


Individual Commissioner Decision Proforma Decision Log No: <u>001</u>	 TOWER HAMLETS
Report of: Corporate Director, Development & Renewal	Classification: Unrestricted
Blackwall Reach Regeneration Project – Phase 1a Electrical Substation Lease	

Is this a Key Decision?	No
Decision Notice Publication Date:	Not required
General Exception or Urgency Notice published?	Not required
Restrictions:	None

EXECUTIVE SUMMARY

The council is proposing to grant SWAN Housing Association a lease for the electrical substation for Phase 1a of the Blackwall Reach site to enable it to grant a sublease to the electricity supplier. Failure to do so will leave the homes and other buildings in Phase 1a of the scheme which have been recently completed being rendered uninhabitable due to a lack of electricity.

This report sets out the background to this issue and seeks approval to enter into that lease.

Full details of the decision sought, including setting out the reasons for the recommendations and/or all the options put forward; other options considered; background information; the comments of the Chief Finance Officer; the concurrent report of the Head of Legal Services; implications for One Tower Hamlets; Risk Assessment; Background Documents; **and other relevant matters are set out in the attached report.**

DECISION

Agree to enter into a lease for the electrical substation for Phase 1a of the Blackwall Reach Regeneration Scheme.

APPROVALS


1. (If applicable) Corporate Director proposing the decision or his/her deputy

I approve the attached report and proposed decision above for submission to the Commissioners.

Signed  Date 4/2/2015

2. Chief Finance Officer or his/her deputy

I have been consulted on the content of the attached report which includes my comments.

Signed  Date 4/2/15

3. Monitoring Officer or his/her deputy

I have been consulted on the content of the attached report which includes my comments.

~~(For Key Decision only — delete as applicable)~~

~~I confirm that this decision:~~

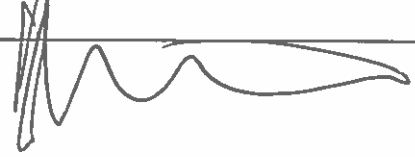
- ~~(a) has been published in advance on the Council's Forward Plan OR~~
- ~~(b) is urgent and subject to the 'General Exception' or 'Special Urgency' provision at paragraph 18 or 19 respectively of the Access to Information Procedure Rules.~~


Signed  Date 4/2/15

4. Commissioner

I agree the decision proposed in paragraph above for the reasons set out in paragraph 1.1 and 1.2 of the attached report.

Signed  Date 4/2/15

 4/2/15

Commissioner Decision Report 29 January 2015	
Report of: Corporate Director, Development & Renewal	Classification: Unrestricted
Blackwall Reach Regeneration Project – Phase 1a Electrical Substation Lease	

Lead Member	N/A
Originating Officer(s)	Service Head, Corporate Property & Capital Delivery
Wards affected	Blackwall & Cubitt Town
Key Decision?	No
Community Plan Theme	Great Place to Live

Executive Summary

The council is proposing to grant SWAN Housing Association a lease for the electrical substation for Phase 1a of the Blackwall Reach site to enable it to grant a sublease to the electricity supplier. Failure to do so will leave the homes and other buildings in Phase 1a of the scheme which have been recently completed being rendered uninhabitable due to a lack of electricity.

This report sets out the background to this issue and seeks approval to enter into that lease.

Recommendations:

The Commissioners are recommended to:

1. Agree to enter into a lease for the electrical substation for Phase 1a of the Blackwall Reach Regeneration Scheme

1. REASONS FOR THE DECISIONS

- 1.1 The delay in entering into the lease is likely to cost the Developer Partners significant damages, estimated to be £13,457 per week.
- 1.2 Failure to enter into the lease will compromise the delivery of the regeneration scheme. In addition, while the works remain outstanding, the new homes and other buildings have no power to them and therefore cannot be occupied.

2. ALTERNATIVE OPTIONS

- 2.1 There are no alternative options available to the council.
- 2.2 Further delays in entering into the lease will continue to cost the Development Partners a further £13,457 per week.

3. DETAILS OF REPORT

- 3.1 The council, with the Greater London Authority (GLA) as a joint client, tendered for a delivery partner for the regeneration of the Blackwall Reach area (Robin Hood Gardens estate) via a protracted OJEU dialogue process.
- 3.2 The scheme is set to deliver 1,575 new homes over five phases and with a development cost of over £400 million. Phase 1a is nearing completions and Phase1b has recently been granted planning reserved matters approval. The scheme has recently been granted government funding assistance of around £50million to accelerate delivery.
- 3.3 Cabinet took a decision in February 2011 (CAB056/101) to award the contract for the delivery of the scheme. The joint client then entered into the Principle Development Agreement (PDA) in April 2011 with the successful developer partner – SWAN Housing Association.
- 3.4 Under the terms of the PDA, the clients (LBTH and GLA) are under an obligation to grant leases for the various elements of the scheme to Swan.
- 3.5 The leases arrive in two tranches – Block lease for completed buildings (residential and ancillary) and Phase leases when all blocks in a Phase and the external areas are complete.

- 3.6 The lease to SWAN is required in order for Swan to enter into a lease with the power supplier and get power on to the development in order to commission and complete. The lease is ready to be completed subject to approval of the Commissioners. Until this is done the project is being delayed.
- 3.7 As at today this is likely to be a delay of around three months. The sub-contractor, Countryside, have issued a notice of delay to Swan. This means that the continued delay is likely to cost the Developer Partners significant damages.
- 3.8 The costs of delay are estimated at around £13,457 per week. Currently the delay damages, which will be payable by the Developer Partners, could be as much as £180,000. The figure continues to rise until the lease is granted.
- 3.9 It should be stressed that not entering into the lease is not a feasible option as the lease is required for the electrical substation, without which the newly built homes and other buildings have no power and are therefore inhabitable.
- 3.10 The small strip of land, subject to the proposed lease, has a negligible value.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1. In July 2009, Cabinet agreed that £13 million be allocated to fund the costs of land assembly and decants relating to the Blackwall Reach Development and the Woolmore Street Medical Centre. This was in addition to the recycling of a £1.5 million capital receipt under the conditions of the disposal of the St Matthias site to the HCA.
- 4.2. On 9 February 2011, Cabinet subsequently approved the 'Blackwall Reach Regeneration Procurement and Scheme Development' report which enabled the Council and the Greater London Authority (GLA) to enter into a development partnership with Swan Housing Group. In turn this led to Swan securing significant Government funding for the scheme.
- 4.3. Within the development plans it is proposed that various leases are entered into in relation to sites owned by the GLA and the Council. This includes the electricity substation for which a lease is to be granted to Swan. The site is considered to be of negligible value.
- 4.4. The report outlines that delays in agreeing the lease mean that Swan is currently incurring costs of £13,457 per week as a result of not being able to enter a subsequent lease with an energy supplier. Entering into the formal

lease will avoid these potential costs increasing further and will therefore reduce pressures on the financial viability of the project.

5. LEGAL COMMENTS

- 5.1. By virtue of s123 of the Local Government Act 1972 the Council has the power to dispose of land for the best consideration reasonably obtainable.
- 5.2. The Council is obliged as a best value authority under section 3 of the Local Government Act 1999 to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". The consideration of the information in this report concerning the value of the land and its contribution to the larger project is consistent with the discharge of this function.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1. There are no immediate One Tower Hamlets considerations arising from this report. The delivery of the Blackwall Reach Regeneration Scheme will deliver much needed homes, including family-sized homes, as well as a much improved public realm.

7. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 7.1 There are no immediate 'sustainable action for a greener environment' implications arising from this report. The new homes being built on the scheme are of a substantially higher standard of energy efficiency than the homes they replace.

8. RISK MANAGEMENT IMPLICATIONS

- 8.1. A continued failure to enter into the lease is incurring costs for the Developer Partners. In addition, without the electrical substation, the homes in Phase 1a of the scheme cannot be completed and occupied, meaning delays to future phases of the scheme due to a lack of decant properties. The most appropriate way to treat this risk is to enter into the lease as a matter of urgency.

9. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 9.1 There are no immediate crime and disorder implications arising from this report. The design of the new estate will be conducive to the reduction of crime and disorder by designing in passive surveillance of public spaces, and improving accessibility to and through the site.

10. EFFICIENCY STATEMENT

- 10.1 This report is not concerned with proposed expenditure, reviewing or changing service delivery or the use of resources and therefore an Efficiency Statement has not been included.

11. SAFEGUARDING IMPLICATIONS

- 11.1 There are no immediate safeguarding implications arising from this report.
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Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- None.

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- None.

Officer contact details for documents:

- Ann Sutcliffe, Service Head, Corporate Property & Capital Delivery, x4077