

REQUEST FOR DIRECTOR DECISION – DD2516

Title: Royal Docks Good Growth Fund – The Factory Project

Executive Summary:

In August 2018, Mayoral Decision (MD) 2338 approved expenditure of up to £212.5million for the Royal Docks Enterprise Zone (EZ) Delivery Plan to deliver an integrated and catalytic package of projects under the five strategic objectives of Place, Connectivity, Economy, Activation and Promotion. MD2338 delegated authority to the Executive Director of Housing and Land to approve through Director's Decisions, the income and detailed spending proposals for each project that is to be funded within this initial £212.5million expenditure budget envelope.

This Director's Decision (DD) seeks approval to allocate capital grant funding of up to £2.83m from the Royal Docks Good Growth Fund to This Is Projekt Ltd to deliver The Factory Project. The project entails refurbishment of 100,000 square feet of derelict warehouse and courtyard space to deliver provision for community events, 86 units of affordable workspace and 195 new or safeguarded jobs. This investment also unlocks match funding of £3.4m from This Is Projekt, which is required to deliver The Factory Project.

In accordance with London Economic Action Partnership (LEAP) governance and funding responsibilities for all Royal Docks EZ projects, the investment set out in this Decision request was considered and endorsed by the Royal Docks EZ Programme Board on 25 November 2020.

Decision:

That the Executive Director of Housing and Land approves up to £2.83m of capital expenditure from the Royal Docks Good Growth Fund to be awarded as grant funding to This is Projekt to deliver on The Factory Project.

AUTHORISING DIRECTOR

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities. It has my approval.

Name: Rickardo Hyatt

Position: Executive Director, Housing and Land

Signature:



Date:
8 February 2021

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 The Royal Docks is one of London's most distinctive economic locations and largest regeneration projects, with the potential to generate 35,000 additional jobs and 4,000 new homes within the Enterprise Zone (EZ). The Mayor of London and the Mayor of Newham are jointly leading the regeneration of the area through its Enterprise Zone status, which is funded through the ringfencing of business rate income collected within the Zone. The EZ is projected to deliver over seven million square feet of commercial space, primarily at three key development sites at Royal Albert Dock, Silvertown Quays and Albert Island.
- 1.2 The LEAP Board endorsed the Royal Docks EZ Delivery Plan in June 2018. MD2338 approved expenditure of up to £212.5million for the Royal Docks EZ Delivery Plan to deliver an integrated and catalytic package of transport infrastructure, connectivity, economic development, placemaking, estate management and creative programming projects that will deliver the cohesive transformation of the Royal Docks and accelerate the delivery of EZ commercial space.
- 1.3 The Economic Purpose of the area is outlined in the Royal Docks Economic Purpose Report, jointly commissioned by LB Newham and the Royal Docks Team (RDT) in 2019 and defined as: "A nationally significant hub of enterprise, employment and culture, recognised as a testbed for social, environmental and technological innovation. Globally fluent and internationally focussed, harnessing the benefits of Newham's diverse community." This definition takes into account the need for the Royal Docks to create jobs in a distinctive way, recognises the wider need to include environmental and social issues in the making of economic decisions, and captures the potential for the Docks to be a home for international business and culture.
- 1.4 MD2338 approved a budget envelope of £56.2million under the Economy strategic objective to invest in and deliver projects across four overarching programmes of Good Growth, Employment and Skills, Business Support and Workspace. The request for expenditure of £2.83m capital, the subject of this decision, will come out of the Economy budget set in MD2338. The expenditure has been requested to pay for the costs associated with the delivery of The Factory Project, an application that was approved under the Royal Docks Good Growth Fund (RDGGF) programme by the Royal Docks Enterprise Zone Programme Board.

Royal Docks Good Growth Fund

- 1.5 The RDGGF is one of the key platforms through which the EZ can be transformational for Newham and London, helping to secure the economic critical mass that is key to establishing an enhanced economic identity and function of the area. The fund emphasises the importance of social, urban and environmental innovation and supports local economic development priorities, alongside continuing to promote good growth.
- 1.6 The RDGGF provides a platform for EZ public investment to be agile and targeted, allowing the EZ to be more responsive to current and existing challenges highlighted in the adopted Economic Purpose. It will also help to build capacity within the local community to play a more active and participatory role in the evolution of the area, as well as being explicit about the need for all projects to deliver on Newham's priority of community wealth building (CWB).
- 1.7 The strategic drivers for the RDGGF were established through the Economic Purpose report formally adopted in early 2020 by the Royal Docks EZ Programme Board. Since then, the emerging Covid-19 crisis has forced a re-thinking and re-framing of priorities for both Newham and London through the lens of recovery, although this has had little direct impact on the strategic drivers for the fund as they remain as valid now as when the fund was designed.

The Project

- 1.8 One RDGGF Full Application has been received, assessed and was presented to the Royal Docks EZ Programme Board on 25 November 2020. The application from This Is Projekt Ltd (the applicant) for The Factory Project Ltd was considered and approved for funding.
- 1.9 This Is Projekt Ltd is seeking £2.83m for the refurbishment of 100,000sqft of existing derelict warehouse and courtyard space to deliver a mixed-use plan incorporating workspace, a community event space and larger units for food preparation and light industrial uses. It will also include a large hireable studio, rehearsal and production space. The outdoor spaces will host community events throughout the year. This project will be delivered via a grant agreement.
- 1.10 The applicant's headline outputs are 100,000sqft of affordable work and community space, 195 new/safeguarded jobs and 86 units of affordable workspace, alongside a series of other complementary ones.
- 1.11 The applicant has provided an eligible match funding profile in the order of £3.4m, comprising a mix of direct financial contributions, forgone income by the landowner (Tate & Lyle Sugars) and subsidies to offer 'affordable' space. This is comfortably above the 50% match funding target.
- 1.12 The application has been assessed by three independent assessors from the Royal Docks Team, the GLA and LB Newham. In addition, expert advice was sought from additional Officers with experience of funding similar projects and working with This Is Projekt Ltd. Applications were assessed against the three core criteria of Project Description, Deliverability and Value for Money. In addition, the cross-cutting themes of CWB, Transformation/Innovation and Good Growth are of material relevance. A summary of the moderated assessment is summarised below:
 - 1.12.1 *Project Description.* Score 4 (Good) out of 5. The application was considered to be transformational and would also meet the needs of local entrepreneurs. It was considered to be a 'typical' GGF project, and one based on a sound long-term plan. However, further development of the existing CWB plan will be needed to ensure local benefits are maximised, and further clarification on the full range of outputs/outcomes will help define the project.
 - 1.12.2 *Deliverability.* Score 3 (Acceptable) out of 5. The applicant has an existing track record known to the GLA, including locally, and it is felt they are able to deliver. The landlord has also confirmed that the applicant has permission to progress as identified, and that there are only minor planning-related issues to consider (relative to the scale of the project). However, further clarity/scrutiny on costs is needed on what is a substantial build scheme, and some additional scrutiny of business planning details prior to any award is necessary. *Note each of these has subsequently happened to the satisfaction of the RDT).*
 - 1.12.3 *Value for Money.* Score 4 (Good) out of 5. Balancing the proposed RGGF outlay (£2.83m) against the listed outputs (195 jobs), the scheme is considered to be very good value for money. The costs are also considered to be reasonable considering the scale of the project. Further development of the CWB plan will benefit the local aspects of the proposal. Further the outputs listed do include displacement of existing businesses from within the area (albeit ones who without this facility would likely leave the area).
- 1.13 Overall, the assessment is positive about the application. It is felt the project has the potential to transform the area. The level of detail provided gave the assessment team confidence about the applicant's credentials. Further development of the CWB aspirations in partnership with the Royal Docks Team and LB Newham will ensure the project maximises its local impact.

Budget Breakdown

- 1.14 Over the agreed period of the project – taken to be 10 years – the total net investment from the RDGGF will be £1.9 million. On the basis of a £2.83 million funding request, the award will comprise:

| Funding Detail | Costs |
|---|---------------|
| Royal Docks GGF grant | £1.9m |
| Security deposit <i>(to be returned to the GGF programme after 10 years if unused)</i> | £100k |
| Recoverable grant <i>(to be returned to the GGF programme in full after 10 years, with a profile of repayments to begin from year 3, and seek to be consistent per annum)</i> | £573k |
| A further optional amount that can be repaid through a combination of either further recoverable grant, workspace subsidies (direct to tenant) or community funding purposes (again direct to beneficiaries). | £257k |
| Total | £2.83m |

1.15 It is anticipated that the total amount (£2.83m) will be spent by 2021/2022.

2. Objectives and expected outcomes

- 2.1 The fund will be used to support projects that are inclusive, innovative and which tackle some of the challenges facing the Royal Docks. It will also seek to support local economic activity, create new jobs and workplaces, and ensure these opportunities are accessible to the whole community.
- 2.2 See paragraphs 1.9 and 1.10 for further details regarding objectives and expected outcomes.

3. Equality comments

- 3.1 Under Section 149 of the Equality Act 2010, as a public authority, the GLA must have 'due regard' of the need to:
- eliminate unlawful discrimination, harassment and victimisation;
 - advance equality of opportunity; and
 - foster good relations between people who share a relevant protected characteristic and those who do not. Protected characteristics under section 149 of the Equality Act are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status.
- 3.2 The implications of this proposal have been assessed against the Equality Duty and it is considered that it will have a positive impact. Whilst progress has been made over the last decade in linking residents to emerging employment opportunities in Newham, significant inequality persists locally. The Enterprise Zone aims to create 25,000 new homes and 60,000 new jobs within the next 20 years and the Good Growth Funds aim is to contribute towards that. No adverse implications for any group sharing a protected characteristic have been identified during this process.
- 3.3 The Royal Docks EZ Delivery Plan projects are aimed at implementing a number of the Mayor's policies such as the London Plan, A City for All Londoners, Healthy Streets Approach, Culture Strategy, London Housing Strategy, Transport Strategy and is aligned with the Mayor's Equalities Framework to consider the requirements of relevant equalities groups. Impact assessments will determine whether any persons

with those characteristics will be unduly impacted by the activities described in this paper, and the course of action in order to mitigate any impacts.

3.4 LBN's Community Wealth Building strategy ensures that growth in the borough:

- is shared locally and held democratically;
- builds on internal strengths and opportunities; and
- realises the potential of Newham's community, residents, businesses, and voluntary sector.

3.5 The applicant and the RDT are jointly committed to ensuring there is an equality of access to opportunities (i.e. workspace) through this project. This is in line with the ethos of CWB, which is an explicit core theme of the GGF and more broadly the EZ programme. To this end, the applicant has committed to becoming a CWB partner, which is a framework to enable it to identify amongst other things its approach to working closely with its diverse local community. The applicant has agreed to submit an equalities plan prior to any funding.

4. Other considerations

Declarations of interests

4.1 There are no known conflicts of interest to declare for those involved in the drafting or clearance of this Director's Decision.

Key risks

| Risk | Mitigation | RAG Rating |
|--|---|-------------------|
| The build project proves to be more expensive than what has been approved, meaning there is a risk to delivery. | <ul style="list-style-type: none"> • Regular close working with project team • Incentives to minimise costs within the award • Appropriate contingency included in award | A |
| Once build project is complete there is a low take up of space – therefore project proves not viable. | <ul style="list-style-type: none"> • Close working with project team to understand any evolving business plans • Business plan aligns with current market position • Flexible space that allows adaptations for market demand • Accept risk as part of market process – onus on applicant to deliver as per agreement | A |
| The applicant fails to engage with communities, meaning project feels isolated and it fails to meet Community Wealth Building aspirations as agreed. | <ul style="list-style-type: none"> • Close working with EZ Communities Team • Detailed communities plan a requirement to any funding • Close partnership working encouraged | G |

Mayoral strategies and priorities

4.2 This programme will also help deliver the following Mayoral policies and strategies:

- the Mayor's Skills for Londoners Strategy;
- the Mayor's Equality, Diversity and Inclusion Strategy, Inclusive London;
- the Mayor's London Health Inequalities Strategy; and
- the Mayor's Economic Development Strategy for London.

5. Financial comments

- 5.1 The decision is seeking approval for a capital grant of £2.83m to fund refurbishment works to a derelict warehouse and courtyard space, which will create commercial space within the Royal Docks Enterprise Zone (EZ). The project is known as "The factory Project". It was approved under the Royal Docks Good Growth Fund programme and will be delivered by This Is Projekt Ltd. The grant will be funded from, the Royal Docks EZ Delivery Plan, capital budget. The project is expected to be delivered during 2021-22. This Is Projekt Ltd has also secured match funding of £3.4m to complete the project.
- 5.2 Included in the grant of £2.83m, is recoverable grant of £573k, which is repayable to GLA from year 3. A deposit of £100k is also included in the grant payment, which may be repayable after 10 years.

6. Legal comments

- 6.1 The foregoing sections of this report indicate that the decisions requested of the Executive Director concern the exercise of the GLA's general powers, falling 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.
- 6.2 In implementing the proposals in respect of which a decision is sought, officers should comply with the GLA's related statutory duties to:
- pay due regard to the principle that there should be equality of opportunity for all people;
 - consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
 - consult with appropriate bodies.
- 6.3 In taking the decisions requested, the Executive Director must have due regard to the Public Sector Equality Duty under section 149 of the Equality Act 2010, namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, to advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation) and to foster good relations between persons who share a relevant protected characteristic and persons who do not share it. To this end, the Executive Director should have particular regard to section 3 (above) of this report.
- 6.4 Section 1 of this report indicates that the sought budget will amount to the provision of grant funding and not payment for services. Officers must ensure that the funding is distributed fairly, transparently, in accordance with the GLA's equality policy, subsidy control rules and in a manner,

which affords value for money in accordance with the GLA Contracts and Funding Code. Officers must ensure that an appropriate funding agreement is put in place and executed by the GLA and the recipient before any commitment to funding is made.

7. Planned delivery approach and next steps

| Activity | Timeline |
|-------------------------|-----------------|
| Contract signed | February 2021 |
| Project delivery begins | March 2021 |

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? YES

If YES, for what reason: Until contracts are fully signed it has been requested by the applicant and their landlord to delay any publicity until everything has been signed.

Until what date: March 2021

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 to confirm the following (✓)

Drafting officer:

Abdul Awwal has drafted this report in accordance with GLA procedures and confirms the following:

✓

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.

✓

Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

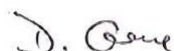
Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 8 February 2021.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature



Date

8 February 2021