

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2021

Title: Growing Places Fund – Barking Riverside Road Infrastructure Works

Executive Summary:

The purpose of this decision is for the Executive Director of Development, Enterprise and Environment to approve the £10m of funding from the Growing Places Fund to build a new road providing for bus priority routes, cycle paths and footpaths. In March 2014, the London Enterprise Panel (LEP) endorsed the joint proposal from the London Borough of Barking and Dagenham and Barking Riverside Limited for up to £10m of (repayable) funding from the Growing Places Fund (GPF) Programme subject to confirmation that the funding can be repaid.

That decision was approved by the Investment and Performance Board in February 2015, but subsequent approval has been on hold due to a delay in the receipt of planning permission.

The funding is to be drawn down from the Growing Places Fund from 2016-17 to 2018-19, and will be repaid over the period of 2018-19 to 2019-20.

Decision:

That the Executive Director approves capital expenditure of £10m (as a repayable grant to the London Borough of Barking and Dagenham to be paid back to the GLA) from the Growing Places Fund as a contribution to the costs of building a new road providing for bus priority routes, cycle paths and footpaths.

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: Fiona Fletcher-Smith

Position: Executive Director-Development,
Enterprise & Environment

Signature:



Date: 24/8/2016

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 In January 2014, the LEP agreed to the proposed approach to the allocation of available funds within the Growing Places Fund (GPF) Programme. A number of proposals which were unsuccessful in the initial Round 2 allocations were invited to resubmit. Six proposals including the London Borough of Barking and Dagenham (LBBD) and Barking Riverside Limited (BRL) were resubmitted at the end of January and were evaluated by the GLA panel.
- 1.2 In March 2014, the LEP approved in principle the application from LBBD and BRL for up to £10m from the Growing Places Fund to undertake strategic road infrastructure works subject to confirmation that the funding can be repaid by LBBD. This project will create a new road called Drivers Road and it will provide a critical link to the existing road network which is essential in providing the required vehicle and pedestrian link to the new Secondary, Primary and Special Educational Needs school which is currently on site and substantially complete. It will also kick start the development of 13 brownfield sites to drive forward housing delivery on the project. The proposal estimated that the investment would help support the delivery of the new District Centre around the new rail station and subsequently unlock the development.
- 1.3 The Stage 1 Strategic Case was approved at the 18th December 2014 IPB meeting and the stage 2 Investment Decision was approved at the 20th February 2015 IPB meeting. There have been significant delays to this project due to a delay in receiving planning permission, finalisation of design and costs. The project was due to start in Q2 2015/16 however this has been delayed to Q1 2016/17. Due to the timetable for allowing access to the schools the work on this road has already started at LBBD's risk as they have committed an initial order up to the value of £1.6m.
- 1.4 This project relates to BRL's (which is 49% GLA and 51% London and Quadrant) development of the site. BRL was previously 51% owned by Bellway Homes but was bought out by London and Quadrant (L&Q) in March 2016. Bellway Homes will still be involved in bringing forward a series of housing phases for market sale and a supporting contractor for the affordable housing units. The total investment in the development of the site is made up of £48m from the GLA (excluding this £10m investment in the road infrastructure works), £9m from BRL receipts and £115m from L&Q who will quadruple house building rates to 600 homes per year.
- 1.5 Due to the delay the drawdown of funding has also been delayed and rather than being drawn down over 2015/16 and 2016/17, it will now be drawn down in 2016/17, 2017/18 and 2018/19. The repayment dates have also been amended to reflect the delay to the programme, the updated BRL Business Plan and the new model with new partners London and Quadrant which is focused on site remediation. All these points have resulted in a reprofiling of the cash flow and the timing required for BRL to sell the land which will enable repayments. BRL will sell parcels of land to developers to generate the funds for repayment. LBBD now have more accurate information on the residential build programme and plot release which has led to the revision of the repayment dates and amounts which are now more realistic than was previously tabled in the IPB papers. The repayment of the funding is linked to a commercial contract between BRL and LBBD and through a unilateral undertaking from BRL which is linked to BRL land sales. If BRL land sales are quicker than expected then the funding can be repaid quicker provided it is viable and by agreement. BRL are committed to paying LBBD according to the profile whether sufficient land sales have occurred or not.

- 1.6 This report seeks a Director Decision (in accordance with the delegation set out in MD940) to approve the provision of a fixed contribution of £10m of funding with repayment condition which will be used by London Borough of Barking and Dagenham to deliver Drovers Road.

2. Objectives and expected outcomes

- 2.1 The strategic aim of the project is to deliver strategic road infrastructure, which will include the building of a new road providing for bus priority routes, cycle paths and footpaths. This will accelerate economic growth in Barking Riverside to unlock new homes, jobs, schools and school places and a new district centre.

The three core objectives of the project are as follows:

- provide a critical link to the existing road network
 - kick-start the development of 13 brownfield sites with an area of 18.7 hectares including providing the critical pedestrian and vehicle link to the school campus to allow it to open by September 2017
 - provide the first phase of urgent infrastructure works so that development plots can be brought forward more expediently and deliver new jobs (both temporary during construction and permanent jobs), homes, school places, community facilities, sport, play and recreation facilities
- 2.2 Overall the project will unlock the delivery of 1,214 new homes, 10,000m² of commercial, retail and leisure development and creating an anticipated 517 FTE jobs. Over 24,000 m² of new school space will provide circa 2,651 school places across a new nursery, primary, secondary and special school. This will provide a further 405 jobs associated with the school.

3. Equality comments

- 3.1 The impact of the proposal on people who are categorised as being disadvantaged or vulnerable within society was tested as part of the outline planning consent obtained in 2007 (including the Environmental Impact Assessment). The existing s106 legal agreement between LBBD, BRL and TFL establishes a Transport Strategy and a Transport Strategy Steering Group for the development made up of key stakeholders. As part of revisions to the planning submission under Section 73 the impacts have again been tested and the governance structure will be simplified to a single steering group to cover all aspects of the project from transport to housing to accessibility. The primary goals of the original Strategy to promote the delivery and use of integrated transport in order to create a sustainable community will be carried forward and will be reflected in the terms of reference for the governance of the project and section 106.

4. Other considerations

a) key risks and issues

- 4.1 Achievement of outcomes relies upon external investment. £27million will be invested in this financial year. All investment is 50/50 by both shareholders, the GLA and L&Q. The GLA £10m will unlock development plots and trigger a unilateral undertaking from BRL. LBBD propose that the funding can be facilitated by way of unilateral undertaking via repayments from BRL. The GLA's funding commitment will not exceed the £10m allocated as this is a one off investment and any funding gap will be covered by BRL. This will be kept under continuous review by the GLA team.

- 4.2 The Barking Riverside masterplan was granted outline planning permission in 2007 for 10,800 homes. The Planning permission for Drovers Road was granted on the 24th March 2015. LBBD and BRL approvals and agreements for the whole of the scheme are now in place but cannot be signed until the approval of this Decision and the GLA funding agreement. These include the BRL board budget approval to underwrite £1.3m of costs over and above the £10million GLA contribution, the agreement to a Unilateral undertaking by BRL and the agreement with TfL on the overground extension. The GLA and BRL agreements with the council will need to be engrossed and executed simultaneously.

b) Links to mayoral strategies and priorities

- 4.3 The London Plan (and the draft Further Alterations Plan) states that East London, with its large areas of ex- industrial brownfield land and improving transport links, should play a major role in London's growth, and that with investment in infrastructure, many of London's new jobs and homes can be accommodated in the east sub-region. The Plan identifies London Riverside as an Opportunity Area, in which Barking Riverside is located. The London Plan and its draft Further Alterations recognises Barking Riverside as London's single largest housing development opportunity. The plan states that some of the Opportunity Areas, particularly in East London, will require substantial public investment or other intervention to bring forward.
- 4.4 The Mayor's biggest priority is housing and this scheme will help towards building 50,000 new homes a year. This scheme will support the specific manifesto commitment for long- term planning for new affordable homes tied in with new transport infrastructure. The Housing Strategy further emphasises the importance of bringing forward land for development in the Opportunity Areas. Barking Riverside is identified in the strategy as London's largest brownfield regeneration project, and Policy 51 of this Strategy states that the Mayor will promote garden suburbs on sites such as Barking Riverside.
- 4.5 Another Mayoral manifesto commitment is planning for London's future needs by planning and delivering the infrastructure and new capacity for the future and making sure that plans deliver the highest possible gains in terms of new homes for Londoners which this scheme will do. The scheme will address the aspirations in the Mayors Transport Strategy including to support economic development and population growth; improve transport opportunities for all Londoners; and reduce transport's contribution to climate change, and improve its resilience.
- 4.6 This scheme supports the Mayoral priority of working in partnership with industry to deliver on skills, infrastructure and growth. The scheme will also help deliver the Mayor's Economic Development Strategy as it will provide new jobs, attract new investment in infrastructure and regeneration in a deprived area of London.

c) Impact assessments and consultations

- 4.7 LBBD, BRL, GLA and TfL have had fortnightly meetings on the section 73 planning application to vary the provision of the DRL extension to an over ground extension. The revised masterplan is due to be reported to LBBD planning committee on 27th July 2016 and then to the Mayor in August 2016 for a final decision. The redevelopment of the site is based on a strong partnership between GLA teams as Barking Riverside Limited is 49% owned by the GLA. Ongoing consultation on delivery of the sites in Barking Riverside has occurred with the GLA and phasing of infrastructure improvements have been strongly endorsed by all partners involved.
- 4.8 GLA officers are now attending the monthly Project Board meeting with LBBD and BRL.

5. Financial comments

- 5.1 The £10 million funding required for the project has been earmarked in the Growing Places Fund budget. Drawdown of this funding is anticipated as follows: £9.88 million in 2016-17 and £0.12 million in 2017-18. LEP approval for the funding was on the basis that it would be repaid in full by the London Borough of Barking and Dagenham (LBBD) via the proceeds from the sale of land parcels to developers received from BRL. Payments of £4 million are scheduled to be made in 2018-19 and £6 million in 2019-20. Although the repayment obligation is LBBD's, the source of the repayments and any cost overruns would rest with BRL. As BRL is 49 per cent owned by the GLA it follows that the GLA would be jointly underwriting the risk of delay or shortfall in sales or cost escalation. There are separate approvals in place for the GLA's element of BRL's commitments.
- 5.2 A funding agreement will underpin the provision of funding drawdowns to LBBD and their repayment.

6. Legal comments

- 6.1 The foregoing sections of this report indicate that:
- 6.1.1 the decisions requested of the Director fall within the discharge of the GLA's housing and regeneration functions contained in Part 7A of the Greater London Authority Act 1999 ("GLA Act") and section 30 GLA Act powers to do such things to promote economic development and wealth creation in Greater London which in this context are supportive of housing and development; and
- 6.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:
- (a) pay due regard to the principle that there should be equality of opportunity for all people;
 - (b) consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
 - (c) consider consulting with appropriate bodies.
- 6.2 Should the director be minded to make the decisions sought officers must ensure that an appropriate agreement is entered into and executed by the GLA and LBBD before committing to any provision of the funding.
- 6.3 Whilst it is noted that LBBD have indicated that repayment of the funding proposed can be facilitated by way of its agreements with BRL and the details and progress made under the same should be kept under review officers are advised to make clear that the repayment obligation rests with LBBD alone.

7. Planned delivery approach and next steps

- 7.1 The project will be managed by the LBBD who have procured their contractor Ringway Jacobs and will manage them through a call off contract LBBD have made using TFL's London Highways Alliance Contract (LoHAC). LoHAC has been procured under the TfL framework and has gone through OJEU and based on the NEC3 (New Engineering Contract). There is also a dedicated Service Manager (Arcadis Consulting (UK) Limited) appointed by LBBD who will manage the programme by

monitoring Ringway Jacobs performance. BRL will lead on the design and consultation associated with the planning submission (outline designs for the roads). BRL have been working closely with LBBD and TfL to agree outline designs for the road. BRL/ LBBD submitted a planning application in October 2015, there were a number of comments raised by TfL on the planning application that BRL/LBBD responded to. A planning determination was received on 23 December 2015.

- 7.2 The Council and BRL will manage progress from detailed design to completion of works with Ringway Jacobs and they will send progress reports to the GPF Programme Officer and TfL. The GPF Programme Officer will meet with the Project team at their project board meeting on a monthly basis to review progress.
- 7.3 BRL will take on design and construction risk outside of the task order contract between LBBD and Ringway Jacobs, which will be managed by regular meetings with Ringway Jacobs who are completing the detailed design, discussing milestones, risk and issue logs and penalties for late completion. LBBD are directly involved in the delivery of the road acting as project manager / lead contractor and they will subcontract out the actual construction works to Ringway Jacobs.
- 7.4 The forecast expenditure profile, drawdown and repayment schedule for the project is set out below in table 1 and 2 respectively. The budgeted costs are now £10,401,937 should the risk items be realised. BRL has approval from its Board for £1.3m of costs over and above the GLA contribution of £10m. BRL will cover this funding gap and some additional contingency should risk cost be higher than the £10.4m. If there is any underspend it will return to the Growing Places Fund and will not be reallocated to the wider Barking Riverside Scheme.

Table 1 shows the forecast expenditure

Description	Amount
Fees	£400k
Construction cost	£8.7m
Risk allocation	£1.3m
Total	£10.4m

Table 2 shows draw down of funding and the repayment schedule.

Dates	Payment by GLA	Repayment profile by LBBD secured by s106 contributions from BRL*
2016/17	£9,880,165	-
2017/18	£114,262	
2018/19	£5,573	£4,000,000 ¹
2019/20	-	£6,000,000 ²
Total	£10,000,000	£10,000,000

Activity	Timeline
Procurement of contract	Q4 2015/16
Delivery Start Date	Q1 2016/17

¹ To be repaid by 31st March 2019

² To be repaid by 31st March 2020

Phase 1&2 Main carriageway completion	Q3 2016/2017
Phase 3 Carriageway completion	Q4 2016/2017
Delivery End Date	Q1 2017/18
Evaluation post completion	Q1 2017/18
Evaluation after 3 years of completion	Q4 2019/20
1st repayment of funding	By Q4 2018/19
2 nd and final repayment of funding	By Q4 2019/20
Project Closure	Q4 2019/20

Appendices and supporting papers:

None

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:

Anna Morell has drafted this report in accordance with GLA procedures and confirms that:

✓

Assistant Director/Head of Service:

Debbie Jackson 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.

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Ollie

Date

22.8.16