



Cabinet

4 NOVEMBER 2015

Subject Heading:

**Rainham and Beam Park Housing Zone.
Overarching Legal Agreement**

Cabinet Member:

Cllr Ron Ower

Cabinet Member for Housing Company
Development and OneSource
Management

CMT Lead:

Andrew Blake-Herbert

Group Director for Communities &
Resources

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Policy context:

Havering Housing Strategy, Havering
Economic Development Strategy, Rainham
Compass

Financial summary:

The Overarching Borough Agreement is
the in principle funding agreement that
enables the GLA to allocate £30.56m to
the Rainham and Beam Park Housing
Zone for future draw down, subject to
approval of project intervention
agreements.

Is this a Key Decision?

Yes

When should this matter be reviewed?

Spring 2018

Reviewing OSC:

Towns and Communities OSSC

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

Havering will be clean and its environment will be cared for	X
People will be safe, in their homes and in the community	
Residents will be proud to live in Havering	X

SUMMARY

Following Cabinet approval on the 24th September 2014 the Rainham and Beam Park Housing Zone bid was submitted to the GLA. The submission was successful and Havering's status as a Housing Zone Borough was announced on the 25th June 2015. The legal and administrative process to formally allocate monies is now in the due diligence phase, with the GLA having appointed external consultants to review individual components of the bid. The London Borough of Havering is being asked by the GLA to enter into an Overarching Borough Agreement (OBA) with the GLA.

The OBA is the agreement which embodies the basis of the Housing Zone principles and arrangements with successful bidding Boroughs. It may be revised and/or amended at the discretion of GLA and boroughs to reflect Zone specific or other provisions. Upon signing of the Agreement the GLA will allocate budget resources of £30.56m for the delivery of the Rainham and Beam Park Housing Zone programme.

Under this agreement will sit a suite of individual funding agreements relating to each of the ten major project strands in the Rainham and Beam Park Housing Zone programme. These will be drawn up as the major projects are refined as the Housing Zone moves forward and will form the contractual basis for drawing down of Housing Zone funding.

This report seeks the Cabinet's approval to enter into GLA's Overarching Borough Agreement for the Rainham and Beam Park Housing Zone and delegated authority to enter into individual funding agreements.

RECOMMENDATIONS

That Cabinet

1. **Agree** to the Borough entering into the Overarching Borough Agreement with the GLA.
2. **Delegate** to the Leader of the Council, Cabinet Member for Housing Company Development & One Source Management and the Group Director Community and Resources the approval of subsequent individual transactions, project business cases and funding agreements.
3. **Agree** to the establishment of the Rainham and Beam Park Housing Zone board and governance arrangements as set out in Section 4.0 of this report.
4. **Agree** in principle to the establishment of funding pots of S106 and Community Infrastructure Levy (CIL) contributions from developments coming forward in the Housing Zone to support the delivery of key infrastructure and be available to assist in repaying any forward funding from 'GLA recoverable grant'. The terms of any repayment to be delegated to the Leader of the Council Cabinet Member for Housing Company Development & One Source Management and the Group Director Community and Resources for approval.

REPORT DETAIL

1.0 BACKGROUND

- 1.1 Following the submission of LBH's Housing Zone (HZ) proposal on the 30th September 2014, a number of detailed discussions and negotiations have been had with GLA officers. These have centred on the form of funding requested, whether individual projects would be funded by non-recoverable or recoverable grant and elements of the proposals. Some of the social infrastructure asks, funding for leisure provision, a new primary school and health provision were not deemed to be eligible as was a request for funding support for Programme Management costs. However, the core asks for funding to undertake site assembly, remediation, deliver a new park, A1306 improvements, a new Beam Park station and social housing grant remain. These were approved by the GLA Housing Zone Challenge Panel on 5th February 2015 and were formally approved by the GLA's Housing Investment Group on the 13th May. A public announcement confirming Havering's status as a Housing Zone borough was made on the 25th June.
- 1.2 Infrastructure provision is normally paid for by developer contributions and Council funding. HZ finance will be used predominately to deliver physical infrastructure in advance or in parallel to developments, which will significantly increase viability and hence improves CIL/S106 contribution potential.
- 1.3 The agreed HZ proposal is for a total funding package from the GLA of £30.56m comprised of £14.15m grant, £16.41m repayable grant. LBH will contribute £17.83m (not including the New Plymouth and Napier houses investment). The table below outlines the individual major project activities and funding streams.

The HZ programme will deliver:

- 3,454 new homes (941 affordable);
- The transformation of the A1306 into a 'boulevard';
- Transport: the construction of the new Beam Park Station and enabling bus access to the station and new centre;
- A programme of site assembly for housing development;
- Social and physical infrastructure – health, and education facilities (these elements will be delivered through developer contributions, Council, CIL and S106 agreements);
- Access to open spaces; and
- A robust Planning Framework and Masterplan document to set investment priorities and act as a design guide.

2.0 Programme

The overall HZ programme is comprised of 10 areas of activity, funded by a combination of LBH funding, GLA direct and recoverable grant and external funding including £8.8 million contribution from TfL for the new Beam Park Station.

Individual projects and funding streams are set out in table below.

No .	Transaction type	Site	Intervention	GLA & LBH Amount
1	Recoverable Grant	Zone wide	<p>A1306 Masterplan, Planning Framework and Technical Studies. Series of technical assessments undertaken to accelerate planning and give prospective development partners certainty of likely level of additional costs. In due course, these items will become part of the emerging Havering Local Plan. These Include air quality, flood risk, ground contamination, utility, waste management and gas mains assessments. Commissioned and facilitated by LBH to identify obstacles to development, establish mitigation strategies and associated costs of remediation.</p>	<p>£0.19m £0.13m LBH</p>
2	Grant and Recoverable Grant	Zone wide	<p>A1306 Improvements. The A1306 will be re-configured as a boulevard, undergoing a major upgrade and place making to complete its transition from a dual carriageway industrial arterial road to an attractive street with active frontages. New residential and mixed use development will be matched by an upgraded pedestrian environment improved crossings</p>	<p>£2.5m (grant) £0.25m (loan)</p>

No .	Transaction type	Site	Intervention	GLA & LBH Amount
			<p>and junctions, cycle improvements, street trees and an innovative linear park, a landscaped green corridor connecting new communities. Major junction revisions and accesses into key development sites are planned. Its transformation will reprofile the carriageway allocating defined space for cyclists, pedestrians and vehicles</p>	
3.	Grant and Recoverable Grant	Zone wide	<p>Linear Park. Acting as the centre piece to the Beam Park and Rainham Housing Zone. It will connect Rainham Town Centre with the new Beam Park train station, linking those who live, work, learn, travel and relax within this new Garden Suburb with a high quality walking and cycling route set within landscaped surroundings. This will be punctuated with public amenities, such as children’s play facilities, seating, cycle storage, drinking water fountains, wildlife habitats and community food growing areas. It will include extensive tree planting, SUDS, bus stop facilities and on-street parking while maintaining appropriate vehicle</p>	<p>£0.76m (Grant) £1m (Recoverable grant)</p>

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			access. This investment will deliver improved viabilities through major place shaping of the area and ensuring the scheme is delivered as a whole and values rise across the development sites rather than piecemeal as developer contributions become available.	
4	Recoverable Grant	Beam Park and Somerfield	New Road Access for Buses. To give the new community access to the regional transport network, without reliance on the car, it is proposed to provide an interim bus service linking the developments with the Rainham Station Interchange. This is best practice in a number of large development schemes as it ensures that residents have access to community facilities and employment spaces. It also ensures residents become use to public transport modes, therefore allowing higher density housing delivery.	£0.75m (recoverable grant)
5	Grant and Recoverable Grant	A1306 Site Assembly Phase 1	A1306 Site assembly Phase 1. LBH have identified a number of priority sites to acquire, most of which are either vacant or in bad neighbour uses, and in need of remediation that would either deliver new housing directly or whose acquisition will enable comprehensive development on adjoining sites. Together their redevelopment will significantly uplift the urban environment and hence improve viability. The recoverable grant will be paid back to the GLA from the land disposal proceeds. A second phase initiated 5 years later, would then acquire additional sites if the market has not brought them forward for redevelopment. Work will be undertaken to support business relocation. It is intended that the Council's Housing Company would bring forward the majority of these sites.	£5.65m (grant) £5.42m (recoverable grant) £1.2m LBH
6	Grant	Dovers Corner	Sewer and gas main diversion. Due to high abnormal costs caused by the presence of a sewer and high pressure gas main along the northern frontage, the site cannot be developed to its full potential capacity. Diverting the sewer and gas main will release 0.25ha additional developable land, improve the design of this site	£1.5m
7	Grant	Dovers Corner	Affordable Housing Grant. The Dovers Corner site currently has marginal viability that may preclude the provision of affordable housing and will require grant funding to support a RP purchase of affordable housing units. Grant will accelerate housing delivery directly as it will secure much needed affordable housing units that would not be provided. In	£1.62m

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			addition this will assist a private sector housing company to bring forward a large housing site of 400+ units.	
8	Grant and Recoverable Grant	Beam Park Station	<p>Beam Park Station</p> <p>A new station at Beam Park will act as the catalyst for the delivery of a major proportion of HZ housing development. Without a new station development viabilities are marginal which would potentially result in developments of low densities, poor design and quality and isolated estates. Development interest would remain low with a commensurate effect on both the prospective residential and commercial investment in the large residential brownfield sites at Beam Park, Somerfield and north of the A1306, Courier Road and Beam Reach 5 employment sites. It will improve access for the large and relatively deprived existing communities between Dagenham Dock and Rainham that currently have poor access to public transport of any kind.</p>	<p>£0.8m (grant)</p> <p>£8.8m (loan)</p> <p>£8.8m TfL</p> <p>£0.65m LBH</p>
9	Grant	HRA infill sites	<p>Affordable housing grant.</p> <p>Traditional grant/gap funding to aid the delivery of 42 no. affordable units on three HRA owned 'infill' sites. Sites to be delivered directly by LBH's in-house development team. These HRA sites require grant funding to be delivered for much needed affordable housing. Without this support the sites will remain in their current use. The intention is for the Housing Zone to provide this grant support and thus accelerate housing delivery. 36 no. affordable rent and 6 no. shared ownership units (First Steps)</p> <p>Delivery programmed for 2015/16 – 2016/17.</p>	<p>£1.32m</p> <p>£7.35m LBH(notional land value of HRA sites)</p>
10	LBH Funding	To be identified	One new 2FE primary school and expansion of existing schools.	£8.5m LBH
			<p>TOTAL GLA Funding</p> <p>Total LBH Funding</p>	<p>£30.56m</p> <p>£17.83m</p>

3.0 Overarching Borough Agreement

- 3.1 This serves as the overall agreement between the GLA and successful bidding Boroughs and outlines the principles and arrangements for the Housing Zone. It may be revised and/or amended at the discretion of GLA in conjunction with boroughs to reflect Zone specific or other provisions. Under this agreement will sit a suite of individual "Intervention Agreements" relating to each of the ten major project strands in the Rainham and Beam Park Housing Zone programme. These will contain full details of the individual project, an appraisal, business plan, delivery programme, cash flows and exit strategy. These will be completed as the major

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projects are refined as the HZ programme progresses and will be the contractual basis for project delivery.

- 3.2 The overarching agreement makes clear that the provision of GLA Housing Zone funding is dependent on a number of factors namely: the GLA carrying out due diligence, the availability of GLA resources and the Borough entering into individual project Intervention Agreements with the GLA.
- 3.3 The agreement is supported by a number annexures which set out the broad overall key agreed inputs, outputs and deliverables within the Havering Housing Zone.
- 3.4 For the Rainham and Beam Park HZ there is an allocation of £30,560,000 from the GLA, of which £14,150,000 is direct grant and £16,410,000 repayable grant.
- 3.6 Repayable grant is grant that the GLA would expect to be repaid over time. The GLA are indicating significant flexibility in the terms of repayment, for example, linking recovery to certain conditions, rather than it being unconditional – these conditions will be set out in the contracts for individual interventions. The Borough mechanism for repayment would be through recouping payments from CIL and the sale / development of land acquired through funding provided by the GLA.
- 3.7 Some of this infrastructure will have benefited from forward funding from the GLA in the form of GLA recoverable grant. Therefore it is proposed to ring fence CIL payments and developer contributions from development schemes within the HZ to establish a series of funding pots to assist in the delivery of infrastructure in the HZ. Developer contributions from S106 and Cil will be used from these funding pots to repay the forward funding. Due regard in establishing funding for specific infrastructure pots will be made to 2010 CIL Regulations specifically those limiting up to 5 the maximum number of contributions through S106 that can be pooled to provide a particular project.
- 3.8 The key outputs
- 3,454 directly delivered new homes of which 941 will be affordable.
 - The acquisition of 12 sites for residential development (delivering 449 new units).
 - The transformation of the A1306 into a Boulevard.
 - A new rail station at Beam Park
 - Completion of 7 technical and constraints and mitigation reports

4.0 Governance

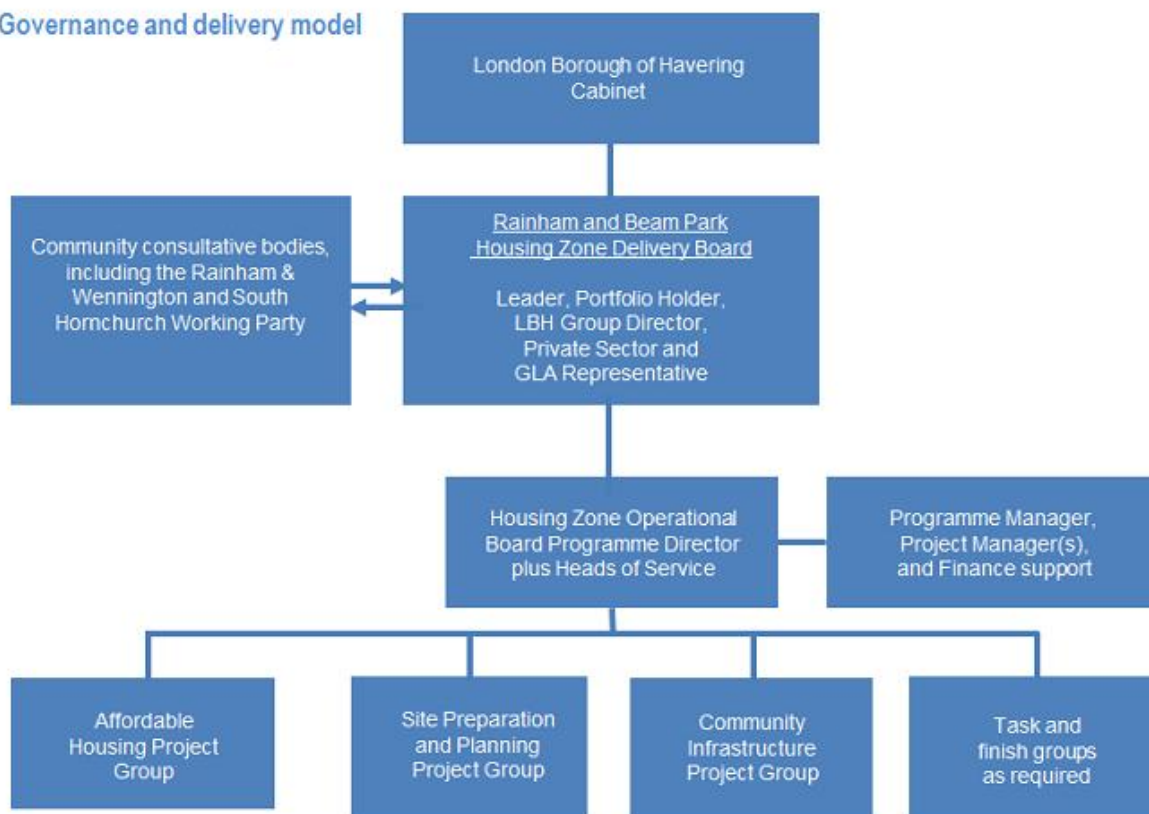
- 4.1 It is intended to establish a Housing Zone Board to monitor and shape the delivery of the HZ programme. It is proposed that the Board would consist of the Council Leader, Portfolio Holder, Group Director, Community and Resources, a director level private house builder representative and a GLA nominated representative. The Council's Heads of Service would in the main be responsible for significant components of the HZ programme.
- 4.2 Through the Group Director, Community and Resources, the Head of Economic Development will be responsible to the Board and LBH for the delivery of the Housing Zone. Economic Development will dedicate appropriate resources to

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support the programme. The Board would approve and monitor use of funds.

- 4.3 The Board will shape operational strategy, agree specific investments and monitor delivery. The Board will consult with various community groups and local members as appropriate. This will include the Rainham & Wennington and South Hornchurch Working Party established by the Council as a cross party body to advise on the regeneration strategy for the area that includes the Housing Zone bid.
- 4.4 Individual Project Teams will be established as appropriate; the governance structure is illustrated in the diagram below:

Governance and delivery model



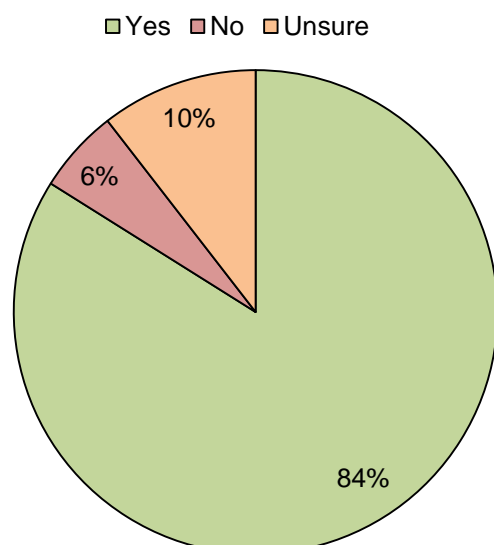
5.0 Rainham and Beam Park Masterplan and Planning Framework

- 5.1 The Rainham and Beam Park Masterplan and Planning Framework is in development and due to be adopted as non-statutory planning policy by Cabinet in late 2015. It will form part of the evidence base of the forthcoming Local Plan. The principles within the framework are currently being consulted upon and will come before Cabinet for approval later in the year.
- 5.2 The Masterplan and Planning Framework document will set out the Council's investment priorities in the area and importantly guide and shape the quality of the development that will be coming forward. It will set a clear vision supported by key design and development principles that will ensure a coherent approach to any development activity. The Framework will seek to avoid the dangers of a piecemeal approach to site delivery, with developments that are inward looking, poorly connected to a functioning neighbourhood.

6.0 Consultation

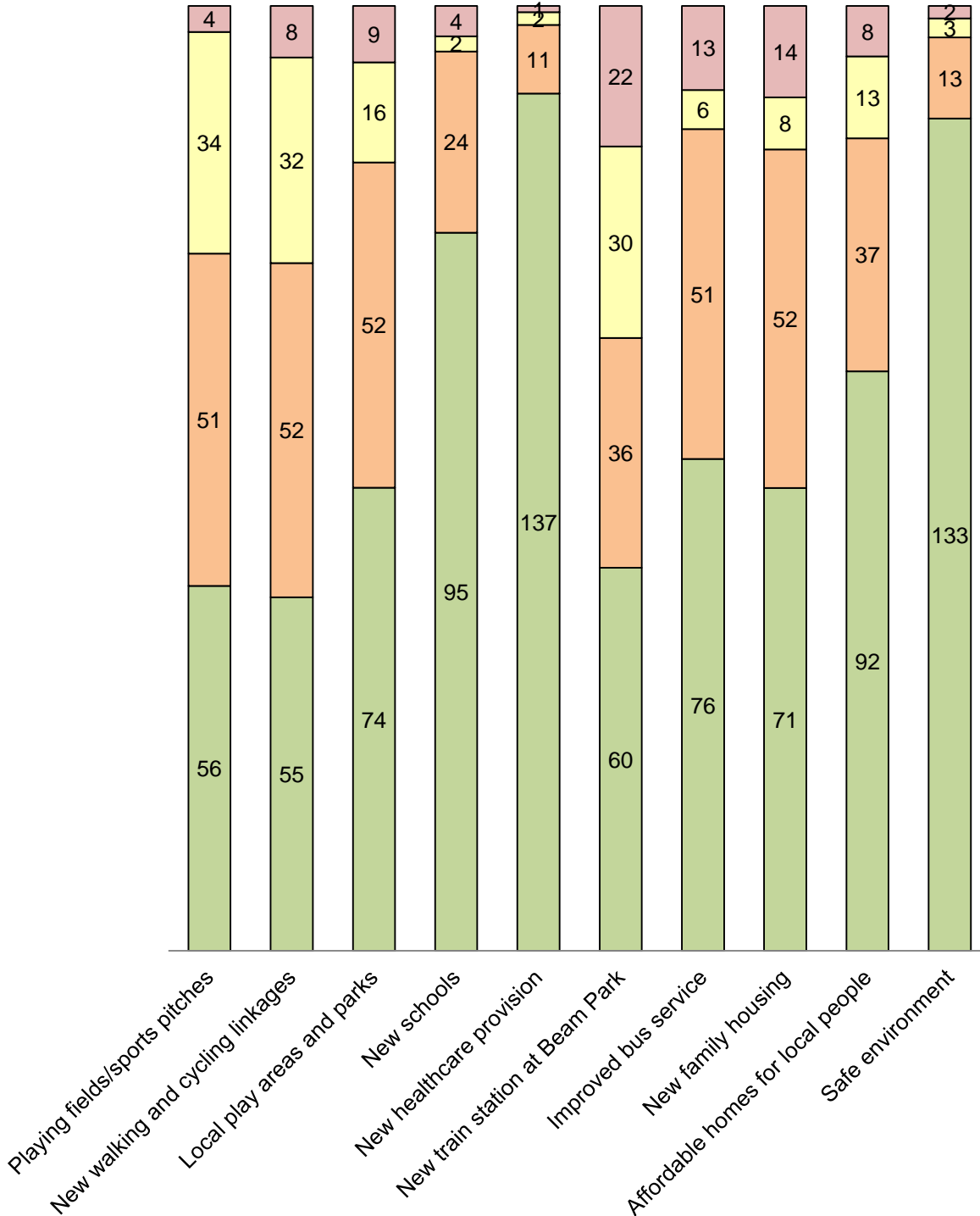
- 6.1 An intensive consultation exercise was undertaken over March and April 2015 to raise awareness of the HZ and gauge the support of local residents and stakeholders to the principles in the HZ. The consultation process included a combination of:
- Member group briefings and meetings with local Ward Councillors and presentations to the Rainham Wennington and South Hornchurch Working Group.
 - Meetings with stakeholders
 - Advertising the consultation process through an article in Living in Havering magazine and a brochure about the development, including a questionnaire, to all residents living in the vicinity of the masterplan area
 - Creating a dedicated website with information about the proposals with the ability to raise questions and provide comments on the proposals.
- 6.2 A Stakeholder Engagement Event took place on the 17th March to gather views and ideas to feed into the vision and objectives for the masterplan. Various stakeholders, who included key elected members, staff from Jon Cruddas MP's office, representatives from local businesses and community organisations, and landholders took part in this hands-on masterplanning event.
- 6.3 A series of resident drop in sessions were held at Rainham Library and Mardyke Community Centre. Residents were able to review the information about the emerging masterplan, discuss the proposals with the project team and input into the process, either at the event, via the dedicated website or via email, telephone or post.
- 6.4 Responses to the first round were very positive with a majority of respondents in favour of the Housing Zone proposals as set below.

Q1: Would you like to see investment into the rundown industrial areas along New Road in order to provide quality new local homes, job opportunities, facilities and green spaces?



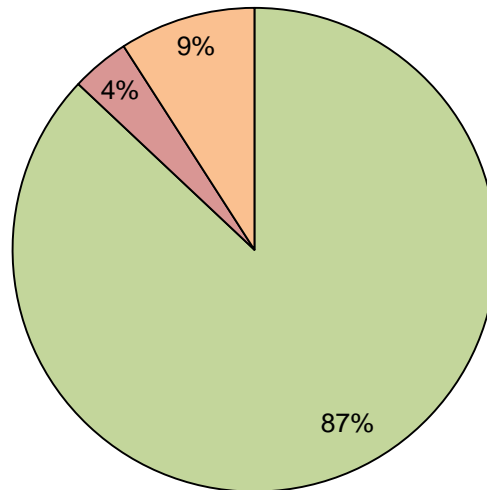
Q2: We have submitted a funding bid to the GLA which would deliver £40million towards infrastructure. Please let us know which of the following is most important to you:

Very important Quite important Less important Not important



Q3: Do you agree that a masterplan for the area should be created to set the character, quality and types of homes as well as the types of facilities, transport improvements and green space needed in the area?

■ Yes ■ No ■ Unsure



6.5 Throughout the consultation process the approach of the project team has been to respond positively to consultation responses from local residents and other consultees and, where practicable, use these insights to inform and amend the proposals as they are embedded in the Masterplan and Planning Framework.

REASONS AND OPTIONS

Reasons for the decision:

The Housing Zone programme gives access to significant investment in Havering which will in turn improve development viabilities and allow for investment prior to housing delivery.

Other options considered:

Not entering into the Overarching Borough Agreement – 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 Housing Zone area, and also that additional sites will be marketed soon, including by the GLA itself. Without Housing Zone funding to provide essential infrastructure and land assembly the likelihood is that development will proceed but in a piecemeal manner and with limited Council ability to guide quality of design and provide community facilities with a possible prospect of development resulting in future liabilities to the Council. With piecemeal developments 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 and that London's general housing shortage outweighs the need for contributions.

IMPLICATIONS AND RISKS

Financial implications and risks:

Entering into the Overarching Borough Agreement does not commit the Council to any immediate capital outlay, but does seek support for the overall package of GLA and Council funding.

It is proposed to ring fence CIL and developer contributions from the HZ to assist with the delivery of infrastructure in the HZ and to repay the GLA recoverable grant.

Contractual commitments will be through the Intervention Agreements. These will contain full details of projects, an appraisal, business plan, delivery programme, cash flows and exit strategy, these will be completed as the major projects are refined later in the HZ delivery. These will be the contractual basis for project delivery.

The £17.83m LBH contribution includes notional site values of HRA infill sites of £7.83 and £650k already allocated from LIP and S106 for the GRIP 3 design process for Beam Park Station. Additional funding to meet the remaining £9.83million has yet to be identified of which the principal share relates to the provision of school places. There is a report elsewhere on this agenda updating Councillors on school places and it is envisaged that the future years Basic Need grant, for school places will be used to cover this. This will be finalised through the Councils Medium Term Financial Strategy MTFs and in particular the capital programme.

Legal implications and risks:

The overarching agreement is a comprehensive agreement with the following main provisions within:

Clause 2 - The provision of GLA zone funding is dependent on a number of factors provided at clause 2 – namely: GLA carrying out due diligence, the availability of GLA resources and the Borough entering into an Intervention Agreement with the GLA.

Clause 4 – In the event that there is a failure on the part of the Borough to deliver or procure a Borough Direct Zone Output within the timescales set out in the zone output schedule the GLA have a number of measures at their disposal which they **may** employ such as : a) terminate the agreement , where the failure has a material adverse effect , b) Cancel any undrawn final intervention sum, c) Recover sums paid to the borough and require the Borough to remedy and submit a plan of action to GLA for approval within 10 business days, or adjust the Final Intervention sum.

Clause 5 – There are a number of obligations placed on the Borough restricting the Borough from disposing of the whole or part of a Borough site (defined as meaning the land upon which the Agreed Interventions and Borough Zone Outputs are to be

constructed) within the zone unless expressly prescribed within the Intervention Agreement. The remaining obligations centre largely around the employment of staff employed by the Borough complies with the requirements of the London Living Wage.

Clause 6 – The Borough as part of the GLA's notification & reporting procedure will be required to attend review meetings within 10 business days of each quarter date to discuss progress, in addition to the schedules quarterly meetings the GLA can call a review meeting at any time, with reasonable notice given.

In addition to entering into the Overarching Agreement the Borough will be required to enter into "Intervention Agreements" which will set out the terms and conditions upon which specific sums of funding will be advanced to the Borough by the GLA. Much of the contract detail will be contained within this agreement which will be specific to the Borough.

Due regard will need to be paid to the 2010 CIL Regulations and to the limit of up to 5 the maximum number of contributions through S106 that can be pooled to provide a particular project in establishing the funding packages for individual infrastructure items.

Human Resources implications and risks:

The Economic Development Service will be required to dedicate resources to the programme management and delivery of projects. This can be accommodated within the existing establishment. Additional time limited support will be required as projects advance including site assembly and the A1306 improvements / linear park, where this has been anticipated and external funding for resources has been built into the overall project cost plan.

The Housing Zone Programme will, at times, require the input and resources of a number of Council services particularly, Housing, Planning, Highways, Legal and Property Services

Equalities implications and risks:

The Rainham and Beam Park Housing Zone will unlock significant investment for housing – both market and affordable – and enable key infrastructure in South Hornchurch and Rainham and Wennington Wards which are among the most deprived in the Borough and London.

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.

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It is proposed that an overarching EIA will be completed for the overall Housing Zone programme. This will set out the equalities implications and relevant EIAs will also be undertaken for each of the 10 programmes and related funding streams.

Background Papers

None