

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD3114

### Title: City Hall Landlord Contribution and City Hall Main Relocation Budget Uplift

#### Executive summary:

The Mayor, the London Assembly and the GLA are in occupation at City Hall and practical completion of the building has been achieved. The objectives of the relocation have been met, with forecast savings to the GLA Group of £58m over five years, and the award of BREEAM 'Outstanding' accreditation for the fit-out means it is understood to be the greenest City Hall in the world.

The GLA has now agreed the final account with the contractor, and the costs of the programme are known. Approval is sought for an uplift to the main City Hall relocation budget to cover an overspend to the main relocation budget.

The owner of the City Hall freehold, GLA Land and Property Limited (GLAP), has previously contributed towards repairs to the building to make it suitable for occupation, which would be required whoever the new tenant of the building would be. This was calculated during fit-out and construction works. Following agreement of final costs, approval is sought for an uplift to the landlord contribution by GLAP for repair and associated costs that were necessary to the building to allow for occupation.

#### Decision:

That the Mayor approves:

1. additional investment of up to £1.936m by GLA Land and Property Limited to cover further landlord repairs, improvement works and a contribution towards delay related costs, resulting in an overall contribution to the main relocation programme of £7.096m
2. that the dilapidations reserve of £10m is used in full to cover the additional costs arising from the project and outlined in this paper
3. additional investment of up to £0.4m by the GLA to the main City Hall relocation budget, resulting in an overall investment of up to £17.9m.

#### 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:

17/4/23

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

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

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

- 1.1. On 2 November 2020 (in MD2705) the Mayor agreed to relocate City Hall to the Crystal in the Royal Docks; and to exercise the break clause on the GLA's lease of the former City Hall at More London before 25 December 2020. Delegated authority to the GLA's Chief Officer was given to undertake this, and the break was formally served on 17 December 2020. MD2705 approved a budget of £17.5m, comprising a £14m main relocation budget and £3.5m contingency.
- 1.2. As owner and landlord of the building, GLA Land and Property Limited (GLAP, a company ultimately wholly owned by the GLA) agreed to repair the premises and restore the building's sustainability features (including mechanical, electrical and plumbing infrastructure) in return for the GLA taking a long-term full repairing lease at a market rent. To meet these costs, in December 2020 GLAP investment of £3.3m was approved under MD2722.
- 1.3. In March 2021 the GLA appointed lead contractor, ISG Fit Out Ltd (ISG), to undertake the repair and alteration works to the building. Detailed intrusive surveys were undertaken early to examine the condition of the building fabric, and mechanical and electrical systems. Further repairs and improvement work required to be undertaken by the landlord were identified.
- 1.4. In August 2021 MD2843 approved a further contribution by GLAP of £2.09m to repair the building for the purposes of reletting, taking the GLAP investment to £5.39m. This included £0.23m for roof works, but these were not taken forward under the contract, making the GLAP investment to the programme £5.16m. These contributions were based on preliminary costs or estimates, given that works were ongoing to the building.
- 1.5. Following the approval of MD2843, works to the building continued until practical completion. Initial estimates for repairs that informed MD2843 were negotiated to a final price. Further repairs to the building and its mechanical and electrical systems, required to ensure that the building was fit for occupation and operating effectively, were also uncovered as works continued. These repairs would be required whoever the new tenant of the building would be.
- 1.6. This decision requests approval for an uplift in the GLAP contribution towards the cost of these repairs, consequential delays and associated consultant fees of £1.936m. This brings the full contribution of GLAP's investment to £7.096m.
- 1.7. The additional costs are only those related to work that is the responsibility of the landlord. The apportionment of these costs has been interrogated by the GLA's project management and cost consultants; and reviewed and agreed by representatives of the GLA and GLAP.
- 1.8. In February 2023, the GLA agreed the final account with ISG. Following this agreement, and the apportionment of costs between the GLA and GLAP, the costs to the main relocation budget are £17.817m. The additional costs are driven by several factors, the most significant being the development of the complex security requirements for the building. This paper requests an uplift of up to £0.4m to the main relocation budget to cover these additional costs, which includes a contingency of £0.083m to cover any unforeseen costs that may emerge.
- 1.9. A further £1.164m of costs have been allocated to the Chief Officer's Transformation budget, and other team budgets, to cover: the staffing costs of the relocation team; a range of consultancy costs; facilities management costs; and costs associated with team-specific facilities.

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

- 2.1. The investment by GLAP and the GLA will ensure that the objectives of relocation, as identified in MD2705, are met. These include significant cost savings for the GLA and GLA Group; a permanent

and sustainable new home for London government that is fit for occupation and meets the requirements of the Mayor and the London Assembly; and contributing towards the Mayor's regeneration objectives for the Royal Docks.

- 2.2. By ensuring that the building is fit for occupation, GLAP will also benefit from a market rental income over 25 years (subject to a tenant break right in year 20) and a full repairing lease, which will secure long-term use and maintenance of the building. Reconsideration of the business case to let the building to the GLA, in the context of the additional costs set out in this paper that are relevant to the relocation programme, continues to demonstrate that the decision to do so remains favourable.
- 2.3. The works will ensure that the building and its systems are not subject to further deterioration, which would compound future repair costs for the landlord.
- 2.4. The repairs also contributed towards the building achieving its BREEAM 'Outstanding' accreditation for the fit-out.
- 2.5. The overarching financial objective of the programme is to ensure a saving to the GLA. Taking account of the final costs of the relocation programme, the overall five-year GLA and GLA Group savings are £46m and £58m respectively. This includes full use of the £10m dilapidations reserve. The programme has also secured significant longer-term savings, given the risks the Authority faced with the scheduled expiry of the lease for the previous City Hall in December 2026.

### **3. Equality comments**

- 3.1. Under section 149 of the Equality Act 2010, as a public authority, the GLA must have 'due regard' of the need to:
  - eliminate unlawful discrimination, harassment and victimisation
  - advance equality of opportunity and foster good relations between people who have a protected characteristic (in respect of age, disability, gender reassignment, pregnancy and maternity, race, sex, religion or belief, and sexual orientation) and those who do not.
- 3.2. The equalities implications of the decision to relocate City Hall were considered in detail in MD2705. The additional GLAP contribution does not raise any further equalities issues beyond those previously considered.

### **4. Other considerations**

#### Key risks and issues

- 4.1. Risk: GLAP pays costs that are not the responsibility of the landlord.
- 4.2. Mitigation: costs of works and delays have been analysed appropriately and arrived at following review by project management and cost consultants. These costs, and the apportionment of consultant fees, have also been reviewed by representatives of both the GLA and GLAP, and have been considered reasonable.

#### Links to Mayoral strategies

- 4.3. The occupation of the building by the Mayor, the London Assembly and the GLA supports the regeneration of the Royal Docks, which is a key priority of the Mayor through the £314m investment package approved to accelerate its regeneration. The investment by GLAP supports these objectives.

#### Conflicts of interest

- 4.4. David Bellamy is a Director of GLAP and Chief of Staff in the GLA. David Gallie is a GLAP Director and the GLA's Executive Director of Resources. However, the costs to GLAP have been agreed with other

directors in GLAP; and, under the Mayoral Decision Making in the GLA document, the activities of GLAP are, noting the requirements of company law, fully integrated with those of the GLA. There is, therefore, considered to be no conflict of interest to note for any of those involved in the drafting and clearance of the decision.

## 5. Financial comments

5.1. This paper seeks approval for:

- additional investment of up to £1.936m by GLAP to cover further landlord repairs, improvement works and a contribution towards delay related costs
- that the dilapidations reserve of £10m is used in full to cover the additional costs arising from the project and outlined in this paper
- additional investment of up to £0.4m by the GLA to the main City Hall relocation budget.

5.2. The total approved budget for the City Hall relocation project was £17.5m, including uplifts from subsequent MDs. In addition, £5.16m was approved as a GLAP contribution, to cover repairs and relocation specific improvements. A dilapidations reserve of £10m was also allocated to the project, and £4.5m was approved for expenditure.

5.3. The total cost against these lines is as below:

	Costs £'000	Approved £'000	Variance £'000
GLAP - Landlord costs	4,692		
GLAP relocation specific costs	2,404		
Total GLAP	7,096	5,160	1,936
Relocation costs	17,817	17,500	317
Total GLA	17,817	17,500	317
Grand Total	24,913	22,660	2,253

5.4. The total contribution from GLAP is £7.096m, which is £1.936m higher than the approved budget. This increase is related solely to repairs that were the landlord's responsibility.

5.5. The overspend on the main relocation budget of £0.317m is driven by several factors – for example, the development of the complex security requirements for the building. The £0.4m, approval of which is requested in this document, covers these costs and allows a small contingency for any other unforeseen costs that might arise.

5.6. An additional £1.164m was taken from other GLA budgets to cover the staffing cost of the project team, consultancy fees and team-specific facilities.

5.7. The savings reported include full use of the dilapidations reserve of £10m set aside for the City Hall relocation project, £5.5m more than that approved through previous MDs.

## 6. Legal comments

6.1. Under section 34(1) of the GLA Act 1999, the GLA, acting by the Mayor, is empowered to do anything (including the acquisition or disposal of any property or rights) that is calculated to facilitate, or is conducive or incidental to, the exercise of any functions of the Authority exercisable by the Mayor or the Assembly, or both acting jointly. As a result, section 34 authorises the Mayor to make arrangements that facilitate, or are conducive or incidental to, as regards his duty under section 4 of the Local Government and Housing Act 1989 securing the provision of sufficient accommodation for the GLA as a whole (including for the Assembly); and as regards all the GLA's statutory functions

generally as performed by the Mayor or the Assembly. These powers cover the GLA's relocation to the Crystal, and anything incidental.

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

- 7.1. Practical completion of the building has already been achieved and the value of the final account has been agreed with ISG. The timescale for payment of the GLAP contribution is set out below.

<b>Activity</b>	<b>Timeline</b>
Payment by GLAP to GLA	April 2023

### **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 be published either 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? NO**

**Part 2 – Sensitive information**

Only the facts or advice that would be exempt from disclosure under the 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:**

Steve Sheasby has drafted this report in accordance with GLA procedures and confirms the following:

✓

**Sponsoring Director:**

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

✓

**Mayoral Adviser:**

David Bellamy 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 11 April 2023.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature:**

*D. Gove*

**Date:**

11 April 2023

**CHIEF OF STAFF:**

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

**Signature:**

*D. Bellamy*

**Date:**

17 April 2023