

GREATERLONDONAUTHORITY

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2676

Title: Wembley Regeneration: Overage assessment

Executive Summary:

Approval for expenditure of £25,000 is requested to procure valuation consultants to undertake a reconciliation and evaluation exercise to determine whether sales overage is due on the Wembley Regeneration scheme. The overage provisions are contained within a historic development agreement between GLAP and Quintain Estates and Development that has brought forward nearly 900 homes at 30 per cent affordable.

Decision:

That the Assistant Director of Land and Development approves:

1. Revenue expenditure of £25,000 to determine the overage position on the Wembley regeneration scheme.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT

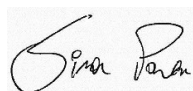
I have reviewed the request and am satisfied it is correct and consistent with the mayor's plans and priorities.

It has my approval.

Name: Simon Powell

Position: Assistant Director, Land and Development

Signature:



Date:

06/11/2023

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

1. Introduction and background

- 1.1. The Wembley Regeneration scheme has been in development since 2004 when a development agreement was signed between the London Development Agency (LDA), Quintain Estates and Development Plc. ("Quintain") and Wembley (London) Limited (a "Quintain" subsidiary).
- 1.2. The development agreement seeks to deliver nearly 900 homes including 30 per cent affordable housing across the Regeneration Land. The land was assembled by the LDA and transferred to Quintain as part of the agreement.
- 1.3. Detailed in the development agreement is an overage mechanism which establishes that any surplus income above an Internal Rate of Return ("IRR") threshold of 12.5 per cent is split equally between GLAP and Quintain. This overage calculation was activated in June 2022 due to the time elapsed since the last transfer of land. Since then, officers have been gathering evidence from the counterparty (Quintain) to establish the overage position.
- 1.4. The counterparty is required to provide full records on an open book basis, however some elements of the calculation require an independent valuation of retained investment assets, as well as independent advice on common practice in accounting for transactions and their timing for the purposes of IRR calculation. Appointing a consultant with full duty of care to GLAP will provide qualified professional advice on the items which are subject to such calculations. The consultant will be sourced from the TfL Property and Development Framework.

2. Objectives and expected outcomes

- 2.1. The main objectives of the valuation are:
 - to review and verify supporting evidence of income/expenditure and accounting principles of the counterparty;
 - to ensure compliance with the existing development agreement and good practice principles in the development industry.
 - to evaluate and finalise the overage position.

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. Given its context, there are no equality comments directly related to the standalone decision, however, those captured below relate to the overall scheme, and its impact on equality, diversity and inclusion.
- 3.3. The housing shortage in London disproportionately affects people with certain protected characteristics. Indeed, Black, Asian and other minority ethnic Londoners are more likely to live in poverty (defined as having an income below 60 per cent of the national median) and more likely to be affected by London's high housing costs. Increasing the supply of housing, and in particular affordable

housing, through this scheme will help to achieve positive impacts that align with the ‘three needs’ outlined above.

- 3.4. The scheme aligns with objectives 1 of the Mayor’s Equality, Diversity and Inclusion Strategy Objectives (2022) by increasing the provision of genuinely affordable homes for the benefit of those groups and communities that are most likely to live in overcrowded, poor quality or unaffordable housing.

4. Other considerations

Links to mayoral priorities

- 4.1. This calculation is part of the delivery of the Wembley regeneration scheme; a development which has secured 30 per cent affordable homes.
- 4.2. Ensuring the overage calculation is complete and evidenced supports the objective of obtaining best value for public land.

Risks

- 4.3. There are several risks associated with this commission. These are outlined in the table below with suggested mitigations:

Risk	Risk score (high-low)	Mitigation	Residual risk score (high-low)
The information to formally determine the overage position is not forthcoming from the counterparty	High	Most of this information has already been acquired, but the data records themselves are still outstanding – GLAP are in direct communication with the counterparty to retrieve these and may rely on the contract should a dispute arise.	Low
The budget is too low for the commission	Medium	The budget has been aligned with previous valuation workstreams.	Low
The project overruns leading to difficulty in extracting overage payment from counterparty	Medium	There is a dispute resolution process embedded in the legal agreements which accounts for recovering overage payment.	Low

- 4.4. There are no known conflicts of interest from those involved in the drafting or clearance of this decision form.

5. Financial comments

- 5.1. Receipt from overage forms a significant part of GLAP’s business income. The proposed spend of £25,000 although not budgeted, is necessary to assess the amount of overage recoverable from “Quintain”.
- 5.2. The team had earlier put forward a forecast request for the same amount which although pending approval, the proposed forecast is intended to cover the £25,000 expected spend on this overage evaluation which would be beneficial to GLAP on completion of the evaluation.
- 5.3. The overall risk of the spend is therefore assessed to be low on the company’s finances.

6. Planned delivery approach and next steps

- 6.1. The contract will be directly managed by a Senior Development Manager from the Land and Development team.
- 6.2. Progress will be monitored against an agreed programme.

Activity	Estimated dates
Contracting via TfL framework	Nov 2023
Review contract docs and financial evidence	Nov 2023
Evaluate overage position	Nov 2023
Draft report issued	Dec 2023
GLA review period	Dec 2023
Final report issued	Jan 2024
Overage position settled	Feb 2024
Overage paid (if due)	Mar 2024

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

If YES, for what reason: Contains sensitive commercial information

Until what date: 31/03/2024

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 – No

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Guy Hefferin has drafted this report in accordance with GLA procedures and confirms the following:

✓

Corporate Investment Board

A summary of this decision was reviewed by the Corporate Investment Board on 6 November 2023.

✓

ASSISTANT DIRECTOR FINANCIAL SERVICES:

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

Signature:

Anna Gustaf

Date:

06/11/2023