

## REQUEST FOR MAYORAL DECISION – MD1585

### Title: Barking Riverside Ltd – Continuation of support and statutory accounts

#### Executive Summary:

The statutory accounts for the year ending July 2015 are to be filed for Barking Riverside Limited; a joint venture company of which GLA Land and Property Limited, along with Bellway Homes Limited, are the shareholders.

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 letters sent by GLA Land and Property Limited and Bellway Homes Limited to the Directors of Barking Riverside Limited.

#### Decision:

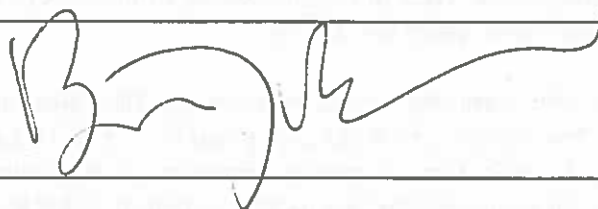
That the Mayor approves the continued support of GLA Land and Property Limited to Barking Riverside Limited in the form described in this paper for the period to 31 July 2017 and waives the right to demand the repayment of loans for the period of 12 months following the submission of the accounts; enabling the preparation of accounts for the current year.

#### 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:

29/01/16

## **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 company (JV), the shares in which are owned by GLA Land and Property Limited (GLAP; 49%) and Bellway Homes (Bellway; 51%). The contractual arrangements between the parties are set out in two documents: a Joint Venture Agreement (JVA) and a Contract Services Agreement (CSA) both dated 26 March 2004.
- 1.2. The purpose of the JV is to prepare the Barking Riverside site for redevelopment; providing serviced development plots for house builders and essential physical infrastructure including highways, utilities, public realm and community facilities. The JV owns the site and has prepared, submitted and secured an outline planning consent for the entire site, as well as reserved matters consent for the first two stages. BRL is the signatory to the section 106 agreement (7 August 2007).
- 1.3. The BRL shareholders provide development finance to the project in the form of loan stock; part of which accrues interest. As one of the two shareholders in BRL, GLAP is required by BRL's auditors to provide confirmation of its continued support for the 12 month period following the submission of each set of statutory accounts. This is necessary so that BRL can be considered able to continue to trade and for the statutory accounts to be signed off and filed.
- 1.4. GLAP confirmed its continued support for the 12 months following submission of the 2013-14 accounts in MD1520. This confirmation is now sought for the 12 months following the anticipated submission of the 2014-15 accounts. Part of the continued support is for GLAP to waive its right to demand the repayment of loans for the period of 12 months following submission of the accounts; enabling the preparation of accounts for the current year.
- 1.5. The extent and limitations of the continued support is set out in more detail below.

#### *Barking Riverside Project*

- 1.6. Barking Riverside is a brownfield site of over 170 hectares on the north bank of the Thames at the heart of the Mayor's London Riverside Opportunity Area. The site features a 2km riverfront and is situated near 5km south of Barking town centre, 14km east of the city of London and 6km east of London City Airport.
- 1.7. In the 1920s, this site was tidal marshland which was drained to allow the construction of the coal-fired Barking Power Station; built to supply Essex and Kent with electricity. The station closed in 1981 leaving behind significant National Grid power infrastructure, such as switching equipment, sub stations and many overhead lines and below ground cables.
- 1.8. On another part of the site, 27 hectares was used from the early 1950s to the 1980s as a landfill site 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 to transform one of the largest brownfield sites in the UK into a vibrant, sustainable community. Outline planning consent is in place for 10,800 mixed-tenure homes, alongside a full range of health, education, shopping, community and leisure facilities, in addition to environmental amenities; all supported by new public transport links. Barking Riverside will create employment opportunities for 1,500 and homes for 29,000 people.

### *Progress to date*

- 1.10. Outline planning permission for the entire Barking Riverside site was granted in August 2007 and detailed consents for the first two development stages were achieved in June 2009. The first two stages encompass 3,285 homes and a neighbourhood centre (the Rivergate Centre), providing a primary school, place of worship, café, foyer, doctors' consultancy, day nursery and play space alongside local retail and commercial space.
- 1.11. The first phase of development commenced during 2010 with significant site preparation works to raise the ground level a minimum of 5m above contaminated ground and flood risk levels and to lay a clean clay cap.
- 1.12. To date, 686 homes have been completed and occupied on the first stage of development, with a further 25 homes due to complete by March 2016, and 22 during 2016-17. The final stage of Phase 3; plots F and G have been sold to Bellway and 414 homes started on site in October 2015 and are due to complete during 2016-17.
- 1.13. Alongside the first phases of housing, the Rivergate Centre was completed and opened in September 2011. The centre includes a three-form entry primary school and nursery, a place of worship and commercial space. The centre ensured that Barking Riverside residents had access to essential services from day one. Additionally, the first phase of commercial development is also complete with a new grocery store (Morrisons) open since January 2015.
- 1.14. Beyond this, BRL has been working closely with the GLA, HM Treasury, Transport for London and private sector funding partners to finalise funding arrangements for the extension of the Gospel Oak to Barking London Overground line to the site, which will see a significant change in the strategic direction of the project and which will unlock the full potential of the whole site for 10,800 homes and 65,500sqm of commercial, retail and leisure development.
- 1.15. Approval for GLAP to contribute towards the funding of the railway will be obtained by the end of January 2016 and Transport for London (TfL) Board approval and completion of the rail funding agreement is on track for March 2016. As a consequence of the new rail strategy, BRL is preparing a revised masterplan to be submitted as a section 73 planning application in January 2016, which should be considered by the Council in spring 2016. TfL plans to submit the Transport and Works Act Order (TWAo) for the Barking Riverside Extension in March 2016, to enable the public inquiry to be held during 2016 with a decision by the spring of 2017. Subject to the outcome of these processes, the intention is to start constructing the railway extension in 2017-18, with construction completing and the Barking Riverside Extension operational in 2020-21.
- 1.16. BRL will therefore need to review the speed at which it will bring forward land parcels in order that the housing outputs reflect the rail delivery programme, delivering a critical mass of users that will be required to serve the new rail link. This review of plot releases will also drive regeneration in this area in accordance with the *London Riverside Opportunity Area Planning Framework* (Feb 2015). BRL intends to review the plot delivery programme in the lead up to the TWAo and finalise any revisions to the BRL business plan in advance of the TWAo inquiry.
- 1.17. Significant changes to the BRL business plan will need to be reported back to the BRL Board and both shareholders; Bellway and GLAP.

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

### *Confirmation required to auditors in order to submit statutory accounts*

- 2.1 In order that the statutory accounts for the year ending 31 July 2015 can be signed off by KPMG (BRL's independent auditors), and subsequently submitted to Companies House, GLAP and Bellway are required to provide letters (draft letter set out at Appendix 1) confirming that:

- GLAP/Bellway does not intend to exercise its right to on-demand repayment of the GLAP/Bellway loan balance outstanding, for one year from the date of the letter, and that:
  - GLAP/Bellway 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 taking a different approach to their resources.
- 2.3 As set out in paragraph 1.17 above, 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 The current BRL board approval provides for the following development activity occurring over the next 12 months:
- Completion of road infrastructure works and engineering design for the remainder of stage 1 (Plot H 235 units) 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.
  - Preparation and submission of s73 planning application to amend the masterplan and accommodate the new rail strategy.

#### *Current financial position*

- 2.5 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. Income from the sale of development plots provides sufficient income in order to finance its approved development activities, and income from commercial tenants provides sufficient income to cover the operational costs of the company and the costs of holding the site.
- 2.6 A separate MD (MD1565) has been prepared to seek approval for GLAP to provide a loan to BRL as a contribution to the Barking Riverside Extension and to make a shareholder commitment equal to 49% of BRL's obligation for a loan to be made to BRL by GLAP's private sector partner. Aside from the investment required to fund the rail extension, BRL has sufficient working capital through land sales and tenant's income to support development activities, without further investment by GLAP.
- 2.7 This is, however, provided the projected land sales proceed as shown in the cashflow. BRL's partners have expressed the commitment to draw down on the plot options in order to release the land parcels and subsequent land sale income and BRL has agreed with the Council to proceed with these early plots under the existing planning permission.
- 2.8 The business plan has been reviewed to assess the plot release strategy in light of the rail construction strategy, and this has concluded that aside from the funding requested in MD1565, and the human resource commitment of the Directors and officers engaged in the project, no further funding is required at this time. The business plan will continue to be reviewed in the lead up to TWAO submission and as time estimates for the construction and operation of the station are firmed up. As set out above, any new spending commitments will require reporting to the shareholders for approval.
- 2.9 At the close of the financial year ending 31 July 2015, GLAP has a loan balance due of £34,922,634. This is comprised of finance provided by the GLA (and English Partnerships and the HCA historically) and capitalised interest.

2.10 The draft statutory accounts for year ending 31 July 2015 are attached at Appendix 2.

*Support to be provided by GLAP during the period to 31 July 2017.*

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:

- ❖ Richard Blakeway, Deputy Mayor for Housing, Land and Property,
- ❖ David Lunts, Executive Director Housing and Land, and
- ❖ Fiona Duncan, Head of Area North East, Housing and Land

- A Senior Area Manager from the GLA's Housing and Land Directorate (Matthew Carpen) has been seconded into BRL for 12 months from 1 June 2015.

- Fiona Duncan and Elinor Savage will provide GLA Housing and Land client contact and support.

2.12 Further resources are provided to the project by Bellway, in terms of contract management, site management, finance and administration under the terms of the JV agreement.

2.13 It is proposed that this resource commitment remains in place for the period ending 31 July 2017. 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. Equality comments**

3.1 The current and emerging masterplan and the amendment to the rail strategy meet a number of needs, including unlocking the delivery of housing and affordable housing, providing faith space, leisure space, accessible public transport and public realm. The work related to the revised rail and masterplan strategy will include an equality impact assessment.

### **4. Other considerations**

4.1 As noted earlier, BRL has been working closely with the GLA, private sector partners and TfL to develop the business case for the extension of the Gospel Oak to Barking London Overground line into the site, which will allow the full potential of the whole site of 10,800 homes and 65,500sqm of commercial, retail and leisure development to be unlocked.

4.2 In September 2015, BRL completed a plot sale to Bellway for a further 414 units and has agreed terms regarding the final plot on stage 1 for a further 235 units. The total capacity from stage 1 is anticipated to be approximately 1,400 units.

4.3 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 a commitment to the delivery of the rail link to the site, however, in anticipation of the rail funding agreement terms being agreed, BRL has begun work to prepare stage 2 for development, in order to proceed beyond 1,400 homes.

### **5. Financial comments**

5.1 See part 2.

## **6. Legal comments**

- 6.1 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
- 6.2 The foregoing sections of this report indicate that the decision which is sought concerns arrangements which might be considered facilitative of and conducive to the promotion of economic development and wealth creation in Greater London.
- 6.3 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 31<sup>st</sup> July 2017 in accordance with its constitution.

## **7. Investment & Performance Board**

- 7.1 This paper seeks a Decision to continue to support BRL, is not seeking any financial investment from the GLA or GLAP and has not therefore been considered by IPB or HIG.
- 7.2 A separate approval in relation to a GLAP funding contribution towards the rail extension was approved in principle by Investment and Performance Board on 18 December 2014, with final approval sought through MD1565.

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

- 8.1 GLAP and Bellway Homes to provide letters on the basis of the draft letter at Appendix 1.

**Appendices and supporting papers are appended to part 2 of this report**

**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? YES**

If YES, for what reason:

- the disclosure of such information would prejudice the commercial interests of Barking Riverside Limited, Bellway Homes Limited, and Greater London Land and Property Limited and therefore, is covered by the exemption under section 43 of the Act.

Until what date: **31 Mar 2016**

**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:**

Elinor Savage 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

*M. D. Allen*

Date

*26.1.16*

**CHIEF OF STAFF:**

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

Signature

*Edward Lunt*

Date

*28.01.2016*

