

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2339

Title: Swan New Homes – Strategic Partnership Loan Facility

Executive Summary:

MD2396 approved the receipt of £486m of funding from Government to help unlock and accelerate housing delivery in London through land assembly, infrastructure investment and provision of gap funding.

MD2396 also approved a delegation to the Executive Director of Housing and Land in consultation with the Deputy Mayor for Housing and Residential Development, to approve the allocation of funding, in accordance with the terms associated with the programme and in pursuit of the Mayor's housing ambitions.

Following consideration and approval by the Land Fund Investment Committee (LFIC), this Director's Decision requests approval for the provision of an interest-bearing loan facility for a total of £50m to Swan New Homes (Swan) to enable the delivery of their strategic partnership target of 2,000 homes of which 60% will be affordable homes.

Decision:

That the Executive Director of Housing and Land, in consultation with the Deputy Mayor for Housing and Residential Development, approves:

The provision of an interest bearing £50m loan facility from GLA Land and Property Limited to Swan New Homes Limited, to assist with land acquisition and assembly and finance development costs, for the purpose of accelerating the delivery of their target of 2,000 homes, including 60% affordable housing.

AUTHORISING DIRECTOR

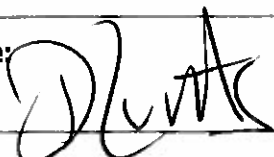
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: David Lunts

Position: Executive Director of Housing and Land

Signature:



Date:

27/03/19

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

Introduction

- 1.1. MD2396 approved, on the 27 November 2018, receipt of £486m of funding from Government to help unlock and accelerate housing delivery in London through land assembly, infrastructure investment and provision of gap funding.
- 1.2. MD2396 delegated authority to the Executive Director of Housing and Land in consultation with the Deputy Mayor for Housing and Residential Development, to approve, via director decisions, the allocation of this new funding in accordance with the terms associated with the programmes and in pursuit of the Mayor's housing ambitions.
- 1.3. This decision form seeks the Director's approval to allocate an interest-bearing loan totalling £50m to Swan New Homes Limited (Swan). The facility will be used to acquire sites in London and finance development costs to accelerate the delivery of Swan's target number of new homes under its strategic partnership with the GLA.
- 1.4. The loan will help Swan to achieve their target 2,000 homes of which 60% will be affordable. These homes are expected to start-on-site by 31 March 2022.
- 1.5. The Mayor's Land Fund Investment Committee (LFIC) has approved the facility in principle subject to satisfactory legal diligence on the basis that the facility is fully repayable within 5 years.
- 1.6. The Transactions Team within the GLA's Housing and Land Directorate will retain oversight of the facility, monitoring drawdown and delivery.

Proposition

- 1.7. Swan will use the facility to acquire and develop sites, facilitating the delivery of their Strategic Partnership targets.
- 1.8. Drawdown of the facility will occur on a site by site basis as sites are acquired and approved for drawdown under the facility agreement.
- 1.9. The GLA has been provided with an indicative list of sites that Swan New Homes are pursuing to enable them to achieve their strategic partnership targets however these will be subject to change and funding will only be able to be drawn on schemes approved by the GLA.

Funding

- 1.10. This decision seeks approval to provide an interest-bearing loan of £50m from existing uncommitted funding (see MD2396), to be fully repaid by March 2024.
- 1.11. As at the date of this paper there are sufficient funds available under MD2396 to cover this loan.

Stakeholders / Contractual Arrangements

- 1.12. The Borrower in respect of the loan facility is Swan New Homes. Swan New Homes is a wholly owned subsidiary of Swan Housing Association. Swan Housing Association is a small Registered Provider of Social Housing operating within East London and Essex. They currently own over 9,000 homes but are targeting the delivery of an additional 10,000 homes by 2027 (Swan Annual Report 2017/18).

- 1.13. Swan Housing Association have entered into a Strategic Partnership with the GLA to increase delivery in London by 1,750 to 2,000 homes, increasing affordable housing provision by 10 points to 60% with all homes starting on site by March 2022.
- 1.14. Swan Housing Association hold a Standard and Poor's Credit rating of A-. A summary of the group structure is provided at Appendix 1.
- 1.15. Swan New Homes will enter into a facility agreement with GLA Land and Property Limited (GLAP). Swan Housing Association Limited will also be a party to the facility agreement in order to covenant with GLAP to perform various obligations (further detail is provided in part 2 of this report). It is further proposed that, prior to drawdown of any funding, GLAP enters into various additional agreements in relation to its security for the loan funding (as described in part 2 of this report).
- 1.16. Swan New Homes has two other facilities with GLAP, which the GLA agreed under the Housing Zones Programme at Cambridge Road in LB Barking and Dagenham and at Blackwall Reach in LB Tower Hamlets.

Governance

- 1.17. A designated officer from the GLA's Housing and Land Directorate will manage the relationship with Swan with oversight from the Housing and Land Directorate Management Team. The facility agreement will also place reporting obligations on Swan New Homes, which will enable GLA officers to monitor progress against programme milestones.
- 1.18. *Value for Money*: the £50m loan will enable Swan to accelerate delivery of 2,000 homes within London, including 60% affordable housing. This equates to an average of £25,000 GLA loan per home. This is exclusive of the affordable housing grant awarded under the strategic partnership which totals £66.64 million.
- 1.19. When compared to GLA debt funded projects, the proposed loan is at the lower range of GLA financing per unit and represents good value for money.

Legacy

- 1.20. The Loan will facilitate Swan delivering their 2,000-unit strategic partnership of which 60% will be affordable housing.
- 1.21. Upon the final repayment date, the GLA will have generated a return with the full funds and accrued interest ready to be redeployed.

2. Objectives and expected outcomes

- 2.1. The proposed loan will:
 - Accelerate housing delivery; and
 - Help ensure delivery of 60% affordable housing.

3. Equality comments

- 3.1. The allocation of the funding in this report implements the Mayor's policies under his London Housing Strategy (LHS). An equality impact assessment of that strategy was undertaken which found that "...LHS policies are likely to have broadly positive benefits in relation to social and economic

sustainability objectives such as improving health, reducing inequalities, increasing accessibility, and economic development...”

- 3.2. The Mayors Equality, Diversity & Inclusion Strategy was issued in May 2018. The first chapter of this document is entitled “A Great Place to Live”. Priority outcome 1.1 in the vision refers to delivering affordable, accessible and decent homes. This loan funding will help to deliver new affordable homes in London.
 - 3.3. In November 2017, the GLA published an Integrated Impact Assessment of the London Plan, including an equalities impact assessment, of that strategy. The policies related to increasing housing supply, to which schemes funded by this GLAP loan facility will contribute to, concluded that promoting the development of different types of housing to meet the needs of potential residents, whilst targeting 50% affordable housing, would deliver health benefits, economic benefits and environmental benefits. Furthermore, the provision of housing – including maximising the delivery of affordable housing – would be in line with other policies of the London Plan (such as Policy 3.5), which ensure that the needs of different groups are taken into account when designing housing.
 - 3.4. To access funding, Swan will be required to enter into a contract with GLAP. The contract places the following obligations on the borrower in respect of the Equality Act 2010:
 - 3.4.1. The borrower shall comply in all material respects with all relevant Legislation, including but not limited to legislation relating to: health and safety; welfare at work; and equality and diversity.
 - 3.4.2. The borrower has, and is in full compliance with, a policy covering equal opportunities designed to ensure that unfair discrimination on the grounds of colour, race, creed, nationality or any other unjustifiable basis directly or indirectly in relation to the Works is avoided at all times. It will also provide a copy of that policy and evidence of the actual implementation of that policy upon request by GLAP.
- 4. Other considerations**
- a) *Key risks and issues*
- 4.1. Key risks to the success of this project include sales risk and cost-inflation risk. Further information is included in Part 2 of this decision
- b) *Links to Mayoral strategies and priorities*
- 4.2. Draft New London Plan (Policy H1) promotes the increase of housing supply, including provision of affordable housing. Swan are proposing to start 2,000 new homes on site by 31 March 2022 of which 60% will be affordable.
 - 4.3. In the London Housing Strategy (May 2018), the Mayor states his intention to reverse the decline of Small and Medium Developers. Swan are a small RP who are looking to increase their development output through their strategic partnership. Supporting Swan through the provision of grant and loan funding will enable them to deliver these units and scale up their development output and ambitions.
 - 4.4. The London Housing Strategy includes a chapter entitled “Delivering genuinely affordable homes”. The chapter details three policies (4.1 genuinely affordable homes; 4.2 increasing delivery of affordable homes; and 4.3 protecting London’s affordable homes) which set out the need and means for delivering many more genuinely affordable homes for Londoners. Swan will deliver 60% of their strategic partnership as affordable homes.

c) Impact assessments and consultations

4.5. The GLA has not considered it necessary or appropriate to consult any persons or bodies including those specified in section 32(1) of the Greater London Authority Act 1999.

d) Know Your Customer

4.6. In line with its Anti-Money Laundering Policy as approved by DD2095, GLA officers have carried out Know Your Customer (KYC) checks to verify the identity of the contracting entities.

5. Financial comments

5.1. This decision requests approval for an interest-bearing loan of £50m to Swan New Homes. The loan will be used to accelerate the delivery of their strategic partnership of which 60% will be affordable. The loan is scheduled to be fully repaid by 31 March 2024.

5.2. The funding of the loan will come from the GLA's £486m of additional funding secured from Government.

5.3. Further financial comments are set out in Part 2.

6. Legal comments

6.1. Under section 30(1) of the GLA Act 1999, the GLA has the power to provide the loan funding for the scheme explained above, on the basis that to do so will further one or more of the GLA's principal purposes. In exercising the power in section 30(1), the GLA must have regard to the matters set out in section 30(4-6A) of the GLA Act. Those matters have been taken into account as considered appropriate by the GLA in respect of this scheme, as detailed in this report.

6.2. The provision of the proposed loan on market terms is likely to constitute a specified activity, as defined under section 34A of the GLA Act and the Greater London Authority (Specified Activities) Order 2013/973. Accordingly, it will need to be provided by a subsidiary company of the GLA, as is proposed. GLA Land and Property Limited is a subsidiary of the GLA.

6.3. Further legal comments are set out in Part 2.

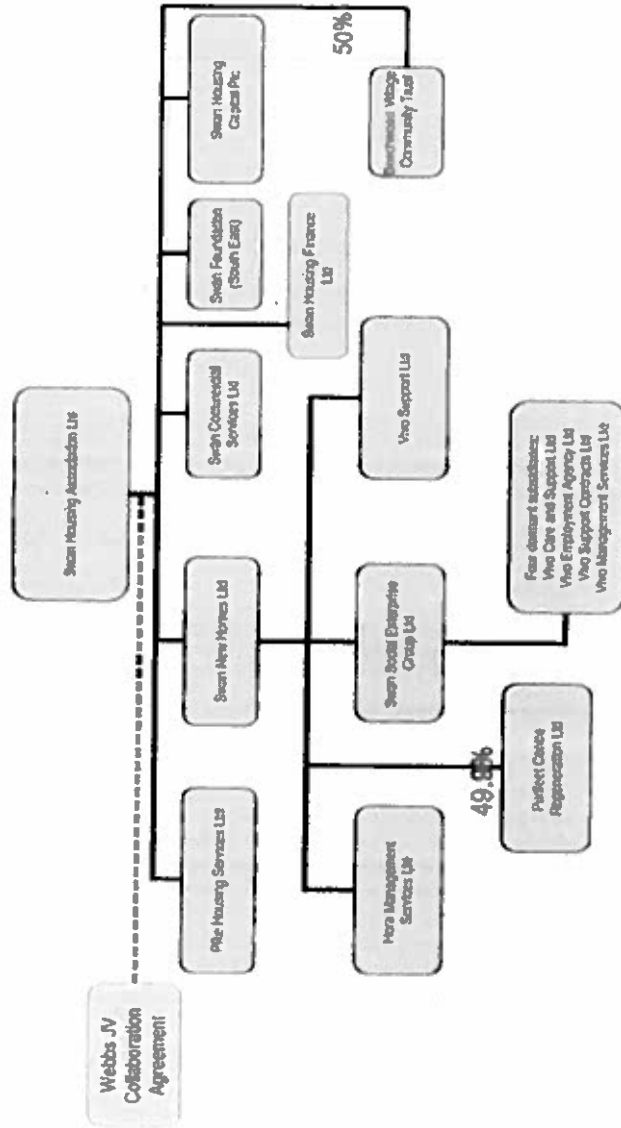
7. Planned delivery approach and next steps

Activity	Timeline
Completion of Contracts	March 2019
Acquisition of Sites	Mid-2019 onwards
Deadline for Start on Site	March 2022
Practical Completion Date for Affordable Housing Dwellings	On a site by site basis
Final Repayment Date	March 2024

Appendices and supporting papers:

Appendix 1 – Group Structure

Corporate Structure



Together delivering more.

Public access to information

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

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

Part 1 - Deferral

Is the publication of Part 1 of this approval to be deferred? Yes

If YES, for what reason: allow for execution of contracts. / completion.

Until what date: 1st April 2019

Part 2 - Sensitive information

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

Is there a part 2 form - YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Gwen Mansfield has drafted this report in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service:

Rickardo Hyatt has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 18 March 2019.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. J. Ollie

Date

27.3.19

