

REQUEST FOR DIRECTOR DECISION – DD1115

Title: Business East Site – Environmental and Technical Support

Executive Summary:

Up to £100,000 of environmental and technical (due diligence) advice is required on a former pharmaceutical site in East London in respect of the purchase of which the GLA is considering providing financial assistance. The advice will seek to validate and verify remediation work undertaken on the site, informing the potential purchaser's views on the viability of any purchase and the GLA's views on the security of any financial assistance respectively.

The advice will be procured and funded by the potential third party purchaser, with the costs reimbursed by the GLA, should the GLA decide that it will not proceed with the project and that third party does not proceed with the purchase as a result.

Accordingly the GLA has agreed, in principle, to enter into an agreement under which the potential purchaser will procure and fund the due diligence that it requires on the site; and the GLA will reimburse the costs incurred, up to a maximum of £100,000 in the event that the GLA withdraws from the project and the potential purchaser does not proceed with the purchase as a result.

Decision:

That the Director approves expenditure of up to £100,000 on environmental consultancy services required to support the development of the Business East project which is being considered for the award of Growing Places Funding.

AUTHORISING DIRECTOR

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: Fiona Fletcher-Smith

Position: Executive Director-Development,
Enterprise & Environment

Signature:

Date: 4 September 2013

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

1.1 The Growing Places Fund (GPF) is a repayable fund available to the London Enterprise Panel on projects which will seek to unlock jobs and economic growth in London. The GLA is the accountable body for the Fund from which will make £111m available to projects. The first round of GPF funding bids was invited in 2012, during which period a proposal was received from the London Borough of Barking and Dagenham for the GLA to acquire part of a Pharmaceutical site in the east of London (the current owners are exiting at the end of 2013). The proposal is based on a regenerated site as a specialised science and tech park, focusing on medical, scientific and tech activities.

1.2 The initial proposition was for the GLA to purchase the site and to procure an operator to run the site as a business, science and technology park. On consideration of this proposition, and following specialist advice, the LEP/GLA concluded that this model exposed the public sector to an unacceptable level of financial risk. An alternative solution has arisen through a bid to the Growing Places Fund from SOG Ltd, a company who specialise in developing and running business parks. The proposition is for the GPF to provide loan funding to SOG Ltd as a contribution to the costs of the purchase of the site, refurbishment of facilities and operation from the site as a business, science and technology park.

1.3 At the LEP meeting on 24th July 2013, endorsement was provided to progress with the SOG Ltd proposal, and approval for up to £200,000 of costs on due diligence work was agreed.

1.4 It is proposed that the environmental and technical due diligence required by SOG Ltd is commissioned by them with the GLA underwriting the cost of this work in the event that the GLA withdraws from the project and SOG Ltd do not proceed with the purchase as a result. This work will be required to satisfy both SOG Ltd in terms of their investment in the site, and the GLA's requirements for due diligence on the site as a source of security for the requested loan. The remaining £100,000 approved by the LEP on 24 July 2013 will be used to inform the GLA's own due diligence on SOG Ltd.

1.5 The work required will include consideration of the environmental and technical aspects of the site including an assessment of the remediation work undertaken to date by the current owner.

1.6 The benefits of GLA expenditure are set out below in section 2.

2. Objectives and expected outcomes

2.1 Investment of the Growing Places Fund will accord with the Mayor's Economic Development Strategy and in particular with Objective 5, which aims to attract the investment in infrastructure and regeneration which London needs, to maximise the benefits from this investment. Action 5D states that 'the Mayor will champion the case for investing in London to meet not only London's needs, but also to ensure that London can continue to drive the UK economy. He will ensure that investment is coordinated and will encourage innovative and cost-effective forms of new investment'. The LEP will provide advice on investment in accordance with the principles set out in the EDS. Individual projects will be subject to a business case which will show the links to strategy and highlight the benefits for London and Londoners.

2.2 The Business East project which aims to secure a future employment use for the site in east London. Prior to closing the site employed 450 members of staff and the objective of the project is to secure as many future jobs as possible, retaining and contributing to the economic growth of the area.

2.3 The expenditure on work in respect of which approval is sought under this report is required to assist the GLA to determine if it is able prudently to provide loan funding for the purchase of the site, taking into account of any environmental issues on the site and with reassurances that an adequate level of remediation work has been undertaken.

3. Other considerations

3.1 It is considered that the detailed and specialist advice required for this project is not available in house and therefore additional support is required. The risk of not undertaking this work is significant. The valuation work undertaken to date has assumed that acceptable remediation has been undertaken for the planned usage on the site. If this is not the case then the value of the site may be lower than current estimates. It is necessary to verify this information prior to the GLA seeking to secure a loan against the site.

4. Financial comments

4.1 Provision has been approved by the LEP for the proposed costs of up to £100k for the environmental consultancy services. These costs will be funded by SOG Ltd and would only be re-imbursed by the GLA if the proposal for SOG to purchase the site via a GPF loan is unsuccessful and as a result, SOG does not proceed with purchase of the site. An agreement will be put in place to this effect, which also states that if the GLA pulls out because there is no SOG purchase, i.e. another deal is done by Sanofi, the underwrite falls away in order that costs are not abortive.

5. Legal comments

5.1 Sections 1-4 of this report indicate that:

5.1.1 the decisions requested of the director fall within his power, acting on behalf of the Authority, to do anything which promotes or which may be considered facilitative of or conducive or incidental to the promotion of economic development and wealth creation in Greater London; and

5.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:

- (a) pay due regard to the principle that there should be equality of opportunity for all people;
- (b) consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
- (c) consult with appropriate bodies.

5.2 Officers must ensure that:

- (a) the required services are procured by the potential purchaser so as to meet the Authority's requirements and protect its interests (including adherence with the principles of Authority's Contracts and Funding Code); and
- (b) an appropriate agreement is put in place between and executed by the Authority and proposed purchaser regarding the funding of the services and which party bears the cost ultimately before any formal commitment is made to the provision of funding.

6. Planned delivery approach and next steps

6.1 The advice will be procured by the potential third party purchaser, who given that a GLA decision cannot be made on the provision of financial assistance at this point, is hesitant to commit to this expenditure. Accordingly the GLA has agreed, in principle, to enter into an agreement under which the:

- potential purchaser will procure and fund the due diligence that it requires on the site; and
- the GLA will reimburse the costs incurred, up to a maximum of £100,000 in the event that the GLA withdraws from the project and the potential purchaser does not proceed with the purchase as a result.
- the GLA will not reimburse costs incurred in the event that there is no purchase made by the third party i.e. the third party withdraws first.

6.2 The procurement will have to be conducted by the potential purchaser in liaison with the GLA to ensure its requirements are met. The work needs to be completed by November 2013 in order to meet the freeholder's timescales for leaving the site.

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:

Publication of this report should be deferred until the completion of the proposed procurement exercise because it contains information the disclosure of which would be likely to prejudice the Authority's, SOG Limited's and Sanofi Pharmaceuticals Limited's commercial interests by impacting adversely upon the parties ability to agree the optimum deal for the land and any assistance to be provided in this regard which is not in the public interest.

Until what date: 30 January 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 – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Alison Murray has drafted this report in accordance with GLA procedures and confirms that:

✓

Assistant Director/Head of Service:

Fiona Fletcher-Smith 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

Date