19 SIF. The proposed expenditure is a good fit with the criteria set for the SIF, as OPDC's plans are designed to create significant jobs and homes in the area, leading both to increased business rates receipts and more affordable homes, the lack of which is recognised as a major barrier to London's economic success.
- 5.5. Although the split of OPDC's proposed spend is predominantly capital, in order to maximise OPDC's flexibility it is proposed that the GLA pay OPDC a revenue grant, as this income source can be applied as necessary to finance capital expenditure.
- 5.6. The Mayor's Chief of Staff, in consultation with the GLA's Executive Director of Resources, is to be delegated to review progress and risks monthly and agree any further expenditure required over the immediate payment to be made to secure the HIF funds which cannot be contained within OPDC's existing 2019-20 Budget.
- 5.7. As part of the Mayor's Group-wide budget process, OPDC's future year budgets will need to be reviewed once the HIF approval process is concluded.

6. Legal comments

- 6.1. Under section 121(1) of the GLA Act the GLA can make grants towards meeting expenditure, other than capital expenditure, incurred or to be incurred by OPDC for the purposes of, or in connection with, the discharge of the functions of that body. The activities to be supported by the HIF allocation and the proposed £10m grant all fall within the OPDC's objects and powers under section 201 of the Localism Act 2011.
- 6.2. Under section 121(3) of the GLA Act a revenue grant must not be made subject to any limitation in respect of the expenditure which it may be applied towards meeting (other than that the expenditure must not be capital expenditure). The financial comments at paragraph 5.2 above concerning the earmarking of the funding by OPDC does not involve the imposition of any such limitation, and although most of the expenditure is of a capital nature it will be charged to the OPDC's revenue account as allowed for by the local government finance regime.

Appendices and supporting papers:

None.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) 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 it has been approved or on the defer date.

Part 1 - Deferral

Is the publication of Part 1 of this approval to be deferred? NO

Part 2 - Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included 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:

David Gallie has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Martin Clarke has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

David Bellamy 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 considered by the Corporate Investment Board on 8 July 2019.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Gallie

Date

12.7.19

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

15/7/2019.

