

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD2965

### Silvertown Quays – Homes England funding

#### Executive summary:

Silvertown Quays (SQ) is a 50-acre development site in the Royal Docks Enterprise Zone owned by GLA Land and Property Limited (GLAP). The Royal Docks team has been working with The Silvertown Partnership LLP (TSP) to move SQ to the construction phase and meet the contractual milestones of the Master Development Agreement (MDA).

TSP plans to commence enabling works for phase one in early 2022, in parallel with progressing design work on the revised masterplan and early enabling works. TSP has been engaging with Homes England (HE) to secure infrastructure loan funding for the project. This Mayoral Decision (MD) seeks approval for GLAP, as landowner, to enter into an agreement with HE, as funder, to acknowledge and accept the terms required by HE in relation to security for the funding being provided (the Direct Agreement) (DA)).

The Mayor is also asked to approve a delegation of his section 30 and 34 powers under the Greater London Authority Act 1999 (GLA Act) to enable HE to provide infrastructure loan funding to TSP. Approval is also being sought for the GLA to enter into the DA with HE and GLAP so as to agree to waive their rights to enforce any security against TSP if that would compromise or conflict with repayment of the HE loan.

#### Decision:

That the Mayor approves:

- i. That under section 38(1) of the Greater London Authority Act 1999 (as amended) ("GLA Act") the Mayor authorises Homes England (legal entity Homes and Communities Agency), as of the date of this Mayoral Decision, to exercise such of the GLA's powers under sections 30 and 34 of the GLA Act as Homes England considers necessary or expedient for the purposes of undertaking the activities specified in the Instrument of Delegation (attached as Appendix 1 to this form) for the purpose of enabling HE to provide loan finance to The Silvertown Partnership LLP for the purposes of the Silvertown Quays site project upon the conditions set out in that Instrument.
- ii. GLA and GLA Land and Property Limited entering into a Direct Agreement with Homes England, acknowledging and accepting the security requirement of Homes England in relation to the funding from HE to TSP for the redevelopment of the Silvertown Quays site, materially on the terms set out in Parts 1 and 2 of this Decision form.

#### Mayor of London

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

The above request has my approval.

Signature:



Date:

16/3/22

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1. Following a competitive procurement process, launched in 2011, GLAP selected TSP as its development partner and entered into the MDA with TSP in June 2013 to deliver a mixed-use redevelopment on the SQ site in the Royal Docks. TSP submitted an outline planning application in 2014, which was approved by the London Borough of Newham (LBN) and the Mayor of London in December 2015; the section 106 agreement was signed in August 2016. In 2018 GLAP approved a change of control of TSP involving a corporate restructuring of the ownership interests in TSP, and entry into the associated documents.
- 1.2. In December 2019 LBN approved the detailed planning consent for the first phase of development, which includes 943 homes and the refurbishment of the heritage building, Millennium Mills, as office and brand space.
- 1.3. In July 2021 the Mayor approved changes to the MDA to allow for an update to the planning consent for the site, to ensure it meets current Mayoral policy objectives and the recently adopted London Plan to deliver a higher quantum of affordable homes. More detail of these changes and documents can be found in Mayoral Decision (MD) 2784, which was published in September 2021.
- 1.4. Details of historic approvals which have consented different stages in the project are as follows:
  - MD977 (March 2012) – adoption of the London Development Agency's procurement process
  - MD1205 (May 2013) – signing of the MDA with TSP
  - MD1410 (November 2014) – investment of grant from the Department for Communities and Local Government (DCLG) into the site
  - MD1653 (May 2016) – signing of the section 106 agreement relating to the Outline Planning Permission (OPP)
  - MD2280 (May 2018) – approval of the change of control under the MDA
  - MD2523 (October 2019) – endorsement of objective to achieve 50 per cent affordable housing in new OPP
  - MD 2784 (July 2021) – approval to vary the MDA to include a minimum requirement of 50 per cent affordable housing and extensions to project milestones due to the impact of Covid-19
  - MD 2898 (November 2021) – approval to acquire a parcel of land from LBN and include it in the SQ site demise, which will be drawn down by TSP.
- 1.5. TSP is proposing to start enabling works on site in early 2022. It has been preparing a pre-construction services agreement and undertaking due diligence on access rights and easements. MD2784 also referred to TSP seeking funding from HE for phase one infrastructure, as the first phase is sizeable and also includes extensive, crucial infrastructure that unlocks the rest of the site.
- 1.6. HE ordinarily has no statutory remit to operate in Greater London, that role and functions having been transferred to the GLA (to be exercised by the Mayor) by the Localism Act 2011. HE's statutory objects under section 2 of the Housing and Regeneration Act 2008 ("2008 Act", as amended), which include the duty to secure the regeneration or development of land or infrastructure, were changed to exclude Greater London. Therefore, HE has no powers to give financial assistance for those purposes for a project in Greater London – such as the SQ site – under section 19 of that Act.

- 1.7. The equivalent GLA functions are under the following sections of the Greater London Authority Act 1999 (as amended), which are all exercisable by the Mayor on its behalf:
- section 30 (general powers, including economic development, wealth creation, social development and environmental improvement)
  - section 34 (subsidiary powers).
- 1.8. It is therefore proposed that the Mayor authorises (delegates) HE to exercise the above GLA functions in Greater London in order to enable HE to have the necessary statutory powers to provide infrastructure loan finance to TSP. An Instrument of Delegation is at Appendix 1 to do this. The Mayor's authorisation is subject to the conditions set out in that document

## **2. Objectives and expected outcomes**

- 2.1. The strategic objectives of the GLA are in line with those in the original procurement launched by the London Development Agency, namely: to achieve the comprehensive redevelopment of this large, brownfield site; to provide a new heart for the Royal Docks; and to deliver a mixed-use development. This decision does not alter these objectives.
- 2.2. Significant early capital investment is needed due to the former industrial use of the site, which requires extensive remediation and infrastructure; and to make the site properly accessible again for redevelopment purposes.
- 2.3. Initial terms for a DA between GLAP, the GLA and HE were drawn up in March 2020 to record the proposed security arrangements for a loan from HE to TSP; and to agree the communications process for any exercise of termination rights by GLAP under the MDA for SQ and HE under their funding agreement with TSP.
- 2.4. The initial loan is to be secured against land drawn down by TSP, as provided for under the MDA, and is repayable in TSP's first phase. It is intended that this loan, once repaid, can be recycled into future phases drawn down by TSP and therefore would be repayable in a later phase of the project. This funding is referred to as 'Tranche 1'.
- 2.5. It is further proposed that HE will provide an additional funding facility that is intended to be repayable in phases four and five; this is referred to as 'Tranche 2'. With the addition of Tranche 2 to the overall funding package, HE requires a form of reliance on GLAP's undeveloped land on the site to repay the Tranche 2 funding and any outstanding Tranche 1 funding not recouped after enforcing its security, in the event of termination of the MDA with TSP. The DA is required between HE (as funder), the GLA (as a previous funder) and GLAP (as the landowner), to cover obligations and security beyond phase one to reflect a change in the relationship between HE, GLAP and the GLA, and the longer-term nature of HE's funding for SQ.
- 2.6. Part 2 of this MD summarises the terms that have been agreed between the GLA, GLAP and HE in relation to the Tranche 1 and Tranche 2 funding.
- 2.7. Securing the HE funding is critical to the success of the project. The funding will be made available to TSP for phase one with repayments occurring over the course of the rest of the project. This is important as it makes the financing feasible and enables the development of individual plots to be financed traditionally with debt and equity. (This loan is the subject of the Instrument of Delegation at Appendix 1 which allows HE to exercise the GLA's housing, regeneration and general powers to provide funding towards the project.) It is intended that the DA will be signed when TSP and HE sign the new facility agreement.

### GLA as a party to the DA

- 2.8. In February 2014 London's Royal Docks Enterprise Zone was awarded £12m towards refurbishment, demolition and piling works at Millennium Mills from the DCLG (now the Department for Levelling Up, Housing and Communities) as part of the infrastructure programme to accelerate commercial development within Enterprise Zones. The GLA entered into a Funding Agreement with the DCLG, acting as the Accountable Body on behalf of the London Economic Action Partnership (LEAP) for the monitoring and delivery of the project to achieve the agreed outputs.
- 2.9. GLAP and the GLA then entered into a funding agreement with TSP to provide the grant on behalf of the LEAP (GLA) and manage the works being undertaken to Millennium Mills (GLAP). A clawback arrangement was included in the funding agreement with TSP whereby an 'overage style' provision applies to Millennium Mills.
- 2.10. Where there is any 'profit' (calculated in accordance with the MDA) on phase one, up to the value of the grant, this will be returned to the GLA at the end of phase one; or, where there is insufficient profit to fully repay the grant, in future phases. By virtue of these provisions GLA has a right to seek security for the refund of the grant funding.
- 2.11. As part of the DA, GLA will agree to waive its rights to enforce any security against TSP if that would compromise or conflict with repayment of the HE loan.

### **3. Equality comments**

- 3.1. Under section 149 of the Equality Act 2010 (the Equality Act), as a public authority, the GLA must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation; and to advance equality of opportunity, and foster good relations, between people who share a protected characteristic and those who do not. Protected characteristics under the Equality Act comprise age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status.
- 3.2. When considering the needs of the existing community and those that will be affected by the proposed development (both currently and in the future development scheme), any development activity will look to minimise disadvantages to all protected characteristic groups within society. This decision is therefore expected to have positive impacts on persons with a protected characteristic under the Equality Act. This is because increasing the supply of housing in London will help to address problems such as overcrowding and homelessness, which evidence indicates disproportionately affect specific groups, including Black, Asian and Minority Ethnic groups, and women.
- 3.3. The development of SQ will deliver strategic objectives from the Mayor's Equality, Diversity and Inclusion Strategy (section: making London a great place to live).
- 3.4. Officers will be working to deliver new affordable homes on the site, in line with the London Plan. This will advance equality of opportunity for groups with a protected characteristic.
- 3.5. Newham has some of the most deprived communities in London, and one of the most diverse in terms of faith and ethnicity. It is paramount to redevelop this key strategic site in the Royal Docks in a sustainable way and consider how the regeneration of the area will provide benefits for all local communities. The outline masterplan will be designed to respond to the diversity of the surrounding area; and, in the design of the landscape and homes, will follow all relevant building regulations to create an accessible development in the Royal Docks.
- 3.6. There is a high proportion of young people in LBN compared to other London boroughs. The play space, landscaping and education facilities will create opportunities for communities to come together and foster good relations between diverse groups.



- 3.7. The proposals in this paper have no negative impact on those with protected characteristics. The GLA's assessment is that this initiative will not have an adverse effect on any groups with a protected characteristic and will assist in fostering good relationships between groups.

#### **4. Other considerations**

- 4.1. This decision outlines an opportunity to proceed with a scheme which will comprehensively redevelop a significant brownfield site in East London and make the best use of, and maximise affordable housing, on public sector-owned land.
- 4.2. The revised outline masterplan for SQ will aim at implementing a number of the Mayor's policies, such as those outlined in the new London Plan 2021, the Healthy Streets Approach, the Culture Strategy, the London Housing Strategy and the Transport Strategy; and is aligned with the Mayor's Equalities Framework to consider the requirements of relevant equalities groups. The residential development will be required to meet building safety standards that the Mayor has applied to GLA land.
- 4.3. As the project sits on GLA-owned land, when the GLA considers the planning application, the Mayor will delegate authority to the Deputy Mayor for Planning, Regeneration and Skills, as is the protocol in these scenarios.
- 4.4. There are no conflicts of interest to note for any of those involved in the drafting or clearance of the decision.
- 4.5. Further risks and mitigations are set out in Part 2.

#### **5. Financial comments**

- 5.1. The decision is seeking approval for GLA (as previous owner) and GLAP (as landowner) to enter into a Direct Agreement (DA) with HE to agree security arrangements for an infrastructure loan between HE and TSP, in the event of a default by TSP. The principles of the DA are outline in part 2, paragraphs 1.7 to 1.22. The DA is interlinked with the facility agreement between HE and TSP.
- 5.2. TSP is the selected partner for the development of Silvertown Quays. The site requires substantial capital investment for upfront remediation and infrastructure works to unlock and commence development of phase 1 of the site. TSP is seeking infrastructure funding from HE to finance the development costs. This funding is critical to the completing the infrastructure works and further developments of the site.
- 5.3. There is a risk that TSP draw down the funding but do not complete the project. Mitigating factors to manage the risks are set out in part 2.

##### Millennium Mills

- 5.4. GLAP is also due to receive a £12m grant repayment from TSP, from the profits generated in the development, as calculated in the MDA.

#### **6. Legal comments**

##### Mayoral delegation

- 6.1. As mentioned above, in order for HE to provide loan funding towards to TSP towards the infrastructure required at the SQ site it is necessary for the Mayor to provide HE with the necessary powers to do so as it otherwise has no statutory remit in Greater London.

- 6.2. Section 38 of the GLA Act permits the Mayor to authorise a range of persons and bodies to exercise any function exercisable on behalf of the GLA by the Mayor subject to such conditions as the Mayor may impose. Under section 38(2)(db) is the Homes and Communities Agency, which is HE's legal name.
- 6.3. It is therefore proposed that the Mayor authorises or delegates to HE the exercise of the GLA's general, housing and regeneration functions ("Specified GLA Functions") as listed at paragraph 1.7 above. This will provide HE with the necessary statutory powers to provide the loan to TSP regarding infrastructure at the SQ site. The proposed authorisation is at Appendix 1. This authorises or delegates the specified powers to HE for that purpose only. It also includes conditions regarding HE's exercise of those specified powers, which include the normal requirement to provide the GLA's Monitoring Officer access to such information and cooperation as they may require concerning their exercise. This is a requirement of s 70(6) of the GLA and section 5(2)(ca) of the Local Government and Housing Act 1989, which makes HE a "GLA body or person" as regards the Monitoring Officer's functions under the 1989 Act.

#### Other matters

- 6.4. Additional legal comments are provided in Part 2 of this Decision. Herbert Smith Freehills are external legal advisors on this matter and have provided legal advice to GLA on the SQ Scheme to date.
- 6.5. Section 30 of the Greater London Authority Act 1999 (as amended) (GLA Act) gives the Mayor a general power to do anything that he considers will further one or more of the principal purposes of the GLA as set out in section 30(2), which are:
- promoting economic development and wealth creation in Greater London
  - promoting social development in Greater London
  - promoting the improvement of the environment in Greater London.

and, in formulating the proposals in respect of which a decision is sought, officers confirm they have complied with the GLA's related statutory duties to:

- pay due regard to the principle that there should be equality of opportunity for all people
  - consider how the proposals will promote the improvement of health of persons in Greater London; promote the reduction of health inequalities between persons living in Greater London; contribute towards the achievement of sustainable development in the United Kingdom; and contribute towards the mitigation of or adaptation to climate change in the United Kingdom
  - consult with appropriate bodies.
- 6.6. Sections 1 to 3 of this report indicate that the decision requested of the Mayor falls within the GLA's statutory powers.

## **7. Planned delivery approach and next steps**

- 7.1. The planned delivery approach and next steps for the project are outlined in the table below.

<b>Activity</b>	<b>Timeline</b>
Mayoral Decision	March 2022
Signing of the DA	March 2022
Signing of the Facility Agreement between TSP and HE	March 2022
Start on site of main works SQ	Mid-2022

**Appendices and supporting papers:**  
**Appendix 1 – Instrument of Delegation**

## 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: Pending government approval of publication.

Until what date: 31 March 2022

### 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:

Paul Creed has drafted this report in accordance with GLA procedures and confirms the following:

✓

#### Sponsoring Director:

Rickardo Hyatt has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

#### Mayoral Adviser:

Tom Copley has been consulted about the proposal and agrees the recommendations.

✓

#### Advice:

The Finance and Legal teams have commented on this proposal.

✓

#### Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 14 March 2022

✓

### EXECUTIVE DIRECTOR, RESOURCES: Enver Enver on behalf of David Gallie

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

**Signature**



**Date**

14/3/22

### CHIEF OF STAFF:

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

**Signature**



**Date**

13/3/22