

REQUEST FOR DIRECTOR DECISION – DD1213

Title: Growing Places Fund - Southall

The purpose of this Director Decision is to seek approval for up to £6,775,000 capital expenditure from the Growing Places Fund (GPF) Programme for the London Borough of Ealing's Southall GPF project (in accordance with the delegation set out in MD940).

The funding will assist the London Borough of Ealing in undertaking key junction improvements and will bring forward the development of sites adjacent to Southall Crossrail station. The funding will be drawn down between 2014/15 and 2018/19 and repaid by the London Borough of Ealing by 2022/23.

Decision:

That the director approves:

expenditure of up to £6,775,000 capital funding from the GPF Programme as a contribution to London Borough of Ealing's costs (by way of a loan) of delivering the Southall GPF project (£1m in 2014/15, £3.762m in 2015/16, £1.173m in 2016/17, £773k in 2017/18 and £67k in 2018/19).

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

Signature:

Date: 19 May 2014

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 In June 2013, and after a competitive bidding round, the LEP approved in principle the application from London Borough of Ealing for £6.8m from the Growing Places Fund to undertake junction improvements to Beaconsfield Road and Merrick Road and to bring forward the development of key sites adjacent to Southall Crossrail station. The original proposal estimated that the investment would support the delivery of more than 1,000 new homes and 3,000m² to 4,000m² of retail space by 2019.
- 1.2 Stage 1 endorsement was agreed at the Investment and Performance Board meeting in February 2014 and Stage 2 endorsement was agreed in April 2014. Approval is now sought by Director Decision (in accordance with the delegation set out in MD 940) to release £6.775m loan funding from the Growing Places Fund Programme for investment in the London Borough of Ealing's Southall GPF project.
- 1.3 A loan funding agreement will be put in place between the GLA and London Borough of Ealing setting out the terms of the draw down and repayment of loan funding. The delivery of the programme will commence in quarter 1 of 2014 /15 and will complete in quarter 3 2019/20 and repayment will commence in 2018/19 and complete in 2022/23.
- 1.4 The project incorporates five project work streams for which GPF funding will be utilised which are set out below:
 1. **Beaconsfield Road:** the project will deliver enhanced capacity to the junction at South Road and Park Avenue, the junction improvements will support the development at Southall Gasworks and the Southall Gateway site. This project enables 400 new homes and 5,500m² retail, 4,000m² commercial and 2250m² community space at Southall Gateway.
 2. **Merrick Road:** this project will deliver increased capacity at the junction of Merrick Road and South Road to enhance traffic flow and improve the pedestrian environment in advance of the opening of the new Crossrail station. This project will enhance traffic capacity, reduce congestion and enable consent of 800-100 homes at Southall East.
 3. **Foot and cycle bridge:** delivery of a new foot and cycle bridge across the railway to create a new crossing point and two new urban public spaces at either side of the bridge. This will provide an improved and more attractive access from Southall East to the Crossrail station and Southall Gateway site and supports the encouragement of a modal shift towards increased pedestrian and cycle usage. Funding is subject to Ealing Council securing the additional £3.3m required to complete the project by Q1 2015/16.
 4. **Grand Union Avenue Junctions:** the project will deliver two junctions to a new road which is required to enable development at Southall East. The junction will provide a linkage to the new foot and cycle bridge unlocking a site with capacity of up to 100 new homes, providing a link to the north of the Havelock Estate (230 net new homes) and connecting these two key development opportunities in Southall East to Southall station and the Middlesex Business Centre. This project enables planning consents for 800-1000 new homes and 9,400m² of new commercial space.

5. **Southall Gateway:** site assembly to bring forward the northern sites of Southall Gateway to enable development of 400 new homes and 5,500m² new retail, leisure and public realm. This will create a new arrival point at Southall following the opening of Crossrail and creates a significantly enhanced public realm and environment stimulating wider investment.

2. Objectives and expected outcomes

Objectives

- Deliver junction improvements to Merrick Road and Beaconsfield Road junctions to increase capacity and enable development.
- Deliver key infrastructure improvements to enable development at Southall East (Grand Union Junctions and installation of a Foot and Cycle bridge).
- Enable development of the Southall Gateway site.

Commissioned outcomes

The programme will bring together a number of investments to improve perceptions, and the attractiveness of Southall and to directly deliver 400 new homes, 5,500m² of new retail space, 4,000m² of new commercial space as well as to enable growth of a further 800-1000 new homes at Southall East. The benefits of each project are set out in the table below.

Project	New Homes enabled	New Homes supported	Other benefits
Beaconsfield Road	146-270 (Gateway) 375 (gasworks)	126 (CLR) 750 (gasworks)	<ul style="list-style-type: none"> • Increased junction capacity and reduced journey times • Enables 5,500m² retail, 4,000m² commercial and 2,250m² community space at Southall Gateway.
Merrick Road	375 (gasworks)	261 (the Arches and corner site plus Featherstone Terrace Car park) 750 (gasworks)	<ul style="list-style-type: none"> • Net neutral road capacity • Enables more direct crossing opportunities and increase safety • Improving the look and feel of the area, linking the town centre and providing a better platform for investment.
Pedestrian and cycle bridge	0	1757	<ul style="list-style-type: none"> • Improved safety for pedestrians and cyclists • Supports development of 'quietway' network • Increases permeability and shortens journeys north / south for pedestrians and cyclists • Increases catchment area to local school and park north of railway line
GU Ave junctions	980 (East Southall)	230 (Havelock)	<ul style="list-style-type: none"> • Provides additional network capacity, resilience to the network, reduced journey times from Havelock and improved accessibility for business and residential users, provide new public realm and support movement around the base of the pedestrian and cycle bridge • The new road potentially unlocks a new relief road to the East, needed to support further long term growth in the area.
Land assembly	146-270 (Gateway)	126 (CLR)	<ul style="list-style-type: none"> • Creates a better platform for investment. • Creates 5,500m² retail, 4,000m² commercial and 2,250m² community space at Southall Gateway

The total cost of delivering the Southall project is £12.1m. These costs will be met by the GPF loan of £6.8m, a loan contribution from Ealing Council of £1m (which will also be repaid), £3.3m grant funding for the foot and cycle bridge (subject to confirmation by Q1 2015/16) and developer contributions of £1.025m. Repayments will be made by Ealing Council funded by developer contributions of £2.775m..

Costs

The total cost of delivering the full programme of planned activities is £12.1m including the foot and cycle bridge. The expenditure profile is set out for each funding partner below.

	2014/15	2015/16	2016/17	2017/18	2018/19	Total
GLA Expenditure	£1,000,000	£3,762,000	£1,173,000	£773,000	£ 67,000	£6,775,000
LB Ealing Expenditure		£1,000,000		£3,300,000		£4,300,000
Developer Contributions		£225,000	£225,000	£575,000		£1,025,000
Annual total	£1,000,000	£4,987,000	£1,398,000	£4,648,000	£ 67,000	£12,100,000

Ealing council will be responsible for repaying the GLA in accordance with the profile set out below and will be reflected in the loan agreement. Repayment shall complete by 2022/23.

	2018/19	2019/20	2020/21	2021/22	Total
Repayment to GLA	£ 2,575,000	£2,575,000	£1,575,000	£ 50,000	£6,775,000

3. Other considerations

These five projects have been identified as priorities for intervention in Southall through consultation with key stakeholders including Crossrail and Transport for London and are consistent with the Ealing 2026 Local Development Framework and the draft Southall Opportunity Area Planning Framework (OAPF). The OAPF has been informed by a detailed masterplanning exercise for the Gateway area for the area around the station. The OAPF also identified Southall East as a priority area to deliver the significant housing growth, and secure long-term regeneration benefits of the Havelock estate renewal.

These projects also all form part of the Southall Charter, which was developed following a year-long Southall Big Conversation which was a process of dialogue which established a shared Vision for the future of Southall. The Big Conversation included engagement with community, civic leaders, businesses and public sector partners. Provision has been made within the programme timetable for required consultations and impact assessments.

The key risks to delivery of the programme are set out in the table below the proposed mitigation strategy for each.

	Risk description	Mitigation / Risk response	RAG rating
1	There is a risk that funding from developers is not realised.	Confirmation has been received from the developer of the Southall Gas Works site that payment of the s106 agreement for the Merrick Rd / Beaconsfield Road Junctions will be made to LBE in eight equal payments. The GLA loan agreement will be in place with LBE who will be responsible for repayment.	A
2	Additional £3.3m funding is not identified for the foot and cycle bridge	A deadline of Q1 2015/16 has been agreed for LB Ealing to identify an alternative source of this funding. If funding is not identified, this element of the loan will not be drawn down and the agreement will be varied accordingly (to bring forward the repayment term). Design and feasibility work prior to full funds being in place will be undertaken at risk by the Borough.	A
3	Costs exceed the total funding available	Time and funding has been built into each project within the programme to undertake detailed design and costing assessments. Costs will therefore be established firmly before implementation commences. For the Southall Gateway component of the scheme feasibility work is underway, and the GLA will monitor closely the viability of the scheme as it develops. Continuing GLA support will be conditional on demonstration of a viable and deliverable scheme which meets the agreed outcomes.	G

4. Financial comments

4.1 The total cost of delivering the full programme of planned activities is £12.1m including the foot and cycle bridge. Excluding the foot and cycle bridge the total costs of the programme are £7.8m. This is set out in the table below including the proposed allocation of the GPF loan. Expenditure will be funded from:

- £6,775,000 loan funding from the GPF
- £1m loan funding from LB Ealing
- £3.3m grant funding to be confirmed by LB Ealing
- £1,025,000 developer contributions from 2015-16 to 2017-18

Expenditure					
Project	GPF Funding (Loan) £	LB Ealing (Loan) £	LB Ealing / Other Source TBC (Grant) £	Developer contributions £	Total cost £
Beaconsfield Road	75,000			225,000	300,000
Merrick Road	1,050,000			450,000	1,500,000
Foot and Cycle Bridge	1,000,000		3,300,000	-	4,300,000
GU Avenue Junctions	650,000	-		350,000	1,000,000
Land Acquisition	4,000,000	1,000,000			5,000,000
Total	6,775,000	1,000,000	3,300,000	1,025,000	12,100,000

4.2 Repayment of the GPF loan to the GLA and the LB Ealing loan is to be secured from:

- £5m land receipt from the Gateway site
- £2.875m developer contributions from the section 106 agreements for the Southall Gas Works development and Southall East development

The GPF loan will be repaid in superiority to the Ealing loan of £1m.

- 4.3 Capital funding of £6.8m for the project is earmarked within the Growing Places Fund budget. Funding is expected to be provided in instalments from 2014-15 to 2018-19 and is linked to specific elements of the project and would be underpinned by an agreement with London Borough of Ealing governing its release. The £1m earmarked against the foot and cycle bridge would only be released if additional funding of £3.3m is identified by Ealing. Repayment is envisaged to start from 2018-19 and completing in 2022-23, but is dependent on land receipts, S106 and Community Infrastructure Levy payments. Although the GLA's debt will rank above the £1m due to be repaid to Ealing, these risks will need to be monitored closely. Additional savings or sources of funding would need to be identified if any shortfalls materialise and the loan agreement with Ealing, which must be agreed with the GLA Group Treasury Manager, would need to be clear who carries that risk and what steps would be taken in that event.

5. Legal comments

- 5.1 The foregoing sections of this report indicate that:

- 5.1.1 the decisions requested of the Director (acting under [the powers delegated by the Mayor under cover of MD940) fall within the statutory powers 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
- 5.1.2 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.

- 5.2 Officers have indicated in sections 1 to 4 of this report that the:

- 5.2.1 contribution to the London Borough of Ealing will amount to the provision of loan funding and not a payment for services rendered;
- 5.2.2 a process was followed to identify the proposed recipients of funding fairly, transparently, and which are considered to afford value for money.

- 5.3 Officers should:

- 5.3.1 continue to liaise with the GLA's finance team to formulate the optimum mechanism for and terms of the proposed finance package to be provided to the London Borough of Ealing via the GLA's treasury management strategy: and

- 5.3.2 ensure that appropriate documentation is out in place between and executed by the Authority and the London Borough of Ealing before any commitment is made to the provision of the same.

6. Planned delivery approach and next steps

The project will be delivered by the London Borough of Ealing.

Activity	Timeline
Entry into loan funding agreement	Q1 2014/15
Commencement of design and feasibility	Q1 2014/15
Implementation start date	From Q4 2014/15
Final evaluation start and finish (self):	Q1 2020/21 to Q1 2021/22
Delivery End Date (retention payments)	Q3 2019/20
Project Closure: End of repayment period	2022/23

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Note: This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:**Is the publication of Part 1 of this approval to be deferred? NO**

If YES, for what reason:

Until what date: (a date is required if deferring)

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form –NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Alison Murray 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

Date