

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD1315

Title: Tottenham Opportunity Investment Fund

Executive Summary:

The Opportunity Investment Fund (OIF) aims to create the conditions and assist the process of wider investment in land and property; to restore business confidence and increase the economic vitality of the area for small independent businesses and to bring forward high quality developments. The fund will revolve to enable delivery of further projects in the Tottenham Regeneration Area.

The Mayor (under cover of MD895 and MD1092) approved a programme of delivery in Tottenham through to March 2017, with investment decisions within this timeframe being delegated to the Executive Director for Development, Enterprise and Environment.

Decision:

The Executive Director approves expenditure of up to £2.64m of London Enterprise Funding as a capital grant to LB Haringey to deliver a revolving investment fund in the Tottenham Regeneration Area. The fund will be managed by LB Haringey to which the funds will revolve for further investments.

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 and Environment

Signature:



Date: 13/03/15 .

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

1.1. The Opportunity Investment Fund (OIF) was devised to support the acceleration of employment and housing development sites in Tottenham. Stage 2 approval of 11th April 2012 secured London Enterprise Fund (LEF) investment of £3m. In May 2012 DD787 released £326,000 to undertake master planning work in 2012/13, reducing the available funds to £2.674m. The proposed LEF capital grant of £2.64m will be matched with £1m from the London Borough of Haringey (LBH), giving a total £3.64m to establish and deliver a revolving acquisitions fund - with a minimum of 70% of the fund returned to LBH to allow the delivery of future projects in line with the OIF's purpose.

1.2. Authority was delegated by MD895 to the Executive Director of Development, Enterprise and Environment to agree individual schemes, subject to input from the GLA Finance Team, GLA Economics and TfL Commercial Law Team with each investment subsequently reported to IPB.

1.3. In light of the Borough's own £50m housing sites acquisition fund and prospective Housing Zone it was proposed in summer 2014 that the OIF would increasingly focus on progressing commercial and employment sites along with workspace creation projects.

1.4. Detailed scoping and definition of OIF, drawing on the experience of the Growing Places Fund (GPF) and consultant advice, was undertaken by officers between September and December. A paper detailing fund design and operation was presented to Tottenham Delivery Board on 21 January 2015.

1.5. The original proposal envisaged funds revolving to the GLA. Taking the experience of GPF and the size of the proposed fund into account, the current proposal is to grant fund LB Haringey to deliver a revolving fund within the Tottenham Regeneration Area (with a minimum of 70% of the fund invested must be returned to allow delivery of the next projects). This streamlines the process, reduces the administrative costs, and avoids the duplication of legal and financial costs and improves accountability. It also enables delivery of increased outputs as set out in section 2 of this report.

1.6. This report seeks authorisation for the expenditure of £2.64m LEF capital grant to LB Haringey to deliver the proposed fund. Details of the proposed fund design and operation are set out in the following section. The fund will be managed by LB Haringey and no funds will revolve back to the GLA.

2. Objectives and expected outcomes

2.

2.1. Objectives: In line with IPB approval the OIF aims to create the conditions for and assist the process of wider investment in land and property; to restore business confidence and increase the economic vitality of the area for small independent businesses through the return to the High Road of high street activities and to bring forward high quality developments, suitable for and enhancing a historic high road.

2.2. Key activities supported by the fund will include:

- Purchasing key sites to bring forward high quality commercial and workspace development in line with the joint regeneration objectives of the GLA and LBH.
- Providing subsidies to assist the purchase of a site or a lease in partnership with a private development or land owner to bring forward high quality developments and uses.
- Overcoming scheme viability issues, for developments integral to realising regeneration objectives shared by the LBH, GLA and identified through the master planning process
- Paying up front development costs in order to bring forward more ambitious development schemes.
- Helping to rationalise existing uses in an area to create opportunities for higher value activity.
- Promoting High Street occupancy

2.3. Outputs: Further to IPB endorsed change in emphasis OIF target outputs will increase to:

- 200 new jobs by September 2020
- 50 vacant commercial units brought into active use by March 2020
- 100 Workspace units supported by March 2020
- 50,000 sq. ft. increase in employment / commercial space by March 2020

2.4. Fund Design: Modelling carried out by GVA identified what input criteria (funding limits etc) will lead to the strong (90%) probability of ensuring at least 70% of investment is recovered.

2.5. As part of this process, in order to further streamline resourcing and advice requirements, a distinct small scheme and large scheme award was defined by LBH taking into account potential State aid constraints. The small scheme portfolio will be made up of investments between £50,000 and £125,000 in order to take advantage, where possible and appropriate, of de minimis rules which permit certain levels of aid to be provided without seeking EU Commission approval. The large scheme portfolio will be used to make investments of over £150,000 and will be subject to a need for greater State aid analysis by LBH and require full due diligence to be undertaken. The LEF grant will only be used in respect of capital investments.

2.6. The small scheme portfolio will require a PO2/3 level administrator for a period of 2 years, and may require the procurement of additional legal advice (by LBH) to ensure sufficient capacity for the processing of the applications. The Large scheme portfolio will require legal and financial assessments of projects; this is likely to be procured separately. On this basis it is anticipated that the costs of administering the fund will be £200,000. These costs will be met from within Haringey's £1m contribution.

2.7. A maximum of 10% of the remaining £3.44m fund will be allocated as grant, the remainder will be loan. Up to 5% will be made as equity on large schemes (overage on land and property deals).

2.8. Up to £1m of the fund will be made available for the small scheme portfolio. The remaining £2.44m will be made available for the large scheme portfolio.

2.9. Fund Operation: The OIF will be a virtual fund (i.e. operated from within the Council rather than established as a separate legal entity), ring-fenced in the council budget. It will actively invest over a period of 5 years and be repaid over a maximum of 9 years. At the end of this period any remaining funding will be returned to the fund (LBH) to be ring-fenced for investment in the Tottenham Regeneration Area.

2.10. An LBH-GLA officer advisory board will review applications and make recommendations to Tottenham Delivery Board to approve spend based on an agreed set of criteria. Awards of between £50,000 and £125,000 will be allocated in at least two rounds of up to £500,000 each (any unallocated funds may lead to future round(s)). Additionally a single large pot, with a wide application window, will make up to

£2.5m available with a recommended minimum bid size of £150,000. This structure maximises the opportunity to support high quality projects.

2.11. Evaluation: A two stage process will be used to evaluate applications. To be shortlisted applicants will have to:

- Demonstrate experience of enterprise or commercial projects
- Provide a clear and financially robust business plan including how loan funding will be repaid
- Deliver their proposal within the Tottenham Regeneration area (principally the following wards; Northumberland Park, White Hart Lane, Bruce Grove, Tottenham Green and Seven Sisters)
- Make a contribution to programme outputs in line with the programme's benchmark unit costs (see below) ensuring targets are met or exceeded.
- Priority will be given to applicants that are:
 - o Contributing to place making
 - o Introducing new industry and high quality employment, especially professional jobs
 - o Contributing additional capital to their projects

2.12 An evaluation panel will consider shortlisted submissions in accordance with the following criteria and associated weightings:

Assessment Criteria	Weighting
Proposal meets the OIF objectives (including SRF and EDGS)	20%
Proposal meets the criteria, outputs and requirements	25%
Proposal demonstrates a financially robust business plan and financial profile that demonstrates a surplus after costs to repay the fund	20%
Proposal demonstrates a repayment plan that is achievable realistic, and within the specified timeframe	20%
Relevant skills and experience of team and assigned staff	15%

2.13. Two key benchmarks have been identified to assist with bid development and evaluation; both will be used to determine value for money and deliverability of proposals:

- £1,500 m/2 for commercial floorspace (based on BCIS/GVA expertise, and applied to GIA)
- £15,700 per FTE job (assumes 30hrs/ £9.15p.h (London Living Wage) +10% on-costs/ pension)

2.14. **Selection:** The evaluation panel will make recommendations to the Tottenham Delivery Board. Individual investment decisions will be made by the Tottenham Delivery Board and subsequently reported to IPB for noting. Tottenham Delivery Board membership includes a Mayoral Advisor and Exec Director ensuring that GLA views are reflected in the decisions it makes.

2.15. **Governance:** The grant agreement governing this fund will include the benchmarks set out at 2.13 and an agreed profile of the achievement of outputs to monitor project progress. It will include a clause on the decision making arrangements at Delivery Board and on claw back arrangements if fund fails to achieve outputs.

2.16. Payment of grant to LBH will follow agreement of successful applicants by the Board (see section 7 below).

3. **Equality comments**

3.1 All works will be developed and delivered in compliance with relevant Codes of Practice and in line with the public sector equality duty. Improvement to 639 access and space underpins the underlying equality aims of the Community Enterprise Centre project. Furthermore, all design proposals will be assessed in terms of maximising physical accessibility and creating a welcoming and inclusive space for all groups that share a protected characteristic of age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief and sexual orientation.

4. **Other considerations**

a) *Risk and issues*

Key risks and issues and their control measures will be reported to the Regeneration Budget and Performance Review, which will oversee the project as part of their regular updates and performance management.

Risk	Likelihood	Impact	Rate	Mitigation
Lack of resource GLA – LBH	2	4	8	The design of the fund streamlines approvals across GLAS and LBH. It has factored in administrative and legal capacity within the borough. It has further factored in the costs of specialist legal and financial advice required to deliver large scheme portfolio.
Poor Quality Applications – large and small schemes	1	4	4	A market warming event will be held to build interest and awareness of the fund to potential bidders. The timing of the application windows has been designed to maximise opportunities for good projects to be identified and delivered within the programme.
Failure to deliver targets	2	2	4	At shortlisting each project will be assessed the contribution to programme outputs in line with benchmark unit costs. At detailed evaluation the experience of the team and the robustness of the business plan will be carefully assessed to ensure projects are deliverable.

a) *links to Mayoral strategies and priorities*

The proposed project is not mentioned in the strategic plan directly, as it is a response to the unforeseen exceptional incidents of August 2011. However, the programme overall, and the individual projects for Tottenham closely link to the Mayor's priority themes of: improving Londoners' quality of life; investing in young Londoners and supporting jobs and growth.

The project will support the Mayor's priority to deliver growth and jobs, including meeting the Mayor's 200,000 jobs target.

c) *impact assessments and consultations.*

Since the riots, Haringey Council has started a dialogue with local residents, businesses and stakeholders to inform and shape the key elements of the overall approach to regeneration in Tottenham. In October 2013, Haringey Council commissioned an independent organisation called Soundings to conduct a thorough five-month consultation exercise called Tottenham's Future, to gather views from the community on their views and ambitions for the next 20 years. The responses fed into and shaped the council's Strategic Regeneration Framework (SRF) for Tottenham, which sets out how the local community's priorities can be achieved. More than 3,700 people contributed to the consultation.

The works outlined in this report all play a direct and significant role in tackling the key concerns identified through consultation by helping to deliver the strategies for success outlined in the SRF. Individual projects will be developed and delivered in compliance with relevant Codes of Practice and in line with the public sector equality duty.

5. **Financial comments**

- 5.1 Approval is being sought to grant fund up to £2.64m to LB Haringey as a contribution to its costs of delivering a revolving investment fund in the Tottenham Regeneration Area (to be governed by funding agreement).
- 5.2 The capital spend of up to £2.64m will be funded from the London Enterprise Fund (LEF).
- 5.3 This project will also be supported by £1m of match funding from LB Haringey, of which £800,000 is capital funding and £200,000 is revenue funding.
- 5.4 Of the total project cost of up to £3.64m, the costs of administering the fund (estimated at £200,000) will be funded from LB Haringey's revenue contribution.
- 5.5 Since the Stage 2 approval was reviewed in April 2012, the project has been re-profiled. The proposed profile of spend and match funding cannot be confirmed, but all decisions relating to the allocation of the initial £3.44m of investments will be made by March 2017.
- 5.6 It is expected that the required outputs endorsed by IPB will not be fully achieved from the initial £3.44m of investments. The revolving nature of the fund allows for subsequent investments and it is expected the required outputs will be achieved within 5 years.
- 5.7 The GLA's involvement, by means of Tottenham Delivery Board and LBH-GLA Officer Advisory Board, will continue until the required outputs have been achieved.

- 5.8 As the GLA is funding capital elements of the project which will be delivered directly by LB Haringey, reliance has to be placed on its certification of the total amount of capital spend, and the period over which the benefits arising from that spend will accrue. Consequently, LB Haringey's Chief Finance Officer will be required to certify that the sum is accurate and is in accordance with regulation and proper practice, and will be required to advise how this sum will be reflected in LB Haringey's own accounts.
- 5.9 All requisite budget adjustments will be made.
- 5.10 As the proposed funding above is to be governed via funding agreement, officers are reminded to ensure that they liaise with both the Legal and Finance Teams in the preparation and execution of the funding agreements. In addition, the monitoring of the funding and associated payments must be in line with the Authority's Funding Agreement Toolkit.
- Officers will be responsible for assessing LB Haringey's grant claims against the funding agreement and taking any remedial action should output and costs vary from the agreement. The funding agreements should clearly state milestones to be met in order to claim funding.
- Officers should also ensure that the requirements relating to the Authority's Contracts and Funding Code are met.
- 5.11 Any changes to this proposal must be subject to further approval via the Authority's decision-making process.
- 5.12 The Regeneration Team within the Development, Enterprise & Environment Directorate will be responsible for managing this project and associated funding agreement.

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 Authority, to promote economic development and wealth creation, to promote social development, to promote the improvement of the environment, and/or to do anything which is facilitative of or conducive or incidental to the promotion of those purposes, in Greater London; and
- 6.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the Authority'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 Officers have indicated in sections 1 to 4 of this report that the contribution of funding to the London Borough of Haringey will amount to the provision of funding and not a payment for services to be provided and must ensure that:

6.2.1 the proposed funding is disbursed in a fair and transparent manner in accordance with the Authority's Contracts and Funding Code and a grant funding agreement is put in place between and executed by the Authority and the London Borough of Haringey before any commitment to the funding is made; and

6.2.2 such agreement provides that:

- (a) Authority funding is not used for any activities or overheads incurred in respect of activities for which any recipients charge and a clear operational limit is placed on their use of funds for the administration of the project in this regard;
- (b) the London Borough of Haringey are required to have a separate account for the receipt and use of Authority funding, or if this is not possible, that they show the funding and related expenditure as a restricted fund in their accounts under a clear identifier, e.g. "OIF Funding"; and
- (c) any award by the London Borough of Haringey of funding to sub-recipients (if permitted) does not give rise to allegations of incompatible State aid including for example, the grant of such sub-funding in accordance with EU "de minimis" principles.

7. Investment and Performance Board

7.1 At its meeting on the 24 July 2014, IPB approved the proposals for the revised Opportunity Investment Fund (OIF), associated award of funding and delegation of decision making on individual OIF projects to the Executive Director Development Enterprise and Environment.

7.2 At the time, IPB were informed that the fund would revolve back to the GLA. For reasons of streamlining the approval process, reducing administrative costs, avoiding duplication of legal and financial costs, improving accountability and enabling an uplift in outputs set out in section one, the proposal is now to grant fund LB Haringey to deliver a revolving fund within the Tottenham Regeneration Area (it remains that a minimum of 70% of the fund must be recyclable and returned to allow delivery of the next phase of projects).

7.3 The IPB paper also noted that "individual sites will be approved by DD and subsequently reported to IPB". Because of the proposed governance, individual schemes will be approved by the Tottenham Delivery Board. However, IPB will be informed of the investment decisions made in line with the timetable set out at section 8 below (i.e. in April 2015, January 2016 and March 2016).

8. Planned delivery approach and next steps

LB Haringey Activity	Timeline
Grant Agreement in place	March 2015
Market warming event	March 2015
Small scheme Round 1 submissions	April 2015
Small scheme Round 1 announcement	May 2015
Large scheme submissions	March – Dec 2015
Small scheme Round 2 submissions	Feb 2016

Small scheme Round 2 announcement	March 2016
Large scheme final announcement	February 2016
Final evaluation start and finish (external)	Feb- July 2017
Delivery End Date	March 2017
Project Closure:	2020

Appendices and supporting papers:

Appendix A OIF structure

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? YES

If YES, for what reason:

Publication to be deferred to ensure competitive tenders are received by ensuring that applicants are not aware of the requirement for only 70% of the fund to recycle.

Until what date: 1 Jan 2016 – after the closing date for the final tranche of investment applications.

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 – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Louise Duggan 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. Alce

Date

16.3.15