

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2049

Title: Royal Docks Enterprise Zone Delivery

Executive Summary:

The Royal Docks Enterprise Zone (EZ) became operational on 1 April 2013 and has the potential to deliver up to 40,000 jobs and 4,000 homes. The EZ comprises several GLA Land and Property Ltd (GLAP) owned strategic development sites at the heart of the Royal Dock's Opportunity Area.

The EZ is designed to accelerate economic and housing growth and enables new business rate income within the area to be retained and recycled for a period of 25 years. It is therefore important to accelerate delivery and maximise the regeneration potential of the EZ.

There is an urgent need to provide a more co-ordinated and focussed management of the investment that is required in infrastructure, economic development, place-making and activity in the EZ in order to drive forward the potential of the EZ and, critically, to achieve an early business rate income stream, all of which is then recycled locally. Without such an enhanced effort, crucial opportunities will be lost, along with foregone business rates. This MD seeks approval to implement enhanced delivery and governance arrangements and to provide the necessary resources (to be funded through the business rates uplift) to develop and initiate an EZ Detailed Delivery Plan in order to implement a programme of early regeneration projects.

Decision:

That the Mayor:

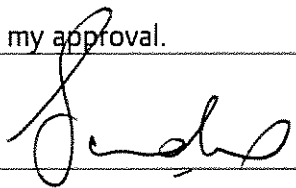
1. Approves the GLA, as accountable body to the London Local Enterprise Partnership (LEP), entering into a Deed of Agreement with the Mayor and Burgesses of the London Borough of Newham (LBN) in relation to the collection and use of retained business rate growth from the EZ;
2. Agrees the governance arrangements as set out in this paper, and the establishment of an EZ Programme Board as a subordinate body of the LEP;
3. Approves total expenditure of £3.5 million for the financial years 2017-2019 to fund the EZ Delivery Team, enable the preparation of the EZ Detailed Delivery Plan and implement the early programme of regeneration activity as set out in the financial section of this Mayoral Decision;
4. Agrees that the EZ Detailed Delivery Plan for the allocation of the retained business rates and associated expenditure will be prepared by the EZ Delivery Team and presented for agreement to the LEP by the EZ Programme Board.

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:

22/2/17

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

Decision required – supporting report

1. Introduction and background

1. The Royal Docks Enterprise Zone (EZ), located in the London Borough of Newham, was designated in 2012 and became operational in 2013 to support local development and economic growth. It provides business rate discounts and enhanced capital allowances for new businesses locating in the EZ. It also enables any additional business rate income collected in the EZ to be retained by the London Borough of Newham (LBN) and transferred to the London Local Enterprise Partnership (LEP) for the lifetime of the EZ and for the LEP to use the funds to support the further development and economic activity in the EZ.
2. The LEP is responsible for the setting and delivery of the EZ economic priorities and for the allocation of the retained business rate uplift income. The LBN is responsible for collecting local business rates and the GLA (as accountable body to the LEP) and the LBN must reach an agreement on how to manage the collection of said business rates.
3. Financial modelling has identified that, based upon realistic development assumptions, the EZ has the potential to deliver a significant amount (up to £800 million) of retained business rate income by 2038.
4. The Royal Docks sits at the heart of what has become known as London's 'City in the East' and presents one of the largest regeneration opportunities in London. The GLA planning team, working closely with the LBN, is preparing a new Opportunity Area Planning Framework for the EZ and the wider area which sets out proposals for accommodating up to 25,500 new homes and up to 60,000 jobs, of which around 4,000 homes and 40,000 jobs are likely to be within the EZ. LBN is one of the most deprived boroughs in London and delivering regeneration quickly and in a way that benefits local residents is a priority for the LBN and the GLA.
5. GLA Land and Property Ltd (GLAP) is the major landowner in the area, owning 170ha of land and 96ha of water, dock bed and dock edge infrastructure. Acting on behalf of GLAP, the GLA's Strategic Projects and Property team within the Housing and Land Directorate, has procured development partners for most of the remaining development sites and planning permission has been secured for 4000 homes and 7 million sqft of commercial development, including on the two key sites at the Royal Albert Dock by Asian Business Ports (ABP) and Silvertown Quays by The Silvertown Partnership (TSP). It is expected that development will begin on key schemes that have received planning permission during 2017 with first phases completing from 2019, to coincide with the opening of the new Elizabeth Line station at Custom House.
6. The GLA, LBN and TfL have jointly commissioned a team of consultants (Arup) to identify what action and investment is necessary to accelerate and maximise the regeneration potential of the area. This has been produced in the form of a carefully evidenced based Delivery Plan which makes the case for a schedule of early investments to unlock and accelerate development. This plan identifies a package of unfunded infrastructure and activities which need to be undertaken quickly to grow business rates income and which are critical to unlocking the enormous potential of the Royal Docks.
7. A paper was considered and approved by the LEP in March 2016 (Appendix 1) which sets out the background to the creation of the EZ and key recommendations relating to the collection, allocation, funding, delivery and governance in respect of the EZ business rate income.
8. The previous recommendations to the LEP in the March 2016 paper are based on work undertaken by GLA, TfL and LBN staff and external consultants and are the result of lengthy negotiation with LBN. The work has been reviewed by the Deputy Mayor for Housing and Residential Development

(as the Mayoral lead for GLAP's development projects in the Royal Docks and co-chair of the Royal Docks Advisory Board), the Deputy Mayor for Business and the Deputy Mayor for Planning, Regeneration and Skills (as Deputy Chair and member of the LEP respectively) to ensure alignment with the Mayor's manifesto commitments and policy objectives. The Deputy Mayor for Housing and Residential Development has consulted with the Mayor of Newham and confirmed in-principle support for new delivery and governance arrangements.

9. The March 2016 paper also included a proposal for new governance arrangements in the Royal Docks Opportunity Area and for the EZ, including the creation of a Royal Docks Advisory Board. Development partners and existing key stakeholders in the Royal Docks including ExCel and City Airport have been lobbying for some time for an advisory board to be established. The proposed governance arrangements described in sections 18 to 25 below will also formalise the working relationship between the LEP, GLA and LBN. These proposed arrangements are considered necessary to address a number of current deficiencies in the existing governance arrangements.
10. A presentation on the Royal Docks was made to the GLA's Growth Board on 21st October 2016 setting out the above information, highlighting the opportunities for growth in the Royal Docks and the current barriers to their achievement.
11. At the inaugural London Economic Action Panel (the new name for the LEP) meeting on 1st February 2017 a paper seeking endorsement for GLA to enter into the Deed of Agreement with LBN and the creation of a EZ Delivery Team was considered and approved.

2. Objectives and expected outcomes

Deed of Agreement

12. In order for the GLA to receive and make use of the business rate income collected in the EZ, a legally binding agreement needs to be entered into between the LBN as the collecting authority and the GLA (as accountable body to the LEP). A Deed of Agreement has been drafted by TfL Legal, reviewed by external solicitors, the form of which has been agreed with LBN.
13. The Deed of Agreement sets out the arrangements between LBN and GLA regarding the collection and use of the retained business rate growth from the EZ, and includes an in principle agreement surrounding prudential borrowing (Part 2 Appendix 1).
14. The Deed of Agreement will ensure that any business rate income generated within the EZ will be transferred to the GLA, creating the opportunity for the GLA to prudentially borrow if necessary against any business rate income generated. LBN has agreed to this on the basis that the first £380 million of any business rate income will be used to fund infrastructure and regeneration in, or benefitting, the EZ with a first call to discharge the financing costs of any borrowing. Any additional business rate income will be available for the LEP to use to achieve its wider objectives.
15. It is currently anticipated that the initial £380 million will be received over a 10-15 year period with the proposed borrowing arrangements allowing early delivery of key works. See sections 39 to 41 for more information regarding prudential borrowing.
16. LBN have a duty to act properly in retaining oversight of the allocation of the business rates by the LEP. Therefore, a key requirement of LBN before entering into the Deed of Agreement is that the Mayor of Newham should be a member of the LEP board. This has been included in the Deed of Agreement and the existing LEP constitution has been amended to allow for this.
17. The Executive Director of Resources (and any senior officer nominated by him for such purposes) will be required to agree the Deed of Agreement on behalf of the GLA in its final form along with any other consents, agreements and documentation as may be required to facilitate matters.

18. It is **recommended** that the Mayor approves the GLA, on behalf of the LEP, entering into a Deed of Agreement with the Mayor and Burgesses of LBN in relation to the collection and use of retained business rate growth from the EZ.

Governance Arrangements

19. New governance arrangements need to be put in place to ensure appropriate oversight of the project. It is proposed that an EZ Programme Board be established as a Subordinate Body of the LEP in order to provide oversight, ensure programme delivery in the EZ and to report on progress to the LEP. These new governance arrangements will provide greater accountability with regards to the collection and use of EZ-related business rate income streams and help to form a coordinated approach to the delivery and monitoring of regeneration and development projects.
20. The EZ Programme Board will be co-chaired by a representative of the LEP and the LBN Cabinet Member for Building Communities & Public Affairs, Regeneration and Planning. Members of the EZ Programme Board will be appointed by the London LEP. The Mayor of London, Deputy Mayor for Business and the Deputy Mayor for Planning and Regeneration will have oversight of the overall programme and EZ Delivery Plan as Chair, Deputy Chair and member of the London LEP respectively.
21. It is proposed that the Deputy Mayor for Housing and Residential Development be the Mayoral lead for the delivery of the Royal Docks project and will be a member of the EZ Programme Board. This would ensure clear accountability whilst supporting a coordinated approach to the delivery and monitoring of development and regeneration projects in the Royal Docks, which would be done in consultation with other relevant Deputy Mayors.
22. The proposed governance arrangements ensure that the LEP will make the recommendation for approval of the EZ Detailed Delivery Plan (as defined in the Deed of Agreement), which will be presented to the LEP every five years, with final approval taking the form of a Mayoral Decision. It is also stated that, unless there are exceptional circumstances requiring action to the contrary, the Mayor of London's approval will be in accordance with the recommendations of the LEP and/or the EZ Programme Board.
23. The GLA and LBN will be responsible for following their own internal approval processes as required. Specifically, appropriate GLA approval will be required for receipt and expenditure of all income.
24. Separately, a Royal Docks Advisory Board has been established as a joint public/private partnership advisory board for the wider Royal Docks Opportunity Area. This board will provide a forum for the GLA, LEP and LBN to formally engage with and update key stakeholders on activities being undertaken within the EZ. The Deputy Mayor for Housing and Residential Development will co-chair the Royal Docks Advisory Board with the LBN's Cabinet Member for Planning and Regeneration.
25. The EZ Programme Board will consult the Royal Docks Advisory Board who will provide recommendations on the programmes within the EZ Delivery Plan. In turn, the EZ Programme Board will provide a regular update to the Royal Docks Advisory Board on programme delivery. Formal decision making will be through the normal GLA process.
26. It is **recommended** that the Mayor agrees the governance arrangements as set out in this paper, and that an EZ Programme Board is established as a subordinate Body of the LEP.

EZ Delivery Team

27. Additional resource is required to boost existing activity in the Royal Docks for the remaining 21 year lifetime of the EZ. As the key developments sites move into the delivery phase an increase in

current capacity is required to drive forward and coordinate the complex and wide ranging initiatives that are necessary to achieve the proposed growth and regeneration ambitions for the EZ.

28. Further discussions have taken place between the GLA and LBN and it has been agreed that a single, multi-disciplinary and integrated delivery team for the EZ should be established. It is important that one team has overall responsibility for all development and estate management as well as all the new proposed activities associated with the EZ.
29. The sum of business rates collected on an annual basis is estimated to be sufficient to cover the cost of a new Royal Docks core team for the lifetime of the EZ.
30. The initial key objective of the new team will be to manage the preparation of the first five year EZ Detailed Delivery Plan and funding strategy. This will involve prioritisation and detailed scoping of projects ranging from upgrades to transport interchanges to promotional and place-making activity. It will also require the preparation of a detailed funding and investment case capable of satisfying prudential borrowing requirements.
31. Alongside this the EZ Delivery Team will develop and implement a new promotion and investment strategy for the EZ. This will involve working with key development partners and stakeholders, including the GLA external communications team, to agree a co-ordinated narrative and visual identity for the area and the delivery of a range of activities, events and interventions to raise the profile and attract inward investment to the EZ. The EZ Delivery Team will also be responsible for the development and implementation of an early programme of regeneration activity during 2017 and 2018, details of which are set out below, to support the early phases of development in the EZ.
32. To ensure coordinated delivery of development projects on GLAP sites in the EZ with the programmes contained within the EZ Delivery Plan, it is proposed that the EZ Delivery Team will be located at premises in the Royal Docks but will report to the GLA's Housing and Land directorate's Strategic Projects and Property (SPP) team.
33. A Royal Docks Programme Director will be appointed to oversee the delivery of the existing development site delivery and estate management as well as the new EZ place-making and promotional activities. The Royal Docks Programme Director will report to both the GLA's Housing and Land Directorate and LBN Director of Regeneration and Planning but the GLA will retain full control over any GLAP related activity (delivery of all GLAP commercial and residential development projects). The overall project will remain the responsibility of the Housing & Land directorate and the Royal Docks Programme Director will report to the Assistant Director of Strategic Projects and Property, Housing and Land Directorate.
34. The Royal Docks Programme Director will be responsible for the development and delivery of all the commercial and residential development projects, all estate management functions and for an infrastructure, regeneration, skills and employment, place-making and cultural delivery programme to maximise the potential of the EZ. They will also be responsible for a new promotion and investment programme of events and communications materials aimed at raising the profile of the EZ regionally, nationally and internationally to attract investors, occupiers and visitors.
35. It is intended that the GLA will be the employing organisation for the EZ Delivery Team, which will be run as an open recruitment, with GLA and LBN employees given the opportunity to apply for posts in the new team. The EZ will continue until 2038 and is likely to require the above described level of resource throughout much or most of its life span so it is recommended that the proposed posts are permanent. The creation of posts will be approved by the GLA's Head of Paid Service following consultation with the London Assembly's Oversight Committee
36. The proposed structure of the team and the content of the Job Descriptions has been developed in conjunction with both GLA and LBN Human Resources teams. Consultation has taken place with the

Mayor's Office, GLA Finance, Regeneration, Estates, Communications and Marketing, Culture, LEAP Secretariat and with LBN's Director of Regeneration and Planning.

37. It is anticipated all posts will be advertised simultaneously, but efforts will be made to recruit the more senior posts in the early stages to allow the senior EZ Delivery Team members to be involved in further recruitment.

EZ Detailed Delivery Plan and Early Project Delivery

38. The Delivery Plan (described in paragraph 6 above) identifies the interventions required in the EZ and a high level cost assessment. Further work is now required to prepare an EZ Detailed Delivery Plan (as defined in the Deed of Agreement) for the first five year delivery period. This detailed work will be undertaken by a multidisciplinary consultant team managed by the EZ Delivery Team.
39. Following the completion and approval of the EZ Detailed Delivery Plan, capital and revenue expenditure on key projects is likely to be necessary in advance of sufficient business rate income being generated to pay for such expenditure. Therefore prudential borrowing may be required to fund the cash flow and 'kick start' the regeneration cycle. In accordance with prudential borrowing requirements in International Accounting Standard 16, this will only be possible to cover capital expenditure. Consultants will be required to work with the EZ Delivery Team and the GLA Finance team to develop a sustainable financing strategy.
40. The Deed of Agreement has been drafted to state that, subject to appropriate levels of due diligence in relation to the EZ Detailed Delivery Plan, the GLA shall (acting as accountable body for the LEP) authorise any borrowing by the GLA which the GLA concludes should be undertaken to fund regeneration works in the Royal Docks. This borrowing would be subject to the GLA's usual approvals and delegations and only after agreement of the EZ Detailed Delivery Plan and pending receipt of the EZ Income due from LBN as set out in the Deed of Agreement. This will ensure that financing costs can be funded from projections of business rate income that are prudent and sensitivity tested.
41. A detailed decision regarding the future funding strategy is not included within this Mayoral Decision, and will be presented at a later date once the necessary due diligence has been undertaken, however the Mayor should **note** that the principle of prudential borrowing has been included as agreed in the Deed of Agreement.
42. This will require further analysis of the work undertaken to date and detailed consultation with development partners and key stakeholders to determine the phasing and priority of projects, together with a funding strategy.
43. Development is planned to commence by ABP at the Royal Albert Dock site in early 2017 with the first phase of the development due to complete in early 2019. It is important that in parallel with this and with the preparation of the EZ Detailed Delivery Plan, a programme of activity gets underway that raises the profile of the EZ and demonstrates visible change on the ground in order to build market awareness and confidence.
44. The GLA and LBN have identified the following project themes, some new and others that build on existing activity already being undertaken either by development partners or others which are already established and successful but can be easily expanded or developed. They have also been selected for having the greatest impact for the least cost and are illustrated on a plan (Appendix 2). The indicative budgets set out below are to span 2017-2019.
- *Promotion and Investment* – designated resource to commission the development of a national and international brand and promotional identity for the Royal Docks EZ, in liaison with the GLA external

communications team, and the implementation of the Aerial Art Park Vision as initiated by the Culture team in 2016. (c. £250,000 revenue)

- *EZ Delivery Team Accommodation Costs* – expenditure to establish an office for the EZ Delivery Team situated in the Royal Docks. An options review is currently underway comparing a number of office locations, which will be presented for review to the EZ Programme Board. Rental revenue budget will be required along with expenditure on capital fit out costs during the first year of occupation. If there is sufficient budget, the new team accommodation may also include provision of a promotion and marketing area for Royal Docks projects. (c. £250,000 revenue, £50,000 capital)
 - *Estates Management and public realm physical improvements* – an overall assessment and compilation of tasks to improve the appearance of the Royal Docks estate, including improvements to public realm surrounding the waterfront studios and Carlsberg Tetley workspace, and stronger links to the existing Leaway project. (c.350,000 capital)
 - *Activation at Royal Albert Dock* – the existing environment at Royal Albert Dock needs to be improved to attract investors and occupiers. The EZ Delivery Team will work with ABP to undertake a series of place-making and promotional initiatives and a programme of temporary and flexible workspace projects on the site, working with a reputable workspace provider. It is anticipated that a small sum of expenditure will enable successful joint working, high quality design and accelerate delivery. (c. £100,000 revenue)
 - *Activation at Royal Victoria Dock* – Includes investment into a new workspace cluster and improved use of GLAP owned space below the Silvertown Flyover which will accelerate the delivery of workspace within mixed use developments in the area, business skills and training programmes, management of community growing space at the Siemens Crystal, an enhanced Royal Victoria Dock Beach offer for 2017 and 2018, and installation of basic services to allow for the use of Millennium Mills for events and temporary uses. (c.£300,000 revenue, £300,000 capital)
 - *Activation at Royal Albert Basin* – the emerging residential area in the Royal Albert Basin requires a considerable focus on place-making to enable the accelerated delivery of commercial units at ground and residential units above. Expenditure will enable joint working with Notting Hill Housing and their consultants Bow Arts Trust to develop and deliver a clear place-making, security and wayfinding plan. (c.£100,000 revenue)
45. It is **recommended** that the EZ Detailed Delivery Plan for the allocation of the retained business rates and associated expenditure be prepared by the EZ Delivery Team and presented for agreement to the LEP by the EZ Programme Board at five year intervals.

Costs

46. As an initial guide to the cost of intensifying activity and resource utilised in the EZ, the Strategic Outline Business Case (prepared by Arup) sets out very high level annual resourcing requirement of £4.4 million. This includes salaries, other staff-related costs and revenue budgets.
47. Since the completion of the Strategic Outline Business Case in February 2016, detailed work has been undertaken on the development the resource plan, making efficiencies where possible in order to reduce the estimated figure from the £4.4 million referenced in Arup's report.
48. Overall expenditure control will be applied to ensure that costs are contained within the business rate revenue already collected. The total cost of the team is expected to amount to £650,000pa.

49. The remainder of the EZ business rates revenue collected to date would be invested into the development of the EZ Detailed Delivery Plan and the delivery of early projects in the EZ as set out below:

Year	2017-2018		2018-2019		Total (2017-2019)	
	revenue	capital	Revenue	capital	revenue	capital
EZ Delivery Team	£650,000	0	£650,000	0	£1,300,000	
EZ Detailed Delivery Plan	£500,000	0	0	0	£500,000	
Early Projects Delivery	£500,000	£350,000	£500,000	£350,000	£1 million	£700,000
	£1,650,000	£350,000	£1,150,000	£350,000	Total - £3.5million	

50. It is estimated that £500,000 of revenue expenditure would be required from the EZ business rates income to fund the development of the EZ Detailed Delivery Plan and financial strategy (subject to the GLA and LBN entering into the Deed of Agreement).
51. It is estimated that approximately £500,000 of revenue expenditure and £350,000 of capital per year is required for investment into the Royal Docks early delivery projects. It is anticipated that the capital funding would be sourced from GLA Housing and Land budgets, subject to final budget approval, and would be repaid from future business rates income after taking account of any financial costs associated with any GLA borrowing.
52. The total expenditure for the new EZ Delivery Team resource and budgets required to deliver the early projects is £3.5 million for financial years 2017-2019.
53. It is **recommended** that the Mayor approves total expenditure of £3.5 million for financial years 2017-2019 to fund the EZ Delivery Team, enable the preparation of the EZ Detailed Delivery Plan and implement the early programme of regeneration activity.
- Income and Funding
54. The table below sets out the existing and forecast revenue to be generated by the EZ until the end of March 2017:

ROYAL DOCKS ENTERPRISE ZONE - BUSINESS RATES RETURNS FROM LBN

(£)

	Net rates payable after reliefs	Deduct EZ baseline	Statutory Retained rates income for EZ	CLG Funding for Discretionary reliefs via deduction to central share	Total income for EZ incl CLG Reliefs funding
2013-14	404,449	224,767	179,682	101,389	281,071
2014-15	171,721	235,256	0	302,197	302,197
2015-16	443,100	239,751	203,349	242,931	446,280
Total to 31 March 2016	1,019,270	699,774	383,031	646,517	1,029,548
2016-17 forecast	460,128	241,669	218,459	240,048	458,507
Potential resources to 31/3/17			601,490	886,565	1,488,055

55. There are currently two hotels under construction in the EZ that will be completed and operational by the beginning of 2017. The rateable value of these properties has yet to be confirmed but based

on the rateable value of existing adjacent hotels it would be prudent to assume that they could generate around an additional £400,000 of business rate income per annum. This would provide an annual business rate income of circa £850,000 per year from April 2017 in addition to the £1.488 million that will have been collected by March 2017.

56. The table below sets out a reasonable business rate income forecast to the end of March 2019.

2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Total
£281,000	£302,000	£446,000	£459,000	£850,000	£850,000	£3,188,000

57. In order to deliver the early delivery projects, the additional funding requirement until the end of March 2019 is therefore in the region of £312,000 capital expenditure. This has been included in the GLA Housing and Land budget, along with an additional £388,000 contingency, totalling £700,000 for financial years 2017-2019, on condition that it will be repaid from future business rate income.

58. The Deed of Agreement sets out that business rates will be collected by LBN's internal business rates team and will be transferred to the GLA in instalments as part of the existing arrangements for the payment of retained business rates between the two organisations. The EZ business rates collected to March 2016 will be transferred within one month of the signing of the agreement.

3. Equality comments

59. The projects forming the Detailed Delivery Plan are expected to lead to significant positive equality outputs. An equalities plan will be required as part of the Detailed Delivery Plan commission, which will be developed in consultation with the EZ Delivery Team, relevant GLA teams, and LBN Regeneration, Communities and Economic Development Teams to ensure equalities considerations are met.

60. All recruitment will fully comply with the Equality Act 2010 and fulfil the requirements of the Public Sector Equality Duty as set out in the section 149(1) of the Equality Act 2010.

61. The obligation in section 149(1) is placed upon the Mayor, as decision maker. Due regard must be had at the time a particular decision is being considered. The duty is non-delegable and must be exercised with an open mind.

62. The recruitment of the EZ Delivery Team members will be undertaken in line with GLA recruitment procedures.

63. Equalities considerations will be taken into account by the GLA in connection with all of the work procured. Quality impact assessments will be undertaken as part of the Detailed Delivery Plan work to ensure the relevant characteristics of the Equality Act 2010 are considered by the GLA. Impact assessments will determine whether any persons with those characteristics will be unduly impacted by the activities described in this MD, and the course of action in order to mitigate any impacts.

4. Other considerations

Links to Mayoral strategies and priorities

64. The overall objective of this approval is to accelerate and maximise the regeneration of the EZ and wider Royal Docks Opportunity Area, for which a planning framework (OAPF) is currently in draft form. The OAPF sets out the capacity for maximised land use and growth, in accordance with the London Plan and A City for All Londoners, and the work programmes outlined in this MD are expected to support and intensify the objectives of the OAPF. The projects in the Delivery Plan

include infrastructure projects which will increase transport capacity and improve connectivity and permeability to and through the Royal Docks, and will in turn unlock housing opportunities and accelerate housing delivery on the surrounding development sites.

65. The appointment of an EZ Delivery Team will allow for the preparation of an EZ Detailed Delivery Plan and funding strategy which will provide the information required to enable £380 million of investment into the EZ with the aim of delivering 40,000 jobs and 4,000 homes. It will allow for the creation of a new governance structure and the implementation of a programme of early regeneration activity to ensure the Mayoral priorities for economic development, culture and regeneration are met. The Detailed Delivery Plan will also take environmental considerations and health inequalities into account to create a sustainable plan for the development of a healthy and distinctive part of east London.
66. Once the EZ Detailed Delivery Plan has been prepared, detailed outputs in the form of Key Performance Indicators will be set out to ensure the project meets the Mayor's objectives. The project will help to reduce the employment rate and qualifications gap between the 'Growth Boroughs' and the London average, and improve the social and economic chances of residents of the LBN and the surrounding areas. The project will identify and secure the resources to deliver priority infrastructure and interventions that will enhance the jobs and wider opportunities available to local residents and Londoners. It will also boost access to new business, cultural, educational and community facilities.

Impact assessments and consultations

67. The EZ Detailed Delivery Plan will include an impact assessment of the preferred delivery option in relation to maximising beneficial outcomes for the LBN, London and the UK economy, and the impacts associated with the aforementioned equalities plan. It is not considered that any further impact assessment is required for this specific decision.
68. The EZ delivery proposals have been developed jointly with the LBN and in consultation with officers in the GLA's Housing and Land Strategic Projects and Property, Finance, Regeneration, Economic and Business Policy Unit (EBPU), Estates, Communications and Marketing, Culture and the LEP Secretariat teams. The GLA Human Resources team have been consulted with in the development of Job Descriptions for the EZ Delivery Team which will comply with the GLA competencies framework.
69. It is not considered that any further consultation in respect of this specific decision is required.

Key risks and issues

70. Without the investment described in this Mayoral Decision, the development projects on GLAP land and the associated land receipts that they generate are at risk of stalling. The business rates to be generated (in the region of £800 million) upon occupation of these development sites will fail to be generated, preventing the much needed regeneration of the area. To mitigate this risk, considerable work has been undertaken by officers at the GLA and LBN to progress the resource plans contained within this paper.
71. If a legally binding agreement between LBN and the GLA is not completed, it will not be possible to transfer the Royal Docks EZ business rates collected by LBN to date and in future to the GLA. This will prevent the re-investment of business rates into the necessary infrastructure projects and the associated delivery resource. To mitigate this risk, a Deed of Agreement to put in place local arrangements for collection and allocation of the business rates has been drafted and agreed by the GLA and LBN and awaits signature by the two parties.
72. The development and agreement of the EZ Detailed Delivery Plan may be delayed if the GLA and LBN have different investment priorities for the Royal Docks. To mitigate this risk, regular meetings

have taken place between senior officers at the GLA and LBN to develop the governance arrangements, single delivery team structure, and the early activity plans. To further mitigate the risk of disagreement regarding the EZ Detailed Delivery Plan, a dispute resolution procedure has been included in the Deed of Agreement to ensure an agreement can be reached on the objectives and deliverables included in the EZ Detailed Delivery Plan.

73. If the EZ Delivery Team is not established and the EZ Detailed Delivery Plan is not developed, it will not be possible to conduct prudential borrowing to deliver the necessary infrastructure to accelerate commercial and residential development in the Royal Docks. To mitigate this risk, consultation has taken place with different teams in the GLA and LBN to ensure that the proposed team structure and job descriptions include an emphasis on the development of the EZ Detailed Delivery Plan, as well as the development and delivery of early projects.

5. Financial Comments

74. The Deed of Agreement will ensure that business rates collected by the LBN (as billing authority for the EZ) are passed to the GLA and align with the existing arrangements for the payment of business rates from the LBN to the GLA. The Deed of Agreement will trigger the payment of £1.029 million of business rates that have been collected to 31 March 2016 within one month of entry into the Deed and also unlock access to estimated business rates of £459,000 relating to financial year 2016-17 and £850,000 in each of financial years 2017-18 and 2018-19. This means that there is estimated available funding of up to £3.188 million up to the end of financial year 2018-19 against which either capital or revenue expenditure could be committed and which would be sufficient to fund the proposed EZ Delivery Team (to the end of March 2019), the Detailed Delivery Plan and the early delivery revenue projects of £2.84 million. The proposed £700,000 from the GLA Housing and Land budget would fund the early delivery capital projects.
75. Early delivery expenditure will need to be delayed or scaled back as necessary if there are any projected shortfalls in the currently estimated business rate income for financial years 2017-18 and 2018-19.
76. It is proposed that the EZ Delivery Team posts are permanent. The estimated business rates income is anticipated to be £850,000 in financial year 2018-19 which means there should be a sufficient level of on-going rates income to fund the team beyond financial year 2018-19. Business rate income will therefore need to continue to grow if further revenue expenditure is required at that point and would also need to be sufficient to fund any financing costs, which would be a first call, if any forward funding borrowing was required.
77. The financial model and potential need for any forward funding borrowing have not been tested internally by the GLA at this stage. It would only be possible to borrow for any capital expenditure using the future growth in rates income as a revenue stream for its financing and repayment if there is a real prospect of this growth being sufficient to meet obligations using prudent assumptions and best practice. The impact of variations in the amount and timing of investment and other supporting expenditure and in projected business rate income will need to be undertaken in developing the funding strategy and before any forward funding commitments can be entered into.

6. Legal comments

Sections 1 to 59 of this report indicate that the decisions requested of the Mayor fall within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development and wealth creation, social development or the promotion of the improvement of the environment in Greater London. In formulating the proposals set out above in respect of which a decision is sought, officers have complied with the GLA's related statutory duties:

- paying due regard to the principle that there should be equality of opportunity for all people;
- considering how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
- consulting with appropriate bodies.

Sections 11 to 17 of this report indicate that the GLA anticipates entering into a Deed of Agreement (in its capacity as accountable body to the LEP) with LBN under which the LBN agrees to transfer business rate income generated within the EZ to the GLA. Officers should liaise with the Secretariat to ensure that the Deed of Agreement is appropriately executed. The LEP is established by the Mayor as an advisory unincorporated Mayoral Appointed Body under section 30 of the Greater London Authority Act 1999. The LEP is not a legally distinct entity and is thereby established with the Greater London Authority as its accountable body through which it must operate. The Mayor cannot delegate his statutory functions to the LEP but can, under section 38 of the Greater London Authority Act 1999, delegate his statutory functions to an officer of the GLA.

Sections 39 to 41 of this report indicate that the GLA anticipates borrowing in order to forward fund certain aspects of the proposed EZ regeneration works. Paragraph 1.1 of the GLA's Financial Regulations requires that the GLA ensure it has sound financial management policies in place which are strictly adhered to.

Section 39 of this report indicates that consultants may be appointed by the GLA to assist in the delivery of certain aspects of the proposed EZ regeneration works. Paragraph 15 of the GLA's Financial Regulations requires the GLA to only appoint a consultant where they have specialist skills or knowledge not available from within the GLA's establishment and to refer any proposed appointments to the Head of Paid Service for initial approval where an appointment exceeds £600 per day per person.

Section 46 of this report indicates that the Mayor intends to delegate responsibility for the final approval of investment in the delivery of early projects forming part of the EZ to the GLA Executive Director for Housing and Land in consultation with the Deputy Mayor for Housing and Residential Development. The Mayor may, under section 38 of the Greater London Authority Act 1999, delegate the exercise of the GLA's functions to the Deputy Mayor and any member of staff of the GLA (including the Executive Director for Housing and Land) as proposed. Section 38(5) requires that the Deputy Mayor and Executive Director discharge those duties delegated to them with the authorisation of and in accordance with any conditions imposed on them by the Mayor.

7. Planned delivery approach and next steps

Activity	Timeline
Mayoral Decision	February 2017
Execute Deed of Agreement	February 2017
Initiate Recruitment	March 2017
Complete recruitment	Spring 2017
New team operational	Summer 2017
EZ Detailed Delivery Plan Completed	Early 2018

Appendices and supporting papers:

Appendix 1 – LEP paper dated March 2016

Appendix 2 – Working areas and early projects plan

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? NO

If YES, for what reason:

Until what date: (a date is required if deferring)

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:

Bethan James 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:

James Murray 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 20 February 2017.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. [Signature]

Date

20.2.17

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

20 / 2 / 2017

