

## REQUEST FOR DIRECTOR DECISION – DD2213

### Title: Romford Housing Zone, London Borough of Havering – Waterloo Estate

#### Executive Summary:

The purpose of the Housing Zones programme is to increase housing supply by accelerating and/or unlocking development. This decision seeks approval to commit a total of £2.7 million non-recoverable grant to enable the London Borough of Havering to acquire leaseholder properties on the Waterloo Estate in line with the Council's responsibility to deliver vacant possession to its development partner prior to start on site. Development of the site is expected to unlock 994 homes – of which 474 will be affordable – by 2026.

Romford was designated a Housing Zone by MD1632. MD1632 delegated authority to the Executive Director of Housing and Land and the Executive Director of Resources, in consultation with the Deputy Mayor for Housing, Land and Property (now the Deputy Mayor for Housing and Residential Development), to approve the interventions that were to be funded following due diligence and contractually commit that funding.

#### Decision:

That the Executive Director of Housing and Land and the Executive Director of Resources, after consulting with the Deputy Mayor for Housing and Residential Development, approve:

1. Entering into a contractual commitment to provide grant funding of up to £2.7m to the London Borough of Havering to fund the proposals specified below within the Romford Housing Zone; and
2. The re-profiled start on site, completion dates for the delivery of the housing outputs, and timing for funding payments as detailed in this report.

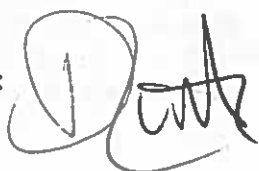
#### AUTHORISING DIRECTOR

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:** David Lunts

**Position:** Executive Director Housing and Land

**Signature:**



**Date:**

**Name:** Martin Clarke

**Position:** Executive Director Resources

**Signature:**



**Date:**

17.9.18

## PART I - NON-CONFIDENTIAL FACTS AND ADVICE

### Decision required – supporting report

#### 1. Introduction and background

- 1.1. The Romford Town Centre proposal was designated a Housing Zone (HZ) by MD1632 and funding of £34.9 million was indicatively allocated to that zone (subject to the outcome of legal and financial due diligence) to unlock and/or accelerate housing and to regenerate the area. Following this designation, the GLA and London Borough of Havering (LBH) entered into an Overarching Borough Agreement in September 2016, which formalised the indicative allocation.
- 1.2. Due diligence has now been undertaken in respect of the Waterloo Estate intervention. The conclusions drawn from this due diligence are set out below and in Part 2 of this decision.
- 1.3. This Director Decision is seeking approval for the GLA to enter into a Borough Intervention Agreement (BIA) with LBH to allocate it a total of £2.7 million non-recoverable grant. Additionally, the GLA has committed £18.5m (at tariff rates) to LBH from the 2016-21 Affordable Homes Programme to support affordable housing costs in the scheme. In total, approximately £21.2m<sup>1</sup> of GLA grant will support a scheme comprising 994 homes, of which 474 will be affordable.
- 1.4. In July 2018, the Mayor published the new funding condition to require resident ballots in estate regeneration schemes. Since the GLA has already contractually committed funding to the Waterloo Estate scheme through the 2016-21 Affordable Homes Programme, the transitional arrangements set out in the consultation document will apply. The London Borough of Havering will need to request a ballot exemption for the Waterloo Estate.

#### Summary

- 1.5. The £2.7 million non-recoverable HZ grant proposed by LBH for the Waterloo Estate intervention will enable LBH to acquire leaseholder properties on the site in line with the Council's responsibility to deliver vacant possession prior to start on site. Development of the site will bring forward 994 homes over multiple phases by March 2026. The HZ investment, for which this Decision seeks approval, will directly fund 61 affordable homes and 520 private homes. LBH has approval for additional funding through the 2016-21 Affordable Homes Programme to support a further 413 affordable homes. This Director Decision does not seek formal approval for the Affordable Homes 16-21 Programme funding.

#### Proposition

- 1.6. Romford Town is the administrative centre for LBH. The town centre has significant potential for economic growth with strong transport links to be further strengthened by the arrival of Crossrail in 2019, which will enable thousands of additional homes and jobs, encourage new enterprise and attract greater investment. HZ investment provides a catalyst for this growth by: assisting in early delivery of challenging sites, supporting a good-quality housing offer and fostering private sector confidence in the area.
- 1.7. The Waterloo Estate forms part of the Romford HZ and is identified in the Romford Town Centre Development Framework as a key opportunity site to provide good-quality homes in the town centre. Currently, the Waterloo Estate comprises a low-density residential development of 285

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<sup>1</sup> Figures are approximate because the exact funding through the AH 16-21 programme will vary depending on the final mix of affordable units. The units will be funded at tariff rates.

homes in low-to-medium rise blocks constructed in the 1950-60's. While the majority of the site is in council ownership, it also comprises a modest number of existing leaseholders and freeholders who acquired an interest in this stock under the Right to Buy scheme.

- 1.8. The Estate has the capacity to deliver 994 new homes and will make a significant contribution to meeting the borough's existing housing and community needs. 474 (48%) of the new homes will be offered on an affordable basis. This is an increase in the level of affordable housing from the current 237 affordable homes.
- 1.9. To enable delivery of the site, LBH will enter into a Joint Venture with a Private Sector Partner. The Council will be responsible for the delivery of vacant possession of the site to facilitate a phased redevelopment programme. The delivery of open market housing as part of the estate generates a significant level of cross subsidy to off-set the increased level of affordable housing. This, combined with funding available through the HZ programme will enable LBH to buy back leasehold interests, and retain both the freehold interest on the site and the long-term management of all affordable housing stock to be delivered on site.
- 1.10. LBH will ensure there is a net increase in the number of affordable homes on the estate as part of this regeneration, and like-for-like re-provision. Currently there are 237 affordable homes on the Waterloo Estate. Following redevelopment, this will increase to 474 – a net increase of 237 affordable homes. The existing 237 affordable homes will be replaced with London Affordable Rent homes. For tenants choosing to return to the estate, rents will be maintained at social rent levels.

#### Funding

- 1.11. LBH is seeking £2.7 million non-recoverable HZ grant funding. This funding will be used to acquire leaseholder properties to enable vacant possession of the site, and will directly unlock 581 homes, of which 61 will be affordable. This equates to per unit funding for the affordable properties at Affordable Homes 16-21 Programme funding tariff rates.
- 1.12. The GLA has now contractually committed a further £18.5m from the Affordable Homes 16-21 programme funding to fund the development of a further 413 affordable homes in this scheme.

#### Stakeholders / Contractual Arrangements

- 1.13. The counterparty for the Waterloo Estate intervention is the London Borough Havering.
- 1.14. Following a Competitive Dialogue Procurement exercise, the Council will form a 50/50 Joint Venture Limited Liability Partnership (JV LLP) with the private sector developer that will be selected as the preferred partner.

#### Appraisal

- 1.15. Project due diligence was undertaken by Lambert Smith Hampton (LSH) to establish the appropriateness of LBH's financial assumptions in relation to the Waterloo Estate intervention. LSH concluded that providing HZ grant funding towards land assembly costs will unlock housing on the Waterloo Estate. Potential risks LSH highlighted included securing planning consent, viability and wider economic conditions. Further information is included in Part 2.

#### Project Milestones

- 1.16. Key milestones include:
  - Longstop date for completion of land assembly programme – 31 March 2021
  - Longstop date for the completion of all homes – 31 March 2026

1.17. Further milestones are included in paragraph 8 below.

#### Governance

1.18. The GLA will contract with LBH and this relationship will be managed through quarterly meetings to ensure transparency. The relationship will be managed by a designated officer from the GLA's Housing and Land Directorate with oversight from the Housing and Land Senior Management Team.

#### Conclusion

1.19. The proposed Waterloo Estate intervention will unlock housing supply, including a large proportion of affordable homes in the Romford Town Centre HZ. There are some risks regarding delivery in terms of securing planning consent, viability and wider economic conditions. However, the GLA will claw back grant on a pro-rata basis in the event that LBH does not deliver the housing obligations included in the BIA.

## **2. Objectives and expected outcomes**

2.1. The purpose of the HZ programme is to increase housing supply by accelerating and/or unlocking development. Investing £2.7 million HZ funding will unlock housing supply in the Romford Town Centre HZ, increasing the amount of affordable homes on Waterloo Estate.

2.2. The GLA will directly fund 581 homes through the HZ programme, comprising:

- 31 affordable rented properties
- 30 shared ownership properties
- 520 market sale properties

2.3. An additional 413 indirect affordable homes will be delivered on the Waterloo Estate site using Affordable Homes 16-21 programme funding at tariff rates.

2.4. This brings the total percentage of affordable housing across the site up to 48%.

2.5. All 474 affordable homes are expected to start on site by March 2021 thereby contributing to the Mayor's target to deliver 116,000 affordable housing starts by March 2022.

## **3. Changes to the Romford Town Centre Housing Zone, Waterloo Estate intervention**

3.1 LBH has revised its estimated funding, starts and completions profiles compared to the position set out in MD1632 and the Overarching Borough Agreement.

3.2 In accordance with the Housing Zones Change Management Process (DD1485), Housing Zones Steering Group approved the changes in January 2018. It was agreed the changes fell within a 'Tier 2' pre-contract variation, and would therefore require Housing Zones Steering Group review followed by agreement in principle by the Assistant Director – Programme Policy and Services, or in their absence a Head of Area other than the Head of Area in whose area the Tottenham Hale HZ is, before being submitted for a Director Decision. GLA officers confirm that these processes have been followed.

#### **4. Equality comments**

- 4.1 The Mayor formally adopted the London Housing Strategy in August 2018 setting out the Mayor's priorities, policies and proposals for tackling London's housing crisis. The strategy had a three-month consultation period and an equality impact assessment was also undertaken in parallel.
- 4.2 The Mayor's Vision for a Diverse and Inclusive City was issued as a consultation draft in June 2017. The first chapter of this document is entitled "A Great Place to Live". Priority outcome 1.1 in the vision refers to delivering affordable, accessible and decent homes. This funding will help to deliver new affordable homes in London.
- 4.3 The designation of an area as a HZ is intended to identify an area with high potential for housing growth and delivery within London. The GLA HZ designation and associated funding is often partnered with other funding streams and non-financial assistance, in order to deliver these new homes, and therefore this decision will facilitate these goals and ultimately ensure that the needs of different groups are taken into account in the design and development of new homes.
- 4.4 To access this funding, LBH will be required to enter into contracts with the GLA to deliver the interventions specified in this Director Decision. With regard to project delivery, the contracts place the following obligations on LBH in respect of the Equality Act 2010:
- LBH will comply and shall use reasonable endeavours to procure that its partners 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 intervention related documents to ensure compliance with this clause.
  - LBH confirms that it 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 (in so far as it is able) and will provide a copy of that policy and evidence of the actual implementation of that policy upon request by the GLA.

#### **5. Other considerations**

##### *a) key risks and issues*

- 5.1 LSH highlighted a number of key risks associated with the project as well as recommendations on how these could be mitigated. These are detailed in Part 2 of this Director Decision.
- 5.2 In line with the GLA's Anti-Money Laundering policy as approved by DD2095, Know Your Customer (KYC) checks are not required since the HZ funding proposed is non-recoverable grant.

##### *b) links to Mayoral strategies and priorities*

- 5.3 The purpose of the HZ programme is to increase housing supply by accelerating and unlocking development. The 61 affordable homes unlocked by this HZ investment will contribute to the Mayor's target to deliver 90,000 affordable housing starts by 2021. A further 413 affordable homes to be funded through the 2016-21 Affordable Homes Programme are also expected to start on site by 2021, further contributing to this target.

- 5.4 The Waterloo Estate development will also contribute to the ambition in the Mayor's London Housing Strategy to invest in London's growth areas, which include HZs.

*c) Environmental considerations*

- 5.5 The scale of the HZ programme presents significant opportunities for innovative building design to reduce resource costs, and unlock investment connecting new developments to necessary utility and social infrastructure assets. Such assets include low carbon decentralised energy and water networks, green infrastructure, waste and recycling collection infrastructure, low emission transport hubs, and parks and open spaces. Boroughs and counterparties to HZ designation should look to include opportunities to address environmental and wider regeneration, quality of life and place making benefits that are viable and will help unlock investment in line with policy ambitions set out in the London Plan. GLA support can be made available to help identify environmental opportunities in specific locations.

## **6. Financial comments**

- 6.1 This decision requests approval to contractually commit up to £2.7m of non-recoverable grant funding to the London Borough of Havering (LBH) to acquire leaseholder properties on the Waterloo Estate in line with the Council's responsibility to deliver vacant possession to its development partner prior to start on site. GLA obtained a satisfactory due diligence result prior to reaching this decision (per findings set out in Part 2).
- 6.2 Total funding indicatively allocated for this Housing Zone is £34.9m (MD1632). Funding requested above (£2.7m) will directly fund 61 affordable homes and 520 private homes. Additionally, LBH has approval for additional £18.5m of funding, through the 2016-21 Affordable Homes Programme, to support a further 413 affordable homes, bringing the total affordable homes number to 474, which equates to 48% against the total capacity of homes to be delivered on site (994).
- 6.3 As it is a non-recoverable grant allocation, it represents a financial risk to the GLA, which is mitigated through contractual obligation from LBH to repay the funding in the event of non-delivery (see Section 1.18 above for further details).
- 6.4 Grant/Recoverable Grant funding profile at £400m is currently over forecast by £24m. It should be noted, however, that only £190m (exclusive of the current commitment) has been committed on thirteen interventions.

## **7. Legal comments**

- 7.1 Under section 30(1) of the Greater London Authority Act 1999 (as amended) ("GLA Act"), the GLA has the power to provide the funding for the proposed interventions providing it considers that doing so will further one or more of its principal purposes of: promoting economic development and wealth creation, social development, and the improvement of the environment in Greater London.
- 7.2 The interventions will unlock the delivery of housing and affordable housing, and it is open to the GLA to take the view that funding them will promote both social and economic development, and is therefore within its power, contained in section 30(1) of the GLA Act.
- 7.3 In exercising the power contained in section 30(1) of the GLA Act, the GLA must have regard to the matters set out in sections 30(3-5) and 33 of the GLA Act, and also the Public Sector Equality Duty in section 149 of the Equality Act 2010 as set out above.

- 7.4 The GLA has engaged with the London Borough of Havering in relation to the interventions which are the subject of this Director Decision. It is not considered necessary or appropriate for the GLA to consult with any other persons or bodies including those specified in section 32(2) of the GLA Act for the purposes of this Director Decision.
- 7.5 External lawyers have been instructed to prepare and negotiate the funding contracts for the GLA, including the incorporation of any provisions required to ensure compliance with State Aid rules. No funding is to be paid out unless, amongst other requirements, London Borough of Havering's solicitor has either provided an opinion (satisfactory to the GLA) as to the State Aid treatment of the intervention or undertaken to meet the GLA's reasonable legal costs in procuring an opinion from the GLA's solicitors as to the same matter. Further, if there is found to have been any unlawful State Aid, and the intervention cannot be restructured to be compliant, the London borough of Havering must repay the unlawful State Aid following a written demand for repayment by the GLA.

## 8. Planned delivery approach and next steps

Activity	Timeline
Completion of Borough Intervention Agreements	October 2018
First housing units start on site	March 2020
Completion of leasehold buybacks programme	March 2021
Practical Completion of development	March 2026



**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 – YES**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to  
confirm the  
following (✓)

**Drafting officer:**

Rachael Hickman has drafted this report in accordance with GLA procedures and confirms that:

✓

**Assistant Director/Head of Service:**

Fiona Duncan 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.

✓

**Corporate Investment Board:**

The Corporate Investment Board reviewed this proposal on 17 September 2018.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. J. Blca*

Date

*17.9.18*