

REQUEST FOR MAYORAL DECISION – MD1454

Title: Greenwich Square NHS Acquisition

Executive Summary:

This Mayoral Decision seeks to approve expenditure in relation to the acquisition by GLA Land and Property Limited (GLAP) of the Vanbrugh Health Centre as required pursuant to the Development Agreement and Agreement for Lease dated 1 February 2012 (“DA”) and approves GLAP entering into leases with Hadley Mace pursuant to that Agreement.

Decision:

That the Mayor approves:

- the entering into lease agreements related to the acquisition and onward transfer of a NHS (former PCT) building
- expenditure of £3.12m to purchase the NHS building (acquisition £3m and Stamp Duty Land Tax (SDLT))
- additional expenditure of £40,000 (£20,000 capital and £20,000 on revenue) for costs associated with the purchase of and ongoing development activity.

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. The former Greenwich District Hospital was purchased in 2004 from NHS Queen Elizabeth Trust as part of the London Wide Initiative. The Homes & Communities Agency (HCA) worked in partnership with the Royal Borough of Greenwich (RBG), Greenwich PCT (“NHS”) and the local community to prepare development plans for the scheme, achieve planning consent and bring forward the development. The project was granted detailed planning consent in March 2009 for 645 new homes with a new public leisure centre, library, health centre, Council service centre and ancillary retail.
- 1.2. The HCA entered into the DA with the developer, Hadley Mace, on 1st February 2012 to deliver the scheme known as Greenwich Square.
- 1.3. The freehold to the site and the HCA’s rights and liabilities contained in the DA transferred from HCA to GLAP on 1 April 2012 by virtue of a transfer scheme dated 30 March 2012 made under the Localism Act 2011.

NHS Acquisition

- 1.4. Proposed Government reforms to the NHS had resulted in uncertainty in relation to the future of Primary Care Trusts and their assets. In 2012, the NHS’ LIFTco had agreed to purchase the lease of the new health centre element of the scheme and lease the space directly to the GPs currently located within the existing Vanbrugh Health Centre. In addition, the uncertainty of the NHS reforms also put at risk the existing agreement for the HCA to purchase the existing Vanbrugh Health centre on completion of the new Greenwich Centre. To overcome this, HCA agreed an alternative funding strategy for the health centre component of the Greenwich Centre and a budget of £3m in January 2011. Following transfer to GLAP, the NHS, Hadley Mace and GLAP entered into the Sale Agreement to acquire the land in 2014/2015.
- 1.5. In March 2012, Hadley Mace commenced works on site and GLAP entered into a conditional sale agreement dated 25 March 2013 (the Sale Agreement) to purchase the existing NHS building (Vanbrugh Health Centre) to allow completion of Block 5 of the development. Completing an agreement to acquire the NHS building was one of the conditions of the DA. A back to back agreement was entered into between the developer and the NHS whereby they purchased replacement facilities in the health centre in the new development.
- 1.6. Completion of works of the Greenwich Centre in Block 1, is the trigger under the Sale Agreement for the GP Practice to transfer from their existing building (the Vanbrugh Health Centre) to the new development which in turn will trigger GLAP's obligation to acquire the freehold of the existing building and grant a long lease to the developer to incorporate this land into the Greenwich Square development. This is currently programmed for February 2015. When completion takes place, the freehold will be transferred to GLAP and a lease of the land will be granted by GLAP to Hadley Mace who will in turn grant a short term underlease to the NHS to enable them to decant to the new health centre once it is fully fitted out. The form of transfer, lease and underlease are agreed and are annexed to the original Sale Agreement.
- 1.7. The price payable is to be used by NHS Property Services in part payment for the new facility, hence GLAP have agreed under the Sale Agreement to make payment direct to the Developer when completion takes place.

- 1.8. Additionally this decision approves additional expenditure of £40,000 which is comprised of £20,000 for capital costs and £20,000 for revenue expenditure related to project related legal fees in 2015-16.
- 1.9. The additional expenditure has been budgeted for 2015-2016 to manage ongoing liabilities and fees. This budget was approved and allocated through the Housing and Land budget setting exercise completed in 2013 from savings identified within the Land and Property Programme.

Contract status and legal agreements

- 1.10. Under the DA, Hadley Mace assumed control of the site and is wholly responsible for securing planning and all necessary consents, construction and sales. As freeholder, GLAP is required to enter into the related easements and legal agreements pursuant to the development.
- 1.11. This Mayoral Decision acknowledges that GLAP entered into the agreements set out below pursuant to its contractual obligations to do so in the DA and that GLAP will shortly also complete the acquisition of the existing NHS building and grant a long lease of the same to Hadley Mace. Accordingly this MD provides an audit trail in relation to these legal documents:
- **Sale Agreement** dated 25th March 2013;
 - **Phase 1 Lease** dated 9 October 2012 (this includes all the land except for Block 3 and Block 5 West – NHS Vanbrugh Health Centre);
 - **Supplemental Lease** dated 25 March 2013 (this supplements the Phase 1 lease and includes two slivers of land along Woolwich Rd, which were not in the GLA's ownership but which the scheme contracted to deliver are situated on); and
 - **Deed of Easement** dated 25 March 2013 (this relates to areas of land along Vanbrugh Hill which GLA did not own but which we required an easement over to enable access to/from the site via the two new roads being installed).

2. Objectives and expected outcomes

- 2.1 To facilitate the purchase of the Vanburgh Health Centre building and allow the development to be delivered on programme.
- 2.2 The objective of the project is to deliver 645 new homes (48% will be affordable), 2200 sq.m. of commercial development, and a new leisure centre, library and health centre. In addition, the proposals will stimulate economic growth and promote job creation.

3. Equality comments

- 3.1 The project continues to implement the Mayor's policies set out in the draft London housing strategy. In January 2014 the GLA published an integrated impact assessment (IIA), including an equalities impact assessment, of that strategy. The policies related to increasing housing supply, of which this paper relates, were covered by the IIA for the Further Alterations to the London Plan.

4. Other considerations

a) key risks and issues

There are no additional risks or issues to the project with this approval. GLAP entered into the Sale Agreement on 25 March 2013 and are contractually obliged to purchase the existing PCT building. Completion of the development is conditional upon completion of the new PCT facility and completion of it will trigger completion of the transfer to GLAP. If this is not agreed by January the full extent of the development cannot be achieved and completion cannot take place.

b) links to Mayoral strategies and priorities

The proposals to deliver 645 homes with associated mixed-use development on the site, will increase the supply of housing in the capital. In addition, the proposals will stimulate economic growth and promote job creation. For every home built two jobs are created (CLG National Housing Report 2011), the redevelopment of the site is expected to create around 1,300 jobs.

c) impact assessments and consultations.

GLAP consult regularly with the Local Authority who is a key project stakeholder. On this matter no formal consultation has been undertaken as the acquisition is accepted as part as a commercial transaction of the within the scope of the project inherited from the HCA.

5. Financial comments

- 5.1. This MD seeks ratification of the pre-existing contractual commitment to acquire the PCT building as part of GLAP's Greenwich Square project.
- 5.2. Budget for this project exists as part of the Mayors approved capital spending plan for 2014-15 up to £3.12m
- 5.3. The acquisition capital costs are £3m plus SDLT costs of £0.12m at 4%. Additional £40,000 is approved expenditure for ongoing project liabilities in 2015-16. The increase in budget will be found within existing Land & Property budgets from project underspends elsewhere in the programme.
- 5.4. GLAP will "opt to tax" the land it is to acquire and consequently VAT will be chargeable on sums paid to GLAP by Hadley Mace pursuant to the lease. The NHS have confirmed that they have not opted to tax and accordingly no VAT will be charged to GLAP on that part of the transaction.
- 5.5. GLAP have sought external advice on SDLT to confirm that the current proposed treatment of this transaction is correct and within existing guidelines.

6. Legal comments

- 6.1. Pursuant to the Localism Act 2010, GLAP inherited the HCA's legal commitments under the DA. These included the obligation to acquire the PCT building and to grant a long lease of the same to Hadley Mace. Accordingly, no MD was required in 2012 or 2013 when GLAP entered into documentation referred to in paragraph 1.10 above pursuant to the DA. However, this MD provides an audit trail for the pre-existing agreements and the related legal documentation to be entered into shortly.
- 6.2. This MD also authorises an increase in capital expenditure of £0.12m Stamp Duty Land Tax, and £40k associated acquisition costs, in addition to the expenditure approved for the transaction by HCA London in January 2011 of £3m.
- 6.3. GLAP has been advised by its external lawyers on this project since it was inherited from HCA in April 2012 including in relation to the documents and associated matters noted above.
- 6.4. Appropriate VAT clauses have been included in the lease to allow the charging of VAT on sums due to GLAP from Hadley Mace.
- 6.5. 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) 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.

6.6. Sections 1 and 2 of this report indicate that the decision sought of the Mayor falls within the powers set out above.

6.7. It should be noted that as GLAP will be a party to the legal documentation, GLAP will also need to approve the transactions described in this paper in accordance with GLAP's constitution.

7. Investment & Performance Board

HIG or IPB approval is not required as this relates to existing contractual commitment by virtue of the transfer of assets from HCA to GLAP. This MD provides an audit trail in relation to these legal documents.

8. Planned delivery approach and next steps

Activity	Timeline
Completion of Sale Agreement and grant of long lease to Hadley Mace	30 th March 2015
Phase 2 start date	March/April 2015
Project End Date	June 2020

Appendix: Site map

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: Until acquisition has completed

Until what date: (a date is required if deferring) 30 April 2015

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:

Amena Matin 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:

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

✓

Sponsoring Director:

Jamie Ratcliff 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