

REQUEST FOR MAYORAL DECISION – MD1302

Title: Freehold disposal of part of the Eldonwall Industrial Estate, LB of Barking & Dagenham

Executive Summary:

Outlining the case for the freehold disposal of part of GLA Land and Property Limited's landholding at Eldonwall Industrial Estate, off Whalebone Lane South, Chadwell Heath to London Borough of Barking and Dagenham to facilitate the provision of an extension of the education facilities of the Robert Clack Secondary School and to link to the planned new primary school on the adjacent Lymington Fields site.

Decision:

That the Mayor approves the freehold disposal of the land outlined red on the site plan to Barking and Dagenham for an agreed sale price on the basis that there will be a restrictive covenant imposed which limits the future use of the land to education and industrial uses.

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:

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

Decision required – supporting report

1. Introduction and background

- 1.1 This Mayoral Decision is for the approval to dispose of part of the Eldonwall Industrial Estate. This disposal will contribute to additional school places provision in the London Borough of Barking and Dagenham as well as creating new jobs and bringing back into use a piece of brownfield land.

Background to land ownership

- 1.2 The land at the Eldonwall Industrial Estate was transferred to GLA Land and Property Limited (GLAP) from the Homes and Communities Agency (HCA) under the transfer scheme made pursuant to Section 190 of the 2011 Localism Act which enabled the transfer of property, rights and liabilities of the HCA to the GLA or a subsidiary company of the GLA, in this case, the GLAP subsidiary.
- 1.3 The site had originally been purchased by English Partnerships to be included as part of the London Wide Initiative portfolio to facilitate access to the neighbouring Lymington Fields site which is a large residential development. English Partnerships became part of the HCA in December 2008 at which point the asset transferred into the HCA's portfolio.
- 1.4 As part of the GLAP review the site has been identified for partial disposal; it is intended that part of the site will be retained to create the eastern access to the Lymington Fields development.

Current land use

- 1.5 The site is currently occupied by two warehouses and hard standing and has recently been used as a site compound for a nearby construction project. Both the warehouses have been vacant for a number of years and would require a significant amount of investment to reinstate them to a lettable condition. In addition to this, the consented access road to the Lymington Fields development requires the smaller of the two warehouses to be demolished. On this basis the site has been identified as surplus to the GLAP portfolio and it is recognised that by disposing of the site it will be brought back into use more effectively and will generate a capital receipt.
- 1.6 Under the previous disposal strategy the HCA used an agent to market the site to potential tenants in 2011. When the asset was transferred to GLAP the portfolio was reviewed and the strategy changed to market the site on the basis of either a leasehold or freehold disposal, with a preference for freehold disposal. A purchaser was identified in Summer 2012 and a Mayoral Approval was received to dispose in September 2012; unfortunately the purchase fell through and the site was returned to the market. Since that time the site has been marketed and attracted a limited amount of interest.

2. Objectives and expected outcomes

- 2.1 Having evaluated the three live offers for the site this paper requests an approval to dispose of the part of the site to London Borough of Barking & Dagenham (LBBD) for the provision of education facilities. The land will be transferred on a freehold basis with a restrictive covenant in place limiting the use of the site to education or industrial uses. The restrictive covenant is proposed in line with the existing use of the site. The full evaluation of the offers is set out in Part 2 of this paper.
- 2.2 LBBD has identified the site as a strategic acquisition because of its proximity to the existing Robert Clack secondary school to the south. The Eldonwall Industrial Estate has a potential access point on to the existing playing fields and therefore would provide an ideal location for the expansion of the

school's facilities enabling pupils and staff to move between the buildings on a single campus. In addition to the advantageous geographical proximity of the existing school the site also offers a positive relationship with the planned primary school for the Lymington Fields site. Lymington Fields adjoins the Eldonwall Industrial estate to the west and the S106 obligations for the new residential development include a requirement for the provision of a serviced site for a primary school. LBBB has its own funding in place for both schools.

- 2.3 The colocation of the three school sites will enable effective and efficient sharing of facilities which it is anticipated will require a lower level of investment compared to the scenario if the two school sites were being built in isolation. This is hoped to lead to cost savings for the education authority. The existing Robert Clack school is rated Ofsted Outstanding and therefore the additional school facilities are intended to be an extension of the current educational offer rather than the creation of a new school entirely.
- 2.4 GLAP's development partner on Lymington Fields, Lovell, has been working closely with the LBBB planners and education team to ensure that the design of the Phase 2 development creates the best design solution for the mix of uses proposed.

3. Planned delivery approach

- 3.1 If approval is granted the site will be disposed of on a conditional basis, restricting the land use to industrial or educational use and therefore there is no intention to impose an overage clause on the Sale Agreement. LBBB will be given the deadline of January 2014 to exchange the Sale Agreement which is considered to be a realistic timeframe.
- 3.2 If the Sale Agreement with LBBB falls away the site will be returned to the market for a freehold disposal.

4. Other considerations

Key risks

- 4.1 Although actions have been taken to engage LB Barking and Dagenham planners during the development of the proposal there remains an outstanding risk regarding the confirmation of land use change for educational use; should the change of use not be granted, under the terms of the sale the land would revert to industrial use.
- 4.2 Engagement between both sets of design teams has started the discussion surrounding how the two sites link together but Lovell is working to a tight delivery programme and so there is only a narrow window of opportunity to amend their current design proposals, from those approved in their bid documents, to work up a revised planning application in the autumn.
- 4.3 The Council could withdraw from the purchase; however, there is evidence that there are other purchasers interested in the site and therefore a disposal would be pursued on the open market.

Links to Mayoral priorities

- 4.4 The disposal links to two key Mayoral priorities: Business and Economy and Young People. The new school will create new educational facilities for the borough which has a shortfall of secondary school places.
- 4.5 In addition to the new school places the school will also generate new jobs in the area and the disposal to LBBB will create a higher density of genuinely new FTE posts than other offers for the site.

- 4.6 The redevelopment will make efficient use of a small industrial site that does not benefit from road frontage and therefore is less attractive to occupiers. It will also create a positive entry point to the Lymington Fields site. In addition, the opportunity to design the two school sites in cooperation has benefits for the overall urban fabric and the interaction of the housing and educational land uses.

Consultation

- 4.7 There has been cooperation between GLA, LBBD and Lovell on the design issues for the school and housing elements of the redevelopment and consideration of how the primary and secondary schools could efficiently work together. Representatives from the Education and Planning departments of LBBD have been consulted at each stage.

5 Financial comments

- 5.1 The site known as Eldonwall Industrial Estate is held on GLAP's asset register as Development Stock Asset 9900077 and was last formally valued as at 31 March 2013
- 5.2 The existing value needs to be taken into account when considering any offers in order to ensure compliance with the best consideration obligation. The receipt is in line with forecast and valuation and satisfies the Best Consideration obligation.
- 5.3 GLAP has opted to tax this site and VAT will therefore be charged. It is anticipated that the purchaser will be able to obtain a refund of this VAT
- 5.4 There is currently no capital budget for this project, legal work will be completed by TfL.
- 5.5 The disposal will be a part disposal and there is to be a restrictive covenant over the land so that it can only be used for educational purposes. It will be necessary to value this restrictive covenant. The valuation will be funded through the Estates Management budget.

6 Legal comments

- 6.1 Section 30 of the Greater London 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) of the GLA Act which 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 Sections 1, 2 and 3 of this report indicate that the decision requested of the Mayor falls within the GLA's statutory powers as described in section 6.1 above.
- 6.3 The Mayor may, under section 38 of the GLA Act, delegate the exercise of the GLA's functions to the Directors of GLAP as proposed.
- 6.4 It should be noted that as GLAP will be a party to all necessary legal documentation, GLAP will also need to approve the proposed transactions in accordance with its constitution.

7 Housing Investment Group

7.1 HIG has endorsed the disposal to LBBD on a restricted basis for the agreed price, at its meeting on the 29 August 2013.

Appendices and supporting papers:

Appendix 1 – site plan

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 this approval to be deferred? YES**

If YES, for what reason:

To enable the exchange of contracts between GLAP and LBBD

Until what date: (a date is required if deferring) Until contracts are exchanged (estimated 1 Feb 2014)

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:

Philippa Bloomfield 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:

Fiona Duncan 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

Date

CHIEF OF STAFF:

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

Signature

Date