

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2442

Title: Peabody Dagenham Affordable Housing Grant

Executive Summary:

This Director's Decision approves the allocation of £83.7m of affordable housing grant to the Peabody Trust from the Mayor's affordable housing programme. The funding will facilitate the acquisition of the former Ford Stamping Plant site in Dagenham. Subject to planning consent, the development of this site should deliver circa 3,100 new homes, of which at least 50% will be genuinely affordable.

Mayoral Decision 2282 notes that, in accordance with the Mayoral Decision-Making in the Greater London Authority framework, a Director's Decision is required when funding strategic interventions such as land purchases via bespoke agreement.

Decision:

That the Executive Director of Housing & Land approves:

The allocation of £83.7m Affordable Housing Grant from the Affordable Housing Programme 2016-21 to the Peabody Trust to facilitate the acquisition of the former Ford Stamping Plant site in Dagenham to enable the delivery of 1,550 affordable homes.

AUTHORISING DIRECTOR

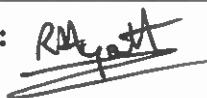
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Rickardo Hyatt

Position: Interim Deputy Executive
Director Housing & Land

Signature:



Date: 28/01/20

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. The Peabody Trust is a large Housing Association which manages over 66,000 homes across London & the South East. They have requested that the GLA allocate affordable housing grant funding of £83.7m to support their acquisition of the site formally known as the Ford Stamping Plant.
- 1.2. The site is circa 45 acres and is adjacent to Dagenham Dock station (see Appendix 1 for a site plan). The site was vacated by Ford in 2013 and has lain dormant since. Europa Capital purchased the site and set up Dagenham Dock Limited (DDL) to own and remediate the site, which due to its industrial heritage required a significant investment.
- 1.3. Peabody have bid for the site; however, to support a 50% level of affordable housing across the scheme, they have requested that the GLA provide grant funding to help ensure that this level can be delivered.

The proposed scheme

- 1.4. Peabody have carried out a feasibility study that demonstrates that the site can provide circa 3,100 new homes and the proposal allows for 50% of this to be affordable. The anticipated split of these homes is 50% London Affordable Rent and 50% Shared Ownership / London Living Rent (775 London Affordable Rent, 775 Shared Ownership / London Living Rent), supported by a range of uses (including commercial, community and education assets).

Site purchase

- 1.5. Peabody are proposing to acquire control of the site through the purchase of all shares in DDL. They are seeking to exchange contracts with the vendor, Europa Capital, in February 2020. Completion of the share purchase is conditional on the Environment Agency issuing a validation certificate for the site which is expected to occur in June 2020 once the remediation works have been completed.
- 1.6. The GLA has been advised by Peabody that progress on the remediation has been good; however validation cannot be guaranteed. If a validation certificate is not issued by May 2021 then Peabody can terminate the purchase agreement, however this can be extended by agreement by the vendor and Peabody up until the 31st October 2021. If the parties are unable to complete the purchase agreement, the GLA will reclaim the deposit monies from Peabody.

Delivery Programme

- 1.7. Peabody are targeting the submission of a hybrid planning application by late 2020. Allowing for the detailed design of phase 1 and an outline design for the remainder of the site.
- 1.8. Allowing for slippage and the standard determination timeline it is anticipated that start on site for phase 1 is achievable prior to April 2022.
- 1.9. Development of the whole site will be phased over the next 15-20 years.

GLA Funding

- 1.10. The payment of the grant will reflect the share purchase structure, with GLA providing £25m to facilitate exchange of the share purchase agreement for DDL and then the balance of £58.7m upon completion of the purchase, with Peabody making up the balance from their own funds.
- 1.11. This reflects an overall GLA commitment of £83.7m grant funding. This funding is mainly based upon tariff rates as set out below; however, £38,000 per unit has been allocated to the Shared Ownership /

London Living Rent units as opposed to £28,000 to support the challenging viability of the scheme. Typically, under the current funding programme, shared ownership homes only attract £38,000 if they start on site by March 2020.

	Grant rate per unit	Number of units	Total
London Affordable Rent	£70,000	775	£54,250,000
Shared Ownership/ London Living Rent	£38,000	775	£29,450,000
Total		1,550	£83,700,000

- 1.12. Funding for this strategic intervention will be drawn from the £1.67bn additional Affordable Housing Programme budget approved through Mayoral Decision (MD) 2282.
- 1.13. As per 1.14 of MD 2282 this funding will come from the 'strategic pot' and will require a bespoke agreement with Peabody. Therefore, this Director's Decision has been drafted to cover the rationale and terms for the grant.

2. Objectives and expected outcomes

- 2.1. By supporting this purchase, the GLA expects to facilitate an accelerated delivery programme of 3,100 new homes and secure the delivery of 50% affordable homes across the scheme; 1,550 new affordable homes, which would otherwise be delayed or not come forward at all.
- 2.2. The proposed scheme is adjacent to the GLA owned Beam Park development, which is currently being delivered by Countryside Properties and L&Q. This development will deliver 2,900 homes with 50% affordable homes and is currently under construction. The proposed development will help build a critical mass of development in the area and create a new link through to Dagenham Dock station.

3. Equality comments

- 3.1. Under section 149 of the Equality Act 2010, in making these decisions due regard must be had to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who have a protected characteristic and those who do not.
- 3.2. Protected characteristics include age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender, sexual orientation (and marriage or civil partnership status for the purpose of the duty to eliminate unlawful discrimination only).
- 3.3. Delivery of additional affordable homes in London is likely to help many of those with protected equality characteristics, as many of these groups are disproportionately represented among those in need of affordable housing. This is in part because they are more likely to experience homelessness or overcrowding, or to have low incomes that make it difficult for them to afford market housing. By enabling the development of new affordable accommodation, the Mayor's 2016-21 programme and more specifically this project is likely to advance equality of opportunity for those with protected characteristics.
- 3.4. 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..."
- 3.5. The Mayor's Equality, Diversity and 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 project will help deliver new housing, of which a significant amount will be affordable. This in turn helping to implement the requirements for new housing set out in the London Plan.

- 3.6. In order to access funding, Peabody will be required to enter into a grant agreement with the GLA, which will place an obligation on Peabody to have and comply with a policy covering equal opportunities designed to ensure that discrimination prohibited by the Equality Act 2010 is avoided at all times. Peabody will also provide a copy of that policy and evidence of the actual implementation of that policy upon request by the GLA.

4. Other considerations

Links to Mayoral strategies and priorities

- 4.1. The delivery of new and affordable housing is a key Mayoral priority. As such, the project contributes to the delivery and realising the vision of the London Plan and the Mayor's Housing Strategy.

Key risks and issues

- 4.2. A scheme of this scale is likely to face some challenges to delivery such as economic cycles, cost inflation, market uncertainty and planning risk. However, Peabody are well placed to address these and have a proven track record of housing delivery and management.
- 4.3. As with any pre-planning development project this investment carries the risk that the scheme will not receive planning permission. In this scenario the grant agreement will allow recovery of the grant funding if the associated outputs are not delivered.
- 4.4. The GLA has already invested significantly in the Barking and Dagenham area and specifically has two large housing projects currently delivering housing in the local market. These are Beam Park, as discussed above and Barking Riverside, of which GLA is part of a joint venture with L&Q. These two schemes are currently delivering significant numbers of new homes and will continue to do so over the coming years.
- 4.5. There is a risk that the local market may become oversupplied with new homes both for outright sale and shared ownership. This risk will be monitored as the developments progress, however the level of demand within the London housing market and the proposed split of affordable and market housing, which may include PRS (Private Rented Sector) provision does provide some level of mitigation.

Planning Risk - Site designation

- 4.6. The Ford Stamping Plant site is currently designated as a Locally Significant Industrial Location (LSIL) under LBBD's adopted Local Plan. This designation would need to be released as part of the planning application process, prior to redevelopment.
- 4.7. The London Borough Barking & Dagenham (LBBD) and Be First (LBBD's development arm which incorporates its planning function) are currently updating their local plan and have just published a draft for consultation. The plan proposes the Ford Stamping Plant site as part of a new, mixed-use quarter including residential-led neighbourhoods. The local plan is due for adoption by March 2021.
- 4.8. Be First have also commissioned an Industrial Land Study to provide an evidence base for the release of LSIL & Strategic Industrial Land (SIL) in the borough and the report is due in February 2020. It is anticipated that the proposals put forward by Be First for release will be reviewed for alignment with GLA planning policy by the GLA planning team.
- 4.9. The timeline for agreement between the GLA and LBBD is unknown, but it is expected that the Industrial Land Study will provide the evidence base to start discussions between the borough and the GLA regarding the sites in borough that will be released from the industrial land designation.

- 4.10. The lack of certainty over the designation of the site is a planning risk associated with Peabody's intention to deliver a residential-led scheme on this site.

Mitigation

- 4.11. To address this risk Peabody have discussed the potential of the release with both Be First and GLA Planners, who have indicated support for the principle of residential use of the site.
- 4.12. By mid-2020, once the remediation work has been completed, the site will be cleared and vacant, ready for development. This sets it apart from other potential release sites in the borough.
- 4.13. There is uncertainty on the timelines of release of other SIL / LSIL sites in the borough, and a risk that if other sites were released prior to this one, a positive determination may be less likely.
- 4.14. In the scenario whereby the site does not receive residential planning consent, the GLA will have the contractual ability to recover the grant funding from Peabody.

Investment Risk - Interactions with GLA investments

- 4.15. The GLA has already made investments in two sites in London Borough Barking & Dagenham which will also require release from their industrial use designation to deliver housing. As release of industrial land will be limited, the release of the Ford Stamping Plant (which has been anticipated for a number of years), increases the risk that not all the land included in these projects will be deliverable in their current form. These sites are:

Thames Road / Barking Riverside Gateways Housing Zone

- 4.16. MD1632 in March 2016 and DD2231 approved a Borough Intervention Agreement between LBBD and the GLA. This contractually committed £30 million in grant funding to LBBD to contribute towards the costs of assembling land to unlock the development of over 3,000 homes.
- 4.17. To date, LBBD has drawn down £11.3 million of the grant funding for this Housing Zone. However, if the agreed outputs are not delivered the grant funding can be recovered.

Chadwell Heath Housebuilding Capacity Fund (HCP)

- 4.18. The Chadwell Heath site is also designated as SIL. The GLA has approved an allocation of £270,000 under the Homebuilding Capacity Fund to fund the preparation of a masterplan for the area to assess its capacity for the provision of new homes.

Mitigation

- 4.19. The GLA are currently working with LBBD to understand the planned approach to site release and the potential impact on the funding portfolio with the borough
- 4.20. There is also the potential for re-provision or intensification of industrial land, to balance the land area released for residential use.
- 4.21. If these schemes do not come forward, the GLA will have the potential to recover all or a proportion of the investments outlined above.

Repayment Risk

- 4.22. There are two main risks that may impact the progression of the project and trigger repayment of the grant to the GLA. If the Environment Agency do not issue a validation certificate and Peabody cannot complete the purchase, the GLA will clawback the initial payment of £25m.. Post acquisition payback of the full amount will also be required by the GLA if planning permission is not secured on the site and homes delivered.

- 4.23. If the project does not progress as agreed, then the grant will be repayable either in part or in full depending on the number of affordable homes delivered. Repayment of this grant relies upon Peabody having sufficient liquidity to do so.
- 4.24. As is usual with affordable housing grant, in a contractual default the repayment of the grant will rely upon the Peabody Trust's covenant strength and is not fixed to the shares being acquired or the site. However, post acquisition, if repayment of the grant is required Peabody may choose to sell the land and release funds which could be used to assist repayment to the GLA.
- 4.25. In terms of financial stability Peabody are currently rated V2 by the Regulator of Social Housing (RSH). This is defined as 'The provider meets our viability requirements. It has the financial capacity to deal with a reasonable range of adverse scenarios but needs to manage material risks to ensure continued compliance'.
- 4.26. Moody's currently rate the Peabody Trust as 'A3 Stable' in their most recent credit opinion dated 15th November 2019.
- 4.27. S&P Global Ratings rated the Peabody Trust as 'A' in their report dated 8th July 2019.
- 4.28. These reports highlight that generally Peabody is in a stable and financially robust position however it is anticipated that the increase in development activity and associated debt along with exposure to market volatility has the potential to weaken its rating.
- 4.29. Currently, repayment of the grant is not anticipated and from the Moody & RSH reports Peabody appear to be in good financial health. However, it should be noted that there is a risk that in a default scenario Peabody may not have the funds immediately available to fully repay the grant.

Conflicts of Interest

- 4.30. There are no known conflicts of interest to note for any of those involved in the drafting or clearance of the decision.

5. Financial comments

- 5.1. This decision requests approval for the allocation of £83.7m affordable housing grant to the Peabody Trust to facilitate the acquisition of the former Ford stamping plant site in Dagenham. The grant will be funded from the 2016-21 Affordable Housing Programme.
- 5.2. The grant will be paid out as £25m (2019/20) to facilitate contract exchange with the remaining £58.7m (2020/21) paid on completion of the purchase. If the purchase is not completed, then the GLA can reclaim the deposit monies from Peabody.

6. Legal comments

- 6.1. The provision of financial assistance (including grant funding) for the acquisition of shares in a company to facilitate new housing supply is permissible under sections 30(1) and 34 of the Greater London Authority Act 1999 (the GLA Act), if the GLA considers that doing this will further one or more of the GLA's principal purposes of: promoting economic and social development in Greater London, and improving the environment in Greater London. The foregoing sections of this report indicate that it is open to the Director to take the view that the provision of this grant to Peabody Trust will promote economic and social development in Greater London.
- 6.2. In determining whether or how to exercise the power conferred by section 30(1) of the GLA Act, the GLA must:
 - (i) have regard to the effect that these decisions will have on the health of persons in Greater London, health inequalities between persons living in Greater London, the achievement of

sustainable development in the United Kingdom and climate change and its consequences (sections 30(3-5) of the GLA Act);

- (ii) pay due regard to the principle that there should be equality of opportunity for all people (section 33 of the GLA Act); and
- (iii) have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010).

6.3. In this respect regard should be had to section 3 above.

6.4. Officers must ensure that all necessary and appropriate steps are taken, and a suitable funding agreement entered into with Peabody Trust to formalise the provision of the grant funding, including requirements regarding state aid compliance, before committing to the same.

6.5. As noted at paragraph 1.8 above and the estimated dates in section 7 below, it is anticipated that start on site for phase 1 is achievable by 31 March 2022 in accordance with Affordable Homes Programme 2016-21 guidance. There is however a risk that this date could be missed if, for example, there is a delay in obtaining planning permission. In such circumstances it is expected that the funding agreement will allow Peabody to satisfy the 31 March 2022 start on site date requirement if it is able to bring forward affordable units on another site, which are equivalent in number and tenure to phase 1 and genuinely additional to any other units required to be delivered by Peabody under other funding arrangements with the GLA, otherwise grant may be recovered by the GLA.

6.6. Further legal comments are set out in Part 2 of this report.

7. Planned delivery approach and next steps

Activity – Estimated dates	Timeline
Completion of grant agreement	February 2020
Payment of first tranche grant	February 2020
Payment of second tranche grant	June 2020
Phase 1 Start on site	January 2022
Delivery End Date	2038

Appendices and supporting papers:

Appendix 1: Site Plan

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: It is recommended that due to commercial sensitivities around the acquisition process Part 1 should not be published until Peabody have completed the acquisition of the shares in Dagenham Dock Limited (targeting June 2020).

Until what date: July 2020

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:

Michael Payton has drafted this report in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service:

Heather Juman 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 27 January 2020.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature



Date 28.1.20