

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD2011

### Title: Development of a new school at Greenwich Peninsula

#### Executive Summary:

This paper seeks approval for the disposal of land owned by GLA Land and Property Limited (GLAP), being parts of plots M0318, M0319 and M0320 on Greenwich Peninsula, through a Lease to Royal Borough of Greenwich for the construction and operation of a primary and secondary school, an over-riding lease will then be granted to Knight Dragon, a provision made through the Land Disposal Agreement. This disposal is of an area slightly larger than was originally envisaged for educational provision, although there were no exact specifications imposed in the s.106 Agreement pursuant to which the school is to be constructed. As agreed by GLAP's predecessor in title (English Partnerships) pursuant to the 2002 Greenwich Peninsula Land Disposal Agreement (LDA), there is no Minimum Land Value payable on transfer from GLAP of land to be used for a school.

Previously DD1443 permitted GLAP to offer Royal Borough of Greenwich an indemnity in the event the school site was not able to be assembled. The land has now been successfully assembled and therefore the situation has been satisfactorily resolved and the indemnity is no longer needed.

This request for a delegated decision follows Mayoral Decision MD1111 which records the Mayor's decision to delegate certain decision-making powers in order to provide a clear separation between the Mayor's planning decision-making powers and his ability to make decisions affecting development.

MD1111 authorises the Deputy Mayor for Housing, Land and Property, the Executive Director of the Housing and Land Directorate and the Executive Director of Resources (acting as both GLA staff members and directors of GLAP), acting by any two of them together, to approve the taking of development and other decisions as landowner including the entering into of contractual agreements and any other related documentation on behalf of the Mayor in respect of GLAP's land holdings at Greenwich Peninsula.

#### Decision:

That the Executive Director of Housing and Land and the Executive Director of Resources approve:

- GLAP granting a Lease to Royal Borough of Greenwich as Tenant for the construction and eventual use as a permanent school under the terms indicated in the attached Heads of Terms document; with Knight Dragon entering into the Lease as Services Provider, providing services in respect of the common parts of the Peninsula.
- GLAP granting an over-riding lease to Knight Dragon.

#### AUTHORISING DIRECTORS

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:** David Lunts

**Position:** Executive Director, Housing & Land

**Signature:** 

**Date:**

8-6-2016

**Name:** Martin Clarke

**Position:** Executive Director, Resources

**Signature:** 

**Date:**

6.6.16

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE**

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

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

- 1.1. In April 2014 HIG endorsed the decision to enter into a three year lease with Royal Borough of Greenwich (RBG) to provide a temporary primary school on the Greenwich Peninsula. This temporary school is to meet interim need before a permanent school can be built. It is now proposed that GLAP enters into a Lease with RBG in respect to plots M0318, M0319 and M0320 for the construction and occupation of a permanent school including both primary and secondary classes. Knight Dragon will be party to the Lease as Services Provider. It is then proposed that GLAP will grant an overriding lease to Knight Dragon in accordance with the provision in the Land Disposal Agreement that Knight Dragon can call for an overriding lease on any plot once any money due on completion of the site lease has been received by the GLA; this will make Knight Dragon the immediate landlord to RBG.
- 1.2. The school site will not be subject to a Minimum Land Value payment in the benefit of GLAP. Having considered the available information relating to the agreement to transfer the school land to RBG within the context of the overall commercial deal entered into by English Partnerships (EP) in 2002, GLA officers are of the view that EP complied with its statutory duty to obtain best consideration for its landholdings at Greenwich Peninsula and that binding contractual commitments to dispose of those landholdings were made accordingly.
- 1.3. The Mayor of London owns approximately 90 hectares of brownfield land on Greenwich Peninsula. Part of the land is subject to a development agreement (known as the Land Disposal Agreement) with master developer, Knight Dragon. Knight Dragon has the ability to draw down land from GLAP for the purposes of directly delivering development, or may offer the land to a third party for development. The land benefits from a recently revised outline masterplan permission which was consented in October 2015, the S106 agreement which was signed in December 2015. The original masterplan for Greenwich Peninsula was consented in 2004.
- 1.4. Development on the Peninsula has accelerated in the last two years, facilitated by an agreement entered into by GLAP and Knight Dragon to bring forward 11 plots of residential development to specific timescales. Approximately 2,000 homes are complete or under construction on the Peninsula. A planning application has been approved for a further 1,000 homes in the next zone of residential development at Peninsula Central East, and enabling works on these homes began in Summer 2015.
- 1.5. The original S106 agreement for the 2004 planning permission, varied by the Deed of Variation (December 2015) obliged the developer to provide a range of facilities to support development on the Peninsula; the obligations included contributions to educational provision through the identification of an appropriate site for a new school and a financial contribution towards the development of the school. The land plot being drawn down is larger than was originally allocated on the accompanying plan under the 2004 planning permission as a result of the design standards for schools changing. The minimum space standards have increased and the number of pupils drives the size of the plot required.
- 1.6. Obligations set out in the section 106 agreement are triggered in part by the occupation of residential dwellings. In the case of the education provision, the developer must not occupy more than 5,000 dwelling before it has identified, provided and serviced a site for a new school.
- 1.7. It is proposed that the new school at Greenwich Peninsula is delivered in advance of the triggers outlined in the section 106 agreement due to both the pressures on school places in the wider borough of Greenwich and the pace of development now underway on the Peninsula. To this end, RBG have agreed that the local authority will forward-fund delivery of the school and will recoup the

stipulated education contribution from the developer at the trigger point outlined in the section 106 agreement.

- 1.8. A new school delivered early in the programme of development is also recognised as playing a positive role in place-making, serving to improve the social infrastructure on the Peninsula. A new school adds value to the residential offer and will provide a facility that serves the new local community, as well as the wider borough. The site selected for the school is a key 'gateway' to the Peninsula and therefore great attention has been paid to the urban form and technical specifications of the school through the appointment of Penoyre Prasad architects.
- 1.9. The temporary school has been constructed and is now occupied. The current programme identifies that the permanent school will be available for children to start on a phased basis in September 2018. The build programme enables the temporary facility to be used in conjunction with the phased opening of the permanent school.
- 1.10. A project team has been established to ensure joint working on the permanent provision; RBC, the proposed occupiers of the school – the Diocese of Southwark, Knight Dragon as master developer and GLAP as the current land owner of the site. This team meets regularly to review progress and ensure that all parties offer scrutiny on the design proposals. Heads of Terms for the lease have been provided by RBC and reviewed by GLAP and their external legal advisors. The Heads of Terms are included in the confidential appendix.

#### **1.11. The site**

- 1.12. The site proposed for the school is bordered to the south by John Harrison Way and to the west by Millennium Way (site map Appendix 1) and lies opposite the existing Millennium Primary school, developed as part of the Greenwich Millennium Village scheme.
- 1.13. The site benefits from good access to public transport, with the interchange at North Greenwich at a distance of ten minutes' walk and frequent local bus services available on John Harrison Way and Millennium Way. The site is well served by pedestrian walking route from existing residential developments.
- 1.14. The site is cleared and the ground was remediated to a depth of approximately 1000mm during an extensive ground works programme undertaken by English Partnerships in the late 1990s. Utility infrastructure runs adjacent to the site and the school will have the opportunity to connect to the low carbon energy network currently under construction on Greenwich Peninsula.

#### **1.15. Planning**

- 1.16. RBC Children's Services department submitted a planning application for the school in June 2015 which received planning approval at Committee in February 2016.

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

- 2.1. RBC have indicated a desire to develop educational provision on the Peninsula in partnership with the Southwark Diocesan Board of Education. RBC intends to deliver the school, and the associated funding package, through the expansion of an existing Church of England primary school, St Mary Magdalen.
- 2.2. St Mary Magdalen, based in Charlton, is a successful and popular school, rated Ofsted Outstanding in 2012. The executive management team at St Mary Magdalen will oversee the development of the peninsula school and ultimately take on the running of the facility. It is intended that the school will cater for children from 3 to 19, but will be delivered in phases, with provision being expanded gradually, finally creating a school with capacity for 1,830 pupils. In the first instance the priority is to address the urgent need for primary school places in Greenwich.
- 2.3. The Southwark Diocesan Board for Education will contribute a capital receipt from the sale of another school site to facilitate the development of the new school.

- 2.4. RBG has confirmed that it is the sole responsibility of the local authority to determine whether to expand St Mary Magdalen to provide a new facility on the Peninsula. The governing body of St Mary Magdalen produced a proposal to change the age range of the school; the local authority was then able to make the decision to expand following a defined statutory consultation process. Partners of the children at the school, staff, other local schools and the Diocesan Board have all been formally consulted. In instances of expansion of existing local authority schools the Department of Education does not play a role in decision making. A similar consultation process has taken place following the consultation on the proposal to expand; having established expansion as an acceptable principle it was then required that the location of the Peninsula was presented for review.
- 2.5. Under the terms of the LDA (Clause 21.7) Knight Dragon can draw plots of land for educational use without the triggering of the Minimum Land Value (MLV) that is payable on residential and commercial plots. This was built into the agreement to facilitate the construction of the required social infrastructure to support the scale of development. The GLA will therefore not be receiving MLV for this area but as noted below, the loss to housing as a result of the expanded school site will be mitigated through the increase in density in other parts of the site and therefore GLAP will be in a "no net loss" position from the originally agreed parameters.

### **3. Equality comments**

- 3.1. Equality requirements will be addressed both through the statutory planning process and also through the school place allocation framework that is in place.

### **4. Key risks and issues**

- 4.1. The proposed location of the new school differs from that suggested in the original 2004 masterplan and the school covers a larger footprint than proposed in the 2004 permission resulting in the potential loss of housing space. A new masterplan was consented in 2015 and this has taken into account the new land take and location of the proposed school. The GLA will work with Knight Dragon to ensure that displaced housing is re-provided elsewhere on the Peninsula to protect the GLA's Minimum Land Value receipt.

### **5. Health and Safety**

- 5.1. The proposed site for the permanent school sat within the COMAH (Control of Major Accident Hazards) zone as a result of the Greenwich Peninsula gasholder which was influencing the design of the school. In March 2015, the HSE confirmed that it had received notification from SGN (owner and former operator of the gasholder) that the gasholder had been decommissioned and therefore although the COMAH zone has not been removed there is a reduced risk that should enable permission to be granted, subject to design requirements.

### **6. Financial comments**

- 6.1. The asset known as Greenwich Peninsula is held as development stock on GLAP's fixed asset register. It currently exists as 62 plots however this asset is valued as a whole site.
- 6.2. The sites known as Plots M0318, M0319 and M0320 are to be disposed of via a 250 year leasehold agreement to Royal Borough of Greenwich, whereupon an overriding lease will be granted to Knight Dragon.
- 6.3. The Land Disposal Agreement 2002 included the requirement for a site transfer to be made at less than the Minimum Land Value in order to provide a school. The particular plot has been agreed as it is the size demanded by the design standards for schools and will maximise receipts for Knight Dragon, and therefore the GLA, across the Peninsula.
- 6.4. The sites are to be sold for a peppercorn rent with a lease premium of £100 on the basis that it will be used as a new school site as agreed in the terms of the Land Disposal Agreement 2002.
- 6.5. The tenant will be responsible for rates, utilities and other outgoings.

- 6.6. The Royal Borough of Greenwich will cover any legal fees relating to this transfer, up to the value of £50,000, which is expected to be sufficient to reach completion.
- 6.7. VAT is charged by GLAP on all the income (Minimum Land Values) it receives for the disposal of land within the Peninsula. This ensures that VAT on expenditure is recoverable in full. The Minimum Land Values agreed for the Peninsula reflect the position that a parcel of land was always going to be provided for a school and the fact that actual consideration will not be paid by LBG should not fundamentally undermine this right to reclaim VAT. However, a disposal of land in this way can result in enquiries and the potential for challenge by HMRC. This can be mitigated by agreeing with LBG that a nominal premium of £100 plus VAT will be paid upon the grant of the lease.
- 6.8. This is the grant of a long lease for a nominal consideration out of land GLAP holds as development stock. The lease contains no obligations for the tenant to carry out any works. For corporation tax purposes the taxable profit or loss on the transaction should equate to the accounting profit or loss. For accounting purposes this is to be treated as a disposal for nominal consideration.

## 7. Legal comments

- 7.1. GLAP is contractually obliged to grant the over-riding lease referred to in this report pursuant to the terms of the 2002 Land Disposal Agreement for Greenwich Peninsula
- 7.2. The principal s.106 agreement dated 23 February 2004 and amended December 2015, imposes obligations on GLAP in relation to the location and size of the secondary school site and how these are to be agreed and on GLAP to co-operate with the Royal Borough of Greenwich and Knight Dragon in respect of the grant of a lease of the site. These obligations specify the broad location of the site and the maximum possible size of the school to be constructed at that location, although the exact location and size of the secondary site are not specified. However, the s.106 agreement obliges GLAP to agree these details with the Council.
- 7.3. The foregoing sections of this report indicate that the decision requested falls within the statutory powers of the Authority exercisable by the Executive Director of Housing and Land and the Executive Director of Resources (pursuant to their delegated authority granted under MD1111), to do such things as are considered facilitative of or conducive to the promotion of economic development, social development and the improvement of the environment in Greater London
- 7.4. Therefore the Executive Director of Housing and Land and the Executive Director of Resources (having delegated authority via MD1111 pursuant to section 38 of the Greater London Authority Act 1999) may approve the proposed grant of the long lease referred to in this report if they are satisfied with the content of this report.
- 7.5. As GLAP will be the party to the legal documentation GLAP will also need to approve the proposed documentation in accordance with its constitution.

## 8. Planned delivery approach and next steps

Activity	Timeline
Determination of planning application	February 2016
GLAP/Knight Dragon/RBG enter into long lease for school site subject to planning	June 2016
Enabling works start	July 2016
Construction start	December 2016
School occupation of first phase	December 2018

**Appendices and supporting papers:**

Appendix 1: Site plan showing school location

Appendix 2: Heads of Terms for the long lease

**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:

To enable the legal agreements to be drawn up

Until what date: (a date is required if deferring) 30 June 2016

**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 to confirm the following (✓)

**Drafting officer:**

Philippa Bloomfield has drafted this report in accordance with GLA procedures and confirms that:

✓

**Assistant Director/Head of Service:**

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

✓

**Financial and Legal advice:**

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. J. Bell*

Date

*6. 6. 16*





## SUBJECT TO CONTRACT

### Appendix 2: Proposed Heads of Terms

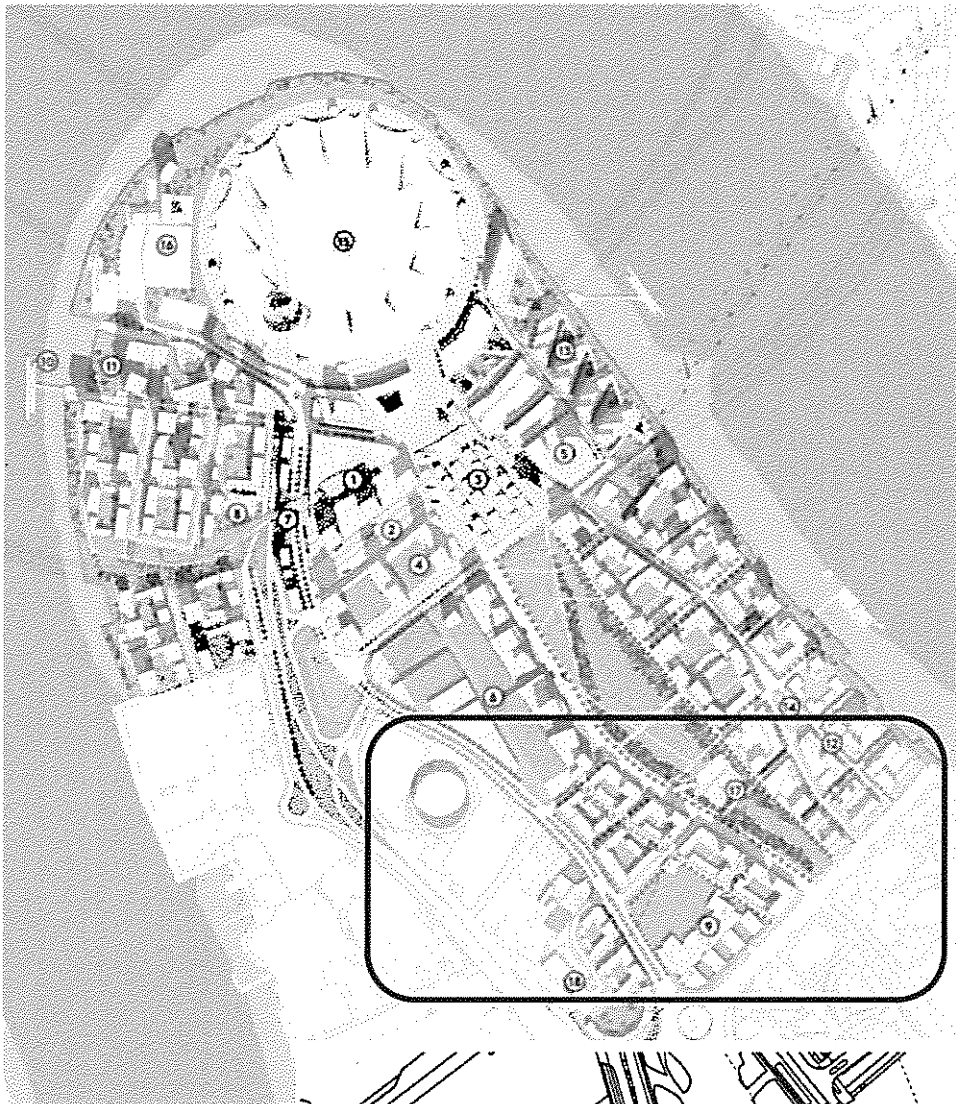
<p><b>Draft Proposed Heads of Terms</b>  <b>SUBJECT TO CONTRACT</b>  <b>GLAP Lease of School premises, Greenwich Peninsula</b></p>	
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1.	<b>Premises</b>	Land at Greenwich Peninsula, SE10 edged in red on the attached plan
2.	<b>Landlord</b>	GLA Land and Property Limited (company no 7911046 of Windsor House, 42-50 Victoria Street, London SW1H 0TL).
3.	<b>Tenant</b>	Royal Borough of Greenwich (Town Hall, Wellington Street, Woolwich, London, SE18)
4.	<b>Service Provider</b>	Knight Dragon Developments Limited (Company No. 04250941) of 31 Hill Street, London W1J 5LS
5.	<b>Transaction</b>	GLAP will enter into a Lease with Royal Borough of Greenwich and Knight Dragon. On completion of the Lease and payment of any monies due Knight Dragon will then call for, and be granted, an overriding lease to the school plot.
6.	<b>Rent and Premium</b>	One peppercorn. Premium of £100.
7.	<b>Lease Length and Start Date</b>	A term of 250 years from a date to be agreed
8.	<b>Rent Reviews</b>	None
9.	<b>Assignment and subletting</b>	No restrictions on alienation
10.	<b>Environmental Management System</b>	Throughout the term of the Lease the Tenant must comply with the Environmental Management System in place on Greenwich Peninsula.
11.	<b>Works and Alterations</b>	<p>The parties will when required enter into a Licence for Works permitting RBC to carry out the development of the school whether on or before the grant of the Lease.</p> <p>The Licence will include a right for RBC to carry out work to the highway/access roads adjoining the Premises.</p> <p>To allow the strategic programme to be met the Licence may need to be granted before expiry of planning JR period (with any works carried out entirely at the risk of RBC),</p> <p>The Licence will contain the usual construction obligations for carrying out works on the Peninsula including obligations to comply with the Environmental Method Statement and the Integrated Management System which deals with the management of construction works across the Peninsula.</p>
12.	<b>Permitted Use</b>	The premises are to be used for a nursery, primary, secondary, post 16 and special educational needs provision and for out of hours community use. Exact wording to mirror RBC lease. Any additional uses are to require Landlord consent not to be unreasonably withheld.

SUBJECT TO CONTRACT

13.	<b>Rates and Utilities</b>	The Tenant is responsible for all rates, utilities and all other outgoings.
14.	<b>Landlord's Solicitors</b>	Berwin Leighton Paisner LLP
15.	<b>Tenant's Solicitors</b>	Forsters LLP 31 Hill Street London W1J 5LS
16.	<b>Other</b>	The lease will contain provisions consistent with that of a long lease of a bare site – i.e. no repairing, decoration, alienation, alterations, insurance or forfeiture provisions.  Usual rights to be granted over the rest of the Estate.

# Appendix 1: school location



Area of insert



Site Location Plan

School plot

