

## REQUEST FOR MAYORAL DECISION – MD2574

### Title: Greenwich Peninsula Professional Fees

#### Executive Summary:

The regeneration of Greenwich Peninsula is a key priority for the Mayor and represents one of the largest development projects involving public land in London. The GLA (through its subsidiary GLA Land and Property Limited) is freeholder of the strategic landholding and is in two Development Agreements: one with Knight Dragon Development Limited, and one with Greenwich Millennium Village Limited (Taylor Wimpey and Countryside Properties). Together, these developments will deliver a total of approximately 20,000 homes.

The Greenwich Peninsula development project has a historical lifetime approval for professional fees, although of this allocation £91,000 remains which has already been committed and will be spent by Q4 2019/20. This MD seeks additional expenditure, for a 5-year period up to 2024/25. An increased allocation from the GLA Land and Property budget of £1,640,000 is sought, which will bring the total lifetime approval for professional fees to £6,607,163 for the period to the end of FY 2024/25.

The professional fee lifetime approval will allow the GLA to manage its largest strategic landholding appropriately and deliver on Mayoral priorities. The revenue expenditure will provide the GLA with expert specialist advice to ensure that the public sector protects its position, but also optimises outputs.

#### Decision:

That the Mayor approves:


Expenditure of £1,640,000 for professional fees at the Greenwich Peninsula until 2024/25 and corresponding expenditure on legal fees, development consultancy, valuation services and other specialist advice for appropriate monitoring to protect and advance the Mayor's position and priorities.

#### 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:

11/2/20

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

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

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

- 1.1. The regeneration of Greenwich Peninsula is a key priority for the Mayor and represents one of the largest development projects involving public land in London. The GLA (through its subsidiary GLA Land and Property Limited) is freeholder of the strategic landholding and is in two Development Agreements: one with Knight Dragon Development Limited, and one with Greenwich Millennium Village Limited (Taylor Wimpey and Countryside Properties).
- 1.2. All development by Knight Dragon comes forward under the terms of the Land Disposal Agreement (LDA), a development agreement entered into in 2002 by the then joint venture development company Greenwich Peninsula Regeneration Ltd and English Partnerships. The LDA gives Knight Dragon exclusive rights to develop the GLA-owned plots that form the Greenwich Peninsula area provided that certain minimum development requirements are met.
- 1.3. There have been changes to the structure of the LDA to reflect changing economic, housing delivery and policy requirements. They are documented in Director Decision (DD)1504 (April 2016) and DD2353 (April 2019).
- 1.4. The consented 2015 Masterplan provides for up to 15,730 homes to be built, with significant retail, employment and community uses. Knight Dragon submitted a new masterplan hybrid planning application to RB Greenwich in August 2019, which seeks to increase the number of homes to 17,487 (additional 1,757), whilst also increasing the proportion of affordable homes and pace of delivery. The application will be considered by RB Greenwich's Planning Committee in 2020.
- 1.5. So far, 2,572 homes have been delivered by Knight Dragon. Plots will continue to be drawn down and constructed until 2035. In total, 4,880 affordable homes will be delivered across the strategic development site subject to the latest planning application being approved.
- 1.6. Greenwich Millennium Village (GMV) is located to the south east of the Greenwich Peninsula, and is a residential-led development. GMV was originally part of the Millennium Communities programme run by English Partnerships. The initial phases were completed in the early 2000s, and then there was a break before planning and design resumed on Phases 3, 4 & 5. This was due to a combination of market downturn and significant planning issues. The most recent planning permission was granted in 2012 and permitted a further 1,742 units that are currently being constructed in phases. In total, GMV will deliver circa. 3,000 homes. A total of 1,100 consented homes remain to be built, subject to the approval of Reserved Matters applications.
- 1.7. MD1111 authorised the delegation of the Mayor's decision-making powers with relation to development decisions in respect of the GLA Land and Property land holdings at the Greenwich Peninsula to the Deputy Mayor for Housing, the Executive Director of Housing and Land, and the Executive Director of Resources. This was in order to provide a clear separation between the Mayor's planning decision making powers and his ability to make decisions affecting development.
- 1.8. The proposed increase in professional fees for the Greenwich Peninsula is not considered to generate a conflict of interest for the Mayor, as the fees relate to the overall management of the strategic landholding, rather than a particular development site where the Mayor's later decision-making powers could be challenged. In combination with the amount of revenue expenditure sought, the matter is considered to be a Mayoral Decision, rather than a Director's Decision, which has been considered and confirmed by the GLA's Governance team.
- 1.9. The management of the development agreements on Greenwich Peninsula requires revenue expenditure to cover legal fees, valuation and commercial advice, development consultancy and other

professional specialist expertise. This is to ensure that both development agreements are implemented, monitored and fit for purpose to reflect Mayoral priorities.

- 1.10. The Greenwich Peninsula has a lifetime approval for professional fees of £4,967,163 although of this allocation £91,000 remains which has already been committed and will be spent by Q4 2019/20. The previous approval was by Homes and Communities Agency in 2008, prior to the land being transferred to the GLA. The lifetime approval allocation had been forecast up to 2014, therefore the expenditure has stretched past this date.
- 1.11. Officers have estimated the ongoing costs associated with the scheme and seek approval for a further expenditure of £1,640,000. The costs of previous work were unforeseen in the initial allocation and higher than expected, due to:
  - Legal advice on the re-negotiation of the Land Disposal Agreement, to increase the level of affordable housing provision on the Peninsula; and
  - Legal advice on agreement between GLA and Knight Dragon on the Design District, which will deliver low-cost creative workspace on the Peninsula.

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

- 2.1. The professional fees for the Greenwich Peninsula will predominantly be spent on legal fees but will also include (but will not be limited to) the following services: development consultancy; valuation; financial advisory; and economic strategy advisory. These services will continue to be procured competitively, at favourable discounted framework rates and in accordance with the GLA's Contracts and Funding Code. Where possible these costs will be charged to development partners.
- 2.2. The professional fee lifetime approval will allow the GLA to manage its largest strategic landholding appropriately and deliver on Mayoral priorities. The revenue expenditure will provide the GLA with expert specialist advice to ensure that the public sector protects its position, but also optimises outputs.
- 2.3. The objective is to continue monitoring the implementation of the Development Agreements and negotiate new deals and amendments when opportunities present, to advance Mayoral priorities, particularly with regard to the delivery of affordable homes.
- 2.4. The professional fees of £1,640,000 have been calculated in reference to past fees incurred (operating as "business as usual"), expected large upcoming projects, and provides a forecast expenditure up to 2024/25. Upcoming projects, for which non-recoverable professional fees will be required over and above the 'business as usual' position are:
  - North Greenwich over-station development: GLA, TfL and Knight Dragon land ownership. GLA need professional expertise to advise on land value apportionment, the operational interface with TfL, structuring and drafting of the legal position and development agreement, and supporting advice; and
  - Final phase of Greenwich Millennium Village: the renegotiation of land and overage provisions for the final phase, with view to increase affordable housing provision.
- 2.5. These have been forecasted as requiring expenditure of £440,000 in professional fees.
- 2.6. Having consulted with TfL Legal, it suggested that the allowance for annual running costs per year for professional fees is increased from £200,000 to £240,000 to account for additional monitoring of the third variation to the Land Disposal Agreement, at the new shared service panel agreement rates. The

actual spend will be monitored with the external lawyers being asked to work to fixed/capped fees where possible. The breakdown of professional fees by year, and exceptional item is:

<b>Financial year</b>	<b>Expenditure forecast</b>
2019/20	(will use up remaining allocation)
2020/21	£240,000
2021/22	£240,000
2022/23	£240,000
2023/24	£240,000
2024/25	£240,000
<b>Exceptional items:</b>	
Over-station development (75% in 2020/21 and 25% in 2021/22)	£300,000
GMV final phase (2020/21)	£140,000
<b>Total</b>	<b>£1,640,000</b>

### **3. Equality comments**

- 3.1. Under section 149 of the Equality Act 2010 (the “Equality Act”), as a public authority, the GLA must have ‘due regard’ to the need to eliminate unlawful discrimination, harassment and victimisation, and to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. Protected characteristics under the Equality Act comprise age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation and marriage or civil partnership status. Consideration of this duty will be taken into account in all work that is procured and undertaken using the professional fees.

### **4. Other considerations**

#### *Key risks and issues*

- 4.1. If the project lifetime approval is not increased, any spending beyond March 2020 will exceed the approved lifetime allocation for the project and therefore breach GLA governance requirements. The GLA has unapproved forecast expenditure, which will be rectified by increasing the lifetime project allocation.
- 4.2. In the event of the project lifetime approval being spent, and not increased in sufficient time or quantum, the GLA would need to forgo professional advice which will present reputational, legal and financial risks to the GLA.
- 4.3. The requested revenue is an estimate over a five-year period to 2024/25. If there is an under-allocation of professional fees over this period, officers will re-forecast across financial years using the GLA’s project management system (OPS).

#### *Links to Mayoral strategies and priorities*

- 4.4. *Housing and affordable housing delivery* - the professional fees will be used to optimise the delivery of housing and affordable housing across the Peninsula and ensure that the obligations within the Development Agreements are met. The developments will deliver close to 20,000 new homes and will significantly contribute towards the borough’s and London’s housing target.
- 4.5. *Good growth* - the Greenwich Peninsula is the Mayor’s largest strategic landholding and represents an opportunity to implement and show best practice in delivering against the Mayor’s six good growth policies. Professional fees will allow the procurement of specialist advice and resource to embed these good growth principles and ensure development is of a high quality and delivers social value.

Development consultancy and valuation expertise will also enable the GLA to get the best deal for the tax payer.

#### *Consultation and impact assessments*

- 4.6. There has been no formal consultation or impact assessment carried out. GLA officers have consulted with TfL Legal to estimate the amount of legal fees required for the project by year, with reference to anticipated future projects.

#### *Conflicts of interest*

- 4.7. Under MD1111, the Mayor authorised delegation of development decisions to a few named Directors to protect his planning decision-making powers. This means that previous development decisions on the Greenwich Peninsula have been considered under DD. This Mayoral Decision is not considered to be a conflict to the Mayor's planning decision powers as it relates to professional fees for the management of the strategic landholding, as opposed to a specific development proposal that will be subject to planning. The Mayor is therefore not at risk of being challenged on specific planning decisions he makes on the Greenwich Peninsula.
- 4.8. There are no known conflicts of interest to note for any of those involved in the drafting or clearance of this decision.

### **5. Financial comments**

- 5.1. This decision requests approval for expenditure of £1,640,000 for professional fees at the Greenwich Peninsula until 2024/25 and corresponding expenditure on legal fees, development consultancy, valuation services and other specialist advice. This additional expenditure will increase the overall allocation for this project to £6,607,163, which includes the previous approval by Homes & Communities Agency (HCA) of £4,967,163.
- 5.2. The funding will come from the GLA Land and Property budget.
- 5.3. Paragraph 2.6 above outlines the breakdown of the requested expenditure by financial year, and by exceptional item.

### **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.
- 6.2. 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.

## 7. Planned delivery approach and next steps

Activity	Timeline
Planning consent for 2019 Masterplan hybrid planning application	Summer 2020
Over-station development negotiation and development agreement	Spring 2020 - Spring 2021
Greenwich Millennium Village Final Phase	2020
Construction of development plots	October 2020 - 2035
Delivery End Date	2035

### Appendices and supporting papers:

None.

**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**

Until what date: (a date is required if deferring)

**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:**

Sarah Birt 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 10 February 2020.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature**

*M. J. Birt*

**Date** 12.2.20

**CHIEF OF STAFF:**

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

**Signature**

*D. Bellamy*

**Date** 10/2/2020.

