

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD3164

Title: Royal Albert Dock Procurement

Executive summary:

Royal Albert Dock (RAD) is one of the Royal Docks' key development sites, offering the opportunity for significant value creation (economic, social and environmental) in London's only Enterprise Zone. The development agreement entered into by the previous Mayor has been terminated after the development partner selected failed to meet their obligations under it. Therefore, there is currently no development partner appointed.

Given the significant events of the last decade, a detailed procurement strategy is needed to select a new delivery partner. This will support maximising the opportunity for RAD's future development, which will focus on supporting a mixed-use employment hub, and a growth in residential uses. This Mayoral Decision seeks approval for developing and commencing the detailed procurement strategy; associated meanwhile uses; and the budget request to support these activities. Supporting information is contained within Part 2 of this form.

Decision:

That the Mayor approves:

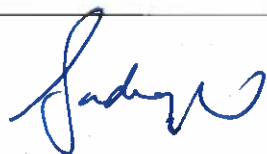
- 1) the outline delivery and procurement strategy set out in this decision form
- 2) the development of a detailed delivery and procurement strategy
- 3) a delegation of authority to the Executive Director, Housing and Land, to execute the specific details of the delivery and procurement strategy, consulting with the Mayor and/or Deputy Mayor for Housing and Residential Development as necessary
- 4) commencing a development partner procurement process
- 5) commencing a meanwhile-use procurement process to promote early activation of the site
- 6) the budget request set out in Part 2 that supports the activity of this Mayoral Decision.

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:

4/12/23

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

Decision required – supporting report

1. Introduction and background

Royal Albert Dock

- 1.1. The Royal Docks is the Mayor's largest land-led regeneration project with over 175 hectares of land in GLA ownership. The area is set to become one of the most diverse residential, business and visitor destinations in the capital. The London Plan (2021) estimates the area could support 30,000 new homes and 41,500 new jobs.
- 1.2. Royal Albert Dock (RAD) is one of the Royal Docks' key development sites, offering the opportunity for significant value creation in London's only Enterprise Zone (EZ). The London Plan (2021),¹ the Royal Docks and Beckton Riverside Opportunity Area Planning Framework (OAPF) (2023)² and the London Borough of Newham's Local Plan (2018)³ highlight the site's strategic importance as a key employment hub, delivering a large proportion of employment outcomes, business rate income and investment for both the EZ and Newham.
- 1.3. RAD is a 35-acre site that sits to the north of London City Airport, bounded by educational uses to the east, and a variety of leisure, hotel and exhibition centre uses to the West. To the north is large-scale transport infrastructure in the form of Royal Albert Way and the DLR; to the south is the historic RAD water body. A locational plan is included at Appendix 1. RAD is held fully within GLA Land and Property Ltd (GLAP, a subsidiary company of the GLA) freehold.

ABP

- 1.4. Following a competitive bidding process started by the London Development Agency (LDA), the GLA entered into a development agreement (DA) with ABP London Investment Ltd (ABP) in May 2013. This was for the comprehensive regeneration of the site, delivering 4.7m square feet of new mixed-use development. This focused predominantly on office-led uses across six phases.
- 1.5. Most of phase one was completed in April 2019 (circa 0.5m square feet of new development) for which ABP subsequently drew down a long leasehold interest. However, ABP failed to meet all of its obligations contained in the DA and, as approved under MD2751⁴, was served with a final termination notice in August 2021. This terminated the DA with ABP. In September 2021 the guarantor – Dauphin Holdings Group Ltd – stepped into the DA, suspending the process of termination and assuming all existing obligations. However, Dauphin also failed to comply with the DA's obligations and was served with a final termination notice in March 2022.
- 1.6. These actions removed all future development rights across the site, and there is currently no development partner appointed. The new-build element of phase one completed circa five acres of the original development, leaving circa 30 acres of land available.

Phase one liquidation

- 1.7. Following the DA's termination, ABP fell into insolvency. In July 2022, PwC was appointed as liquidator over the majority of ABP's phase one buildings. ABP had completed 21 buildings in total. PwC was appointed over 15 of them. The other six buildings are part of a separate receivership process led by Deloitte.

¹ GLA, [The London Plan](#), March 2021

² GLA, [Royal Docks and Beckton Riverside OAPF](#), May 2023

³ London Borough of Newham, [Local Plan](#), 2018

⁴ GLA, [MD2751](#)

- 1.8. In late 2022, PwC undertook a marketing process to find a buyer for the 15 phase-one buildings. In March 2023 these assets, along with the phase one headlease and a temporary lease over the site's energy centre, were transferred to a company called DPK. The PwC process excludes the Deloitte buildings, which continue to be marketed for an appropriate buyer.
- 1.9. DPK specialises in commercial real estate, restructuring and insolvency arrangements. The GLA is in regular dialogue with DPK to support the future use and occupation of phase one buildings. This could be for various education, office, creative and residential uses (subject to planning consent for a change of use where relevant).
- 1.10. Phase one buildings' future occupation will help to develop a vibrancy and positive market perception that can form the basis of RAD's future procurement. Whilst the GLA cannot directly improve occupation rates, the Royal Docks team has supported RAD's broader activation through a series of Royal Docks events and placemaking programmes, as well as investment in public-realm enhancements. This includes enhancing public access along RAD's dock edge as a key pedestrian and cycling route east to west in the Royal Docks; programming a series of captivating local events, such as the Clipper Round the World Race Finish and the Queen's Jubilee Baton Relay (attracting circa 6100 visitors); investing in the restoration and reuse of Compressor House as a new destination and cultural hub for RAD, capable of holding a range of events, exhibitions and performances with a focus on digital inclusion, heritage and learning, with the potential to attract thousands of visitors a year.

Strategic review

- 1.11. A strategic review has helped shape the sites future direction and objectives (see section 2 below). This provided strategic advice to evaluate the type of development appropriate in this location, and how best to maximise local benefits and investment. The process included stakeholder engagement with the EZ Programme Board and key partners including the London Borough of Newham, and considered prevailing economic trends, planning policy, the development market, and broader Royal Docks regeneration context.
- 1.12. The strategic review has set the key principles and considerations for selecting a new delivery partner. Approval is now sought for developing the detailed delivery approach (see section 3, below) and commencing a competitive bidding process.

Mayoral and Director's Decisions

- 1.13. A summary of the previous MDs and DDs related to this matter are included in the table below:

Date	Decision	Summary
1 June 2012	MD1007	Procurement process update and budget setting
16 May 2013	MD1208	Recommendation to select a preferred bidder and enter into a DA
16 December 2015	MD1471	Section 106 and 156 agreement approvals
14 April 2016	DD1498	Deed of variation to the DA
23 December 2016	DD2076	Second deed of variation to the DA
19 February 2021	MD2751	Action relating to the DA and meeting its obligations

Financial approval

- 1.14. The total lifetime financial approval to date on this project is £1,235,000, as set out below. Additional budget recommendations are set out in part 2 of this Mayoral Decision.

Financial approval pre-GLA (LDA)	GLA approval (MD1007)	Total documented approval to spend
£635,000	£600,000	£1,235,000

2. Objectives and expected outcomes

Strategic objectives

- 2.1. The appointment of a new development partner will allow for delivery against the following strategic objectives:
- employment: employment-led commercial redevelopment that provides a distinct and diverse offer, complimenting surrounding development activity and uses
 - commercial value: generating commercial value for GLAP, the EZ and Newham
 - community wealth building: addressing inequality and creating economic, social and environmental value for all (see paragraph 3.2 below)
 - policy priorities: supporting London Plan, Newham and broader Mayoral policy priorities, delivering a wide range of social, environmental and economic benefits
 - placemaking and design: driving footfall and interest in the site, creating a high-quality, mixed-use and sustainable environment
 - identity: developing a unique identity for innovation and creativity where ideas are generated; knowledge is shared; and communities and businesses support mutually beneficial outcomes.
- 2.2. Whilst these strategic objectives remain largely similar to those inherent in the original procurement, it is important to recognise changes in the economic and policy landscape of the Royal Docks since 2013. Changes in global market trends, post-pandemic hybrid working, ongoing economic uncertainty, updates to Newham's Local Plan, and ongoing Royal Docks development activity will influence the types of uses and functions most applicable to RAD, as set out below:
- Commercial uses: It is likely that RAD will support a more flexible use allocation than originally identified in 2013, underpinned by a move away from traditional forms of office space towards a more mixed-use employment hub. Uses across the site could include (but are not limited to) light industrial (e.g. logistics, manufacturing), flexible workspace, education, sport and leisure. There could also be a focus on high-value growth industries and sectors, such as green tech; and on doing so within a supportive cluster environment that could include space for new production, prototyping and business development. This environment could also support larger-scale move-on space for innovative and growing business.
 - Residential uses: Commercial uses are likely to be supplemented by an increase in residential uses, greater than originally identified in 2013. This will support local housing need and a more vibrant mixed-use space. This will include a variety of affordable and private housing tenures, meeting Mayoral policy requirements.
 - Meanwhile uses: Additionally, as any future procurement and development programme is likely to exceed 15 years, large parts of the site may sit vacant until such time as construction begins. Therefore, meanwhile uses could play an important role in supporting early phases of activation by hosting a mixture of different temporary employment and recreational uses ahead of major development. Across RAD, meanwhile uses have been proposed and are progressing, including the restoration and reuse of Compressor House; the potential arrival of a temporary theatre production, Soldier of Orange; and a temporary training and boat workshop for Atlantic Pacific.

Outline procurement and delivery strategy

- 2.3. The strategic review presented an outline procurement and delivery strategy. This considered a variety of development models aligned with the ambitions for the site, and assessed RAD's commercial objectives, development scenarios, delivery structures and initial market feedback. This established the following key principles, which will now be developed and further refined as part of the detailed approach:

- Spatial objectives – an indicative spatial exercise identified key design principles to support the functioning of a commercially led mixed-use space. This includes:
 - a mixed-use ecosystem supported by diverse building typologies to help futureproof different forms of use
 - a move away from the existing planning consent, which focused on office-led development
 - a green, environmentally sustainable and walkable neighbourhood
 - a focus on placemaking and enhancing access to the Royal Docks water
 - promoting social interaction and activation
 - reinforcing local heritage
 - a housing mix that complies with local policy
 - appropriate boundary interfaces and integration of phase-one into the wider development.
- Commercial objectives – key commercial objectives will focus on:
 - the GLA receiving appropriate land value and overage uplift whilst maintaining flexibility on the timing of financial returns
 - generating a commercial return to the EZ via business rates income
 - minimising direct delivery or financial risk participation for the GLA, with the appointed partner operating as funder and enabler of future development
 - phased delivery approach and the draw down of leasehold interests upon completion of each phase's key deliverables.
- Delivery structure – the delivery structure will likely focus on securing a Master Developer Partnership (MDP) type contracting arrangement, although this will be refined based on market testing. A MDP focuses on a single Master Developer setting the overarching masterplan and development approach for the whole site; securing planning consent; delivering enabling infrastructure; and creating several serviced plots ready for development. These plots are then drawn down by specialist developers, or the Master Developer themselves, allowing for various partners to partake in direct delivery across the site. An MDP approach allows for a Master Developer to manage and coordinate a broad array of uses, whilst mitigating the risk of relying on a single organisation that may lack the skills and knowledge required to develop a variety and mix of land uses. Specialist developers will be appointed across a broad mix of commercial, leisure, educational and residential uses, and deployed under a single MDP umbrella. This helps to share risk and increase development diversity, whilst facilitating a coherent and joined-up approach led by the Master Developer. Based on the above objectives and level of risk participation, joint-venture delivery structures and direct land disposals are not currently considered appropriate for the site.
- Market testing – a process of early market testing was conducted to test the above principles. This indicated market appetite for the project, including the contractual structure and commercial objectives. There was positive market sentiment to starting a procurement process at the beginning of 2024, citing improving confidence, especially considering the long-term and mixed-use nature of the development. Whilst it is likely that the pool of organisations capable of fulfilling a Master Developer role is relatively small, these companies are global in scale with significant delivery experience. A round of more formal soft market testing will confirm the detailed strategy, risk/reward balance and associated key contractual principles.

- Procurement approach – this is likely to be tendered through an open and flexible procurement process, incorporating forms of competitive dialogue that can accommodate complex commercial and contracting structures. This will support an MDP approach. It is likely this could take circa 12-14 months (to the exchange of contracts). Further detail will now be developed, including resource implications and how best to align with other GLAP procurements, as well as the pre-election period up to May 2024.
- Meanwhile use – as set out above, the site opportunity encourages a strong emphasis on meanwhile activation, particularly in the short to medium term. The detailed delivery and procurement strategy will consider market demand, uses and best-practice examples as a basis for developing meanwhile use options that work alongside the broader MDP strategy.

2.4. This outline approach has been endorsed by the EZ Programme Board.

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 and those who do not.
- 3.2. The procurement processes and development proposals will be delivered in line with GLA guidelines and statutory obligations. Any future disposal strategies and development proposals will consider impacts on protected characteristics and will be procured in line with GLA best practice in the delivery of statutory obligations. There are no immediate impacts, from this decision form, on those with protected characteristics.
- 3.3. Additionally (as set out below at 4.5) the development will support numerous Mayoral commitments and priorities in advancing equality-related metrics, advancing opportunities, delivering new housing and public infrastructure, and supporting environmental benefits.
- 3.4. The London Borough of Newham is an integral partner in realising RAD's opportunity. Key to this vision is the borough's commitment to addressing inequality and creating economic, social and environmental value for all. Newham's community wealth-building agenda will be a key focus for the site – addressing economic and social disparities in local communities; tackling the global climate emergency; and putting local communities at the centre of shaping a local economy where growth and investment benefit all residents. RAD has the potential for significant benefits, promoting and advancing the equality of opportunity for local residents and protected groups. This includes local employment, skills development, educational initiatives and broad economic growth. Additionally, housing (including affordable housing) will also be delivered as part of the scheme. The housing shortage in London disproportionately affects people with certain protected characteristics. Increasing the supply of housing, in particular affordable housing, will promote positive impacts. The design of new homes, as well as commercial units, will be led by best practice to have due regard for areas such as designing for accessibility and inclusivity. This will also promote improvements to the local public realm and connectivity. The procurement opportunity will ensure RAD supports and aligns to the above, in consultation with Newham and broader local partners.

4. Other considerations

Key risks and issues

Development partner

- 4.1. Securing an appropriate development partner capable of bringing forward a complex mixed-use regeneration scheme and developing the appropriate commercial and contracting structures to alleviate delivery risk on the GLA whilst providing both elements of control and flexibility.

Meanwhile uses

- 4.2. Developing and managing an appropriate mix of meanwhile uses that are successful and support the future vision of RAD as a mixed-use and economically productive place.

Economy and policy

- 4.3. It is important to recognise changes in the economic and policy landscape of the Royal Docks since the original procurement in 2013. Changes in global market trends, post pandemic hybrid working, ongoing economic uncertainty, updates to Newham's Local Plan and ongoing development activity across the wider area, will influence the types of uses and functions most applicable to RAD. These changing conditions have set a baseline for the development of the delivery and procurement strategy and recognise how global market trends and the ongoing high inflationary environment is impacting on costs and development appetite. Therefore, it will be important to ensure that RAD's delivery strategy maintains flexibility and is complementary, not competitive, to the broad quantum of commercial space being delivered across the Royal Docks. This includes supporting a diverse mix of typologies and spaces that can work within a changeable global and local context. Any newly appointed developer(s) will need to ensure a robust and detailed business case is fully developed and approved before continuing with activity, ensuring the viable and expedient delivery of the next phases of development.

Additional risks

- 4.4. These are set out in part 2 of this MD.

Links to Mayoral strategies and priorities

- 4.5. The development of RAD will support numerous Mayoral commitments. It will: promote access to new jobs, opportunities and skills development; attract new investment and economic growth, including new housing and public infrastructure (such as transportation and local connectivity); support local cultural activation; and promote improved environmental benefits supporting London's transition to net zero. This will have a direct impact on the following Mayoral strategies and priorities:

- the London Plan
- the Economic Development Strategy for London
- Skills for Londoners
- the London Housing Strategy
- Culture for All Londoners
- the London Environment Strategy
- the Mayor's Transport Strategy.

Consultation and impact assessments

- 4.6. Relevant internal and external stakeholders have been consulted as part of the strategic review. More detailed consultation will be conducted as the procurement and development proposals progress. Local residents will be consulted on development proposals when these have been developed following partner selection (including statutory consultation through the planning process). Outcomes from the London Plan (2021), OAPF (2023) and updates to Newham's Local Plan (all of which include

consultation) will be included in the sites strategic development. The above will have due regard to data protection, health and safety, and safeguarding where relevant.

Conflict of interest

- 4.7. There are no conflicts of interest to declare for the officers involved in the drafting or clearance of this decision form.

5. Financial comments

- 5.1. Financial comments are set out in part 2 of this MD.

6. Legal comments

- 6.1. Section 30 of the Greater London Authority Act 1999 (as amended) gives the Mayor a general power to do anything that he considers will further one or more of the principal purposes of the GLA as set out in section 30(2), which are:

- promoting economic development and wealth creation in Greater London
- promoting social development in Greater London
- promoting the improvement of the environment in Greater London.

- 6.2. In formulating the proposals in respect of which a decision is sought, officers confirm they have complied with the GLA's related statutory duties to:

- pay due regard to the principle that there should be equality of opportunity for all people
- consider how the proposals will promote the improvement of health of, and the reduction of health inequalities between, persons living in Greater London; and contribute towards the achievement of sustainable development, and the mitigation of or adaptation to climate change, in the United Kingdom
- consult with appropriate bodies.

- 6.3. Sections 1-3 of this report indicate that the decision requested of the Mayor in this MD falls within the GLA's statutory powers.

7. Programme and next steps

- 7.1. An indicative procurement programme is set out below:

Activity	Timeline
Appointment of external advisers	November 2023
Formal soft market testing	February - May 2024
Procurement commencement	June 2024
SSQ and shortlisting	July – August 2024
Outline solutions and shortlisting	September – November 2024
Detailed solutions and dialogue	December – April 2025
Final tender and dialogue	May – August 2025
Finalisation of legal and commercial details	September – November 2025
MD and appointment	November 2025
Contracting signing	December 2025

7.2. Next steps will include the following:

- appointing commercial and legal advisers
- developing the detailed contractual and legal strategy
- completing formal market testing to ensure market support of the detailed strategy
- confirming the strategic approach to key local stakeholders
- preparing the procurement documentation and supporting technical reports
- developing a detailed meanwhile-use strategy to consider how to progress with short-to-medium-term activation of the site
- commencing the procurement strategy.

Appendices and supporting papers:

Appendix 1 – Locational 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 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:

Andy McVitty has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

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

✓

Mayoral Adviser:

Tom Copley 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 27 November 2023.

✓

INTERIM CHIEF FINANCE OFFICER:

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

Signature:



Date:

28/11/2023

CHIEF OF STAFF:

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

Signature:



Date:

28/11/2023