

REQUEST FOR DIRECTOR DECISION – DD2489

Title: Manor Road Land Fund investment

Executive Summary:

Mayoral Decision (MD) 2134 approved disposal of GLA Land and Property (GLAP) land (1.91 hectares) at Manor Road Retail Park, located in the London Borough of Newham, to the English Cities Fund (ECF) through a Sale Agreement signed in 2017. ECF gained outline planning permission for 804 homes at 50 per cent genuinely affordable in 2017.

The scheme has a viability gap which risks delaying delivery. It is proposed that the GLA provides investment of up to £8,615,000 through the Land Fund to bridge this gap. Specifically, the investment will enable Phase 1 and 2 of the scheme to overcome an infrastructure barrier and will therefore directly support the delivery of 642 homes, of which 321 will be affordable.

Decision:

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

The provision of up to £8,615,000 in recoverable grant on terms materially outlined in Part 2 of this Decision Form to the English Cities Fund, to deliver infrastructure improvements at Manor Road to enable and accelerate the delivery of the new homes, which are expected to start on site in 2020 and complete in 2026. This is as per the delegation provided by the Mayor under MD2396 (MHCLG Land Fund (Small Sites)).

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 and Land

Signature:



Date:

26 October 2020

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

The Land Fund

- 1.1. On 27 November 2018, Mayoral Decision (MD) 2396 approved £486 million of funding from the Ministry of Housing, Communities and Local Government (MHCLG) to help unlock and accelerate housing delivery in London through land assembly, infrastructure investment and provision of gap funding. The Memorandum of Understanding (MoU) between the MHCLG and the GLA for this funding states that it is aimed at unlocking sites capable of delivering 8,000 housing completions in London by 2030.
- 1.2. MD2396 provides a standing delegation to the Executive Director of Housing and Land in consultation with the Deputy Mayor for Housing and Residential Development to approve, via Director Decision Forms, the allocation of this funding in accordance with the terms associated with the programmes and in pursuit of the Mayor's housing ambitions. At the time of this report, the Interim Deputy Executive Director of Housing and Land is authorised to act in the place of the Executive Director of Housing and Land, including for the purpose of approving Director Decisions, by way of a delegation pursuant to paragraph 7.4 of the Mayoral Decision-Making in the Greater London Authority framework.
- 1.3. The evaluation methodology for the use of the funding in accordance with the Land Fund Investment Strategy is based on Benefit Cost Ratio (BCR) metrics as set out in Part 2 of this Decision Form.
- 1.4. As detailed along with other commercial considerations in Part 2 of this Decision Form, the project represents Value for Money and there will be detailed monitoring in place regarding approval of costs. This has been established in accordance with the Land Fund Investment Strategy, based on Benefit Cost Ratio (BCR) metrics as set out in Part 2.

The site

- 1.5. The site is located in the London Borough of Newham, in close proximity to Barking Road and Canning Town Station (see appendix 1). The site is approximately 4.72 acres (1.91 ha) and has vehicular access from Manor Road. The site was identified as suitable for residential development in the "Canning Town and Custom House masterplan" (adopted July 2008).
- 1.6. GLAP disposed of the site to ECF (formed by a Joint Venture between Homes England, Muse Developments and Legal & General) in 2017 for the purposes of residential development on the basis of 50 per cent affordable housing. Consent was secured from the Secretary of State to dispose of the site at less than best consideration reasonably obtainable to enable the high proportion of affordable housing. This consent was explicit that affordable housing grant funding from the Affordable Housing Programme (AHP) was not and should not be applied to the transaction. If it were to be so, then further Secretary of State consent would be required.
- 1.7. Resolution to grant planning permission has been secured for 804 homes with 50 per cent affordable housing on the site. This funding will be tied to Phases 1 and 2 only, which will deliver 642 homes, of which 321 will be affordable.
- 1.8. The project is currently facing a viability gap and recoverable grant of £8,615,000 is sought from the GLA to safeguard delivery. This funding will enable the scheme to start on site in 2020.
- 1.9. To enable density and a well-designed layout, ECF are required to spend £9,726,350 across Phases 1 and 2 in infrastructure costs. This includes various highways design fee contributions and enabling works. These works include:
 - Power to buildings;

- Landscaping (Phased);
- Section 278 works;
- Enabling Works;
- Gas;
- Section 278 Commuted Sum (12%);
- Section 278 Bond Cost (5%);
- Landscape Design Fees; and
- Highway Design Fees

1.10. As a result, the scheme is facing a total viability gap of £9.7m and ECF is therefore seeking investment in respect of Phases 1 and 2 to enable them to deliver the required infrastructure improvements and proceed with the scheme. This paper seeks approval for the GLA to contribute £8.6m, and ECF will be contributing the rest (£1.1m).

1.11. Without this funding, the ECF Board have confirmed they cannot proceed with the scheme.

2. Objectives and expected outcomes

- 2.1. The key objective and outcome of making this funding available, on a recoverable basis, is to enable the scheme to proceed and deliver 804 homes, of which 402 will be affordable. This funding requires delivery of the homes in Phases 1 and 2 (642 homes of which 321 will be affordable) and enables the scheme as a whole to begin.
- 2.2. This will be a high quality residential-led scheme, delivering much-needed genuinely affordable homes in the London Borough of Newham. The GLA's funding is expected to be repaid from ECF's profits from the development. Further detail as to the basis for recovery of the funding is set out in Part 2 of this Decision Form.

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 re-assignment, 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 projects outlined in this paper, any activity will look to minimise disadvantages to all protected characteristic groups within society.
- 3.3. The proposed disposal of Manor Road Retail Park as a housing led scheme is aimed at implementing the Mayor's policies set out in the Mayor's London Housing Strategy. In September 2017 the GLA published an impact assessment, including an equalities impact assessment, of the London Housing Strategy. Policies related to increasing housing supply and delivering affordable housing were also covered by the Integrated Impact Assessment (IIA) for the Draft London Plan, published in November 2017.
- 3.4. The IIA concluded that the cumulative impact of these policies combined with policies for flexible housing mix, inclusive design and accessible housing would contribute to creating inclusive communities, relieve housing pressures that disproportionately affect lower-income groups and ensure the needs of different groups are taken into account in housing design

- 3.5. The delivery of new and additional homes at Manor Road will help to implement the objectives of the Mayor's Equality, Diversity and Inclusion strategy "Inclusive London" (May 2018) through the creation of new homes, housing products and well-designed housing schemes.
- 3.6. Pursuing a residential-led scheme will meet the objectives of LB Newham as set out in its Core Strategy to provide affordable, lifetime homes for its residents, with exemplary urban design and sustainable development.
- 3.7. The grant funding agreement that the GLA will enter into with ECF for this funding will also include diversity and inclusion provisions aimed at increasing the diversity of the sector and ensuring equality of opportunity. These may include, for example, requiring ECF to implement a Diversity Action Plan.

4. Other considerations

- 4.1. Without this investment, ECF Board have indicated that they will not be able to agree to proceed with the scheme further.

Key risks and issues

Risk	Mitigation
Unforeseen ground conditions issues could impact project timescales.	ECF will be undertaking surveys to assess ground conditions. As per the sale agreement, liability for unforeseen costs due to ground conditions issues sits with ECF so there is no financial risk to the GLA.
Build programme delays cause completion slippage.	ECF have a proven track record in the area. Their delivery programme is robust, and a detailed programme will be submitted as an Initial Condition Precedent to drawing the funding. That programme must be to the satisfaction of the GLA before ECF can access funds.

- 4.2. There have been no conflicts of interests declared or identified in the preparation of this form.

Links to Mayoral strategies and priorities

- 4.3. The London Housing Strategy sets out the policy rationale for this intervention, which will enable the delivery of homes in London.
- 4.4. A failure over recent decades to build the number and type of homes London needs has resulted in a housing crisis characterised by increasing affordability pressures and rising housing need. To address this, the intend to publish draft New London Plan sets a target of 52,000 new homes a year over the next 10 years, with a strategic target for 50% of these to be genuinely affordable. In the shorter term, the Mayor has committed to start 116,000 genuinely affordable homes by March 2022.

5. Financial comments

- 5.1. The Decision is seeking approval for gap funding of £8,615,000 to contribute to infrastructure cost, which will enable commencement of development at Manor Road. The grant will be funded from the MHCLG Land Fund (MD 2396). GLA is expecting the grant to be repaid subject to the financial performance of the scheme.

6. Legal comments

- 6.1. Under section 30(1) of the Greater London Authority Act 1999 (as amended) (“GLA Act”), the GLA has the power to provide the recoverable grant funding for the project explained above, provided that doing so will further one or more of the GLA’s principal purposes of: promoting economic development and wealth creation, social development, and the improvement of the environment in Greater London. The project will deliver infrastructure which is consequently expected to accelerate the delivery of new housing, including affordable housing, and it is open to the GLA to take the view that funding it will promote both social and economic development, and is therefore within its power contained in section 30(1) of the GLA Act.
- 6.2. 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, and also the Public Sector Equality Duty in section 149 of the Equality Act 2010. Reference should be made to section 3 above in this respect.
- 6.3. In addition to the above, where the GLA is proposing to use the power conferred in section 30(1) of the GLA Act, the GLA must consider consulting in accordance with section 32 of the GLA Act. GLA officers have confirmed it is not considered necessary or appropriate for the GLA to consult with any other persons or bodies including those specified in section 32(2) of the GLA Act for the purposes of this Director Decision.
- 6.4. External lawyers have advised GLA officers in relation to state aid compliance. Officers must ensure that all necessary and appropriate steps are taken and a suitable funding agreement entered into with ECF to formalise the provision of the recoverable grant, including requirements regarding state aid compliance, before committing to the same.
- 6.5. Further legal comments are set out in Part 2.

7. Planned delivery approach and next steps

Activity	Timeline
Phase 1 start on site	November 2020
Phase 1 Completions	December 2023
Phase 2 start on site	April 2022
Phase 2 Completions	January 2025

Appendices and supporting papers:

None

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

Yes, until 31 March 2021 for reasons of commercial sensitivity - to allow time to complete commercial negotiations around the grant agreement.

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:

Claire Keeley has drafted this report in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service:

Neil Hook 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

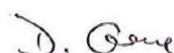
This decision was agreed by the Corporate Investment Board on 19 October 2020

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature



Date

26 October 2020