

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2097

Title: Albert Island Disposal

Executive Summary:

Albert Island is a circa 11ha brownfield site in the Royal Docks with the potential to deliver commercial development and associated jobs for London. The overall objective of the project is to secure the comprehensive redevelopment of Albert Island through the competitive procurement of a commercial partner.

The funding requested in this paper will be used to 1) conclude the negotiation stages of the procurement process by providing the necessary certainty on the remaining issues and 2) manage the development agreement during the delivery of the project as follows:

- Site Investigation - production of intrusive site investigation reports;
- Property Advice - an extension to the commission to complete the assessment of the commercial and financial elements of Bidder's Final Tenders;
- Legal Advice - additional legal advice in the completion and subsequent management of any legal documentation with the successful Bidder; and
- Vacant Possession - prepare the site for disposal in undertaking the necessary measures in conducting interim estate management duties as required of GLA Land and Property Ltd.

Initial expenditure of £139,000 was approved under DD1306 to appoint property and legal advisors. Subsequently MD1539 approved further expenditure of £111,000 taking the total to £250,000. This paper requests a further £475,000; taking the project lifetime total to £725,000.

Decision:

that the Mayor:

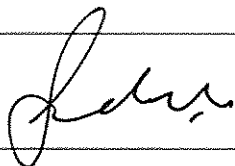
- approves additional expenditure of £475,000 to undertake site investigations, and measures as necessary to assist with the site's management and disposal.
- approves an exemption from the GLA contracts and funding code to allow the appointment of White Young Green (WYG) for the production of site investigation reports.

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:

31/4/12

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

Decision required – supporting report

1. Introduction and background

- 1.1 GLA Land and Property Ltd (GLAP) owns the freehold of land known as Albert Island, a circa 11ha brownfield site at the eastern end of the Royal Docks in the London Borough of Newham, located within the Royal Docks Enterprise Zone. The island is served by the Gallions Reach DLR station and has direct access to the A13 and North Circular via Gallions roundabout (see appendix A). The majority of the island is cleared of permanent structures. Most of the individual plots currently accommodate temporary uses which are subject to an annual review recognising that the site has been intended for redevelopment for a number of years.
- 1.2 London Borough of Newham's (LBN) Local Plan supplementary planning document, '*Detailed Sites and Policies Development Plan Document - Proposed Submission Draft*', November 2015, specifically identifies the Albert Island site for employment, reflecting a preference for local sustainable employment uses in the area. The Local Industrial Location (LIL12) stipulates B Class and Other Industrial Type Uses. The only specific designation in the Core Strategy is for open space (OS10). The site is also in proximity to the wider 'Strategic Site' allocation (S19) for the adjacent Albert Basin that forms part of a new local centre. In preparing the development brief a partnership with LBN has been established to ensure a coordinated approach to future development that reflects the policy document. This has, in turn, informed the procurement documentation.
- 1.3 One of the key drivers for the redevelopment, identified in the London Plan (Policy 7.27) and TfL River Action Plan, is to provide a location for a strategic boatyard facility to support the growth of London's leisure and working craft operating on the Thames. A marketing exercise of the Albert Island site has confirmed a shortlist of potential development partners, or a consortium of partners, who will provide a mix of commercial premises and other uses to create jobs and growth in the area alongside the delivery of a strategic boatyard facility.
- 1.4 In March 2015, it was agreed to pursue a competitive OJEU procedure to select a development partner. The partner would be required to deliver comprehensive redevelopment of the site with improved access and providing sustainable employment uses that incorporate a minimum requirement of a commercial boatyard. At the time the legal fees for the overall project were not quantified and it was recognised that further scoping would be needed to explore the procurement route which would then inform the legal structure and the fee burden.
- 1.5 An initial project budget of £250,000 was approved by a Mayoral Decision in September 2015. Since this time, extensive work has been undertaken to carry out soft market testing to assess the potential for a boatyard and employment-led development at the Albert Island, and to initiate the procurement process of a development partner.

Procurement update:

- 1.6 The preferred procurement route was identified as an OJEU compliant Competitive Procedure with Negotiation (CPN) under the Public Sector Contracts Regulations 2015. An OJEU Prior Information Notice (PIN) was published in May 2015 to coincide with a launch event and a website was established (www.albertisland.london) to promote the opportunity. The marketing activity was successful in eliciting developer responses and a register of interested parties was set up. Using the

feedback from the PIN survey the project team was able to establish that there is commercial basis for the project which supported the proposal to run the procurement.

- 1.7 A Pre-Qualification Questionnaire (PQQ) was issued to registered parties on 12th February 2016 along with supporting tender documentation. PQQ returns were received on 5th April 2016; an evaluation process was undertaken and on 12th April 2016 five shortlisted bidders were issued with an Invitation to Submit Initial Tenders (ISIT).
- 1.8 The initial tender stage response and outcome resulted in a short-list of three selected parties. The shortlisted parties received an Invitation to Participate in Negotiation (ITPN) in August 2016. The negotiation stage is now substantially complete and based upon the current programme a development partner will be selected by summer 2017.
- 1.9 During the course of the negotiation it was stated by Bidders that the current Ground Contamination Assessment desktop report was insufficient to substantiate the estimated costs associated to the site wide remediation and subsequently a need for further ground investigation was considered. Given the existing information is insufficient to determine the cost of delivery, GLAP has recognised that this is a necessary expenditure to provide further clarity for the bidders in respect of the development constraints. The certainty provided by these reports will enable bidders to determine the viability of their development proposals and assess more accurately the extent of risk and cost related to the delivery of their proposed solutions. In turn this will give GLAP greater certainty that the financial offer, including a Guaranteed Minimum Land Value submitted by bidders at the Final Tender Stage will be realised and not subject to future deduction.
- 1.10 Before a partner is selected GLAP is required to maintain the Albert Island as part of the wider GLAP estate. This includes ongoing dialogue with the temporary occupants of the site to regularise leases and ensure that vacant possession is achievable within an appropriate timescale. A number of unforeseen costs that are now anticipated as part of this process, as set out in the financial breakdown at 2.6 (under Restricted Part Two Paper). In the original project approvals it was not anticipated that interim Estate Management requirements would be required for the site and these costs have not been accounted for in the overall estates budget. Therefore these would fall to the project cost and this is a new request in the expenditure profile.
- 1.11 Combined with the matters identified above, the scale and complexity of the proposals received at the initial tender stage has resulted in more significant legal and consultant advice which has required the overall fee budget to be increased as set out below.

2. Objectives and expected outcomes

- 2.1 The overall objective of the project is to procure a partner to deliver the comprehensive redevelopment of Albert Island. The funding requested in this paper will be used to procure:
 - Site Investigation - production of intrusive site investigation reports;
 - Property Advice - an extension to the commission of technical expertise to complete the assessment of the commercial and financial elements of Bidder's Final Tenders;
 - Legal Advice - additional legal advice in the completion and subsequent management of any legal documentation with the successful Bidder currently engaged in negotiation; and

- Vacant Possession – prepare the site for disposal in undertaking the necessary measures in conducting interim estate management duties as required of GLA Land and Property Ltd.

2.2 The budget breakdown for the execution of the above additional works is estimated as follows:

	Original Total	Approval requested	Final Fee Budget
Property advice: completion of procurement	£64,000	£14,000	£78,000
Legal advice: completion of procurement and managing Development Agreement (anticipated project lifetime cost)	£116,000	£234,000	£350,000
Site investigation: production of reports	£70,000	£35,000	£105,000
Vacant Possession: Interim duties and legal action	£0	£156,000	£156,000
Contingency (5%)	£0	£36,000	£36,000
PROJECT TOTAL	£250,000	£475,000	£725,000

2.3 The additional budget would be split over the following financial years as follows:

	Expenditure to date	Financial Year 16/17	Financial Year 17/18	Financial Year 18/19	Financial Year 20/21	Financial Year 21/22
Total spend in year	£250,000	£150,000	£225,000	£50,000	£25,000	£25,000
Cumulative	£250,000	£400,000	£625,000	£675,000	£700,000	£725,000

2.4 It is expected that the procurement will result in the GLA securing a development partner with the capability to deliver an employment-led development at Albert Island that results in jobs and growth for London and the Royal Docks Enterprise Zone and therefore the forecast project expenditure is commensurate with the outcomes that will be achieved.

2.5 It should be noted that a Mayoral Decision is required before an asset disposal can be completed and during that approval process all financial and tax implications will be sought and considered.

3. Equality comments

3.1 It is not anticipated that the recommendations in this paper will have a negative impact on any groups with protected characteristics under the Equality Act 2010. The request for additional funding is to undertake site investigations and to appoint professional advice to conclude the procurement selection of a development partner. This has no negative impact on the prospective users and/or existing residents with any of the relevant protected characteristics.

3.2 GLAP's marketing of the site for development will ensure a significant new investment can be secured to ensure the future development and long-term economic regeneration, as supported by

the designation of the Royal Docks Enterprise Zone. GLAP will work with the selected bidder to ensure a positive overall impact on local employment and economic opportunities in an area that currently consists of some of the highest levels of indices of deprivation in London.

- 3.3 GLAP is acting within its rights as a landlord to make the site available for disposal that will secure the investment required to deliver overall comprehensive development. GLAP is aware of temporary occupiers that will not have their occupation extended beyond the time that the site is required for development and will seek legal advice where necessary to ensure its obligations under the Equalities Act 2010 are met throughout the process of securing vacant possession.

4. Other considerations

Key risks and issues

4.1 Vacant possession:

A legal dispute in regards to the temporary occupation of the Albert Island has required GLAP to undertake legal proceedings to ensure GLAP is able to provide vacant possession that will enable the preferred development partner to proceed with their scheme. GLAP is continuing to work with its legal advisors to ensure any legal disputes that are outstanding are resolved following due process and only undertaking the legal action as deemed necessary.

Mayoral strategies and priorities

- 4.5 The Royal Docks is designated as an Enterprise Zone and the Mayor of London chairs the London Enterprise Action Partnership (LEAP) that will provide strategic direction for the Royal Docks in accordance with a Royal Docks Vision and Strategy.
- 4.6 The Mayor's wider manifesto commitments state the priorities of delivering improvements to local transport and infrastructure to facilitate economic regeneration and the development of public land, including the public land assets in the Royal Docks.
- 4.7 The delivery of essential river infrastructure is supported by the London Plan policy 7.27 'Blue Ribbon Network: Supporting Infrastructure and Recreational Use' and a policy initiative 7.81 that aims to tackle the shortage of boatyard facilities that are capable of inspecting, maintaining and repairing the larger passenger craft on the Thames. This is further supported by the Mayor's River Action Plan that states an objective to increase freight and passenger traffic on the Thames to 12m by 2020 and a requirement of the Mayor to promote and invest in new facilities and infrastructure in order to attain this target.

Impact assessments and consultations

- 4.8 GLAP continues to work in close partnership with the Royal Docks Management Authority Ltd (RoDMA), Port of London Authority, Transport for London, Environment Agency and London Borough of Newham, to deliver a comprehensive development strategy for bringing forward the site for development. The site is of significant importance to the Local Authority and will deliver desired regeneration objectives.
- 4.9 Estate management:
Temporary occupation of the Albert Island will continue until a date is established with the future development partner for the achieve vacant possession of the site. There are a number of tenants who will be affected by the comprehensive redevelopment of the site and they have been consulted throughout the lead-up and during the process of the development procurement. Further extensive

work has been completed by the GLA Estates team to regularise leases and ensure the timescales of occupation does not prohibit development.

5. Financial comments

5.1 See Part 2

6. Legal comments

- 6.1 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,
- 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:
- i. pay due regard to the principle that there should be equality of opportunity for all people;
 - ii. 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
 - iii. consult with appropriate bodies.
- 6.2 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.
- 6.3 The directors, acting both as directors of GLA Land and Property Limited 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.
- 6.4 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 WYG is valued at a maximum of £70,000. 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.
- 6.5 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 Part 2 of this paper how the requirements of paragraph 5.4 have been met. Accordingly, the director may authorise the direct appointment of White Young Green (WYG) without a prior competitive procurement, if he is satisfied that the grounds to justify an exemption from the Code have been satisfied.

6.6 Officers must ensure that an appropriate contract be put in place between WYG and the GLA.

7. Planned delivery approach and next steps

7.1 Legal advisors and property consultants have been procured through pre-existing frameworks or where an appropriate procurement route has been identified. All commissions will be managed by the Strategic Projects and Property Team.

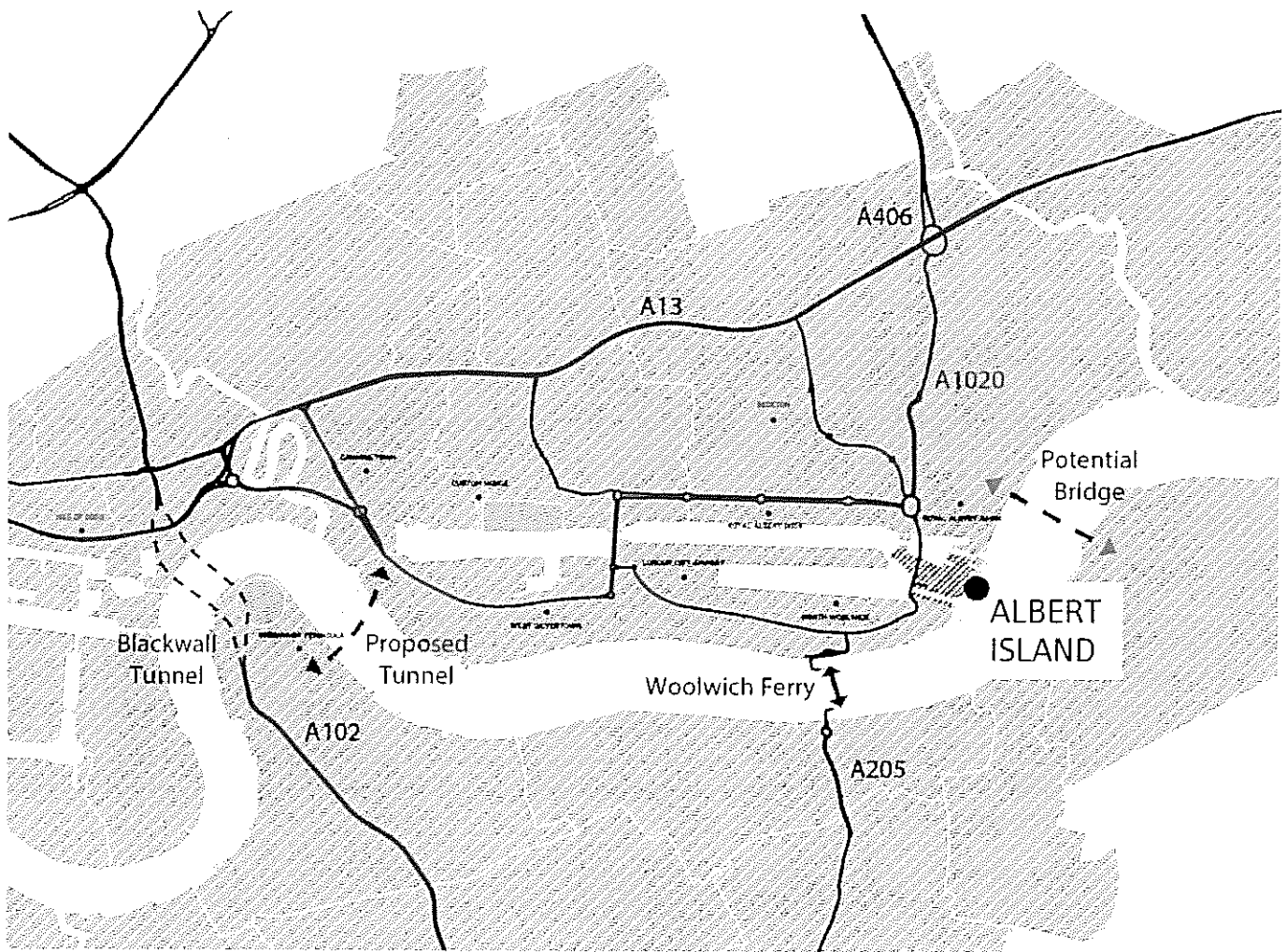
7.2 In order to maintain continuity and ensure best value for the Site Investigation works a Single Source Justification (SSJ) has been approved as attached Part 2: Appendix C (Restricted) for the extended appointment of a technical consultant to conduct this work.

7.3 Next steps:

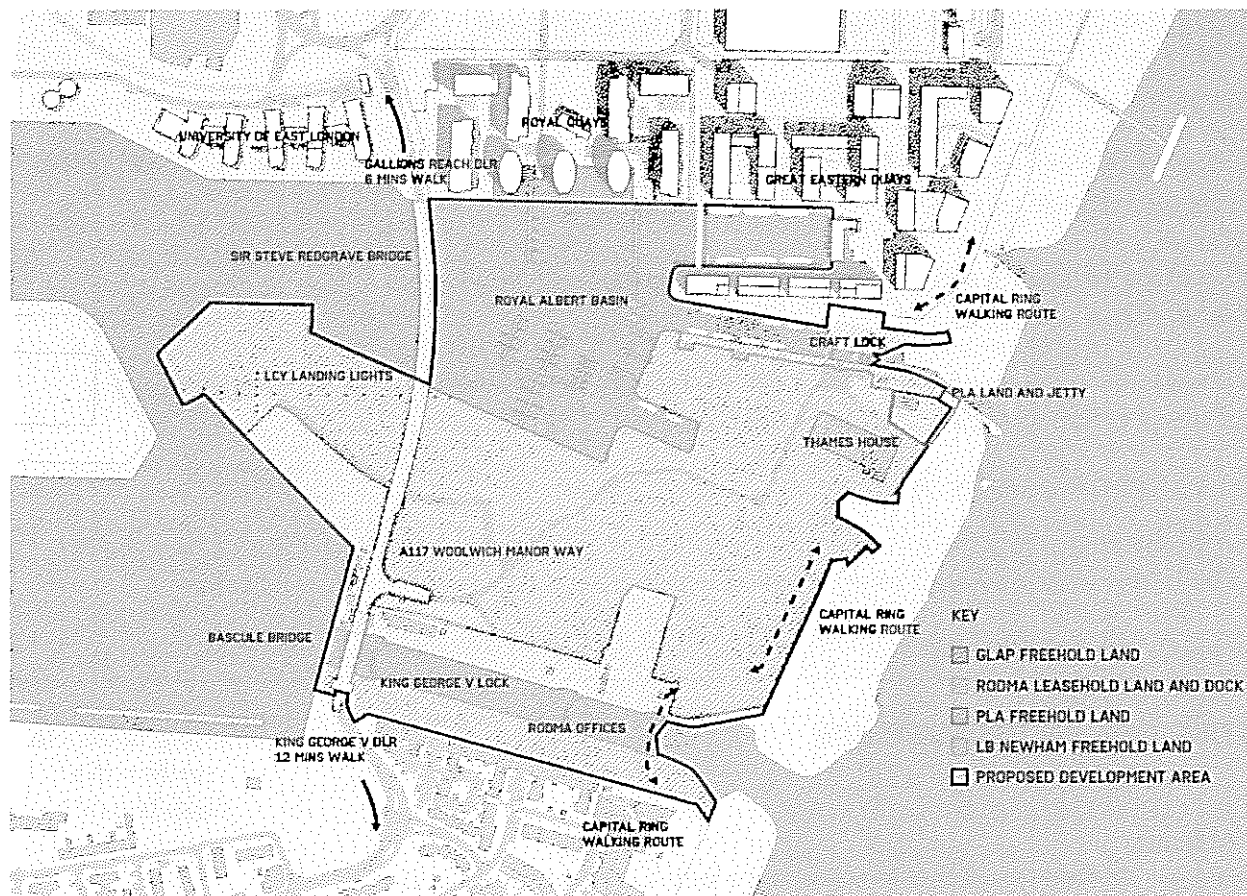
Activity	Timeline
Competitive Dialogue with Negotiation procurement (OJEU process)	Feb. 2016 – April 2017
Further Site investigation	January - February 2017
Preferred Development partner selected	May 2017
Contract completion	July 2017
Planning permission	mid 2019
Start on site	early 2020

Appendices and supporting papers:

Appendix A - Location plan



Appendix B – Development Opportunity Area



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:

Current procurement in process might place a risk to the outcome if information is released before the outcome of the selection and confirmation of the contract.

Until what date: 30 September 2017

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:

Paul D Clarke has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

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

✓

Mayoral Adviser:

James Murray 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 27 March 2017.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Clarke

Date 27.3.17

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date 29/3/2017.