

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD3244

Barking Riverside Limited

Executive summary:

Barking Riverside Limited (BRL) is a joint venture (JV), the shares in which are owned 49 per cent by GLA Land and Property Limited (GLAP) and 51 per cent by London & Quadrant New Homes Limited. GLAP is a wholly owned subsidiary of GLA Holdings Limited, which in turn is owned by the GLA.

GLAP invested in BRL to unlock the delivery of 10,800 homes on London's largest brownfield housing site, as well as schools; retail; leisure and social infrastructure; and new transport infrastructure in the form of an extension of the London Overground line to Barking Riverside. The development of the former industrial site is progressing, with 2,145 homes now complete, as well as new schools and community facilities. The investment was originally made through English Partnerships, then transferred to GLAP. MD1594 approved changes to the BRL JV in 2016.

The JV is now seeking further external investment from Homes England to increase delivery of the site development, by ensuring plot remediation, site infrastructure and placemaking are progressing at pace. In agreeing to accept the Homes England external funding package and commercial terms, GLAP will ensure that the site continues to deliver at pace and maximum value growth is achieved.

In order for this further investment to be made GLAP will need to provide a guarantee.

Decision:

The Mayor:

- approves GLA Land and Property Limited (GLAP) agreeing to provide a capped repayment and cost overrun guarantee of up to £26,950,000
- delegates authority to the Executive Director, Housing and Land, to approve by record in writing the commercial terms of the guarantee within the approved capped amount; and documentation associated with the proposals set out in this MD including any amendments required to existing GLAP investments; any security documentation required; and any other legal agreement required to implement these proposals.

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:

4/3/14

PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1. Barking Riverside Limited (BRL) is a joint venture (JV), the shares in which are owned 49 per cent by GLA Land and Property Limited (GLAP) and 51 per cent by London & Quadrant New Homes Limited (L&QNH). GLAP is a wholly owned subsidiary of GLA Holdings Limited, which in turn is owned by the GLA.
- 1.2. Barking Riverside is a flagship Mayoral project transforming a disused power station site into a new place to live and work. The development will provide much-needed housing supply on a large scale, including significant affordable housing.
- 1.3. The purpose of the JV is to prepare the Barking Riverside site for redevelopment, providing serviced development plots for house builders and essential physical infrastructure including highways, utilities, public realm and community facilities. The JV owns the site and has secured consent for development of the multiple phases of the scheme to deliver 10,800 new homes; seven schools; a new district centre; and associated infrastructure.
- 1.4. The regeneration of Barking Riverside is well under way. Already completed are 2,145 homes; three primary schools; a secondary school; a community centre; shops; and an extension to the Gospel Oak Overground line to connect to the Barking Riverside London Overground station, which opened in July 2022. Also completed is the new Barking Riverside pier, opened in April 2022 with an Uber Boat by Thames Clipper service to the site.
- 1.5. GLAP has invested in the creation of BRL by the purchase of shares. This investment was initially funded through English Partnerships, and then transferred to GLAP. As set out in MD1594 and MD1565, a total of £172m (including a £48m junior loan facility from GLAP) was made available by the JV partners to fund the extension of the rail line and a new station at Barking Riverside. Transport for London (TfL) committed to funding the remaining estimated £91m required to deliver the extension.
- 1.6. In January 2016 MD1594, the GLA committed up to £75m Recycled Capital Grant Funding to London & Quadrant Housing Trust. It was expected that £45m of this would be used on development costs on the Barking Rail Extension. In 2019, DD2429 approved a further £10m grant from the Accelerated Construction Fund to cover a shortfall for contingency items that materialised from the rail extension works risk register. This was approved on an equal footing basis, with TfL also investing £10m to cover the risk items.
- 1.7. In March 2020 Homes England committed to a £56m funding package supporting the provision of services, roads and social infrastructure, as well as helping unlock previously challenging areas of the site, increasing potential capacity by an additional 1,000-2,000 homes. The Homes England funding is repayable only if BRL reaches an internal rate of return (IRR) target of 8 per cent across the site.
- 1.8. In March 2021, MD2747 approved a further GLAP investment of £39,023,246 in BRL from the Mayor's Land Fund. This would be spent on unlocking and bringing forward the next four land parcels of the site: completing Stage 2 North; and unlocking Northgate East, Site H and the District Centre. It was also used to fund site-wide infrastructure, section 106 requirements and project overheads.

Project progress and current financial position

- 1.9. The key objective of developing Barking Riverside is the delivery of housing, particularly affordable housing. However, when the project started, the main part of the site (106 hectares) was a major power station; the remaining parts comprised a former domestic tip and allotments. Furthermore, access to the site relied on inadequate road infrastructure and public transport connections were remote. To enable delivery of housing, the site required significant works to deal with ground clearance, remediation, demolition, service diversions, new infrastructure and servicing.

- 1.10. Due to the scale of the infrastructure and preparation work required for the site, this was the focus once the JV was set up and operating. Delivery to date includes remediating 40 per cent of the land; developing utilities, roads, and drainage to service all plots; and establishing installation of a district heat network. Placemaking work is concurrently taking place, and includes walkways, cycle paths, green space and wetlands – vital for the growth in value in line with the business plan.
- 1.11. Following this initial focus on infrastructure investment, delivery of housing and other non-housing uses on the site has accelerated. As of the end of January 2024:
- 3,504 homes started on site
 - 2,145 homes completed
 - 8,685 square feet of commercial space delivered; and 11,076 square feet of commercial space in contract
 - employment: 76 jobs created directly and 941 jobs indirectly, plus 16 apprenticeships
 - transport: New Barking Riverside London Overground station opened in July 2022; Thames Clipper Uber boat service opened in April 2022
 - three primary schools, a secondary school, a special needs school and a community centre delivered
 - ecology and community: Wilds Ecology Centre is running public events, and Oystercatcher Park is now open to the public.
- 1.12. The impacts of the COVID-19 pandemic, the current economic climate, war in Ukraine and resultant effects on the construction industry (significant increases in build and energy costs, and inflation), have resulted in a challenging period for BRL. Plot sales are BRL's key source of income, and these challenges have delayed plot sales, causing the current funding challenges.

Investment proposal

- 1.13. In May 2023, an updated BRL Business Plan was approved by the BRL Board. The agreed approach to development and increased density is supported more widely by the London Borough of Barking and Dagenham (LBBD), as the site will bring forward significantly more homes – which London desperately needs. However, the BRL Business Plan requires additional investment of circa £40m to deliver this ambition. To continue the desired rate of development, BRL would need to seek additional shareholder investment from both L&QNH and GLAP, to continue delivering the site at pace. As a result of current budgetary pressures of both organisations, the BRL team has been engaging with Homes England about securing additional external funding to address the investment shortfall and maintain progress with site delivery.

Additional external funding: Homes England

- 1.14. An external funding package of up to £124m into BRL has been agreed with Homes England to continue to deliver the Barking Riverside project at pace. The £124m external Homes England funding package is made up of two funding streams: £30m from the London Brownfield, Infrastructure and Land Fund (London BIL) and £94m from the Home Building Fund – Infrastructure Loans (HBF-IL).
- 1.15. The terms of the external Homes England funding require amendments to existing shareholder investments in BRL. For example, timings of existing repayments need to be extended; subordination of shareholder security needs to be implemented; and a repayment and cost-overrun guarantee needs to be provided by each shareholder, up to the value of the amount each shareholder is refinanced by BRL drawing down the HBF-IL funding.
- 1.16. Without this funding, or additional shareholder investment from both L&QNH and GLAP, BRL would need to review the business plan and slow down all work on the site. This would impact BRL's ability

to provide serviced development plots for house builders; and would have an adverse effect on housing delivery on a key Mayoral site. Furthermore, as plot sales are the key source of income for BRL, the likelihood and timings of existing shareholder investments being repaid would become more uncertain, and would be delayed further.

1.17. Further details of the transaction are set out in Part 2 of this decision form.

2. Objectives and expected outcomes

2.1. The Homes England external funding will be used to support the following outputs:

- Homes: a minimum of 7,200 homes, of which at least 40 per cent will be affordable.
- Infrastructure: phases four, five and six: to construct serviced roads to plot boundaries, including utilities, district heating, Envac pipework, drainage, communication ductwork utilities, and hard and soft landscaping. Foreshore phases zero and one: create flood defences along foreshore, including earthwork, drainage, scour protection, hard and soft landscaping, and to provide surface water drainage outfall for stage two South Boulevard plots.
- Landscape and boulevard circus: landscape and play equipment.

3. Equality comments

3.1. Under section 149 of the Equality Act 2010, functions of the GLA, exercisable by the Mayor, are subject to a public-sector equality duty and must have 'due regard' to the need to:

- eliminate unlawful discrimination, harassment and victimisation
- advance equality of opportunity between people who share a relevant protected characteristic and those who do not
- foster good relations between people who share a relevant protected characteristic and those who do not.

3.2. Protected characteristics under section 149 of the Equality Act are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status.

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

3.4. In the English Indices of Deprivation 2019, the LBBD was ranked as the most deprived London Borough based on the population weighted average level of deprivation. LBBD also has the highest proportion of children (0-17) in the UK: almost three in ten residents (29.8 per cent) are under 18. Due to these demographics, the need for affordable housing (particularly family-sized affordable homes) in LBBD is high. Barking Riverside is focusing on provision of affordable homes and family homes, and the seven schools being built on the site will help to service the needs of families in the area.

- 3.5. Barking Riverside has been classified a 'Healthy New Town' development and the vision is to apply the latest health and social care research and practice, working with community groups. Barking Riverside will develop new social infrastructure (including a health and wellbeing hub), and walkways, cycleways and public transport links will encourage active travel. 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

Key risks and issues

- 4.1. The funding package will allow BRL to continue to invest in infrastructure to create serviced land parcels and invest in the public realm to continue to support the values and sales rates at the sites. This is vital in a period where land sales are slowing, and the underlying property market is fragile. The funding allows continued momentum on the site that would otherwise stall. However, whilst the funding package is positive for BRL, there are trade-offs that need to be considered as well as risks in taking funding from Homes England on the terms proposed.

- 4.2. Further details of the risks are set out in Part 2 of this decision form.

Links to Mayoral strategies and priorities

- 4.3. The London Plan 2021 provides an integrated policy framework across housing, social, economic, cultural, environmental and transport policies. The Plan is underpinned by the concept of Good Growth – growth that is socially and economically inclusive, and environmentally sustainable. The London Plan is informed by six Good Growth objectives: GG1, building strong and inclusive communities; GG2, making the best use of land; GG3, creating a healthy city; GG4, delivering the homes Londoners need; GG5, growing a good economy; and GG6, increasing efficiency and resilience.
- 4.4. The Mayor's London Housing Strategy (LHS) sets out policies and proposals determining how to deliver Good Growth priority GG4, delivering the homes Londoners need. The LHS sets out the policy rationale for the GLA to take a more interventionist approach in London's land market, with the aims of building more social rented and other genuinely affordable homes; and accelerating the speed of building, including on public land. The funding is focused on delivering up to 7,200 homes and unlocking land for housing delivery supporting the delivery of circa 10,800 homes in total.
- 4.5. The substantial improvement in permeability across the site, and the transformative impact in terms of placemaking, align with the concept of Good Growth set out in the London Plan.

Consultation

- 4.6. GLA officers have consulted extensively with senior officers at BRL throughout the development of this proposal. It is not considered necessary or appropriate to consult with any other persons or bodies, including those specified in section 32 (1) of the Greater London Authority Act 1999, for the purposes of this report.

Conflicts of interest

- 4.7. There are no conflicts of interest to note from any of those involved in the drafting or clearance of this decision form. The Deputy Mayor for Housing and Residential Development and other BRL Board members have not been involved in the drafting or clearance of this Mayoral Decision in order that they can continue to act on the BRL Board.

Other considerations

- 4.8. GLAP is the Mayor's subsidiary company established to manage all land related transactions, including and primarily the acquisition and disposal of land.

- 4.9. BRL does not constitute either a GLA-managed company or an arm's-length GLA company within the Mayoral Decision-Making document (published April 2022). A condition of the Homes England funding is for GLAP, as shareholder to BRL, to provide a capped guarantee based on the amount GLAP is refinanced by BRL drawing down HBF-IL. The creation of a new guarantee/contingent liability is deemed a non-routine financial commitment; and, as such, requires a Mayoral Decision. For the avoidance of doubt, neither the GLA nor GLAP will receive any direct funding from Homes England. The funding agreements will be entered into between BRL and Homes England. The BRL Board has three Board members from each shareholder who are BRL Directors, and their duty is to BRL as a company.
- 4.10. It will be for BRL Board members (of which GLAP, as shareholder, has three) to vote on whether to accept the terms of the Homes England funding package; and enter into the funding agreements and drawdown the external funding. The GLAP Steering Group was consulted as part of this decision. It is supportive of BRL securing Homes England funding, and cognisant of the commercial and financial risks to GLAP in doing so.

5. Financial comments

- 5.1. Further details of financial comments are set out in Part 2 of this decision form.

6. Legal comments

- 6.1. The foregoing sections of this report indicate that the decisions requested of the Mayor concern the exercise of the GLA's general powers and fall within the GLA's statutory power (under sections 30(1) and 30(2) of the Greater London Authority Act 1999) to do such things considered to further, or that are facilitative of, or conducive or incidental to, the promotion of social and economic development and wealth creation in Greater London. In formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory duties to:
- pay due regard to the principle that there should be equality of opportunity for all people
 - consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom
 - consult with appropriate bodies.
- 6.2. GLAP may provide the guarantee on the basis that doing so will further one or more of the principal purposes set out in paragraph 6.1 above. The GLA also has the power to do anything that facilitates, is conducive of or incidental to doing so.
- 6.3. In taking the decisions requested, the Mayor must have due regard to the Public Sector Equality Duty – namely, the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010; and to advance equality of opportunity, and foster good relations, between persons who share a relevant protected characteristic (age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation) and persons who do not (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this report.
- 6.4. Decision 1, above, seeks approval for GLAP to provide a capped guarantee of up to £26,950,000, based on the amount GLAP is refinanced by BRL drawing down the Homes England Homes Building Fund Infrastructure Loan. Officers are reminded to obtain legal advice in relation to the guarantee documentation (and in relation to the underlying transaction) prior to GLAP's execution of same.

7. Planned delivery approach and next steps

7.1. The table below sets out the next steps and timescales.

Activity	Timeline
Homes England funding agreements entered into and first drawdown	March 2024
Infrastructure works commence	April 2024
London BIL funding fully drawn down	March 2026
Infrastructure works complete	December 2028
London BIL final repayment date (if minimum IRR achieved)	March 2034
HBF-IL final repayment date	March 2034

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 be published either 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? Yes**

If YES, for what reason: Publication should be deferred until funding agreements and guarantee are entered into as it contains commercially sensitive information, the disclosure of which might prejudice the commercial and business interests of GLAP and/or third parties.

Until what date: 31 March 2024

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under the 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:

Amy Cook has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Tim Steer 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 agrees 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 4 March 2024.

✓

INTERIM CHIEF FINANCE OFFICER:

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

Signature:



Date:

04/03/2024

CHIEF OF STAFF:

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

Signature:



Date:

04/03/2024