

18/09

EXEMPT FROM CALLED IN



Notice of Non-key Executive Decision

Subject Heading:	Bridge Close - Housing Zone Grant Agreement with the Greater London Authority
Cabinet Member:	Councillor Roger Ramsay
CMT Lead:	Steve Moore, Director of Neighbourhoods
Report Author and contact details:	David Covill – Regeneration Consultant david.covill@havering.gov.uk
Policy context:	<p>London Plan 2011 and Draft London Plan 2019 - 2041</p> <p>Havering Local Development Framework and Romford Area Action Plan 2008</p> <p>Romford Development Framework 2015</p> <p>Havering Proposed Submission Local Plan 2017</p> <p>Overarching Borough Agreement with the GLA to support the reinvigoration of Romford town centre - Cabinet 15 June 2016</p> <p>Bridge Close Business Plan and Joint Venture Partnership Agreement - Cabinet 15 November 2017</p>
Financial summary:	The Greater London Authority (GLA) will provide £12.4m Housing Zone grant funding to assist the Council to purchase affordable housing at Bridge Close. The balance of the cost

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	will be funded from the Council's Housing Revenue Account in accordance with the proposed Capital Programme.
Relevant OSC:	Towns and Communities
Is this decision exempt from being called-in?	Yes. Exemption from call-in agreed by Councillor Ford in an email dated 30 January 2018.

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

Communities making Havering	[x]
Places making Havering	[x]
Opportunities making Havering	[x]
Connections making Havering	[x]

Part A – Report seeking decision

DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

This Executive Decision seeks authority to enter into a Borough Intervention Agreement with the Greater London Authority (GLA) in respect of Bridge Close.

It is recommended that the Council should agree a Borough Intervention Agreement with the GLA to accept £12.4m Housing Zone Grant to support the regeneration of Bridge Close, and specifically the delivery of affordable housing.

This decision is accompanied by another which seeks to enter into a Borough Intervention Agreement to secure Housing Zone funding for the regeneration of Waterloo Estate. The separate agreements would secure a total £15.1m funding to contribute to the delivery of affordable housing within the Romford Housing Zone



Background

Cabinet agreed in June 2016 that Bridge Close, including the houses fronting Waterloo Road and Oldchurch Road, should be brought forward as a residential led development and authorised officers to negotiate suitable arrangements with developers to deliver the Council's vision, and begin the process of acquiring land.

Cabinet also agreed in June 2016 to enter into an Overarching Borough Agreement with the GLA in respect of Romford, and to delegate the authority to approve individual funding agreements to the Leader, Cabinet Member for Housing and the Council's s151 Officer. This Executive Decision is in respect of Bridge Close.

Cabinet on 15 November 2017 agreed to establish a Joint Venture Limited Liability Partnership with First Base Bridge Close Regeneration LLP to deliver the regeneration of Bridge Close. One of the advantages of the Joint Venture approach set out in the report is to give the Council a greater level of control over the delivery of infrastructure including affordable housing.

The financial and delivery model on which the business case was based included the following indicative parameters:

- 1,070 new homes (including at least 30% affordable homes);
- a 3 form entry primary school;
- a local health facility;
- commercial floor space, likely to be flexible workspace and small retail/leisure;
- a new pedestrian and cycle bridge from Bridge Close to near Romford station;
- environmental improvements to the River Rom; and
- a site of religious worship (on or off-site). Support to the provision of ambulance service facilities to serve the Havering area.

* Attached is the agreement. I authorise the Programme Director of Regeneration to make minor amendments as may be required by the GLA or agreed with them.

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As part of the Joint Venture legal agreements, the Council will as a Registered Provider commit to purchasing all of the affordable housing, both affordable rented and shared ownership.

The financial implications were addressed in both the exempt part of the Bridge Close report and in the Housing Revenue Account (HRA) Business Plan on the same agenda.

This Executive Decision is taken by the Leader in the exercise of his executive powers as set out in the Local Government Act 2000 (as amended) and the Council's Constitution, and is consistent with the decisions taken by Cabinet in November 2017.

The Housing Zone contractual agreement

In 2016 the GLA allocated £12.4m in respect of Bridge Close of which £6.5m was recoverable (that is, repayable to the GLA). The intention was to use the grant to contribute to the cost of the construction of the East-West link, improvements to the River Rom and land acquisition.

Subsequent to the November 2017 Cabinet, the GLA indicated that it would be willing to make the entire grant non-recoverable in order to secure 35% affordable housing. For this to be affordable to the Council's HRA, and in order to accelerate the grant agreement, it is proposed that the £12.4m grant should be paid to the Council to help fund additional shared ownership properties. This will not impact on the ability of the Joint Venture to deliver the East-West link and improve the River Rom, or to acquire land.

The necessity to accelerate the grant agreement is important as the Mayor has decided to close the Housing Zone programme earlier than planned.

As part of the approval process, the Council submitted a detailed 'toolkit' which has been analysed and assessed by consultants working for the GLA.

The Borough Intervention Agreement sets a number of outputs:

Direct outputs

- 214 shared ownership properties
- 695 private properties

Indirect outputs

- 55 additional shared ownership grant (supported through the separate Affordable Housing Grant Programme)
- 106 affordable rented properties
- School, health centre and 6,000sq.ft. of commercial space.

The GLA must agree to any changes to the outputs insofar as eligibility for grant is concerned.

The GLA will set an overage requirement if the Bridge Close scheme was to deliver a financial surplus above an agreed level (proposed at 15%). This would not impact on the base case financial projections reported to Cabinet in November 2017. The

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average share the GLA will receive is based on the value of the Housing Zone funding as a percentage of the total of the Council's equity contribution and the GLA Housing Zone funding combined, i.e. 27.9% in the base scenario. This would then be applied to the Council's share of the total profits above the agreed level.

It will be some years before the overall surplus of the Joint Venture is known but the Council has requested that in the event that overage became due, the money is reinvested in to support additional affordable housing within the Romford Housing Zone area.

In addition to Housing Zone grant, the GLA has indicated that it is willing to allocate a further £1.54m from the Affordable Housing Grant 2016-2021 Programme for the same purpose. Separate approval will be sought for that grant.

AUTHORITY UNDER WHICH DECISION IS MADE

Cabinet on 15 June 2016 decided to:

Agree to the Borough entering into the Overarching Borough Agreement with the Greater London Authority in respect of the Romford Housing Zone

Delegate to the Leader, Cabinet Member for Housing and the Section 151 Officer the authority to approve individual funding agreements.

This decision is being taken by the Leader under his executive powers.

STATEMENT OF THE REASONS FOR THE DECISION

This Decision is necessary to secure £12.4m grant from the Greater London Authority to support the regeneration on Bridge Close, Romford and the delivery of affordable housing.

OTHER OPTIONS CONSIDERED AND REJECTED

Not to accept GLA Housing Zone funding – rejected. The expected level of affordable housing without Housing Zone funding would be 23%. This would be inconsistent with the decisions taken by Cabinet in November 2017 and increase planning risk.

Increase HRA funding by £12.4m - rejected. This could not be accommodated within the HRA Business Plan.

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PRE-DECISION CONSULTATION

None

NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER

Name: David Covill

Designation: Regeneration Consultant

Signature:



Date: 31 January 2018

Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

The Council has the power to take this action under the General Power of Competence, Section 1 of the Localism Act 2011.

The Borough Intervention Agreement is a largely standard form of contract which is adapted to specify outputs and conditions in respect of each scheme, in this case Bridge Close. Legal advice has been taken from the Council's external legal advisers on the Bridge Close project (Browne Jacobson) as well as the One Source legal service.

As described in the Borough Intervention Agreement, the funding is dependent on certain conditions being met, including specific terms governing use of the funds. Failure by the Council to satisfy the conditions will mean that GLA is not obliged to make Housing Zone funding available.

The Borough Intervention Agreement requires the Council to give certain warranties and representations at signing. It also contains wide indemnities in favour of the GLA.

The Borough Intervention Agreement sets a number of obligations and conditions. The GLA will monitor process regarding the delivery of outputs, statutory compliance and value for money.

The GLA has wide ranging rights to recover the Housing Zone funding in certain circumstances including where:

- (a) certain outputs are not met, including failure to meet milestone dates; and
- (b) any representations and/or warranties made by LBH are incorrect when made.

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There are a number of default events, the occurrence of which would give the GLA any one of a number of rights including the right to terminate the Borough Intervention Agreement, suspend the availability of Housing Zone funding or reduce the maximum amount of Housing Zone funding available.

The Borough Intervention Agreement also requires the funding to be applied in compliance with State Aid laws. Legal advice has confirmed that the use of GLA funding to support the acquisition of affordable housing at market value will not give rise to illegal State Aid. Further advice will be taken once the terms of the purchase are finalised in order to ensure continued compliance in this regard.

The Council is acting lawfully in entering into the Borough Intervention Agreement and has the necessary powers and approvals to meet the obligations in it. Provided that the terms and conditions of the BIA are met there are no legal risks to entering into the agreement.

FINANCIAL IMPLICATIONS AND RISKS

The allocation of £12.4m of Housing Zone funding is to support the acquisition of affordable housing at Bridge Close and is incorporated into the Housing Revenue Account capital programme proposals to Cabinet and Council in February 2018.

The HRA business plan and budgets to be considered by Cabinet and Council in February 2018 include a maximum provision of £128.3m for purchase of affordable units. This includes 375 affordable units (35%), an estimate of Stamp Duty Land Tax and allows for receipts from the disposal of shared ownership units to be paid into the JV should this be required.

Funding, including the £12.4m Housing Zone funding and the proceeds from the disposal of shared ownership interests, has been identified to reduce the overall net capital commitment from £128.3m to £55.9m, which compares to the net capital commitment of £36.7m (overall commitment of £55m) as reported in the November HRA BP updated presented to Cabinet in November 2017.

HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)

There are no direct human resources implications

EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS

The report to Cabinet in November 2017 reported that an Equality Impact Assessment had been undertaken and that it concluded that the benefits of the Bridge Close redevelopment will outweigh the adverse impacts. The delivery of affordable housing was an important part of this assessment. The Housing Zone grant agreement is

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therefore a positive measure.

None **BACKGROUND PAPERS**

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Part C – Record of decision

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

Decision

Proposal agreed

Proposal NOT agreed because

Details of decision maker

Signed



Name: Councillor Roger Ramsey

Cabinet Portfolio held: Leader of the Council

Date: 31 January 2018

Lodging this notice

The signed decision notice must be delivered to the proper officer, Andrew Beesley, Committee Administration & Interim Member Support Manager in the Town Hall.

For use by Committee Administration

This notice was lodged with me on 31 JANUARY 2018

Signed 

2. $\frac{1}{2} \times \frac{1}{2} = \frac{1}{4}$

3.