

REQUEST FOR DIRECTOR DECISION – DD1158

Title: Growing Places Fund – Legal, Financial and Technical Support

Executive Summary:

Up to £120,000 of financial, legal and technical specialist advice is required to support the due diligence and development of Growing Places Fund project proposals for which the GLA is considering providing funding. The specialist advice required will include legal (principally State aid) advice, business case testing and due diligence and development of financial loan instruments. The advice is required to support the development of projects and entry into loan finance arrangements which are compatible with State aid requirements, support the development of robust and deliverable projects and protects the GLA's interests generally.

Decision:

That the Director approves expenditure of up to £120,000 revenue funding from the Growing Places Fund (GPF) in financial years 2013/14 to 2014/15 on financial, legal and technical specialist advice requirement to support the due diligence and development of GPF projects as follows:

- Specialist financial advice of up to £30,000
- Specialist legal advice of up to £30,000
- Specific technical advice for the :
 - o London Co-Investment Fund investment strategy up to £15,000
 - o Market demand assessment of the Central Research Laboratory business plan up to £10,000
 - o Property valuation to verify loan security for the Central Research Laboratory up to £5,000

Remaining £30,000 funding for specialist business plan advice for future projects (separate ADD will be sought)

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:

5 FEB 2014.

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

The Growing Places Fund is a £111m revolving fund to support the unlocking of jobs and economic growth in London. The national fund is allocated to Local Enterprise Partnerships and the London Enterprise Panel is tasked with advising the Mayor on how and where to spend it. The GLA is the accountable body for the Fund.

The first round of the Growing Places Fund was launched in 2012 and the majority of project allocations were made during 2013. There are currently 20 projects identified for funding within the £111m programme at varying stages of development and delivery. The range of projects covers each of the LEP's four priority areas of skills and employment, digital, creative, science and technology, infrastructure and SME support.

Further to this, funds have become available for reallocation as a result of ongoing commercially sensitive negotiations on projects shortlisted for funding under Round 1 coming to an end. These funds will be reallocated by inviting updated proposals from project proposals submitted as part of Round 2 that fell below the line in terms of funding.

The nature of the GPF programme is such that many projects are developing ways of delivering that are new to the GLA for example through the requirement to repay funding and being delivered by the private sector. It is apparent that for some projects specialist legal, financial and technical advice is required to support the GLA's due diligence process and support the development of robust, deliverable, State aid compliant projects.

At a meeting on 7th January 2014, the LEP approved the re-allocation of up to £250,000 for financial, legal and technical specialist advice for the development of GPF projects. As projects are at varying stages in their development it is proposed that approval is provided for advice to be commissioned by the GLA as and when it is required for individual projects.

The specialist advice is required to:

- enable, where possible, the assessment of projects and their loan terms in taking a rational private investor approach, or to provide State aid advice generally;
- undertake due diligence to validate project business plans and advice on loan terms (for example valuations to provide assurance for loan security); and
- develop financial loan instruments and security documentation as required.

2. Objectives and expected outcomes

The services are required to support the development of Growing Places Fund projects, particularly those where finance is provided to the private sector. Growing Places Fund projects aim to deliver jobs and economic growth for London and as such are aligned to the Mayor's Economic Development Strategy, in particular with Objective 5, which aims to attract the investment in infrastructure and regeneration which London needs and to maximise the benefits from this investment. Action SD states that 'the Mayor will champion the case for investing in London to meet not only London's needs, but also to ensure that London can continue to drive the UK economy. He will ensure that investment is coordinated and will encourage innovative and cost-effective forms of new investment'.

Individual projects will develop business cases which demonstrate links to Mayoral Priorities and highlight the benefits for London and Londoners.

The objectives and outcomes of the specialist advice sought are to establish the potential for models required for entry into loan finance arrangements which may be considered compatible with State aid requirements, support the development of robust and deliverable projects and protect the GLA's interests generally.

3. Other considerations

It is considered that the specialist advice required for GPF projects is not available in house and therefore external support is required. In order to optimise the value for money which can be achieved and facilitate an approach which corresponds with the Treaty of the functioning of the EU the GLA must ensure that a prudent assessment of each GLA investment is made by ensuring the business plan is fully tested and verified (which may require specialist sector knowledge) and by developing loan terms comparable with those of rational private investors.

The proposed costs of up to £120,000 for specialist advice will be provided for from the Growing Places Fund and in particular the underspend against the £360k lifetime allocation on the Sanofi project (DD836, DD1010, MD1161, DD1115, ADD92 and ADD60) and from the reallocation of the £280k previously allocated to the City Skills Fund project.

At the 7th January 2014 LEP meeting, this reallocation was approved.

4. Financial comments

- 4.1 Approval is being sought for revenue expenditure relating to financial, legal and technical specialist advice required to support the due diligence and development of Growing Places Fund (GPF) projects.
- 4.2 The revenue cost of up to £120,000 will be funded from the GPF programme, for which the GLA is the Accountable Body.
- 4.3 The use of up to £250,000 of GPF programme funds has been approved by the Local Enterprise Partnership (LEP) at its meeting of 7 January 2014. Only £120,000 of this is requested in this decision.
- 4.4 It is expected that the spend of up to £120,000 will span two financial years as follows :
 - 2013/14 £30,000
 - 2014/15 £90,000
- 4.5 All appropriate budget adjustments will be made.
- 4.6 As this decision relates to contracts, officers have to ensure that the requirements of the Authority's Contracts and Funding Code are adhered to.
- 4.7 As these contracts are consultancy based, officers also have to ensure that the requirements relating to consultancy services within the Authority's Financial Regulations and Expenses & Benefits Framework are adhered to.
- 4.8 Any changes to this proposal must be subject to further approval via the Authority's decision-making process.
- 4.9 The Regeneration Team within the Development, Enterprise and Environment Directorate will be responsible for managing this project.

5. Legal comments

- 5.1 Sections 1-4 of this report indicate that:
 - 5.1.1 the decisions requested of the director fall the powers of the Authority, to do such things as may be considered facilitative of or conducive to the promotion of economic development and wealth creation 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 must ensure that the services required are procured in accordance with Authority's Contracts and Funding Code, any specialist legal services to be sourced from TfL's Legal Panel. Officers should also consider carefully whether any economic analysis services required should be sourced via specialist legal advisors or if they should be procured directly by the Authority.

6. Planned delivery approach and next steps

The approach to obtaining the advice and the total indicative value of each type of advice is set out below.

- Specialist financial advice will be provided by Capita Asset Services through their existing contract for Treasury Services to the GLA (up to £30,000)
- Specialist legal advice will be procured through the Legal Services Framework (up to £30,000)
- Specific technical advice will be procured (procurement process to be agreed with TfL Procurement) for the London Co-Investment Fund Business Plan (up to £15,000)
- Specific technical advice will be procured for the Central Research Laboratory including:
 - o Verification of market and demand assumptions for the business model (up to £10,000) (procurement process to be agreed with TfL Procurement)
 - o Property valuation provided by Cushman and Wakefield through their existing contract for valuation services to GLA Housing and Land to verify loan security (£5,000)

The remaining funding will be allocated for specialist business plan advice for future projects (£30,000). An ADD will be sought when it is clear what these projects are and what specialist support is required.

In order to control spend, officers will require written approval from the Assistant Director Regeneration for each individual piece of advice sought. The allocation of £120,000 will be monitored by the Growing Places Fund Programme Board (Chaired by the Executive Director) where spend will be reported and forecast expenditure discussed on a monthly basis.

It is anticipated that additional funding may be required to top up the £120,000 sought under this Director Decision should further specialist advice be required for future projects endorsed by the LEP.

The profile of spend is expected to be £30,000 in 2013/14 and £90,000 in 2014/15.

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: (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:

Laura Dubeck 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. Allge

Date

5.2.14

