

GREATER LONDON AUTHORITY

(By email)

Our reference: MGLA240522-1614

Date: 20 July 2022

Dear

Thank you for your request for information which the Greater London Authority (GLA) received on 24 May 2022. Your request has been considered under the Freedom of Information Act 2000.

You requested:

I'm looking to table a FOI request for bidding documents and materials relating to the award of £21.4m in finding by the Mayor of London to affordable housing developer, Pocket Living, in 2013 (see here <https://www.pocketliving.com/news/pressrelease/17>)

I am particularly interested in the evidence base that was provided and if it a) including Bridgepoint House, Sudbury Heights Avenue as a case study and b) the number of developments Pocket said it had built.

If it is possible to share full bidding documents and materials, as these are now 9 years old and no longer commercially sensitive, that would be much appreciated.

I just want to confirm further the document references in question are MD114S, MD1174, DD10S4, D01090, DD1365, and DD2020

Please find attached the information we hold within the scope of your request.

Please note that some of the content is exempt from disclosure under the exemption for Commercial Interests at section 43(2) of the FOIA. Section 43(2) provides that information can be withheld from release if its release would, or would be likely to, prejudice the commercial interests of any person. A commercial interest relates to a person's ability to participate competitively in a commercial activity and in this instance, the information withheld from disclosure includes financial information relating to the construction of affordable homes and is commercially sensitive.

Disclosure of information relating to scheme costs, cashflows and supplier details would allow competitors access to the information which would be likely to enable underwriting of future bids, allowing them an unfair advantage and to actively undermine future bids using confidential information. In addition, it would affect Pocket's ability to secure the most competitive terms from their supply chain as parties would be aware of their past practice.

GREATER LONDON AUTHORITY

These would all be commercially detrimental to Pocket and therefore the delivery of affordable homes in London.

The names and contact details of suppliers are exempt from disclosure under s.40 (Personal information) of the Freedom of Information Act. This information could potentially identify specific employees and as such constitutes as personal data which is defined by Article 4(1) of the General Data Protection Regulation (GDPR) to mean any information relating to an identified or identifiable living individual. It is considered that disclosure of this information would contravene the first data protection principle under Article 5(1) of GDPR which states that Personal data must be processed lawfully, fairly and in a transparent manner.

The GLA is satisfied that in this instance disclosure of the this information would be likely to, prejudice or harm the commercial interests of Pocket.

Section 43(2) constitutes a qualified exemption from our duty to disclose information under the FOIA and consideration has to be given as to whether the public interest favouring disclosure of the information covered by this exemption outweighs the public interest considerations favouring maintaining the exemption and withholding the information.

In this instance the GLA recognises the legitimate public interest in the transparency of funding awarded to the private sector. In balancing the public interest in disclosure, we consider the greater good or benefit to the community if the information is released or not. The 'right to know; must be balanced against the need to enable effective government and serve the best interests of the public. In this case, it is felt that the public interest would not be met by revealing information which would be likely to be detrimental to the way in which Pocket negotiates on other contracts and procurement activity. The information could be used by competitors to bid against the company in future tendering opportunities.

If you have any further questions relating to this matter, please contact me, quoting the reference MGLA240522-1614.

Yours sincerely

Information Governance Officer

If you are unhappy with the way the GLA has handled your request, you may complain using the GLA's FOI complaints and internal review procedure, available at:

<https://www.london.gov.uk/about-us/governance-and-spending/sharing-our-information/freedom-information>

The proposed allocations by scheme for the other product are outlined in the table below. These allocations, are conditional on the successful completion of detailed due diligence and will be the subject of a separate Mayoral Decision.

Lead partner	Scheme name	Borough	GLA funding requested	Number of other product homes
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Pocket Living Limited	Nubian Life Centre	Hammersmith & Fulham	£547,000	16
Pocket Living Limited	Albert Dane Centre	Ealing	£875,000	30
Pocket Living Limited	Streatham Hill Estate	Lambeth	£1,416,000	49
Pocket Living Limited	Old Road	Lewisham	£755,000	20
Pocket Living Limited	Manor Road	Newham	£755,000	19
Pocket Living Limited	West Acton Community Centre	Ealing	£2,433,000	40
Pocket Living Limited	Lisson Grove	Westminster	£875,000	17
Pocket Living Limited	Ashington Garages	Camden	£1,899,000	23
Pocket Living Limited	Willingham Close	Camden	£2,030,000	24
Pocket Living Limited	Churchfield Road	Ealing	£2,591,000	39
Pocket Living Limited	Dalston Lane	Hackney	£2,955,000	39
Pocket Living Limited	Silchester Road	Kensington and Chelsea	£875,000	14
Pocket Living Limited	Juxon Street	Lambeth	£3,975,000	53
Pocket Living Limited	Sail Street	Lambeth	£3,506,000	48
Pocket Living Limited	Wynne Road	Lambeth	£1,432,000	22
Pocket Living Limited	Willesden Junction Hotel	Brent	£1,343,000	20

Confidential Decision and/or Advice:

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

The following five organisations are subject to ongoing detailed due diligence. It is proposed that, subject to successful completion of detailed due diligence, these allocations are made by the Executive Director for Housing and Land, under the authority delegated by this Mayoral Decision.

Lead Partner	Proposed homes	Proposed allocation
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
Pocket Living Limited	364*	£21,700,000*
[REDACTED]	[REDACTED]	[REDACTED]

* [REDACTED]

PART 2 – CONFIDENTIAL FACTS AND ADVICE

DD1054

DD Title Mayor's Housing Covenant other product allocations

Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.

This information is not for publication until the stated date because:

The information contained within this document is commercially sensitive, having been provided to the GLA in confidence as part of a funding application. The information is therefore covered by section 43(2) (commercial interests) of the Freedom of Information Act 2000.

Furthermore in order to enable the GLA to manage the allocations and detailed due diligence processes without fetter or impediment it will be beneficial to ensure this information is retained confidentially.

Following the completion of the contracting and due diligence process the GLA will publish selected information on allocations, ensuring that commercial confidentiality is not breached.

Information will cease to be confidential or the confidentiality should be reviewed: April 2016

Once this form is fully authorised, this should be circulated with the Part 1 form

Legal recommendation on the grounds of keeping the information confidential

The information in this document is commercially sensitive and, if disclosed, could prejudice the commercial interests of the funding applicants who have supplied the information in confidence to the GLA. The disclosure of such information could impact adversely on the GLA's bargaining position with recipients and its ability to manage the allocations and detailed due diligence processes as well as the contract negotiation and finalisation process and thereby prejudice the commercial and business interests of GLA.

For these reasons it is considered that the information below is exempt from publication in reliance upon the exclusions contained in section 43(2) (commercial interests) of the Freedom of Information Act and because the public interest in withholding the information outweighs the public interest in releasing it.

Legal Advisor - I make the above recommendations that this information should be considered confidential at this time

Name: [REDACTED]

Date: 10 April 2013

Confidential Decision and/or Advice:

Pocket Homes proposed allocation

Site name	Borough	Number of homes	Proposed funding allocation
Juxon Street	Lambeth	53	£2,747,000
Sail Street	Lambeth	48	£2,905,000
Wynne Road	Lambeth	20	£1,577,000
Ashington Garages	Camden	23	£1,800,000
Willingham Close	Camden	24	£1,998,000
Dalston Lane	Hackney	39	£2,955,000
Mountearl Gardens, Streatham Hill Estate	Lambeth	49	£1,265,000
West Acton Community Centre	Ealing	40	£2,433,000
Old Rd	Lewisham	18	£755,000
Nubian Life Centre	Hammersmith & Fulham	16	£547,000
Willesden Junction Hotel	Brent	20	£1,343,000
Albert Dane Centre	Ealing	30	£875,000
Contingency*	n/a	4	£500,000
Total	n/a	384	£21,700,000

*Four homes are held in contingency as they are shown as studio sized homes on Wynne Rd and Old Road. Pocket may be able to make these up as one or two bed homes on other sites. The amount of funding for each site is likely to change as the designs are worked up so £500,000 is proposed to be held as contingency until the initial allocation is finalised.

It is important to recognise that this is in part because of the different model proposed. Pocket are proposing to recycle the grant every two years so the GLA could be repaid in two-years (compared to 60-100 years average with typical affordable housing), or used to create additional affordable homes. Pocket claim that they can recycle the grant five times in ten years, making the effective grant rate £11.2k (and with the funding repaid six to ten times quicker than usual).

PART 2 – CONFIDENTIAL FACTS AND ADVICE

DD Number DD1090

DD Title **Mayor's Housing Covenant - Pocket**

Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.

This information is not for publication until the stated date because:

The information contained within this document is commercially sensitive, has in part been provided to the GLA in confidence as part of a funding application and if disclosed could prejudice the commercial interests of the GLA and Pocket.

Following the completion of the contracting and due diligence process the GLA will publish selected information on allocations, ensuring that commercial confidentiality is not breached.

Information will cease to be confidential or the confidentiality should be reviewed: April 2016

Once this form is fully authorised, this should be circulated with the Part 1 form

Legal recommendation on the grounds of keeping the information confidential

The information in this document is commercially sensitive and, if disclosed, could prejudice the commercial interests of the GLA and Pocket impacting adversely on:

- the GLA's bargaining position with proposed funding recipients affecting its ability efficiently to manage allocations, due diligence processes and the finalisation of funding documentation and achieve the optimal outcome process for this and other funding programmes ;and
- Pocket's ability to stimulate genuine competition for supplies, services and/or works required for efficient delivery of funded schemes

It also in part contains legal advice which is covered by legal professional privilege.

For these reasons it is considered that the information below is exempt from publication in reliance upon the exclusions contained in sections 42(1) (legal professional privilege) and 43(2) (commercial interests) of the Freedom of Information Act and because the public interest in withholding the information outweighs the public interest in releasing it.

Legal Advisor - I make the above recommendations that this information should be considered confidential at this time

Name: [REDACTED]

Date: 16/7/13

Confidential Decision and/or Advice:

Pocket Homes proposed allocation

A funding allocation of £19, 811,250 in the aggregate is proposed together with a contingency sum of £1,888,750.

The below list of sites are those proposed to be initially included in the agreement with Pocket as initial scheme proposals. The majority of the sites remain the same as listed in DD1054 although the number of homes being delivered on site and the allocated funding has been revised as was contemplated by DD1054. In addition some additional proposed sites have been put forward. This has resulted in an adjustment to the contingency, again as was contemplated by DD1054.

Site name	Borough	Number of homes	Proposed funding allocation
Juxon Street	Lambeth	44	£3,348,000
Sail Street	Lambeth	39	£2,555,000
Wynne Road	Lambeth	25	£1,727,000
Willingham Close	Camden	22	£1,759,000
Mountearl Gardens, Streatham Hill Estate	Lambeth	41	£1,548,000
Nubian Life Centre	Hammersmith & Fulham	16	£657,000
Willesden Junction Hotel	Brent	25	£1,276,000
Albert Dane Centre	Ealing	35	£808,000
Mercator Road	Lewisham	32	£1,625,000
Rathbone House Garage, Brondesbury Road	Brent	27	£2,147,250
Kew Bridge Road	Hounslow	30	£2,361,000
19-24 Marcon Place	Hackney	28	£0
Contingency*	n/a	20	£1,888,750
Total		384	£21,700,000

*The agreement allows for a contingency of £1,888,750. The agreement places the onus on Pocket to identify suitable sites, which can complete by March 2016, to take up this contingency. Allocation from this contingency is at the GLA's absolute discretion under the terms of the agreement.

A copy of the Cashflow provided by Pocket has been appended to Part 2 of this DD for reference. (see separately attached).



Legal Comments

Pocket Contracting Party/Security/Exit Routes

The party to the agreement will be Pocket Living (2013) LLP (Pocket), a wholly owned subsidiary of Pocket Living Limited. This Pocket contracting entity is a newly formed LLP subsidiary and as such does not have a financial track record. The GLA does, however, have the benefit of security in the form of (i) a charge over the bank account into which the loan monies and any net receipts are to be paid and (ii) the charge taken over a funded site as each site is acquired by Pocket.

GLA is entitled to be repaid in full by Pocket if an event of default occurs. GLA also has the right to enforce its legal charge over the sites (unless the event of default is a more minor breach). The event of defaults include failure to perform a material provision of the agreement, insolvency or cessation of business by Pocket, failure to repay any amount due under the agreement, failure to comply with milestones or bringing the GLA into disrepute.

Milestones/sites

The agreement provides for three milestones for delivery by Pocket. These are:

- First Milestone- practical completion of 100 affordable housing units on or before 31 March 2015
- Second Milestone-practical completion of 250 affordable housing units on or before 31 March 2016
- Third Milestone-practical completion of all affordable units to be constructed as approved schemes by the tenth anniversary of the agreement.

The table of initial schemes appearing above contemplates that there will be 364 units delivered with a remaining 20 from the contingency. However the agreement does not provide expressly for the overall number of units to be delivered and it is understood that this will be managed and monitored through the scheme approval process under the agreement.

Officers should be satisfied that the changes in proposed sites that have emerged since the original bid submission fit within the "reasonable approach to allowing substitutions" described within the funding prospectus.

Specified Activities Order

The agreement with Pocket will be in the name of GLA as will the charge over the bank account and the funded sites. This is on the basis that GLA Finance and TfL Legal are satisfied that these arrangements do not constitute specified activities for a commercial purpose for the purposes of S34A GLA Act and therefore do not need to be performed through GLA Land and Property Limited.

Joint Venture Agreement

Under the agreement Pocket proposes schemes and GLA is entitled to approve or reject a scheme provided it is acting reasonably in making the decision. It is a condition precedent to a scheme becoming a committed scheme to be funded by GLA from the charged account that Pocket enters into a joint venture arrangement which is acceptable to GLA with a joint venture partner who is acceptable to the GLA. Although this could, in theory, be on a scheme by scheme basis it is understood that one joint venture arrangement relating to the full term of the agreement is anticipated and is currently being negotiated.



The heads of terms anticipate the parties entering into a formal joint venture agreement by 31 August 2013. Although at the point the agreement between GLA and Pocket is entered into this formal joint venture agreement is unlikely to have been completed, GLA has the protection of the condition precedent referred to above meaning that no scheme can move forward as a committed scheme until GLA is satisfied that appropriate joint venture arrangements are in place.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Financial Comments

Reasonable measures have been agreed which will, so far as is practicable, protect the GLA's investment

[REDACTED]

Pocket have provided assurances that, taking account of their own contingencies and funding arrangements, cost overruns of up to 18% could be accommodated within their funding envelope.

[REDACTED]



PART 2 – CONFIDENTIAL FACTS AND ADVICE

DD1365

Title: **Mayor's Housing Covenant – Pocket Homes update**

Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.

The information below is not for publication until the stated date, because:

The information contained within this document is commercially sensitive, has in part been provided to the GLA in confidence as part of a funding application and if disclosed could prejudice the commercial interests of the GLA and/or Pocket.

Following the completion of the contracting and due diligence process the GLA has published selected information on allocations, ensuring that commercial confidentiality is not breached.

Date at which Part 2 will cease to be confidential or when confidentiality should be reviewed: review 30 August 2018

Legal recommendation on the grounds of keeping the information confidential:

The information in this document is commercially sensitive and, if disclosed, could prejudice the commercial interests of the GLA, Pocket Living Ltd and Pocket Living (2013) LLP impacting adversely on:

- The GLA's bargaining position with Pocket Living Ltd and Pocket Living (2013) LLP affecting its ability efficiently to manage the finalisation of the variations to the funding documentation and achieve the optimal outcome process for this funding programme; and
- The ability of Pocket Living (2013) LLP to stimulate genuine competition for supplies, services and/or works required for efficient delivery of funded schemes.

For these reasons it is considered that the information below is exempt from publication in reliance upon the exclusions contained in section 43(2) (commercial interests) of the Freedom of Information Act and because the public interest in withholding the information outweighs the public interest in releasing it.

Legal Adviser - I make the above recommendations that this information should be considered confidential at this time

Name [REDACTED]

Date 9 September 2015

Once this form is fully authorised, this should be circulated with the Part 1 form.

Confidential decision and/or advice:

Approval is sought for entry into a deed of variation to the Agreement governing the funding allocated to Pocket Living (2013) LLP covering the areas set out in this Director Decision form (Parts 1 and 2).

Additional £4.7m funding allocation

It is expected that the £21.7m funding allocated to the programme will be fully drawn by Q3 2015-16. This will leave insufficient funds to acquire two firm sites (Arklow Road and Mapleton Crescent) which have received planning permission and to continue other planning and site acquisition activity. These sites would together deliver over ninety units and by that time around £2.65m will have been expended to secure unconditional planning permission (including payment of planning obligations).

The cash flow modelling shows a funding shortfall of up to £4.7m lasting for around nine months until sufficient proceeds from other sites are received. Pocket Living (2013) LLP is obliged to acquire the sites from the private vendors on receipt of planning permission and risks losing these sites if it unreasonably delays completion.

GLA officers have considered options to address this and it is proposed that the GLA extends the funding programme by £4.7m. This would cover the acquisition of these sites to deliver new affordable housing and mitigate the risk of these sites falling out of the programme and incurring the associated abortive costs. It would also cover ongoing planning and site acquisition activity permitted under the Agreement over the period. It is anticipated that the further funding would be drawn down and recycled on the same terms as the existing funding and then be available to deliver further new affordable homes. This would improve the liquidity of the programme over the remainder of the term. The further funding would be offered on the same interest free basis as the current funding, benefit from the same security and be subject to due diligence on these and all other matters.

The additional funding would increase GLA funding to Pocket Living (2013) LLP to £26.4 million and secure the delivery of around 391 units in total over the first cycle of the programme. DD1054 noted that Pocket Living (2013) LLP hoped the fund would revolve every two years or five times over the ten year term. GLA officers at that time offered a more cautious assumption that the funding would revolve every four years and therefore be recycled two-and-a-half times over the ten year term. [REDACTED]

[REDACTED] The first proceeds from sales in the programme are expected to accrue from the middle of Q3 2015-16 with majority of the balance anticipated within the next two years. The second cycle of the fund is anticipated to be slightly quicker since Pocket Living (2013) LLP has now mobilised to deliver the programme.

Delivery milestones

Pocket has acknowledged that it failed to meet the first contractual milestone of 100 homes by 31 March 2015. This was waived. It is also now forecasting that it will miss the second contractual milestone of 250 homes by 31 March 2016 by four months. The delays have been attributed to delays in contractor procurement, construction finance and developing corporate capacity and delays in securing planning permission and site acquisition from local authorities. Given this and the further funding to be allocated to Pocket Living (2013) LLP, it is proposed that the second milestone is reviewed and that further regular delivery milestones over the remainder of the contract term are introduced through the deed of variation.

It has been agreed with Pocket that the second milestone is amended to no fewer than 49 homes between 1 April 2015 and 31 March 2016 and new milestones are added as follows:

- no fewer than 195 homes between 1 April 2016 and 30 September 2017;
- no fewer than 100 homes between 1 April 2017 and 31 March 2018;
- no fewer than 100 homes between 1 April 2018 and 31 March 2019 and a cumulative total of 500 homes by 31 March 2019;
- no fewer than 100 homes in each twelve month period from 1 April 2019; and
- a cumulative total of 1000 homes by 31 July 2023.

Abortive costs

As mentioned in Part 1 of this form, one site has been aborted as a firm scheme following draw down of funding for expenditure on preliminary expenses but prior to draw down of site acquisition costs. To manage the risk to programme delivery if such abortive costs arise on further sites it is proposed that the contract is amended in order that where total abortive costs across all sites exceed a specified threshold the GLA can require Pocket Living (2013) LLP to reimburse any abortive costs in excess of this threshold into the bank account over which the GLA has a charge. This threshold has been negotiated on the basis of experience to date and set at £1,320,000, which is equivalent to 5% of the proposed £26.4m allocation. This will, as well as capping the GLA's exposure to this risk, provide Pocket Living (2013) LLP with an incentive to minimise such costs.

GLA legal costs

The GLA is currently incurring legal costs in appointing external lawyers for each scheme to carry out the legal due diligence required prior to approving a scheme as a "Committed Approved Scheme" and approving payment of land acquisition costs. The latter entails reviewing and reporting on the certificate of title for the site and arranging for a legal charge in favour of the GLA to be entered into and registered at Companies House and the Land Registry. Under the existing contract other expenses related to the Pocket Living (2013) LLP development are paid for out of the "Charged Account" (over which the GLA has a charge). It is proposed that the contract is amended so that Pocket is to meet the GLA's legal costs described in this paragraph and it may then recover these expenses from the Charged Account .

Conditions precedent

The proposed deed of variation would also remove a condition to the draw down of site acquisition costs requiring Pocket Living (2013) LLP to provide a letter of support from the relevant local authority where a site is to be acquired from that local authority. The removal of this condition is proposed following a request from Pocket Living (2013) LLP and GLA officers are comfortable that the condition is redundant.

Escrow arrangements

When the GLA and Pocket Living (2013) LLP originally entered into the Agreement in July 2013 it was anticipated that the sites to be funded by the GLA would only comprise affordable housing units. However, for viability reasons, Pocket Living (2013) LLP is proposing that some sites may include an element of market sale housing and/or commercial units. The GLA will continue to only fund costs relating to delivery of the affordable housing units but amendments are required to the Agreement to reflect that it is only the net proceeds from the sale of affordable housing units – not the sale proceeds from other units on the site – which are due to be paid into the Charged Account for recycling into the development of further affordable housing units. The Agreement also needs to reflect that [REDACTED] as senior lender, is to be repaid first and ensure that no potential State Aid issues arise in such circumstances.

In order to achieve this, for sites which comprise market sale units and/or commercial units in addition to affordable housing units it is proposed that sale proceeds from all units on the site will be held in escrow by a firm of solicitors, Charles Russell Speechlys LLP, until the earlier of (a) the date of the sale of the last

housing unit on the site or (b) the date which is 6 months from the date upon which [REDACTED] has been repaid in full in relation to that site (the "Accounting Date"). On the Accounting Date Pocket Living (2013) LLP must provide a statement of the amount due to the Charged Account (i.e. the net sale proceeds for the affordable housing units) and within 5 working days of the GLA confirming that the statement is agreed Pocket Living (2013) LLP are to arrange for the required amount held in escrow to be paid into the Charged Account (with Pocket Living (2013) LLP to pay any shortfall if the amount held in escrow is insufficient).

Cap on number of private sale units

In light of the inclusion of private homes in some Pocket Living (2013) LLP sites it is proposed that a provision is added to the existing contract requiring the number of private homes on Pocket Living (2013) LLP sites to be agreed between the parties as being the minimum necessary for financial viability of each Approved Scheme in order to maximise affordable housing delivery.

Replacement of the Joint Venture Partner arrangements

The GLA, in allocating Pocket Living (2013) LLP funding, has sought reasonable measures to protect its investment as far as is practicable.

Pursuant to this it was envisaged under DD1090 that Pocket Living (2013) LLP would enter into a joint venture arrangement with [REDACTED] to deliver the programme over its duration. Heads of Terms (non-binding) were agreed between Pocket Living (2013) LLP and [REDACTED] which would protect Pocket Living (2013) LLP, and in turn the GLA, from unacceptable financial exposure by providing that [REDACTED] would defer charging for any construction cost overruns up to 5%. This, together with other contingencies and funding arrangements, were judged to sufficiently mitigate the risk of construction cost overruns across the programme.

The completion of the Joint Venture Agreement between Pocket Living (2013) LLP and [REDACTED] was duly made a condition precedent of drawing down site acquisition funding under Pocket Living (2013) LLP's contract with the GLA. Pocket Living (2013) LLP, has since advised the GLA that the prospective parties were unable to agree commercial terms and would not progress into contract.

Pocket Living (2013) LLP purchased their first six sites (Oak Grove and Willingham Terrace in Camden, Wynne Road in Lambeth Albert Dane (Western Road) in Ealing, Mercator Road (Marischal Road) in Lewisham and Rosina Street (Shepherd's Lane) in Hackney) between July 2014 and July 2015. The GLA approved funds to be drawn down at Gateway 2. Clause 16.2(e) of the contract, which made the Joint Venture with [REDACTED] a condition precedent of drawing down site acquisition funding, was waived by the Head of Area, under delegated authority, to enable this.

Pocket Living (2013) LLP propose bringing forward a panel of construction contractors in preference to a further Joint Venture Partner arrangement. This arrangement will entail a different approach to mitigating construction cost overrun risk to the satisfaction of the GLA and [REDACTED] with whom Pocket Living (2013) LLP has secured a £30m credit facility to fund construction.

Pocket Living (2013) LLP will tender fixed fee construction contracts for each scheme to the Panel as and when sites come forward. This will ensure a greater degree of confidence in terms of contract pricing and delivery timescales as estimates will be made far closer to the start of works on site than would be possible under a ten year joint venture arrangement, which would necessarily rely on long-term cost estimates.

[REDACTED] on top of the estimated fixed fee contract value, together with interest costs, into its estimate of funding to be drawn down from the [REDACTED] credit facility for each scheme. This is reflected throughout the financial modelling for the programme over its ten year life which is reviewed and agreed by GLA officers monthly. [REDACTED]

██ This is held in a separate account to the facility to be drawn down when required. The number of sites under construction at any given time will vary through the programme and the construction cost overrun risk will duly vary with this. This figure has been assessed on the basis of this rolling risk throughout the delivery of the programme and is judged to be sufficient to reasonably cover the risk of construction cost overrun beyond 5% at any given point.

This approach is considered sufficient to mitigate the risk to the GLA investment in this programme and ensures that Pocket has access to the same level of contingency for construction cost overruns as would have been absorbed by ██████████ under the original Joint Venture Partner arrangement envisaged under the Agreement.

Financial Comments

Pocket Living (2013) LLP was set up to take on the GLA loan which has been the main source of funding for that company to date.

As the initial £21.7m funding loaned to Pocket Living (2013) LLP has not yet completed the proposed cycle, due to delays in the programme, the viability of the Pocket model has not yet been proven. Pocket Living (2013) LLP losses returned in the year to September 2014 were £1,757,379 and the net worth at that date was £26,000.

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A parent company guarantee has also been agreed with Pocket Living Ltd to provide additional security to the loan.

Pocket Living Ltd made an operating profit of £240,712 in the year to 30 September 2014 offsetting losses carried forward of £388,938. The net worth of Pocket Living Ltd at 30 September 2014 based on the net assets in their unaudited accounts is negative to value of £1.5m.

The valuation of Pocket Living Ltd of £10m by Greater London Enterprise should have no bearing on the decision to lend the additional £4.7m to Pocket Living (2013) LLP as despite this any failure of Pocket Living (2013) LLP would at present potentially trigger the failure of Pocket Living Ltd.

Legal Comments

Save for the parent company guarantee which is to be provided by Pocket Living Limited, the amendments will not alter the provisions relating to the GLA's security over Pocket Living (2013) LLP, which takes the form of:

- (i) a first charge over the bank account into which the loan monies and any net receipts are to be paid
- (ii) a first charge taken over each funded site acquired by Pocket Living (2013) LLP which is subordinated to ██████████ at the point that bank funding is drawn down (to fund construction); and
- (iii) a subordinated (to the senior lender) debenture over Pocket Living (2013) LLP.

For information only:

Funding allocation and utilisation update

Pocket Living (2013) LLP was allocated £21.7m of funding with milestones to deliver a minimum of 350 homes by March 2016 (with an expectation that 384 homes would actually be delivered by that date). It was anticipated that the funds would then be recycled to deliver significantly more homes by 2023. This was based on an initial schedule of schemes, set out in Part II of DD1090, comprising £19,811,250 funding for 364 homes together with a contingency sum of £1,888,750 for a further 20 homes. The contingency was included on the basis that Pocket Living (2013) LLP would identify suitable sites in due course.

The schedule of schemes has since been revised to reflect the management of a deliverable schedule of schemes and Table 1 below sets out the proposed updated schedule, assuming the further funding allocation of £4.7m is approved. The ability to take schemes out and bring schemes in is an agreed clause in the Agreement and each instance is agreed by GLA officers.

Site	Borough	Total Affordable units	Total GLA funding requested (as at 1 May 2015)
Willingham Close	Camden	18	£1,894,399
Albert Dane Centre (Western Road)	Ealing	36	£1,934,383
Juxon Street	Lambeth	39	£2,827,399
Sail Street	Lambeth	31	£2,345,399
Mountearl Gardens	Lambeth	32	£1,798,399
Wynne Road	Lambeth	25	£1,934,383
Mercator Road (Marischal Road)	Lewisham	26	£1,439,399
Oak Grove	Camden	13	£1,702,336
Marcon Place	Hackney	28	£0
Rosina Street (Shepherd's Lane)	Hackney	29	£2,461,067
Cowleaze Road	Kingston	21	£2,077,439
Arklow Road	Lewisham	30	£2,345,901
Mapleton Crescent	Wandsworth	63	£3,593,000

Agreed Payment	391	£26,353,505
Contingency		£46,495
TOTAL		£26,400,000

Table 1: Pocket Living (2013) LLP firm schemes and contingency, May 2015

This schedule of schemes comprises £26,353,505 funding for 391 homes together with a contingency sum of £46,495. Progress on the identified schemes continues to be monitored and managed through monthly reports and quarterly meetings.

PART 2 – CONFIDENTIAL FACTS AND ADVICE

DD2020

Title: Mayor's Housing Covenant – Pocket Homes further variations

Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.

The information below is not for publication until the stated date, because:

The information contained within this document is commercially sensitive, has in part been provided to the GLA in confidence as part of a funding application and if disclosed could prejudice the commercial interests of the GLA and/or [REDACTED] and/or Pocket.

Following the completion of the contracting and due diligence process the GLA has published selected information on allocations, ensuring that commercial confidentiality is not breached.

Date at which Part 2 will cease to be confidential or when confidentiality should be reviewed: July 2019

Legal recommendation on the grounds of keeping the information confidential:

The information in this document is commercially sensitive and, if disclosed, could prejudice the commercial interests of the GLA, [REDACTED] Pocket Living Ltd and Pocket Living (2013) LLP impacting adversely on:

- The GLA's bargaining position with [REDACTED] Pocket Living Ltd and Pocket Living (2013) LLP by affecting its ability efficiently to manage the finalisation of the amendments to the funding documentation and related waiver and consent and achieve the optimal outcome process for this funding programme; and
- The ability of Pocket Living (2013) LLP to stimulate genuine competition for supplies, services and/or works required for efficient delivery of funded schemes.

For these reasons it is considered that the information below is exempt from publication in reliance upon the exclusions contained in section 43(2) (commercial interests) of the Freedom of Information Act and because the public interest in withholding the information outweighs the public interest in releasing it.

Legal Adviser – I make the above recommendations that this information should be considered confidential at this time

Name [REDACTED]

Date 1 July 2016

Once this form is fully authorised, this should be circulated with the Part 1 form.

Confidential decision and/or advice:

Approval is sought to enter into a Deed of Consent waiving the requirement for senior lender development finance to be in place prior to the GLA funding the acquisition of the Mapleton Crescent site by Pocket Living (2013) LLP and consenting to the onward disposal of this Funded Site to a wholly owned subsidiary of Pocket Living (2013) LLP. Approval is also sought for entry into a replacement Intercreditor Deed with [REDACTED] as set out in this Director Decision form (Parts 1 and 2).

1. Replacement Intercreditor Deed between the GLA and Lloyd's Bank

- 1.1 [REDACTED] in agreeing the increased facility, has sought to amend provisions in the existing Intercreditor Deed dated 13 June 2014 to enhance its protection.
 - 1.2 The facility would cover the seven Funded Sites where construction is underway (Wynne Road, Willingham Terrace, Mountearl Gardens, Marischal Road, Sail Street, Juxon Street and Rosina Street) and the two most advanced of the seven pipeline schemes (Arklow Road and Cowleaze Road) where start on site is expected in the next two months.
 - 1.3 The GLA will continue to benefit from a second ranking charge over Funded Sites. [REDACTED] will also now have a first ranking fixed charge over all Funded Sites owned by Pocket Living (2013) LLP except Mapleton Crescent (see below) from the date upon which Pocket Living (2013) LLP takes ownership. In practice this would only materially affect the security offered by the two sites (Arklow Road and Cowleaze Road) where construction is yet to start on site and only for the (estimated) two month period until the [REDACTED] facility is called on.
 - 1.4 [REDACTED] will also benefit from the protection that in the event that any of these Funded Sites fall behind schedule or incur unfunded cost overruns that would entitle [REDACTED] to prevent the GLA receiving proceeds due to it on completed sites and instead to receive those proceeds from any and all Funded Sites still under construction at that time until it had recovered its investment. This exposes the GLA to the risk that its investment in these sites would not recycle on to its charged account and be available for re-investment for the duration of the construction of the remaining schemes. It also exposes GLA to the risk that the funding to Pocket Living (2013) LLP under the GLA Funding Agreement would not be fully repaid. This could be a period of around eighteen months depending on when this was triggered.
 - 1.5 In view of the progress already made on the seven Funded Sites under construction, the method of construction and the contingency factored into their construction programmes this is currently considered unlikely to occur in practice. The greatest risk arises from the two schemes (Arklow Road and Cowleaze Road) yet to start on site and their construction programmes have been duly scrutinised. Overall this change does present some additional risk to the programme. This risk has been weighed against the risk to the programme of not securing construction finance and the construction of these sites. On balance the failure to realise the development of these sites and their affordable housing output in the short term is considered a greater risk to GLA interests than any medium term delay in funds recycling due to scheme delays.
- ### **2. Deed of Consent: Disposal of a Funded Site by Pocket Living (2013) LLP to a wholly owned subsidiary**
- 2.1 The GLA Funding Agreement permits disposals of Funded Sites with GLA consent under clause 18. Given the scale of the GLA investment on each site and the fact that the GLA would be funding the site acquisition costs before development finance has been secured, the approval of the Executive Director of Housing and Land is sought in relation to the proposal that Pocket Living (2013) LLP

acquires the Mapleton Crescent site and then disposes of it to a limited company, wholly owned by Pocket Living (2013) LLP. As well as consent to the disposal, this proposal also requires waiving the condition that, prior to site acquisition, Pocket Living (2013) LLP has secured development finance in relation to that site. The consent of [REDACTED] to the creation of such a subsidiary is required, but the [REDACTED] facility agreement contains a consent to the creation of such a subsidiary for the transfer of Mapleton Crescent. The obligations of the GLA Funding Agreement would be passed on to the subsidiary through the entry into an agreement between the GLA, Pocket Living (2013) LLP and the new subsidiary.

2.2 It is therefore proposed that the GLA enters into a Deed of Consent in respect of the Mapleton Crescent site under which:

- (a) the GLA waives the requirement under clause 16.2(d) of the GLA Funding Agreement to be provided with the details and availability of any senior lender debt funding before the site is acquired by Pocket Living (2013) LLP, subject to the GLA being provided with a first fixed charge over the site executed by Pocket Living (2013) LLP and evidence that the GLA has unfettered rights to enforce its security over the site; and
- (b) pursuant to clause 18.2 of the GLA Funding Agreement, the GLA consents to the onward transfer of the site by Pocket Living (2013) LLP to a wholly-owned subsidiary of Pocket Living (2013) LLP subject to Pocket providing details in advance of the subsidiary and any senior funder as is required to fund the development costs of the site and either (i) Pocket fully repays any GLA funding in relation to the site and procures that the subsidiary enters into a direct agreement with the GLA in order to deliver the affordable housing units required to be delivered under the GLA Funding Agreement; or (ii) the subsidiary and any new senior funder enter into an intercreditor agreement with the GLA, the GLA continues to have adequate security and the site continues to be subject to the terms of the GLA Funding Agreement.

2.3 Beyond this there are currently a further four pipeline sites: Bollo Lane, Varcoe Road, West Green Place (Keston Centre), and Gainsford Road. If these sites are to be disposed of by Pocket Living (2013) LLP to a wholly-owned subsidiary a further Director Decision will be required. Further, the creation of any future subsidiaries will require the consent of [REDACTED]

2.4 The new corporate entities holding one or more of these sites will need to secure construction finance. As and when lenders are identified the GLA would need to enter into further intercreditor agreements to protect its investment in these Funded Sites.

2.5 Risks

Risk Description	RAC	Mitigation Actions
Funded sites fail to be completed by the required Completion Dates		<ul style="list-style-type: none"> GLA officers consider this risk to have been sufficiently mitigated, having reached agreement with [REDACTED] that the required completion deadlines will be assessed on a sliding scale proportionate to the number of schemes which have been completed The sites with the fewest months between the anticipated date of practical completion and the Required Completion Date are those sites that are already nearing completion or well underway. It is therefore very unlikely that the sites will fail to be completed by the required completion dates and programme milestones will continue to be

		monitored closely																					
		<table><tr><th>Scheme</th><th>Required Completion Date</th></tr><tr><td>Willingham</td><td>30 Nov 2016</td></tr><tr><td>Wynne</td><td>31 Dec 2016</td></tr><tr><td>Rosina</td><td>31 Feb 2016</td></tr><tr><td>Mercator</td><td>28 Feb 2017</td></tr><tr><td><u>Mountearl</u></td><td>30 Nov 2016</td></tr><tr><td>Sail</td><td>30 Apr 2017</td></tr><tr><td>Juxon</td><td>30 April 2017</td></tr><tr><td><u>Cowleaze</u></td><td>31 Dec 2017</td></tr><tr><td><u>Arklow</u></td><td>31 Dec 2017</td></tr></table>	Scheme	Required Completion Date	Willingham	30 Nov 2016	Wynne	31 Dec 2016	Rosina	31 Feb 2016	Mercator	28 Feb 2017	<u>Mountearl</u>	30 Nov 2016	Sail	30 Apr 2017	Juxon	30 April 2017	<u>Cowleaze</u>	31 Dec 2017	<u>Arklow</u>	31 Dec 2017	
Scheme	Required Completion Date																						
Willingham	30 Nov 2016																						
Wynne	31 Dec 2016																						
Rosina	31 Feb 2016																						
Mercator	28 Feb 2017																						
<u>Mountearl</u>	30 Nov 2016																						
Sail	30 Apr 2017																						
Juxon	30 April 2017																						
<u>Cowleaze</u>	31 Dec 2017																						
<u>Arklow</u>	31 Dec 2017																						
Pocket cost overruns on site		<ul style="list-style-type: none">The financial security in respect of cost overruns that was previously to be provided by means of a site by site contingency and a ring-fenced contingency sum in the banking facility remains in place																					
█' first ranking fixed charge over sites (except Mapleton Crescent)		<ul style="list-style-type: none">The GLA will continue to benefit from a second ranking charge over Funded Sites. █' first ranking fixed charge over all Funded Sites owned by Pocket Living (2013) LLP except Mapleton Crescent would only materially affect the security offered by the two sites (Arklow Road and Cowleaze Road) where the construction period is about to start. Once SoS occurs, the █'s facility is called on																					

Financial Comments

The DD is requesting approval to amend the Inter-creditor agreement so that Pocket Living can secure additional loan funding from its bankers █. The impact of the amendments to the agreement will result in a change to the timing of █'s implementing its charges over the property, from the time of drawdown from the bank facility to the time of acquisition of the sites by Pocket living; if there is a delay beyond three months on the completion dates of one site, GLA will be restricted from receiving funds from the sale of the other sites until █'s if fully repaid; GLA will be responsible for meeting the cost of overruns when Pocket Living is unable to fund these costs.

Financial position: The latest set of Financial Statements as at 30th September 2015 for Pocket Living (2013) LLP and its parent company Pocket Living Ltd, showed a poor financial position; with the parent company making losses in at least two of the last three years and no income was generated in Pocket Living (2013) LLP. Performance: Pocket Living (2013) LLP has also failed to deliver on its milestones on two occasions. However, as of June 2016 property sales have commenced and is expected to continue in the following months.

The proposed amendments would result in a weakening of the security afforded to GLA in the Inter-creditor agreement. Based on the information provided, and past performance, there is a risk that the loans provided by GLA may not be recycled or repaid at the end of the loan term.

To secure additional funding for construction, Pocket Living is proposing to transfer the ownership of Mapleton Crescent, a site that will be funded by GLA, to a subsidiary of Pocket Living, the subsidiary is still to be established.

Legal Comments

The GLA has been advised by external lawyers with regard to the proposed entry into a replacement Intercreditor Deed and the proposal for the Mapleton Crescent site to be transferred by Pocket Living (2013) LLP to a wholly-owned subsidiary. Advice has been provided as to the key risks and issues regarding these proposals, which are reflected in this paper in particular at paragraphs 1.10, 1.13 and 1.14 of Part 1 and paragraphs 1.3, 1.4, 1.5 and 2.1 to 2.5 of Part 2.

The proposed amendments alter the provisions relating to the GLA's security over Pocket Living (2013) LLP, which will now take the form of:

- (i) a first charge over the bank account into which the loan monies and any net receipts are to be paid;
- (ii) a second ranking fixed charge taken over each funded site acquired by Pocket Living (2013) LLP, which is subordinated to [REDACTED] and
- (iii) a subordinated (to the senior lender) debenture over Pocket Living (2013) LLP.

For information only:

Delivery milestones

Pocket Living (2013) LLP has met the second contractual milestone of 49 affordable homes by 31 March 2016. It is currently on course to meet the next the next milestone of no fewer than 195 homes between 1 April 2016 and 30 September 2017.

The Mayor's housing covenant: Homes for Working Londoners

Notes for bidders

The purpose of this template is to allow potential providers to submit bids for funding as part of the Mayor's housing covenant.

In addition to these notes, prospective bidders should refer to: -

The Mayor's housing covenant: Homes for Working Londoners Funding Prospectus, published on 28 September 2012 and available on the GLA's website.

Submission deadline

All bids for funding must be submitted using this template and sent to: housingcovenant@london.gov.uk by noon on 30 November 2012.

Templates sent after this date, or submitted by other means, will not be considered by the GLA.

Enabling macros

When opening the template document Providers must always enable macros as prompted by the dialog box when the document is opened. If no dialog box appears, Providers must check with their own IT support to ensure that macros are always enabled.

Saving

Before submitting the finished offer template to the GLA (see above submission deadline) it must be saved in Excel 2003 format.

Supplementary statements

The information capture sheet also requires a number of supplementary statements, as detailed on the organisation details tab. With the exception of accounts information (see below) all supplementary statements should be submitted together in a single PDF document with a maximum of one page per individual statement.

The PDF document should be named: [Bidder name]MHCSS. If accounts information is submitted it should also be a PDF document named [Bidder name]MHCaccounts.

Completing the template

The standard offer template has four sections: Organisation details, Flexible Product, FirstBuy, and Other Option.

Providers should ensure that data is accurately entered into cells and, excepting column B, no cells remain coloured pink; this indicates an input error or missing data.

Note that when adding a row, the data from the last row will be copied to the new row - please add all anticipated rows before entering data.

LEAD RESPONDENT ORGANISATION INFORMATION

Name of LEAD PARTNER in whose name the application is submitted	Pocket Living Limited
Registered Office: Address 1	27 Margaret Street
Address 2	
Address 3	
Town	London
Postcode	W1W 8RY

Company Registration Number (Or I&P number)	4538848
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Type of Organisation	Non-Registered Provider
If Private Registered Provider, please confirm you are happy for all information submitted to be shared with the HCA as Regulator	Not Applicable

Is your organisation a subsidiary of another organisation?	No
---	----

Name of Immediate Parent Company	
Registered Office: Address 1	
Address 2	
Address 3	
Town	
Postcode	
Company Registration Number	

Principal contact for all enquiries: Title	
First Name	
Surname	
Position	Commercial Director
Email Address	@pocketliving.com
Telephone Number	

Date of Registration	18/09/2002
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Is your organisation an GLA Investment Partner? Organisations must qualify as Investment Partners to receive grant	No
If yes, please enter your registered partner code (IMS code)	Not Applicable

Name of Ultimate Parent Company	
Registered Office: Address 1	
Address 2	
Address 3	
Town	
Postcode	
Company Registration Number	

Please indicate whether you have included the following with your submission?:

If you are planning to transfer completed homes to a Registered Provider or London Borough, a statement providing evidence of RP interest in taking on the completed properties	No
For non-GLA Investment Partners only, Audited Accounts for the Last Three (3) Years	Yes
A statement on the jobs and economic growth impact of your proposals.	Yes
A statement on how your proposals are providing affordable housing solutions for Londoners on a range of incomes.	Yes
For providers who are London Boroughs only, a statement explaining how you are maximising your capacity created through self-financing reform.	Select...
For providers who are London Boroughs only, a statement confirming that you have the powers to deliver the form of affordable home ownership you are proposing.	Select...
If not all of the homes you are offering are net new supply, a statement explaining how GLA investment will unlock further additional net new supply.	Select...

Flexible Product

Please provides details of the known sites/ schemes that you are bidding for

Have you have submitted a statement explaining how you will encourage staircasing and any commitments to reusing capacity realised from staircasing.	Select...
--	-----------

Scheme / Site name (please ensure these are unique names in the list)	Local Authority	Minimum geography	Post Code (if known, or nearest valid post code)	Total number of homes bid for	How many of the homes are net new supply? (Assumed to be 0 if blank)	Not net new supply homes	Will these be offered on a flexible basis?	If no - number of rent to save homes	if no - number Shared Ownership homes	if no - number Equity Loan homes	Check (add up to total) if not zero	Number larger homes - with 3 or more bedrooms. (Assumed to be 0 if blank)	Is this an estate regeneration scheme/site?	What is the Planning Status of the site/scheme?	What is the land ownership status of the scheme?	Has this site been discussed with the Borough?	Start on Site Date	Start on Site Financial Year	Completion Date
	Select...					0	Select...				na		Select...	Select...	Select...	Select...			
	Select...					0	Select...				na		Select	Select...	Select...	Select...			
	Select...					0	Select...				na		Select	Select...	Select...	Select...			
	Select...					0	Select...				na		Select	Select...	Select...	Select...			
	Select...					0	Select...				na		Select	Select...	Select...	Select...			
TOTAL				0	0	0		0	0	0		0							

Flexible Product

Scheme / Site name (please ensure these are unique names in the list)	Completion Financial Year	Total scheme costs (TSC) £	Est. total market value (all homes) £	Anticipated initial sales receipts £	Anticipated annual rental income £	Anticipated capacity generated by rental income £	Provider's other resources £	Provider cross-subsidy from new build market sale development £	RCGF attributed to scheme £	Total GLA funding requested £	Check funding	Average Funding Requested Per Home	Total funding contributions £	Funding 2012	Funding 2013	Funding 2014	Funding 2015	Completions 2012	Completions 2013	Completions 2014	Completions 2015	Starts on sites 2012	Starts on sites 2013	Starts on sites 2014	Starts on sites 2015
											okay	£0	£0	£0	£0	£0	£0	0	0	0	0	0	0	0	0
											okay	£0	£0	£0	£0	£0	£0	0	0	0	0	0	0	0	0
											okay	£0	£0	£0	£0	£0	£0	0	0	0	0	0	0	0	0
											okay	£0	£0	£0	£0	£0	£0	0	0	0	0	0	0	0	0
											okay	£0	£0	£0	£0	£0	£0	0	0	0	0	0	0	0	0
TOTAL		£0	£0	£0	£0	£0	£0	£0	£0	£0		£0	£0	£0	£0	£0	£0	0	0	0	0	0	0	0	0

First Buy Bid

1) Delivery and Funding Requirements

Projected Sales Completions of homes bid for												
Number of First Buy homes bid for	How many of these homes are net new supply? <small>(Assumed to be 0 if blank)</small>	Total market value of all First Buy homes £	Number of larger homes (3 or more bedrooms) <small>(Assumed to be 0 if blank)</small>	Funding requested for the First Buy homes? £	Avarage funding per home	Q3 2012/13 (October-December 2012)	Q4 2012/13 (January-March 2013)	Q1 2013/14 (April- June 2013)	Q2 2013/14 (July-September 2013)	Q3 2013-14 (October-December 2013)	Q4 2013 -14 (January-March 2014)	Q1 2014 -15 (April- June 2014)
					£0							

2) List of Known Sites/ Schemes for First Buy Sales

Have you have submitted a statement explaining how you will encourage equity loan redemption and any commitments to re-using capacity realised from redemptions?	Select...
--	-----------

Scheme / Site name (please ensure these are unique names in the list)	Local Authority	Minimum geography	Post Code (if known, or nearest valid post code)	What is the Planning Status of the scheme?	What is the land ownership status of the scheme?	Is this an estate regeneration scheme/site?	Has this site been discussed with the Borough?	Start on Site Date	Start on Site Financial Year	Completion Date	Completion Financial Year
	Select...			Select...	Select	Select...	Select...				
	Select...			Select...	Select	Select...	Select...				
	Select...			Select...	Select	Select...	Select...				
	Select...			Select...	Select	Select...	Select...				
	Select...			Select...	Select	Select...	Select...				
TOTAL											

First Buy Bid

Number of First Buy homes bid for	Q2 2014-15 (July- September 2014)	Q3 2014-15 (October- December 2014)	Q4 2014-15 (January- March 2015)	Q1 2015-16 (April- June 2015)	Q2 2015-16 (July- September 2015)	Q3 2015-16 (October- December 2015)	Q4 2015-16 (January- March 2016)	Total projected sales completions	Check	Comps 12-13	Comps 13-14	Comps 14-15	Comps 14-15	Funding 12-13	Funding 13-14	Funding 14-15	Funding 14-15
								0	okay	0	0	0	0	£0	£0	£0	£0

Scheme / Site name (please ensure these are unique names in the list)
TOTAL

Other Affordable Home Ownership Option

Have you have submitted a detailed statement explaining the proposal, including the way in which the GLA funding will be used and recoverable. Evidence a track record of success with retail mortgage lenders and purchasers	Yes
Have you have submitted detailed legal advice (including how this proposal is allowable within the European Union State Aid rules) to your proposal	Yes
Have you have submitted a detailed statement explaining what you will do to ensure the mobility of your customers accessing home ownership through this fund and what commitments you are making to use proceeds realised on further new supply.	Yes

Scheme / Site name (please ensure these are unique names in the list)	Local Authority	Minimum geography	Post Code (if known, or nearest valid post code)	Total number of homes bid for	How many of the homes are net new supply? (Assumed to be 0 if blank)	Is this an estate regeneration scheme/site?	Number of larger homes (3 or more bedrooms) (Assumed to be 0 if blank)	Not net new supply homes	What is the Planning Status of the site/scheme?
Willesden Junction Hotel	Brent	North West	NW10 4UO	20	20	No		0	No discussions held.
Ashington Garages	Camden	North West	NW5 4RB	23	23	Yes		0	Pre-application discussions held with local planning authority
Willingham Close	Camden	North West	NW5 2UY	24	24	Yes		0	Pre-application discussions held with local planning authority
Churchfield Road	Ealing	North West	W3 6BS	39	39	No		0	Pre-application discussions held with local planning authority
West Acton Community Centre	Ealing	North West	W3 0JN	40	40	No		0	Pre-application discussions held with local planning authority
Albert Dane Centre	Ealing	North West	UB2 5HA	30	30	No		0	Pre-application discussions held with local planning authority
Nubian Life Centre	Hammersmith & Fulham	North West	W12 7RQ	16	16	Yes		0	Pre-application discussions held with local planning authority
Marcon Place	Hackney	North East	E8 1LP	30	30	No		0	Application submitted
Dalston Lane	Hackney	North East	E8 1PQ	39	39	No		0	No discussions held.
Silchester Road	Kensington and Chelsea	North West	W10 6SF	14	14	Yes		0	Pre-application discussions held with local planning authority
Juxon Street	Lambeth	South	SE11 6HN	53	53	Yes		0	Pre-application discussions held with local planning authority
Sail Street	Lambeth	South	SE11 6NF	48	48	Yes		0	Pre-application discussions held with local planning authority
Streatham Hill Estate	Lambeth	South	SW16 2NL	49	49	Yes		0	Pre-application discussions held with local planning authority
Wynne Road	Lambeth	South	SW9 0BB	22	22	No		0	Pre-application discussions held with local planning authority
Old Road	Lewisham	South	SE13 5SU	20	20	No		0	No discussions held.
Manor Road	Newham	North East	E15 3DQ	19	19	No	16	0	Pre-application discussions held with local planning authority
Branch Road	Tower Hamlets	North East	E14 7JL	50	50	No	4	0	No discussions held.
Lisson Grove	Westminster	North West	NW8 8DS	17	17	No		0	Pre-application discussions held with local planning authority
TOTAL				553	553		20		20

Scheme / Site name (please ensure these are unique names in the list)	What is the land ownership status of the scheme?	Has this site been discussed with the Borough?	Start on Site Date	SoS Year	Completion Date	Completion Year	Total scheme costs £	GLA funding requested £	Average Funding Requested Per Home	Funding 2012
Willesden Junction Hotel	We have had an offer accepted for the site	No	31/03/2014	2013	27/02/2015	2014	██████████	██████████	██████████	£0
Ashington Garages	We have made a bid for the site	Yes	06/01/2014	2013	05/12/2014	2014	██████████	██████████	██████████	£0
Willingham Close	We have made a bid for the site	Yes	06/01/2014	2013	05/12/2014	2014	██████████	██████████	██████████	£0
Churchfield Road	We have made a bid for the site	Yes	31/03/2014	2013	27/02/2015	2014	██████████	██████████	██████████	£0
West Acton Community Centre	We have made a bid for the site	Yes	31/03/2014	2013	27/02/2015	2014	██████████	██████████	██████████	£0
Albert Dane Centre	We have made a bid for the site	Yes	02/12/2013	2013	31/10/2014	2014	██████████	██████████	██████████	£0
Nubian Life Centre	We have had an offer accepted for the site	Yes	02/12/2013	2013	31/10/2014	2014	██████████	██████████	██████████	£0
Marcon Place	We hold a freehold/leasehold interest in the site	Yes	01/03/2013	2012	01/03/2014	2013	██████████	██████████	██████████	£0
Dalston Lane	We have had an offer accepted for the site	Yes	03/03/2014	2013	30/01/2015	2014	██████████	██████████	██████████	£0
Silchester Road	We have had an offer accepted for the site	Yes	24/02/2014	2013	23/01/2015	2014	██████████	██████████	██████████	£0
Juxon Street	We have made a bid for the site	Yes	27/01/2014	2013	24/12/2014	2014	██████████	██████████	██████████	£0
Sail Street	We have made a bid for the site	Yes	27/01/2014	2013	24/12/2014	2014	██████████	██████████	██████████	£0
Streatham Hill Estate	We have made a bid for the site	Yes	27/01/2014	2013	20/02/2015	2014	██████████	██████████	██████████	£0
Wynne Road	We have made a bid for the site	Yes	27/01/2014	2013	24/12/2014	2014	██████████	██████████	██████████	£0
Old Road	We have made a bid for the site	Yes	27/01/2014	2013	24/12/2014	2014	██████████	██████████	██████████	£0
Manor Road	We have made a bid for the site	Yes	27/05/2014	2014	27/02/2015	2014	██████████	██████████	██████████	£0
Branch Road	We have made a bid for the site	No	23/06/2014	2014	17/07/2015	2015	██████████	██████████	██████████	£0
Lisson Grove	We have had an offer accepted for the site	Yes	31/03/2014	2013	27/02/2015	2014	£██████████	██████████	██████████	£0
TOTAL	0								£0	£0

GLA Housing Covenant
Pocket Living Limited
Monthly Cash Flows

CONSOLIDATED CASHFLOW AS AT 3RD JULY 2013

Monthly Cash Flows																																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35
	2013								2014												2015											2016			
	May	June	July	August	September	October	November	December	January	February	March	April	May	June	July	August	September	October	November	December	January	February	March	April	May	June	July	August	September	October	November	December	January	February	March

Brent

Willesden Junction Hotel
Planning
Site purchase
Construction
Sales
Management Fee
GLA Funding
Bank Funding
Bank Interest & Fees
Bank Funding Cum
Pocket Profit
Unit sales

Bromsbury Road

Planning
Site purchase
Construction
Sales
Management Fee
GLA Funding
Bank Funding
Bank Interest & Fees
Bank Funding Cum
Pocket Profit
Unit sales

Camden

Willingham Close
Planning
Site purchase
Construction
Sales
Management Fee
GLA Funding
Bank Funding
Bank Interest & Fees
Bank Funding Cum
Pocket Profit
Unit sales

Ealing

Albert Dane Centre
Planning
Site purchase
Construction
Sales
Management Fee
GLA Funding
Bank Funding
Bank Interest & Fees
Bank Funding Cum
Pocket Profit
Unit sales

Hackney

Marcon Place

Planning
Site purchase
Construction
Sales
Management Fee
GLA Funding
Bank Funding
Bank Interest & Fees
Bank Funding Cum
Pocket Profit
Unit sales

Hammersmith & Fulham

Nubian Life Centre
Planning
Site purchase
Construction
Sales
Management Fee
GLA Funding
Bank Funding
Bank Interest & Fees
Bank Funding Cum
Pocket Profit
Unit sales

[illegible]

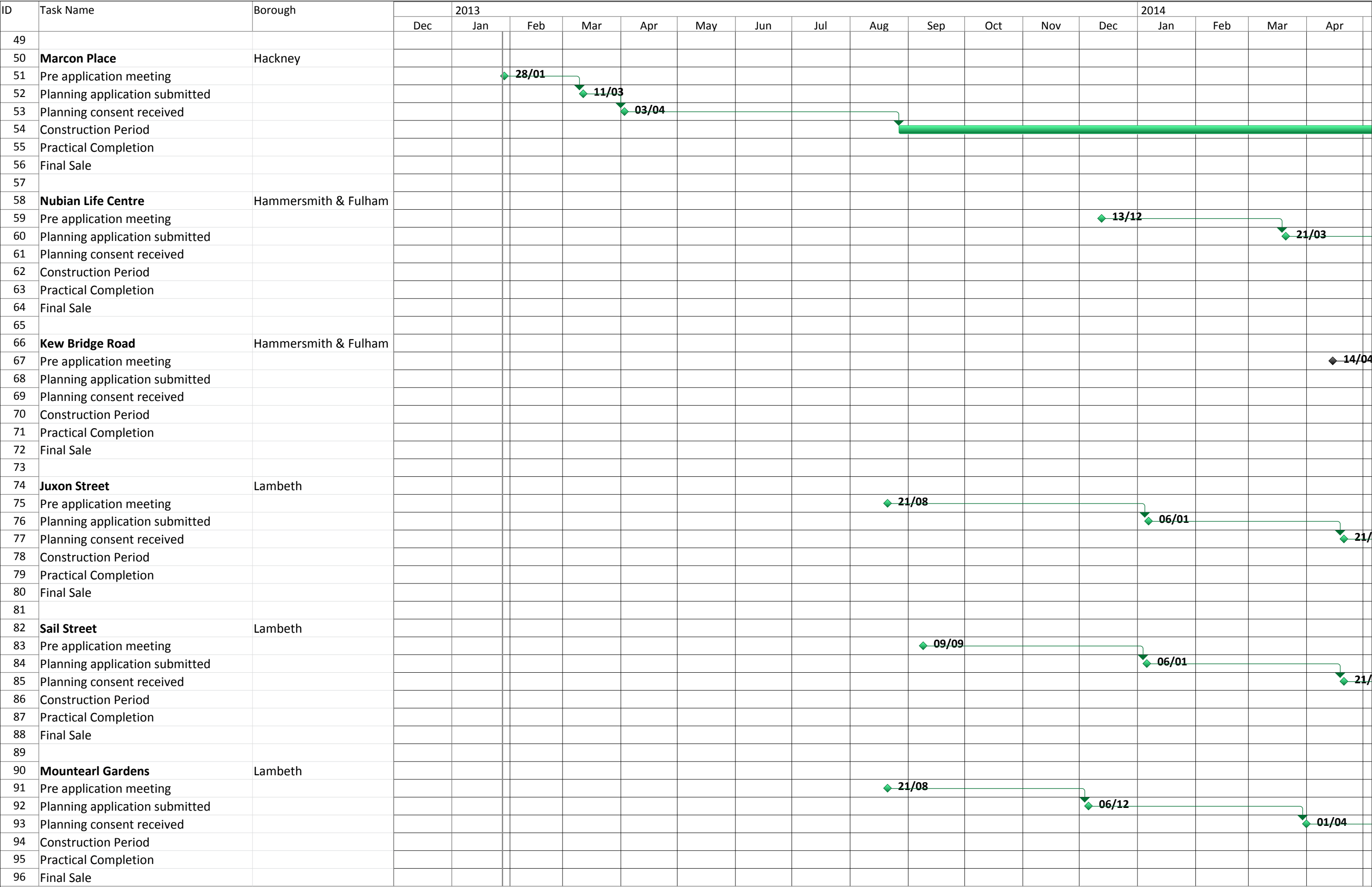
SCHEDULE 3 - INITIAL SCHEMES

Reference	Site	Postcode	Borough	1 bed	2 bed	Total	GLA funding requested
	BID SITES						
13/01	Willingham Close	NW5 2UY	Camden	22		22	£1,759,000
13/02	Albert Dane Centre	UB2 5HA	Ealing	35		35	£808,000
13/04	Juxon Street	SE11 6NH	Lambeth	37	7	44	£3,348,000
13/05	Sail Street	SE11 6NF	Lambeth	34	5	39	£2,555,000
13/06	Streatham Hill Estate, Mountearl Gdns	SW16 2NL	Lambeth	30	11	41	£1,548,000
13/07	Wynne Road	SW9 0BB	Lambeth	24	1	25	£1,727,000
13/08	19-24 Marcon Place	E8 1LP	Hackney	28		28	£0
	Nubian Life Centre	W12 7QR	Hammersmith & Fulham	16		16	£657,000
	Willesden Junction Hotel	NW10 4UP	Brent	25		25	£1,276,000
	Mercator Road	SE13	Lewisham	29	3	32	£1,625,000
	Rathbone House Garage, Brondesbury Road	N22	Brent	27		27	£2,147,250
	Kew Bridge Road	TW8	Hounslow	30		30	£2,361,000

Agreed Payment
Contingency
TOTAL

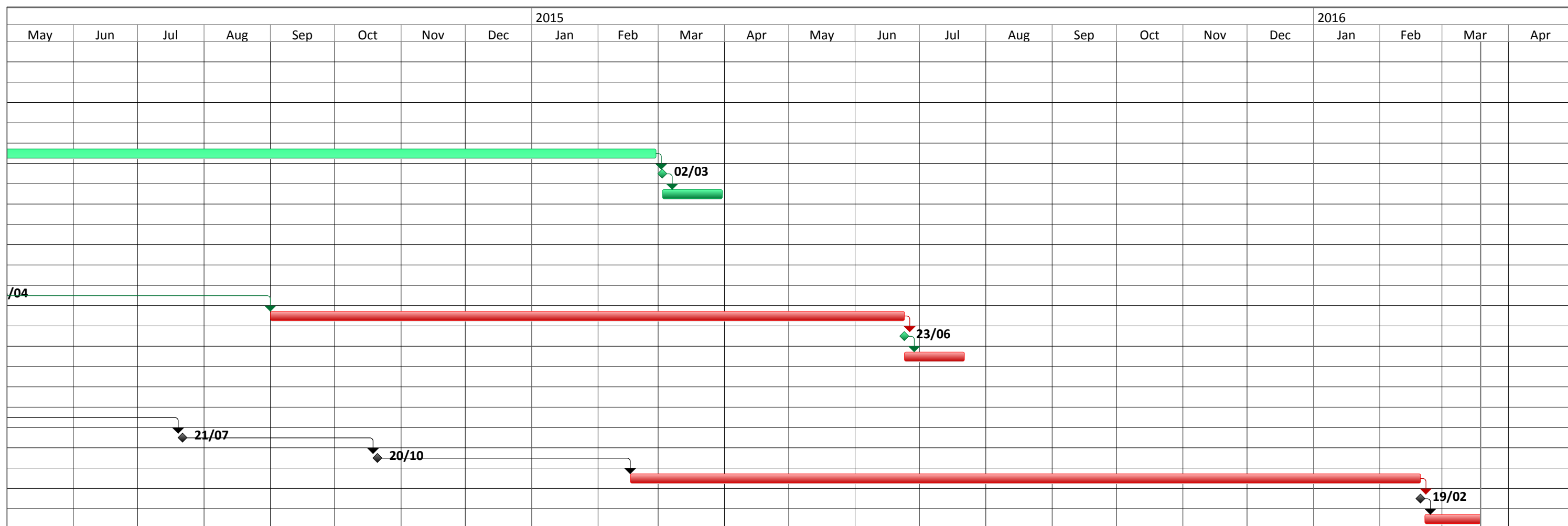
364	£19,811,250
20	£1,888,750
384	£21,700,000

ID	Task Name	Borough	2013												2014					
			Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
1																				
2	Willesden Junction Hotel	Brent																		
3	Pre application meeting											◆ 26/08								
4	Planning application submitted												▼ 28/10							
5	Planning consent received															◆ 27/01				
6	Construction Period																			
7	Practical Completion																			
8	Final Sale																			
9																				
10	Brondesbury Road																			
11	Pre application meeting	Brent																◆ 10/03		
12	Planning application submitted																			
13	Planning consent received																			
14	Construction Period																			
15	Practical Completion																			
16	Final Sale																			
17																				
18	Oak Grove	Camden																		
19	Pre application meeting												◆ 30/09							
20	Planning application submitted															◆ 06/01				
21	Planning consent received																		◆ 07/04	
22	Construction Period																			
23	Practical Completion																			
24	Final Sale																			
25																				
26	Willingham Close	Camden																		
27	Pre application meeting										◆ 15/07									
28	Planning application submitted															◆ 28/11				
29	Planning consent received																		◆ 24/03	
30	Construction Period																			
31	Practical Completion																			
32	Final Sale																			
33																				
34	Albert Dane Centre	Ealing																		
35	Pre application meeting										◆ 29/07									
36	Planning application submitted												◆ 07/10							
37	Planning consent received															◆ 13/01				
38	Construction Period																			
39	Practical Completion																			
40	Final Sale																			
41																				
42	Dalston Lane	Hackney																		
43	Pre application meeting											◆ 16/09								
44	Planning application submitted															◆ 20/12				
45	Planning consent received																		◆ 24/03	
46	Construction Period																			
47	Practical Completion																			
48	Final Sale																			



ID	Task Name	Borough	2013												2014							
			Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr			
97																						
98	Wynne Road	Lambeth																				
99	Pre application meeting																					
100	Planning application submitted																					
101	Planning consent received																					
102	Construction Period																					
103	Practical Completion																					
104	Final Sale																					
105																						
106	Mercator Road	Lewisham																				
107	Pre application meeting																					
108	Planning application submitted																					
109	Planning consent received																					
110	Construction Period																					
111	Practical Completion																					
112	Final Sale																					
113																						
114	Masterman House Garage	Lewisham																				
115	Pre application meeting																					
116	Planning application submitted																					
117	Planning consent received																					
118	Construction Period																					
119	Practical Completion																					
120	Final Sale																					







**powered by the
Mayor of London**

Delivering the Housing Covenant

Due diligence pack
29th January 2012

Objectives

In 2013: 16 sites acquired

By 2015:

- 473 new homes
- 691 Londoners housed
- £57m invested in construction
- 794 new jobs

By 2023:

- 5,147 new homes
- 7,838 Londoners housed
- £194m council land receipts
- £596m invested in construction
- 7,738 new jobs

Contents

- Current status of sites
- Operating at scale
 - Managing the delivery programme
 - Key advisers and delivery partners
 - Construction timetable
 - Construction funding
- Unit size and dimensions
- Operation of the fund

Current status of sites 1

- All 16 sites waiting for the starter's gun
 - 6 signed Heads of Terms
 - 10 Heads of Terms agreed in principle
 - All passed GLA/Council initial evaluation
 - Valuations agreed in principle
 - Support from key members and officers
- Next steps at Pocket's risk in parallel with GLA agreement
 - Red Book valuation
 - Required for Council sites to satisfy "best consideration" or General Disposal Consent
 - Contract
 - Subject to planning and drawdown of GLA funding
 - Planning
 - Initial designs already completed
 - Summary planning assessments already completed
 - Preliminary discussions held with Council planners
- Critical to allocate GLA funding day 1 to secure all sites
 - Drawdown can be phased once planning secured

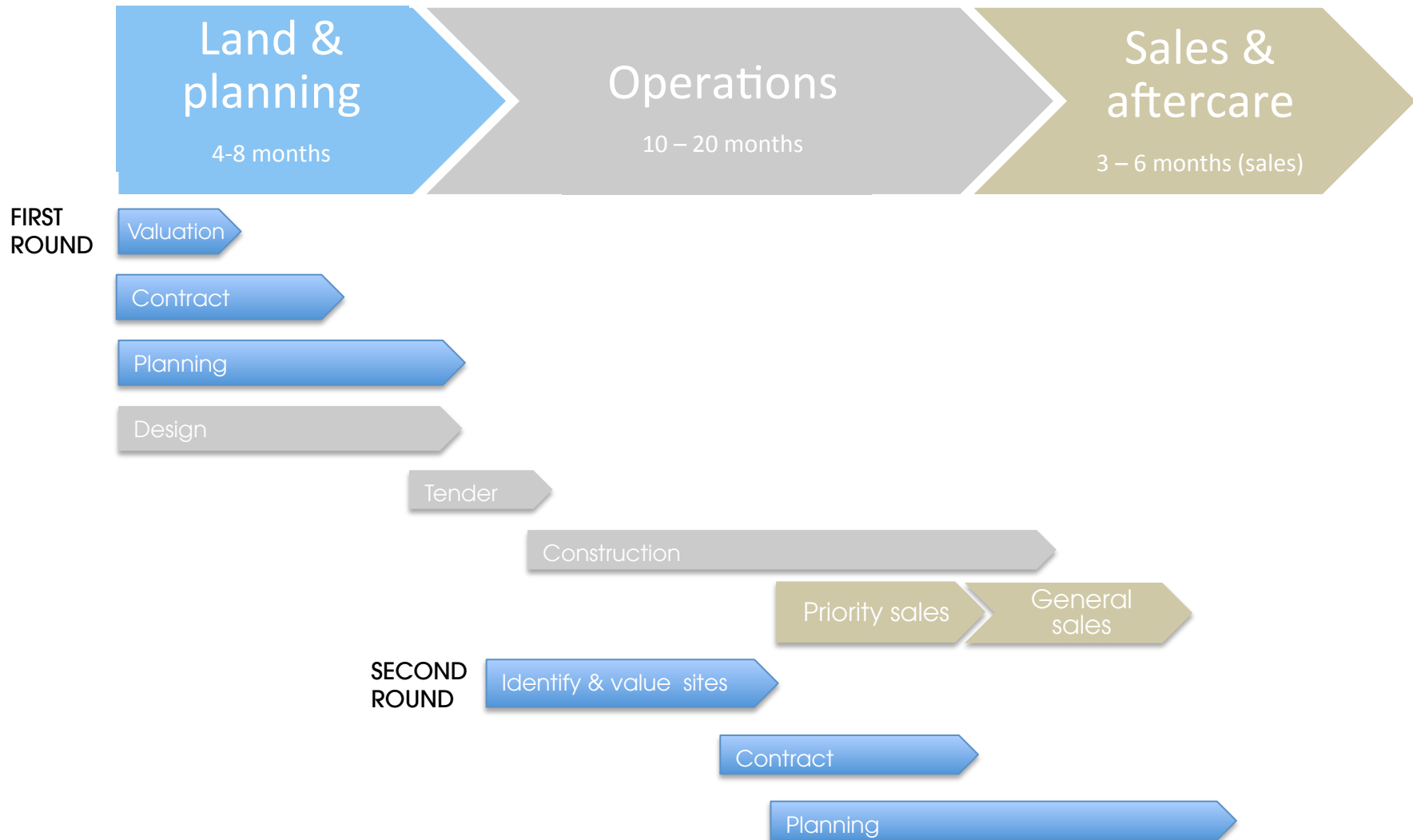
Current status of sites 2

GLA SITES STATUS

28/01/2013

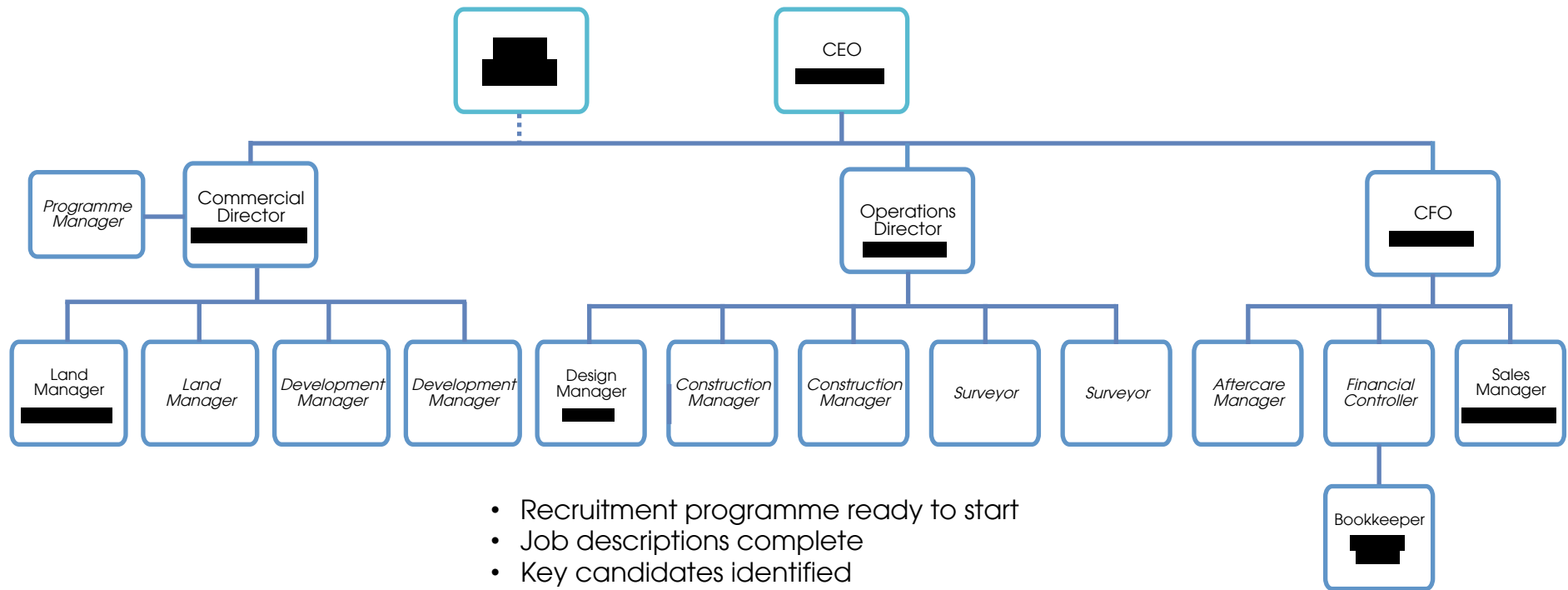
									PROPOSAL				TOTAL ROUND 1		TOTAL 10 YEARS			
COUNCIL	SITE NAME	POST CODE	OWNER	OWNER CONTACT	PLANNING OFFICER	ARCHITECTS	PLANNING CONSULTANTS	QUANTITY SURVEYORS	STUDIO	ONE	TWO	THREE	UNITS	RESIDENTS	UNITS	RESIDENTS	TOTAL SCHEME COSTS	GLA FUNDING REQUESTED
BRENT	Willesden Junction Hotel	NW10 4UP	Private							20			20	25	165	206	£1,343,000	
CAMDEN	Ashington Garages	NW5 4RB	Council							22	1		23	31	206	277	£1,899,000	
CAMDEN	Willingham Close	NW5 2UY	Council							24			24	30	206	257	£2,030,000	
EALING	Churchfield Road	W3 6BS	Council							34	5		39	59	363	551	£2,433,000	
EALING	West Acton Community Centre	W3 0JN	Council							40			40	50	423	528	£875,000	
EALING	Albert Dane Centre	UB2 5HA	Council							28			30	38	256	321	£2,591,000	
HAMMERSMITH & FULHAM	Nubian Life Centre	W12 7QR	Council							16			16	20	165	207	£2,955,000	
HACKNEY	27a Dalston Lane	E8 1PQ	Private							39			39	49	364	455	£547,000	
KENSINGTON & CHELSEA	12 Silchester Road	W10 6SF	Council										14	18	154	192	£875,000	
LAMBETH	Juxon Street	SE11 6NH	Council							47	6		53	79	458	680	£3,975,000	
LAMBETH	Sail Street	SE11 6NF	Council							48			48	60	482	603	£3,506,000	
LAMBETH	Streatham Hill Estate, Mountearl Gdns	SW16 2NL	Council							42	7		49	76	899	1391	£1,416,000	
LAMBETH	Wynne Road	SW9 0BB	Council						2	20			22	27	211	260	£1,432,000	
LEWISHAM	Old Road	SE13 5SU	Council						2	16	2		20	29	281	402	£755,000	
NEWHAM	Manor Road	E15 3DQ	Council								3	16	19	79	296	1236	£755,000	
WESTMINSTER	Lisson Grove	NW8 8EB	Council							17			17	21	218	272	£875,000	
									4	371	23	16	473	691	5,147	7838	£28,262,000	

Managing the delivery programme 1



Managing the delivery programme 2

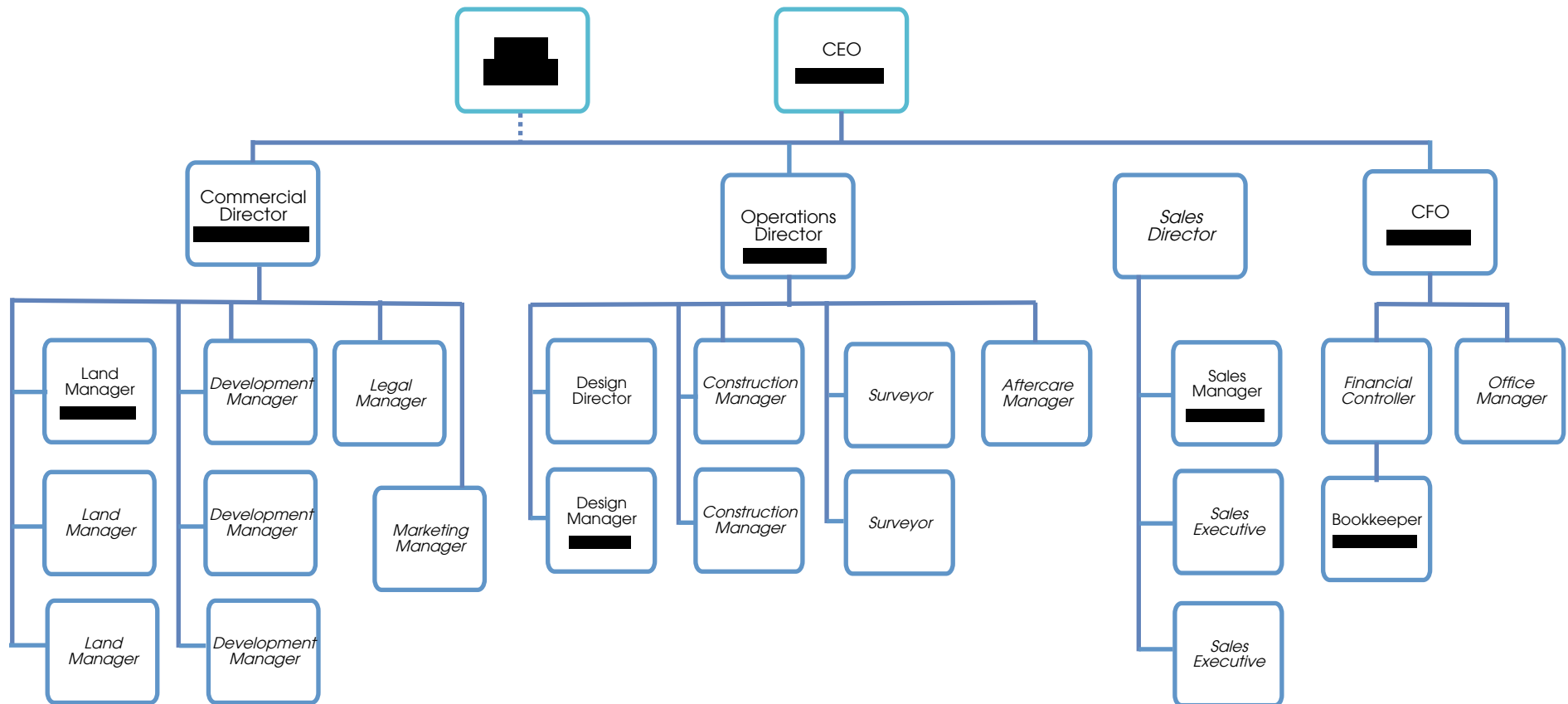
May 2013



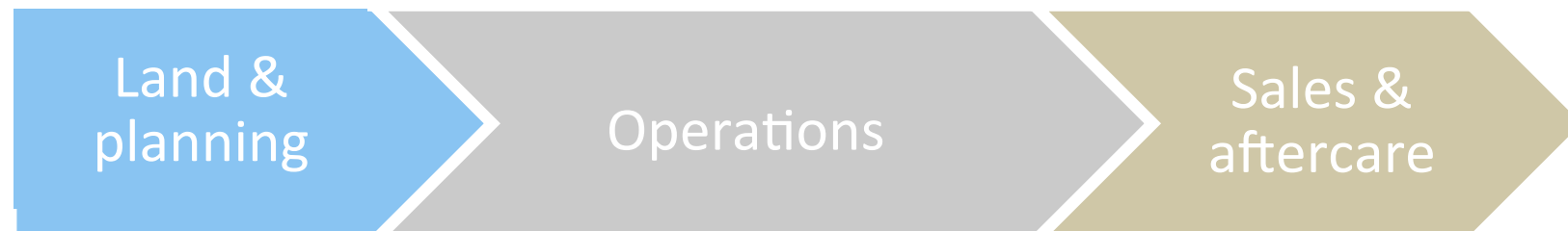
- Recruitment programme ready to start
- Job descriptions complete
- Key candidates identified
- Office space identified
- Timing gap covered by existing and external resources

Managing the delivery programme 3

May 2014



Key advisers and delivery partners 1



Valuation

RICS valuer appointed jointly with council

Contract

[REDACTED]

Other tbc

Planning

Planning consultants (completed initial assessments)

[REDACTED]

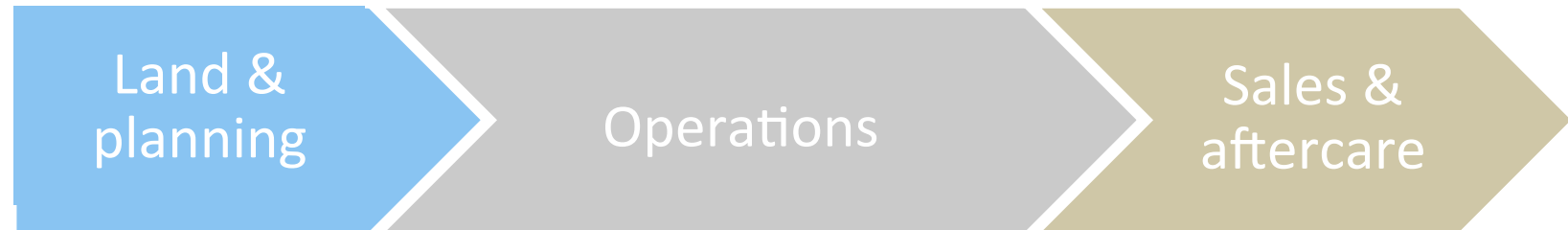
Other tbc

Planning lawyers (s.106)

[REDACTED]

Other tbc

Key advisers and delivery partners 2



Design

Initial designs completed by [REDACTED]

Specialists

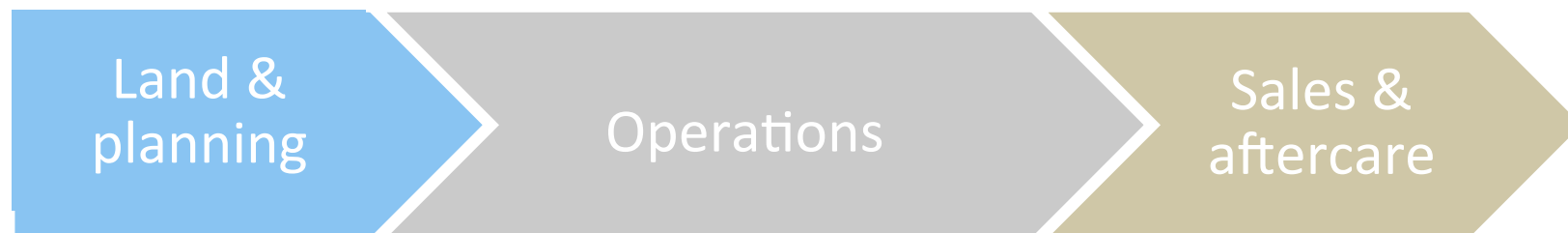
Cost consultants – initial costings completed by [REDACTED]

Structural engineers – initial site assessments completed by [REDACTED]

Contractors

- Framework agreement in preparation
- Discussions held with [REDACTED]
- 2 framework contractors will be selected

Key advisers and delivery partners 3



Priority sales

- Cascade marketing agreed with each council and carried out in-house by Pocket in collaboration with eg H&F HomeBuy, HomeOwnership Westminster
- All units in Star Road and all but one in Fermoy Road were sold to buyers through council referrals.

General sales

- Additional marketing and sales carried out by Pocket in-house
- Sales support provided by local agents
- Online pre-marketing will start with GLA announcement
- Potential joint marketing with GLA (eg pop-up shop by City Hall)
- Pocket database currently includes 13,000 applicants, of which 4,000 pre-qualified
- Sales Director and expanded team in place by Q4 2013
- Bespoke mortgage products in discussion with Nationwide and Leeds
- Low-deposit options in development for Q4 2013

Aftercare

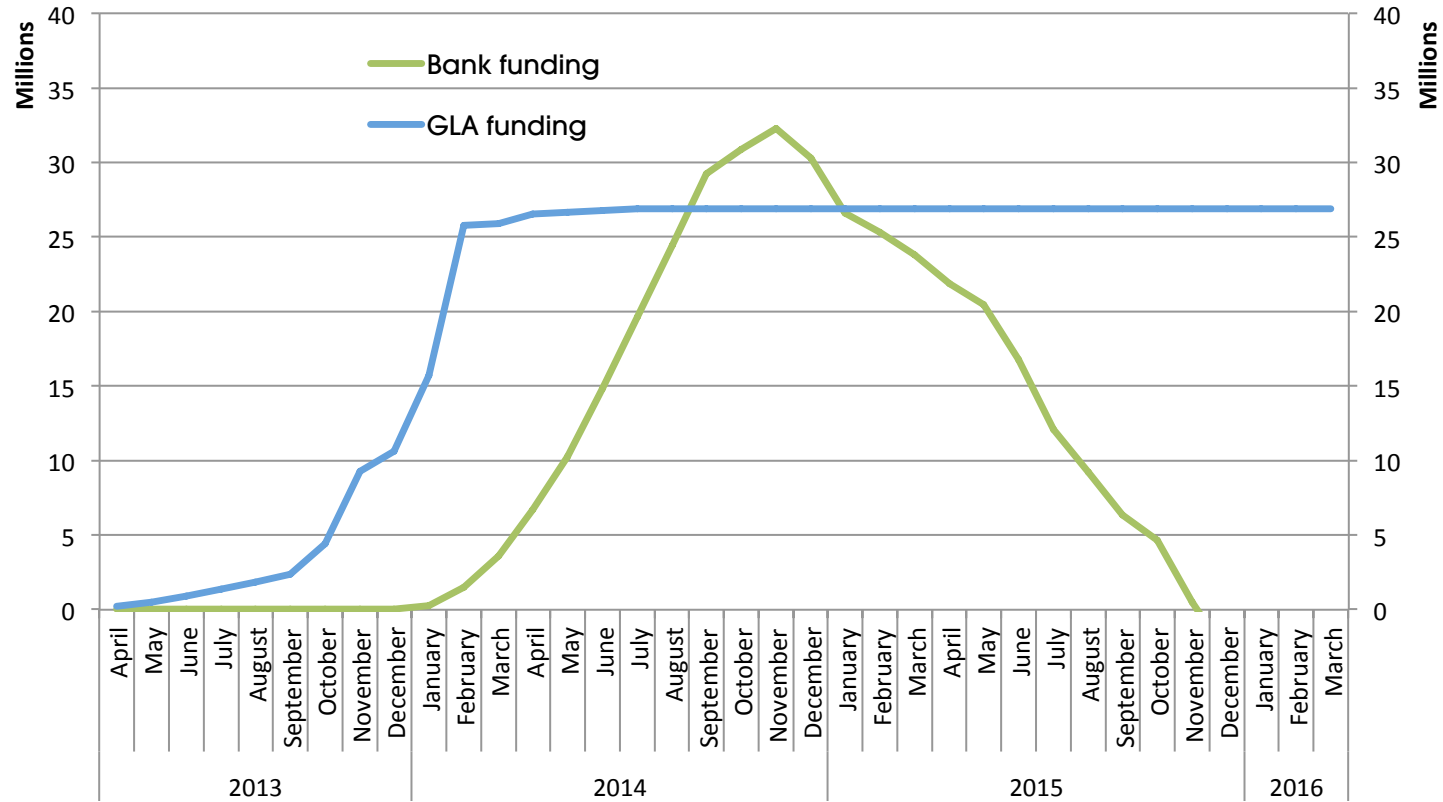
- 12 months aftercare by Pocket
- Management contract currently with Mainstay
- Units designed for low maintenance and low-cost management charges (£1,000-1,300 per year)

Development timetable

- Conservative programme attached
- Four waves starting February, March, April, May 2013
- Indicative timing based on initial assessment of each site
 - Valuation and contract 1-2 months
 - Planning 7-8 months
 - Tender 3-4 months
 - Construction 32-70 weeks
- Actual timing will benefit from:
 - Deal terms already agreed
 - Accelerated planning process (early member and officer support)
 - Planning will start immediately
 - Tender will start before planning complete
- Objective will be to spread construction start dates
- 10 sites completed by March 2015
- Completion dates from Sep 2014 to Nov 2015

Development timetable

Funding – Round 1



- NatWest will fund all construction finance (see letter attached)
- Single funder greatly simplifies intercreditor agreement
- Cashflow based on indicative development timetable

Your ref:

Our ref: RD/Ext 4950

Date: 8th November 2012

[REDACTED]
Pocket Living Ltd
27 Margaret Street
London
W1W 8RY

Commercial Banking

4th Floor, Argyll House
246 Regent Street
London
W1B 3PB

Direct: [REDACTED]

Email: [REDACTED]
[REDACTED]

Dear [REDACTED]

Pocket Living

We write further to our discussions in respect of Pocket and our visit to the launch event for your last development at Westbourne Grove.

As we hope you are aware, we share your enthusiasm for the Pocket business model and it was very evident from the launch event that the residents are pleased with the homes they have purchased. There was a real buzz of the new community you have created there.

Pocket is an ingenious business model, delivering a quality product that meets the needs and desires of the purchasers, whilst complying with the planning and community requirements. The positive social impact is very clear.

Whilst each deal carries its own dynamics, to give you an indication of a typical structure:

- Up to 60% of site value and fundable costs, this to include an allowance for fees, interest, contingency etc. Fundable costs are usually all costs incurred up to Practical Completion ('PC') other than Agents and Solicitors costs which are associated with sales of individual apartments - these costs would normally be paid out of the gross sales proceeds from each individual apartment.
- We would not expect to be lending Pocket Living any greater sum than 50% of the anticipated end value of the development scheme.
- Interest rate margin of 450bp plus 3 month LIBOR.
- Bank arrangement fee of 300bp of sanctioned limits - to be split 1.50% on first advance and 1.50% on maturity of lending commitment / sale of units.
- Loan length would be for project build period plus up to 6 months for marketing / sale - we would look for input from agents on a realistic sales period.

- A bank appointed valuer would need to opine on the scheme / project, reporting on values, comparables etc. We would suggest using Tom Barton from Jones Lang LaSalle. It is important to use a valuer who would become familiar with your specification and track record. That said, site location and the occasional conflicts would ultimately dictate the valuation firm.
- Legal's to be overseen by a bank appointed lawyer. In this respect, we would require a First Legal Charge over each site, a Mortgage Debenture over the Special Purpose Vehicle and Collateral Warranties from the Main Contractor, Key Professionals and any material Sub Contractors especially where they have had design input. It is important that you flag this requirement with all contractors and professionals ahead of the tender process as it does have cost implications in respect of their underlying PI cover.
- We would wish a QS firm to opine on the original build costs and the project generally and it is against their certification that we would 'release' the monthly draw amounts. In this respect, your cash contribution will be spent first on the acquisition with the bank funding the balance together with 100% of the construction costs and fees. We would suggest we use Martin Cannon from EC Harris (assuming no conflicts). We would also suggest that we sit down with Martin at an early stage so that he can familiarise himself with Pocket's procurement process.
- We would need some recourse to cover potential cost overruns. Normally this would be provided by either a specific 10% cost overrun guarantee, bonding or deposit of the equivalent amount of cash - this is something we can discuss and will depend on such things as the amount of contingency you have in each site appraisal.

We are very keen to continuing our discussions for the funding of Pocket developments and look forward to hearing from you further in this regard.

As you will appreciate, all funding is subject to approval by the Bank's Credit Committee.

Kind regards,

Relationship Director
Real Estate Finance

Director, Business Development

[REDACTED]@pocketliving.com>

24 January 2013 10:32

To: [REDACTED]@pocketliving.com>, [REDACTED]@pocketliving.com>

FW: Pocket Living - Development Finance Proposal

Just to document a telephone conversation I had today with [REDACTED] of Natwest.

At a GLA funding level of say £20m, we will need bank finance for approx £50m.

He says this is too small to syndicate and they would want to do all of it rather than just a part of it.

He is happy to confirm that to the GLA and if he is not around [REDACTED] will so confirm. Their contact details are:

[REDACTED]
Relationship Director
Real Estate Finance Team, London
Royal Bank of Scotland

4th Floor, Argyll House
246 Regent Street
London
W1B 3PB

[REDACTED]
[REDACTED]

[REDACTED]

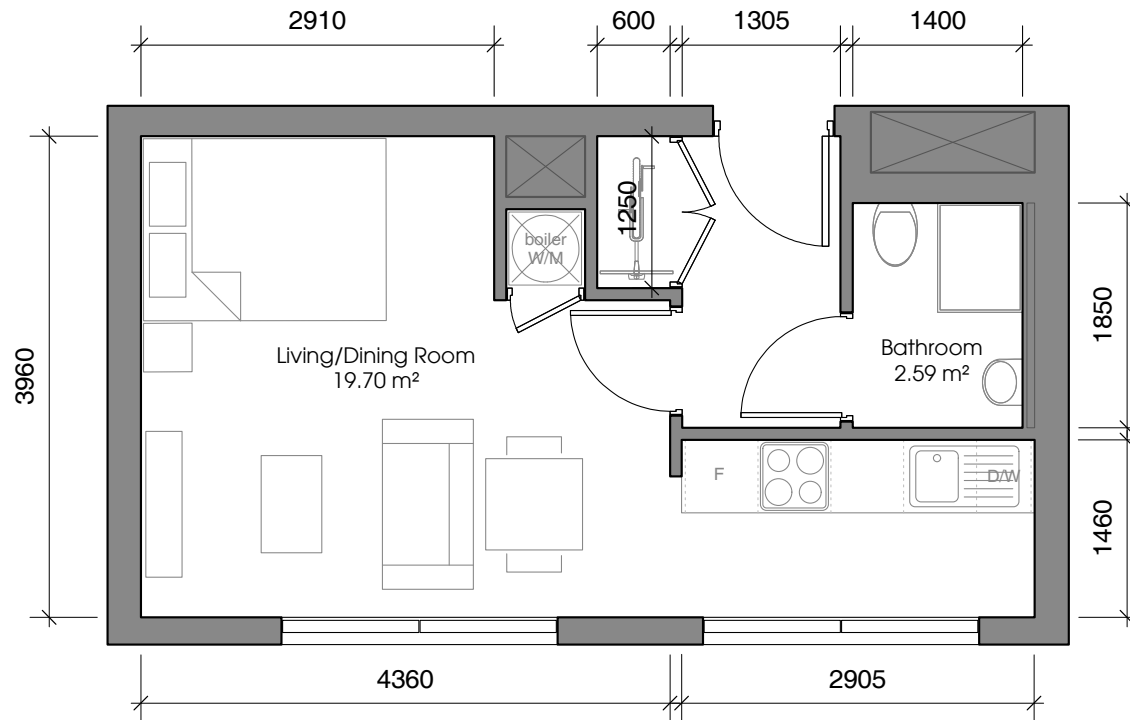
[REDACTED]
Director, Deal Origination
NatWest Real Estate Finance

4th Floor, Argyll House
246 Regent Street
London W1B 3PB

[REDACTED]
[REDACTED]@natwest.com

Unit types and dimensions - studio

- 4 studio units



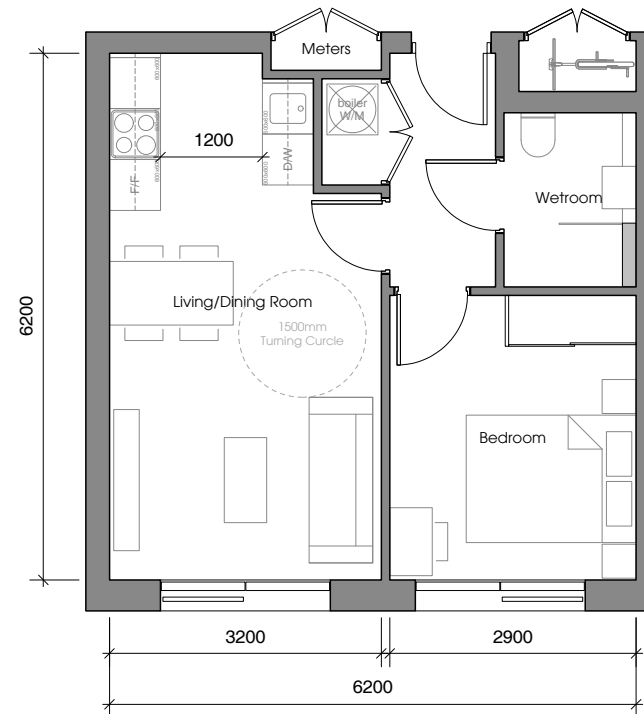
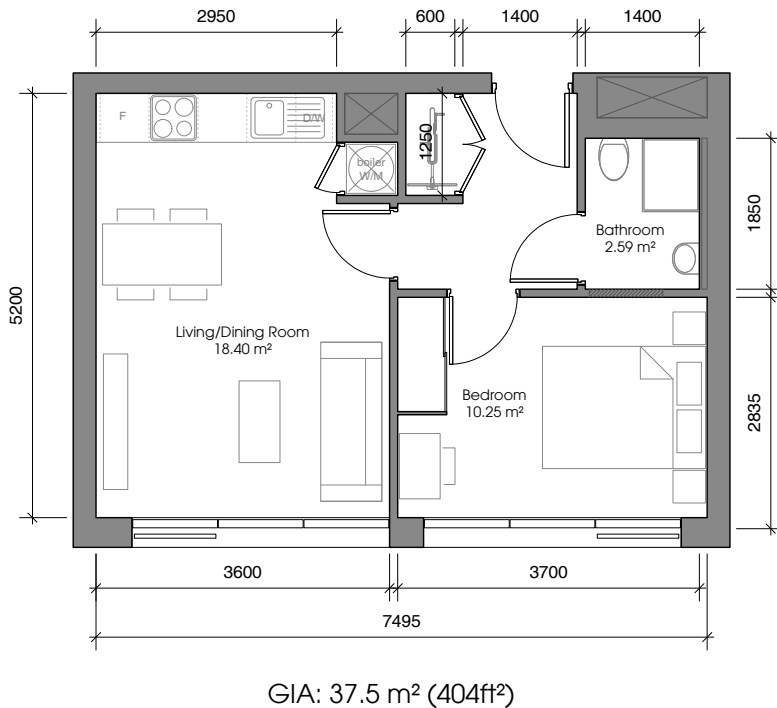
GIA: 27.5 m² (296ft²)

London Plan 2011 Para 3.36

“Single person dwellings of less than 37 square metres may be permitted if the development proposal is demonstrated to be of exemplary design and contributes to achievement of other objectives and policies of this Plan.”

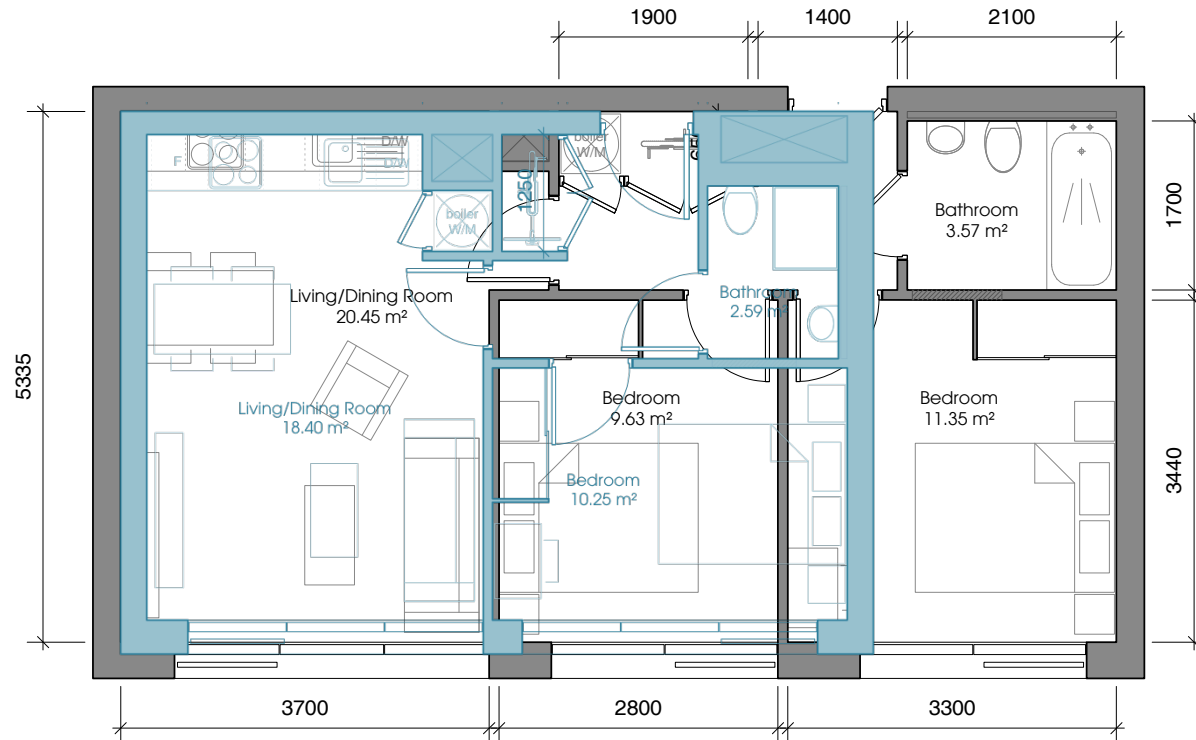
Unit types and dimensions – 1 bed

- 371 1 bed units: typical floor plans
 - Satisfies London Plan minimum for 1 person
 - 81% of Pocket 1 bed flats are bought by single person



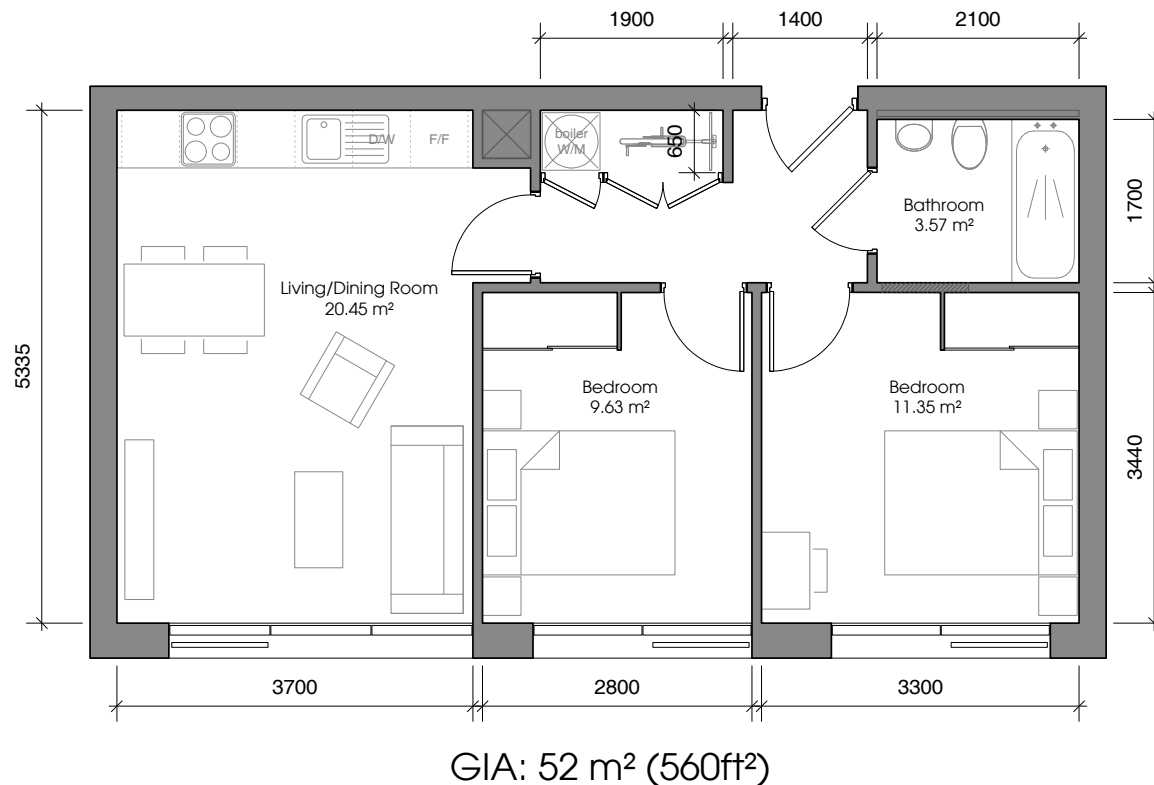
Unit types and dimensions – 2 bed

- 23 2 bed units: typical floor plan
 - Extension of 1 bed floorplan



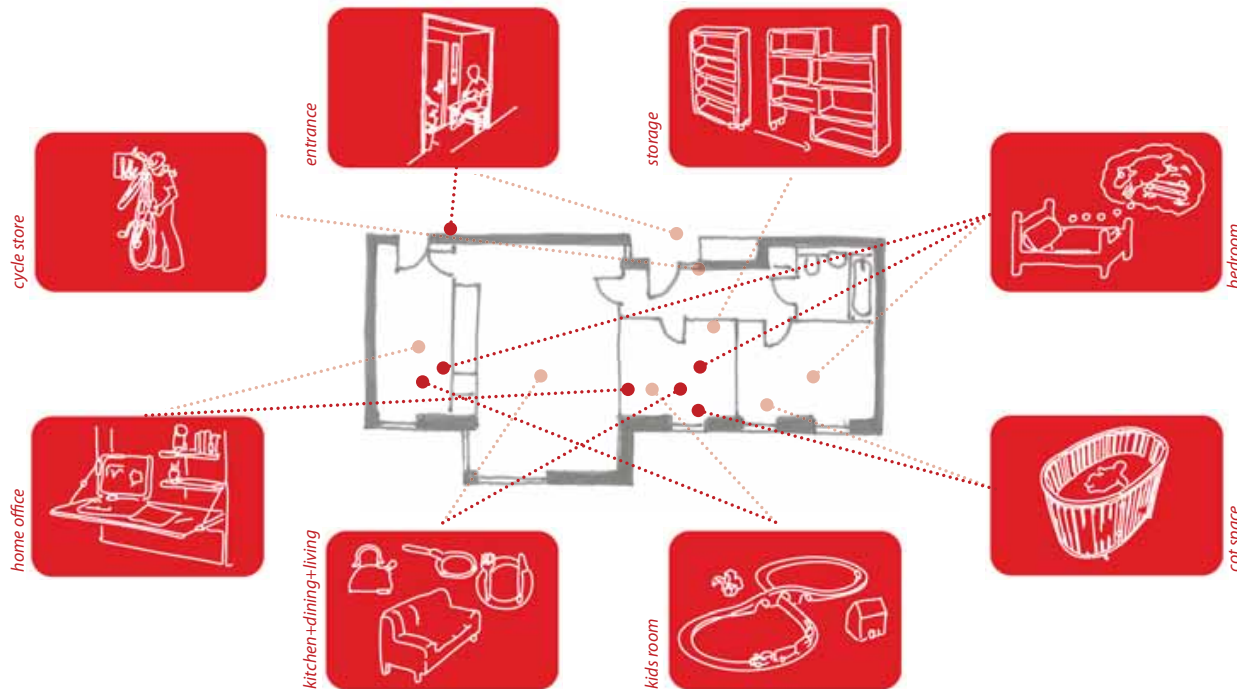
Unit types and dimensions – 2 bed

- 2 beds: typical floor plan
 - Satisfies London Plan minimum for 2 people/1 bedroom (50 sq m)
 - All Pocket 2 bed flats to date have been bought by single person
 - No London Plan minimum for 2 people/2 bedrooms



Unit types and dimensions – 3 bed

- Pocket family concept developed with C. F. Mollor for LB Newham
- 16 3 beds in first round



"The arguments for flexible housing are manifold. Beyond reasons of sustainability, it is a means of empowering the user to take control of their own dwelling, either by making choices prior to final construction or else over the lifetime of the home. It enables housing providers to adjust to new living patterns and configurations of users. Economically, it avoids obsolescence and costs involved in reconfiguration or refurbishment. Technically, it should allow for the incorporation of new technologies and the upgrading of old ones, in particular the provision of building services."

"Flexible housing can adapt to the changing needs of users. It includes the possibility of choosing different housing layouts prior to occupation as well as the ability to adjust one's home over time. It also includes the potential to incorporate new technologies over time, to adjust to changing demographics, or even to completely change the use of the building from housing to something else."

Unit types and dimensions – 3 bed

- Flexible design adapts to family life-stages

Life-cycle of the Home



Starting out...



Grandparents visit...



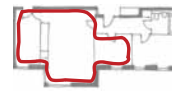
The nursery...



Lodger...



Working from home...



House party...



The family getting bigger...



Space for play...



Child's own room...

Unit types and dimensions – 3 bed

- Typical floorplan: GIA 70.0 sq m
 - London Plan min 3p 2 beds = 61 sq m, 4p 2 bed = 70 sq m, 4 p 3 bed = 74 sq m

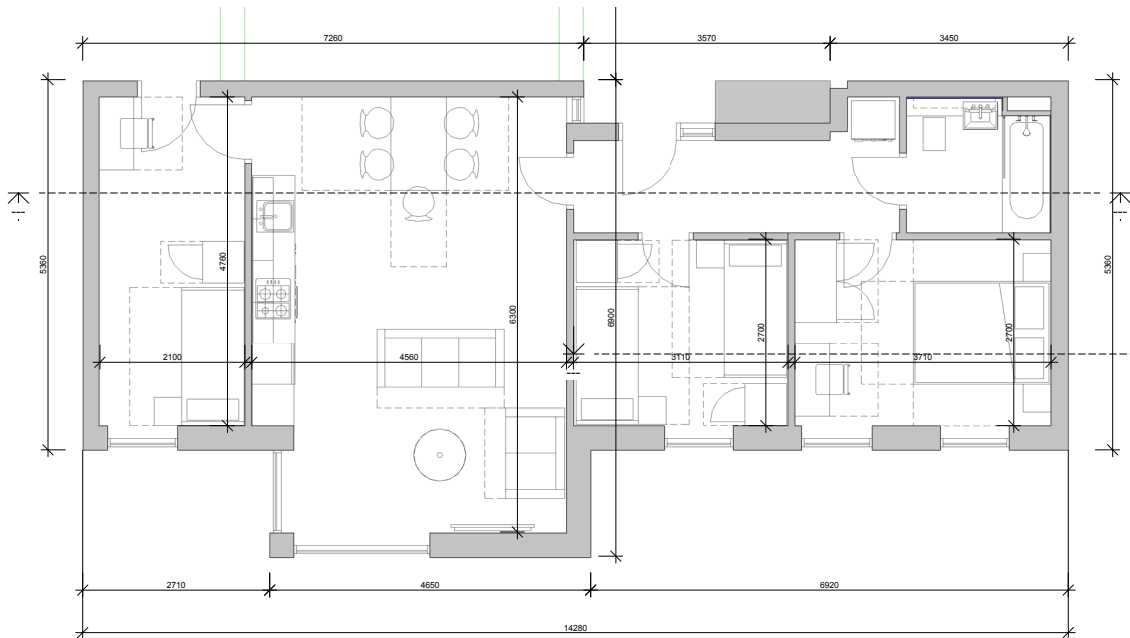
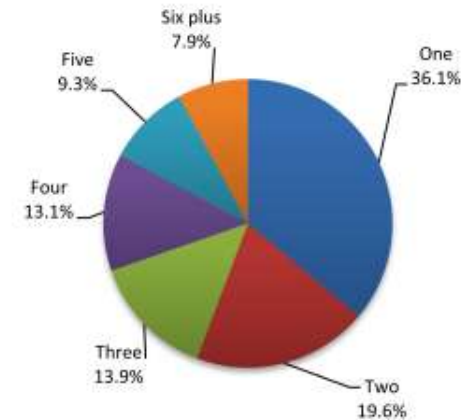


Figure 21
Household Size 2009
(Source: Newham Household Survey 2009)



3 and 4 person households account for 61% of larger Newham households

Operation of the fund

- In-principle announcement of full allocation in mid-February
 - Allows Pocket to start valuations, contracts, planning, staffing at its own risk
- Heads of Terms signed by end February by GLA with ringfenced Pocket subsidiary (Covco)
- Framework Agreement with GLA signed by end March, full allocation paid into secured Covco account
- Key terms as outlined in 30th November proposal
- Initial sites can be substituted by agreement within 12 months
- Reporting and monitoring:
 - Open Book accounting
 - Audit rights
 - Quarterly Officer's Certificate
 - Quarterly and annual review meetings
 - Other information and meetings as reasonably requested
- Security
 - Pocket will set up ringfenced subsidiary exclusively for the fund (Covco)
 - GLA will have first charge over the Covco bank account enforceable upon GLA having a right of clawback or on Pocket's insolvency
 - GLA will have first charge over each site subordinated to any provider of construction funding and released on recycling of the site acquisition and development costs into the Covco bank account
 - Intercreditor agreement between GLA and provider of construction funding

EXPLANATION OF THE POCKET PROPOSAL, INCLUDING COMMITMENTS TO USE PROCEEDS REALISED ON NEW SUPPLY

1. The GLA and Pocket will enter into a Framework Agreement whereby the GLA will commit a total of £28,617,000 into a revolving fund for a 10 year term ("Total Grant") on the terms set out below.
2. The Total Grant will be applied in a series of schemes ("Scheme" or "Schemes"). Each Scheme will comprise the development of NPPF and London Plan compliant affordable housing for sale outright in GLA boroughs, including site purchase, design, obtaining planning consent, construction and sale.
3. Pocket has completed detailed appraisals of 18 sites suitable for Schemes as identified in the bid template ("Template"), and has offered to buy those sites at market value subject to GLA funding, formal valuation, other Council disposal formalities (where relevant), and planning consent. Where the Template indicates "We have had an offer accepted for the site" that means the owner has agreed an estimated value subject to the conditions stated above. Where the Template indicates "We have made a bid for the site" it has been included with the owner's consent pending further negotiation.
4. The grant for each Scheme ("Scheme Grant") will comprise:
 - a. the cost of purchase of the site ("Land Cost") and
 - b. pre-development costs (including without limitation, legal fees, architects, planning and other consultants, stamp duty, and other reasonable out-of-pocket costs) ("Pre-development Costs")
 - c. Pocket's overhead cost of managing the development estimated at a rate of £5-10,000 per month for a development cycle of 2 years ("Management Fees")
5. The price, size mix, affordability criteria and marketing priority for the homes in each Scheme will be agreed with the relevant LPA (subject to the London Plan criteria for affordability) and reflected in the relevant s.106 agreement. All homes will be sold outright (100% equity). Lease conditions will incorporate the eligibility and affordability criteria to ensure the homes remain affordable in perpetuity.
6. On completion of each Scheme:
 - (a) Pocket will commit to reinvest the sale proceeds of the homes net of Total Scheme Costs ("Gross Profits") in further Schemes on the same terms. Total Scheme Costs means Land Cost, Pre-development Costs, Management Fees, construction costs, funding costs, and sales & marketing expenses.
 - (b) the GLA will commit to reinvest the Scheme Grant in further Schemes on the same terms
 - (c) priority will be given to reinvestment in further Schemes in the same borough on public- or privately-owned land
7. The Total Grant will be paid on signature of the agreement into a Pocket bank account ("the Account") secured by first charge to the GLA up to the amount of the Total Grant

8. For each Scheme Pocket will be entitled to withdraw from the Account
 - (a) the Land Cost notified to the GLA and supported by appropriate documentation
 - (b) the Pre-development Costs reasonably and actually incurred; and
 - (c) the Management Fees
9. Each Scheme Grant will be secured by a first charge over the Scheme until construction funding is in place, then by a second charge over the Scheme subordinated to the provider of construction funding
10. On completion of each Scheme Pocket will pay the Gross Profits and an amount equal to the Scheme Grant ("Recycled Project Grant") into the Account
11. In the event any amount of the Total Grant or Recycled Scheme Grant has not been applied towards a Scheme or Scheme within 2 years of receipt into the Account the GLA will be entitled to request repayment of that amount
12. The Total Grant will be repaid in full within 10 years of receipt. Upon repayment of the Total Grant in whole or in part the GLA will reduce its charge over the Account by an equivalent amount.

In order to maximise the funds available for reinvestment the agreement will be structured as a single 10 year project. Pocket has received initial tax advice that provided the gross profits from each scheme are reinvested in a subsequent scheme then development profits, and the consequent corporation tax, will not be determinable until the end of the 10 year period. At that point the total project profits will be computed and paid in one lump sum. Pocket estimates that by committing to reinvest its gross profits over the five development cycles it will be able to deliver an additional 4,332 homes.

EVIDENCE OF TRACK RECORD SUCCESS WITH RETAIL MORTGAGE LENDERS AND PURCHASERS

Pocket has to date completed five intermediate housing schemes in London. These schemes comprise in total 130 homes, all of which have been sold to eligible buyers. Proof of sale and details of the buyers can be provided on request. The schemes are:

LOCATION	SCHEME	COMPLETION
Geoff Marsh Court, NW5 Camden	18 X 1 bed 4 x studio	2008
Bridgepoint, UB6 Ealing	34 x 1 bed 5 x 2 bed	2009
Bath Road, TW4 Hounslow	19 x 1 bed	2009
Star Road, W14 Hammersmith & Fulham	14 x 1 bed 4 x studio	2012
Fermoy Road, W9 Westminster	32 x 1 bed	2012

In addition Pocket has been granted planning permission for a scheme at Apex Court, W14, Hammersmith & Fulham (30 x 1 bed), and expects to receive consent shortly for a scheme at Marcon