

REQUEST FOR DIRECTOR DECISION – DD2070

Title: Blackhorse Road and Northern Olympic Park Housing Zone, London Borough of Waltham Forest – Blackhorse Lane Station Hub

Executive Summary:

This Director Decision signs off the due diligence undertaken in respect of an intervention the GLA proposes to fund in the Blackhorse Road and Northern Olympic Park Housing Zone in the London Borough of Waltham Forest.

Decision:

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

- agree that the outcome of due diligence, detailed in this report (including Part 2), demonstrates it is appropriate for the GLA to contractually commit up to £800,000 grant funding to the London Borough of Waltham Forest to fund the Blackhorse Road station works intervention specified below within the Blackhorse Road and Northern Olympic Park Housing Zone;
- notes that the deduction of £800,000 from the overall budget for Housing Zones, results in that budget being as follows: £297,075,000 being available for further grant funding; and
- agrees the re-profiled start on site and completion dates for the delivery of housing outputs, as well as adjustments to the funding allocation and funding drawdown timetables, as detailed in the report below, for the Blackhorse Road and Northern Olympic Park Housing Zone.

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:

13/12/16

Name: Martin Clarke

Position: Executive Director Resources

Signature:



Date:

12.12.16

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. In MD1545 the Mayor designated an area within London Borough of Waltham Forest as a Housing Zone, and agreed to indicatively allocate GLA funding to fund interventions for the purposes of unlocking or accelerating the delivery of housing within the zone. The funding was approved subject to the outcome of legal and financial due diligence on the proposed interventions. An Overarching Borough Agreement was entered into between London Borough of Waltham Forest (LBWF) and the GLA on 31 March 2016 to record the indicative allocation of this funding.
- 1.2. Due diligence has now been undertaken in respect of the Blackhorse Lane Station Hub intervention within Waltham Forest's Housing Zone, which has two parts:
 - Blackhorse Road station improvements
 - Open-space improvements
- 1.3. The conclusions of this due diligence are set out below and in Part 2 of this Director Decision.
- 1.4. The indicative grant allocation for the Blackhorse Lane Station Hub intervention is £1,195,000. Of this, £800,000 relates to the Blackhorse Road station improvements. The remaining £395,000 is proposed to be used towards the open-space improvements. In addition, LBWF will provide funding towards the open-space improvements.
- 1.5. The GLA is proposing to enter into separate Borough Intervention Agreements (BIAs) with LBWF for each part of the intervention. This approach will ensure the station improvements BIA is entered into as soon as possible to enable efficiency savings that can only be realised if the improvements are undertaken at the same time as other TfL works due to take place at the station.
- 1.6. The two BIAs will be linked agreements, meaning they will both unlock the same housing units. This Director Decision, however, only seeks approval for the Blackhorse Road station improvements funding. An additional Director Decision will be required for the open-space improvements funding, once the contract for it is finalised.

2. Summary of proposed intervention

- 2.1. The £800,000 grant funding will contribute to ambiance improvement works which will be delivered at Blackhorse Road station. The works will aim to enhance customer experience by rationalising and improving customer information, better linking the station to the local community and improving the overall look and feel of the station to better integrate it with the redeveloped streetscape. They will focus on the station's entrances, making them more visible in the public realm and creating a sense of destination. Ticket hall works will soften the current metal barrier and replace it with a warmer, less industrial solution.
- 2.2. The Blackhorse Road station and open-space improvements are together expected to unlock at least 310 housing units by March 2022.

3. Blackhorse Road Station improvements

- 3.1. **Proposition** – It is proposed that the GLA provides £800,000 of grant to fund capital improvements to Blackhorse Road Station. This intervention, together with a separate proposed intervention in the Blackhorse Lane area to improve the public open space, will help to unlock a number of key sites in the station hub area and accelerate the delivery of housing in the Blackhorse Lane area. Transport for London (TfL) will carry out the works to the station at the same time as undertaking other improvements, generating cost savings for the public sector. The improvements have been identified as important in the regeneration of the station and include interior and exterior works that will increase the efficiency of the station and assist in accommodating increased capacity.
- 3.2. Under the station improvements BIA, LBWF must use reasonable endeavours to procure that 310 housing units are delivered comprising 154 affordable homes and 156 private homes. LBWF will not deliver the housing units itself, but rather work with local landowners and developers who will bring the sites forward. If there is a failure to deliver some or all of the 154 affordable rent and shared ownership housing units by 31 March 2022, the GLA shall be entitled to recover a proportion of the £800,000 grant corresponding to the proportion of affordable housing units which have not been delivered.
- Funding** – £800,000 Housing Zone funding has been requested for the station improvement works. The total indicative grant allocation for the intervention is £1,195,000 (i.e. including the open-space works) which are expected to unlock at least 310 housing units. This equates to a grant rate of £3,855 per housing unit.
- 3.3. **Stakeholders** – LBWF will receive the grant funding to deliver the station improvements in partnership with TfL with which it has been working closely. It is also working closely with local landowners and developers to bring forward housing sites.
- 3.4. **Appraisal** – The proposed intervention is expected to unlock at least 310 housing units in the Blackhorse Road and Northern Olympic Park Housing Zone. The GLA instructed property consultants to appraise both parts of the Blackhorse Lane Station Hub intervention. They found the level and purpose of the Housing Zone grant requested appeared reasonable and have recommended that there is sufficient justification for what the grant will achieve and how it will contribute (albeit indirectly) to unlocking additional housing units. In particular, they found an improved station will stimulate residential unit sales due to the overall visual and physical improvement to the Housing Zone gateway and support increased housing numbers and densities in planning terms by de-risking current live applications as well as anticipated near future applications looking to increase quantum. There is also suitable reasoning as to why this money cannot be raised by LBWF from other sources (including TfL and through S106 / CIL charges).
- 3.5. The request for funding, which equates to £2,581 per housing unit,¹ is considered reasonable when viewed across the whole scheme.
- 3.6. **Dependencies** – The delivery of the scheme relies on: securing Housing Zone grant as the station is not regarded as a priority station in terms of budgetary commitment by TfL; achieving the relevant planning permissions and building control permissions; and LBWF and TfL entering into an agreement for the station improvement works.
- 3.7. Similarly, delivery of this intervention has a direct impact on increased delivery of housing units and the speed of their delivery in the immediate vicinity of Blackhorse Road Station.

¹ This will increase to £3,855 per unit if the open-space improvement BIA goes ahead.

3.8. Project Milestones –

- May 2017 – Station works starts on site
- March 2018 – Station works complete
- March 2021 – Housing units start on site
- March 2022 – Housing units complete

3.9. Risks and Issues

Planning

- 3.10. There are planning risks associated with an intervention of this kind as it relies on the planning authority to grant consent for housing schemes.
- 3.11. Initial indications from the Planning authority have been encouraging. In particular positive dialogue has been had with a developer bringing forward one of the sites near to the station. Additionally LBWF has shown its commitment to the delivery of this scheme which it sees as having a positive impact, providing new affordable housing and an improvement to the station and public realm for the Borough. The Borough Intervention Agreement also allows for the GLA to recover its grant in the event that affordable housing outputs do not come forward.

Timing/scope of works

- 3.12. High-level cost estimates for the station works provided so far are dependent on the works being carried out at the same time as wider Overground works (electrification of the Gospel Oak to Barking Line).
- 3.13. This risk is largely mitigated through close working between the GLA, LBWF and TfL to ensure timetables align. In addition, LBWF must provide the GLA with a copy of the specification for the works and its costings in order that the GLA can assess the works against the grant amount and check that it is satisfied with this prior to draw down of the grant.
- 3.14. **Governance** – The Borough has a Housing Zone Board in place which will steer the direction and delivery of the project to completion alongside key partners. The GLA sits on this board and has full oversight of expenditure and commitments.
- 3.15. **Environmental Considerations** – The scale of the Housing Zones programme presents significant opportunities for innovative building design, in order 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, as well as parks and open spaces. Boroughs and other counterparties to Housing Zone designation should look for opportunities to address environmental and wider regeneration where viable; improving quality of life and place making benefits, which could unlock investment in line with the policy ambitions set out in the London Plan. GLA support can be made available to help identify environmental opportunities in specific locations.
- 3.16. **Conclusion** – It is considered that the outcome of due diligence, as detailed above and in Part 2, demonstrates it is appropriate for the GLA to contractually commit the funding in respect of the Blackhorse Road station improvement works. GLA investment totalling £800,000 will unlock the

development of adjacent sites. When combined with further investment totalling £395,000 for the open-space works, at least 310 housing units are expected to come forward by March 2022.

4. Objectives and expected outcomes

- 4.1. Delivery of station works improvements to Blackhorse Road station by March 2018.
- 4.2. Delivery of 156 private homes, and 154 affordable homes by 31 March 2022.

5. Changes to the Blackhorse Road and Northern Olympic Park Housing Zone

- 5.1. MD1545 approved an indicative allocation of £44,895,000 for the Blackhorse Road and Northern Olympic Park Housing Zone linked to unlocking and/or accelerating 2,477 homes (of which 718 were affordable). Subsequent to the designation of this Housing Zone it was noted that there was an error in the calculation of the total number of homes to be delivered within this Housing Zone, and the years in which these homes would be delivered. MD1597 dated 28 January 2016 corrected the number of homes being delivered to 2,508 units. On 31 March 2016, the GLA entered into an Overarching Borough Agreement (OBA) with LBWF linked to 2,508 homes (of which 640 were affordable).
- 5.2. Following agreement of the OBA, changes were proposed to the allocation and outputs in the Blackhorse Road and Northern Olympic Park Housing Zone. The indicative allocation in the zone was proposed to be £15,795,000 and the number of homes increased to 2,608 homes (of which 944 are affordable). These changes were reviewed by Housing Zones Steering Group in July 2016. In accordance with the Housing Zones Change Management Process (DD1485), further changes have been recommended for review by the Housing Zones Steering Group, most recently in December 2016. The proposed revised funding allocations, drawdown timetables and re-profiled start on site and completion dates for this Housing Zone are set out in an annex to Part 2 of this report. It was agreed the requests to change the number of direct and indirect units, the number of affordable and market units, the movement in completion years and the changes in tenure fall within a "Tier 2" pre-contract variation under the Change Management Process and therefore would 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 Blackhorse Road and Northern Olympic Park Housing Zone is, before being submitted for a Director Decision. It was also agreed that the request to remove some interventions in the Housing Zone falls within a "Tier 1" pre-contract variation under the Change Management Process and therefore would require review by the Senior Housing Zones Manager and agreement by the relevant Head of Area, before being submitted for a Director Decision. GLA officers confirm that this process has been followed.

6. Equality comments

- 6.1. The Blackhorse Road and Northern Olympic Park Housing Zone will contribute towards the implementation of the Mayor's policies set out in the Mayor's London Housing Strategy. In January 2014, the GLA published an Integrated Impact Assessment (IIA), including an equalities impact assessment of the strategy. The policies related to increasing housing supply to which this project will contribute were covered by the IIA for the *Further Alterations to the London Plan* (March 2015).
- 6.2. The IIA concluded that updating housing projections and targets would support the delivery of sufficient housing and may help to stabilise house prices, supporting equal opportunities throughout communities. Furthermore, the provision of housing, including maximising the delivery of affordable

housing, would be in line with the other policies of the Plan (e.g. Policy 3.5), ensuring that the needs of different groups are taken into account in housing design.

- 6.3. The delivery of new and additional homes will help to implement Objectives 1, 2, 3 and 4 of the Mayor's Equalities Framework: Equal Life Chances for All (June 2014), through creating new homes and housing products as well as well-designed housing schemes.
- 6.4. The designation of an area as a Housing Zone is intended to identify an area with high potential for housing growth and delivery within London. The GLA Housing Zone 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.
- 6.5. In order to access this funding, LBWF will be required to enter into a contract with the GLA to deliver the interventions specified in this Director Decision. With regard to project delivery, the contract places the following obligations on LBWF in respect of the Equality Act 2010:
 - LBWF will comply and shall use reasonable endeavours to procure that TfL complies 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.
 - LBWF 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.

7. Financial comments

- 7.1. This is a proposal to spend £800,000 on station improvements at Blackhorse Road station, this is due to speed up the delivery of 310 dwellings with an average input of £2,581 per unit this is good value for money.
- 7.2. The spend of £800,000 non-recoverable grant increases the grant expenditure to £102,925,000, therefore leaving £297,075,000 within the £400,000,000 budget.
- 7.3. Expenditure of £44,895,000 was agreed in MD1545 and this £800,000 forms part of that expenditure.

8. Legal comments

- 8.1. 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 intervention 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.
- 8.2. The intervention will unlock the delivery of housing and affordable housing, and it is open to the GLA to take the view that funding it will promote both social and economic development, and is therefore within its power, contained in section 30(1) of the GLA Act.

- 8.3. Section 31(1)(a) of the GLA Act prohibits the GLA from using its section 30(1) power to do anything which may be done by Transport for London. Whilst the provision of funding to deliver station improvements is something that TfL may do, section 31(5B) provides that the prohibition in section 31(1)(a) does not apply where the GLA incurs expenditure in doing anything for the purposes of, or relating to, housing or regeneration. The provision of funding to deliver the station improvements will accelerate the delivery of housing (and LBWF will be legally required to procure the delivery of this housing), and is therefore for the purposes related to housing or regeneration, and is not therefore prohibited under section 31(1)(a) of the GLA Act.
- 8.4. 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, which are explained in paragraph 7.3 of the legal comments of MD 1545. As is noted in paragraph 7.4 of MD1545, the London housing strategy, which included a policy for Housing Zones, has been subject to an Integrated Impact Assessment, and GLA officers consider that the delivery of new and additional homes within the Housing Zones programme will help to implement Objectives in the Mayor's Equalities Framework *"Equal Life Changes for All."* (See also sections 4 and 5 of MD1545).
- 8.5. The GLA has engaged with LBWF 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.
- 8.6. External lawyers have been instructed to prepare and negotiate the funding contract 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, LBWF'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 so as to be compliant, LBWF must repay the unlawful State Aid following a written demand for repayment by the GLA.

9. Planned delivery approach and next steps

Activity	Timeline
Borough Intervention Agreement for station works signed	December 2016
Borough Intervention Agreement for open-space works signed	January 2017
Station works start on site	May 2017
Station works complete	March 2018
Open-space works start on site	tbc
Open-space works complete	tbc
Housing outputs start on site	By March 2021
Housing outputs complete	By March 2022

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 – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Michael Atkins 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 12 December 2016.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Allen

Date

12.12.16