

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD1468

### Title: Erith Regeneration Programme

#### Executive Summary:

Further to endorsement from the London Enterprise Panel and approval of the Stage 1 and Stage 2 paper by the Investment Performance Board, this Directors Decision is to seek approval for up to £4,200,000 capital expenditure from the Growing Places Fund Programme for the London Borough of Bexley's Erith Regeneration Programme (in accordance with the delegations set out in MD940).

The funding will assist the London Borough of Bexley in kick-starting the next phase in the Council's ambitions for the regeneration of Erith town and the contribution it can make to accommodating London in quality homes and places. The funding will be drawn down between 2016/17 and 2019/20 and repaid by the London Borough of Bexley by 2025/26.

#### Decision:

That the Executive Director approves expenditure of up to £4,200,000 capital funding from the Growing Places Fund Programme as a contribution to the London Borough of Bexley's costs for delivering the Erith Regeneration Programme.

#### 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:** Fiona Fletcher-Smith

**Position:** Executive Director-Development,  
Enterprise & Environment

**Signature:**



**Date:**

10/03/2016

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1. In July 2015 a bid was received from the London Borough of Bexley (LB Bexley) as a late submission to the second round of the Growing Places Fund (GPF) which sought proposals that delivered LEP Jobs and Growth Plan objectives. This bid, for the Erith Regeneration Programme, was considered in line with the Round 2 prospectus which stated that in exceptional circumstances bids would be accepted outside of the timeframe advertised. LB Bexley were invited to submit their late round 2 proposal following on from an earlier successful application for the Queen's Road Roundabout project in round 1 of GPF (which was approved by the London Enterprise Panel (LEP) in June 2013, but was later withdrawn by LB Bexley in November 2014. Acknowledging what the project was aiming to achieve in the Erith area, the London Enterprise Panel (LEP) invited LB Bexley to return with a future bid submission which would support regeneration in the area when GPF funding became available.
- 1.2. At the LEP meeting on 8<sup>th</sup> September 2015 the LEP provided in principle approval for the GPF Erith Regeneration Programme proposal. The LEP agreed for £4.2 million GPF funding to be set aside subject to recommended further development works to the project being undertaken and proposed match funding being secured; this was achieved in November 2015 and January 2016 respectively, enabling full endorsement to be granted for the project in January 2016.
- 1.3. The Stage 1 (strategic decision) and Stage 2 (investment decision) papers were presented to and approved by the Investment Performance Board on 17<sup>th</sup> February 2016.
- 1.4. Erith is a key location, adjacent to the River Thames within the Bexley Riverside Opportunity Area (as identified in the London Plan). The town offers significant capacity to help meet London's growing demand for affordable homes but current local land values are not attracting the right kind of development to make that happen.
- 1.5. This paper seeks approval for the provision of up to £4.2 million capital GPF funding for the Erith Regeneration Programme. The GPF investment will help kick-start the next phase in the Council's ambitions for the regeneration of the town and the contribution it can make to accommodating London in quality homes and places (the Part 2 of the paper contains further details). A successful bid at this critical stage will help support LB Bexley's ambitious programme of development in Erith town centre and its emerging Growth Strategy. In addition, it will secure the right projects and capture the value uplift for further investment by the public sector as Crossrail and other infrastructure develops.
- 1.6. The total funding package for this Erith Regeneration Programme is £8.12 million; all the funding has been secured. The 4.2 million investment from GPF will represent 52% of the total project funding package. £1.96 million grant funding will be provided by the Mayor's London Regeneration Fund (LRF), representing 24% of the total project funding package. This grant was successfully awarded in late January 2016. The remaining 24% (£1.96 million) of the funding package is being provided directly by LB Bexley internal funding.
- 1.7. To secure an over-arching programme, a complementary bid was submitted by LB Bexley to the Transport for London's (TfL) Major Schemes programme for their 'Erith Links' project. The TfL bid was successfully awarded in December 2015 and, although a separate project to the GPF funded Erith Regeneration Programme, will focus on enhancing the public realm and improving routes from

the train station to the town centre. This will help stimulate land values and further private sector investment.

## 2. Objectives and expected outcomes

2.1. **Objective:** To intervene proactively in the development of Erith to attract the right kinds of development to the town centre in line with the Council's emerging Growth Strategy.

2.2. **Outcomes:** The commercial and capacity proposition is for around 190 residential units and 20,000sqft commercial space. Based on the project proposal, the following outcomes have been identified:

- Unlocking of new jobs - 103 FTE jobs in the commercial space (or, when factoring in additionality over 20 years, 644 FTE jobs created)
- Unlocking of commercial space - 20,000sqft A3 commercial space unlocked (Gross value added (GVA) £19.733m), creating 830 FTE jobs through construction phase (GVA £45.318m)
- Unlocking of new homes - c190 residential units, creating 380 FTE jobs (GVA £20.748m)
- Years brought forward (from year 10 to year 5) - GVA £11.42m

## 3. Equality comments

3.1. The GLA Regeneration Team work with delivery partners to target investments in places with the greatest potential to secure inclusive jobs and growth opportunities, and ensure all investments promote equality and work to deliver new and secure existing diverse and inclusive opportunities and services.

3.2. Through their existing public sector duties and via the requirements that will be set out in the funding agreement, the LB Bexley must ensure that they give due regard to the requirements of the Public Sector Equality Duty: eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out this project.

## 4. Other considerations

### 4.1. Risks:

Risk description and impact	Control measures/Actions	Probability (1-4)	Impact (1-4)	Rating (RAG)
Repayment cannot be made by LB Bexley in line with agreed repayment profile	GLA and LB Bexley have agreed on review points for the repayment profile.	1	2	G
Development does not attract required commercial interest	Commercial advice throughout project. Include milestone for masterplan in Funding Agreement so the borough can clearly communicate their vision to potential investors.	1	4	A
Development partner unable to meet Joint Venture (JV) obligations due to market downturn or other circumstances	Robust procurement process; build financial review mechanisms into JV agreement; and carry out regular reviews of the market and seek to maximise return on investment.	1	3	G

(the Part 2 confidential paper contains further details on risks)

#### 4.2. Links to Mayoral strategies and priorities:

4.3. The Erith Regeneration Programme will deliver against the infrastructure, skills and employment objectives of the LEP's Jobs & Growth Plan (2013), as well as a number of strategic objectives from the Mayor of London's Action for High Streets. In particular, the project will strengthen key infrastructure routes by allocating core development sites alongside them and creating commercial infrastructure. The project will contribute to London's skills and employment by creating significant construction sector opportunities during project delivery and commercial employment opportunities in resulting developments and by working with important local employers to establish skills partnerships.

#### 4.4. Assessments:

4.5. Development appraisals, valuations and soft market testing have been provided through consultants by the borough, and Officers are content with the advice provided (the Part 2 of the paper contains further details).

### 5. Financial comments

- 5.1. There is unallocated GPF budget available to fund the £4.2 million proposed investment in the Erith Regeneration Programme. This would be provided to LB Bexley with estimated drawdowns in the period 2016-17 to 2019-20 and repayments by 2025-26. There would be no interest charged, in line with all previous investments of GPF in London borough projects. Details of the proposed drawdown and repayment profiles are included in part 2 of this decision. Repayment would be subject to review at trigger points to be included in the funding agreement which will also include the mitigation for the risk of non-repayment. Any amendments to profiles will be subject to year-end processes as necessary.
- 5.2. £1.96 million of the proposed match funding for the LB Bexley project is from the GLA's London Regeneration Fund (LRF). The LRF will be funded from Growth Deal grant funding from Government, the total amount of which is still subject to formal confirmation. This will need to be in place to conclude the funding agreement with LB Bexley.

### 6. Legal comments

#### 6.1. The foregoing sections of this report indicate that:

- 6.1.1. the decisions requested of the Director fall within the statutory powers, acting on behalf of the GLA, to do anything which is facilitative of or conducive or incidental to the promotion of economic development and wealth creation in Greater London; and
- 6.1.2. in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory duties to:
- (a) pay due regard to the principle that there should be equality of opportunity for all people;
  - (b) 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
  - (c) consult with appropriate bodies.

6.2. In taking the decisions requested, the director must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct

prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the director should have particular regard to section 3 (above) of this report.

- 6.3. Officers have indicated that report that the contribution of funding to the London Borough of Bexley will amount to an investment by way of the provision of (repayable) funding and not a payment for services to be provided and must ensure that the proposed funding is disbursed in a fair and transparent manner in accordance with the GLA's Contracts and Funding Code and a funding agreement is put in place between and executed by the GLA and London Borough of Bexley before any commitment to the funding is made.
- 6.4. Given that the expenditure relates to a project extending beyond the current mayoral term officers must also observe the principle that an incumbent administration should not unreasonably fetter the discretion of any future administration. Officers should ensure that the project is managed in a manner, including (without limitation) the inclusion in related agreements of break clauses, which enable the GLA to terminate this project (or elements thereof) at any point for convenience and milestones and payments should be structured so as to minimise the impact of the exercise of such termination rights.

## **7. Planned delivery approach and next steps**

- 7.1. The borough has substantial experience of delivering large procurement, construction and transport capital projects.
- 7.2. The project structure within LB Bexley is anticipated to consist of the LB Bexley Growth Board, Erith Regeneration Programme Steering Group and Delivery Group, Programme Manager, Project Manager and internal technical support; in addition to this the project structure also encompasses external consultancy support and Lead Officers from the GLA Regeneration Team. The Erith Regeneration Programme Steering Group and Delivery Group will include the Deputy Director for Regeneration and Growth, Head of Finance and Head of Regeneration and Assets.
- 7.3. The project will be monitored by the borough through a number of dedicated groups expected to be the Erith Regeneration Steering Group and Delivery Group and the LB Bexley Growth Board. The risk register will be monitored by the project team, with issues and exceptions reported to the Erith Regeneration Steering Group.
- 7.4. . Drawdown payments will be made on a quarterly, defrayed basis from the GLA to LB Bexley and will require evidence to show milestones in programme have been achieved. Estimated drawdown in the period 2016/17 to 2019/20 (the Part 2 of the paper contains further details).
- 7.5. LB Bexley will either procure a development partner for a Joint Venture (JV) or do a contract sale for the sites ahead of the construction phase of the project. Procurement of a JV development partner or contract sales of sites will take place, and construction will be undertaken and completed, between April 2018 and November 2025.
- 7.6. The business plan presents two options for repayment. The GPF investment is scheduled to be repaid between 2021 and 2026 using the JV development partner scenario, or between 2019/20 and 2025/26 using the conditional contract sale scenario (the Part 2 of the paper contains further details). Repayments may move forwards or backwards dependant on a number of conditions (the

Part 2 of the paper contains further details), so GLA Officers have agreed a review based process with the borough to allow for this (the Part 2 of the paper contains further details).

- 7.7. The LEP Delivery Team will have responsibility for overseeing delivery of the project at the GLA.
- 7.8. Project performance will be reported through monthly dashboards and presented to the LEP Delivery Board. Projects which have identified amber and red risks will be required to report to the GLA Regeneration Unit's Budget and Performance Review process to ensure all steps are taken to reduce the likelihood and potential impact of risks. The LEP Delivery Team Lead Officer will meet with the project on a monthly and quarterly basis to review progress and to ensure the project is delivered on time and meets objectives.
- 7.9. LB Bexley will be required to report progress on a monthly and quarterly basis, including an explanation of expenditure, milestone and output/outcome delivery, and updates on risks and issues.
- 7.10. Project progress and success will be measured against identified and agreed milestones and targets set out in the Funding Agreement, which will be covered in the 'Overall Impact' section of the agreement.
- 7.11. The GLA will ensure that appropriate contract provisions are included in the Funding Agreement to ensure that payment is aligned with specific, measurable, achievable, realistic and time bound milestones. Where milestones are delayed or not delivered, payment may be withheld, unless good reason is provided that overall delivery of objectives is still on target.
- 7.12. In line with the standard GPF funding agreement, the project will be required to undertake an evaluation six months from practical completion and a review at three years after practical completion.

<b>Activity</b>	<b>Timeline</b>
Directors Decision	Early March 2016
Public announcement by delivery partner	Early March 2016
Sign Agreement	Early April 2016
Delivery Start Date	April 2016
Delivery End Date	April 2026
Repayment complete	2026
Evaluation	6 months after completion
Three Year Review	3 years after completion

(the Part 2 confidential paper contains further details on activity)

**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:**

Sarah Hayward has drafted this report in accordance with GLA procedures and confirms that:

✓

**Assistant Director/Head of Service:**

Debbie Jackson 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.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. J. Allen*

Date

*9.3.16*