



## CABINET

24 September 2014

Subject Heading:

**RAINHAM AND BEAM PARK GARDEN  
SUBURB HOUSING ZONE PROPOSAL**

Cabinet Member:

**Cllr Damian White**, Cabinet Member for  
Housing

CMT Lead:

**Joy Hollister**, Group Director – Children,  
Adults and Housing

Report Author and contact details:

Jonathan Geall  
Housing Needs and Strategy Manager  
tel: 01708 434606 e-mail:  
jonathan.geall@havering.gov.uk

Policy context:

Housing Strategy, Regeneration Strategy,  
Rainham Compass

Financial summary:

Submitting a Housing Zone bid on 30  
September 2014 does *not*, at this stage, incur  
any capital or revenue liabilities.

During subsequent negotiations with the  
Greater London Authority, however, the  
Council will need to make decisions on:

- the use of Housing Revenue Account, HRA, capital to support council housing new building the area; this could include taking on additional borrowing in the HRA
- the use of general fund reserves / borrowing and/or pension fund resources to fund building homes for private rent and/or sale
- the establish of a Council-owned company to develop private housing; this will incur start-up costs
- allocation of developer contributions to contribute to the infrastructure needed
- revenue costs for managing delivery of the Housing Zone, however, through the bid we will seek capital from which to capitalise and re-imburse these costs.

Subsequent decisions will all need to be subject to detailed financial scrutiny and member approval. Approval of the recommendations in this report will *not* fetter future decision-making on any of the above matters.

Is this a Key Decision?

**Yes:** There is a significant effect on two or more Wards

When should this matter be reviewed?

In six months

Reviewing OSC:

Towns and Communities

**The subject matter of this report deals with the following Council Objectives**

Ensuring a clean, safe and green borough	<input type="checkbox"/>
Championing education and learning for all	<input type="checkbox"/>
Providing economic, social and cultural activity in thriving towns and villages	<input type="checkbox"/>
Valuing and enhancing the lives of our residents	<input checked="" type="checkbox"/>
Delivering high customer satisfaction and a stable council tax	<input type="checkbox"/>

**SUMMARY**

This report seeks approval to submit a bid to the Mayor of London's Housing Zone Programme. Havering's bid will focus on Rainham, primarily the underused industrial land between the A1306 to the north and the railway line to the south referred to as Beam Park, and the surrounding areas of Rainham Village and South Hornchurch.

The Greater London Authority, GLA, acting on the Mayor's instructions, is seeking bids through a competitive process with a deadline of 30 September 2014. It is understood that the GLA will be conducting an initial assessment shortly after the closing date and that the Borough is likely to be asked to submit further information and/or refine its submission prior to a final decision expected around December 2014 to February 2015.

**RECOMMENDATIONS**

**That Cabinet:**

1. **Approves** the submission of a Rainham and Beam Park Housing Zone bid to the Greater London Authority no later than 30 September 2014.
2. **Delegates** to the Chief Executive, acting in consultation with the Leader of the Council, authority to finalise the bid document.

3. **Approves** Economic Development and Regulatory Services initiating work on a Planning Strategy Document to strengthen the Council's position on planning applications coming forward in the area.
4. **Approves** the commencement of work on the feasibility of establishing a Council-owned company to develop private housing for rent and sale with recommendations brought to a future Cabinet meeting for consideration.

<b>REPORT DETAIL</b>
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### **Introduction**

1. The Mayor of London has a responsibility for providing an overall strategic plan for housing in the capital. A key part of this is the development of new housing.
2. The Mayor's draft London Housing Strategy published in April 2014 identifies the housing pressures being faced in every part of London, including the outer boroughs such as Havering. The numbers are large:
  - in the last six years, London has grown by 600,000 people
  - by 2020, the total population is estimated to top 9 million
  - there is a need to build at least 42,000 homes a year in London.
3. The draft London Housing Strategy recognises that the London Boroughs have very legitimate concerns about the character and scale of local development. It is to be welcomed that the Mayor, in the draft London Housing Strategy, is clearly in tune with Havering Council's emphasis on high quality homes which add to the fabric of the borough and are in keeping with the locality. The Strategy states, *'We also have to ensure that the new homes we build are inspiring for current and future residents, that they are set in attractive neighbourhoods and vibrant town centres, and are well connected to jobs... [They should be] high quality homes that perform well for their occupants, that stand the test of time and that complement London's rich architectural history'*.
4. The Rainham and the Beam Park area – north of the rail line in south Havering and concentrated round the A1306 as described later in the report – has a significant number of largely empty brownfield sites. The Council expects these sites to come forward for development. One of these sites is owned by the property arm of the GLA. The GLA is proposing to sell on this site to a private sector developer in 2015.
5. Officers have significant concerns over an approach that does not have a holistic strategy to address the area as development comes forward, notably:

- housing design is likely to be poor as the financial viability of the sites are marginal and this means it will be very challenging to secure the step change uplift in the area that has been a long standing regeneration objective of the Council and other stakeholders
  - vital social infrastructure (such as schools) would be very unlikely to be brought forward in line with the development, again because of marginal viability on individual sites,
  - necessary transport improvements such as a new station at Beam Park and better bus routes are unlikely to be secured, and
  - housing design, tenures and types would not be explicitly linked to meeting local needs.
6. The Housing Zone programme now offers what is arguably the most significant opportunity in a generation for London Boroughs to pro-actively participate to such a large degree in the shaping and development of their neighbourhoods through the development of new housing. Designation of the area as a Housing Zone, incorporating the approaches being proposed – see below – will enhance the Council’s role in balancing the delivery of new housing with delivery of schools, parks, leisure facilities needed. In turn, the belief is that Housing Zone designation would support appropriate densities to maintain Havering’s greener environment and suburban character compared with much of the rest of London.

***What are Housing Zones?***

7. The Housing Zone Prospectus was launched on the 30 June 2014. Housing Zones are areas where home building is to be accelerated by close partnership working between boroughs, land owners, investors and builders. They should be a designated part of a borough in which investment could spur on the development of at least 1,000 new homes on brownfield land. The time taken to get new schemes going is recognised, but the GLA is clear that development in the Zone should commence within the 2015-18 period.
8. The Prospectus is unequivocal in its view that a Housing Zone can only proceed where the local borough is driving the programme and is putting in its own resources, in such forms as land holdings, capital investment and staff time. In return, the GLA will look to provide grant or repayable loans to support:
- infrastructure needs of the community such as schools, leisure and transport
  - affordable housing delivery – subsidising the building of new affordable homes, including Havering Council building and owning them as well as investing in shared ownership homes and other forms of low cost home ownership that enable local people to buy a home

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- site preparation and land remediation – where, for example, providing upfront funding for decontaminating land would enable building to start far more quickly
  - infrastructure / gap funding – where, for example, providing new and/or improved transport or other infrastructure could unlock sites.
9. In addition, the GLA states it will assist in the speeding up of housing delivery by streamlining working between the different parts of the ‘GLA family’, for instance, GLA planners and Transport for London.
10. The primary aim of a Housing Zone must be the maximisation of new housing supply. Resources are not available for improvement of existing council housing stock.
11. The Prospectus recognises that Housing Zones should focus on place-shaping and creating a high quality environment for new residents, and so funding will in all probability be required for schools, community facilities, transport and energy infrastructure. Resources made available by the GLA through the Housing Zones programme *could* contribute towards these so long as the investment directly unlocks housing supply.

### ***Investment available***

12. In total, 20 Housing Zones will be selected across London. The Mayor and Department for Communities and Local Government are making £400m available across the 20 successful Housing Zones; this consists of £200m grant and loan funding to support the development and delivery of housing, and £200m repayable investment funding directed at funding for private sector investors.

### ***Rainham and Beam Park Garden Suburb Housing Zone bid: outline***

13. The focus for Havering’s bid would be the Beam Park to Dover’s Corner area of Rainham, with the overall ‘redline’ area including:
- the land immediately to the south of the A1306; a significant land holding in this area is under GLA’s ownership
  - the ‘Somerfield’ site; in private ownership although a housing association is working up proposals
  - Circle Housing Group’s Passivhaus development which is in development and has received the attention of Eric Pickles, MP, the Secretary of State for Communities and Local Government
  - Dover’s Corner
  - sites along the northern side of the A1306
  - small sites around the A1306 and Rainham in the Council’s ownership.
14. The vision is to develop a new garden suburb which would act as a high quality addition to historic Rainham and would become a destination neighbourhood for:

- Havering's working families looking for homes in which to settle and grow
  - young professionals in the Borough needing a starter home with rapid links to the City
  - Rainham and South Hornchurch residents needing affordable homes yet wishing to stay in the area.
15. A Housing Zone focused on Rainham and Beam Park would have significant and tangible benefits for the Borough and local people, notably:
- far greater control over what housing, urban fabric and infrastructure is developed in the area. The Council's participation in shaping the area through the early preparation of a planning strategy document (which will be subject of engagement with the community and businesses), and actively participating in land assembly and development will maximise the Borough's influence over the new suburb
  - high quality homes, including a significant proportion of houses, built along traditional street patterns and around attractive green and open spaces, including a wide variety of rented and home ownership homes for Havering's residents
  - access to grant for affordable housing, whether for new build directly by the Council or by housing associations and developers
  - vastly improved public transport links, including greater certainty over GLA/TfL funding for a new station at Beam Park roughly half way between Dagenham Dock and Rainham, better bus links to other parts of Havering, and a series of improved cycle routes
  - funding to improve roads and public realm in the area
  - investment in key infrastructure, notably leisure provision to replace Chaffords swimming pool, schools, health and transport improvements
  - an increase in housing numbers leading to increased council tax income and New Homes Bonus where available although this will need to be considered alongside the costs to the Council of additional services – the large proportion of family-sized owner-occupied properties, and private rented properties should act to minimise the impact
  - apprenticeships for local people
  - examples of low energy construction, building on the lessons learnt from the Circle Housing's current Passivhaus development in the area.
  - greater control for the Council, by including private rented housing developed by the Council, over who moves into these homes and the standard of housing management, and create a significant income stream for the Council to offset the need for revenue efficiencies elsewhere

- consultation mechanisms and forums with local people and elected members on key elements of the development, notably the 'look' of the new homes, infrastructure improvements required, and the policies for letting and selling of affordable housing
  - with greater certainty that housing sites will come forward in Rainham as a result of the Housing Zone, there should be less pressure to open up the green belt in other parts of the Borough to deliver new housing as the Council will be in a better position to argue there is an adequate housing supply without using green belt land in the west and north of the Borough.
16. Homes developed would consist of;
- 2, 3 and 4 bedroom houses
  - 1 and 2 bed starter homes, typically flats up to a maximum height of, say, five to eight storeys, around the new station and surrounding public spaces
  - a mix of affordable rent, low cost home ownership, private rent and market sale housing
  - top priority for the affordable rented and low cost home ownership homes for residents in the Rainham, Wennington and South Hornchurch areas enshrined in a local lettings plan consulted upon and agreed with local residents and elected members

***How a Housing Zone in Rainham and Beam Park could progress***

- 17 In broad terms, a Rainham and Beam Park Garden Suburb Housing Zone could progress using the following strategies, each ultimately ensuring the GLA's objective of speeding up housing delivery:
- a comprehensive 'masterplan' for the area will be developed and embedded within planning strategy documentation, which will include design guidance. This will help to ensure that individual sites come forward and support the quality aspirations of the Housing Zone. During its development, Members and residents/businesses will be consulted, allowing and encouraging community participation in the proposals
  - a social infrastructure plan for the area will form part of this bid. A key 'ask' to be included in the Housing Zone bid is for a mix of forward and grant funding for this infrastructure
  - establishment of a Housing Zone Board, led by the Council, to include the GLA and significant land owners in the area to monitor and progress delivery
  - the Council to bring forward a number of sites in ownership of the Housing Revenue Account, HRA, to provide affordable rent and low cost ownership housing for local people.

18. The different sites within the Housing Zones would in all likelihood require different approaches.

***GLA-owned land at Beam Park***

19. On land in the GLA's ownership, this report is seeking Cabinet's 'in principle' support to (a) invest HRA capital and right-to-buy receipts resources in the development of affordable rented and shared ownership homes, and (b) invest general fund and/or pension fund resources in the development of private rented and outright sale homes. In return for this investment, the Council would seek a financial package from the GLA including grant and/or a reduced/deferred land receipt. The exact form of the financial assistance how the Council participates in the development will subject to detailed negotiation with the GLA, which has already started, should the GLA wish to proceed once the bid has been submitted at the end of September. This could take the form of the Council purchasing part of the site, whether through a Council-owned development company or through a partnership deal with a future private sector developer.
20. Officers feel that through a Housing Zone, the Council could bring forward a planning application for part of the site to include the new station. This would necessitate compulsory purchasing any additional packages of land to deliver this site. This could accelerate housing delivery by at least two years.
21. The Council is arguably in a strong position to take a lead on assembling the funding package for a new Beam Park Station. The business case is strong but requires developer and land owner contributions, justified by the uplift in house and land values resulting from confirmation that the station will be built. The Council is well placed to secure those contributions and there will be scope, in due course, for the Council to consider using funds through its Community Infrastructure Levy (CIL) towards the cost of the station.
22. Overall, officers believe the proposed approach has the following benefits for the GLA:
  - bringing forward new build on a difficult site with the Council acting as the delivery partner
  - stretching GLA grant and/or investment by using HRA resources for new affordable housing
  - place-shaping to create a market for subsequent phases of development
  - a commitment from the Council as part of this bid to provide resources from tariff/CIL income and/or uplift in land values for a new station
  - increasing market confidence resulting in private developers bringing forward future phases of the Beam Park site.
23. It is very important to note that neither this Cabinet report, nor a subsequent submission, commits either the Council or the pension fund to this course of



action. Decisions on this will need to be subject to future Cabinet and Pension Fund Board approval.

***Other development sites***

24. The Council could utilise CPO powers to acquire / assemble sites for onward disposal and development, potentially in joint venture with the Council. GLA resources could fund the purchase alongside the Council. Part of the Housing Zone bid would include the recovery of the cost to the Council of *leading and managing* the CPO process by means of capitalisation of this outlay.
25. The inclusion of additional development sites, including any Council-owned sites, within the Housing Zone could enable the Council, housing association and/or other developer to access grant and/or investment funding to bring these sites forward more quickly than otherwise.
26. This approach would benefit the GLA in two important ways; (a) they would provide 'quick wins' in terms of early delivery, and (b) as the Council would commit to apply tariff income for the new station and other infrastructure improvements, the viability, and thus land value, of the later phases of GLA land disposal at Beam Park would be increased.

***The 'offer' from the Council***

27. The GLA's support is predicated on the principle of the bidding boroughs offering 'something-for-something'. The Council's offer would include:
  - organisational support for the Housing Zone
  - a willingness to invest HRA capital – surpluses, borrowing and/or right-to-buy resources, subject to future Cabinet approval
  - a willingness to consider the establishment of a Council-owned development company to develop private housing and therefore use general resources (prudential borrowing) and/or pension funds to lever in GLA investment funding which is only available to private companies, not local authorities. Proceeding with this would be subject to future approvals by Cabinet and the Pension Fund Board
  - commitment to apply CPO powers to assemble sites in multiple ownership, so long as this work is funded by the GLA through the Housing Zone
  - commitment to invest planning tariff resources into infrastructure improvements including the new station
  - streamlined planning and ensuring sufficient resources exist to progress planning applications in a timely fashion.

***The 'ask' of the GLA***

28. The Council's request from the GLA includes:
- grant and investment funding for housing
  - resources from which to capitalise the costs associated with CPO and other essential processes related to land assembly, development and regeneration
  - political/officer support to ensure delivery of a new station
  - grant and repayable investment in advance of tariff contributions to enable infrastructure ahead of tariff income
  - support for planning applications where referable to the Mayor of London
  - support for the case to the DCLG for greater flexibilities and freedoms in the use of Right to Buy receipts where it can benefit the Housing Zone programme
  - enhanced co-ordination throughout the GLA 'family' for agreed outcomes
  - a clear commitment from the GLA to quality of development embedded in the process, including new development to include significant numbers of houses as well as flats
  - inclusion of consultation with, and the involvement of, local people and elected members in delivery of the Housing Zone.

***Consultation to date***

29. Officers have consulted their counterparts at the GLA along with local land owners and housing associations active in the area. All are supportive of the proposals contained in this report.
30. A briefing on the Housing Zone programme and high-level outline of the proposals was presented to the Rainham & Wennington and South Hornchurch Working Party on 19 August 2014. There was broad support for the idea of establishing a Housing Zone in the area so long as investment in additional schools, transport and leisure is made at the same time as the new housing is developed, rather than later. As can be seen above, this forms a key element of the proposals.
31. Officers have committed to brief the Working Party again once the submission is firmer.

**REASONS AND OPTIONS**

**Reasons for the decision:**

The Housing Zone programme potentially gives access to significant investment in Havering. Not bidding for Housing Zone status would not prevent new housing development coming forward in the south of the borough - but it would significantly reduce the Council's ability to influence the type, amount and timing of this new provision. Therefore, this report recommends making a bid.

**Other options considered:**

No bid for Housing Zone status – REJECTED. From officer discussions with the GLA, housing associations and developers, it is clear that proposals for new housing already are coming forward for sites in the proposed Rainham and Beam Park Garden Suburb Housing Zone area, and also that additional sites will be marketed soon, including by the GLA itself. Without a co-ordinated approach that would result from being awarded Housing Zone status, these sites would come forward in a piecemeal fashion meaning (a) the Council's ability to influence the overall style and scale of development would be diminished, and (b) developers could argue against increased financial contributions to infrastructure and affordable housing on the grounds that their development in isolation has only a minimal impact on the area.

Bid for Housing Zone status for another part of the borough – REJECTED. The Housing Zone prospectus seeks bids relating to brownfield land capable of delivering upwards of 1,000 new homes. Perhaps the only other part of the borough that could fit this criterion is Romford town centre. Romford is already the subject of strategic market engagement by the Council which is increasing market interest. Rainham, however, requires more significant public sector investment; hence it is a better 'fit' for the Housing Zone programme.

**IMPLICATIONS AND RISKS**

**Financial implications and risks:**

***Capital***

Making a bid does not commit the Council to any capital outlay, although it does indicate the Council's wish to consider significant investment of HRA, general fund and pension fund resources. In addition, the Council would play an active role in collecting and repaying developer infrastructure contributions.

Specific investment decisions will be subject to subsequent decision-making. Approval to bid does not fetter the Council's decision-making on capital usage.

***Revenue***

Management of a Housing Zone programme would clearly require much officer time. The GLA has made it clear that resources available can only be treated as

capital, and not revenue, however, from officer discussions it is understood that the GLA is open to Housing Zone resources being used to fund the capitalisation of essential costs incurred in the assembly, preparation, development and regeneration of sites – all activities falling under the definition on asset purchase / value enhancement and thus capitalisable.

The Council will seek to use such funds to underpin existing staff costs where these are focused on delivery of the Housing Zone, hence supporting the Council's overall financial position.

**Legal implications and risks:**

The recommendation to approve a bid for Housing Zone status does not in itself pose any legal risks. However, it should be noted that the outcome of a successful bid is designation as a Housing Zone. Whilst that designation does not in itself impose any obligations to commit financial resources it would only be granted if the GLA were confident that the Council will take forward the proposals set out in its bid.

Furthermore if the bid and designation proceed there will be a number of aspects which will require significant legal scrutiny. Notably, should the Council wish to develop a Council-owned company to develop private housing and avoid any State Aid complications, detailed legal advice will be required.

**Human Resources implications and risks:**

None arising directly from this report.

**Equalities implications and risks:**

A bid for Housing Zone status for the Beam Park area could unlock significant investment for housing – both market and affordable – and key infrastructure.

The allocation of affordable housing would be subject to the Council's Allocation Scheme and any local lettings policies that would be drawn up to promote Rainham and South Hornchurch residents' interests. Thus, delivery of affordable housing would benefit some of the borough's most disadvantaged residents. The new homes built would include a proportion of homes built to lifetime homes and disabled living standards.

Investment in new transport, schools and leisure facilities would ensure that those living in the south of the borough benefit from improvements in amenities without needing to travel to other parts of the borough incurring costs and inconvenience for those residents and potentially resulting in congestion and adverse environmental impacts.

**BACKGROUND PAPERS**