

GREATER LONDON AUTHORITY

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2018

Title: East+ abnormal consultant

Executive Summary:

As part of the drawdown process for land in the East+ Development Agreement signed with Segro in March 2016 the developer is required to submit a Site Specific Development Plan (SSDP) to the GLA when requesting drawdown of a site. The SSDP includes a development appraisal that includes costs and values of the proposed development and generates GLAP's land value from which abnormal costs may be deducted. GLAP wishes to appoint 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 deductions.

Decision:

That the Assistant Director approves the procurement of a cost consultant and associated expenditure of up to £48,000 (with up to £6,000 per drawdown for a maximum of eight drawdowns) to advise GLA on abnormal costs for the East+ Development Agreement.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT:

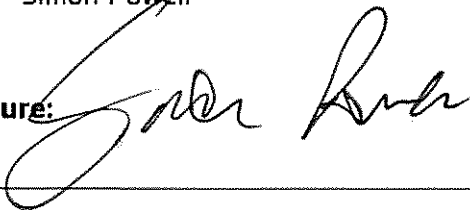
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Simon Powell

Position: Assistant Director of Strategic Projects & Property, Housing & Land

Signature:



Date:

22/12/16

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. Previously, in MD1620, the Mayor approved the Development Agreement with Segro following the competitive dialogue process that was concluded in 2015. The appointment of Segro as GLAP's preferred development partner was authorised in March 2016 and the Development Agreement was concluded shortly afterwards.
- 1.2. Over a ten-year partnership Segro will bring forward the sites for industrial development in line with the Phasing and Development Strategy submitted at the Final Tender stage. The development proposals will be subject to GLAP's final sign off to ensure that the project is delivering against GLAP's original objectives and acting within the scope of the programme as envisaged through the procurement process.
- 1.3. The Development Agreement between the partners allows for a Site Specific Development Plan (SSDP) to be presented to GLAP setting out Segro's development strategy and a fully costed, open book, development appraisal demonstrating the land value that GLAP will capture. This document is the final proposal and will require GLAP's formal approval. There is an opportunity during the approval process for GLAP to review the information provided, both quality and financial elements, to ensure that it is entirely satisfied that the land is being put to the optimum use.
- 1.4. In recognition that the development plots in the London Riverside area are subject to contamination and may require a bespoke piling approach GLAP has made the land value subject to the deduction of abnormal costs. In the Development Agreement abnormal costs are defined as: *"the reasonable and proper costs of i) piling works reasonably required by the Developer for the development of a Relevant Plot and ii) storm water attenuation works reasonably required by the Developer for the development of a Relevant Plot."*
- 1.5. GLAP has used specialist cost consultant advice in the past on land transactions in the London Riverside area to scrutinise deductions to land price and has benefitted financially from interrogating the developer's approach to ensure that value for money is being achieved.
- 1.6. The development appraisal will be reviewed in its entirety by Lambert Smith Hampton and therefore the commission of the specialist cost consultant is limited to a review of the abnormal deductions.

2. Objectives and expected outcomes

- 2.1. The objective of appointing a specialist cost consultant is to provide GLAP with an expert review of the information provided by Segro in the SSDP.
- 2.2. GLAP is seeking to maximise its land receipt through ensuring that abnormals are limited to a strict definition and make efficient use of available technologies. The consultant will provide GLAP with a report reviewing the information supplied by Segro in the SSDP and make recommendations or suggestions for alternative solutions if there are more cost effective methods.

3. Equality comments

- 3.1. The procurement will be conducted in accordance with the competition requirements as set out by TfL to comply with equality requirements.

4. Other considerations

4.1. Financial risk

The purpose of the appointment is to ensure that the development appraisal supplied by Segro seeks to maximise the return to GLAP through the careful control of costs that would impact on the financial return to GLAP. Without a specialist advisor GLAP might not have sufficient information to consider the costs being attributed to the site.

4.2. Timing

GLAP needs to be prepared to review the information provided by Segro within 40 days of receipt and therefore the appointment of a consultant on a call off basis will enable GLAP to respond quickly and efficiently to the submission and avoid delays while a consultant is appointed. GLAP is supportive of the development strategy proposed by Segro through the bidding process and therefore does not want to delay development delivery through slowing down the approvals process.

4.3. Delivery of the Mayor's objectives

The project is set to deliver over 1.2million sq feet of industrial space and more than 6,000 jobs over the last time of the project and therefore GLAP wants to support the delivery whilst still ensuring the development is consistent with the Mayor's objectives as set out during the procurement process.

5. Financial comments

- 5.1. This decision seeks approval to appoint a cost consultant to review the abnormal costs submitted by Segro (GLAP's preferred development partner) upon each site drawdown at industrial portfolio land known as East+. The consultants will be appointed on a fixed-fee basis of no more than £6,000 per drawdown for a maximum of eight drawdowns (revenue expenditure of up-to £48,000).
- 5.2. This expenditure is available from the Housing & Land Industrial Portfolio Land Budget and will be expended in 2016/17 financial year. Strategic Projects and Property Team will be responsible for managing this spend. Any changes to this proposal, including the requirement of additional funds, will be subject to further approval via the Authority's decision making process.

6. Planned delivery approach and next steps

Activity	Timeline
Competition launched	August 2016
Tenders returned	September 2016
Appointment confirmed	October 2016
Inception meeting	October 2016

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? NO

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 – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer:

Philippa Bancroft has drafted this report in accordance with GLA procedures and confirms that the Finance and –if relevant- Legal teams have commented on this proposal as required, and this decision reflects their comments.

HEAD OF FINANCE AND GOVERNANCE:

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

Signature:



Date:

18.08.16