

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2145

Title: Plot 5 LSIP – Settlement Agreement

Executive Summary:

This report recommends a financial settlement to resolve an issue concerning the provision of the supply and export of gas at Plot 5 of the London Sustainable Industries Park ('LSIP') development in Choats Road, Dagenham Dock, London.

The objective is to rectify the Agreement for Lease and Lease to (i) facilitate the supply of gas at the appropriate capacity to the new bio-gas generation facility and (ii) facilitate the export of gas generated from the facility into the new Intermediate Pressure ('IP') gas pipeline after it has been adopted by National Grid ('NG').

Decision:

That the Executive Director of Housing & Land approves:

1. a contribution by GLAP of £125,000 (the "Contribution") towards the cost of the tenant of Plot 5, Saria Ltd providing an IP gas connection to the LSIP, initially serving Plot 5 as consideration for,
2. a binding agreement which will;
 - acknowledge this financial contribution
 - rectify and vary an existing Agreement for Lease and Lease of Plot 5
 - grant an easement to Saria for the gas pipelines from Plot 5 to the public highway in Choats Road

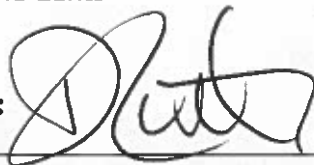
AUTHORISING DIRECTOR

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 – Housing & Land

Signature:



Date:

18.7.17

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

The London Sustainable Industries Park is being developed in Dagenham Dock to provide 7/8 serviced industrial plots. The freehold of the land transferred to GLAP from London Thames Gateway Development Corporation ('LTGDC') in March 2012.

Investment in improving the local infrastructure is essential to making a commercial success of the project. The budget for the development was approved under MD1237, dated 11.07.13, supplemented by MD1483.

Saria Ltd (on Plot 5) is the first industrial occupier on the first phase of the Park ('LSIP North'), where it is constructing a new £30m food energy from waste (anaerobic digestion) facility that was 'launched' on 7th July 2017; it has a 999-year lease of Plot 5 from GLAP (the landlord of the c.16 hectare LSIP Estate) from December 2015 approved under MD1483.

Under the December 2015 Agreement for Lease and Lease of Plot 5, Saria is due to pay GLAP the balance of the lease premium for the land later in 2017 when GLAP has completed a gas supply connection, the works being under construction and within budget. GLAP was also required to upgrade the local foul water network to provide a peak foul water flow capacity of 3 litres per second from Plot 5, additional works that have been completed under MD1483.

GLAP has, without prejudice and subject to contract, reached an agreement with Saria to rectify the Agreement for Lease and the Lease of Plot 5 concerning the capacity of the gas pipeline serving their plot and to provide an easement for the new gas pipelines needed to export gas.

The Contribution is a fixed sum payable by GLAP towards the construction cost. Saria had asked that this contribution be deducted from the balance of the lease premium for Plot 5.

2. Objectives and expected outcomes

The prime object of the LSIP is create a leading commercial park with a closed loop system in which occupiers share resources and exchange waste or by-products to achieve working efficiencies. This symbiosis-by-design delivers real benefits, cost savings, and competitive advantages for occupier customers.

A more strategic objective is to encourage more recycling and re-use of London's waste in London.

The Contribution and amendments to the legal agreements will clarify the capacity at which gas is supplied to Plot 5 and will enable gas generated from the waste to be exported into the Grid in Choats Road, thereby reducing (or, where there is capacity, eliminating) the need to tanker it away on lorries.

3. Equality comments

The proposed agreement raises no equality issues that require evaluation.

Saria has entered into a local labour agreement with the London Borough of Barking & Dagenham as part of a Section 106 Agreement linked to the grant of planning consent for LSIP Plot 5. There is no liability to GLAP under this agreement as it binds only the party taking possession of the subject property, namely Saria Limited.

4. Other considerations

The key risk is that the parties do not complete the engrossed documents that are in an agreed form. This is considered unlikely given that the respective parties have been legally represented. The public launch of ReFood Dagenham (Saria's partner) on Plot 5 LSIP on Friday, 7th July has focussed the need to conclude the legal documentation as soon as possible.

The Mayor's Deputy Mayor for Environment and Energy, Shirley Rodrigues, attended the event.

GLAP will have the right to connect to and use the gas export pipe until such time as it is adopted by National Grid (now called *Cadent Gas*) when NG's connection criteria will apply. There is a risk that NG do not adopt the IP gas pipeline (or delay when they are prepared to adopt it), so this is something that is being monitored. Saria has given verbal assurances to GLAP that it committed to getting the IP main adopted.

The impact of the agreement is that Saria has greater control over how and when it can export bio-gas from Plot 5 LSIP at flows approved by NG, flows which the current Medium Pressure network is not designed to accommodate.

The location of the proposed gas easement route is problematic in that it dissects a belt of the landlord's (i.e. GLAP's) existing strategic soft landscaping fronting Choats Road (between the junctions with Reef Street to the east and Hitch Street to the east): semi-mature tree(s) and a short section of immature hedging will be relocated by Saria at their expense in accordance with an agreed landscape plan, GLAP Estates having been consulted.

5. Financial comments

The Decision is seeking approval for GLAP to contribute £125k towards the construction cost of a gas supply pipeline at London Strategic Industrial Park (LSIP), plot 5. The cost of the contribution will be covered by LSIP's capital budget, and actual settlement will be in the form of a deduction from amounts due to GLAP by Saria. The Decision is also seeking approval for a variation to the plot 5 lease agreement, which should not result in further costs to GLAP.

6. Legal comments

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.

Sections 1 – 5 of this report indicate that the Director by virtue of the scheme of delegation has the power to agree to the Decision set out above.

7. Planned delivery approach and next steps

The next steps are:

Activity	Timeline
Finalise draft DD paper for the Settlement	11 July 2017
Review of DD paper by CIB	17 July 2017
Target date for concluding DD for the Settlement	End of July 2017
Target date for receipt of adjusted balance of Premium for Plot 5 LSIP	End of August 2017

Appendices and supporting papers:

None.

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

If YES, for what reason:

Until what date: (a date is required if deferring)

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 – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Christopher Broster 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 and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

Corporate Investment Board:

The Corporate Investment Board reviewed this proposal on 17 July 2017

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Allen

Date

20.7.17

