

PART 2 – CONFIDENTIAL FACTS AND ADVICE

MD2338

Title: Royal Docks Enterprise Zone Delivery Plan

This information is not for publication until the stated date, because:

The information in the accompanying tables contains confidential commercial information relating to investment to commercially sensitive projects. Disclosure of this information could potentially result in significant material harm to the delivery of these proposed projects, negatively impact upon the GLA's and its public sector partners ability to secure best value, and have adverse impacts on the commercial interests of private sector partners.

Date at which Part 2 will cease to be confidential or when confidentiality should be reviewed: to be reviewed once the relevant appointments, commercial and funding agreements have been negotiated and signed - expected to be Autumn 2019.

Legal recommendation on the grounds of keeping the information confidential:

In the event of any request for access to the information contained in this document under section 1 of the Freedom of Information Act 2000 ("the Act"), it is considered that access can be denied on the basis that the disclosure of such information would prejudice the GLA's commercial interests and therefore is covered by the exemption under section 43 of the Act.

Section 1 of the Act creates the general right of access, which provides that any person making a request for information to a public authority is entitled:

- to be informed in writing by the public authority whether it holds information of the description specified in the request; and
- if that is the case, to have that information communicated to him/her.

Part II of the Act contains a number of exemptions from disclosure for certain classes of information. In particular, section 43 of the Act provides that information is exempt information if disclosure under the Act would, or would be likely to prejudice the commercial interests of any person (including the public authority holding it). The section above indicates that the information is considered commercially sensitive as its release could affect the GLA's ability to effectively negotiate with prospective service providers and/or funding recipients.

The section 43 exemptions are qualified exemptions and their use is therefore, subject to a public interest assessment.

Public Interest Assessment

At present, on balance, it is considered that the public interest is best served if the information is not disclosed at this point. Disclosure by the GLA would be likely to have a detrimental effect on the GLA's commercial interests and the delivery of the proposed project.

The eligibility of these exemptions should be reassessed in the event of an FOI request for this information as the level of sensitivity may change over time and different circumstances may alter the arguments in favour of non-disclosure.

Legal Adviser - I make the above recommendations that this information should be considered confidential at this time

Name: Emma Brookman

Date: 31 July 2018

Confidential decision and/or advice: As per below

1. **Project Expenditure**

- 1.1 It is recommended that the Mayor delegates authority to the Executive Director of Housing and Land, to approve through DD forms, the income and detailed spending proposals for each project that is to be funded within the initial £212.5m expenditure budget envelope. The Delivery Plan has identified the following project expenditure under the five strategic objectives as set out below within this budget envelope:

Connectivity Projects £97.5m

- 1.2 *Royals Electricity Reinforcement:* This project will work with the UKPN and Ofgem to forward fund required electricity upgrades across the area to meet the current and future needs of development within the Royal Docks. A technical and feasibility study will be undertaken to determine future electricity infrastructure needs and undergrounding of the electricity cables from West Ham to Eastern end of Excel (Eastern Substation). (c. £2,150,000 revenue and £29,900,000 capital)
- 1.3 *Telecoms and Broadband Infrastructure Study:* To help encourage inward investment and ensure the Royal Docks business environment is as competitive as possible, the EZ needs high speed, reliable broadband with capacity to manage the projected growth in demand. This study will review the existing capacity position, explore options to upgrade it and propose steps to meet new capacity needs. (c. £70,000 revenue)
- 1.4 *DLR Station Upgrades:* This project will help increase capacity at key DLR stations to allow the area to grow and for the DLR network to manage demand accordingly. This investment sits alongside other TfL investment in new rolling stock and a new depot at Beckton. As TfL will be delivering these improvements, this project is primarily a mechanism for forward funding and due diligence to help these improvements to be delivered within the initial 5-year Delivery Plan. As such, a number of station upgrades have been grouped into a single project for the Delivery Team. The DLR station upgrades included in this project are: Beckton Park, Pontoon Dock, Royal Albert, Royal Victoria, Gallions Reach and Canning Town. (c. £35,717,000 capital)
- 1.5 *North Woolwich Road:* This project is primarily focused on facilitating and supporting the development along the corridor of the North Woolwich Road. It will provide improved connectivity and placemaking between three emerging new local centres at Pontoon Dock, West Silvertown, and

Thames Wharf and also beyond connecting to Canning Town; enabling a continuous and high quality public realm and access between these significant growth areas formed of new communities and existing places whilst ensuring enhancing connectivity from the docks to the river edge. Technical due diligence and an overall detailed transport study for the North Woolwich Road will identify the requirements for this corridor demonstrating how growth will be supported for the longer-term future development (5-10yrs) and delivered in packages as funding becomes available. (c. £4,536,141 revenue and £25,133,588 capital)

Place Projects £15.8m

- 1.6 *Overarching Place Strategy*: The strategy will set out the overall spatial vision for the Royal Docks, establishing its physical character and creating a design guide, ensuring it connects the current and future developments throughout the Royal Docks in a coherent way. The strategy will set out no more than £10m of initial expenditure at improving public realm, connectivity and placemaking across the entire Royal Docks, covering the five distinct character areas of Royal Victoria Dock, Custom House, Royal Albert Dock, Silvertown Quays and Royal Albert Basin. The strategy will also consider and identify ambitious future uses for the water as well as a robust management structure for the wider Royal Docks estate. (c. £1,000,000 revenue and £10,000,000 capital)
- 1.7 *ABP Development Supporting Works*: This project is primarily focused on facilitating and supporting the ABP development between Building 1000 and the University of East London. It will focus on providing improved connectivity and placemaking between the two areas, a series of early works including public realm repairs and upgrades as well as enabling works to facilitate event spaces and activation. These early works will be followed by more comprehensive medium-term works as recommended by the Overarching Place Strategy. (c. £100,000 revenue and £918,000 capital)
- 1.8 *Silvertown Development Supporting Works*: This project is primarily focused on facilitating and supporting the Silvertown development and maximising the opportunity of Custom House Elizabeth line station. It will focus on improving connectivity and placemaking linking the new Custom House Transport Interchange to the North Woolwich Road, a series of early works including public realm repairs and upgrades as well as enabling works to facilitate event spaces and activation, and the potential forward funding of a new bridge between Custom House and Silvertown Quays. These early works will be followed by more comprehensive medium-term works as recommended by the Overarching Place Strategy. (c. £200,000 revenue and £2,824,125 capital)
- 1.9 *Royal Victoria Dock*: This project is primarily focused on improving the connectivity and place-making around Royal Victoria Dock to Connaught Bridge. It will support Royal Victoria Dock as the western gateway into the Royal Docks by enhancing the public realm around the Crystal building and Corniche; improve links to the new transport gateway at Custom House and the future developments and temporary activity around Thameside West and Silvertown Quays; and a series of early works will be delivered including public realm repairs and upgrades as well as enabling works to facilitate event spaces and activation. These early works will be followed by more comprehensive medium-term works. These early works will be followed by more comprehensive medium-term works as recommended by the Overarching Place Strategy. (c. £85,000 revenue and £701,250 capital)

Economy Projects £56.2m

- 1.10 *Royal Docks Good Growth Fund*: This project will support the delivery of significant, catalytic projects in each of the five-years in the Delivery Plan. The Fund will be rolled-out as a targeted area programme under the GLA's London-wide Good Growth Fund, sharing the same strategic themes and support actions, but tailored to Royal Docks-specific project aims. Selected projects will be permanent, and entail a new approach/structure, rather than business-as-usual. By using a competitive bid structure, proposals will be market-driven, align with current Royal Docks needs/challenges and attract partners that are both accomplished and motivated. (c. £2,000,000 revenue and £20,000,000 capital)

- 1.11 *Employment and Skills*: This project will be demand-led, preparing cohorts of local residents for career-level jobs in the growing Royal Docks business eco-system. The programme will assist employers to meet staffing needs whilst developing the potential of: new/recent high-potential graduates who will receive training, and subject to interview, 6-month internship placements with employers or job placement assistance; students in their final years of formal education will be provided two-week unpaid summer internships with Royal Docks employers; and the existing Newham Skills programme will provide a bespoke area service to benefit Royal Docks employers and local residents, including those un/under-employed or working in areas outside of Newham. (c. £4,036,750 revenue)
- 1.12 *Business Support Programme*: This project will specifically help attract and retain businesses in the Royal Docks, particularly entrepreneurial and growing SME firms. The Programme features three elements: technical business support, a funding programme and a Business Ambassadors network. The Delivery Team will commission specialised providers to deliver the technical business support but will directly oversee the funding programme and the Business Ambassadors network. (c. £4,864,576 revenue and £5,000,000 capital)
- 1.13 *Workspace Provision*: This project will increase the provision of workspace in the Royal Docks by expediting early delivery, unlocking the potential of difficult and underused sites and providing a long-term solution to the challenge of retaining cultural and creative industries and growing firms. This will include bringing forward space under the Silvertown Flyover to provide interim workspace; finalise the creation of a Creative Land Trust to ensure permanent Royal Docks space is afforded to cultural and creative industries; and enable provision of affordable workspace for SMEs in the Royal Docks through the creation of a fund/partnership investment vehicle that enables the delivery team to respond quickly to opportunities. (c. £200,000 revenue and £20,100,000 capital)

Activation Projects £20.3m

- 1.14 *Cultural Strategy and Creative Programme*: This project will support the development of a Cultural Strategy, setting out key principles and objectives, and long-term plans for the Royal Docks; a Creative Programme of activities that range from permanent and temporary public art commissions, performances and exhibitions; and supporting the creative industries to locate in the Royal Docks. (c. £8,837,161 revenue)
- 1.15 *Cultural Anchor*: This project will support engagement with new stakeholders and existing arts and cultural partners across the Royal Docks to develop and create a sustainable arts programme. An incremental approach will be taken with creative producers located in Royal Docks to develop partnerships and programming, alongside scoping long-term capital plans for a cultural anchor currently proposed for Silo D at Silvertown Quays. This project has two elements – firstly an initial 5-year development programme costing £800,000, secondly an indicative capital contribution of up to £20m capital costs, which we would aim to recoup through the developer. (c. £799,874 revenue)
- 1.16 *Events Programme*: This project will support a comprehensive programme of small to large scale events to help boost visitors and footfall to the area and contribute to a thriving visitor and night time economy. It will be a varied and consistent programme focussed on 5 key character areas at Royal Victoria Dock; Custom House; Royal Albert Dock; Royal Albert Basin; and Silvertown Quays. The programme will be informed by both the Royal Docks Culture Strategy and the Royal Docks Place Brand once they are developed. Once complete, will set the key principles, objectives, and long-term plans to transform the Royal Docks into a global cultural destination and set out a clear and defined identity for the area. An experienced in-house creative events team will be established who will have oversight and responsibility for all events that are staged at the Royal Docks, including: Facilitated – overseeing external events and occupiers using Royal Dock land and water; Co-produced – joint programming and delivery with appropriate cultural partners; and Owned – events initiated, produced and managed entirely by the Delivery Team. (c. £10,700,160 revenue)

Promotion Projects £14m

- 1.17 *Place Brand and Place Marketing*: This project will provide the Delivery Team and strategic partners with an iconic place-brand and award-winning marketing campaigns and communications that position the Royal Docks as: 1) an exemplar for global business, trade and investment and 2) a unique, liveable and interesting place on a neighbourhood scale and 3) an international cultural brand and centre of excellence. The place-brand will provide the cornerstone for our delivery programme and partners; setting the strategic direction and overarching values that all stakeholders in the Royal Docks will need to reflect. (c. £5,943,000 revenue)
- 1.18 *Royal Docks Regeneration Centre*: This project will support a physical space within the Royal Docks as a real-time 'centre of excellence' for regeneration – enabling residents, businesses, visitors, students, planners, architects, engineers and other professionals to interact with, influence and be inspired by both the history and transformation of the Royal Docks and wider east London area. It will build upon the NLA scoping exercise for a 'City in the East Centre' – which recommended a physical space in the Royal Docks, to accommodate the expanding Delivery Team and also create a centre for discussion, debate and more joined-up promotion. (c. £800,000 revenue and £4,500,000 capital)
- 1.19 *Events and Exhibitions*: This project will help position the Royal Docks as a unique business destination. The Delivery Team will curate and deliver an ambitious and responsive events programme (internationally and nationally, through to city-wide and local) to help signal the area's transformation and the unrivalled opportunity that this presents for investors, developers, occupiers, businesses and talent on the world stage. Events will range from trade missions and familiarisation tours through to educational exchanges, exhibitions, conferences, business breakfasts and dinners. Some of these will be designed and delivered in-house by the Delivery Team whilst others will be external events where it will be expedient for us to have a presence (either as partners, speakers, exhibitors or delegates). (c. £1,575,000 revenue)
- 1.20 *Community-Led Regeneration*: This project will run a comprehensive civic engagement and participation programme which consists of 2 elements: 1) a Royal Docks civic crowdfunding model that will provide financial and other specialist support to nurture and deliver successful community-led regeneration projects; and 2) a comprehensive community engagement framework; which will map local community assets and ensure that engagement across the various workstreams – including those activities led by our stakeholder partners – is effectively co-ordinated and maximised. This will ensure the needs, wants and dynamics of the area and its communities are at the heart of the transformation of the Royal Docks. A Community Relations Manager will be recruited to lead the programme and co-ordinate the Delivery Teams engagement and community development activities. (c. £1,030,000 revenue and £200,000 capital)

Corporate Costs £8.5m

- 1.21 *Corporate Costs*: The Delivery Plan requires sufficient resource to ensure the successful implementation of the plan over the five-year period. The corporate resources associated with the Delivery Plan have been grouped into three categories: 1) Corporate Costs – This includes the teams office accommodation within the Siemens Building, IT equipment, meeting spaces and other associated costs of running the team; 2) Existing Delivery Team – This is based upon the current team's structure and size. The expenditure forecasts included in the plan are based upon the current costs associated with the Delivery Team and are applicable from 2019/20 onwards as the 2018/19 year has already been approved through MD2049; and 3) Additional Delivery Team Resource - In order to implement the Delivery Plan, the existing Delivery Team needs to grow. The appropriate level of growth in the team will ensure the Delivery Plan is fully implemented over the five-year period. Therefore, there is a need to carry out immediate recruitment activity from September 2018 to support this growth and initiate project delivery from year 1 of the plan. It estimated that £640,522 of revenue expenditure would be required for financial year 2018/19 to fund the

additional Delivery Team resourcing needs. A further DD approval will be sought for the corporate and resourcing costs from 2019/20 onwards. Key points to note with regard to this planned structure: The connectivity resource is not expanded significantly due to the limitations of the delivery team's role in project implementation of transport and highways related projects. There will however be a need for dedicated TfL and LBN resourcing support to deliver these projects. The funding for this external resource will be included within the related connectivity project costs and subsequent funding agreements with TfL and LBN. To meet the ambitious objectives for promotion and activation in the early years of the Delivery Plan, an expanded in-house team will be required to ensure value and the ability to deliver at pace. (c. £8,554,896 revenue)

1.22 It is recommended that the Mayor approves total expenditure of £640,522 for financial year 2018/19 to fund the additional Delivery Team resource to support the initiation of project delivery.

1.23 The table below sets out the project expenditure breakdown:

	Delivery Plan Total	2018/19	2019/20	2020/21	2021/22	2022/23
Connectivity	£97,506,729	£2,692,000	£18,101,592	£25,198,593	£18,776,990	£32,737,554
Revenue	£6,756,141	£681,592	£2,911,593	£1,531,478	£631,478	£631,478
Capex	£90,750,588	£17,420,000	£22,287,000	£17,245,512	£32,106,076	£32,106,076
PLACE	£15,828,375	£2,906,688	£2,956,031	£4,200,000	£4,000,000	£4,000,000
Revenue	£1,385,000	£685,000	£250,000	£200,000	£0	£0
Capex	£14,443,375	£2,221,688	£2,706,031	£4,000,000	£4,000,000	£4,000,000
Economy	£56,201,326	£11,646,584	£20,899,435	£12,241,974	£6,884,323	£6,884,323
Revenue	£11,101,326	£1,546,584	£2,499,435	£2,741,974	£2,884,323	£2,884,323
Capex	£45,100,000	£10,100,000	£18,400,000	£9,500,000	£4,000,000	£4,000,000
Activation	£20,337,195	£3,993,833	£4,906,308	£5,933,162	£4,423,245	£4,423,245
Revenue	£20,337,195	£3,993,833	£4,906,308	£5,933,162	£4,423,245	£4,423,245
Capex	£0	£0	£0	£0	£0	£0
Promotion	£14,048,000	£2,849,250	£4,499,250	£2,482,250	£2,532,250	£2,532,250
Revenue	£9,348,000	£1,924,250	£2,074,250	£2,057,250	£2,107,250	£2,107,250
Capex	£4,700,000	£925,000	£2,425,000	£425,000	£425,000	£425,000
Delivery Team Corporate Costs	£8,554,896	£640,522	£1,947,681	£2,029,283	£1,948,690	£1,988,720
Revenue	£8,554,896	£640,522	£1,947,681	£2,029,283	£1,948,690	£1,988,720
Capex	£0	£0	£0	£0	£0	£0

DELIVERY PLAN TOTAL COSTS	£212,476,521	£12,392,835	£41,445,628	£60,488,900	£45,583,066	£52,566,092
Revenue	£57,482,558	£5,585,179	£10,778,940	£14,670,869	£14,412,554	£12,035,016
Capex	£154,993,963	£6,807,656	£30,666,688	£45,818,031	£31,170,512	£40,531,076

2. **EZ Business Rates Income**

- 2.1 Cushman & Wakefield (C&W), as sub-consultants to AECOM, prepared the Business Rates Income Growth Report which forms part of the Delivery Plan. In producing this assessment, C&W has engaged closely with the GLA to understand the current position at each site in terms of both the retained business rates to date and the assumptions made in relation to the nature and timing of development proposed. C&W has considered the robustness of these assumptions and the pace at which development might be delivered in the context of the wider London property market and take-up assumptions.
- 2.2 Based on the current development trajectory, the High Scenario income forecast is estimated to be £950.3m over the life of the EZ. C&W tabled a further three income scenarios as requested by GLA Finance. This includes an extremely cautious and pessimistic Low Scenario of £209.2m, based on current committed developments and what's on site now and two mid-range scenarios of £340.6m and £475.2m. The breakdown of each scenario is below:
- 2.3 Committed/on site now:
Low Scenario - £209.2m business rates income growth generated
10,311 sq m annual take-up (all uses)
8,921 sq m annual take-up (offices)
51,557 sq m delivered including:
- Phase 1 Royal Albert Dock (32,449 sq m)
 - Great Eastern Quays Phase 1 and 2 (16,979 sq m)
 - Gallions Quarter Phase 1 and 2 (2,129 sq m)
- 2.4 Committed/on site now + Royal Albert Dock Phase 2:
Mid Scenario 1 - £340.6m business rates income growth generated
12,471 sq m annual take-up (all uses)
10,478 sq m annual take-up (offices)
112,240 sq m delivered including:
- Phase 1 Royal Albert Dock (32,449 sq m)
 - Great Eastern Quays Phase 1 and 2 (16,979 sq m)
 - Gallions Quarter Phase 1 and 2 (2,129 sq m)
 - Royal Albert Dock Phase 2 (60,683 sq m)
- 2.5 Committed/on site + Silvertown Phase 1 and Royal Albert Dock Phase 2:
Mid Scenario 2 - £475.2m business rates income growth generated
22,210 sq m annual take-up (all uses)
14,440 sq m annual take-up (offices)
177,679 sq m delivered including:
- Phase 1 Royal Albert Dock (32,449 sq m)
 - Great Eastern Quays Phase 1 and 2 (16,979 sq m)
 - Gallions Quarter Phase 1 and 2 (2,129 sq m)
 - Silvertown Phase 1 (65,439 sq m)
 - Royal Albert Dock Phase 2 (60,683 sq m)
- 2.6 All proposed development comes forward within the EZ life:
High Scenario - £950.3m business rates income growth generated
32,749 sq m annual take-up (all uses)
18,997 sq m annual take-up (offices)
654,976 sq m total delivered

- 2.7 The C&W Business Rates Income Growth Forecast Report (Appendix 3) should be read in conjunction with the Income Analysis Report (Appendix 4). The income forecasts outlined within this report were used by the GLA Finance team to develop the funding strategy for the Delivery Plan.

3. **Additional Funding Sources**

- 3.1 Based on the current development trajectory, the High Scenario income forecast is estimated to be £950.3m over the life of the EZ. Whilst the EZ business rate income as detailed above, represents the largest potential source to fund the Delivery Plan expenditure, there are a number of additional funding streams which have the potential to contribute towards the investment, which include the Housing and Infrastructure Fund (HIF), GLA's Business Rates Retention Fund, Section 106 & 156 contributions, utility investment payback and Delivery Plan project revenue income.
- 3.2 The figures presented below are estimates only and are potential income sources requiring further Mayoral approval processes:

POTENTIAL FUNDING SOURCES	Delivery Plan Total	2018/19	2019/20	2020/21	2021/22	2022/23
GLA Business Rates Retention Fund	£13,710,000	£4,890,000	£8,820,000	£0	£0	£0
Housing and Infrastructure Fund	£67,700,000	£5,000,000	£30,750,000	£26,250,000	£5,700,000	£0
Section 106 Contributions	£5,700,000	£0	£0	£4,200,000	£800,000	£700,000
Potential Claw back from Developers	£10,355,556	£0	£0	£0	£10,355,556	£0
Potential Event Income	£570,000	£20,000	£100,000	£150,000	£150,000	£150,000
Potential Workspace Rental Income	£400,000	£0	£0	£0	£0	£400,000
Total	£98,435,556	£9,910,000	£39,670,000	£30,600,000	£17,005,556	£1,250,000

- 3.3 The Mayor should note that separate approvals will be required for the GLA to accept the external funding highlighted in the above table.

4. **Key Risks and Issues**

- 4.1 Given the length of the forecasting period and the economic, political and property market uncertainties that will inevitably prevail over such a long period, it is not practicable to ascribe a confidence score to the income scenarios. Notwithstanding these uncertainties, GLA asked for indicative guidance on the risks associated with the assumptions behind the income scenarios.
- 4.2 The nature and impacts of the following risks cannot reasonably be quantified and are excluded from the risk assessment. The examples provided are indicative and not exhaustive.
- Strategic Risk - such as economic cycles, political risk (London and geo-political), unknown impacts of Brexit, full implementation of the Delivery Plan by GLA, risks arising from GLA funding strategy (e.g. HIF bid), changes to Enterprise Zone and/or Business Rate regimes.
 - Market Risk – such as corporate failure/insolvency of development partners, capital market/financing risk, changes in property values, unforeseen changes in occupier demand, interest rate risk.

- 4.2 The following risks have been included in the assessment:

- Scheme Risk – changes in development strategy, project delays and planning risk, construction risk, legal risk in the development agreements (excluding force majeure), market appetite assuming today's market conditions. For the avoidance of doubt any changes to the schemes arising as a result of Strategic Risk or Market Risk are excluded.
- Having regard to the Scheme Risks listed, and excluding Strategic Risk and Market Risk, Cushman & Wakefield consider that in today's circumstances the indicative confidence levels of the assumptions behind the income scenarios would be as follows. The underlying assumption is that the interventions outlined in the Delivery Plan are delivered in full and on time:

<i>Indicative confidence level for each assumption subject to the limitations set out above</i>	High Scenario (£950.3m)	Low Scenario (£209.2m)	Mid Scenario 1 (£340.6m)	Mid Scenario 2 (£475.2m)
Trajectories of take up (quantum and timing of development, years 1-5)*	Medium/High	Very High	Very High/High	High
Rateable Values	High	High	High	High
Other model variables (contingencies and inflation)	Very High/High	Very High/High	Very High/High	Very High/High

*Given the length of the forecasting period, the confidence levels above relate to a mid-term view only

- 4.3 Please see attached C&W Risks Register (Appendix 5) for more details.
- 4.4 The Delivery Team will implement a biennial spending review with the first one taking place in Autumn 2020 and will form part of the mid-point evaluation of the Delivery Plan. There will be an option for the EZ Programme Board to recommend the deferral or reduction of certain project expenditure based on income forecasts, development progress and impacts achieved.
- 4.5 At the biennial review, the Delivery Plan forecast spend is expected to be £12.4m in Year 1 and an additional £41.5m in Year 2 from the initial approval budget of £212.5m. At this stage, there are no major capital spending commitments made besides work starting on the Electricity Eastern substation, upgrades to some DLR stations and Royal Docks Good Growth Fund. The large capital expenditure that are recommendations from the Overarching Place Strategy, North Woolwich Road Feasibility and Broadband Study, don't start until either year 3 or year 4 of the Delivery Plan so in the case of a serious downside income scenario, these project cost along with projects under Economy, Activation and Promotion potentially can be paused.
- 4.6 The North Woolwich Road project has expenditure commitments that roll over beyond the delivery plan period worth £19.7m with an additional £5m in lifecycle costs which should be taken into account when financing the Delivery Plan. This will only occur if the full capital works are committed to at the two-year spend review period by the EZ Programme Board. The capital works for this project start at year 4 and finish at year 6.

- 4.7 Furthermore, the additional spend approval of £101.8m could also be deferred or reduced until a financial assessment is carried out during the two-year spending review. This will be based on the £475.2m income scenario being realistic and if the HIF bid is successful.
- 4.8 The Delivery Team will be closely tracking and monitoring performance of the developer's delivery and letting against our targets and report this to the Board on a regular basis. Risks will be mitigated, and a response taken via the spending review options.

5. Financial Comments

- 5.1 If the HIF (£67.7 million) bid was not successful additional borrowing would be required by the GLA to fund the £212.5 million expenditure proposed in this decision. This would need to increase by approximately £70 million to £170 million and financing costs would increase by £40 million to £60 million. However, business rates income of £340 million, which Cushman & Wakefield assess that there is a 'Very High/High' confidence of achieving, would still be sufficient to ensure that all borrowing could be repaid. This does assume that funding from the Strategic Infrastructure Fund of £13.7 million is made and at least 50 per cent of other anticipated income is achieved.
- 5.2 Approval is not sought at this stage for the further costs associated with the Overarching Place Strategy, North Woolwich Road and Broadband projects. This additional expenditure would require a higher level of business rates and additional forward funding. Cushman & Wakefield's current assessment is that there is an indicative 'High' level of confidence that an income level of £475.2 million can be achieved and if so it is estimated that this would be sufficient to enable borrowing to be repaid. The latter is estimated to be in the region of £225 million and with financing costs of approximately £100 million to support this higher level of expenditure., However if the HIF bid was not successful it is estimated that this amount of business rates would not be sufficient to ensure the repayment of GLA borrowing. The outcome of the HIF bid will be known at the point that the additional investment decision is made and any further commitments will need to be taken in light of an updated assessment of forecast business rate income.

Appendices and supporting papers:

Appendix 1 – Royal Docks Enterprise Zone Delivery Plan

Appendix 2 – Strategic Outline Business Case

Appendix 3 – C&W Business Rates Income Growth Forecast Report

Appendix 4 – C&W Income Analysis Report

Appendix 5 – C&W Risk Register