

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD1491

### Title: Cane Hill Hospital Development Account

#### Executive Summary:

This Mayoral Decision approves the GLA to enter into agreement with the HCA, in respect of the Hospital Development Account, to pay £8.647m as Additional Consideration for the GLA Land and Property Limited (GLAP) owned Cane Hill assets and closes all contingent liabilities thereafter. This early payment will represent a significant saving to the GLA/GLAP in comparison with our existing overage obligation to the HCA/Department of Health.

#### Decision:

That the Mayor approves:

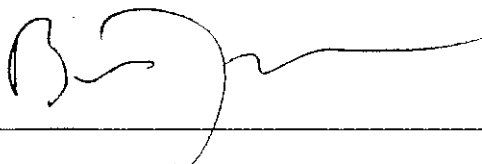
- Expenditure of £8.647m as GLAP's proportion of the additional consideration payable pursuant to the Hospital Development Account and associated overage agreement in full and final settlement of its liability under that agreement, on the basis that GLA/GLAP are discharged from all future liabilities under that Hospital Development Account and overage agreement in respect of the whole GLA Cane Hill Hospital site (comprising Cane Hill Hospital, Wells Cottages and Sovereign House) thereafter.
- That the payment includes an allowance for Stamp Duty Land Tax (SDLT) at 4% (i.e. £8.314m plus £0.333m SDLT) and on the basis that no VAT is payable
- That GLA/GLAP will agree to pay the HCA the above amount within 3 months of formalising the arrangement by way of agreement or exchange of letters

#### 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:

30.3.2015

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

### Decision required – supporting report

#### 1. Introduction and background

- 1.1 GLA Land and Property Limited (“GLAP”) owns a number of sites in Croydon including the Cane Hill Hospital site, Sovereign House and the Wells Cottages. The sites were acquired by English Partnerships (“EP”) from the Department of Health in 2005 as part of the Hospital Sites Programme. The sites were transferred to GLAP from the HCA (as EP’s successor) as part of the devolution of power to the Mayor and a transfer scheme made under the Localism Act 2011.
- 1.2 The 83 hectare Cane Hill site, previously occupied by a hospital complex (12.5ha) and surrounded by 70ha of agricultural land, occupies a prominent position adjacent to Coulsdon Town Centre, to the west of the A23 in the London Borough of Croydon. The HCA London Board approved the selection of Barratt Homes as the preferred bidder to develop the site. In July 2012, an Agreement for Lease (‘the Development Agreement’) between GLAP, BDW Trading Ltd (‘Barratt Homes’) and Barratt Developments Plc was entered into. On satisfaction of the conditions under the Development Agreement, Barratt Homes will be granted a Build Lease by GLAP which is likely to be in May 2015.
- 1.3 Sovereign House and the existing South East Power Network (SEPN) substation land are located adjacent to the Cane Hill hospital site, and cover an area of 0.28 Ha. Additionally, there are two dwellings on that area of the site: 1 Well Cottage which is occupied and 2 Well Cottage which is derelict and vacant.
- 1.4 On purchase of the hospital sites, English Partnerships agreed a “Hospital Development Account” (HDA) with Department of Health, whereby the entire portfolio of former hospital sites acquired is subject to an overage agreement providing for payment of “Additional Consideration”. The Additional Consideration is triggered when the total portfolio value (i.e. income from sale of sites) exceeds the total initial purchase price.
- 1.5 As the development account is calculated on a portfolio basis, the split between the HCA and GLA is calculated by i) the overage including the Cane Hill combined sites and ii) without the Cane Hill combined sites. The difference between the two represents the overage payment which is due to be settled by GLA in relation to the Cane Hill sites.
- 1.6 The proportion of surplus on the portfolio retained against the overage paid to the Department of Health is tiered from 90%-25%, dependent on the level of surplus achieved (less HCA/GLA development costs) at the point a cash receipt materialises. The HDA is effective for the period up to when all sites are sold.
- 1.7 The current projections for the HDA are that receipts/repayments are likely to fall within the 75% tier. Therefore the GLA has continued to forecast that the majority of receipts for the Cane Hill sites would be required to be returned to the HCA.
- 1.8 To close their liability, the HCA has recently negotiated an early repayment for the Additional Consideration to the Department of Health and has asked the GLA to also consider paying its contribution early.
- 1.9 Based on the overall development account position, the HCA have assessed GLAP’s Additional Consideration as £8.314m plus SDLT (at 4%). The GLA contribution represents a significant saving to the indicative assumptions on repayment and enables the GLA to make a final offer, whilst retaining a substantial proportion of the receipts for disposals in the Cane Hill portfolio. The financial position is contained within Part 2.

## **2. Objectives and expected outcomes**

- 2.1 Full and final payment is made to the HCA, which discharges GLAP's contingent liabilities in respect of the Cane Hill sites.

## **3. Equality comments**

- 3.1 The GLA's public sector equality duty has been considered in relation to this recommendation and no specific issues have been identified as a result.

## **4. Other considerations**

### *Key risks and issues*

- 4.1 As no receipts have yet been received for the Cane Hill sites, there is a risk that GLAP is committing to make a payment in advance of actual receipts from the relevant land disposals. However, the risk is minimal as GLAP is forecast to receive an initial payment from BDW on drawdown of the build lease for the Cane Hill development during the 2015/16 financial year. This receipt would offset the GLA's capital outlay of £8.647m for the additional consideration.

### *Links to Mayoral strategies and priorities*

- 4.2 The receipt retained by GLAP will support the delivery of the Mayor's objectives for London and in doing so, stimulate future jobs and growth.

## **5. Financial comments**

- 5.1 The expenditure of £8.647m in GLAP as additional consideration payable pursuant to the Hospital Development Account, as detailed in the body of this decision, will be funded from GLAP capital receipts.
- 5.2 The GLA does bear the risk of making a payment before having received any receipts from the development; however, it is financially advantageous to accept the offer from the HCA now based on our forecast receipts and current progress with the developer. There is no risk of not receiving a receipt due to the contractual obligations of the developer.

## **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. The principal purposes, as set out in section 30(2) of the GLA Act are:  
(1) promoting economic development and wealth creation in Greater London;  
(2) promoting social development in Greater London; and  
(3) promoting the improvement of the environment in Greater London.
- 6.2 Given the above and 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, the foregoing sections of this report indicate that the Mayor has the power to make the requested decisions.

## **7. Investment & Performance Board**

- 7.1 IPB Members considered the proposal in accordance with the IPB urgency procedure and the Chair confirmed that the Board was content to recommend for onward approval the recommendation set out in relation to the proposed payment to the HCA for the Cane Hill sites.

## **8. Planned delivery approach and next steps**

<b>Activity</b>	<b>Timeline</b>
Completion of Agreement (by exchange of letters)	March 2015
Payment of Additional consideration	Summer 2015
Discharging of GLAP liabilities	Summer 2015

**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? YES**

If YES, for what reason: subject to commercial agreement being concluded.

Until what date: 30 July 2015

**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:**

Amena Matin has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

**Assistant Director/Head of Service:**

Heather Juman has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

**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:**

Richard Blakeway has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. J. Bello*

Date

27.3.15

**CHIEF OF STAFF:**

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

Signature

*Edmund Hill*

Date

27.03.2015

