

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2855

Additional government grant for East Bank and approval for LLDC to grant fund University of Arts London

Executive Summary:

The GLA has received £16.8m of additional grant funding from the Department for Levelling Up, Housing and Communities (DLUHC) for costs related to COVID-19 incurred by LLDC in 2020-21 to progress the construction of East Bank. This decision approves receipt of the grant to be used to fund these costs. The East Bank agreements for lease require additional costs to be appropriately apportioned between University of Arts London (UAL) and other East Bank buildings. LLDC must fund additional costs on the other buildings whereas UAL contributes towards additional costs relating to their building. Additional funding to mitigate these costs should therefore be shared on the same basis and the decision would allow LLDC to grant fund up to £4.53m of the DLUHC grant to UAL. Approval is required under paragraph 3.2 of the LLDC Governance Direction updated 2019 (approved by MD 2502) for the provision of financial assistance by way of a grant.

As the final COVID-19 related costs will not be known until social distancing constraints end and prolongation and other related costs are settled with contractors, LLDC propose to pay 90 per cent of the estimated sum now and 'true up' the grant once the final figures are known, with a balancing payment due either to or from UAL. A delegation to the Executive Director of Resources is therefore sought to approve the final amount without a further written decision should the total exceed £4.53m.

Decision:

That the Mayor approves:

- 1) receipt of £16.8m additional grant from DLUHC for East Bank for COVID-19 costs
- 2) the giving of consent to LLDC to provide a grant of up to £4.53m to the University of Arts London as a share of a grant received from DLUHC for COVID-19 costs incurred in the East Bank project
- 3) a delegation to the Executive Director of Resources to approve the final grant amount that LLDC pay to UAL should that exceed £4.53m, without recourse to a further written decision, as set out in paragraph 4.2.

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:

26/10/21

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1. LLDC has been working closely with the Mayor of London, the Government, University College London (UCL), the Victoria & Albert Museum (V&A), University of the Arts London (UAL), Sadler's Wells and the BBC to develop the East Bank project. The project will bring together world-leading culture and university institutions to create a new powerhouse of culture, education, innovation and growth, and an inspirational centrepiece to drive aspiration and opportunity for the people of east London and beyond. The Mayor announced his vision for East Bank in June 2018, following Government approval of the East Bank Full Business Case. Following the announcement, LLDC commenced the procurement and construction of four cultural and educational buildings at Stratford Waterfront for UAL, BBC, Sadler's Wells and the V&A.
- 1.2. Mayoral decisions for the project include:
- approval for the memorandum of understanding (MOU) between the GLA and the then Department for Communities and Local Government approved under MD1422
 - consent to LLDC to enter into a revised Agreement for Lease with UCL for their sites at East Bank in February 2018 (under MD2234 and previous consent MD1473)
 - consent for LLDC to enter into revised Agreements for Lease with UAL, Sadler's Wells and the V&A for sites on the Stratford Waterfront site in February 2018 (under MD2234 and previous consent MD1643)
 - consent for LLDC to enter into an Agreement for Lease, Lease, Development Agreement, Deed of Covenant, and Loan Agreement with the BBC in December 2018 under MD2399
- 1.3. The COVID-19 pandemic has led to significant delays and cost increases associated with the delivery of the East Bank project. The impact of these cost pressures was part of an allocation of £88.4m to the GLA's capital programme reserve for LLDC for East Bank and other projects which was approved in MD2695. The government had previously agreed to provide grant support of £151.3m towards East Bank costs and therefore a case was also being developed at that time for additional grant support for COVID-19 related costs.
- 1.4. LLDC and the GLA have been successful in securing government grant funding of £16.8m from DLUHC (known as the Ministry of Housing Communities and Local Government, MHCLG, when this was confirmed) to offset the costs (set out in the table below) of the COVID-19 pandemic relating to 2020-21 and this grant has been received by the GLA. The memorandum of understanding that the GLA has with DLUHC on the funding of East Bank has been updated accordingly.

COVID-19 costs for which the grant will be used	2020-21 £m
Safe site lockdown and contractor costs through lockdown	2.4
Remobilisation costs – adaptation to welfare and logistics for safe working, additional facilities for double shifts	1.8
Recovery and safe working – double shifts	6.2
Prolongation	6.4
Total	16.8

- 1.5. In accordance with the terms of their Agreement for Lease, UAL contribute to any cost overruns incurred by LLDC associated with the development of UAL's building, and it is therefore appropriate that an equitable portion of the grant is transferred to UAL as relief against a share of the costs.
- 1.6. The grant share of £4.53m has been calculated as proportional to the UAL's forecast contribution towards total projected COVID-19 costs across the project. As final COVID-19 costs will not be known until the period of social distancing on site ends and the cost impacts, such as adaptations to the site and prolongation to contractor works, are settled, a grant payment of 90 per cent of the calculated sum will be made by LLDC. A balancing payment or reimbursement will take place once the final costs are known.

2. Objectives and expected outcomes

- 2.1. The objective of the requested decision is for a fair share of the grant provided by the former MHCLG to be passed on to UAL to offset a share of the COVID-19 costs they would otherwise be liable for according to the terms of their Agreement for Lease.
- 2.2. Delivering East Bank supports LLDC's ability to deliver a meaningful and sustainable legacy from the London 2012 Olympic and Paralympic Games by creating a brand-new destination for London with world-class culture and education at its heart. East Bank will be an exciting new district of London, providing a unique offer to residents and visitors. East Bank will support wider economic growth, greater access to education provision, as well as new skills and employment opportunities, generated by a strong visitor economy and an innovative learning and research location for inward investors.
- 2.3. East Bank supports a range of priorities including:
 - economic growth
 - enhanced education and skills levels
 - sustainable local jobs
 - raising local aspirations
 - supporting the delivery of a successful and accessible Park
 - helping to redefine Stratford's place in London's economy, as a new heart for east London.

3. Equality comments

- 3.1. LLDC is a public body with a responsibility to promote equality, tackle discrimination and promote good relations between different groups of people with protected characteristics. LLDC undertook a strategic equality impact assessment on its renewed priorities, including its emerging five-year organisational strategy and the East Bank plans. As part of this process, LLDC consulted with equality groups and tested whether its approach is helping to promote its equality priorities. The outcomes of the strategic equality impact assessment in relation to the East Bank have been used to inform the planning process and public consultations. It is anticipated that there will be no adverse impact on equalities issues and any protected characteristic groups.
- 3.2. There are no anticipated impacts on GLA's equality duty arising from the decision.

4. Other considerations

Key risks and issues

- 4.1. As noted above, there will be a final 'true-up' of the grant once the final COVID-19 related costs are known. This could relate to a reimbursement due from UAL if UAL-related COVID-19 costs have decreased in proportion to those for other buildings or an increase in grant due to UAL if UAL's share of COVID-19 related costs has increased in proportion to the other buildings.
- 4.2. In order to help mitigate this risk on LLDC the grant to be paid now is 90 per cent of the projected sum due. The estimate of the final amount of grant payable to UAL is based on current information. A delegation is therefore sought to the Executive Director of Resources to approve the final amount without recourse to a further written decision should this increase when the true-up exercise is completed.

Links to Mayoral strategies and priorities

- 4.3. This proposal, through contributing to the successful delivery of East Bank, will support the Mayor's priorities:
- a cleaner, greener London – by providing a building which promotes positive environmental outcomes throughout the design, construction and operational lifecycle
 - making the most of arts, culture and creativity – by providing high quality and accessible public realm spaces for local people and visitors to enjoy, as well as providing world-class cultural programmes both inside and outside the buildings
 - a fairer and more equal city – through expanding access and participation, and through partnership programmes which deliver equality of opportunity, best practice in inclusive design and accessibility, and support for under-represented groups to work, to gain skills and to access opportunities
 - business, prosperity and opportunity – by developing skills and supporting businesses.

Consultation

- 4.4. LLDC have agreed the methodology, calculations and settlement process through consultation with UAL. There is no further requirement for the GLA to consult and the officers involved in the drafting and clearance of this form have identified no known conflicts of interest.

5. Financial comments

- 5.1. The GLA has provided LLDC with the necessary resources to meet the additional cost of East Bank from COVID-19 impacts in 2020-21 and increased reserves in MD2695 to meet on-going costs. These costs have been taken into account in the GLA's current and planned budget support for LLDC as part of the 2021-22 budget setting process, but the grant was not. The balance of the £16.8m grant from government not payable to UAL therefore reduces the GLA's exposure to any further cost escalation.

6. Legal comments

- 6.1. As noted above, a grant agreement between LLDC and UAL will set out the basis on which UAL will receive its apportioned share of the grant.
- 6.2. Legal advice obtained on exchange of the Agreement for Lease confirmed the terms of the transaction with UAL did not amount to State aid; this has been updated to consider the additional grant funding for which approval is now sought (in the context of subsidy control) and it has been reconfirmed that no issue arises.

7. Planned delivery approach and next steps

Activity	Timeline
LLDC pay 90 per cent of grant to UAL	November 2021
'True-up' of final East Bank COVID costs with residual payment / reimbursement	December 2022 (subject to timing of contractor settlements)

Appendices and supporting papers:

None

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) 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 it has been approved or on the defer date.

Part 1 - Deferral

Is the publication of Part 1 of this approval to be deferred? NO

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:**Drafting officer:**

Ray Smith has drafted this report in accordance with GLA procedures and confirms that the Finance and Legal teams have commented on the proposal as required, and this decision reflects their comments.

Sponsoring Director:

David Gallie has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

Mayoral Adviser:

David Bellamy has been consulted about the proposal and agrees the recommendations.

Advice:

The Finance and Legal teams have commented on this proposal.

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on the (insert date)

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

Date

21/10/21

**CHIEF OF STAFF:**

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

D. Jellamy

Date

18/10/21

