

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2565

Title: EastPlus – retention of services of specialist property consultant by GLAP

Executive Summary:

GLA Land and Property Ltd ('GLAP') seeks approval of expenditure of up to £180,000 for the services of Lambert Smith Hampton ('LSH') property consultants on the Mayor's flagship industrial regeneration East Plus project over the next 2-3 years whilst it delivers one of the more complex phases of the project. LSH also provided cost / project management services for the upgrade of Hindmans Way, a GLAP-owned private highway in Dagenham Dock in the LB of Barking & Dagenham, and other associated cost management work on the EastPlus industrial property project.

Their appointment will facilitate the continuation of the project (incl. time-critical road upgrade works) to regenerate a number of employment sites across the GLAP-owned portfolio in East London in accordance with an existing Development Agreement with SEGRO Development Properties Limited.

Decision:

That the Mayor approves:

1. Expenditure for GLAP on the EastPlus project of up to £180,000 for specialist property services to be provided to GLAP by Lambert Smith Hampton on the EastPlus project (including the upgrade of Hindmans Way in Dagenham Dock)
2. A related exemption from the GLA Contracts and Funding Code to directly appoint Lambert Smith Hampton without a competitive process, for the reasons outlined at paragraph 1.9.

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:

21/1/20

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

Decision required – supporting report

1. Introduction and background

- 1.1. Industrial land and property across three boroughs in east London owned by GLA Land and Property Limited (GLAP), a company wholly owned by the Greater London Authority (GLA), is being developed under an agreement with SEGRO Development Properties Ltd (SEGRO) pursuant to Mayoral Decision (MD) 1620 which approved their selection as development partner by entry into a development agreement (DA) in accordance with GLA's disposal plan.

Background

- 1.2. Although treated as a single strategic project under the management of the Strategic Projects & Property ('SPP') team in the Housing & Land directorate, the portfolio shares few discernible characteristics having originally been acquired by either the London Development Agency ('LDA'), the London Thames Gateway Development Corporation ('LTGDC'), and by the GLA under differing investment criteria.
- 1.3. In order to deliver comprehensive regeneration of former industrial brownfield sites, achieve Best Consideration for the land and minimise GLAP's on-going estate management costs, in March 2016 the Mayor decided to appoint – following an open competitive procurement process overseen by property agents, Lambert Smith Hampton ('LSH') – SEGRO Properties Limited ('SEGRO') as GLAP's private sector development partner to develop out the portfolio in a planned manner over a seven to ten-year timeframe.
- 1.4. The disposal route implemented by GLAP involves the categorisation of the disparate landholding into short, medium and long-term disposal timeframes. The categorisation is a reflection of the marketability of the properties and the extent to which enabling works (e.g. the provision of *off-site* infrastructure), are necessary to optimise their value. In all instances planning permission and other statutory approvals are needed before the schemes can be realised.

The Rationale for appointing LSH on the project

- 1.5. In order to deliver the EastPlus project it is beneficial to retain cost consultants (LSH) and environmental experts (The Temple Group) on the project for the next 2-3 years during a period when the more complex phases of the property portfolio will come forward, which will draw on LSH's knowledge of the sites.
- 1.6. The land drawdown process is prescribed in the EastPlus Development Agreement whereby the developer is required to submit a Site-Specific Development Plan ('SSDP') to the GLA when requesting the drawdown of a site in the EastPlus portfolio. The SSDP includes a detailed development appraisal that includes forecast costs and values of the proposed development and generates GLAP's land value from which abnormal costs of development may be deducted prior to determining that land price.
- 1.7. GLAP wishes to appoint LSH because of their specialist knowledge of contamination and ground conditions at the EastPlus properties that have yet to come forward as a SSDP and because of their historic and comprehensive knowledge of how the SSDP process works under the EastPlus Development Agreement.
- 1.8. The project has reached the more challenging plots in the portfolio; plots that have been left by the market unused and 'unloved' for many years. This requires more ingenuity by GLAP to find innovative solutions, taking the best professional advice at regular stages in coming to viable solutions.

- 1.9. LSH's previous appointment has expired. Therefore it is proposed that GLAP appoint them on the basis they have specialist knowledge of the scheme and an understanding of the complexities of the arrangements in place, which would otherwise be lost and would mean an alternative appointment of advisors would not offer good value to GLAP or offer the expertise which is required at this time to ensure the scheme is successful. An exemption from Section 9 of the Contracts and Funding Code is sought as per para 10.1 of the Code, on the grounds of previous involvement in a specific current project or continuation of existing work that cannot be separated from the new project/work.
- 1.10. The legal agreement by which the EastPlus portfolio is developed, the DA, was drafted for GLAP by TfL Legal at conclusion of the procurement process for a development partner by a solicitor who continues to have oversight of the contracts that are prepared by GLAP's transaction solicitors on this project, Eversheds Sutherland LLP ('Eversheds').

EastPlus consultants

- 1.11. In order to manage the DA GLAP appointed:
- Eversheds to advise on legal matters;
 - LSH to act as a cost consultant with specialist knowledge of contamination and ground conditions to review the proposed costs and to provide GLAP with a report regarding the validity of the commercial assumptions and deductions; and
 - The Temple Group to act as environmental consultant.
- 1.12. During the lifetime of the entity, EastPlus will regenerate over 90 acres of underused brownfield land, deliver an estimated 130,500 sq.m. of new employment space and several thousand jobs in north east London across an industrial land portfolio that extends from Jenkins Lane in Newham to Rainham in the London Borough of Havering.
- 1.13. In November 2017 *SEGRO Park Rainham*, a modern 23,000 sq.m. industrial park in Havering on land in the EastPlus portfolio, was launched by SEGRO. Construction work commenced in 2019 on the second phase of that development; it will deliver a further 10,000 sq.m. of industrial space.
- 1.14. *SEGRO Park Newham* on GLAP-land in Jenkins Lane has been fully pre-let to three businesses – DPD, DHL and Travelodge – that will create up to 250 jobs in Newham. Functioning units have been handed over to DPD (in 2018) and to DHL (2019) and at the time of writing this report, the hotel was due to be handed over to Travelodge before end of December 2019.
- 1.15. These projects are supporting local Small and Medium sized Enterprises, updating and renewing east London's industrial stock and directly addressing the Mayor's London plan policy aspirations around retention and expansion of London's industrial floorspace.
- 1.16. The partnership is now turning its efforts to Barking & Dagenham where it is working to identify occupiers for the six vacant development plots on 20.6 acres of industrial land at the London Sustainable Industries Park in the EastPlus portfolio, land that is collectively being marketed as *SEGRO Park Dagenham*. Two of these plots – Plots 63 and 64 – are only accessible from a private road called Hindmans Way, owned by GLAP. The road is in a poor condition, is not fit for purpose and is unsuitable for current traffic movements. While the road remains in its current state and condition, these plots are not presentable and so cannot be pre-let or sold for uses acceptable to the Borough and GLAP.

2. Objectives and expected outcomes

- 2.1. The central objective of this decision is to maintain continuity on a live and successful development project on GLAP-owned land in east London during a particularly active period in the cycle of the project.

- 2.2. The decision will enable GLAP to meet its legal and contractual obligations to SEGRO and its tenants.

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.
- 3.2. 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.
- 3.3. Throughout the decision-making process relating to the approvals sought in this Decision Form to facilitate this appointment due regard has been had to the 'three needs' outlined above. An evaluation has concluded that the appointment of LSH on the EastPlus project has not identified any issues that adversely affect any groups with protected characteristics. Once complete the new highway infrastructure in Hindmans Way will be available for all the community.

4. Other considerations

- 4.1. The key risk is planning and construction delays to the EastPlus project if the services of the LSH are not obtained. These delays would increase the overall cost of the project and likelihood of works in Hindmans Way not completing to enable adoption in time for the businesses moving onto the London Sustainable Industries Park.
- 4.2. Construction is only allowed to start once the works have received detailed planning permission.
- 4.3. The role of LSH, the cost consultant appointed by GLAP, is to monitor the works against programme and advise on mitigation measures if/ when faced with the prospect of unforeseen additional cost or delay.
- 4.4. This decision will support:
- (i) the exit strategy for the Mayor's Land & Property;
 - (ii) a Mayoral priority on providing safer cycling routes in London; and
 - (iii) the continued comprehensive regeneration of brownfield land in east London, leading to the creation of many thousands of jobs, both directly and indirectly.
- 4.5. LSH acted for the City of London Corporation in the acquisition of Barking Power Station (near to the LSIP), and their project management team is retained to provide advice relating to the Barking Power Station site. The City of London have historically been a client of the wider LSH business on other projects.
- 4.6. GLAP has concluded that this does not pose a conflict of interest as:
- (i) LSH are not advising the City of London regarding the potential acquisition of a plot on the LSIP (Deloitte is advising them) ;
 - (ii) LSH's project team engaged by GLAP on EastPlus are not providing any advice to the City of London on this or any other project; and

- (iii) LSH operate a protocol which includes secure data handling so that LSH's advice to GLAP would not be shared with any individual outside the immediate project team. LSH has confirmed in writing that "Information barriers are in place between the departments and staff involved in the projects will be made fully aware of each other's involvement as an added protection".

4.7. LSH provides other services to GLAP under other contracts not related to this project.

4.8. Potential internal conflicts of interest have been considered and have been mitigated.

5. Financial comments

5.1. The decision requests approval for revenue expenditure of up to £180,000 on specialist property services to be provided to GLAP by Lambert Smith Hampton on the EastPlus project (including the upgrade of Hindmans Way in Dagenham Dock).

5.2. The above expenditure will be funded from GLAP Land & Property budget. The forecast expenditure is approximately £52k in 2019/20, £60k in 2020/21, £40k in 21/22 and £28k in 22/23.

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 Mayor falls within the GLA's statutory powers.

7. Planned delivery approach and next steps

Activity	Timeline
Procurement of contract extension for LSH	Jan. 2020
Delivery – issue of update EastPlus programme	Jan. 2020
Delivery – practical completion of Hindmans Way Upgrade works	Feb. 2020
Delivery End - EastPlus project closure anticipated under SEGRO (est.)	Q1 in 2027

Appendices and supporting papers:

Appendix 1: A draft Single Source Justification (SSJ) for the direct award of a new contact to LSH.

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 either be published 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 FoIA should be included 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 the following:

✓

Sponsoring Director:

Rickardo Hyatt has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

David Bellamy has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 6 January 2020.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Elie

Date 6.1.20

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date 6/1/2020.