

GREATER LONDON AUTHORITY

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2080

Title: Royal Docks Enterprise Zone Legal, Consultation and Financial Consultancy

Executive Summary:

The Royal Docks Enterprise Zone (EZ) enables new business rate income within the area to be retained and invested for a period of 25 years. The London Borough of Newham (LBN), as the local authority, are responsible for collecting the business rates, and are required to transfer the collected rates to the Local Enterprise Partnership for London (LEAP) for which the GLA act as accountable body. LEAP is responsible for setting economic priorities for the EZ and allocating the business rates to reach these objectives.

A legally binding agreement has been drafted to agree the transfer and allocation of funds for the lifetime of the EZ. Budget is required for external legal consultants to review the drafted Deed of Agreement. TfL Procurement will manage the appointment and have quoted a maximum of £10,000 for the work.

A financial model setting out the forecasted business rates income from the EZ is required to guide the allocation of business rates in the EZ, which will inform a detailed 'Delivery Plan', a requirement of the Department for Communities and Local Government (DCLG) for all EZ's. Consultation with key stakeholders in the area is required to develop the Delivery Plan. A Business Rate Growth Income Report and financial model was commissioned and funded by DCLG in 2015 to determine the estimated income for the duration of the EZ. The financial model requires updating by commercial consultants and training provided to GLA finance officers by the creators of the model to ensure functionality.

Decision:

That the Assistant Director of Strategic Projects and Property approves:

1. £10,000 of revenue budget for external legal review of the draft EZ Deed of Agreement
2. £15,000 revenue budget for consultation programme with key stakeholders in the Royal Docks
3. £25,000 of revenue budget for external commercial consultancy to update and add detail to the previous DCLG commissioned financial model for the EZ under a single source appointment.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT:

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: Simon Powell

Position: Assistant Director of Strategic Projects & Property

Signature: 

Date: 21/02/17

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 The Royal Docks Enterprise Zone, 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. More importantly it enables any additional business rate income collected in the EZ to be retained by the London Borough of Newham (LBN) and transferred to the Local Enterprise Partnership for London (LEAP) for the lifetime of the EZ and, for LEAP to use the funds to support the further development of the EZ.
- 1.2 LEAP is responsible for the setting and delivery of the EZ economic priorities and for the allocation of the retained business rate uplift income. The Borough is responsible for collecting local business rates and LEAP and the Borough must reach an agreement on how to manage the collection of said business rates.
- 1.3 Financial modelling on 2015, commissioned and funded by the Department for Communities and Local Government (DCLG), has identified that, based upon realistic development assumptions, the EZ has the potential to deliver in the region of £800 million in retained business rate income by 2038.
- 1.4 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 the top priority for the LBN and the GLA.
- 1.5 Greater London Authority Land and Property (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 5000 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 most of the 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.

Deed of Agreement

- 1.6 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 LEAP.
- 1.7 The legally binding agreement will ensure that any business rate income generated within the EZ will be transferred to the GLA and will create the opportunity for the GLA to prudentially borrow 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. Any additional business rate income will be available for the LEP to use to achieve its wider objectives.

- 1.8 A draft Deed of Agreement has been drafted by TfL Legal and needs to be reviewed by external solicitors before its final form can be agreed with LBN. The final Deed of Agreement will set out the arrangements between LBN and GLA regarding the collection and use of the retained business rate growth from the EZ, and will include principle agreements surrounding prudential borrowing.
- 1.9 This decision seeks approval for a GLA financial contribution of up to £10,000 in 2016/17 from the Housing and Land budget towards the legal costs to draft the final version of the Deed of Agreement. The decision is taken by the Assistant Director – Strategic Projects and Property in the GLA’s Housing and Land Directorate, under delegated authority from the Mayor.

Consultation with Key Stakeholders

- 1.10 An Investment Case for the Royal Docks, in the form of an ‘Economic Vision’, ‘Priority Projects List’ and ‘Strategic Outline Business Case’, was completed in February 2016 by consultants Arup. This package of documents forms the early Delivery Plan for the Royal Docks and was approved by the previous London Enterprise Panel in March 2016.
- 1.11 The investment case will be used to inform the Detailed Delivery Plan, and requires review and consultation with key stakeholders in the Royal Docks such as ExCeL, Siemens, RoDMA, TSP, ABP and Notting Hill Housing. More generally, a programme of stakeholder engagement and consultation is required in order to ensure their continued support and partnership working.
- 1.12 In order to consult and develop proposals efficiently and effectively with the key stakeholders, external consultancy. Consultants will be required to plan and facilitate workshops with stakeholders, prepare and manage a feedback process which may include digital surveys, in order to develop a set of key actions and deliverables on behalf of the stakeholders.
- 1.13 This decision seeks approval for GLA financial contribution of up to £15,000 in 2016/17 towards the costs to run a series of consultation workshops, compile and work with key stakeholders feedback to inform the Detailed Delivery Plan.

Financial Modelling

- 1.14 Consultants DTZ (now Cushman and Wakefield) completed a study in February 2016 which modelled the potential level of income that could be generated within the EZ. The output of the study and model was set out in a report (Appendix 1 – London Enterprise Zone: A Business Rate Growth Income Report) which concludes that there is a strong case for the public sector to forward fund infrastructure and activities to encourage and accelerate development within the EZ.
- 1.15 A more detailed financial model setting out the forecasted business rates income from the EZ is required to guide the allocation of business rates in the EZ, which will inform the detailed ‘Delivery Plan’, a requirement of the Department for Communities and Local Government (DCLG) for all EZ’s.
- 1.16 Additional work is required by commercial consultants to update the financial model, and provide training to GLA finance officers by the creators of the model to ensure the functionality and employ the future use of the model ‘in-house’ by the GLA.

1.17 This decision seeks approval for a GLA financial contribution of up to £25,000 in 2016/17 from the Housing and Land budget towards the costs of commercial consultants to draft the update the business rates income growth model and provide training to GLA officers for its use. The decision is taken by the Assistant Director – Strategic Projects and Property in the GLA’s Housing and Land Directorate, under delegated authority from the Mayor.

1.18 This approval incorporates an approval for a Single Source Justification agreeing the appointment of Cushman and Wakefield on the basis of their previous involvement and specific expertise in the proposed work towards an existing financial model that will take account of the current EZ legislation. As such, grounds exist to support an exemption as further outlined in the Single Source Justification because of the consultant’s ‘previous involvement in a specific current project or continuation of existing work which cannot be separated from the new work’ (see paragraph 5.4 of the Contracts and Funding Code).

2. Objectives and expected outcomes

2.1 The objectives of the commission(s) are to:

2.2 Enter into a legally binding 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 Royal Docks Enterprise Zone.

2.3 Ensure development partners and other key partners in the Royal Docks are actively engaged in the development of the EZ.

2.4 To provide an up to date model to forecast the business rates income from the Royal Docks Enterprise Zone. This will inform the detailed Delivery Plan for the Royal Docks EZ to support effective regeneration and development and the delivery of new rateable floorspace within the Royal Docks.

2.5 Signature of the Deed of Agreement and development of the detailed Delivery Plan will ensure the realisation of the Mayor’s regeneration priorities, including:

- business rates uplift;
- economic growth;
- sustainable local jobs;
- enhanced education and skills levels;
- provision of inclusive and accessible social infrastructure;
- accelerating delivery of Royal Docks as a successful business district, a vibrant destination and a thriving sustainable community.

3. Equality comments

3.1 Equalities considerations will be taken into account by the GLA in connection with all work procured.

4. Other considerations

4.1 Key risks that could impact on the project are identified as:

- 4.2 The final Deed of Agreement does not meet LBN's terms for approval of the transfer of EZ Business Rates, preventing its completion. To mitigate this risk, regular legal meetings, and senior officer update meetings have taken place between the GLA, LBN and LEAP to ensure the key terms are agreed. These key terms have informed the draft Deed of Agreement, before it is reviewed by external legal consultants.
- 4.3 The update of the financial model is dependent on the input of GLA finance team to ensure a fully functional version is developed for adopting 'in-house' for the specific use of the GLA finance team in support of account managing the EZ financial outputs and monitoring.
- 4.4 The GLA will also re-forecast the potential business rate uplift calculation based on updated delivery and milestone information for the EZ development sites. The relevant project managers will need to be consulted and this information fed through to the commercial consultants. This process will be overseen by a Development Officer in the SPP team to ensure efficiency and will provide further clarification on the potential critical dependencies and the risk profile in supporting the case for prudential borrowing or other financial decision making.
- 4.5 The overall objective of this approval is to accelerate and maximise the regeneration of the EZ.
- 4.6 It is not considered that any further impact assessment is required for this specific decision.
- 4.7 Officers in the Strategic Projects and Property and Finance Teams have been consulted in the development of the specification for the work.

5. Financial comments

- 5.1 This decision requests an approval to spend up-to £50,000 for Legal, Consultation and Financial Consultancy costs associated with Royal Docks Enterprise Zone. These funds are available from Housing & Land Royal Docks Investment Case budget and will be expended in 2016/17 financial year.

6. Planned delivery approach and next steps

Activity	Timeline
Procurement of external legal advisors	January 2016
Completion of Final Deed of Agreement	February 2017
Procurement of Commercial Consultants	February 2017
Procurement of Consultation Consultants	February 2017
Completion of Financial Model Update	April 2017
Delivery End Date	April 2017

Appendices and supporting papers:

Appendix 1 – London Enterprise Zone (Business Rates Growth Income Report), 2016, Cushman & Wakefield

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:

Deferral is recommended until the final Deed of Agreement has been agreed and signed by both parties.

Until what date: 31 March 2017

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:

Bethan James has drafted this report in accordance with GLA procedures and confirms that the Finance and –if relevant- Legal teams have commented on this proposal as required, and this decision reflects their comments.

Corporate Investment Board:

The Corporate Investment Board reviewed this proposal on 20 February 2017.

HEAD OF FINANCE AND GOVERNANCE:

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

Signature:



Date:

21.02.17