

Mayor & Cabinet		
Report Title	Housing Infrastructure Fund – Bids for Catford Town Centre and Lewisham Gateway	
Key Decision	Yes	Item No.
Ward	Rushey Green and Lewisham Central	
Contributors	Executive Director for Regeneration and Resources	
Class	Part 1	Date: 13 September 2017

1. Summary and Purpose:

- 1.1 An opportunity has arisen for the Council to seek substantial support towards a number of strategic projects in Lewisham and Catford town centres.
- 1.2 The Government's £2.3 billion Housing Infrastructure Fund is aimed at funding vital physical infrastructure to help unlock up to 100,000 homes in high demand areas across the country. The purpose of the report is to inform Mayor and Cabinet of the opportunity, and to seek approval to submit bids for two strategic projects in Catford and Lewisham Town Centres for consideration by the DCLG.

2. Recommendation:

The Mayor is recommended to:

- 2.1. note the contents of the report;
- 2.2. approve the submission of formal bids for Housing Infrastructure Fund (HIF) support for the Lewisham Gateway (Phase 2) and the Catford Regeneration programmes.
- 2.3. agree that officers continue to develop schemes to unlock capacity in and around Lewisham Station in advance of potential round 2 HIF and other funding opportunities

3. Policy Context:

- 3.1. 'People, prosperity, place', Lewisham's regeneration strategy 2008-2020, sets out the Council's aspiration for a vibrant, dynamic Lewisham focused around the themes of people - investing in the individuals and communities which are Lewisham's greatest asset - prosperity - fostering the skills and economic opportunities for Lewisham to flourish and thrive - and place - developing high quality public spaces, sustainable buildings and

protecting the areas which are sensitive to change. The strategy identifies Lewisham and Catford town centres as strategic sites within the Borough. The strategy is also placed within the framework of the key national and regional policies which affect the Council's work around regeneration in the borough, including the London Plan.

- 3.2. 'Shaping our future', Lewisham's Sustainable Community Strategy 2008 - 2020, includes the 'Dynamic and Prosperous' theme, where people are part of vibrant communities and town centres, well connected to London and beyond. It details the Local Strategic Partnership's commitment to 'improving the quality and vitality of Lewisham's town centres and localities', and aspirations to 'support the growth and development of our town centres by working with commercial partners and developers', and 'maximise the use of our town centres as places to engage the local community'.
- 3.3. Strengthening the local economy is a corporate priority, emphasising the importance of 'gaining resources to regenerate key localities, strengthen employment skills and promote public transport.
- 3.4. The Council's Local Development Framework (LDF) sets the vision, objectives, strategy and policies that will guide development and regeneration in the borough up to 2025 and which, together with the Mayor of London's 'London Plan' form the statutory development plan for the borough.
- 3.5. Lewisham's Housing Strategy 2015–2020 sets out four key objectives:
 - Helping residents at times of severe and urgent housing need
 - Building the homes our residents need
 - Greater security and quality for private renters
 - Promoting health and wellbeing by improving our residents' homes

4. Background

- 4.1. In July 2017 the Department for Communities & Local Government (DCLG) launched the first tranche of a £2.3billion capital grant fund aimed at unlocking housing delivery in areas of high demand across the country. The fund, known as the Housing Infrastructure Fund (HIF) forms part of the new £23billion National Productivity Investment Fund (NPIF) announced at the Autumn Statement in 2016.
- 4.2. The purpose of the HIF fund is to:
 - enable the delivery of new physical infrastructure to support new and existing communities;
 - make more land available for housing in high demand areas, resulting in new additional homes that otherwise would not have been built;
 - support ambitious local authorities in their growth planning; and
 - enable local authorities to recycle the funding for other infrastructure projects.
- 4.3. The funding follows on from the recent Housing White Paper and is to be allocated to local authorities on a highly competitive basis from 2017-18 to 2020-21. Funds allocated from this first tranche must be committed to projects

by March 2021.

- 4.4. The funding is allocated to support projects or programmes in two ways – Marginal Viability Funding (MVF) and Forward Funding (FF). A brief description of each funding route is set out below.

4.4.1 Marginal Viability Funding (MVF):

MVF grant is intended to provide the final or missing piece of infrastructure funding to enable existing sites to be unblocked quickly or additional sites to be allocated for housing. Bids for this fund are capped at £10M and funding must be fully committed by 31 March 2021. Infrastructure works should commence soon after the funding is provided and housing delivery should follow at pace once the infrastructure works are completed.

Bids for MVF must be led by single or lower tier local authorities, that is, boroughs but, Government guidance sets out that other partners, including the GLA, should be fully engaged to demonstrate that the infrastructure proposals are supported at all levels. Joint bids are encouraged to address issues which go beyond individual borough boundaries.

4.4.2 Forward Funding (FF):

FF grant is intended for a small number of strategic and high-impact infrastructure projects. It is intended to unlock land for future homes and stimulate market confidence. Bids are capped at £250M and again, funding must be fully committed by 31 March 2021. Final funding decisions will not be made until summer 2018 and most of the funding awarded must be spent by 2020-21.

The size and nature of FF means that only the uppermost tier of local authorities such as the GLA and combined authorities can bid.

- 4.5. To be eligible for either fund, bids must be for schemes that:

- require grant funding to deliver physical infrastructure and provide strong evidence that the infrastructure is necessary to unlock new homes and cannot be funded through another route.
- support delivery of an up to date plan or speed up getting one in place.
- have support locally
- spend the funding by 2020/21.

- 4.6. Eligible bids will also be assessed on the basis of deliverability, value for money and overall strategic fit in helping deliver higher levels of housing growth in a local area.

- 4.7. Although caps have been set for both funding streams, the DCLG guidance states that higher levels of funding may be awarded in exceptional cases where a demonstrable robust case for widespread transformational delivery of new homes can be made.

- 4.8. On 18th July 2017, following the launch of the fund, the GLA wrote to all London

councils, including Lewisham, informing them of the availability of the fund and asked for schemes to be put forward. The GLA letter required councils wishing to put schemes forward for either funding pot to complete an initial expression of interest proforma for their fund of choice. This was to enable the GLA to compile a comprehensive list of schemes to support the local authority led MVF and also decide which schemes to include in the more strategic Forward Fund grant which has to be GLA led.

- 4.9. Following the receipt of the GLA letter, a senior officer group met to consider appropriate schemes to put forward for the grant. It was agreed, subject to Mayor and Cabinet approval that the Lewisham Interchange project; Lewisham Gateway project and the Catford Regeneration Programme (realignment of the A205 South Circular Road) could benefit from the grant support.
- 4.10. The DCLG deadline for formal bids for either fund is 28th September 2017; however, the GLA's expression of interest proforma attached to their 18th July letter had to be completed by 31st July 2017. This urgency from the GLA meant that officers have had to complete the GLA's informal expression of interest process ahead of securing Mayor and Cabinet approval to apply for the grant.
- 4.11. A brief description of the three schemes included in the expression of interest process together with the relevant fund being sought are set out below.

4.11.1. Lewisham Station Interchange Project

- 4.11.1.1. The Lewisham Station Interchange Project could benefit from Forward Fund grant to support the delivery of a new Lewisham Station Interchange. This would provide the internal station capacity required to support continued growth both in the Borough and across the wider south-east region. Work has been undertaken in partnership with TfL and Network Rail to identify opportunities to improve capacity and legibility at the station.
- 4.11.1.2. A HIF Forward Funding grant would help to provide the "non-Bakerloo Line Extension" improvements to the station and its surrounds. This would uplift the scope and quality of design, and bring forward the vital physical capacity improvements to cater for existing and future development before the BLE is delivered in 2029.
- 4.11.1.3. The interchange proposal is therefore a fundamental part of the place-making strategy for Lewisham, and includes options for Over Station Development, and crucial new pedestrian links across the heart of the town centre along with increasing passenger capacity and improving interchange between transport modes.

4.11.2. Lewisham Gateway Project

- 4.11.2.1. Lewisham Gateway is one five strategic sites in the Council's adopted Core Strategy and development of the Gateway site has long been identified as key to the wider regeneration of Lewisham town centre. In the late 1990's the Council together with Transport for London, London Buses and the London Development Agency explored proposals to address the problems associated with the previous road layout, which was identified as a major barrier to the long-term success of the town. From this work and in response to public consultation on the options to

reconnect the town centre and transport interchange as well as create a development site that could support a scale and mix of uses appropriate for this location were developed. This vision was set out in the Lewisham Gateway Planning Brief and associated development framework, endorsed and adopted by the Council in 2002.

- 4.11.2.2. The scheme is delivering a mix of uses including up to 900 new homes, a cinema, hotel, gym, restaurants, bars, shops and a series of public spaces and squares.
 - 4.11.2.3. Given the scale, complexity and cost of the works involved in delivering the vision for the site, the public sector agencies organised a development competition inviting proposals for development of the site. From this process, in 2004 Lewisham Gateway Developments Limited (LGDL) were selected to deliver the phased development of the site, commencing with the road and infrastructure works. At the time LGDL was appointed grant funding was available to support the delivery of the project (through the Single Regeneration Budget), however this was subsequently withdrawn and has been replaced by a loan.
 - 4.11.2.4. Implementing the infrastructure works has been a complex and costly undertaking. The combination of re-constructing a major junction whilst keeping the road network open, realigning two rivers, maintaining access to the station and keeping bus services operating, and dealing with major services and utilities diversions has been a major challenge, has taken longer than planned and the project has incurred significant additional costs. The increased cost of the infrastructure works have been borne by LGDL, with public sector funding covering only part of the extra cost. The costs associated with delivering the infrastructure works have resulted in the scheme being unable to support the delivery of any affordable housing on site to date.
 - 4.11.2.5. Phase 1 of the scheme is nearing completion and as set out above the viability of the second phase is challenging with no affordable housing currently proposed. A recent amendment to the scheme proposing increasing height and massing and altering the mix of uses on site was refused planning consent in part due to the lack of affordable housing.
 - 4.11.2.6. A HIF Marginal Viability Funding of £10M, could help improve the viability of the scheme to facilitate the provision of some affordable housing whilst ensuring that the scheme can continue to support the wider mix of uses necessary to deliver the Council's regeneration aspiration for this key town centre.
- 4.11.3. *Catford Regeneration Programme (A205 realignment)*
- 4.11.3.1. On 19th July 2017, Mayor and Cabinet agreed a preferred option for realigning the A205 South Circular road through Catford town centre to enable the strategic regeneration of the town centre and civic hub to be progressed.
 - 4.11.3.2. However, the investment required to deliver the new road alignment is currently unfunded. There are no funds within TfL's current programme to deliver the road move until at least 2021 when their next funding programme is expected to be announced. Due to overall viability

challenges for the scheme as a whole, neither the Council nor private developers are likely to be able to meet the significant investment needed. Therefore, in the absence of any additional funding it is unlikely any progress on this critical infrastructure element can be made to help progress the delivery of the regeneration programme.

- 4.11.3.3. HIF Marginal Viability Funding of £10M, could help part fund the road infrastructure works needed to realign the A205 enabling the much awaited regeneration programme which includes the delivery of up to 2500 new homes to be progressed at pace.
- 4.12. Bids submitted for Marginal Viability Funding (MVF) will be assessed through a one stage process and an announcement on awards is expected in late 2017 and early 2018. Assuming M&C approve this report and a successful bid is put through for the Catford and Lewisham Gateway schemes, a further report will be prepared for M&C providing details of any award and of any terms that require negotiation thereafter.
- 4.13. The nature and size of Forward Funding bids meant that they were to be assessed through a two-stage process by the DCLG. However, following the initial expression of interest noted in 4.10 above, the GLA provided feedback to officers on the Lewisham Interchange Scheme noting that the scheme could not be supported for this round of funding. The reason provided is that the scheme is at a very early stage of development and there was concern that full spend or commitment of funds could not be achieved by the March 2021 deadline.
- 4.14. In light of the GLA feedback, officers will not be progressing a bid for the Lewisham Interchange scheme for this round of HIF funding but will be working with the GLA and other partners to explore other avenues to help support the development and delivery of early phases of the scheme.

4 Financial Implications

- 5.1 Mayor & Cabinet approval is required to submit a bid for the Housing Infrastructure Fund because the potential funding award exceeds £1 million. The upper limit for Marginal Viability Funding is £10M. Officers will be seeking to apply for the maximum grant of £10M each for the Lewisham Gateway (Phase 2) and Catford Regeneration - A205 South Circular Alignment projects.

6 Legal implications

- 6.1 In accordance with the Mayoral Scheme of Delegation, approval of any application for external funding exceeding £1 million is reserved to the Mayor.
- 6.2 At this stage, the Council is simply submitting a bid. The details of any award of funding and any terms attached to the funding will be reported back to Mayor & Cabinet for approval.

7 Risk Assessment

- 7.1 If successful the Council will be required to enter into funding agreements with the DCLG or its representative body in respect of any funding award. The details of any terms offered including risk and reward to the scheme will be

considered and reported to Mayor & Cabinet for approval prior to entering into any funding agreement.

8 Equality Implications

8.1 There are no immediate equality implications associated with the recommendations of this report.

9 Environmental Implications

9.1 There are no immediate environmental implications associated with the recommendations of this report

10 Crime and disorder implications

10.1 There are no immediate crime & disorder implications associated with the recommendations of this report.

11 Conclusion

11.1 Mayor & Cabinet are recommended to consider the current opportunity to secure Housing Infrastructure Funding support towards the delivery of two strategic schemes in the borough – the Lewisham Gateway (Phase 2) and Catford regeneration programme (realignment of South Circular A205) and to agree to the submission of bids for support from the DCLG.

11.2 Although the Lewisham Interchange Project was not successful for this round of the HIF grant, officers will continue to develop and explore other opportunities including a potential round two HIF grant to help support the scheme. External support, particularly in the form of grant funding would have a substantial benefit to the deliverability of these strategic programmes and to the outcomes which the schemes can achieve.

If you would like further information on this report please contact Kplom Lotsu, SGM Capital Programmes on ext: **49283**