

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2085

Title: LSIP Medium Pressure gas supply contract

Executive Summary:

A Director's Decision is sought to procure the services of a contractor for the connection of Plot 5 on the Mayor's London Sustainable Industries Park (LSIP) industrial development in Dagenham Dock in east London to National Grid's ('NG') local Medium Pressure ('MP') gas network in Choats Road by means of a short works contract to Matrix Networks Limited, a NG-approved contractor.

The planned works are scheduled to be carried out in the fourth quarter of 2016/2017 and are budgeted.

Decision:

That the Executive Director of Housing & Land approves:

- the letting of a civil works contract by GLA Land and Property Limited (the 'Employer') to Matrix Networks Limited (the 'Contractor') to connect Plot 5 LSIP to National Grid's local Medium Pressure gas network in Choats Road, Dagenham Dock, London RM9 at a cost of £54,006 (including contingency); and
- an exemption from the GLA Contracts and Funding Code to allow the direct appointment of Matrix Networks Limited.

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: Director of Housing & Land

Signature:



Date:

27/01/17

PART 1 - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

The London Sustainable Industries Park (the “Park”) is a new 16 hectare commercial park in Dagenham Dock in the London Borough of Barking & Dagenham being developed on formerly ‘land-locked’ land owned by GLA Land and Property Limited (“GLAP”) and where approximately half of the serviced plots are already let.

The aim of the Park is to co-locate industrial businesses that share resources and exchange by-products, creating synergies that deliver cost savings and competitive advantages through industrial symbiosis.

The project is supported by the London Borough of Barking & Dagenham and by mayoral policy to increase the amount of London’s waste that is recycled in London, thereby reducing the carbon footprint. The first set of businesses on the Park received financial support from the London Waste and Recycling Board.

More recent businesses that have taken space at the Park (such as Chinook Urban Mining’s SPV on Plot 2, and Saria Limited on Plot 5) require a gas supply for their factories under construction on the Park on the private estate, which GLAP (as landlord of the Park) has contracted to provide (MD1373). The commercial park is currently without a gas supply whilst National Grid Distribution completes their reinforcement of their local Medium Pressure network (works that are outside of the control of GLAP) in Choats Road, just outside of the Park. GLAP’s planned works will facilitate the final connection of that MP network to Plot 5 in the LSIP.

The forecast cost of the works – £54,006 including a contingency appropriate for the nature of the work – is covered by an existing Mayoral Decision for the project (MD1237, dated 11th July 2013).

2. Objectives and expected outcomes

The primary purpose of the contract is to facilitate a domestic pressure gas supply connection. The contract will require GLAP’s contractor to:

- (i) certify the existing gas (MP compatible) pipework in LSIP North,
- (ii) lay and connect gas pipework and ancillary equipment to metering equipment (supplied by others) within Plot 5 of LSIP North (or which Saria Limited are also the tenant),
- (iii) make final connection between LSIP MP- compatible gas pipe with the MP gas main in Choats Road,
- (iv) energise with gas, and
- (v) complete the transfer and adoption of the LSIP North gas assets to National Grid,

thereby facilitating the outcome of a ‘domestic’ pressure gas supply connection to Plot 5 LSIP (and, by means of further works at later date to be agreed, to Plot 3 LSIP).

3. Equality comments

This DD does not raise any equality issues or impacts.

Equality issues are considered in the procurement policies that have been adopted for this project.

4. Other considerations

The need for the engineering works arose from an earlier Mayoral Decision (MD1373, dated 22nd September 2014) to sell a long lease (999 years) in Plot 5 LSIP to Saria Limited (formerly called PDM Group) for a food waste to energy plant that requires a gas connection to operate.

The key consideration is ensuring the works are:

- carried out by a NG-approved contractor to NG's current technical standards (a prerequisite to the adoption of the works)
- completed by (or as soon as practical after) NG has completed their local MP gas reinforcement.

The key risks are financial (GLAP's contractor does not carry out the work in time for when they are required) and technical (if GLAP's contractor or NG find fault with what the new gas main connects into).

In order to mitigate these risks GLAP proposes to procure the gas connection works by re-appointing the contractor who laid the existing gas pipes on the Park and by requiring that the contractor meet NG's stringent technical standards in connecting Plot 5 LSIP. Other contractors would not be able to provide this certification without extensive on-site inspection and testing which would attract significant costs and time which would jeopardise the gas on-site requirements and GLAP's contractual requirements. Further details are set out in Part 2. The contract will be managed by GLAP's retained consultant project manager who is familiar with the development and this type of work.

The cost of the works is budgeted and is referenced in a Mayoral Decision, MD1237, dated 11th July 2013. The works costs arising from this procurement process will be subject to a cost review (to ensure value for money) by a firm of cost consultants, Turner & Townsend ('T&T') retained by GLAP who have a national operational and who are familiar with current civil engineering prices for this type of work. T&T also recommend that this procurement route is in GLAP's best interests and have been retained by GLAP to certify all payments under the contract.

The long leaseholder of Plot 5 LSIP (Saria Ltd) – who is relying on the gas supply becoming available – has been consulted and has been kept informed of progress with regards to this procurement exercise.

5. Financial comments

The paper is seeking approval for GLAP to enter into a contract with Matrix Networks Limited for civil works to connect plot 5 LSIP to National Grid's local Medium Pressure gas network.

The works are estimated to cost £54,006 (including contingency), and a budget is in place to cover the cost.

To mitigate against financial and technical risks, GLAP plans to re-appoint the contractor that was procured for previous works on the gas pipes at the site. As such, the paper is also seeking exemption from the GLA Contracts and Funding Code to procure Matrix Networks Limited.

6. Legal comments

- a. GLAP has been advised by its external lawyers who have provided a mark up of the terms and conditions documentation provided by Matrix Networks Limited. TfL Legal have also been involved and have been the conduit between Matrix Networks Limited and the external lawyers to ensure the transaction progresses quickly and to ensure that legal fees are proportionate to the contract sum.

- b. Section 30 of the Greater London Authority Act 1999 (as amended) ("the 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. The principal purposes, as set out in section 30(2) of the GLA Act 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.
- c. Given the above, section 34 of the GLA Act which allows the Mayor to do anything which is calculated to facilitate or is conducive or incidental to the exercise of any of his functions, and the Mayor's powers under section 38 of the GLA Act to delegate to any GLA member of staff functions of the GLA that are exercisable by him, the foregoing sections of this report indicate that the GLA has the power to make the requested decisions.
- d. The directors, acting both as directors of GLAP and as the decision makers of Greater London Authority Holdings Limited (the sole shareholder) are empowered by the companies' articles and the authority provided under MD937 to do such things to transact the business of the companies and make decisions on behalf of the GLA, save where such decision is significant in policy terms or is novel or contentious.
- e. Paragraph 4.1 of the GLA's Contracts and Funding Code (the "Code") requires the GLA to seek three or more written quotes or to call the services off from an available framework for a contract with a value between £10,000 and £125,000. The proposed contract with Matrix Networks Limited for the Medium Press gas network is valued at £54,006. Accordingly, the requirement to seek three or more written quotes or to call off from an available framework applies to the procurement of the said contract, unless grounds exist to support an exemption from the requirements of the Code.
- f. Paragraph 5.4 of the Code lists the grounds, upon which the director may authorise an exemption from the requirements of the Code, including the ground that the relevant service provider has "previous involvement in a specific current project or continuation of existing work which cannot be separated from the new project/work". The officers have set out in section 4 above and the Part 2 paper how the requirements of paragraph 5.4 have been met. Accordingly, the director may authorise the direct appointment of Matrix Networks Limited without a prior competitive procurement, if he is satisfied that the grounds to justify an exemption from the Code have been satisfied.
- g. Officers must ensure that an appropriate contract be put in place between Matrix Networks Limited and GLAP.

7. Planned delivery approach and next steps

Activity	Timeline
Procurement of contract (<i>allowing for Christmas / New Year holidays</i>)	by 31 January 2017
Submission of works design to NG for their design scrutiny/ approval	with award of contract
Mobilisation of contractor's works	28 February 2017
Completion of works (dependant on NG's turnaround of design approval)	March 2017
End of project (self certification or certification by NG)	30 March 2017

Appendices and supporting papers: A Site Plan of the LSIP showing Plot 5 (not to scale).

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 – YES

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, Assistant Director – SPP, 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 January 2017.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Oll

Date

24.1.17

