

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD1596

Title: London Regeneration Fund

Executive Summary:

The London Regeneration Fund (LRF) uses the Growth Deal 2 allocation of £20m capital from April 2016, to deliver jobs and growth through a competitive programme to encourage London's High Streets and Places of Work to become more thriving and diverse.

The LRF received 69 applications requesting a total of £58.6m. The applications have been appraised and moderated, and reviewed by a Task & Finish Group including Mayoral Advisors and LEP SME working group members.

A programme of 24 projects totalling £19.44m is recommended for approval subject to funding and contract. The remainder is intended to fund pledges to small projects through further rounds of the Mayor's crowdfunding initiative.

Decision:

The Mayor:

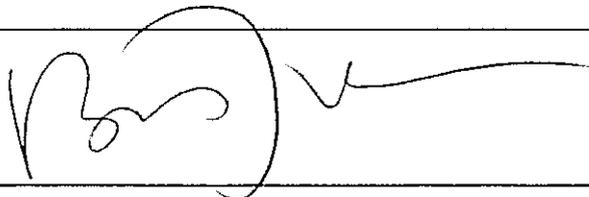
- i) approves expenditure of up to £19,440,000 capital funding as a contribution to the proposed recipients' costs of the projects listed in Appendix 1, made in response to the London Regeneration Fund prospectus, subject to confirmation of funding from Government;
- ii) delegates to the Executive Director – Development Enterprise & Environment authority to agree the final amount of individual grant awards as a result of detailed project development, providing the programme remains in line with that set out in this paper and providing the overall award remains within the funding envelope;
- iii) approves in principle the two projects it is proposed be held in reserve and to be taken forward only if funding becomes available within the £19,440,000 total; and
- iv) delegates to the Executive Director – Development, Enterprise & Environment authority to approve expenditure of up to a further £560,000 capital, for further rounds of pledges through the Mayor's crowdfunding pilot programme

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

19.1.2016

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1. The LEP's London Regeneration Fund uses the Government's Growth Deal 2 allocation of £20m capital funding to deliver jobs and growth through a competitive programme to encourage London's High Streets and Places of Work to become more thriving and diverse, available from April 2016.
- 1.2. The LRF prospectus¹ was launched on 30th July 2015. The objective of the fund is to help places in London make the most of the opportunities presented by economic and demographic change and new technology. This will help secure the future of London's mixed economy. Funding is available to boroughs, Business Improvement Districts (BIDs), traders' associations, and workspace providers. Given the funding constraints bidders were only able to bid for capital funding but were encouraged to align to this revenue through their match funding. Bidders were invited to take advantage of guidance and support in developing their bids. The aim was to attract high quality bids that could quickly move to delivery.
- 1.3. 69 funding applications were received by the deadline of 2nd October 2015 with a £58.6m total request. A cross departmental team of officers evaluated and moderated the applications in accordance with the prospectus themes and criteria including deliverability and value for money.
- 1.4. Applications were generally of a very high standard and responded well to the prospectus priorities. There was a particularly strong response to the Places of Work priority, reflective of the current pressure on affordable workspace in London. Overall, there were potentially 55 projects with a total request of £39.9m that would be worthy of support if further funding was available. This demonstrates a strong pipeline for future investment in High Streets and Places of Work.
- 1.5. On occasion, targeted reduction to project budgets and re-scoping was proposed by officers to ensure all projects were as efficient as possible. Elements of applications that were not delivering on objectives or value for money were removed. This resulted in an overall reduction of 17% from original funding requests, and meant more projects could be funded. This approach has been taken previously with the GLA's High Street Fund with no issues, but the detail will still need to be agreed with recipients as grants are prepared.
- 1.6. The projects were ranked in order of their moderated evaluation scores, based on the published prospectus criteria and methodology, with the highest scoring allocated funding within the £19.44m available. Projects with comparable scores falling either side of the funding cut-off point were considered further by the LRF Task & Finish Group, which included LEP SME Working Group members and Mayoral Advisors, in line with published criteria, in order to arrive at the programme of 24 projects, with 2 held in reserve. The LEP SME Working Group, LEP (02/12/2015), and IPB (10/12/2015) support the proposals illustrated in the appendix.
- 1.7. Projects held in reserve will be taken forward with applicants, but will only be funded if funding becomes available from other projects, for whatever reason.
- 1.8. £19.44m is available through this round. The remainder will fund pledges to small projects through further rounds of the Mayor's crowdfunding pilot programme (following previous rounds approved in DD1399).
- 1.9. An indicative profile based on the applications of the programme of 24 projects is £11.3m in 16/17 and £8.1m in 17/18. The precise figures will change as grant agreements are developed.

¹ https://www.london.gov.uk/sites/default/files/london_regeneration_fund_prospectus.pdf

2. Objectives and expected outcomes

2.1. The LRF prospectus sets out the following objectives:

- Encourage proactive stewardship - to bring about successful long-term change in the way high streets and places of work look and function
- Enable good growth – by encouraging the delivery of high quality mixed-use developments in town centres
- Pilot change – by harnessing advances in technology to develop genuinely new models for high streets and workspace.
- Secure and create open workspace – in sectors and places that lack appropriate supply
- Intensify Places of Work – through innovative projects to create the capacity for places of work to sustain a greater intensity of uses and increase productivity.

2.2. The programme outputs will be refined as grant agreements are prepared, and as a result may be subject to revision up or down. If applications are to be taken at face value, the proposed LRF programme would deliver the following:

Public realm improved	28,625 m ²
Buildings or shopfronts improved	68
Town Teams / BIDs established	3
Jobs created	2,963
Businesses supported	1,986
Internships / apprenticeships	73
Commercial space created	59,779 m ²

2.3. The proposed LRF programme can also be summarised as below:

Project Type	No. of projects	LRF request	Avg. request	Total Match
High Street	1	£800,000	£800,000	£1,295,798
High Street and Workspace	7	£6,171,495	£881,642	£11,442,893
Workspace	16	£12,468,505	£779,282	£17,661,472
Lead Applicant Type	No. of projects	LRF request	Avg. request	Total Match
Borough	12	£12,483,760	£1,040,313	£18,373,063
Other	12	£6,956,240	£579,687	£12,027,100
Total Programme	24	£19,440,000		£30,400,163

2.4. Officers will work with the proposed funding recipients to refine the details of the identified programme of projects further as grant agreements are developed, before any award of funding is confirmed (in April 2016). As is standard practice this will include work to consider and mitigate (where applicable) any state aid and other legal risks and best delivery routes to minimise VAT costs where recipients are unable to reclaim VAT. Financial due diligence will also be carried out on non-borough delivery organisations. Opportunities to improve projects and align with wider GLA objectives will include offering advice from the Environment Team and the RE:FIT programme.

3. Equality comments

3.1. All projects will promote equality and work to deliver new and secure existing diverse and inclusive opportunities and services. The projects will be developed and delivered in compliance with relevant Codes of Practice and in line with the requirements of the public sector equality duty to ensure that the following issues have been considered:

- i) Physical design proposals: All physical design proposals will be assessed in terms of accessibility to ensure we minimise disadvantages suffered by people who share a protected characteristic. age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation
 - ii) Documents and publications: any documents produced will comply with Mayor of London branding guidelines, it being based on guidance from the Royal National Institute of Blind People. Where possible accessible formats will be available.
 - iii) Events and Workspaces: all events and workspaces will be open to all and, where possible, we will encourage people who share a protected characteristic to participate in activity and use in which their participation is disproportionately low.
- 3.2. The boroughs receiving funding will already share the public sector equality duty. This will be stipulated in grant agreement to ensure delegation is clear. Non Borough organisations won't automatically be under this duty but will be required to meet these requirements through grant agreements, and provided with guidance to ensure they meet them.

4. Other considerations

- 4.1. Risks at a programme level include the provision of unacceptable state aid, and working with non-borough organisations. Initial advice has been received on these issues, and they will be investigated further on individual projects with applicants. Alternative delivery routes or re-scoping may be required for some projects, although there is generally a low risk of this. Two projects are held in reserve should any funding become available as a result of any re-scoping associated with entering into grant agreements.
- 4.2. Risks associated with individual projects have been identified as part of applications, and the evaluation criteria considers risk and deliverability when prioritising projects. Individual grants will be monitored through the GLA's Budget and Performance Review process.
- 4.3. The LRF programme is in line with Mayoral Strategies and LEP Priorities set out in Action for High Streets and the Economic Development Strategy.
- 4.4. The LRF prospectus was developed following consultation with the LEP SME working group, the Open Workspace Providers Group, Business Improvement Districts, and London Boroughs, through LEP engagement events and High Street Network events. A number of teams within the GLA have been involved in the appraisal and moderation of applications to the LRF, including Economics, Culture, Economic Business Policy Unit, Environment, Transport, Housing & Land, and Planning.

5. Financial comments

- 5.1 The Government has notified an indicative Growth Deal grant funding profile covering the period 2016-17 to 2020-21. This is capital grant funding and includes £20 million for the London Regeneration Fund expenditure proposed in this decision. However, the date of the formal grant determination has not been confirmed at this stage and therefore no project funding commitments should be entered into until this is received, in particular if any conditions are placed on this funding or whether grant for years beyond 2016-17 remains indicative and subject to future revision. The programme of projects will need to be managed within the total grant made available in individual years for the Growth Deal allocation which includes the FE Capital and Digital Skills programmes.
- 5.2 Funding for applicants will be subject to further due diligence as necessary, including on financial capacity, match funding, VAT and to ensure that only capital expenditure is funded.

6. Legal comments

6.1. The foregoing sections of this report indicate that the decisions requested of the Mayor:

6.1.1 fall within the GLA's statutory powers to do such things considered to promote or which may be considered facilitative of or conducive to the promotion of the social and economic development and wealth creation in Greater London; and

6.1.2 officers have:

- (a) paid due regard to the principle that there should be equality of opportunity for all people;
- (b) considered 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) consulted with appropriate bodies.

6.2. Officers have indicated that the contribution of funding to the proposed recipients and projects will amount to the provision of funding and not a payment for services rendered and an application process was followed to identify the proposed recipients of funding fairly, transparently, and which are considered to afford value for money. The content of this paper also indicates however, that proposed shortlisted applications and recipients will be subject to further analysis, potential refinement and due diligence. As a consequence officers must also ensure that they do not proceed to any award of funding or make any commitment in this regard until:

6.2.1 such activity has been completed to their satisfaction;

6.2.2 the Growth Deal 2 funding it is proposed is used is confirmed by Government; and

6.2.3 binding funding agreements are agreed and entered into and executed by the GLA and all proposed recipients.

6.3. In order to mitigate any risks that proposed funding awards might be considered to constitute incompatible state aid officers should also work with TfL Legal to consider the structure of proposed funding arrangements and detail of funding agreements. As an in-exhaustive, minimum baseline however, the funding agreements must provide that:

6.3.1 GLA funding is not used for any activities or overheads incurred in respect of activities for which recipients charge and a clear operational limit is placed on their use of funds for the administration of the project in this regard;

6.3.2 recipients are required to have a separate account for the receipt and use of GLA 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. "GLA LRF Funding";

6.3.3 any award by recipients of funding to sub-recipients (if permitted) under the funded projects are made in accordance with EU "de minimis" or other applicable State aid compliant principles; and

6.3.4 when using GLA funding to purchase services, supplies or works recipients are required to procure the same openly and transparently in manner which does not distort the (pan-EU) markets for the same.

6.4. Given that the proposed programme and expenditure period extend 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, ensuring that the programme and all relevant documentation are structured so as to enable the GLA to terminate for convenience in a way which minimises the impact of the exercise of such termination rights.

6.5. The Mayor may delegate the exercise of the GLA's functions to the Executive Director – Development, Enterprise & Environment as proposed should he wish.

7. Investment & Performance Board

7.1. IPB approved this decision in principle at its meeting of the 10th December 2015, but emphasised the need for the MD to be 'subject to confirmation of funding from Government'. IPB asked for publication of projects to be reserved until the launch. IPB wish to ensure that Local Authority Section 151 officers would sign off match funding, and that GLA officers request evidence of the outcomes being delivered by non-borough projects and reserve GLA/LEP funding if match funding is not delivered.

8. Planned delivery approach and next steps

8.1. The next steps following Mayoral Decision are summarised below:

Activity	Timeline
Announcement	January 2016
Grant Agreements prepared, and project details finalised (see 2.4)	Jan-Mar 2016
Delivery Start Date	April 2016
Delivery End Date	March 2018
Project Closure with Evaluation	March 2019

Appendices and supporting papers:

- Appendix - Proposed LRF Projects (reserved from publication until public media announcement by end of January 2016)

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 of the appendix of proposed LRF Projects should be reserved from publication until all applicants are notified on 21 January 2016

Until what date: **21 January 2016**

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:

Levent Kerimol has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

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.

✓

Sponsoring Director:

Fiona Fletcher-Smith has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Daniel Moylan has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

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

18.1.16

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

Edward H...

Date

18:01:2016

