

# ERLONDONAUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD2244

### Title: Industrial Intensification: Investment Advice

#### Executive Summary:

MD2207 approved the key objectives, governance arrangements and the revenue expenditure for the £250 million Land Fund for the Mayor to intervene in the land market to increase the supply of affordable housing. The MD approved revenue expenditure, of up to two per cent of the value of the fund for due diligence and professional support, and approved delegation for individual spending decisions to be taken at executive director level.

This DD seeks approval to appoint Savills, as the successful bidder from a competitive procurement process to provide commercial investment and agency advice for the potential to invest in industrial intensification projects. The expenditure would come from the revenue expenditure allowance of the land fund.

#### Decision:

That the Executive Director of Housing and Land approves:

1. Expenditure from the Land Fund revenue allocation on external commercial investment and agency advice on industrial intensification.
2. The appointment of Savills as the successful bidder, which has been assessed through a competitive procurement process as representing the most economically advantageous bid.

#### 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:

26 APRIL 2018.

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

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

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

- 1.1 On 6<sup>th</sup> September 2017, the Mayor announced his intention to earmark £250 million for City Hall to use for buying and preparing land for new and affordable housing. The Land Fund follows the draft London Housing Strategy that sets out the Mayor's commitment to taking a more interventionist approach in London's land market.
  - 1.2 On 15<sup>th</sup> December 2017, MD2207 approved the following:
    - The establishment of an investment fund for buying and preparing land for new and affordable housing, comprising £250m funded from housing and land resources and receipts from the GLA and GLAP;
    - A delegation to the Executive Director of Housing and Land to approve, via a director decision form and subject to approval from a new Investment Committee, the fund's investments; and
    - Separate expenditure, funded by GLAP's revenue account, of up to two per cent of the value of the fund (i.e. up to a maximum of £5m) for due diligence, professional support for the fund's investment opportunities and estate management.
  - 1.3 This DD seeks approval to appoint Savills, from a competitive procurement process to provide commercial investment and agency advice in relation to industrial land and industrial intensification. The expenditure will come from the revenue allocation of the Land Fund. The investment advice will inform the basis for potential investment decisions in relation to industrial land for the Mayor.
  - 1.4 The draft London Plan seeks to reverse the unsustainable release of industrial land, with a commitment for there to be no overall loss of industrial floorspace capacity. The document promotes intensification to make more efficient use of industrial land to support London's economic function. Through intensification and consolidation, efficiencies in land use could allow land to be made available for residential development. The work which Savills will do will try and help ensure that where an investment is made under the Land Fund, that the aims of the draft London Plan with regard to efficient use of industrial land and the promotion of new affordable housing are both satisfied.
  - 1.5 Investment decisions will be supported and informed by the advice provided by this commission. The use of the Land Fund revenue allocation will support decisions across a number of future investments which will generate returns to be recycled back into the land fund.
  - 1.6 Housing and Land have embarked on a competitive procurement process, through the HCA's (now Homes England) Property Panel, to procure the investment advice. The Invitation to Tender was sent to four commercial agencies, and two bids were received. GLA Officers have assessed and scored the bids. Savills have been assessed to represent the most economically advantageous bidder. Prior to awarding the contract to the successful bidder, approval is sought for the expenditure.
  - 1.7 The Commission is expected to run from April to July 2018.
- #### **2. Objectives and expected outcomes**
- 2.1 The objectives of the investment advice are to explore through research and financial modelling, the case for the GLA to invest in industrial land and industrial intensification, to support the delivery of development projects in accordance with draft London Plan. The commission will deliver the GLA with a bespoke financial appraisal and investment model to test the viability of industrial intensification on a site by site and portfolio basis and support investment decisions.

- 2.2 The advice will support decisions to progress projects and investments to encourage intensification and co-location, to deliver the principles of the draft London Plan. Such projects would be funded through the Land Fund and subject to the agreed governance arrangements of MD2207.
- 2.3 The Homes for Londoners team are currently working up potential projects through which it could invest in or deliver mixed use developments that include intensified industrial capacity alongside new homes in line with the draft London Plan. This includes land controlled by the Mayor or land owned by Investment Partners. The work by Savills will support these projects while provide a basis for a greater breadth of investment decisions in the medium and long term.

### **3. Equality comments**

- 3.1 Under section 149 of the Equality Act 2010, as public authorities, the Mayor and the GLA are subject to a public-sector equality duty and must have 'due regard' to the need to (i) eliminate unlawful discrimination, harassment and victimisation; (ii) advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and (iii) foster good relations between people who share a relevant protected characteristic and those who do not. Protected characteristics under section 149 of the Equality Act are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status.
- 3.2 Throughout the decision-making process, due regard has been had to the 'three needs' outlined above. The industrial sector employs hundreds of thousands of people in London; potential GLA investment to intensify industrial land use will protect jobs in the industrial sector and retain a resilient economy that serves Londoners. The housing shortage in London disproportionately negatively affects people with certain protected characteristics; increasing the supply of housing and affordable housing will help to achieve positive impacts in line with the 'three needs'.

### **4. Other considerations**

#### Key risks and issues

- 4.1 The successful tenderer would enter into a contract with the GLA to complete the Commission as per their tender document and the agreed price. The project programme has built-in contingencies.
- 4.2 The Tenderer has confirmed that they will work within the internal governance arrangements of the GLA, including presenting to the New Business Steering Group, the Land Fund Investment Committee, and relevant briefings to senior officers and deputy Mayors. This time is incorporated within the project programme and project budget.
- 4.3 The successful Tenderer is also advising the GLA Regeneration team on industrial intensification. The tender submission provides detail on how any potential conflicts will be managed, to the satisfaction of GLA Officers.

#### Links to Mayoral strategies and priorities

- 4.4 Good Growth -protection of London's industrial sector is pivotal to the success of London as a Global City, in serving residents and businesses as well as creating value through production of goods. Investing in industrial land and industrial intensification will help to strengthen and grow the economy, and ensure industrial uses are resilient to change to meet future demand and innovation, as well as making the most efficient use of land.
- 4.5 Industrial protection and intensification -implementing the draft London Plan is a Mayoral priority; a key aspect is policy E7 that marks a significant departure from previous Plans. The advice will guide future GLA investment which will deliver developments in reference to policy E7.

- 4.6 Housing and Affordable housing delivery – The investment advice would support the delivery of affordable housing alongside intensified industrial floorspace, in line with the draft London Plan. A financial appraisal model, to be owned by the GLA will be a vital tool when assessing potential proposals for GLA investment.

Impact assessments and consultations

- 4.7 There has not been any impact assessment or consultation, beyond the procurement process, using and in accordance with Home England's Property Panel.

**5. Financial comments**

- 5.1 The expenditure would be funded from the revenue account of the land fund, which can be up to two per cent of the land fund (up to £5 million). The revenue account was approved under MD2207. This would be the first use of the revenue account.
- 5.2 The industrial intensification commercial agency and investment advice would provide professional advice to support and guide investment of the land fund on site acquisition, and other potential investment scenarios available to the GLA.

**6. Legal comments**

- 6.1 Under section 30(1) of the Greater London Authority Act 1999 (as amended) ("GLA Act"), the GLA has the power to provide the funding for the proposed intervention providing it considers that doing so will further one or more of its principal purposes of: promoting economic development and wealth creation, social development, and the improvement of the environment in Greater London.
- 6.2 In exercising the power contained in section 30(1) of the GLA Act, the GLA must have regard to the matters set out in sections 30(3-5) and 33 of the GLA Act, which is set out above.
- 6.3 Transport for London (TfL) have managed the procurement process on behalf of the GLA and are responsible for drafting the contract with the successful bidder.

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

Activity	Timeline
Procurement of contract	April 2018
Announcement	April 2018
Delivery Start Date	April 2018
Delivery End Date	July 2018
Project Closure: [for project proposals]	July 2018

**Appendices and supporting papers: No**

**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? YES**

If YES, for what reason:

To complete a procurement process; the bidders need to be informed of the outcome.

Until what date: 30<sup>th</sup> April 2018

**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:**

Sarah Birt has drafted this report in accordance with GLA procedures and confirms that:

✓

**Assistant Director/Head of Service:**

Nick Taylor 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 23 April 2018.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. D. Birt*

Date

23.4.18

