GREATER**LONDON**AUTHORITY

REQUEST FOR MAYORAL DECISION – MD3087

Title: Pudding Mill Lane Development Joint Venture

Executive Summary:

This decision proposes that London Legacy Development Corporation (LLDC) delivers the Pudding Mill Lane mixed use development via a Joint Venture (JV) with a private sector development partner in a similar model to that adopted to deliver the Stratford Waterfront and Bridgewater residential-led schemes. This delivery approach was approved by LLDC's Board in November 2022.

Pudding Mill Lane, along with Stratford Waterfront and Bridgewater, which are now in delivery, and Rick Roberts Way, which is in the latter stages of procurement, are expected to deliver approximately 2,500 new homes, of which 50 per cent will be affordable under a portfolio approach.

To deliver the Pudding Mill Lane scheme in a JV, LLDC will require funding from the GLA. The funding will be provided as a loan to a newly established, wholly-owned subsidiary of LLDC named Pudding Mill Legacy Developments Limited (PMLD), which will use it to invest equity into a development JV.

The GLA will have oversight of the JV's progress and performance through the existing governance and reporting mechanisms in place between the GLA and LLDC, enhanced by a right for the GLA to appoint a director to the new LLDC subsidiary company.

Decision:

That the Mayor approves:

1. LLDC to utilise a Joint Venture (JV) approach to deliver the Pudding Mill Lane scheme
2. LLDC to establish a wholly-owned subsidiary ("Pudding Mill Legacy Developments Limited") to enter into a loan funding agreement with the GLA
3. the provision of loan funding by the GLA to LLDC or its subsidiary to provide equity funding to the Joint Venture entity
4. the delegation of authority to the Executive Director of Housing and Land, to finalise and enter into this loan funding agreement together with any other related agreements (including guarantees) that they may consider necessary or desirable on behalf of the GLA.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:	**Date:** 5/6/23

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR
Decision required – supporting report

1. Introduction and Background

Overview

1.1. London Legacy Development Corporation (LLDC) is responsible for delivering the successful and sustainable future development of Queen Elizabeth Olympic Park (QEOP) and its surrounding areas. As part of the legacy of the 2012 games, LLDC owns several land assets within its boundaries. Significant delivery has taken place to date, with the Chobham Manor scheme now complete having delivered 880 homes of which 34 per cent are affordable. Other schemes are well underway, with the first phase of Eastwick and Sweetwater now complete. The Eastwick and Sweetwater development will deliver 1,859 homes as well as a range of commercial, retail and community uses. Phase 2 of the development started on site in October 2022.

1.2. Of the remaining substantial development sites, Rick Roberts Way is in the latter stages of procurement and will deliver around 450 predominantly affordable homes via a Development Agreement. In the summer 2022, contracts were signed with a private development partner, Ballymore, to deliver the Stratford Waterfront and Bridgewater residential-led sites, via a 50/50 JV. LLDC will invest in the JV via a wholly owned subsidiary established for the purpose – Stratford East London Developments Limited (SELD). A similar structure is proposed to deliver the Pudding Mill Lane scheme.

1.3. As outlined in section 4, the GLA and LLDC have explored various routes to deliver a mixed-use redevelopment of the Pudding Mill Lane site and agreed that a JV structure, funded by way of a loan from the GLA to a newly established wholly-owned subsidiary of LLDC, is the most efficient and effective route.

1.4. This decision is therefore to facilitate this; particularly, it will enable LLDC to access loan funding from the GLA to utilise a JV approach to deliver the Pudding Mill Lane site. Under this approach, LLDC (via its subsidiary, to be known as Pudding Mill Legacy Developments Limited (PMLD)) will invest equity, alongside a third-party developer, to develop the site. As an equal investor, LLDC's subsidiary will receive a 50 per cent share of any development profits to repay its borrowing to the GLA in line with prudential borrowing rules.

1.5. LLDC, in its capacity as landowner, will enter into a Development Agreement with the JV and dispose of its land (for which a further Mayoral decision will be required in due course) through the grant of head leases of the site with a length that satisfies third-party funding requirements. Land will be drawn down once consent of the parties has been secured through fulfilling specific conditions, such as compliance with LLDC priority themes, demonstration of funding and achieving satisfactory Reserved Matters consent.

1.6. On 21 November 2022, LLDC's Board approved the incorporation of PMLD and, subject to finalisation of terms, for this subsidiary to enter into a loan funding agreement with the GLA to secure the necessary equity to deliver the project.

1.7. LLDC launched the initial stage of a procurement in January 2023. LLDC issued a Sifting Questionnaire (SQ) to the market, requesting Tenderers to submit case studies on their experience to deliver a project such as PML. An Invitation to Submit Outline Proposals (ISOP) commenced in May and is expected to be followed by competitive dialogue with developers in late Summer/early Autumn. LLDC are targeting final contract signing with a JV partner in Spring 2024.

Proposal background

1.8. Extensive discussions have previously taken place between the GLA (in its role as core funder of LLDC) and LLDC (in its role as landowner and responsible for the regeneration of QEOP and the surrounding areas) about the most efficient and effective options available to deliver genuinely affordable new homes on land within the Legacy Corporation area that LLDC currently controls.

1.9. LLDC are proposing to procure the private sector partner for the Pudding Mill Lane site through a Concessions Regulations compliant, competitive dialogue process.

1.10. The Capital Spending Plan budgets of LLDC and the GLA for 2023-24 are based on the JV approach and include the latest modelling assumptions regarding associated costs and returns. The proposed use of intra-group repayable loan financing is consistent with the GLA's current approach to funding LLDC's capital investment and helps ensure that this investment delivers a return to the GLA in the same way that a third-party investor would expect.

1.11. The GLA will have oversight of the operations of the JV via the governance and reporting mechanisms already in place between the GLA and LLDC, including the Policy and Liaison meeting of senior officers and the Mayor's Office, chaired by the Mayor's Chief of Staff. This will be recorded as a reporting obligation in the loan documentation and enhanced by the right for the GLA to appoint a director to the new LLDC company (consistent with the Stratford Waterfront and Bridgewater subsidiary, SELD). This director will have voting rights (alongside the LLDC directors) to ensure the GLA's interests are represented.

1.12. There are a number of reasons why this approach is being proposed:

- to enable LLDC to engage with the private sector market to deliver high-quality residential development at pace, whilst maximising financial returns to the public sector (albeit with an increase in LLDC's exposure to the associated risks)
- to provide LLDC with more direct control and greater transparency as a 50 per cent partner in the JV
- to create a clear separation of activities between LLDC as landowner and LLDC as equity investor so that they are distinct to the market
- to avoid any potential conflicts of interest between the Stratford Waterfront/Bridgewater and Pudding Mill Lane developments
- to separate the administration of capital borrowings and receipts from profit from LLDC's main corporate finances.

2. Objectives and expected outcomes

2.1. The proposal to establish a JV has three key objectives:

- to deliver an outstanding new development achieving the LLDC Priority Themes[1]
- to deliver a level of receipt from the JV that can form a significant contribution to the GLA's overall funding of LLDC
- to deliver a level of affordable housing that is consistent with the Mayor's affordable housing policies and the agreed 'portfolio approach' (50 per cent affordable housing across four LLDC sites: Stratford Waterfront, Bridgewater, Rick Roberts Way, and Pudding Mill Lane).

2.2. The Pudding Mill Lane site will deliver c.948 new homes, up to 273m^2 of Class F2 community floorspace and up to 51,738m^2 of Class E type employment space. Outline Planning Permission was

[1] The four themes are: delivering inclusive growth and community well-being; delivering sustainable development and responding to the climate emergency; delivering high quality design; and delivering inclusion and diversity.

given resolution to grant in October 2022, with full outline permission expected to be granted in Spring 2023.

2.3. The Mayor's strategic target, as set out in the London Plan, is for 50 per cent of all new homes delivered across London to be affordable. One of the specific policy measures identified to achieve this aim is for public sector land to deliver at least 50 per cent affordable housing. The Mayor has also committed in his Budget Guidance that all land assets to be disposed of should do so with the intent of (and on the assumption of) delivering 50 per cent affordable housing.

2.4. In September 2018, the Mayor announced that 50 per cent (by habitable rooms) of the homes built across LLDC's remaining development sites (Stratford Waterfront, Bridgewater, Rick Roberts Way and Pudding Mill Lane) will be affordable, of which 30 per cent (by unit) will be low cost rent, which is a significant increase from the level permitted through the previous Legacy Communities Scheme (2012) planning consent.

2.5. The first of these schemes to come forward was Stratford Waterfront which on its own could support 35 per cent affordable housing (as 100 per cent shared ownership). To satisfy the Mayor's requirement to deliver 50 per cent affordable housing on public land, Bridgewater Triangle, Pudding Mill Lane and Rick Roberts Way have been tied into the section 106 agreement/Unilateral Undertaking for Stratford Waterfront and will deliver the balance of affordable homes across the portfolio in a planning compliant manner – which means that the remaining sites will deliver more affordable homes to offset the earlier delivery of shared ownership homes.

2.6. The affordable homes will be delivered through the portfolio approach in the approximate proportions shown in the following table:

Site	Affordable Housing	Private Homes	Affordable Homes	Total Homes	Start on Site
Stratford Waterfront	35 per cent (100 per cent Intermediate)	c.390	c.210	c.600	2023
Bridgewater	40 per cent (30 per cent Low-Cost Rent/70 per cent Intermediate)	c.310	c.265	c.575	2026
Pudding Mill Lane	40 per cent (30 per cent Low-Cost Rent/70 per cent Intermediate)	c.571	c.377	c.948	2026
Rick Roberts Way	70 per cent (30 per cent Low-Cost Rent/70 per cent Intermediate)	c.122	c.328	c.450	2025
Total		**1,393**	**c.1,180**	**c.2,573**	

2.7. However, it is noted that the final number of units delivered across the portfolio sites (Stratford Waterfront, Bridgewater Triangle, Rick Roberts Way and Pudding Mill Lane) will be subject to future Reserved Matters approvals. The amount of affordable housing across the sites will be adjusted to result in 50 per cent affordable housing (by habitable room) being delivered across the portfolio.

3. Equality Comments

3.1. Under section 149 of the Equality Act 2010 (the "Equality Act"), as a public authority, the GLA and LLDC must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation, and to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. Protected characteristics under the Equality Act comprise age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation and marriage or civil partnership status.

3.2. When considering the needs of the existing community and those that will be affected by the proposed development (both currently and in the future development scheme), any development activity will look to minimise disadvantages to all protected characteristic groups within society, for example through design. This decision is therefore expected to have positive impacts on persons with a protected characteristic under the Equality Act, as increasing the supply of housing in London will help to address problems such as overcrowding and homelessness, which evidence indicates disproportionately affect specific groups, including Black and Minority Ethnic groups and women.

3.3. The delivery of high-quality housing will also promote improved health and wellbeing, given evidence of an association between poor housing conditions and poor health.

4. Other considerations

JV structure and governance

4.1. To deliver the vision for the Pudding Mill Lane site, various routes to delivery around the type of disposal and the route to market have been explored. A key factor in selecting an appropriate route is to achieve the required receipt target, meet the public sector objectives (including delivering genuinely affordable housing and LLDC's Priority Themes), embed the lessons learnt across the GLA and LLDC's existing development sites and present a clear and coherent offering to the developer market. Options reviewed include:

- direct land sale
- Development Agreement
- equity-backed joint venture
- direct delivery.

4.2. Following a review of these options by LLDC and the GLA, an equity-backed joint venture is considered to be the most appropriate contractual mechanism for this project.

4.3. The proposed route to market is via a Concessions Regulations-compliant, competitive dialogue procurement process. LLDC previously secured approval from its Investment Committee in February 2022 for this approach.

4.4. In this project, it is anticipated the parties' key interests are:

- LLDC: receiving a market price for its land, control and influence over the planning and design process, levels of affordable housing, delivery of its Priority Themes and timing of delivery. Realising the agreed vision for LLDC and maximising financial returns to repay its borrowings to the GLA.
- The GLA: ensuring at least 50 per cent of the homes developed across the portfolio are genuinely affordable for Londoners, modelling best practice for the development industry (as captured within the Mayor's Housing Strategy and London Plan documents) and maximising

financial returns from its investment so that these can be channelled back in to delivering the Mayor's ambitions elsewhere in London.

- Development Partner: Maximising financial returns from its investment, whilst delivering genuinely market leading development.

4.5. To achieve this, the proposed structure for the JV is summarised as follows:

LLDC Special Purpose Vehicle (SPV) - Pudding Mill Legacy Developments Limited (PMLD)

- LLDC will establish the 'LLDC SPV', a wholly-owned subsidiary to be named 'Pudding Mill Legacy Developments Limited', which will enter into a loan funding agreement with the GLA to secure the funds required for it to invest into the development JV as the public sector equity partner.[2] Securing loan funding from the GLA at a competitive market rate will likely be as cost-effective as seeking debt funding from a third party; furthermore, the GLA would be required to support LLDC in this venture in any event (as its parent), so this approach helps the GLA to maintain oversight and influence of LLDC's activities.

- The LLDC SPV will have explicit powers delegated from LLDC (its parent organisation) to ensure the smooth operation of the project. It will be governed by Directors from both LLDC and the GLA, two from LLDC and one from the GLA.

- The loan funding agreement will be interest-bearing on loan terms similar to those used by the GLA in its other loan funding arrangements, including those agreed for the Stratford Waterfront and Bridgewater JV (further information on this is covered in Part 2 of this report).

Development JV

- A Development JV vehicle will be established as either[3] a limited liability partnership or private company limited by shares with the LLDC SPV and a third-party private partner as the partners. The partners will enter into a joint venture agreement to govern the terms of the Development JV.

- LLDC, in its landowner capacity, will enter into a Development Agreement with the Development JV and dispose of its land (for which a further Mayoral decision will be required) through the grant of head leases of the site with a length that satisfies third party funding requirements. Land will be drawn down once consent of the parties has been secured through fulfilling conditions such as compliance with LLDC Priority Themes, demonstration of funding and achieving satisfactory Reserved Matters consent.

- The Development JV will deliver both the residential and non-residential elements of the schemes (specification to be agreed) and dispose of both the residential and non-residential elements.

- The LLDC SPV and the development partner will hold interests in the Development JV in a 50:50 ratio. Each of the partners will be required to contribute equity funding to the Development JV and will be entitled to receive profits from the Development JV in these proportions.

- Expertise for delivery of the project will be secured through a Development Management Agreement and it is expected the development partner or its associate will provide these services (the 'Development Manager'). This will be tested in the procurement process.

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[2] The GLA would only be funding LLDC's 50% equity contributions via this route and not the whole development

[3] At this stage, the type of vehicle is undecided as it will, in part, be influenced by engagement with the market through the procurement process. The Stratford Waterfront/Bridgewater JV was set up as a Limited Liability Partnership (LLP).

- The day-to-day running of the Development JV will be governed through a Development JV Board with Directors each appointed by the development partner and LLDC SPV (which includes GLA representation).

- The Development JV Board members will be obliged to act in the interests of the Development JV, but certain matters will be reserved to the decision of the LLDC SPV and JV partner (which may act in their own interests when making such decisions). Certain specific key matters which require an active decision to be made may also be subject to deadlock resolution procedures to the extent the parties cannot unanimously agree on the way forward.

- The project will report monthly on project progress, project change, financial status, key issues and key decisions required from members. A monthly Project Status Report will also be produced for the members to review. Senior management of LLDC will hold regular meetings with their counterparts from the developer's organisation where project status and key issues can be discussed. Ultimately, the scope of this will be determined in partnership with the JV partner.

- The day-to-day management of the project will be led by the Development Manager, providing development management services to the Development JV in accordance with an approved JV business plan. Although the Development Manager (which is likely to be related to the Development JV) will be responsible for all development activities, approval of the JV will be required at certain key gateways. LLDC will therefore allocate resource to work alongside the developer partner to ensure LLDC is fully informed of the project status, issues and risks, and to monitor progress and its equity stake.

- The development partner will be locked into the Development JV for a specific period of time and transfers (other than certain permitted transfers) will not be permitted without approval from both parties. After the lock in period, each party will also be entitled to a right of first refusal on any transfer of the interest in the Development JV held by the other party.

- Draft key commercial principles have been prepared and were issued at Selection Questionnaire (SQ) stage. These key commercial principles will be provided with key commercial non-negotiable elements as part of the procurement process.

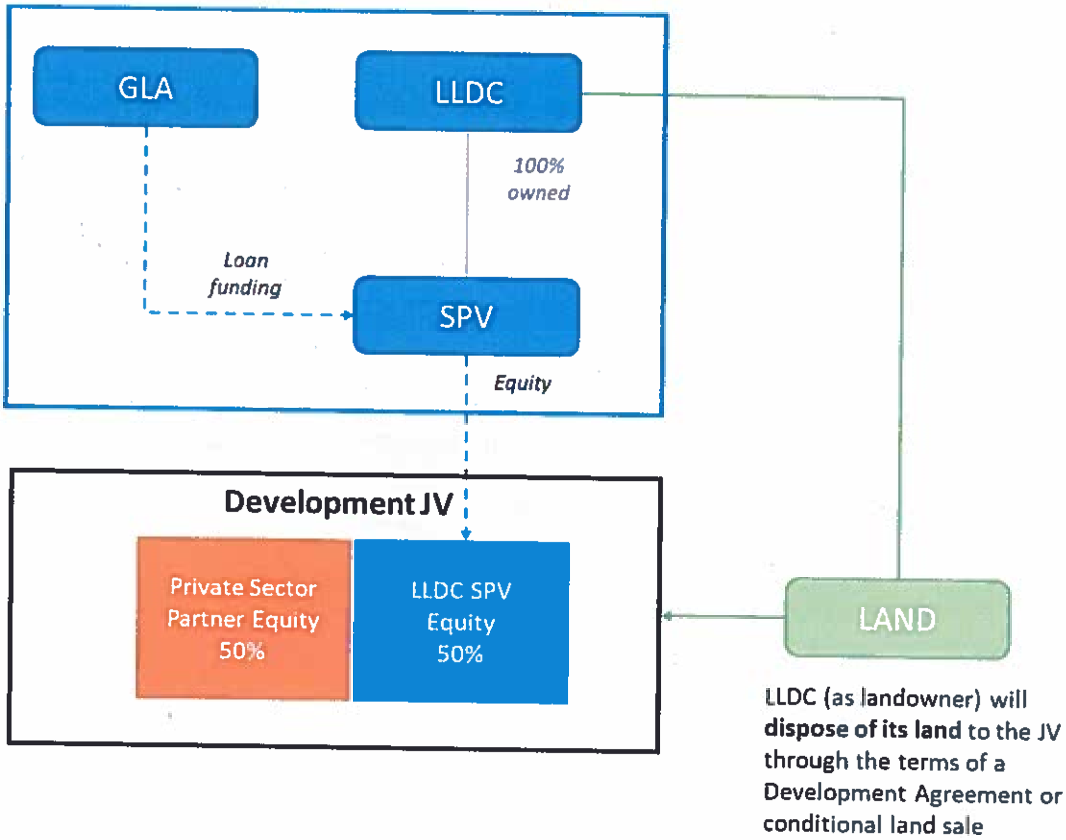
- Draft Heads of Terms have also been prepared for the Development Agreement that were issued at SQ stage, where LLDC has set out the following:

    - minimum requirements to be included in the Reserved Matters planning submission including obligations to fulfilment of LLDC Priority Themes

    - conditions precedent to be satisfied before drawdown of land – confirmation of funding, satisfactory planning (reserved matters), vacant possession for each phase

    - long stops/step in rights where required, as a last resort and deemed as low risk.

4.6. The proposed structure is summarised in the following diagram, showing the flow of funds *to* the Development JV (the flow of funds *from* the JV is covered in the finance section of this paper but, essentially, will be a land payment to LLDC and equity returns from the Development JV to the LLDC SPV that are used to repay the GLA loan plus interest – any excess equity returns will be returned to LLDC).



4.7. It is likely that this model will be attractive to the market on the basis that:

- the model creates a situation where the public sector has a vested interest in not just the affordable housing and visionary elements of the programme, but in the true commercial success of the project, and shares a significant portion of the risk, and therefore should give substantial comfort to bidding partners

- in the event of a market downturn, the public sector will have invested on the basis of ensuring continued delivery and transformation of the area, whereas private sector investors may be more hesitant with their investment and their exposure, which in turn may put the wider scheme at risk.

4.8. The key programme drivers for LLDC are to:

- Deliver homes as quickly as possible across LLDC land ownership, to meet the current housing targets and having direct influence on delivery through having 50 per cent ownership and decision making in the JV. Within the draft Pudding Mill Lane planning permission time limits require the submission of all reserved matters within 5 years of the permission (targeted for Spring 2023) and commencement within two years of Reserved Matters Approval, before the permission lapses.

- Deliver affordable homes at Pudding Mill Lane, to balance the lower affordable levels at Stratford Waterfront in line with the portfolio approach/planning requirement.

- Deliver these affordable homes as part of the overall portfolio of sites including Rick Roberts Way and Bridgewater Triangle to make up 50 per cent across all sites.

- To repay the loan funding to the GLA as soon as possible.

4.9. The initial stage of the procurement commenced in January 2023 with the milestone to select and contract with the JV partner by June 2024.

Resourcing and reporting

4.10. The project is complex but should not require significant operational officer resource from the GLA as it will be led by LLDC. The GLA will have engagement, and therefore oversight, via its proposed role as a Director of the LLDC SPV. Further oversight measures will include the regular senior GLA and LLDC officer and Mayor's Office meetings currently held and existing public reporting mechanisms. This will be recorded as a reporting obligation in the loan documentation and enhanced by the right for the GLA to appoint a director to the new LLDC company.

4.11. Once the JV is operational, the day-to-day management of the project will be led by the development partner, governed by the Development JV Board. LLDC propose to allocate resource to work alongside the development partner within the JV to ensure LLDC/the GLA is fully informed of the project status and issues are dealt with in a timely manner. It is anticipated that the development partner will be required to secure detailed planning consent and source external debt funding[4] before it can draw down an interest in the site. LLDC and GLA officers will need to input into these processes to ensure the development partner is progressing in line with the development agreement and business plan.

4.12. The Development JV Board will operate under delegation from JV members, as approved by their respective Boards. The LLDC and development partner officers will report monthly on progress, project change, financial status, key issues and key decisions required from members.

Key risks

4.13. Under the proposed joint venture arrangement, the LLDC SPV (and, therefore, the GLA) will share equally in risk and reward with the selected developer partner. Therefore, whilst it will share in any profits generated, it is liable for half of the development cost (anticipated and unforeseen) and is financially exposed to issues of market downturn and/or increased costs. The GLA's anticipated funding requirements (to the LLDC SPV) and returns are set out in Part 2 of this decision, but these figures will ultimately depend on the overall development cost and sales performance and are highly sensitive to the changes in the market including tender price inflation and house prices. This will be managed through close monitoring by LLDC of performance against the Development JV business plan and via regular dialogue between LLDC and GLA officers. Further information on this risk is provided in Part 2.

4.14. As is inherent in a JV approach, LLDC will also be exposed to risks associated with non-performance and shared liability for the site. As partner in the company, should things go wrong, LLDC, the GLA and, therefore, the Mayor could also face a reputational risk.

4.15. These risks can be mitigated to an extent through the GLA's representation on the LLDC SPV Board and its close working relationship with LLDC. This gives the GLA the opportunity to closely monitor risks as they develop and ensure LLDC and the Development JV take appropriate action to mitigate risks as early as possible. LLDC can also benefit from recent experience whilst operating as part of the Stratford Waterfront and Bridgewater JV with Ballymore.

5. Financial comments

5.1. The estimated GLA loan funding requirement into the LLDC SPV and expected investment returns from the Development JV (via the LLDC SPV) are included in the GLA's approved Capital Spending Plan for 2023-24 and long-term financial plans. LLDC's budget and Long Term Model also reflects the impact of the JV ultimately being funded by the GLA. The LLDC budget includes provision for the procurement, commercial and legal consultancy costs that it will incur as part of the proposed JV structure and governance. However, ultimately, if the risks materialise then the GLA would need to consider the provision of additional funding at that time.

[4] The Development JV will be funded by partner equity contributions (including LLDC) and external debt funding

5.2. There is additional financial risk investing in a joint venture, but the anticipated net proceeds of this JV are an important component in the long-term funding by the GLA of the capital subsidy required by LLDC and the development of its land assets. The affordable housing requirements across the site will impact on the estimated level of capital receipts and further commentary is included in Part 2 of this decision.

6. Legal comments

6.1. The approvals sought from the Mayor in this Mayoral Decision concern the proposed delivery of a LLDC housing and regeneration (development) scheme.

6.2. Before addressing the approvals sought from the Mayor, it is therefore necessary to identify that LLDC has the legal power to deliver the proposed development scheme.

LLDC legal powers and the proposals

6.3. The object of the LLDC is to secure the regeneration of its area (section 201(1) of the Localism Act 2011). The LLDC may do anything it considers appropriate for the purposes of its object or for purposes incidental to those purposes (section 201(2) of the Localism Act 2011). The LLDC also has specific powers under the Localism Act. Its specific powers must be exercised for the purposes of its object or for purposes incidental to those purposes (section 201(4) of the Localism Act 2011).

6.4. Under section 206 of the Localism Act, the LLDC may amongst other things regenerate or develop land, bring about the more effective use of land, and provide buildings or other land.

6.5. The principal objectives of the LLDC's proposals that are the subject of this Mayoral Decision are to regenerate, and deliver housing on, undeveloped sites its area (see section 2 of the Mayoral Decision above). The LLDC has the power to do this by virtue of the sections of the Localism Act 2011 referred to directly above.

6.6. The LLDC proposes to deliver this development scheme by creating a wholly owned subsidiary, which will be loaned money by the GLA, and which will use this finance to purchase an equity share in a JV that will be established as either a limited liability partnership or a company limited by shares. The purchase of this equity will comprise the LLDC's equity contribution to the delivery of the development scheme. This is currently assumed to be 20% of the total scheme cost, with the other 20% of equity funding being financed by a private sector development partner (to be selected via a Concessions Regulations-compliant, competitive dialogue process), which will be the LLDC's wholly-owned subsidiary's partner in the JV. The remaining required funding, currently assumed to be 60%, will be through third-party finance secured by the development JV.

Decisions sought from the Mayor

Approval for the LLDC to establish a subsidiary and utilise a JV

6.7. Under section 212(1) of the Localism Act 2011, the LLDC may carry on any business; but may only form, or acquire interests in, a corporate body with the consent of the Mayor. Accordingly, in order for the LLDC to establish a wholly owned subsidiary, the Mayor's consent is required. Similarly, for this wholly owned subsidiary to purchase an equity share in the JV (that will be established as either a limited liability partnership or a company limited by shares) the Mayor's consent is also required. The Mayor's consent to these matters is sought in this Mayoral Decision.

6.8. Under section 212(3) of the Localism Act 2011, the LLDC must ensure that a subsidiary does not engage in an activity that the LLDC would not be permitted to carry on. The LLDC would be permitted to carry on the activities it is envisaged in this Mayoral Decision that its wholly owned subsidiary will carry out.

Approval for loan funding from the GLA to the LLDC's newly-established subsidiary

6.9. Under section 212(4) of the Localism Act the LLDC must ensure that no subsidiary of the LLDC borrows from another person other than the LLDC, or raises money by the issue of shares or stock to a person other than the LLDC, without the Mayor's consent. The Mayor's consent is therefore required for the proposed LLDC subsidiary to borrow from the GLA, as proposed, and for the proposed LLDC subsidiary to purchase an equity share in the JV. The Mayor's consent to these matters is sought under this Mayoral Decision.

6.10. In addition to this, the GLA must have the power to provide the proposed loan finance.

6.11. By virtue of section 30(1) of the Greater London Authority Act 1999 (as amended) (GLA Act) the Mayor has the power to do "anything" which he considers will further one or more the "principal purposes" of the GLA of (i) promoting economic development and wealth creation in Greater London; (ii) promoting social development in Greater London; and (iii) promoting the improvement of the environment in Greater London ("the General Power").

6.12. This General Power includes the ability to provide funding or financial assistance for housing and regeneration schemes such as that proposed to be delivered by the LLDC.

6.13. Under section 31(1A) of the GLA Act, the Mayor must seek to secure that he does not use the General Power to incur expenditure in doing anything which is being done by a Mayoral Development Corporation. While it is considered that this restriction may not apply to the proposals for the GLA to provide a loan to the LLDC (its newly established subsidiary), for the avoidance of doubt, these proposals are permitted under the GLA's power of investment contained in section 12 of the Local Government Act 2003. Under that section, the GLA has the power to invest for any purpose relevant to its functions under any enactment; including to invest for any purpose relevant to its power in section 30(1) of the GLA Act.

6.14. The statutory guidance relating to the use of this power provides that: *"The definition of an investment covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegation."*

6.15. It further provides that: *"For the avoidance of doubt, the definition of an investment also covers loans made by a local authority to one of its wholly-owned companies or associates, to a joint venture, or to a third party."* Having regard to this, and the statutory guidance, GLA Finance has confirmed it is content that the proposed financing arrangements may be treated as an investment. Any use of the power of investment must comply with statutory guidance issued under section 15 of the Local Government Act 2003.

Approvals for delegations

6.16. Under section 38(1-2) of the GLA Act, the Mayor has the power to delegate authority to the Executive Director of Housing and Land to finalise and enter into loan funding agreements together with any other related agreements (including guarantees) that they may consider necessary or desirable.

7. Planned delivery approach and next steps

7.1. The key milestones for the project are set out in the table below.

7.2. The construction of the Pudding Mill Lane scheme is due to commence in 2026. To achieve this date, the initial stage of procurement was launched in January 2023 and the second stage in June 2023. The initial stage tested potential tenderers experience in delivering a scheme like PML and the second stage will test their outline proposals. LLDC is seeking Mayoral consent to progress the procurement through to final tender stage in early 2024 and, ultimately, contract execution in June 2024.

7.3. Approval is also required for the GLA to invest in the JV and its structure to progress the delivery of the residential element in conjunction with the wider project.

Key Milestone	**Expected Date**
Invitation to Submit Outline Proposals (ISOP)	May 2023
Mayoral Consent	June 2023
Know Your Client ('KYC') and Due Diligence checks	June 2023
Formation of PMLD and appointment of Board	June 2023
GLA Interest Rate Setting Board decision	June 2023
Agreement of loan terms between the GLA and LLDC	June 2023
ISOP Return Deadline	August 2023
Dialogue	September - November 2023
Invitation to Submit Final Tenders (ISFT)	November 2023
Submission of Final Tenders	January 2024
ISFT evaluation	January - March 2024
Notification letters issued	March 2024
Contract Execution	June 2024

Appendices and supporting papers:
None.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note**: This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 – Deferral

Is the publication of Part 1 of this approval to be deferred? No

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – YES

ORIGINATING OFFICER DECLARATION:	Drafting officer to confirm the following (✓)
Drafting officer: Jamie Dean has drafted this report in accordance with GLA procedures and confirms the following:	✓
Sponsoring Director: Philip Graham has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.	✓
Mayoral Adviser: Jules Pipe has been consulted about the proposal and agree the recommendations.	✓
Advice: The Finance and Legal teams have commented on this proposal.	✓
Corporate Investment Board This decision was agreed by the Corporate Investment Board on 5 June 2023.	

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

Date

5 June 2023

pp. Enver Enver, Director, Group Finance on behalf of David Gallie

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

Date

5 June 2023