

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2208

Title: Rainham and Beam Park Housing Zone, London Borough of Havering – A1306 land assembly, linear park and A1306 improvements

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 £16.52m to fund land assembly costs for housing developments, a new linear park and improvements to the A1306. Together, these investments will unlock 581 homes – of which 206 (35 per cent) will be affordable – on sites along the A1306 in Havering.

Rainham and Beam Park was designated a Housing Zone by MD1545. MD1545 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, in consultation with the Deputy Mayor for Housing and Residential Development, approve:

- in light of the due diligence detailed in Part 2, entering into contractual commitments to provide grant funding of up to £16.52m (with £7,610,000 to be recovered) to Notting Hill Housing Trust (£12.01m) and the London Borough of Havering (£4.51m) to fund the proposals specified below within the Rainham and Beam Park Housing Zone; and
- the re-profiled start on site and completion dates for the delivery of homes, and the funding interventions and repayment timescales 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: 17.2.18

Name: Martin Clarke

Position: Executive Director of Resources

Signature: 

Date: 28.2.18

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. MD1545 designated Rainham and Beam Park within London Borough of Havering (LBH) as a Housing Zone (HZ) and indicatively allocated the zone funding – subject to the outcome of legal and financial due diligence – to unlock and accelerate housing in the area. Following this designation, the GLA and LBH entered into an Overarching Borough Agreement in December 2015, which formalised the indicative allocation.
- 1.2. Due diligence has now been undertaken in respect of the following interventions:
 - A1306 land assembly; and
 - Linear park and A1306 improvements.
- 1.3. The conclusions drawn from this due diligence are set out below and in Part 2 of this decision.
- 1.4. This Director Decision is seeking approval for the GLA to enter into two Housing Zones contracts to allocate a total of £16.52m grant (of which £7.61m will be recoverable).
- 1.5. “HZ1” will commit £12.01m of HZ grant, of which £6.36m will be recoverable, to Notting Hill Housing Trust (NHHT) to fund land assembly on sites along the A1306 in Havering.
- 1.6. “HZ2” will commit £4.51m of HZ grant, of which £1.25m will be recoverable, to LBH to fund a new linear park and improvements to the A1306.
- 1.7. Combined, these two HZ contracts are expected to unlock at least 581 homes by March 2025, of which 206 will be affordable (35%). 125 affordable units are expected to start on site prior to March 2021, contributing towards the GLA’s target to deliver 90,000 affordable starts by that date.

Summary of proposed interventions

- 1.8. The aim of the A1306 land assembly project (to be funded through “HZ1”) is to assemble brownfield land comprehensively within the A1306 corridor for development as housing. The A1306 runs east-west through the HZ and is currently dominated by low-density, commercial and light-industrial uses, many of which detract from the visual amenity of the area. The acquisition of sites along the A1306 will act as a catalyst to development activity in the whole of the HZ.
- 1.9. The aim of the linear park and road improvements along the A1306 (to be funded through “HZ2”) are to improve the urban environment and make housing development more viable. Almost 2km of the A1306 will be remodelled from a traffic-dominated dual carriageway with large junctions into a new road. The existing dual carriageway will be reduced to enable a single lane carriageway in each direction along the entire length of the scheme. Redundant carriageway and verges will be transformed into a new linear park with high-quality landscaping, leisure uses and pedestrian and cycle facilities.
- 1.10. Both HZ1 and HZ2 complement each other as well as the remaining intervention supported through the HZ: a new train station at Beam Park, for which DD2065 committed HZ funding.

Proposition

- 1.11. It is envisaged that around eight sites along the A1306 have the potential to deliver 581 homes in total, of which 206 (35%) are affordable and 375 (65%) are private. All of the homes will start by March 2022. The first completions are expected to be achieved by March 2021, with all homes completed by March 2025.

Funding

- 1.12. Both HZ1 and HZ2 will be funded through the indicative allocation in the Rainham and Beam Park HZ:
- HZ1: NHHT will receive £12.01m of HZ grant, of which £6.36m will be recoverable.
 - HZ2: LBH will receive £4.51m of HZ grant, of which £1.25m will be recoverable.

Stakeholders

- 1.13. The counterparty is NHHT for HZ1 and LBH for HZ2. Other key stakeholders with involvement in the success of the A1306 land assembly programme and the linear park and A1306 improvements include TfL, developers, residents and local businesses.

Appraisal

- 1.14. Lambert Smith Hampton (LSH) undertook project due diligence for both the A1306 land assembly programme and the linear park and A1306 improvement proposals. The outcome of this work is detailed in Part 2 of this Director Decision.
- 1.15. After LSH completed its reports, LBH and the GLA agreed that the GLA would contract directly with NHHT (rather than with LBH as originally anticipated) for HZ1 using an Affordable Housing Grant Agreement. GLA officers subsequently conducted additional due diligence for the land assembly investment covering value for money, strategic fit with GLA priorities and a review of deliverability.
- *Value for money*
HZ investment through both HZ1 and HZ2 totalling £16.52m is required to unlock at least 581 homes (of which 206 are affordable). This equates to £28.4k per home or £80.2k per affordable home. This is deemed to represent acceptable value for money on the basis this is a minimum amount of housing. HZ investment, particularly through the linear park and A1306 improvements (HZ2), should provide a more attractive environment for further development to come forward more widely in the area.
 - *Strategic fit*
See para. 5.2 below.
 - *Deliverability*
The land assembly programme is deemed to be deliverable and consistent with the project milestones set out below. Further information is provided in Part 2.

Dependencies

- 1.16. There are benefits in bringing forward these interventions at the same time. The linear park and A1306 road improvements (to be funded through HZ2) will help to make the land assembly development supported through HZ1 more viable. Additionally, the HZ funding committed towards Beam Park station via DD2065 will also support the viability of housing development around the A1306.

Project Milestones

- 1.17. Two major milestones were achieved at LBH's Cabinet on 10 February 2016:
- The adoption of the Rainham and Beam Park Masterplan and Planning Framework as a non-statutory planning policy document that will be a material planning consideration when considering development proposals in the Rainham and Beam Park area.
 - The Council's agreement to implement the Housing Zone land acquisition strategy, that is entering into direct negotiations with land owners of the sites along the A1306 in order to purchase sites by private treaty as the opportunities arise, as well as agreement to the principle of using the Council's CPO powers to acquire these land interests and to begin the CPO process.
- 1.18. A further key milestone was met when LBH's Cabinet approved plans to appoint NHHT as its Joint Venture partner on 13 December 2017.

1.19. Further milestones are listed in section 8.

Governance

1.20. The GLA will contract with NHHT (for HZ1) and LBH (for HZ2). These relationships will be managed through quarterly meetings. The relationships will be led by a designated officer from the GLA's Housing and Land Directorate, with oversight from the Housing and Land Senior Management Team.

Conclusion

1.21. It is considered appropriate for the GLA to contractually commit the funding in respect of the A1306 land assembly and linear park and A1306 improvement interventions. Together, these interventions will jointly unlock housing in the Rainham and Beam Park HZ.

2. Objectives and expected outcomes

2.1 These interventions are expected to unlock 581 homes – of which 206 will be affordable – by March 2025. 125 of the affordable homes are expected to start on site prior to 31 March 2021, thereby contributing to the Mayor's target to deliver 90,000 affordable housing starts by that date.

3. Changes to the Rainham and Beam Park Housing Zone

3.1 LBH has revised its estimated funding profile compared to the position set out in MD1545 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 published a draft London Housing Strategy in September 2017. The strategy had a three-month consultation period and an equality impact assessment was also undertaken in parallel. The Housing Zone programme is included within that impact assessment.

4.2 Under section 149 of the Equality Act 2010, as public authorities, the Mayor and the GLA are subject to a public sector equality duty and must have 'due regard' to the need to (i) eliminate unlawful discrimination, harassment and victimisation; (ii) advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and (iii) foster good relations between people who share a relevant protected characteristic and those who do not. Protected characteristics under section 149 of the Equality Act are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status.

4.3 Throughout the decision-making process relating to the funding of these interventions due regard has been had to the 'three needs' outlined above. The housing shortage in London disproportionately negatively affects people with certain protected characteristics. Increasing the supply of housing, and in particular affordable housing will help to achieve positive impacts in line with the 'three needs'

4.4 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.

- 4.5 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.
- 4.6 In order to access this funding, LBH and NHHT 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 and NHHT in respect of the Equality Act 2010:
- Each 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.
 - Each 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 Key risks are considered in Part 2.

b) Links to Mayoral strategies and priorities

5.2 The purpose of the HZ programme is to increase housing supply by accelerating and unlocking development. 125 affordable homes unlocked by this HZ investment will contribute to the Mayor's target to deliver 90,000 affordable housing starts by 2021.

5.3 The A1306 land assembly programme and the linear park and A1306 improvement proposals will also contribute to the ambition in the Mayor's draft London Housing Strategy to invest in London's growth areas, which include HZs.

c) Environmental considerations

5.4 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.

d) *Know Your Customer checks*

5.5 In line with the GLA's Anti-Money Laundering policy as approved by DD2095, GLA officers have carried out Know Your Customer (KYC) checks as detailed below:

- It was confirmed the London Borough of Havering has an official government website. The identity of the officer dealt with during the transaction was verified through a previous transaction (see DD2065).
- It was confirmed Notting Hill Housing Trust (16558R) has the following registered office: Bruce Kenrick House, 2 Killick Street, N1 9FL. Audited accounts listing its directors and chief officers were obtained as was the registration entry on FCA Mutuals Public Register. Additionally, the identity of the officer dealt with during the transaction was verified.

6. Financial comments

6.1 This decision requests approval to contractually commit up-to £16.52m of grant funding to Notting Hill Housing Trust and the London Borough of Havering to fund land assembly costs for housing developments as well as a new linear park and improvements to the A1306. GLA obtained a satisfactory due diligence result prior to reaching this decision (per findings set out in Part 2).

6.2 Total indicative allocation for the Rainham and Beam Park Housing Zone is £26.120m, out of which £9.6m (£0.8m of grant + £8.8m recoverable grant funding) has been committed (DD2065) towards the design phase and the completion of the works at the Beam Park Station. This decision will commit the remaining allocation (£16.52m).

6.3 Funding will be split into two Housing Zones contracts allocating a total of £16.52m grant (of which £7.61m will be recoverable) between Notting Hill Housing Trust (HZ1 contract) and London Borough of Havering (HZ2 contract), as indicated in the table below:

| Contracting body | Non-recoverable Grant (£m) | Recoverable Grant (£m) | Total (£m) |
|----------------------------|-----------------------------------|-------------------------------|-------------------|
| Notting Hill Housing Trust | 5.65 | 6.36 | 12.01 |
| London Borough of Havering | 3.26 | 1.25 | 4.51 |
| Totals | 8.91 | 7.61 | 16.52 |

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 and Notting Hill Housing Trust 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 |
|--|------------------|
| Sign funding agreements | March 2018 |
| First housing starts | By March 2020 |
| Start linear park / A1306 road improvements | By March 2020 |
| Longstop date for land assembly programme (expected) | By November 2022 |
| Complete linear park / A1306 road improvements | By December 2023 |
| Final housing completions | By March 2025 |

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:

Dan Maton 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 19 February 2018.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Allge

Date

28.2.18