

REQUEST FOR MAYORAL DECISION – MD1410

Title: Silvertown Quays Enterprise Zone Capital Grant Funding Bid

Executive Summary:

London's Royal Docks Enterprise Zone has been awarded £12m in capital grant by the Department for Communities and Local Government's (DCLG) Building Foundations for Growth Enterprise Zones fund, towards the enhancement of Millennium Mills on the Silvertown Quays site.

The Greater London Authority (GLA)'s development partner for the Silvertown Quays site, The Silvertown Partnership (TSP), will deliver the works to Millennium Mills to achieve the expected outputs and outcomes as set out in a funding agreement between the GLA, GLA Land & Property Limited (GLAP) and TSP.

LEP has given its approval for the GLA, as the Accountable body on behalf of the LEP, to enter into a funding agreement with DCLG.

The grant must be drawn down by the GLA from DCLG on or before 31 March 2015.

Decision:

That the Mayor approves:

1. The GLA entering into a Funding Agreement with DCLG, acting as the Accountable Body on behalf of the London Enterprise Panel (LEP) for the monitoring and delivery of the project to achieve the agreed outputs.
2. The GLA and GLAP entering into a Funding Agreement with TSP who will be responsible for the design, gaining planning consent and management of the works to Millennium Mills.
3. The receipt of £12m from DCLG's Building Foundations for Growth Enterprise Zones Capital Grant fund
4. The expenditure of £12m towards the enhancement of Millennium Mills, on the Silvertown Quays site.

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 In June 2013 GLAP entered into a Master Development Agreement (MDA) with TSP, a consortium made up of First Base Limited and Chelsfield Properties Limited, for the delivery of a 4.2 million square foot mixed use scheme anchored by innovative ‘brand pavilions’. The pavilions will combine product demonstration space, office space, exhibition space and retail space whilst also acting as a destination or tourist attraction.
- 1.2 The scheme will be delivered over three phases with TSP required to deliver a ‘minimum development’ requirement for each phase, as prescribed in the MDA. As part of the minimum requirements for Phase 1, the developer will be required to construct a new bridge across Royal Victoria Dock to the ExCel Exhibition Centre which will link to the new Crossrail Station at Custom House which opens in 2018. The Millennium Mills works are currently programmed to be delivered in Phase 2 of the scheme which may not start until 2027.
- 1.3 In autumn 2013 Department for Communities and Local Government (DCLG) announced an infrastructure programme to accelerate commercial development within Enterprise Zones. The Local Enterprise Partnership (LEP) submitted a bid for a package of measures including early refurbishment works to Millennium Mills and the new bridge linking Silvertown Quays to Custom House Station in the Royal Docks Enterprise Zone. The bid was prepared by London Borough of Newham in consultation with the LEP, the GLA and TSP. The total bid was for £22m funding.
- 1.4 The key objective of the proposal was to deliver new jobs and accelerate economic growth in the Royal Docks through a) the provision of first class transportation infrastructure at Custom House, b) a new landmark bridge connection to the Silvertown Quays site and c) the early renovation and development of the iconic Millennium Mills building for a variety of employment and leisure uses.
- 1.5 In February 2014 London’s Royal Docks Enterprise Zone was awarded £12m towards the new bridge connection to Silvertown Quays and early renovation works to Millennium Mills subject to submission and approval of a full business case to DCLG. Unfortunately the bid for the works to Custom House was not successful.
- 1.6 The £12m funding award included the full requested allocation for Millennium Mills (£7m) and a 50% contribution towards the anticipated cost of the bridge (£5m).
- 1.7 The GLA, DCLG and TSP worked to identify a solution to provide the gap funding required for the bridge within the terms of the MDA including having discussions with HM Treasury to determine whether they are able to assist TSP in meeting the shortfall through some form of guarantee. No suitable solution was identified. The GLA, in agreement with DCLG and TSP decided to amend the full business case submission to include the £5m award for the bridge within Millennium Mills to carry out further demolition and piling works in addition to the £7m asbestos enabling works.
- 1.8 The full Business Case for the £12m funding for Millennium Mills was approved by DCLG’s Investment Sub-Committee in August 2014.
- 1.9 In order to draw down the funding for Millennium Mills, the GLA will have to enter into a funding agreement with DCLG.
- 1.10 The MDA allows TSP to enter the site under a licence from GLAP to deliver early infrastructure works prior to the drawdown of phase 1. The GLA and GLAP have agreed with TSP to treat the works to Millennium Mills as early infrastructure works which will be documented within a separate funding agreement. The funding agreement also sets out the conditions and milestones required

to be met by TSP before it is entitled to drawdown the funding and deliver the works. The key clauses of the funding agreement are summarised below:

- a) TSP must secure a detailed planning permission and all permits required for the redevelopment of Millennium Mills.
- b) The contractors carrying out the works are directly employed and managed by TSP under contracts that have been approved by the GLA/GLAP. The GLA and GLAP have direct relationships (under warranty) with each contractor should a default occur under the funding agreement or any of the works contracts.
- c) A claim form will be presented by TSP to the GLA for payment each month by TSP for qualifying monies incurred under the works contracts.
- d) The GLA is only obliged to pay up to a maximum of £12 million where the milestones are met and where funding has been provided by DCLG.
- e) A clawback arrangement whereby the 'overage style' provisions of the MDA will apply to Millennium Mills, so any 'phase premium' on the Millennium Mills phase, up to value of the grant, will be returned to the GLA. The GLA has agreed with DCLG to endeavour to re-invest any phase premium up to £12m within the Royal Docks Enterprise Zone.
- f) The fourth schedule of the MDA set out how any phase overage payment is calculated in addition to the base land value. The DCLG funding will be classified as Excluded Development Expenditure when calculating any phase overage payment due to GLAP.

- 1.11 This is a one off investment and will not deliver any lettable floorspace but will enable Millennium Mills to be delivered in Phase 1, 5 years earlier than currently programmed within the MDA with TSP.
- 1.12 The Millennium Mills works were foreseen under the scope of the SQ project awarded to TSP following an OJEU compliant competition. The legal considerations of this arrangement are detailed in the reserved part of this paper.

2. Objectives and expected outcomes

- 2.1 Site Preparation and Enabling Works for Millennium Mills will deliver the following outputs:
 - Accelerate refurbishment of Millennium Mills from Phase 2 to Phase 1, so that the building is delivered 5 years earlier than currently planned;
 - Remove asbestos and provide improvements to the building which will enhance the value of what is currently a public asset;
 - Create 80 construction jobs;
 - Facilitate the provision of 32,000 sqm of commercial floorspace and 3,500 sqm of retail/leisure floorspace capable of accommodating 2,000 jobs;

3. Equality comments

- 3.1 There are no equality implications. The works involve the removal of asbestos, demolition and piling works but will not deliver any occupiable space. This has no impact on the end users (future occupiers) and therefore no impact on any of the protected characteristics.

4. Other considerations

- 4.1 Delivery risk

There is a risk that the refurbishment works will identify significantly more asbestos than expected and major structural issues. However, their consultants have carried out a number of surveys of the building and subject to any major structural issues being encountered, are confident the building can be refurbished.

It is anticipated that there will be a seamless approach to the next phase of the works. TSP plans to commence the remaining refurbishment of the Mill building in the middle of 2015 in parallel with the completion of the works funded by DCLG. The building will therefore not be left for a period without any works taking place. The refurbishment of Block B (fronting the dock) will be complete in 2017 when first occupations will occur. This will include both business space and ground floor retail and leisure uses. It should be noted that this programme is very tight and there are a number of key conditions that need to be satisfied before the MDA goes unconditional and TSP are able to drawdown Phase 1.

If the next phase of work is delayed or TSP do not proceed with Phase 1, the building will not deteriorate further because TSP are required under this initial phase to leave the building in a water tight condition as far as practically possible.

5. Financial comments

- 5.1. GLA will receive the grant as a capital grant which will be awarded to TSP as a capital grant and monitored as such. As the accountable body the GLA has a duty under the funding agreement to ensure that the expenditure incurred by TSP is capital in nature.
- 5.2. TSP will be deemed to be providing services to GLAP on which VAT will be charged. A cost will not arise as GLAP will reclaim this VAT in full from HMRC.
- 5.3. The grant is not repayable to DCLG by the GLA nor is TSP required to repay provided that all conditions set out in the grant award between GLA and TSP are met. Any clawback made will be reinvested into the Royal Dock Enterprise Zone as agreed with DCLG.
- 5.4. The grant is forecast to be received by the GLA, £6m in 2014-15 and £6m in 2015-16. TSP will draw down the grant from the GLA after submitting evidence of construction (and in line with the grant agreement). Current estimates are that some expenditure will be incurred in 2014-15 but this has yet to be quantified.

6. Legal comments

- 6.1. GLA/GLAP has been advised by Herbert smith throughout this project including in relation to funding agreement and associated matters as noted above
- 6.2. Section 30 of the Greater London Authority 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:
 - (a) Promoting economic development and wealth creation in Greater London;
 - (b) Promoting social development in Greater London; and
 - (c) Promoting the improvement of the environment in Greater Londonand, in formulating the proposals in respect of which a decision is sought, officers confirm they have complied with the GLA's related statutory duties to:
 - pay due regard to the principle that there should be equality of opportunity for all people;
 - consider how the proposals will promote the improvement of health of persons in Greater London, promote the reduction of health inequalities between persons living in Greater London, contribute towards the achievement of sustainable development in the United Kingdom and contribute towards the mitigation of or adaptation to climate change in the United Kingdom; and
 - consult with appropriate bodies.

6.3 Sections 1 to 3 of this report indicate that the Mayor has the power to agree to the Decisions set out above.

7. Investment & Performance Board

- 7.1 The Board received a report at its 16th September 2014 meeting outlining the anticipated award of £12m to the London Enterprise Panel (LEP) from the Department for Communities and Local Government's (DCLG) Building Foundations for Growth Enterprise Zones Capital Grant fund towards early refurbishment works to Millennium Mills on the Silvertown Quays site within the Royal Docks Enterprise Zone.
- 7.2 The Board noted that, once confirmed, the proposals for delivery of the project would be presented to the LEP for agreement.
- 7.3 The LEP Board has agreed this proposal through urgency procedure on the 13th October 2014.

8. Planned delivery approach and next steps

Activity	Timeline
Procurement of contract	November 2014
Announcement	December 2014
Delivery Start Date	Started
Final evaluation start and finish (self/external) [delete as applicable]:	Will be evaluated as part of the wider Silvertown Quays Scheme
Delivery End Date	Summer 2015
Project Closure:	October 2015

Appendices and supporting papers:

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 the formal announcement and press visit

Until what date: 15 December 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 – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Paul Guest 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:

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

✓

Sponsoring Director:

David Lunts 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