

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD3317

Compressor House Update

Executive summary:

This Mayoral Decision (MD) updates the proposals approved under MD3019, MD3178 and DD2634. These collectively outlined a plan to work with the Really Local Group (RLG) via a grant agreement; and the subsequent award of a long-leasehold interest in Compressor House, Royal Albert Dock. This project is a unique opportunity to refurbish Compressor House and deliver a valuable new part of the Royal Docks' cultural infrastructure.

For reasons beyond the GLA's control, it has become necessary to end the grant agreement with RLG. This MD outlines a plan for the GLA to lead on the capital works to Compressor House and secure a new tenant operator for the asset.

Decision:

That the Mayor approves:

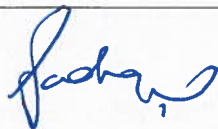
- an exemption from the Contracts and Funding Code, allowing the GLA to directly award:
 - a construction contract to MGL Projects Ltd (MGL) to refurbish Compressor House (due to urgency and MGL's previous involvement)
 - a professional services contract to Paper House Project Ltd (PHP) to support this refurbishment (due to urgency and PHP's previous involvement)
- the direct appointment of MGL and PHP, as per the above
- expenditure of £563,408 from the Royal Docks Good Growth Fund (RDGGF) capital funding allocation (originally earmarked via a RDGGF grant to the Really Local Group and confirmed through DD2634) to complete the capital refurbishment element of the project.

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:

18/12/24

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

Decision required – supporting report

1. Introduction and background

- 1.1. Compressor House is on the northern bank of Royal Albert Dock (RAD), in the Royal Docks Enterprise Zone. Built in 1914 for cold storage of Royal Docks cargo, it retains many original features – including original hoists, rails and winching machinery. The building has been vacant for some time, and now requires significant investment to bring it back into a usable condition. It is in GLA Land & Property Ltd's (GLAP's) interest to do this, for both financial and placemaking purposes; and to reduce its significant maintenance and security liabilities.
- 1.2. The London Borough of Newham (LBN) successfully applied to the government's Levelling Up Fund (LUF) and secured £1.725m capital funding to invest in Compressor House's refurbishment (as set out in MD3019). An LUF grant agreement between LBN and the GLA (the LUF LBN-GLA agreement), dated 11 May 2023, set out the conditions attached to, and outcomes to be achieved through, this funding.
- 1.3. The Royal Docks Team (RDT) conducted an open-market process to find a new operator for the building. The Really Local Group (RLG) was ultimately selected and unlocked a further £563,000 of Royal Docks Good Growth Fund (RDGGF) grant (approved in DD2634). These funds were for RLG to deliver the capital refurbishment scheme, taking it through the following RIBA Plan of Work stages:
 - stage 0: strategic definition
 - stage 1: preparation and briefing
 - stage 2: concept design
 - stage 3: spatial coordination
 - stage 4: technical design
 - stage 5: manufacturing and construction
 - stage 6: handover
 - stage 7: use.
- 1.4. Following this, the funds would allow RLG to operate the facility under a planned 10-year lease (to be issued once the capital scheme was complete).
- 1.5. Via a RDGGF grant agreement (dated 16 March 2023, approved in MD3178), RLG had developed the refurbishment scheme from RIBA stages 0 to 4. For reasons beyond the GLA's control, it has become necessary to end the GLA's grant agreement with RLG. Through approvals sought in this MD, the GLA's proposal now is to: lead on, via direct award, the capital works to Compressor House; and run a process to secure a new tenant for the asset.
- 1.6. For the refurbishment of Compressor House, plans at RIBA stages 0-3 were taken forward by RLG, working with architects Paper House Project Limited (PHP). PHP left the project at stage 3. Stage 4 plans were subsequently developed by MGL (a design-and-build contractor), under RLG's management, over Summer 2024.
- 1.7. As the grant agreement with RLG is ending, this MD requests approval for the GLA to contract directly with MGL to deliver the capital refurbishment works. This will be done under a new engineering contract (NEC), confirmed with appropriate legal oversight, and with the necessary best-practice project management systems in place. As there was no contract in place between RLG and MGL, there is no option for a contract novation.

- 1.8. This MD also requests approval for the GLA to directly award a professional services contract to PHP, who will support delivery of the capital refurbishment at RIBA stages 5 to 7.
- 1.9. These direct awards to MGL and PHP are justified on grounds of urgency and commercial advantage, as explained below:
- Urgency: These direct awards will enable the delivery of the construction works by May 2025, via a 16-week programme (beginning in January 2025); and crucially, urgent LUF spend by March 2025 (a key requirement of LBN as an external funder). RDGGF spend elements will follow (there is no time pressure for these). The direct award means that committed outcomes can be met (as per the LUF LBN-GLA agreement), resulting in a new, digitally enhanced community hub. Spending time on a new tender process for the construction works would mean these deadlines cannot be met; without the funding, the scheme would likely fail to proceed. The building would remain vacant and in a state of deterioration, while continuing to incur estate management costs.
 - Previous involvement: MGL has developed the RIBA stage 3 plans to stage 4 and is therefore familiar with the building and design. PHP already has knowledge and experience of the project and building, having taken designs to stage 3 on RLG's behalf. As such, both can pick up the project much more quickly than any other partner that would be procured; this reduces the potential for misunderstandings or delays. MGL also has a fully costed and approved scheme of works approved by the GLA's independent consultants Avison Young. There is every expectation that re-tendering will lead to higher costs returned; therefore, previous involvement in developing costs within budget is a critical factor in this approval request. PHP has also provided a professional fee proposal, in line with expectations for the necessary work; this, again, makes previous involvement a crucial factor in securing costs that are within budget.
- 1.10. Two single-source requests are currently being appraised by TfL Procurement for the same purpose (to directly appoint MGL and PHP).
- 1.11. There is also a plan to secure a new tenant to deliver the project's ambitions – specifically, to achieve the outcomes set out in the LUF LBN-GLA agreement. To achieve this, the RDT will run another RDGGF exercise (as occurred when RLG was secured in 2023), to find a new operator with the necessary vision and capability for Compressor House. The opportunity is considered more attractive for the current market than when an exercise was run previously. This is because the capital works will already have been completed, and there is more clarity on the condition of the asset and the commercial terms of its occupation. This has been confirmed by early, and ongoing, soft market testing.
- 1.12. This overall approach ensures that: the LUF financial contributions are safeguarded; and the project's ultimate aims are realised. It offers a fresh opportunity to work with a new operator who can bring an exciting vision to Compressor House, for the benefit of local communities.

2. Objectives and expected outcomes

- 2.1. The aim of investing in Compressor House is to deliver a project in line with the financial, social and place-making aspirations of the RDT and its partners – notably LBN, via its LUF proposals. With the project being part-funded by the LUF, the outcomes and outputs associated with it are linked to this funding programme – specifically, in this case, digital inclusion linked to LBN's Levelling Up project, and Newham Sparks. Other areas of focus include digital and urban technology; young people; arts, creativity and culture; and heritage.
- 2.2. The Royal Docks Cultural Placemaking Strategy outlines the vision to mould the Royal Docks into the cultural engine of London. Within this, Compressor House can become a destination space; a cultural and community hub; and an event space that converges multiple communities within the Docks. It will

also support the wider RAD development site, through a range of events, exhibitions and performances, with a focus on digital inclusion, heritage and learning.

- 2.3. A new grant agreement between the successful operator and the GLA (secured through a new RDGGF process) will be tied to the achievement of outputs and outcomes, as specified in the LUF LBN-GLA agreement, largely around digital inclusion. This approach mirrors that used with RLG.
- 2.4. There will also be a commercial lease between this new organisation and GLAP that mirrors the grant agreement; however, this will be on a necessary commercial basis. This approach mirrors that used with RLG. Once terms are finalised, a separate decision will be brought for approval to secure this disposal.

3. Equality comments

- 3.1. Section 149(1) of the Equality Act 2010 provides that, in the exercise of their functions, public authorities must have due regard to the need to:
 - eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under the Equality Act 2010
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 3.2. Relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.
- 3.3. The LUF is, by definition, aimed at equalising investment between and within communities UK-wide. LBN was awarded this funding to, in part, reflect the systemic disadvantages that some of the borough's communities face. The investment at Compressor House responds directly to this agenda. Such structural inequalities are also reflected in the headline LBN policy of community wealth-building; and the recovery agendas of the Mayor of London and LBN. All of these agendas are core themes running through all Enterprise Zone programme activities. Specifically, the project aims to address digital exclusion by providing (as part of the broader offer at Compressor House): basic digital inclusion services and training; exposure to digital creative skills training; and digital cultural activity.
- 3.4. LBN is an integral partner in realising this opportunity. Key to this vision is the borough's commitment to addressing inequality; and creating economic, social and environmental value for all. LBN's community wealth-building agenda will be a key focus for the site: addressing economic and social disparities in local communities; and putting local communities at the centre of shaping a local economy where growth and investment benefit all residents. Compressor House has the potential for significant benefits, including promoting equality of opportunity for local residents and protected groups. This includes local employment, skills development, educational initiatives and broad economic growth.
- 3.5. Whilst commercial in nature, the opportunity seeks to significantly increase the site's added social and placemaking value. It has the potential to be a link (physical and otherwise) between Royal Docks opportunities and the surrounding local communities. LBN is one of the youngest, most diverse places in London – so responding to the opportunity set out here, if delivered well, is likely to be a valuable means of addressing inequality in the area. It is also a valuable vehicle through which several other RDT priorities could be delivered or housed – especially from the Cultural Activation Team's programme.

4. Other considerations

4.1. In addition to the above, this programme will help deliver the following Mayoral policies and strategies:

- the Mayor's Skills for Londoners Strategy
- the Mayor's Equality, Diversity and Inclusion Strategy, Inclusive London
- the Mayor's London Health Inequalities Strategy
- the Mayor's Economic Development Strategy for London
- the London Plan
- Culture for All Londoners
- the London Environment Strategy.

4.2. The project will also align with a range of proposed GLA programmes. Most fundamentally it will bring back into active use an asset for both commercial and social benefit. In doing so it will celebrate the Royal Docks by becoming a focal point for the regeneration of the area – both that led by the GLA and by others (as detailed in DD2634 with the Royal Docks team and model in situ). The external funding contribution is tied to digital inclusion outcomes, with an expected focus to be on young east Londoners and the digital creative industries. This will include dedicated programmes with local schools and surrounding communities. The overarching ambition is for Compressor House, and many of the activities it supports, to become a key feature of inclusive growth in the Royal Docks.

4.3. The key project risks and mitigation measures are set out in the table below.

Risk	Likelihood	Impact	Mitigation	Overall RAG rating
Cost inflation/overrun	Medium	High	• Build costs have been confirmed as within budget. • Budget set (no cost to GLAP) as a maximum with partner. • Contracts will be closely managed using established NEC methodologies and systems. PHP oversight gives comfort in the build project.	Amber
Programme delays result in LUF financial contributions not being completed by the March 2025 deadline, thus threatening funding	Low	Medium	• LUF expenditure prioritised in programme. • Regular communication with LBN team – council on board with proposed approach. • RDT taking direct control of build programme in key decisions to mitigate against this.	Amber
Insufficient demand for the proposed type of use in this location (especially given cost of living, low current footfall, etc)	Medium	High	• RLG interest to date is an indicator of market interest. • Informal interest to date gives RDT confidence. • Commercial terms have been developed to reflect the uncertain aspects of the new operation.	Amber

Risk	Likelihood	Impact	Mitigation	Overall RAG rating
MGL and/or PHP have financial difficulties	Low	High	• This risk will remain with whichever partners are secured. • Due diligence on proposed partners.	Amber
Risk of challenge – including due to non-compliant procurement, or suppliers not being given the chance to participate	Low	Medium	• Project has a sound rationale for the decisions taken, and how/why the project has evolved this way. • No options other than to appoint direct to current preferred partners, given timetable.	Green
Reputational risks to GLA by not completing the requirements, or repeating a direct award	Low	Medium	• The reputational risk of proceeding with the current partner and losing the LUF funding (and therefore the project) exceed any reputational risks of seeking exemptions to the Funding and Contracts Code. • Project has a sound rationale for this decision.	Green
Post-COVID supply chain issues across several items, including mechanical equipment, stainless steel, kitchen equipment, etc; this could delay project completion	Low	Medium	• Items profiled in the build programme. • Flexible build programme and design. • Longer lead-in items already identified in the programme.	Green
Post-pandemic and/or Brexit staffing shortages/absences continue to affect the hospitality industry, reducing the ability for full operation	Medium	High	• Operator selection criteria to reflect ideals of partner being a local “employer of choice”, by: always paying the London Living Wage (as a minimum); prioritising local residents (where possible); providing apprenticeships, training, coaching and promotions; and leveraging their own networks.	Green

- 4.4. There are no conflicts of interest to declare from any of the officers involved in the drafting or clearance of the Mayoral Decision.

5. Financial comments

- 5.1. The refurbishment costs for Compressor House are to be funded by £1.75m Levelling Up Fund and £563,000 earmarked for this purpose by Royal Docks, which is funded through its borrowings and delivery plan.
- 5.2. Considering that the project funding is externally sourced and necessary due to the nature of the asset being refurbished, there is no financial impact on GLAP from this refurbishment.
- 5.3. Leasing of the property will result in c£75,000 savings in GLAP estates costs in 2025-26 as the tenant becomes liable for these costs and in addition to the cost savings, minimum set rental income of £10,000 is expected.

6. Legal comments

- 6.1. Section 30 of the Greater London Authority Act 1999 (as amended) (GLA Act) 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 persons in Greater London; promote the reduction of health inequalities between persons living in Greater London; contribute towards the achievement of sustainable development in the UK; and contribute towards the mitigation of or adaptation to climate change in the UK
 - consult with appropriate bodies.
- 6.3. Section 9 of the Authority's Contracts and Funding Code (the "Code") requires that the Authority undertake a formal tender process or make a call off from an accessible framework for procurements with a value between £10,000 and £150,000. The procurement of a construction contract to MGL Projects Ltd (MGL) to refurbish Compressor House and for a professional services contract to Paper House Project Ltd (PHP) to support this refurbishment exceeds this value. However, section 10 of the Code also provides that an exemption from this requirement may be justified on the basis of urgency and previous involvement in a specific project. The officers have set out at paragraph 1.9 above as to the reasons why the procurement of the services from MGL and PHP falls within the said exemption. Accordingly, the Mayor may approve the exemption, if he be so minded.
- 6.4. Sections 1 – 3 of this report indicate that the decision requested of the Mayor falls within the GLA's statutory powers.

7. Planned delivery approach and next steps

- 7.1. The table below provides a summary of the project timetable.

Activity	Timeline
Updated MD for disposal approved	December 2024
Works begin on site	January 2025
New Operator Tenant selected	By April 2025
Works complete	May 2025
Asset open	Summer 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 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:

Matt Davies 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.

✓

Mayoral Delivery Board

This decision was agreed by the Mayoral Delivery Board on 16 December 2024.

✓

CHIEF FINANCE OFFICER:

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

Signature:

Feylham

Date:

18/12/2024

CHIEF OF STAFF:

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

Signature:

D. Bellamy

Date:

17/12/2024