

GREATER LONDON AUTHORITY

Resources

City Hall
The Queen's Walk
More London
London SE1 2AA
Switchboard: 020 7983 4000
Minicom: 020 7983 4157
Web: www.london.gov.uk

John Biggs

Chairman
Budget and Performance Committee
London Assembly
City Hall
The Queen's Walk
London SE1 2AA

Our ref: biggs300611

Date: 30 June 2011

Dear John

Thank you for your letter of 17 June seeking information on the government grant settlement for the LDA and other budget guidance information.

Grant settlement for LDA functions

Please find attached letters from the Department for Business Innovation & Skills dated 10 March and 3 June. Please note that we expect the issue of the 2014-15 grant level to be revisited by Government as 2014-15 will become the first year of the next Spending Review period.

GLA General Grant

We expect formal notification from DCLG of the GLA general grant levels for the existing functions of the Mayor and the Assembly for the each of the three years 2012-13, 2013-14 and 2014-15 later this autumn. In meantime we have assumed the following levels of grant for those years:

2012-13	£44.7m
2013-14	£40.4m
2014-15	£36.1m

The figures quoted are based on the broad level of cuts to the grant that the DCLG has informed us to expect. The comparative figures for 2010-11 and 2011-12 are £48.1m and £46.4m respectively.

In setting savings targets for both 2011-12 and 2012-13 the Mayor has sought to obtain some additional headroom and flexibility, hence the savings target in both years being higher than the grant reduction.

Savings figures quoted in the Mayor's budget guidance

As with last year, the Mayor decided to exempt certain items – deemed to be “non-controllable” expenditure – in the Mayoral component budget from the savings.

Appendix E to the guidance listed those items as follows:

2012 Directorate	£62.2m
Elections	£7.1m
Fixed premises costs for City Hall/Brussels Office	£8.1m
Capital financing costs	£0.8m
Contingency	£8.9m
Net contribution from reserves	£1.5m
Ring-fenced grants:	
London & Partners	£16m
Design & fashion	£1m
Council tax freeze grant	£23.2m
LWaRB	£9.5m
Rough sleeping	£8.5m

Taking the Mayoral component budget total of £147.1m and subtracting these items, while noting that the nature of the reserve contribution and the Council Tax freeze grant are such that they need to be added back in, provides a total for "controllable" expenditure of £49.6m (allowing for roundings).

The £49.6m is shared between directorates in the following proportions (again allowing for roundings):

Head of Paid Service	£0.7m
Private Office	£3.4m
Development & Environment	£7.4m
Resources	£12.7m
Museum of London	£7.7m
Communities & Intelligence	£9.9m
External Affairs	£8.0m

Applying the 5% savings target to each of these figures, and once more allowing for roundings, gives the directorate savings targets quoted in the guidance.

LDA functions transferring in to the GLA have not been included in the savings figures due to the need to integrate them over a period of time into existing GLA structures and only then gauge the capacity for savings that there might be.

Use of the grant for LDA functions in 2011-12: the full grant allocation set out in the grant letter of 3 June is budgeted to be spent in 2011-12. This will be closely monitored during the year but at this stage the Mayor's budget guidance does not make any assumption on the carry forward of funding for use in future years by the GLA

Yours sincerely



Martin Clarke
Executive Director

Sir Peter Rogers
Chief Executive
London Development Agency
Palestra House
197 Blackfriars Road
LONDON
SE1 8AA

10 March 2011

Dear Sir Peter

SPENDING REVIEW SETTLEMENT & FINAL ALLOCATION FOR THE LDA

I am writing to you about the RDA Spending Review settlement and to provide you with the LDA final single budget allocation for 2011-12 to 2014-15.

The Spending Review settlement was based on funding the legal commitments of the RDAs, net of forecast receipts, as forecast in September 2010, and thus the LDA allocation is limited to those legal commitments forecast to BIS in September 2010.

We have sought to address and mitigate the constraints of a difficult Spending Review Settlement for London by providing additional flexibility through a London 'Pot', and through providing support on transition costs into the Greater London Authority.

Further details of grant conditions will be provided in a Section 10 grant letter revised to reflect the changes in the landscape and to ease the transition into the GLA. We hope to discuss a draft of this with your team imminently.

Operation of a London 'Pot'

The next four years will be challenging, as the Government seeks to tackle the deficit by reducing public spending. Within the overall Spending Review settlement, Ministers have, however, agreed to provide a single London 'Pot' that will allow the LDA to mix funding for economic development, Olympic, and administration commitments. Where costs may be reduced, the LDA will be able to invest the savings in priority projects.

Programme Allocation

The indicative total programme allocation to the LDA from 2011-12 to 2014-15 will be approximately £155m, £115m, £50m, £0m. No funding is provided for 2014-15 as no figures were provided by the LDA in June or September 2010 commitment returns. More detail is given at Annex A. This is based on the legal commitments reported in the September commitments return, with the adjustments below.

The final allocation takes account of the cost of running the Business Link service to November 2011, when Ministers have agreed that the current arrangements will cease. The adjustment is based on the figures reported in the LDA September 2010 commitments return.

LDA Corporation Tax has been moved from AME to RDEL. Whilst we expect that this will be cost neutral, any fluctuations against this forecast will be for the LDA to manage.

Funding for Transition to the GLA

BIS has allocated approximately £59m in RDEL in the year 2011-12 to cover the costs of the transition of the LDA to the GLA, subject to approval of the Localism Bill. This has been calculated on the basis of staffing costs, overhead costs, and redundancy costs from the profile supplied by the LDA. As well as other closure and contract novation costs, it also includes a contribution to the costs arising as a result of early retirements, a contribution to the crystallisation cost for the LDA's Local Government Pension Scheme, as well as funding for the administration of the Olympic Park Legacy Company for 2011-12.

Transition funding may be treated as part of the London 'Pot', but should transition costs exceed the initial calculation, there will be no further funding from the RDA Single Programme allocation or BIS.

Olympic Debt Repayment

The allocation is conditional on the current LDA debt repayment commitments, as part of the Olympic land and debt deal, being met. It will be a condition of the offer letter that the LDA provides BIS, DCLG, and HMT an update quarterly on its debt repayment and overall debt position.

Under the terms of the Olympic Park land deal, the Mayor and LDA have agreed to certain conditions to ensure that the transaction remains fiscally neutral to the taxpayer. The LDA is committed to repaying £369m of debt over the period 2011-12 to 2013-14 and to not undertake any further borrowing over the same period.

As such, in 2011-12, the LDA must:

- Undertake no borrowing, either from the Public Works Loans Board or other sources
- Repay £251m of its existing debt

Any unauthorised variation will lead to an adjustment in the grant in aid given to the LDA from Government.

LDA Assets

It is intended that all LDA assets (and liabilities) will be transferred to the GLA before the closure of the LDA. This will give the GLA an important portfolio of regeneration assets to

support its new responsibilities for housing and regeneration in London being included in the Localism Bill. It will also provide a further income stream, through the timely disposal of assets, to cover any outstanding liabilities from the closure of the LDA that the GLA might inherit.

Interim controls on LDA expenditure

These interim controls will be lifted on receipt of this letter, and the controls for 2010-11 will revert to those specified in the initial issue of the RDA Act Section 10 letter for 2010-11.

I am copying this letter to Martin Clarke, Executive Director of Resources at the GLA, Edward Twiddy at the Treasury and to Andrew Short at DCLG.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P Hadley', with a stylized flourish at the end.

Paul Hadley
Deputy Director, Finance and HR

Annex A

Indicative allocation for LDA 2011-12 to 2014-15

	2011-12			2012-13			2013-14			2014-15 and Future Years			Sum Total £m
	Current £m	Capital £m	Total £m	Current £m	Capital £m	Total £m	Current £m	Capital £m	Total £m	Current £m	Capital £m	Total £m	
Single Pot													
Allocation to the LDA													
Programme (1)	66.886	92.106	158.992	27.834	87.436	115.270	12.000	38.000	50.000	0.000	0.000	0.000	324.262
Less BL Closure (2)	-3.845	0.000	-3.845										-3.845
Net Programme (3)	63.041	92.106	155.147	27.834	87.436	115.270	12.000	38.000	50.000	0.000	0.000	0.000	320.417
Corporation Tax (4)	3.000	0.000	3.000	3.000	0.000	3.000	3.000	0.000	3.000	3.000	0.000	3.000	12.000
Transition Allocation (5)	58.956	0.000	58.956	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	58.956
Total LDA Allocation (6)	124.997	92.106	217.103	30.834	87.436	118.270	15.000	38.000	53.000	3.000	0.000	3.000	391.373

Notes:

- (1) These figures are taken from the LDA September 2010 commitments return.
- (2) Estimated savings on the closure of Business Link, based on the LDA September 2010 commitments return.
- (3) The net programme allocation, taking into account the adjustments at (2).
- (4) LDA Corporation Tax moved from AME to DEL
- (5) The agreed sum for the transition of the LDA into the GLA
- (6) The total amount due from the Single Pot for the operation and closure of the LDA in the period 2011-12 to 2014-15.

Martin Clarke
Executive Director of Resources
Greater London Authority
City Hall
110 The Queen's Walk
LONDON
SE1 2AA

3 June 2011

Dear Martin

LONDON DEVELOPMENT AGENCY: GRANT OFFER LETTER 2011/12

1. I am writing to notify the Greater London Authority ("the Authority") of the amount of grant to be paid by the Secretary of State for the purposes of the London Development Agency ("the Agency") for the financial year 2011/12.
2. The grant is to be paid to the Authority under Section 10 of the Regional Development Agencies Act 1998 ("the RDA Act") (as amended by the Greater London Authority Act 1999 (the "GLA Act")) for the purposes of the Agency. The Secretary of State needs Treasury approval to make the payment, and I confirm that the necessary Treasury approval has been given.
3. Section 5 of the RDA Act as amended by the GLA Act, provides that the Agency may do anything which it considers expedient for its purposes, or for purposes incidental thereto but only with the prior consent of the Secretary of State in specific circumstances. This letter gives the Agency consent under Section 5(2)(a) to give financial assistance and consent under Section 5(2)(b) to dispose of land for less than the best consideration which can reasonably be obtained up to a specific limit on the terms set out in Annexes B and C.
4. The Receipts Control Total in the Table below is based on the receipts estimate provided by the Agency on 15 December 2010, comprising £6.2m in Current receipts and £16.2m in Capital receipts. The Receipt Control Total may be subject to adjustment, as set out in paragraph A14.
5. The amounts payable to the Agency in this financial year are set out below.

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2011/12 LONDON DEVELOPMENT AGENCY	Capital (£'000)	Resource (£'000)	Total (£'000)
Programme Budget Allocation	92,106	66,886	158,992
Reduction in Allocation			
Reduction of £3.8m for Business Link closure	0	-3,845	-3,845
Additional Allocation			
Corporation Tax (moved from AME to DEL)	0	3,000	3,000
Allocation for Transition in 2011/12	0	58,956	58,956
Budget Allocation			217,103
Control Total on Receipts			22,400
Control Total on Administration			16,265

6. The Agency's Corporation Tax is included for the first time in DEL rather than AME, and an allocation of £58,956,000 in RDEL in 2011/12 is made to cover the costs of transition.
7. The terms on which grant is paid to the Authority for the purposes of the Agency are set out in this letter and attached Annexes. The terms bind the Agency.
8. I am copying this letter to Lurene Joseph, Chief Executive, and Angie Ridgwell, Group Director of Finance, at the London Development Agency.

Yours sincerely,



Paul Hadley
Deputy Director, Economic Development Directorate
RDA Transition – Finance and HR

TERMS AND CONDITIONS APPLYING TO GRANT

Statutory Authority and Purposes

A1. This Annex sets out the general terms on which the Secretary of State will pay grant to the Agency. Grant for the Agency is payable to the Authority, which is obliged to account for the grant and pay it over to the Agency under Section 103 of the GLA Act. Under Section 10 of the RDA Act, as amended, grants are payable on such terms as the Secretary of State, with Treasury approval, thinks fit.

A2. These terms are in addition to (and not in substitution for) statutory requirements or any guidance or directions made by the Secretary of State or the Mayor under statutory powers and other such terms as the Secretary of State may specify in relation to the payment of grant.

A3. Grant is made available to the Agency for the purposes as set out in Section 4 of the RDA Act, which are:–

- to further the economic development and the regeneration of Greater London
- to promote business efficiency, investment and competitiveness in Greater London
- to promote employment in Greater London
- to enhance the development and application of skills relevant to employment in Greater London
- to contribute to the achievement of sustainable development in the United Kingdom where it is relevant to Greater London to do so, and
- under Section 36(1) of the London Olympic Games and Paralympic Games Act 2006, to prepare for those Games following a request of the Olympics Delivery Authority.

A4. Grant must be used to further the statutory purposes of the Agency, and in accordance with the Agency's economic development strategy and corporate plan.

Delegations under Section 6 of the RDA Act

A5. Financial commitments incurred by the Agency prior to 1 April 2011 under the terms of the delegations set out below should be administered during this financial year in accordance with the terms of those delegations. If this raises practical problems the Agency should seek the agreement of the Secretary of State to changes in the relevant delegations and guidance. The letter and Annexes should be read in conjunction with the following documents:

- the letter of 26 June 2000 delegating to the Mayor specified functions of the Secretary of State for the Environment, Transport and the Regions in relation to the Single Regeneration Budget;
- the letter of 4 April 2001 delegating to the Mayor specified functions of the Secretary of State for the Environment, Transport and the Regions in relation to successor schemes to Rounds 1-6 under the Single Regeneration Budget;

- the letter of 26 June 2000 delegating to the Agency (with the Mayor's consent) specified functions of the Secretary of State for the Environment, Transport and the Regions in relation to the Single Regeneration Budget, and Derelict Land Act Grant;
- the various letters of 28 March 2002 delegating to the Agency (with the consent of the Mayor – his letter of 1 February 2002 to the Secretary of State refers) the function of awarding financial assistance of less than £2m Selective Finance for Investment in England (SFIE), including the appraisal, monitoring and the making of payments and the monitoring of specific claims in relation to offers of assistance of £2m or more;
- transfer schemes associated with these delegations which had effect on 3 July 2000 to transfer associated property, rights and liabilities from the Crown to the Agency;
- a transfer scheme (also having effect from 3 July 2000) with respect to property, rights and liabilities of English Partnerships;
- a transfer scheme (having effect on 1 April 2001) with respect to property, rights and liabilities of English Partnerships;
- guidance issued to the Mayor under section 7B of the RDA Act, which was inserted by section 307 of the GLA Act with respect to the preparation of the Agency's economic development strategy for London;
- a transfer scheme (having effect on 1 April 2005) with respect to the Business Link contract; and
- a transfer scheme (having effect on 1 April 2005) with respect to Research and Development and legacy SMART schemes.

Corporate planning, monitoring and reporting

A6. The Agency shall provide regular updates on the LDA – GLA transition plan through the LDA-GLA Transition Working Group.

A7. The Agency shall make available to the Department sufficient information about its performance to inform the Secretary of State's decisions on the future allocation of public expenditure.

A8. The Agency will provide the Authority and the Department, every quarter, information on its commitments and ongoing liabilities. This will include:–

- details of its legal and near-legal commitments for the four years, including remaining liabilities from Olympic land assembly programme;
- a statement of the Agency's current long term borrowing and its current debt repayment schedule; and
- reconciliation of its debt repayment with the Olympic Land Agreement.

Audit, financial regularity, propriety and value for money

A9. The Agency shall ensure that it has the appropriate audit and accountability arrangements in place, designed to ensure that grant paid to the Agency is used in ways that

- are in accordance with its statutory purposes;
- satisfy the terms and conditions set out in this letter and the Annexes;

- enable the Agency to achieve financial regularity, propriety; and
- enable the Agency to achieve value for money.

A10. The Agency shall provide the Department with such details as are appropriate to enable the Department's Accounting Officer to satisfy himself that the Governance systems outlined above are sufficiently robust to enable the Agency to achieve financial regularity and propriety.

A11. The Secretary of State may reduce or suspend any payment of grant, or may require all or part of any grant to be repaid if the Agency:

- has used any grant for a purpose other than one for which it has been paid;
- has failed to comply with any of the terms of this letter or its Annexes; or
- has failed to take effective measures to investigate and resolve any reported irregularity.

Arrangements for grant

A12. The net grant allocation set out in the offer letter is the maximum amount of grant that will be paid to the Agency. However, Ministers have agreed to provide a single London 'Pot' that will allow the LDA to mix funding for economic development, Olympic, and administration commitments subject to paragraphs A13-A15 below. Where any costs may be reduced, the LDA will be able to invest the savings in priority projects.

A13. The Agency shall not exceed £16,265,000 on Administrative expenditure in 2011/12.

A14. The net grant allocation set out in the offer letter is not necessarily the amount that will be paid. The grant figure may be subject to adjustment to take account of the amounts of receipts derived by the Agency from the use and disposal of assets. This is explained below in paragraphs A16-A18.

A15. The grant allocation also specifies an amount to be used for current expenditure (see table at Paragraph 5 of the letter). It is a term of payment that the Agency must ensure that no more than that is used during the financial year for current expenditure without the prior agreement of the Secretary of State. For these purposes current expenditure means expenditure which is not capital expenditure within the meaning of part I of the Local Government Act 2003.

Determination of grant and receipts

A16. Before the beginning of the Financial Year, the Secretary of State will agree a figure for receipts for the Agency and that will be set out in the Agency's Section 10 grant letter (see table at paragraph 5 of the letter). Provided that the Agency remains within its receipt control total, it will be entitled to receive the net grant allocation set out in its offer letter. If the Agency's receipts exceed the control total by more than 30% the allocation of grant to the Agency may be reduced by the amount by which the target is exceeded by more than 30%. If the Agency, exceptionally, wishes to utilise excess receipts greater than 30% it must seek the prior approval of the Secretary of State. The Secretary of State will not increase the amount of grant allocated to the Agency if the Agency does not achieve its control total for receipts tabulated in Paragraph 5 above.

A17. The following receipts will not be counted against the Agency's control total:

- a. City Growth
- b. European Structural Fund Co-Financing Objective 3
- c. European Regional Development Fund
- d. Housing Genomics
- e. Communities Plan Fund
- f. Recovered VAT
- g. HCA Kickstart funding
- h. Receipts from the OPLC (estimated at £100.6m in Q1 2011/12).

A18. Capital receipts may be used for capital expenditure, but may not be used for current expenditure, unless the prior written approval of the Department is obtained.

A19. Corporation Tax is now included in the Agency's allocation for the first time, as Resource.

Borrowing

A20. The Agency is permitted to use its revenue grant to cover any interest charges associated with its Olympic Land Assembly and Remediation Programme borrowing, and its capital grant to pay back the principal if it wishes.

A21. As part of the Olympic land and debt deal agreed in March 2010, the Agency is committed to reducing its long term borrowing by £369m over the period 2011/12 to 2013/14 and has undertaken not to take out further loans over this period although, supported by a business case, it may re-structure existing debt to achieve more favourable terms or to alter the existing maturity profile necessary to meet the £369m repayment obligation. The LDA is required to pay £251m of its existing debt in 2011/12. The Agency shall agree with Treasury, BIS and DCLG a baseline for its long term debt at the start of 2011/12 and provide a quarterly update of its borrowing position.

Claims for payment of grant

A22. Written applications for grant to be paid should be made by the Agency to the Department on a monthly basis. Applications must incorporate a statement of cash held by the Agency, and a cash flow statement. It will be signed by the Agency's Chief Finance Officer or his nominee. The claims must be accompanied by a certification by that person that all terms specified for the payment of grant have been duly observed to date and that a further payment of the grant allocated for the Agency's purposes is now needed to meet expenditure during the current month.

A23. The claim will be submitted by the 5th working day of the month and payment of the claim will be authorised within five working days of receipt of the grant claim. Where this is not possible, the Department will notify the Agency of the reason for the delay. When submitting a claim, the Agency will provide a forecast of its grant requirement for the subsequent month. The Agency's forecasts of its requirement should be as accurate as possible, and the Agency will be set targets for the accuracy of its forecasts. This will be detailed in the Department's "cash management system". In submitting the claim, the Agency will provide the Department with a written explanation where the grant forecast provided the previous month is outside of the tolerance figure for accuracy set by the Department.

A24. The Agency's estimation of its grant requirement for the year will inform the Department's own estimation of its requirements. Where a change in grant allocation is needed, the Department will seek a Supplementary Estimate. There will be a single Supplementary Estimate in 2011/12 the timing of which will be confirmed in due course. The figures provided for the Supplementary Estimates may put a ceiling on the amount of grant that the Agency will be able to claim in-year. Neither the Department (nor the Agency) can exceed the provision set out in the Supplementary.

Working balances

A25. Throughout the year, the Agency shall keep cash, cash equivalent and bank balances at the minimum level consistent with efficient operations. Any cash surplus must be placed on deposit until it can be used. The Department will take into account any unspent balances of grant when determining monthly payments of grant. The unspent cash balance of grant, at the end of the year should not exceed £20m. The LDA will provide details of its bank account at the year-end, showing clearly the amount of unspent grant and the amount attributable to other income.

Expenditure on overseas offices

A26. The Agency is required to seek and obtain prior Ministerial approval through UK Trade and Investment's Business Group for any proposal to extend or create new overseas offices involved in inward investment or trade promotion activities. This is because the Minister for Trade and Investment needs to retain a national overview of the UK's overseas activities. The Agency will need to present in a separate business case to UK Trade and Investment's Business Group, the following points, together with associated costs:

- the added value of new, or an expansion, of the overseas network;
- key plans and objectives for the new overseas operation;
- key elements of the associated costs, promotional and marketing plans to be carried out by the new operation;
- the scope for proceeding on a collaborative basis with other RDAs;
- how the proposal will contribute to the delivery of the Agency's economic development strategy; and
- whether prospective leads generation broadly match the Agency's sectoral and cluster priorities.

Fraud and theft

A27. The Agency shall ensure that it has in place robust procedures to prevent fraud and theft and to investigate any fraud and theft when it has occurred or where it is suspected. The Agency shall report to the Department any instance of fraud or theft involving staff or officials, or is novel. The Agency should also ensure that lessons are learned from any such instances of fraud or theft as may occur and those procedures are improved as a result of such lessons.

Asset management

A28. The Agency shall ensure:

- that it maintains a register of all capital assets acquired by the Agency using grant paid to it under the terms of this letter, and
- that it gets the best consideration which can reasonably be obtained when disposing of any assets unless the Agency has the consent of the Secretary of State by virtue of Annex C to the grant offer letter, or such consent has otherwise been received in advance from the Secretary of State.

Expenditure by the Agency

A29. The Authority shall ensure that, in setting its budget, the Agency provides sufficient administrative resources to enable the Agency to undertake effectively such of its activities as are aided by grant paid under the terms of this letter.

Financial controls and authorities

A30. The following conditions apply where grant, paid under the terms of this letter, is expended by the Agency in making a grant to third parties:—

- The Agency shall ensure that every such grant made is subject to conditions and rights of inspection which are sufficient to enable the Agency to meet its own obligations under these terms.
- Where the Agency makes a grant in order to finance expenditure on capital assets by any third party, the Agency shall make appropriate arrangements to ensure that assets are not disposed of without the Agency's prior consent. The Agency shall, therefore, ensure that such repayment conditions are sufficient to secure the repayment of the Exchequer's due share of the proceeds of the sale. The Agency shall ensure that if the assets created by grants made by the Agency cease to be used by the recipient of the grant for the intended purpose or are disposed of, a proper proportion of the value of the asset shall be repaid to the Agency.
- In giving grant, the Agency must observe all applicable laws and rules of the European Community, including, in particular, European Community State Aid requirements¹.

Appraisal and monitoring

A31. The Agency is responsible for establishing effective arrangements for the appraisal, approval and monitoring of its expenditure under the single budget. The Secretary of State understands that this should include arrangements for the approval of projects over £10m by the Mayor and over £50m, with the consent of the Treasury, by the Secretary of State.

Novel, contentious or repercussive proposals

A32. Notwithstanding the above paragraph, the Agency must obtain the approval of the Secretary of State and the Treasury, before incurring expenditure for any purpose that is novel, contentious or repercussive. Where there is uncertainty whether the proposed expenditure might be so classified, the Agency should seek a ruling from the Secretary of State and the Treasury.

¹ Policy on what constitutes 'de minimis' payment is provided by the European Commission and guidance can be found on the BIS's web site: <http://www.bis.gov.uk/policies/europe/state-aid/state-aid-de-minimis-notification-procedures>

Guarantees and contingent liabilities

A33. The Agency must keep a record of all contingent liabilities including guarantees, indemnities and letters of comfort issued to third parties. The Secretary of State will notify the Agency of any further requirements governing contingent liabilities following consultations with the Agency.

Use of grant for loans, write-offs, special payments, gifts and endowments made by the Agency

A34. Proposals for using grant to make loans, gifts, including endowments and gratuitous payments, or to write off any debts due to the Agency must have the prior approval of the Department unless they are within the limits specified in the following paragraph.

A35. The Agency may, without prior consent of the Department:

- write off individual losses or debts, following all reasonable attempts at recovery, which are neither novel nor contentious up to the value of £250,000 with the approval of the Agency Board;
- make special payments up to £5,000 per case and, £25,000 in respect of personal injuries or employment tribunals;
- make single gifts valued at less than £1,000 provided that this authority shall cease when the cumulative total of gifts within a financial year reaches £20,000;
- make loans to staff which form part of an approved employment / pay package but does not include giving loans for house purchase or car usage;
- make capital investment loans of up to £10m to a loan fund for the purpose of promoting investment in Small and Medium-sized Enterprises; and
- make loans to local authorities of up to £50,000 to be used on projects to reduce carbon emissions.

ANNEX B

FINANCIAL APPROVAL LIMITS

Consent to Commit Expenditure

B1. It is a condition of the payment of grant that the Agency may not without the prior written consent of the Secretary of State and the Treasury commit expenditure for an individual project or programme² funded from the single budget in excess of £50 million, except expenditure on individual Grant for Business Investment (GBI) projects where the limit is £2 million or more. In committing expenditure for a project the Agency shall:

- a) comply with the terms set out in this letter; and
- b) meet the requirements of other guidance issued by the Secretary of State and the Treasury.

B2. A programme has the definition assigned in “Guidance to RDAs in Appraisal, Delivery and Evaluation³” and a project is defined, for the purposes of this letter, as a unique set of coordinated activities with definite starting and finishing points undertaken by an individual or team, to meet specific objectives with defined time, cost and performance parameters.

B3. For the purpose of Paragraph B1, in determining whether the amount of expenditure proposed for a project or programme exceeds the financial limit:

- a) the Agency shall normally have regard to the total estimated Agency expenditure for the project or programme;
- b) for projects or programmes delivered through partnerships and for which grant is paid to another body, the Agency shall have regard to their estimate of total grant to be paid for the project over its whole lifetime; and
- c) the Agency shall observe the rules set out in paragraphs B4 to B8 of this Annex.

B4. The financial limit of £50m has been fixed on the condition that:

- a) the Secretary of State will be involved in post-appraisal and post-implementation monitoring of projects or programmes. This will be conducted on a sample basis agreed with the Treasury.
- b) the Agency continues to apply the measures set out in its Commissioning and Appraisal Review (CAR) which was put in place by the Agency following the issue of the ‘increase in project delegations’ letter from Liz Meek to Anne McMeel on 14 July 2004.
- c) accountability to the Mayor is strengthened for LDA projects committing expenditure of over £10m.

² Guidance contained in “Guidance for RDAs in Appraisal, Delivery and Evaluation” (GRADE) March 2008, issued by BIS, give RDAs the opportunity to undertake appraisals at programme or project level. The Agency may choose the level at which the appraisal should be conducted.

³ See Section 3.1 of GRADE for definitions and guidance on applicability.

- d) the Agency shall provide the Secretary of State with regular, at least quarterly, updates of all individual projects on which the Agency forecasts committing expenditure of over £10 million. The Secretary of State reserves the right to call in such projects or programmes for prior approval, and will notify the Agency and the Authority (or Mayor) at the earliest opportunity of which projects or programmes where approval will be required. Where the agency forecasts expenditure of over £10 million the Agency may not commit expenditure on that project or programme until it has been notified to the Secretary of State and approved by either the Mayor or the Secretary of State. It is expected that the Secretary of State will call in approximately 25% of such projects. It is a condition of payment of grant that the Agency may not, without prior consent of the Secretary of State, commit expenditure on any single project that the Secretary of State has called in under these terms.

B5. The Secretary of State retains the right to reduce the financial approval limit should the Agency receive an adverse audit report on project management or appraisal systems, or should significant problems in the Agency's project management and appraisal systems be identified through analysis of those projects or programmes requiring prior approval from the Secretary of State or identified during post appraisal and post implementation monitoring of projects under Paragraph B4(a).

B6. Projects must not be artificially split so as to portray what is properly regarded as a single project as if it were two or more projects each falling within the financial limit for the programme concerned. (Giving financial assistance under those circumstances would not be covered by the consent given by the Secretary of State below).

B7. In determining whether or not the Agency's total estimated expenditure⁴ on any project or programme exceeds a financial limit, account must be taken of all contingent liabilities, including guarantees to be given by the Agency, whether during or after the lifetime of the project or programme. Non-cash costs including losses on disposal and cost of capital should be included in consideration of whether the financial limit is exceeded.

B8. Also, in determining whether or not the Agency's total estimated expenditure on any project or programme exceeds a financial limit, any receipts received, or expected to be received, in connection with the project or programme where the Agency is the end beneficiary (e.g. Structural Funds⁵ and any funds held in separate bank accounts) shall count towards the total estimated expenditure.

Consent to giving financial assistance

B9. Subject to the following conditions, where expenditure not exceeding the financial limit involves giving financial assistance by way of grant, the Agency has by virtue of this Annex the consent of the Secretary of State, under Section 5(2)(a) of the RDA Act, to give such assistance, unless a separate consent is required.

⁴ Table 1 in GRADE on Project Appraisal refers to "Gross undiscounted costs". For the avoidance of doubt, that phrase has the same meaning as "estimated expenditure" as explained in paragraph 5 above and prior to any discounting methodology.

⁵ European Union Funding.

B10. This consent is subject to the power of the Secretary of State to call in a proposed grant or grants for specific approval (where this is done, the consent given above will not apply).

B11. In giving financial assistance pursuant to a function delegated to the Agency under Section 6 of the RDA Act, the Agency shall comply with any conditions attached to the delegation of the function concerned.

ANNEX C

CONSENT TO THE DISPOSAL OF LAND FOR LESS THAN THE BEST CONSIDERATION WHICH CAN REASONABLY BE OBTAINED

C1. Section 5(2)(b) of the RDA Act provides that the Agency may not dispose of land for less than the best consideration which can reasonably be obtained, without the consent of the Secretary of State. Where disposing of land for less than the best consideration which can reasonably be obtained involves an undervalue of no greater than £2 million, the Agency has by virtue of this Annex the consent of the Secretary of State, under Section 5(2)(b) of the Act, to dispose of such land, unless a separate consent is required.

C2. In determining whether or not to dispose of land for less than the best consideration reasonably obtainable, and whether or not any specific proposal to take such action falls within the terms of the consent stated in paragraph C1 above, the Agency should ensure that it complies with RICS Appraisal and Valuation Standards UKGN5 Local Authority Disposal of Land At Less Than Best Consideration guidance⁶ and with normal and prudent commercial practices, including obtaining the view of a professionally qualified valuer as to the likely amount of the undervalue⁷. The Agency must observe all applicable laws and rules of the UK and European Community, including in particular EC State aid requirements.

⁶ Further guidance can be found at <http://www.communities.gov.uk/publications/planningandbuilding/circularlocalgovernment> which contains amendments to ODPM's Circular 6/03 to Local Authorities.

⁷ Undervalue is the expression used to identify the difference between the unrestricted value of the interest to be disposed of and the consideration proposed. Unrestricted value has the same meaning as defined in paragraphs 2.2.1 – 2.2.3 of RICS's Red Book, UK GN5.