

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD2124

**Title: East+ project management fees**

### Executive Summary:

The East+ project is delivering new industrial space in the London Riverside Opportunity Area. Since the last approval additional fees have been incurred to conclude the legal documents and scrutinise the drawdown documents. This paper seeks future spend to enable GLAP to service its development agreement with SEGRO and to regularise historic spend on related projects.

### Decision:

That the Executive Director of Housing and Land approves:

1. Expenditure of £8,527 on Beam Reach 6 (Courier Road); and
2. Future expenditure of £61,000 to cover the drawdown of sites in the portfolio.

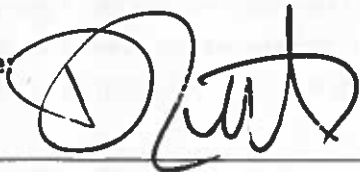
### AUTHORISING DIRECTOR

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:**  
David Lunts

**Position:**  
Executive Director of Housing and Land

**Signature:**



**Date:** 16/5/17

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE**

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

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

- 1.1. GLAP entered into a Development Agreement with Segro in March 2016 to deliver industrial development across a number of sites in the London Riverside area over a ten-year programme. The first sites at SEGRO Park Rainham (previously known as Beam Reach 5) were drawn down in December 2016 and have started on site; the site preparation works have been completed and the main construction contract has commenced.
- 1.2. A further planning permission has been secured for the Jenkins Lane site in the London Borough of Newham and start on site is targeted in March 2017. This plot is being brought forward in two phases to ensure that the pre-let opportunity is capitalised upon and not delayed while policy discussions continue with the local authority regarding Phase 2 of the site.
- 1.3. The Courier Road site (also known as Beam Reach 6) was purchased by the London Development Agency and was transferred to GLAP in 2012. It was included as part of the East+ portfolio and therefore the project is proposed to be closed down. However, a small amount of historic spend (£8,527) remains outstanding against the project and this paper recommends that the project should be closed, retrospective approval given for the spend and any future spend required for the project should be authorised from the East+ project budget. At present there is no spend forecast.

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

- 2.1. Through the Development Agreement SEGRO and GLAP agreed a structure for the drawdown of land which uses a proforma Site Specific Development Plan (SSDP). This document sets out:
  - The proposed uses;
  - Detailed programme;
  - Development appraisal;
  - Design principles;
  - Planning strategy;
  - Infrastructure requirements;
  - Sustainability commentary;
  - Employment forecasting;
  - Estate management strategy; and
  - Risk matrix.
- 2.2. By using the SSDP structure GLAP is able to respond quickly to SEGRO's proposals and authorise drawdown to capture investment opportunities in a commercially prudent manner within the approval of the overall project. The first experience of using the SSDP on SEGRO Park Rainham was a positive learning experience and the team focussed on the key issues to ensure that GLAP could sign off the drawdown with confidence that the receipt was in accordance with the bid document and also market value.
- 2.3. Although the SSDP approach worked overall, there were some initial problems identified with the structure of the process and these have been addressed in the second SSDP (for Jenkins Lane); it has required the abnormal cost consultants to become involved earlier in the contractor

procurement to scrutinise the costs being provided. Therefore there has been an extension of scope.

- 2.4. The increased scope is to ensure that GLAP is receiving a comprehensive and thorough report and to avoid the initial lack of clarity over the level of detail required. Both of these elements have resulted in the project requiring additional funding to proceed. In addition to the increased scope of the abnormal cost consultant there has also been an increase in the legal work required to complete the drawdowns as the s106 and s278 agreement discussions have been protracted and required extra resource to complete ensuring GLAP's position continued to be protected.
- 2.5. The additional scope has been quoted using the panel rates at which the consultants were originally competitively procured.

### **3. Equality comments**

- 3.1. The public sector equality duty requires the identification and evaluation of the likely potential impacts, both positive and negative, of the decision on those with protected characteristics (age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation) and set out how you are addressing the duties).

### **4. Other considerations**

#### **4.1. Key risks**

The key risk to delivery is that momentum is lost on the project and interest from the market is not captured and opportunities are missed. The portfolio approach is specifically aimed at ensuring that the sites are developed in a strategic manner and that the sites with abnormal conditions are also brought forward in a coordinated approach. GLAP is driving efficiencies through the project by not having to enter into new sale agreements on each site but is using a template document. Similarly GLAP has procured expert valuation and cost consultant advice to scrutinise the

#### **4.2. Delivery of Mayoral objectives**

The portfolio was specifically designed to ensure that the objectives of the London Riverside Opportunity Area Planning Framework (OAPF) were addressed, namely the provision and intensification of employment uses in the London Riverside area.

#### **4.3. Wider objectives**

In addition to addressing the priorities as set out in the OAPF the partnership was created to foster investment opportunities and learning and skills development in the London Riverside. By having a single partner GLAP is supporting a more strategic investment programme into facilities for skills development. SEGRO has established the London Employment Fund for which companies can bid to support their learning and skills activities. This is a benefit directly derived from the partnership arrangement as it would have been more difficult for GLAP to coordinate individually if working with a number of purchasers across the sites; particularly as it would have depended on a viability assessment of each site in turn.

### **5. Financial comments**

5.1 This decision requests approval for revenue expenditure totalling £69,527 in relation to covering the drawdown of sites in the East+ portfolio.

5.2 Retrospective approval amounts to £25,527 with the remaining balance of £44,000 to be incurred in the current financial year (2017/18). The retrospective element will be earmarked from the overall underspend

and this year's balance will be a combination of allocated budget as well as anticipated underspend from the Land and Property programme budget within the Housing and Land directorate.

## **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 which he considers will further one or more of the principal purposes of the GLA as set out in section 30(2) which are:

- i. Promoting economic development and wealth creation in Greater London;
- ii. Promoting social development in Greater London; and
- iii. Promoting the improvement of the environment in Greater London

and, 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 United Kingdom and contribute towards the mitigation of or adaptation to climate change in the United Kingdom; and
- consult with appropriate bodies.

6.2 Sections 1 - 3 of this report indicate that the decision requested of the Director falls within the GLA's statutory powers.

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

7.1. The next steps will be to progress the Site Specific Development Plan for the Jenkins Lane site and finalise the drawdown documents.

7.2. The next site for drawdown is the Ferry Lane plot which will deliver further pre-let development.

7.3. A further speculative phase of SEGRO Park Rainham will be commenced in 2018 if a pre-let has not been identified before this date. GLAP receives a proportionately more advantageous land value in the event of a pre-let because the percentage of profit to SEGRO falls where the risk is reduced.

### **Appendices and supporting papers:**

No additional supporting papers are presented.

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) 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 approval or on the defer date.

**Part 1 Deferral:**

**Is the publication of Part 1 of this approval to be deferred? NO**

**Part 2 Confidentiality:** Only the facts or advice considered to be exempt from disclosure under the FOI Act should be 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:**

Philippa Bancroft has drafted this report in accordance with GLA procedures and confirms that:

✓

**Assistant Director/Head of Service:**

Simon Powell has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

**Financial and Legal advice:**

The Finance teams have commented on this proposal, and this decision reflects their comments.

✓

**Corporate Investment Board:**

The Corporate Investment Board reviewed this proposal on 15 May 2017.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature**

*M. J. Helle*

**Date**

*15.5.17*

