

REQUEST FOR MAYORAL DECISION – MD1340

Title: Barking Riverside Ltd – continuation of support and statutory accounts

Executive Summary:

The statutory accounts for year ending July 2013 are to be filed for Barking Riverside Limited – a joint venture company of which GLA Land and Property Limited is a shareholder along with Bellway Homes Limited.

In order to complete the accounts, the company's auditors, KPMG, require each shareholder to confirm that it will continue to support the company including not seeking repayment of finance provided to the company during the twelve months following submission of the accounts.

Confirmation is to be provided in the form of two letters to be sent by GLA Land and Property Limited to the Directors of Barking Riverside Limited.

Decision:

That the Mayor approves GLA Land and Property Limited's continued provision of support to Barking Riverside Limited in the form described in this paper for the period up to 31 July 2015.

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: 1 May 2014

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

Decision required – supporting report

1. Introduction and background

- 1.1. Barking Riverside Limited (BRL) is a joint venture (JV) between the GLA and Bellway Homes Limited, each owning 49% and 51% of the shares respectively. The GLA's interests are held by GLA Land and Property Limited (GLAP).
- 1.2. BRL's purpose is to prepare the Barking Riverside site for development, providing serviced development plots for house builders and to provide the essential physical infrastructure including highways, utilities and the wider public realm and community facilities. BRL owns the site and has earlier prepared and submitted the outline and reserved matters planning applications for the entire site and first two stages respectively, and is the signatory to the Section 106 agreement.
- 1.3. The shareholders provide development finance to the project in the form of loan stock which accrues interest. As one of the two shareholders in BRL, GLAP is required by BRL's auditors to provide comfort regarding continued support including existing loan finance for the 12 month period following submission of each set of statutory accounts in order that BRL can be considered to be able to continue to trade and subsequently the statutory accounts can be signed off and filed.
- 1.4. GLAP confirmed its provision of continued support for the 12 months following submission of the 2011/12 accounts in MD1198. This confirmation is now sought again for the 12 months following the anticipated submission in April 2014 of 2012/13 accounts. As part of the continued support this includes approval for GLAP to waive its right to on-demand repayment for the period of 12 months following submission of the accounts enabling preparation of the accounts for the current year.
- 1.5. The extent and limitations of the continued support is set out in more detail below.

Barking Riverside

- 1.6. Barking Riverside is a brownfield site of over 170 hectares on the north bank of the Thames at the heart of the Thames Gateway. The site with a 2km riverfront is close to Barking town centre, 14km east of the city of London and 6km east of London City Airport.
- 1.7. In the 1920s, tidal marshland was drained for the construction of the coal-fired Barking Power Station, built to supply Essex and Kent with electricity. The station closed in 1981 leaving behind the significant power infrastructure of the National Grid switching and sub stations and many overhead lines and below ground cables.
- 1.8. Elsewhere on the site, an area of some 27 hectares was used from the early 1950s to the 1980s as a landfill for domestic, commercial and industrial waste. With the exception of a number of commercial tenants the site has remained largely derelict since the 1980s.
- 1.9. The vision for Barking Riverside is of a vibrant, sustainable community that will transform one of the largest brownfield sites in the UK. Planning consent is in place for 10,800 new, mixed-tenure homes within a high quality urban environment alongside a full range of healthcare, shopping, community and leisure facilities and environmental amenities, all supported by new public transport links. Barking Riverside will create employment opportunities for 1,500 people and the plans also include the provision of two new primary schools and a secondary school.
- 1.10. The site is owned by BRL formed in 2004, BRL is a joint venture between Bellway Homes Limited and GLAP (whose interests were previously held by English Partnerships and the Homes and Communities

Agency), and which acts as strategic developer to remediate the site, develop site wide infrastructure and release plots for residential and commercial development.

Progress to date

- 1.11. Outline planning permission for Barking Riverside was granted in August 2007 for the entire development and this was followed in June 2009 by detailed consents for the first two stages of development. These comprise 3,285 homes and the neighbourhood centre (Rivergate Centre) providing a primary school, place of worship, café and foyer, doctors' consultancy, day nursery and play space alongside local retail/commercial space.
- 1.12. The first phase of development commenced during 2010 with the significant site preparation works involving raising ground levels to lift the new development a minimum of 5m above contaminated ground and flood levels with the import of a clean clay cap, constructed on raised engineered ground.
- 1.13. Within the first stage of the development, over 350 homes have been completed and occupied, a further 329 homes currently under construction for completion by early 2015 and land is currently being sold for a further 318 homes with development scheduled to commence end of 2014.
- 1.14. Alongside the first phases of housing, The Rivergate Centre was completed and opened in September 2011. This is home to a three-form entry primary school and nursery, a place of worship, healthcare facilities and social enterprise units, ensuring that Barking Riverside residents have access to essential services from day one. Additionally the first phase of commercial development is underway, with the convenience / grocery store and other local business opening in early 2015.
- 1.15. Beyond this BRL has been working closely with the GLA and Transport for London and HM Treasury to finalise funding arrangements for the extension of the Gospel Oak to Barking London Overground line to the site which will see the unlocking of the full potential of the whole site of 10,800 homes and 65,500sqm of commercial, retail and leisure development.
- 1.16. In his Spring 2014 Budget, the Chancellor of the Exchequer expressed his support for the proposals and a commitment to work with BRL, Barking and Dagenham Council, TfL and the GLA to find a funding solution to deliver the required infrastructure.

2. Objectives and expected outcomes

Confirmation required for auditors and submission of statutory accounts

- 2.1. In order that the statutory accounts for year ending 31 July 2013 can be signed off by KPMG, BRL's independent auditors, and submitted, both GLAP and Bellway Homes are asked to provide confirmation of their intent in the form of letters confirming that:
 - GLAP (and Bellway Homes) does not intend to exercise its right to on-demand repayment of the GLAP loan balance outstanding for one year from the date of the letter, and that
 - GLAP (and Bellway Homes) will continue to provide financial and other support to BRL for the next 12 months to enable it to continue to trade.
- 2.2. The letter is a statement of intent based on the information available to the shareholders at the time of writing and is not legally binding. In the event that BRL decides to take the project in a different direction, the letters do not prevent GLAP and/or Bellway Homes requiring a different approach and treatment of their interests and resources.
- 2.3. In the event that the support provided to BRL should change during this period to include a call on financial resources, a further MD will be sought.

- 2.4. In order that the forthcoming accounts for year ending 31st July 2014 can be prepared and show the development finance as not due within one year, approval is being sought to extend the period of support to 15th July 2015.

Current approved activities

- 2.5. The current BRL board approval provides for development activity occurring over the next 24 months:
- Completion of infrastructure works, including public highways and connections, public realm and strategic landscaping (flood management and attenuation) for stage 1 phase 2 housing (329 homes) and commercial development – to be complete by March 2015
 - Completion of road infrastructure works and engineering design for the remainder of stage 1 and enabling initial design development for stage 2 plots to the north and east of the school site.
 - School site enabling works for the delivery of the 1,800 pupil secondary school in stage 2.
 - Masterplan work on south of stage 2, stage 4 and the District Centre.

Current financial position

- 2.6. Beyond the project finance provided by the shareholders, BRL receives income from the sale of development plots and from commercial tenants elsewhere on the site. The first of these provides sufficient income to finance its approved development activities and the second of these provides sufficient income to cover the operational costs of the company and of holding the site.
- 2.7. At this stage, BRL has sufficient working capital and income to support these activities without further investment by GLAP thus the commitment sought that GLAP will continue to provide financial and other support to BRL for the next 12 months to enable it to continue to trade is not expected to extend beyond the personnel resource commitment of the Directors and officers engaged in the project. This commitment is set out further below.
- 2.8. BRL is currently reviewing offers for further development within the first stage and subject to testing will seek to secure these disposals with development commencing during the summer 2014. The premise for considering these opportunities is in making most use of the investment to date and that the release and development of further plots in stage 1 would not require further investment.
- 2.9. As at close of financial year ending 31st July 2013, GLAP has a loan balance due of £34,030,838. This comprises finance provided by the GLA (and English Partnerships and the HCA historically) and capitalised interest.
- 2.10. The draft statutory accounts for year ending 31st July 2013 are appended.

Extent of support to be provided by GLAP during the period up to 31st July 2015.

- 2.11. GLAP currently provides personnel resources to BRL in the form of:
- Three senior staff nominated to the BRL board as Directors. These roles are without remuneration. GLAP's nominated BRL Directors are currently:
 - o Richard Blakeway, Deputy Mayor for Housing, Land and Property,
 - o David Lunts, Executive Director Housing and Land, and
 - o Fiona Duncan, Head of Area North East, Housing and Land Directorate
 - One Senior Area Manager from the GLA's Housing and Land Directorate, Matthew Carpen, acting as a day to day client representing the interests of the GLAP. In order to ensure the

timely agreement and delivery of rail funding, this role has been extended on a 6 month basis as full time.

- 2.12. Further resources are provided to the project by Bellway Homes for contract management, site management, finance and administration under the terms of the JV agreement.
- 2.13. As a result of staff changes, BRL has now also agreed to appoint further resources including administrator, technical support officer, and technical graduate. The costs of these roles will be borne directly by BRL and will not require further investment by GLAP during the period to 31st July 2015.
- 2.14. It is proposed that this resource commitment remains in place for the period ending 31st July 2015. In the event that further resources are required or any change of the structure and operation of BRL is proposed a further MD will be sought as appropriate.

3. Other considerations

Progression beyond Stage 1

- 3.1. As noted earlier, BRL has been working closely with the GLA and Transport for London (TfL) to develop the business case for the extension of the Gospel Oak to Barking London Overground line to the site which will see the unlocking of the full potential of the whole site of 10,8000 homes and 65,500sqm of commercial, retail and leisure development.
- 3.2. Further development within Stage 1 is anticipated to lead to a total of around 1,100 homes being completed by 2016. A further 300 will now also come forward following the agreement with UK Power Networks to removing existing overhead power lines in the south west corner of the development.
- 3.3. It is accepted by all parties to the development, that this will represent the limit of the development that can be viably and commercially developed without commitment to the delivery of the rail links to the site. In the event that the current work of the GLA and TfL to secure the financial support from HM Treasury in the Autumn Statement 2014 is unsuccessful BRL, GLAP and Bellway will need to review the next steps for the development.

4. Financial comments

- 4.1. A cashflow forecast to July 2015 has been reviewed by GLA Financial Services and detailed financial comments can be found in Part 2..
- 4.2. Quarterly review meetings should be scheduled with GLA Financial Services in order to monitor the progress of the joint venture throughout the year.
- 4.3. Officers have confirmed that letters of support will also be signed by Bellway Homes.

5. Legal comments

- 5.1. Sections 30 and 34 of the Greater London Authority Act 1999 (as amended) (GLA Act) gives the Mayor a power, acting on behalf of the GLA, to do anything which he considers will further or which is facilitative of or conducive or incidental to one or more of the principal purposes of the GLA as set out in section 30(2) which are:
 - i. Promoting economic development and wealth creation in Greater London
 - ii. Promoting social development in Greater London and
 - iii. Promoting the improvement of the environment in Greater London

- 5.2. Sections 1 and 2 of this report indicate that the decision which is sought of the concerns arrangements which might be considered facilitative of and conducive to the promotion of economic development and wealth creation in Greater London.
- 5.3. As GLAP will be the party to send the confirmation letters to BRL, GLAP will also need to approve the continued provision of support to BRL in the form described in this paper for the period up to 31st July 2015 in accordance with its constitution.

6. Investment & Performance Board

- 6.1. At this stage the Decision is not seeking any financial investment from the GLA or GLAP and has not therefore been considered by IPB or HIG.

7. Appendices and supporting papers

- 7.1. A copy of the draft statutory accounts for year ending 31 July 2013 are appended to this MD.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) 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 approval or on the defer date.

Part 1 Deferral:

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

If YES, for what reason:

Until what date:

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be 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:

Matthew Carpen has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director/Head of Service:

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

✓

Sponsoring Director:

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

✓

Mayoral Adviser:

Richard Blakeway has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

CHIEF OF STAFF:

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

Signature

Date