

Report for: Cabinet 13th February 2017

Title: Authority to enter into a Funding Agreement to deliver the Station Square – Bus Station project in Tottenham Hale

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Ward(s) affected: Tottenham Hale

**Report for Key/
Non Key Decision:** Key

1. Describe the issue under consideration

- 1.1 Following previous Cabinet reports on the regeneration of Tottenham Hale ('Tottenham Hale Regeneration Programme, 15th July 2014, 'Tottenham Hale Delivery: District Centre Framework', 9th February 2016) an infrastructure and placemaking programme has made significant progress in identifying a suite of projects through the Streets and Spaces Strategy. This strategy seeks to enable the transformation of Tottenham Hale into a new district centre, suitable for 4,000 homes and 5,000 jobs.
- 1.2 A critical intervention described within the District Centre Framework (DCF)'s Streets and Spaces Strategy is the Station Square – Bus Station project, which unlocks key development sites and enables the overall delivery of a new Tottenham Hale District Centre through the realignment of the bus station and its environs. It incorporates a suite of changes required to the bus station in order to reduce its footprint and allow it to operate more efficiently, together with associated enabling and infrastructure works required to deliver the heart of the new District Centre, and is to be delivered by Argent Related through its Strategic Development Partnership (SDP) with the Council. On 21 March 2017 the Council entered into a Development Agreement with the Argent Related entity, TH Ferry Island Limited Partnership in respect of various sites adjacent to and near the Bus Station. The Bus station realignment work must proceed in 2018 in order that the delivery of neighbouring development sites is not delayed and to meet the deadline for the Housing Zone funding spent.
- 1.3 A significant degree of dialogue has been undertaken throughout 2017 with TfL regarding the works required to realise a realigned bus station, and as a result it is now known that a significantly expanded scope of works is required, which must include public realm works to highways outside of the footprint of the Bus Station itself. At the same time, high level cost estimates have been refined through detailed design work. As a result, estimated costs have increased significantly from earlier estimates. These cost increases are detailed further in Section 5 below.
- 1.4 In 2016 the estimated cost of the Bus Station works, of a limited scope as shown in Appendix A, was a total of £1.2m, which was to be accommodated within the Housing Zone programme. Once the revised scope shown in Appendix B became known, estimated costs increased to a total of £7.165m, leaving a funding requirement of

£5.956m. The GLA agreed to increase their funding for the project by £1.3m, leaving a residual requirement of £4.665m to be sourced.

Planning Obligations

- 1.5 Through work on the DCF's Streets and Spaces Strategy, the Council has identified a total of £2m of expected planning obligations (S106 payments) expected from Argent Related for highways projects which are coterminous with the expanded project area shown in Appendix B. It is therefore proposed that the Council provide £2m cashflow funding to deliver the Station Square – Bus Station works before these are repaid through planning obligations on SDP sites, once appropriate S106 payment triggers are met.

SDP Land Receipts

- 1.6 On 12 July 2016 Cabinet agreed to enter into a SDP with Argent Related, and to utilize sales receipts from disposals towards the provision of affordable housing and towards capital projects described in the DCF. As the Station Square – Bus Station project was described therein, it is eligible spend for SDP land receipts.
- 1.7 On 21 March 2017 the Council entered into a Development Agreement with TH Ferry Island Limited Partnership. Minimum expected SDP land receipts are indicated in Appendix C, based on the earliest feasible completion of land transactions, and are currently expected to be received between October 2020 and January 2022, at practical completion of SDP sites. This figure is exclusive of profit share and overage payments as described in the SDP Development Agreement, but which are expected to substantially increase total receipts received by the Council. After existing allocations noted in Appendix C, it is proposed that £2.665m of this funding is applied to the Station Square – Bus Station project, and that the Council provide cashflow funding until this is received.
- 1.8 In its role in delivering comprehensive development and in order to achieve significant placemaking ambitions for Tottenham Hale, the Council is the only party that can effectively ensure that this enabling project is able to proceed. Although the increase in costs for the Station Square – Bus Station project is significant, officers have identified significant benefits to the approach proposed. These are outlined in more detail in Section 6 below.

2. Cabinet Member Introduction

- 2.1 The Housing Zone process gives the Council an opportunity to bring substantial resources to bear to deliver key place-making investments and to bring forward a substantial volume of new, quality homes of different sizes and tenures with a view to creating a truly sustainable, mixed community.
- 2.2 This report seeks to enter into a funding agreement for a key infrastructural project in order to make this vision a reality. We have made great progress in setting out an exciting vision for the future of the Tottenham Hale as London's next great affordable neighbourhood of choice, with a thriving district centre with new places to live, work, shop and enjoy.

3. Recommendations

It is recommended that members agree:

- 3.1 To the Council increasing the amount of grant to be given to TH Ferry Island Limited Partnership (Argent Related), its Strategic Development Partner, by a maximum sum of £7.165m (including £2.5m GLA Housing Zone funding), for the purpose of funding the realignment works to be carried out to the Bus Station in Tottenham Hale, subject to the Council's budget setting meeting on the 26th February 2018 and subject to the Council and TH Ferry Island Limited Partnership entering into a funding agreement in respect of the grant.
- 3.2 To give delegated authority to the Strategic Director of Regeneration, Planning and Development after consultation with the Cabinet Member for Housing, Regeneration and Planning, the Chief Financial Officer and the Assistant Director of Corporate Governance to agree the final amount, the terms and conditions for providing the grant funding.

4. Background information

- 4.1 The Tottenham Area Action Plan (AAP) was adopted by full Council in July 2017. The AAP sets out a target of 5,000 homes and 4,000 jobs to be delivered in Tottenham Hale.
- 4.2 Haringey also completed the District Centre Framework for Tottenham Hale (DCF), a masterplan demonstrating how the Council's planning policy could be implemented and new development coordinated, including the reorientation of the retail park to a new District Centre. The DCF and AAP build on the vision set out in the Tottenham Strategic Regeneration Framework.
- 4.3 The DCF was developed over a two-year period where the Council engaged with internal and external partners including residents, businesses, landowners, developers and statutory partners. The final draft of the DCF was presented to Programme Delivery Board in August 2015. The DCF was adopted by Cabinet in February 2016 as Haringey Council's preferred delivery framework for Tottenham Hale.
- 4.4 Haringey has also prepared two key delivery strategies for Tottenham Hale, which set out the interventions required to support a substantial new District Centre, and which help to make up for existing deficits in infrastructure provision. These strategies are:
 - *Streets and Spaces Strategy*: setting out a public realm and movement strategy to support the creation of the District Centre with a North-South spine connecting the green and open spaces to the public realm elements and the upcoming developments to create a safer and more attractive public realm for all users
 - *Green and Open Spaces Strategy*: setting out the Council's approach to enhancing our green and open spaces and the links between them, with clear objectives and projects to be progressed
- 4.5 The February 2016 Cabinet decision also gave overarching support for a series of enabling projects under the Capital Programme, including the Station Square – Bus Station project.
- 4.6 Cabinet agreed on 12th July 2016 to enter into a SDP with Argent Related, and to declare as surplus to requirements a series of sites in Tottenham Hale. It was agreed that sales receipts from disposals of these Council sites would be used to support the provision of affordable housing and towards capital projects described within the DCF.
- 4.7 Through negotiation on the SDP Development Agreement, it was determined that Argent Related, as part of their comprehensive redevelopment of neighbouring sites under the Development Agreement and on the basis of the Exclusive Rights

procurement position, are the only party that could feasibly deliver the realignment of the bus station (Station Square – Bus Station project). The Development Agreement dated 21 March 2017, requires both parties to use reasonable endeavours to agree terms of a funding agreement in relation to these reconfiguration works.

- 4.8 On 14th February 2017, the Leader agreed to the Council providing grant agreements to third parties, from Housing Zone monies received from the GLA and for interventions set out in the Housing Zone Overarching Borough Agreement. This included an allocation to Argent Related. The Council has now agreed the Borough Intervention Agreement with the GLA for this Housing Zone funding.

5 Reasons for decision

Bus Station Cost Increases

- 5.1 The District Centre Framework and Streets and Spaces Strategy identified the need for substantial changes to the bus station in order to reshape the District Centre and to release developable land within the Station Square West AAP site allocation. These lands and the works associated with them are a key part of the Council's Strategic Development Partnership with Argent Related. Appendix 1 shows, shaded in yellow and green, the initial proposed scope of works.
- 5.2 These initial works were limited to moving kerbs eastward in order to expand the site area of Station Square West, and opening up the north end of the bus station in order to facilitate entry and exit for buses at both ends, thus releasing land for a mixed use development to the works.
- 5.3 Throughout 2017 the Council, Argent Related and Transport for London have worked together to refine the designs for a realigned bus station and to have them signed off by the relevant parts of Transport for London, notably London Buses, TfL Surface Transport, London Taxis and others. A further key component of the approvals process is the modelling of the changes on both the bus station and the surrounding road network.
- 5.4 The initial modelling of the 2015 design (with minor modifications) identified substantial challenges in capacity and functionality at the newly created northern exit to the bus station. As a result, mitigations were identified, which have substantially increased the scope of required works. The revised design has resulted in substantial benefits accruing to bus operations overall, which has been a critical component in the securing the support of key decision makers within TfL.
- 5.5 This enhanced scope of works is shown in the map attached as Appendix 2 and includes:
- Widening of Watermead Way, west of Ashley Road to address congestion issues in the network and allow right-hand turns into the new north entrance to the bus station;
 - New traffic signaling;
 - Significant upgrades to the junction of Watermead Way, Ashley Road and Station Road in order to improve pedestrian and cycle safety, improve the public realm and address vehicle movements through the town centre, accommodating future growth at all local development sites;
 - Widening further north on Watermead Way and on The Hale accommodating new bus laybys relocated from within the bus station itself;
 - The realignment of Station Road, opening this to traffic to allow servicing and enabling the creation of important new pedestrian and cycle links from

the station, through the core of the district centre and beyond to nearby sites.

- 5.6 TfL have now signed off on the design of the realigned bus station, on the condition that the wider scope of works are delivered in parallel.
- 5.7 Argent Related have undertaken substantial work looking at how such works would be delivered. This has also added to the costs, due to need to balance the delivery of highways works on The Hale and Watermead Way with the need to keep the road network and town centre (including the bus station) functioning throughout the works. This detailed delivery work has identified a need for substantial traffic management requirements, which has impacted on cost assumptions.

Housing Infrastructure Fund

- 5.8 To address Bus Station cost increases the Council put forward an Expression of Interest for CLG's Housing Infrastructure Fund (HIF). However, following discussions with the GLA this was wrapped into a larger, pan-Tottenham bid which would nonetheless include a sum to support Tottenham Hale infrastructure. The outcome of this bid is currently awaited, but following advice from the GLA it seems that a determination will not be made by CLG within the originally anticipated timeframe. This risks delaying the whole delivery of the centre of Tottenham Hale, as the Station Square – Bus Station works are the first piece of enabling works required to unlock the whole central sites at Station Square West and Station Square North (ca. 800-1,000 housing units and associated retail, public realm etc.). These works are programmed to start on site in Spring 2018 and would take a little under a year to implement.
- 5.9 It is also far from certain that Haringey would be successful in securing this funding, as it been heavily oversubscribed and Tottenham Hale is already in receipt of significant GLA funding. Officers will continue working in order to attract as much external grant funding to Tottenham Hale as possible; however, to secure the delivery of the District Centre in, this paper assumes a scenario where HIF funding is not forthcoming.

6 Alternative Options

- 6.1 Some Highways works (as included in S106 ask) could be stripped out in order to value engineer Bus Station works and reduce the overall funding requirement. However, this would result in disjointed delivery of interventions on the same footprint, and would extend and increase the disruption experienced in Tottenham Hale as its development proceeds. It would also result in higher costs overall.
- 6.2 Funding could be withheld for the Bus Station project, with Argent Related left to find £4.665m independently. However, Argent Related have indicated to the Council that this additional cost would significantly threaten the viability of the SDP sites as a whole. There is a significant risk that the core of the District Centre would therefore not be delivered leaving a very disjointed heart to the District Centre for at least the next decade. This would result in significant retail and commercial space, and in the region of 950 homes not coming forward. The delivery of the Health Centre on the Welbourne Centre would also be put at significant risk as it is unlikely the Council could identify a replacement developer in the timeframe available.
- 6.3 Argent Related could also be asked to proceed with the delivery of SDP sites without the realignment of the Bus Station. This would result in a substantial loss to the Council as significant receipts flow from the disposal of the bus stand lands thus enabling the delivery of affordable housing and the infrastructure required. The non-delivery of a realigned bus station would be contrary to the Council's established policies in the form

of the Tottenham Area Action Plan and the Tottenham Hale District Centre Framework. It would also cause a significant reduction in the number of new homes brought forward.

Benefits of the Proposed Approach

- 6.4 The additional scope has resulted in substantial increased costs; however, they also result in significant benefits for the wider town centre. In particular, the additional crossing at the junction of Station Road (as realigned) and Ashley Road provide a key north-south link from the core of the district centre to Down Lane Park and other adjacent sites, linking to a new east-west connection through the bus station to the Tottenham Hale tube and rail station. A further crossing on the desire line between the new Ada College and the new station will provide a safe route to the station for Ada's many students and staff. The investment will include significant upgrades to road surfaces and pavements. Delivering these works in advance provides significant benefits to the Council's placemaking ambitions for Tottenham Hale.
- 6.5 It has also been recognised that there are logistical benefits to delivering improvements to the Bus Station and its environs ahead of the comprehensive redevelopment of local sites, as this reduces the length of time for which Tottenham Hale will experience significant disruption to its highways and public spaces.

Key Risk – non delivery of SDP sites

- 6.6 It should be noted also that there are significant risks to funding the Station Square – Bus Station project upfront, as both proposed funding solutions (planning obligations and SDP land receipts) depend upon the delivery of SDP sites, which lies partly outside of the Council's control. In the scenario that SDP sites do not proceed for whatever reason but Bus Station works are already carried out, the Council would not be able to recover increased project costs. However, it would be left in control of viable development sites which it could seek to develop through alternative means in order to recoup all or part of these costs.

7 Contribution to strategic outcomes

- 7.1 The recommendations outlined in this report will contribute towards the following strategic priority outcomes in the Corporate Plan:
- *Priority 3 – Clean and Safe: A clean, well-maintained and safe borough where people are proud to live and work:* By working through the SDP to develop an attractive and safe urban environment and by developing a management plan to bring forward a step-change in the quality of maintenance of the public realm.
 - *Priority 4 – Sustainable housing, growth and employment: Drive growth and employment from which everyone can benefit. (Transport, broadband, skills, carbon reduction, strategic development):* By bringing forward quality development with 900 or more new homes and 70-80,000 sq. ft. of retail and commercial land uses.
 - *Priority 5 – Sustainable housing, growth and employment: Create homes and communities where people choose to live and are able to thrive. (Housing):* By bringing forward affordable housing in its own right and through contributing to the portfolio approach to sites which allows for additional affordable housing to be delivered on nearby sites.

8 Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance

The substantive recommendation of this report is to increase the currently agreed £5.150m grant (funded through GLA Housing Zone programme) that is to be provided to Argent Related, under the terms of the Strategic Development Partnership between the Council and Argent Related, by £7.165m to account for the increased costs associated with the final agreed design solution for the revised bus station works. This would bring the overall grant to be awarded to Argent Related to £12.315m.

This is a significant uplift in cost and hence grant, the reasons for which are explained in the body of the report. A cost plan has been provided and reviewed and under the terms of the grant agreement there will be obligations to mitigate cost and to provide for a clear, open book accounting as well as certification of costs properly incurred by Argent Related Chief Finance Officer. This provides the normal degree of protection to the Council that, if the funds are advanced as recommended, that they will be used for the purposes for which they were advanced.

The original base case that underpins the SDP was for the Council to invest land and in return receive capital receipts of the amount indicated in Appendix C. These receipts would be indexed so that the receipts received by the Council represented best consideration. The estimated effect of this indexation is to increase the anticipated base case capital receipts. Of this sum allocations have been agreed to recompense the Council for the acquisition cost of strategic sites (the BP and McGovern) and to contribute to affordable housing on the Ashley Road site. This leaves a residual unallocated amount, from which it is proposed to allocate £2.665m to the funding gap on the bus station works. If agreed, this will leave a funding gap of £4.5m.

It is proposed that allocation of a further £2.5m of GLA Housing Zone funding is made (which has been agreed with the GLA), leaving a residual gap of £2.0m to be financed. The proposed solution is to pre-fund anticipated S106 receipts of £2.0m.

If agreed, the pre-funding of receipts and S106 contributions will place a strain on the Council's interest budget that has not been budgeted for. At this stage it is not possible to be exact as to the interest cost due to the range of uncertainties around granting of planning, build times, and achieving practical completion (which triggers most payments from Argent Related to the Council). The exact timing of payments for the works to the bus station also complicate matters. A prudent estimate of the effect of pre-funding the capital receipts and the S106 contributions is c£33.4k per annum. This level of effect is not material in the context of the Council's interest budget.

The proposed changes to the grant level, if agreed, do not increase the high level risks inherent in the base case (that the development does not conclude due to partner failure or that the anticipated receipts do not materialise due to planning/market changes). It does though increase the Council's financial exposure to the development by £4.665m.

Should the developer not be able to conclude the bus station works the Council would have step in rights whereby it would be able to conclude the works thus protecting its investment and allowing for large elements of the DCF to proceed with another developer.

8.2 Procurement

Strategic Procurement has been consulted in respect of the proposals contained within this report. Strategic Procurement is satisfied Exclusive Rights exist with Argent

Related and therefore the procurement process of negotiation with prior publication can be justified, as stated within the Procurement Contract Regulations 2015 Section 32.

Upon award of the contract a Voluntary Ex Anti Transparency (VEAT) Notice will be published in compliance with the Regulations.

8.3 Legal

The Assistant Director of Corporate Governance has been consulted on the preparation of this report;

The proposed funding solutions and risks of any shortfall have been detailed in sections 1, 6 and 8.1 above;

The Council will be required to enter into a funding agreement with TH Ferry Island Limited Partnership in a form approved by the Assistant Director of Corporate Governance and the funds detailed therein will need to be allocated in accordance with the terms and conditions set out in that agreement. Any funding must be used to solely fund the bus station works and once completed the infrastructure must not be commercially exploitable and benefit any specific users and must be used by the general public in order to comply with the State Aid rules.

The Council has now agreed the Borough Intervention Agreement with the GLA for the housing zone funding dealing with the Bus Station realignment work. It is a condition of that funding that the borough fund the difference between the housing zone allocation amount and the total costs of these works.

Further specific legal advice may be required once terms are finalised

8.4 Equality

The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share those protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

This decision has no direct impact or disproportionate impact on any residents with protected characteristics. The additional grant funding is being drawn from existing and planned resources related to the wider SDP, including GLA Housing Zone funding and S106 contributions, to limit the need for additional Council spending that could be allocated elsewhere. Allocating the funding will facilitate the ongoing redevelopment of Tottenham Hale and contribute to the social and economic outcomes of the Tottenham Strategic Regeneration Framework, especially an increase in the provision of affordable housing.

9 Use of Appendices

Appendix A – Previous Station Square – Bus Station Project Scope
Appendix B – Current Station Square – Bus Station Project Scope
Appendix C – SDP Land Receipts [exempt from publishing]

10 Local Government (Access to Information) Act 1985

- 10.1 Tottenham Strategic Regeneration Framework (SRF), approved by Cabinet on 18th March 2014
- 10.2 Haringey Local Plan: Strategic Policies
- 10.3 Tottenham Area Action Plan (As adopted in July 2017)
- 10.4 Tottenham Hale District Centre Framework and supporting strategies, adopted by Cabinet 9 February 2016
- 10.5 Tottenham Hale Strategic Development Partnership, decision taken by Cabinet on 12th July 2016