

GREATERLONDONAUTHORITY

REQUEST FOR DIRECTOR DECISION – DD1473

Title: Growing Places Fund - Round 3 projects

Executive Summary:

The Growing Places Fund (GPF) received 11 applications in Round 3 requesting a total investment of £16.4m capital. The applications were evaluated and moderated, and a round 3 programme of four projects, seeking a total investment of £4.5364 million, was endorsed by the London Enterprise Panel (LEP), the LEP Digital Creative, Science & Technology Working Group and the LEP SME Working Group in January and February 2016. The Round 3 programme was approved by the GLA Investment Performance Board (IPB) on 17th February 2016. Three projects received IPB Stage 1 and Stage 2 approval; these were the bids from (i) Londoneast-uk Business & Technical Park, (ii) The Collective and (iii) CAN. This decision seeks approval for three projects from Round 3 of GPF for a total investment of up to £2.0864 million of capital expenditure.

Decision:

That the Executive Director approves (subject to satisfactory further due diligence) expenditure of up to £2.0864 million (capital) funding through the Growing Places Fund (GPF) Programme to:

- Londoneast-uk Business & Technical Park in respect of its 'The Cube - Grow on Space' project (up to £0.5 million) to deliver post incubator space;
- Elevator Wild Blue LLP (trading as The Collective) in respect of its '205 Holland Park Avenue' project (up to £0.5864 million) to deliver a SME workspace; and
- Bright Red Dot Limited's (trading as CAN) in respect of its 'Early Intervention Fund for London' project (up to £1 million) to support social SMEs at early stages.

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:

15.3.2016

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. On 10 September 2015 the third round of the Growing Places Fund (GPF) launched, through which £7.5m capital funding was available. The round closed to applicants on 21 October 2015.
- 1.2. The aim of GPF is to help deliver ambitious projects with tangible outcomes that respond to the Mayor's London Plan and, in particular, which aims to attract the investment in infrastructure and regeneration which London needs, and to maximise the benefits from this investment. The fund aims to use public sector funding to encourage private sector investment. GPF is used to support projects that are strategically important to London's economic growth, where its impact can be recaptured, repaid after time, and reused to fund new projects in other parts of London. Round 3 focused on supporting the priorities of the London Enterprise Panel's (LEP's) London 2036: An agenda for jobs and growth report.
- 1.3. 11 bids were received through Round 3 seeking a total investment of £16.4 million capital. The majority of bids were private sector led, which aligns well with the aim of the GPF fund (to use public sector funding to encourage private sector investment). All eleven priority areas set out in the LEPs 'London 2036: An Agenda for jobs and growth' report were addressed, with many bids focusing on: creating the conditions needed to support the growth of SMEs; training more technical talent; increasing the focus on emerging markets; securing long-term infrastructure investment; and helping London stay open for business. The focus of bids submitted ranged widely, from those seeking to create workspace for SMEs across a range of sectors (including science, technology, arts, culture and design) to those looking to support the growth of investment funds for social SMEs.
- 1.4. A cross departmental team of officers evaluated the bids in November 2015; this included a process of clarification questions. Bids were moderated in December 2015. Each proposal was assessed against the criteria published alongside the GPF Round 3 prospectus; the scores for bids demonstrated the total score achieved out of a possible 100 marks. On the basis of this analysis the recommendations for the Round 3 programme of four projects were made (scores are summarised below). The programme of four projects, seeking a total investment of £4.5364 million capital, is to be funded from the £7.5 million GPF capital funding that the LEP made available for round 3 of GPF. The total unallocated funding pot for GPF was £9.45 million, with the allocation of £4.5364 million through round 3, £4.9136 million of capital GPF funding will remain unallocated).

Applicant	Project Title	GPF request	LEP Working Groups	Total score	Evaluation panel Comments
London East – UK	The CUBE' - Grow on Space	£0.5m	DCST SME	86.6	This is an innovative project which provides a strong rationale and strategic fit with the LEP priorities, is well developed, has a strong market demand case and offers a very strong value for money for the level of GPF funding required.
CAN	CAN Early Intervention Fund for London	£1m	SME	82.6	The bid clearly linked together the LEP 2036 priorities and the associated outputs that this bid will deliver against them. The bid also demonstrated a good rationale and market failure, and provides secured private sector secured partners include USB and Funding London.
The Collective	205 Holland Park Avenue	£0.5864m	SME	69.6	This was a well thought through proposal; the bid had a good fit with LEP priorities (particularly the SME priority area), clearly provided measurable outputs and would deliver value for money. It is a good project that has excellent involvement from private sector.
Imperial Innovations	Converge	£2.45m	DCST	64.9	Innovative bid with an interesting business model; proposal provides a good and highly relevant set of outputs regarding jobs and skills. Bid was positively received; with some further development work identified which needs to be addressed prior to IPB Stage 2.

- 1.5. The LEP Digital Creative, Science & Technology Working Group (DCST WG) endorsed two of the Round 3 bids which were relevant to the Group's priorities on 27 January 2016. The LEP SME Working Group (SME WG) endorsed three of the Round 3 bids which were relevant to the Group's priorities on 2 February 2016. This included one bid also approved by the DCST WG as the project was relevant to both Groups' priorities. The LEP endorsed the round 3 programme of four projects via the LEP urgency procedure on 12 February 2016.
- 1.6. The Round 3 programme of four projects was approved by the GLA Investment Performance Board (IPB) on 17th February 2016. Three projects received IPB Stage 1 and Stage 2 approval; these were the bids from (i) Londoneast-uk Business & Technical Park, (ii) The Collective and (iii) CAN. And the remaining one project, from Imperial Innovations, received IPB Stage 1 approval and will return for IPB Stage 2 approval within six months once further development work has been undertaken.
- 1.7. Seven projects were informed their Round 3 proposals were not successful. Three of the rejected Round 3 projects had a strong alignment with LEP objectives but fell short of the requirements in some areas, therefore these projects may be considered at a future stage of Round 3 or a separate competitive round in the event the issues can be addressed.
- 1.8. Information on the three round 3 projects for approval in this decision is outlined below.

The Cube - Grow on Space project, Londoneast-uk

- 1.9. SOG Ltd purchased the former Dagenham plant in East London from multi-national pharmaceutical giant Sanofi in November 2014. The bespoke state of the art facilities, which contain research, manufacturing and office buildings, have been retained and would cost millions of pounds to create from scratch in today's market. The site is now run as the Londoneast-uk Business & Technical Park.
- 1.10. This project will unlock the Londoneast-uk sites potential to address the Capital's need for grow-on/move-on space for science related businesses currently unsuitably housed in incubator

facilities. The project could also provide a model which can be replicated elsewhere in the Capital and across the country.

1.11. The GPF investment is required to bridge the funding gap accelerating the provision of an environment to attract post incubator stage businesses. The site is a Cat 2¹ laboratory facility called 'The Cube' with a total floor space of 45,582 sq ft.

1.12. This project seeks to address the 'London being open for business' and 'creating conditions needed to support the growth of SMEs' priority areas of the LEPs London 2036 report.

1.13. Expected Outcomes

1.14. The project has identified the following outputs and outcomes:

- 94 jobs created
- 11-15 SME's supported
- 13,000 sq ft new business space for multi-occupancy use (including Cat 2 labs)
- £2.5 million private investment unlocked

1.15. Risks

1.16. Key risks are shown in the table below:

Risk description and impact	Control measures/Actions	Probability (1-4)	Impact (1-4)	Rating (RAG)
Poor quality fit out of facilities do not meet business needs	Detailed design proposal submitted	1	3	G
Equipment does not meet all business needs	Ensure clear inventory of goods to be purchased have been researched. Ensure details are advertised at early stages of discussion with businesses to avoid disappointment and dissatisfaction	1	3	G
Low take up by businesses	Work with businesses, and execute good marketing and publicity of workspaces to attract the right businesses	2	4	A
Repayment cannot be met due to low rental income of space	Repayment profile agreed with GLA and security being offered. GLA will closely monitor progress of the project, including financial monitoring, on quarterly basis.	1	2	G

1.17. Equality

1.18. The Cube will help to foster good relations between a diverse range of people by appointing a Laboratory Manager. The Manager will not only help to ensure management of the facilities but will have due regard to ensure businesses are treating fairly and equally to help reduce any form of discrimination and improve customer relations between the many businesses that will be based at the site.

1.19. Timeline

1.20. Key dates are shown in the table below

¹ There are four different levels of containment (levels 1 – 4) for laboratory work related to each equivalent Hazard Group. 1 being the lowest hazard rating and 4 being the highest.

Activity	Timeline
Start on site	March 2016
Purchase equipment	March – May 2016
Contractor in place	May 2016
Lab Manager start date	June 2016
Completion on site	June 2016
The Cube launch (opening)	June 2016

205 Holland Park Avenue project, The Collective

1.21. Property costs in the London Borough of Kensington & Chelsea are as much as twelve times higher than other places in Britain. And with the demand for office space of less than 260 sq ft over three times greater than supply, there is a lack of affordable workspace in the area; this has resulted in the area having the second lowest number of businesses under one year old in London. Over 300 entrepreneurs have approached the Wild Blue Cohort angel investment network (who is a partner in this project) for finance over the last 18 months; many require mentoring to help them overcome their lack of investment-readiness and growth.

1.22. The Holland Park Avenue project will provide a home for private risk capital close to the emerging innovation district of White City by bringing forward a unique and innovative, 8,500 sq ft, socially-minded workspace and incubator for entrepreneurs and investors. This workspace will deliver long term support and investment into West London's emerging start-up and SME community. All profits will be allocated to a re-investment fund, investing in start-up and SMEs located within the borough, supporting high impact social enterprise and partnering with other organisations supporting start-up and SME growth in West London.

1.23. The application to the GPF from The Collective was seeking an investment of up to £0.7 million (which was requested at IPB stage); as this could not all be capitalised, a revised amount of £0.5864 million GPF capital investment is being allocated to the project which is captured in this decision paper. The total amount that the LEP are allocating through round 3 has therefore revised down from the £4.65m mentioned in the IPB paper to the £4.5364 mentioned in this decisions paper.

1.24. This project seeks to address the 'creating conditions to support the growth of SMEs' priority area of the LEPs London 2036 report.

1.25. Expected outcomes

1.26. The project has identified the following outputs and outcomes:

- 8,500 sq ft of commercial space created
- 225 businesses supported to start up over 10 years
- £7.5 million invested in businesses over 10 years
- 500 + new jobs created over 10 years (on average 70 jobs per year)
- £800 p.a. local spending of businesses

1.27. Risks

1.28. Key risks are shown in the table below:

Risk description and impact	Control measures/Actions	Probability (1-4)	Impact (1-4)	Rating (RAG)
Occupancy of site is slower than anticipated	The property is being leased to the operators at half market rent and 2 years rent free, giving a significant runway for rental income to accrue and build up.	1	3	A
The management of the workspace centre fails to achieve expected returns risking viability	The operator has a strong track record of delivering similar schemes, and access to SMEs in search of property. The Collective are working closely with deal flow partners and statutory organisations to ensure a back up supply of tenants.	1	2	G
Repayment cannot be met due to low rental income of space	Repayment profile agreed with GLA and security being offered. GLA will closely monitor progress of the project, including financial monitoring, on quarterly basis.	1	2	G

1.29. Equality

1.30. It is policy amongst both partners in Elevator Wild Blue (EWB) that the equality act is strictly held, and as part of the induction process all employees are given training, derived from the ACAS training courses. All employees are provided with the 'ACAS Equality Act 2010 – guidance for employers' document as part of their induction and a zero tolerance policy is upheld regarding Act.

1.31. Timeline

1.32. Key dates are shown in the table below:

Activity	Timeline
The Collective and London Borough of Kensington and Chelsea agree lease terms	Mid-March 2016
The Collective sign lease agreement with borough	Late March 2016
Construction starts on site	Late March 2016
Construction finishes on site	May 2016
Workspace scheduled to open	May 2016

Early Intervention Fund for London project, CAN

1.33. Social SMEs have significant experience in creating skills and job opportunities for those excluded from the labour market. Providing capital to social SMEs can therefore increase growth and jobs within the investees themselves as well as deliver training and employment outcomes for underserved populations in London. However, with increasing numbers of SMEs facing challenges in securing commercial finance, social SMEs face further difficulties and market failure.

1.34. The London Early Intervention Fund, run by CAN, is already established as a £1 million pilot in Hackney and East London (it has been operating since October 2014) and has private sector partners, Funding London and UBS. The Fund provides unsecured investment capital at fair commercial rates to social SME's working in the field of Early Intervention within London. Early Intervention is used to describe a business involved in early action to prevent blight of life while saving the state and local authorities significant expenditure in the long term.

1.35. The £1 million GPF capital is required as a 50/50 match to expand the reach of CAN's existing Early Intervention Fund in terms of: geography, sector and size of onward investments.

1.36. This project seeks to address the following priority areas of the LEPs London 2036 report: 'addressing skills for lower skilled or unemployed Londoners'; 'developing Londoners employability'; and 'training new technical skills'.

1.37. Expected Outcomes

1.38. The project has identified the following outputs and outcomes:

- 87 jobs safeguarded
- 64 jobs created
- 82 disadvantaged people supported into jobs
- 400 Londoners provided with support in training and skills development
- 40 businesses with increased turnover
- 50 number of SMEs assisted
- 40 number of SMEs accessing finance

1.39. Risk

1.40. Key risks are shown in the table below:

Risk description and impact	Control measures/Actions	Probability (1-4)	Impact (1-4)	Rating (RAG)
Capital may not be returned due to loan defaults from SMEs	Seek high volume of smaller investments, with a diversity of income sources. Allocate investors funds (e.g. UBS, LEP, etc.) across multiple investments/geographies; and use CAN and UBS investment as first-loss component. Only fund propositions with growing sales/contract income, within relatively well defined/existing markets. Use wider team to provide non-finance support to investees facing difficulty.	2	4	A
Fair, commercial rates distorts market for other social investors	Do not provide asset-backed loans, given availability of this type of funding. Only provide loans to social SMEs, given availability of funds outside this parameter. And review fund policies on 2-yearly basis, given new market entrants.	1	3	G
Repayment cannot be met due to low rental income of space	Repayment profile agreed with GLA and security being offered. GLA will closely monitor progress of the project, including financial monitoring, on quarterly basis.	1	2	G

1.41. Equality

1.42. CAN commits to protecting people from discrimination in the workplace and in wider society in all their activity and endeavours. Their goal is for a fairer and more equitable society for all regardless of gender, race and or disability. CAN pay the London Living Wage to all employees working in Greater London. And, through their Early Intervention Fund, they also commit to: (i) not invest in organisations that they are aware are not abiding by the Public Sector Equality Duty Act, and (ii) supporting organisations to more effectively abide by the Act.

1.43. **Timeline**

1.44. Key dates are shown in the table below:

Activity	Timeline
Fund preparation and set up	September 2014
Early Intervention Fund official launch (pilot)	October 2014
CAN starts to allocate (and drawing down) GPF funding through the Early Intervention Fund for London	2016/17
Re-launch of funding considering changes (e.g. geography and applicability)	2016/17 financial year
CAN fund applicants undergo due diligence and reviewed by the funds Investment Panel	Annually
Business mentoring and business seminars for SMEs associated with the fund	Annually
CAN monitoring investments made through the fund	Ongoing
Review of CANs 2 year investments	Biennial (starting from 2016/17)
CAN finishes allocating (and drawing down) GPF funding for the Early Intervention Fund for London	2019/20

2. Objectives and expected outcomes

2.1. In line with the LEP's London 2036: An agenda for jobs and growth report, the GPF Round 3 prospectus set out the following objectives:

The Global Hub – to maintain London's international leadership position by ensuring London increases the focus on emerging markets, improves global access and stays open for business.

The Creative Engine – to support a more diverse growth of businesses in London by training more technical talent, improving digital connectivity and creating the conditions needed to support the growth of SMEs.

The City that Works – to manage the pressures associated with London's success as the global hub to create a city that works by accelerating housing delivery, developing Londoner's employability and securing infrastructure investment.

2.2. The Round 3 programme outputs will be refined as funding agreements are prepared and as a result may be subject to revisions up or down. If applications are to be taken at face value, the proposed GPF Round 3 programme of four projects would deliver the following:

Output/outcome	Total
Jobs created	1219
Jobs safeguarded	87
Disadvantaged people supported into jobs	82
Londoners provided with support in training and skills development	400
Number of STEM graduates supported	480
Businesses with increased turnover	40
Number of SMEs supported	286
Investment into new ventures	120
Number of SMEs accessing finance	40
Commercial space created	32,500 sq ft
Private investment unlocked	£23.5m

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. The GPF application process invited bidders to demonstrate how they will give due regard to the requirements of the Public Sector Equality Duty Act; this was compulsory for all bidders and all proposals were checked during the validation phase of evaluating the bids to ensure bidders had demonstrated this in their bids. This is reinforced by the requirements set out in the funding agreement of any successful project.
- 3.2. Further information can be found in Sections 1.17, 1.29 and 1.41 of this paper.

4. Other considerations

Key Risks and Issues

- 4.1. Risks associated with individual projects have been identified as part of the bidders' applications, and the overall GLA evaluation process considered risk and deliverability when prioritising projects. Further information on key risks can be found in Sections 1.15, 1.27 and 1.39 of this paper and in Part 2 of this paper. Individual investments will be monitored through the GLA's Budget and Performance Review process.

As part of the GLA's general approach to applications for GPF Officers assessed each project covered in this paper to consider whether it might be argued that any assistance constitutes unlawful State aid and have also consulted with the BIS State aid Team. Officers are content, following the assessment and consultation, that none of the Round 3 projects covered in this paper constitute unlawful State aid. This is considered to be the case because: the projects proposed were identified following an advertisement calling for proposals and an open, fair and competitive process; the GLA is proposing to charge recipients interest rates (corresponding with EU reference rates) on the financial assistance being provided and/or take security against that assistance; and provisions of the GPF funding agreement which recipients will be required to accept require them to ensure that projects apply the State aid rules where funding is being cascaded to other organisations (which applies to the CAN Early Intervention Fund project in this paper) and where funding is to be used purchase works/services or supplies, they must be procured competitively.

Links to Mayoral strategies

- 4.2. The investment case for GPF is set out in the round 3 prospectus². The activities and priorities supported within round 3 of GPF supports both the LEP's London 2036: an Agenda for Jobs and Growth report published in 2015 and the LEP's Jobs and Growth Plan published in 2013.
- 4.3. The Cube project, from Londoneast-uk, fits with the LEP SME objectives, as grow on space is one of the key areas the LEP SME Working Group wants to develop in the coming years, and complements the EBPU's Science and Technology & Life Sciences portfolio of work and MedCity's portfolio of work well.
- 4.4. The 205 Holland Park Avenue project, from The Collective, fits with the objectives of the LEP SME WG to try to encourage workspaces to expand to other parts of London and not to concentrate only in East London. In addition to this the project demonstrates measurable outputs which are relevant to the LEP's Jobs & Growth Plan.

² The investment case for GPF is set out on pages 3 – 10 of the GPF prospectus (https://lep.london/gpf_r3).

Assessments and consultations

4.5. As part of the GPF Round 3 prospectus, applicants were required to provide evidence of market failure and market need. The evaluation panel were content with the evidence provided by the three projects covered in this paper.

5. Financial comments

5.1. The three recommended projects for GPF round 3 funding of £2.09 million can be funded from the headroom of unallocated GPF budget. Funding would be provided as a loan to Londoneast-UK, The Collective and CAN and terms will need to be finalised for repayment and the rate of interest to be applied.

	The Cube	The Collective	CAN
GLA Contribution	£0.5m	£0.584m	£1.0m
Match Funding	£3.3m	-	£1.0m

5.2. The funding is in the form of loans and negotiations are currently underway regarding available security. Officers need to ensure that the security is sufficient to minimise risk of default.

5.3. The indicative funding drawdown schedule is detailed below :-

Drawdown	2016/17	2017/18	2018/19	2019/20	Total
The Cube	£0.5m				£0.5m
The Collective	£0.586m				£0.586m
CAN	£0.184m	£0.257m	£0.404m	£0.155m	£1.0m
					£2.086m

5.4. The indicative repayment schedule is detailed below :-

Repayment	2017/18	2018/19	2019/20	2020/21	2023/24	Total
The Cube	-	£0.175m	£0.175m	£0.150m	-	£0.5m
The Collective	£0.117m	£0.117m	£0.117m	£0.235m	-	£0.586m
CAN	-	-	-	-	£1.0m	£1.0m
						£2.086m

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.

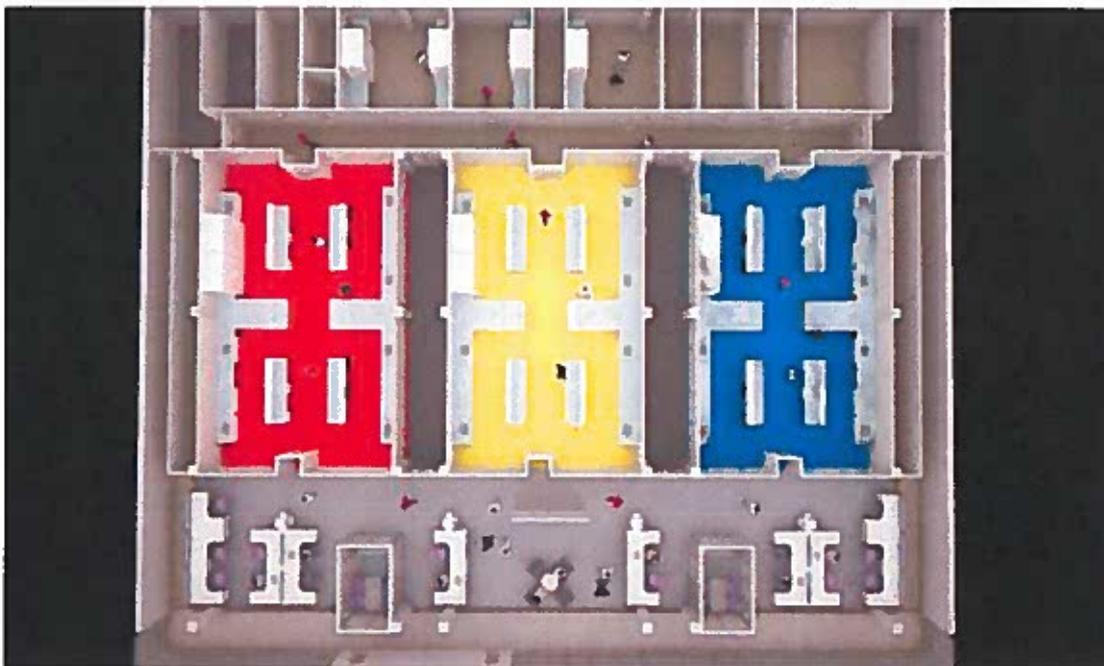
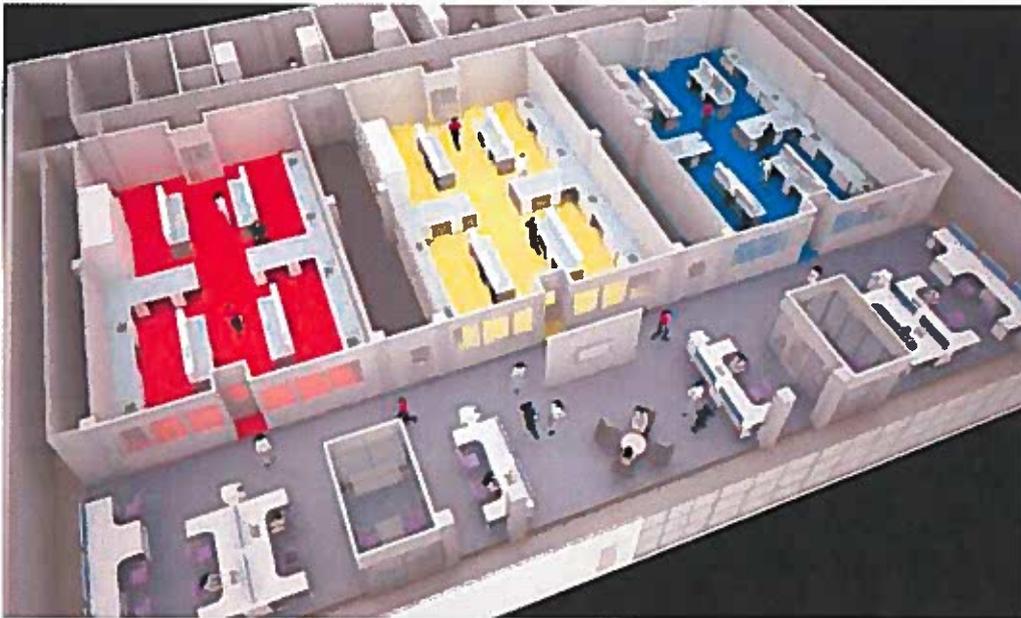
- 6.2. In taking the decisions requested, the director must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who 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 proposed recipients 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 proposed before any commitment to the funding is made.
- 6.4. Officers have also considered any application of State aid rules and have indicated that the proposed investment corresponds with rules in this regard. They should ensure nonetheless, as noted at paragraph 4.1 above, the GLA's standard form funding terms are used which further mitigate State aid risks that might otherwise arise at a project delivery level.
- 6.5. 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. Funding would be provided on a repayable basis to Londoneast-UK, The Collective and CAN. Terms for repayment have been agreed for full repayment within 5 years of completing drawdown and repayment profiles have been agreed.
- 7.2. As the funding for all projects will be repayable the security in the event of non-repayment will be agreed. Negotiations are underway; details have been included below.
- 7.3. GLA finance has undertaken an assessment of the strength of the creditworthiness of the borrower and (as noted above) is currently assessing the collateral offered in the form of security by each project. This information, along with the European Union reference rates methodology for public sector loans, will be used to establish the rate of interest to be applied; the interest will be agreed at funding agreement stage and will be included in the funding contract.
- 7.4. The planned delivery approach for the three round 3 projects is outlined below:

The Cube - Grow on Space project, Londoneast-uk

- 7.5. The project will be delivered by Londoneast-uk and has the support of the borough that will be providing support through business rates cap for 2 years. £3.3 million of secured match funding is being provided (this includes the business rates cap for 2 years and the company putting in £2.5 million private sector investment (for operational costs, marketing, the salary of a Lab Manager, etc.)) This represents 86% of the total £3.8 million funding package, with the remaining £0.5 million being provided by GPF project contribution by way of repayable funding.
- 7.6. 'The Cube' is suitable for a mix of wet chemistry, bioscience and cell biology work as well as general research, and the laboratories are of an excellent standard but requires additional investment. The £0.5 million GPF capital will therefore be used for the procurement of equipment for 'The Cube'; this will be a range of scientific equipment from general, tissue culture facilities to general molecular biology equipment. The concept design for The Cube workspace can both be found below.



7.7. The programme offers early delivery (CUBE operational from June 2016, and due to launch in July 2016). The drawdown profile is for funds to be drawdown monthly as follows: £200,000 in April 2016, £200,000 in May 2016 and £100,000 in June 2016.

7.8. Funding would be provided as repayable funding; the mechanism for repayment will be from rental income, with repayments being made in instalments from 2019-2021 (see table below). Flexibility will be built into the funding agreement for Londoneast-uk to repay the full amount earlier if the opportunity arises.

	31 st March 2019	31 st March 2020	31 st March 2021
Repayment due	£175,000	£175,000	£150,000
Cumulative total	£175,000	£350,000	£500,000

Deadline for payment of 31 March of each financial year. Interest payments on GPF investments are required to be made by delivery bodies at 6 monthly intervals (starting 6 months from the last point of drawdown). Officers will work to build one of the two annual interest payment windows in so that it coincides with the annual repayment instalment.

7.9. Londoneast-uk will provide security on the funding provided; this is expected to be in the form of equipment and/or other tangible assets. Negotiations are currently taking place with Londoneast-uk to confirm the security that will be used against the GPF investment (further details are contained in Part 2 of this paper).

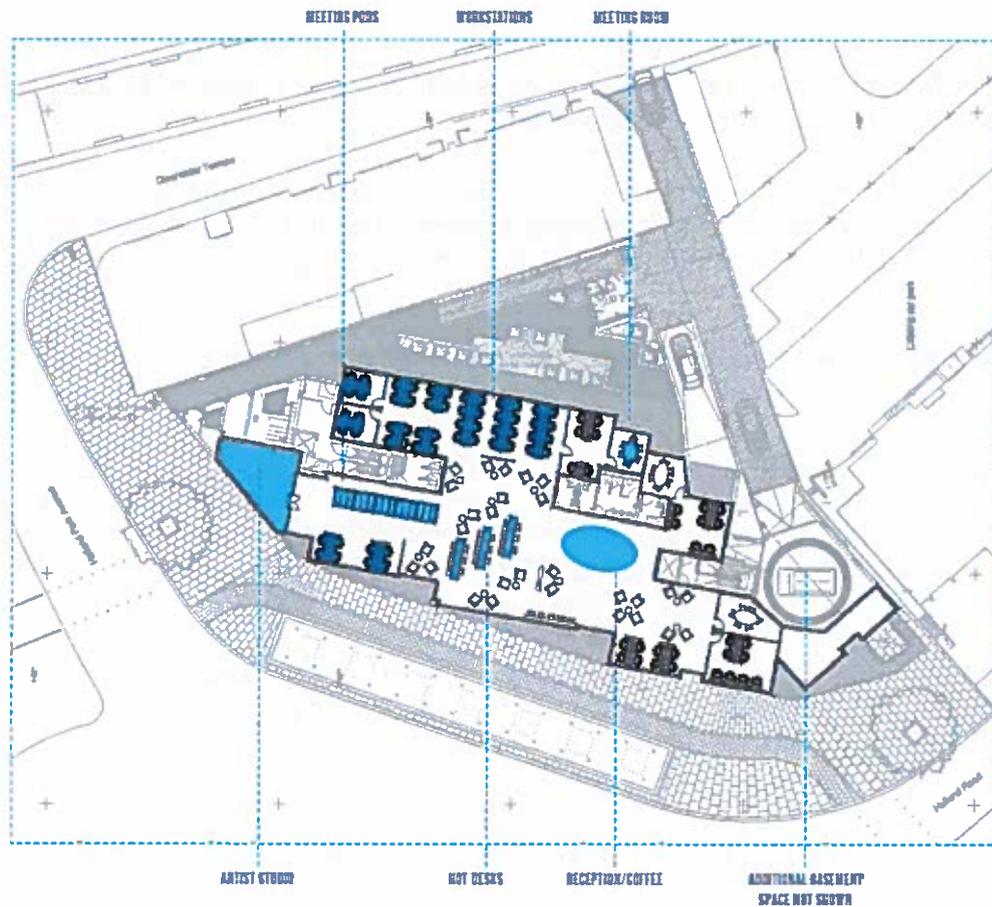
7.10. The legal entity that the GLA will enter into a funding agreement with is londoneast-uk Limited.

205 Holland Park Avenue project, The Collective

7.11. This project will be delivered by The Collective, and will be a partnership between Elevator Wild Blue (EWB), The Collective and Wild Blue Cohort who are operating through a private joint venture.

7.12. The total project value is contained in Part 2 of this paper. This includes £0.158 million secured match funding which is being provided by the New Homes Bonus (NHB) and £0.5864 million which is being provided by GPF project contributions.

7.13. The £0.5864 million GPF capital is required for fit-out capital costs of the workspace premises, which will include builders' works, finishes, electrical planning services, furniture and lighting. The concept design for 205 Holland Park Avenue (see below) aims to creating the perfect ecosystem to both work and collaborate in; the designed are subject to minor changes as the project progresses and develops further.



- 7.14. A slight delay was encountered to The Collective agreeing the lease terms with the LB Kensington and Chelsea whilst the borough appointed a solicitor. GPF funding is conditional on the project agreeing the terms and signing their lease agreement with the borough, which is timetabled for mid-March and late-March 2016 respectively.
- 7.15. Construction is scheduled to take place over a three month period from March to May 2016, with the space scheduled to open in May 2016. The conceptual design for 205 Holland Park Avenue can be found in Part 2 of this paper.

7.16. The drawdown profile is for funds to be drawdown monthly as follows: £233,467 in April 2016, £233,467 in May 2016 and £119,466 in June 2016.

7.17. Funding would be provided as repayable funding; the mechanism for repayment will be from rental income; the repayment profile has the finance being repaid in instalments between 2018 and 2021 (see table below). The repayment profile is back loaded as the key risk is a slow build-up of tenants and rental income, this has been analysed and there is a clear logic to delaying repayment.

	31 st March 2018	31 st March 2019	31 st March 2020	31 st March 2021
Repayment due	£117,280	£117,280	£117,280	£234,560
Cumulative total	£117,280	£234,560	£351,840	£586,400

Deadline for payment of 31 March of each financial year. Interest payments on GPF are required to be made by delivery bodies at 6 monthly intervals (starting 6 months from the last point of drawdown). Officers will work to build one of the two annual interest payment windows in so that it coincides with the annual repayment instalment.

7.18. The Collective will provide security on the GPF investment. Negotiations are currently taking place with The Collective to confirm the security that will be used against the GPF investment (further details are contained in Part 2 of this paper).

7.19. The legal entity that the GLA will enter into a funding agreement with is Elevator Wild Blue LLP.

Early Intervention Fund for London project, CAN

7.20. The London Early Intervention Fund, run by CAN, is already established as a £1 million pilot in Hackney and East London (which has been operational since October 2014) and has private sector partners, Funding London and UBS. The £1 million GPF capital is required as a 50/50 match to expand the reach of CAN's existing Early Intervention Fund in terms of: geography, sector and size of onward investments. Further information is contained in Part 2 of this paper.

7.21. As the London Early Intervention Fund is already being run by CAN, the delivery of the project will start once the funding agreement has been signed with the GLA. £1 million secured match funding is being provided from existing fund partners, UBS AG and Funding London. This represents 50% of the total £2m funding package.

7.22. The anticipated drawdown profile is: £183,750 in 2016/17, £257,250 in 2017/18, £404,250 in 2018/19 and £154,350 in 2019/20, leaving £400 contribution towards the project contingency.

7.23. Funding would be provided as repayable funding; repayment to GPF will be made as a single bullet payment no later than 30th March 2024 (5 years after completion of drawdown in 2019/20). This is because annual repayments to GPF would restrict the terms CAN are able to offer in the types of ways that have resulted in the current failure of most social investors to meet the needs of social SMEs, and go contrary to the original intention of the Fund.

7.24. CAN will be providing security on the GPF investment. Negotiations are currently taking place with CAN to confirm the security that will be used against the GPF investment (further details are contained in Part 2 of this paper).

7.25. The legal entity that the GLA will enter into a funding agreement with is Bright Red Dot Foundation Ltd, which trades as CAN.

Next Steps

7.26. The next steps are summarised below:

Activity	Timeline
Public announcement through LEP website and delivery partners	Early March 2016
Funding Agreements signed for three of the round 3 projects from (i) Londoneast-uk Business & Technical Park, (ii) The Collective and (iii) CAN	March – April 2016
Delivery Start Date - three round 3 projects	April 2016
Imperial Innovations project (round 3) undertakes further development work	March – September 2016
IPB Stage 2 approval and Directors Decision for Imperial Innovations project (round 3) sought. Funding Agreement signed.	August – September 2016

Appendices and supporting papers: None

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:

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

15.3.16

