



CABINET

12th June, 2019

Subject Heading:

Good Growth Fund – Rainham Innovation Hub and Public Realm improvements Grant Agreement

Cabinet Member:

Councillor Roger Ramsey, Cabinet Member for Finance and Property

SLT Lead:

Neil Stubbings, Director of Regeneration Programmes

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Policy context:

This is a commitment in the 2019/2020 Corporate Plan under the Opportunities Theme – Helping our businesses grow, Growing Rainham Employment SIL, Develop a Digital Innovation Hub in Rainham.

Financial summary:

The Grant Agreement sets out the funding to be received for the project from the Greater London Authority, and the terms of the grant including the outputs required. Delivery will be through each of the four partners, and a Delivery Agreement will be entered into with each of the other 3 partners setting out responsibilities. The Grant from the GLA is for £1,631,940. Match funding from the Council will be derived from the value of staff time, and amounts to £16,200, SIP funding of £800,000 and a commitment to identify £56,000 from business sponsorship/social value contributions or S106 (and if not identified by 2021/22, from the Council's economic development budget). Match funding will also be provided by Havering College, Riverside Business Improvement District and SEGRO (totalling 1,049,565). Total match funding is £1,921,765 making a project total cost over 3 years of £3,553,705.

Is this a Key Decision?

Yes - Expenditure (and income) of £500,000 or more

When should this matter be reviewed? March 2021

Reviewing OSC: Overview and Scrutiny Board.

The subject matter of this report deals with the following Council Objectives

Communities making Havering	<input type="checkbox"/>
Places making Havering	<input checked="" type="checkbox"/>
Opportunities making Havering	<input checked="" type="checkbox"/>
Connections making Havering	<input type="checkbox"/>

SUMMARY

Following approval by the GLA to fund the development of an Innovation Hub and public realm improvements in Rainham, this report requests approval from Cabinet to enter into a Grant Agreement with the GLA in order to start drawing down the funding. It also proposes Delivery Agreements be entered into with delivery partners and that a Statement of Intent be agreed with them confirming partners' joint commitment to realising and managing the project over the next 5 years.

RECOMMENDATIONS

Cabinet is recommended to:

- Enter into a Grant Agreement with the Greater London Authority (GLA) until 31st March 2022 to provide an Innovation Hub designed to boost productivity and skills in Havering and across East London and improve the physical environment of the area for workers, students and visitors, focussing initially on the use of digital technologies in logistics, construction and related sectors. The Grant from the GLA is for £1,631,940.
- Approve match funding from the Council be provided to help fund the overall project derived from the value of staff time (£16,200), £800,000 from the London Strategic Investment Pot funding for connectivity in Rainham, £56,000 to be identified from business sponsorship/social value contributions or S106 (and if this is not identified by 2021/22 from the Council's allocated Regeneration and Economic Development revenue budget. Match funding will also be provided by Havering College, Riverside BID and SEGRO at a combined value of £1,049,565.
- Delegate authority to the Director of Regeneration Delivery to enter into Delivery Agreements with SEGRO, Havering College of Further and Higher

Education and the London Riverside Business Improvement District to draw down delivery funding for the project of £309,400, £562,800 and £250,000 respectively, to deliver elements of the project and achieve agreed outcomes;

- To provide forward funding to the Riverside BID of £50,000 (capital) in 2019/2020 and £200,000 (capital) in 2020/2021 to enable them to fund the public realm improvements; and,
- Agree a Statement of Intent with Havering College and SEGRO to confirm the partners' intentions to develop and deliver the Innovation Hub and work together to take it forward; and,
- Note that the process of appointing an operator for the Hub will be undertaken on behalf of the partners through the Council's procurement processes.

REPORT DETAIL

1. The project

- 1.1 This project helps take forward the Corporate Plan priority under the Opportunities Theme of helping our businesses grow. It provides funding to support business growth within the Rainham Strategic Industrial Location (SIL), and specifically to develop an Innovation Hub, alongside public realm improvements that will improve the environment and access to the SIL.
- 1.2 An Executive Decision report was agreed in October 2018 under the Council's urgency procedures, to submit a second stage funding bid to the GLA for projects in Rainham SIL for a maximum of £1.7m under the GLA's Good Growth Fund (see background document). The bid was approved by the London LEAP, and approval is now sought to enter into a Grant Agreement with the GLA, as attached at Appendix 1.
- 1.3 There are two principal elements to the project. The first will be delivered through the London Riverside BID, and this will improve the public realm, which will involve landscaping one or more spaces to provide improved outdoor facilities including a seating area for workers, which is a long-standing priority for the BID. The aim of this element of the project is to improve access into and around the BID area and improve the environment for staff and make the area a more attractive working environment. The continued maintenance of the area or areas will be the responsibility of the BID and funded from their levy.
- 1.4 The innovation hub is a 3-way partnership project involving the Council, Havering College and SEGRO. It will involve construction works at the College's Rainham campus, fit-out of the space within the College and within a SEGRO industrial unit, purchasing of new digital equipment, and a programme of teaching, business support, events and research activities to designed to improve productivity and workforce skills.

- 1.5 The project will provide a key component of a wider strategic vision developed and shared by the partners, for improving and intensifying the Rainham Employment SIL. All partners, including the GLA, the Council, the College and SEGRO are committed to this project and want to see it succeed over the long term, and an initial 5-year business plan has been drafted that demonstrates financial sustainability over this period, given the anticipated income stream from the Hub.
- 1.6 SEGRO is making a commitment to providing space for the hub to operate at zero rent for a period of a minimum of 5 years. The College will build the use of the facilities into its mainstream training programmes and continue to provide match funding for staffing for three years. Income generated by the Hub within the College will be invested in the Incubation Hub team, and help to gradually offset the GLA investment to prepare for 2020/21 when the GLA funding ceases. It is proposed that the Council provide support from social value or S106 funds in the third year of operation of £56,000. The detailed financial projections for the future sustainability of the hub will be refined during the initial 3 years, but partners' intentions are to ensure continuing financial sustainability over the longer term.
- 1.7 The Council is also recommended to direct its regeneration partners to use the facilities at the Hub to support more effective processes, and help assist the construction supply chain in delivering regeneration in the borough. It will also use the hub to help improve the image and marketing of the area to businesses, and help to generate increased investment and therefore business rates.
- 1.8 The innovation hubs could benefit a wider constituency of businesses in the future, through growth, or wider use, and provide a model for supporting London's priority sector skills and productivity improvements across London. They will also link well with other regional and sub-regional initiatives, including the Mayor's Construction Academy, provide a mechanism for implementing the Construction Sector Deal, and enhance the area's prospects of attracting the Heathrow Logistics Hub. The Partnership supporting development of the Riverside Opportunity Area, led by the GLA, will be expanded and strengthened through the programme.

2. Partner roles and Funding

- 2.1 A key Executive Decision report was signed in October 2018 approving the submission of the second stage bid to the GLA, and this was submitted and subsequently approved.
- 2.2 The Good Growth Fund is passed to the Council, as accountable body, on a quarterly basis following the submission by the Council to the GLA of a claim form, accompanied by evidence of GLA-funded and matched spend and achievement of outputs. As this is a partnership project, it will be delivered in part by each of the partners, which will reduce the initial outlay from each partner. In order to share the financial risk, the requirements of the Grant Agreement on the Council will be mirrored in Delivery Agreements between the Council and each of the three delivery partners.

3. Governance

- 3.1 Governance is currently through two Steering Groups – an Innovation Hub Steering Group comprising Havering College, SEGRO and Council officers, and a Good Growth Fund Steering Group, which comprises these partners plus London Riverside BID and the GLA. It is proposed to formalise the Innovation Hub Steering Group into a Board comprising senior officers for the interim period until the final governance structures are agreed. As this Board will have no formal status, all decisions relevant to the Council and the Executive will be bought back by officers to follow any the Councils Constitution prescribed decision-making before providing any external response.
- 3.2 Following decision of this paper a process will be under way to procure a concession operator for the innovation hub, and once they are appointed they will be required to generate income so that the project becomes financially sustainable after the Good Growth Fund spend has finished. The council is developing options for consideration by the partnership for a formal governance structure for the Innovation Hub in order that the income generated can be held by the hub and partners to enable financial sustainability over the longer term. The Council is currently considering options for an independent structure with the advice of the Council's Legal Services.

REASONS AND OPTIONS

4. Reasons for the decision:

- 4.1 It is recommended that the Council enter into a Grant Agreement with the GLA because it is required by the GLA as part of the grant process. In order to minimise risk, those elements of the bid that will be delivered by the Council's partners will be agreed with them in Delivery Agreements that mirror the obligations on the Council. The Council will, however, act as the Accountable Body for the entirety of the funding as the grant applicant.

Other options considered:

- 4.2 Do nothing: If the Council does not enter into the Grant Agreement the project will not be able to proceed.

IMPLICATIONS AND RISKS

5. Financial implications and risks:

- 5.1 The Grant from the GLA is for £1,631,940. Match funding from the Council will be derived from the value of staff time of £16,200, SIP funding of £800,000, and a commitment to identify £56,000 from business

sponsorship/social value contributions or S106, and if this is not identified by 2021/22, an equivalent sum from the Council's revenue budget. Match funding will also be provided by Havering College, Riverside Business Improvement District and SEGRO (totalling 1,049,565). Total match funding is £1,921,765 making a project total cost over 3 years of £3,553,705.

- 5.2 Funding is claimed in arrears, and the Council and partners will therefore be required to spend and claim back the money due from the GLA. Riverside BID will project manage and commission the public realm improvements in conjunction with Council officers. SEGRO and Havering College are taking responsibility for delivering the capital improvements, fit-out and equipment for the two Hub sites. The Council will commission consultant support for the project, procure the Hub operator, and pay running costs for part of the Hub. These costs will be claimed back on a quarterly basis. Spend is currently profiled as £150,520 in 2019/20, £256,520 in 2020/21 and £102,700 in 2021/22 – a total of £509,740 over the financial years 2019/20 to 2021/22.
- 5.3. The Riverside BID is a very small organisation and will require forward funding in order to deliver the public realm improvements because they do not have the finances to pay it and claim back the funding. This will mean the Council providing £50,000 to the BID in 2019/20 and £200,000 in 2020/21 and claiming it back each quarter once the evidence of spend has been received from them. At the end of the first financial year 2019/20, £40k will be outstanding and due to the Council (as indicated in the table below).

	2019/20				2020/21				TOTAL £000
	Q1 £'000	Q2 £'000	Q3 £'000	Q4 £'000	Q1 £'000	Q2 £'000	Q3 £'000	Q4 £'000	
Forward funding			10	40	150	20	30		250
Repayment				-10	-40	-150	-20	-30	-250
Outstanding			10	40	150	20	30	0	0

- 5.4 Match funding from Council officer staff time will be accounted for by submission of timesheets. There is also a commitment for the Council to identify £56,000 from business sponsorship or social value contributions, or S106, and if this is not identified by 2021/22 it will need to be found from the council's revenue budget.

6. Legal implications and risks:

- 6.1 This report seeks authority to enter into a grant agreement with the GLA in respect of its Good Growth Fund.
- 6.2 S1 Localism Act 2011 gives the Council a general power of competence, the Council has the power to receive grant funding and enter into agreements including agreements with others for the delivery of some of the projects.

Cabinet, 12 June 2019

- 6.3 The Council must ensure compliance with State Aid rules as prescribed under Article 107 Treaty for the Functioning of the European Union 1957. In addition the GLA Grant agreement makes certain conditions in relation to state aid compliance which must be adhered to.
- 6.4 In respect of the operation of the innovation hub the council will arrange a procurement exercise and appropriate decisions as to the operator will need to be taken in due course following the Councils constitution, Contract Standing Orders and Public Procurement and Concession Regulations.
- 6.5 The GLA Grant Agreement requires s151 to give a certificate that amounts to a warranty that the Council will appropriately arrange the funds as Accountable body and observe and perform the terms and obligations under the Grant Agreement.
- 6.6 Terms of the GLA Grant Agreement include the circumstances for clawback and as part of entering into the agreement and throughout the agreement, the Council will be required as Accountable Body to provide a number of warranties and report on performance, including around ability to meet the delivery timescales. In the event the Council is unable to comply, clawback provisions may apply.
- 6.7 There will be a number of financial and legal implications arising from any decision to proceed and these will be the subject of further reports to Cabinet where a key decision is required.

7. Human Resources implications and risks:

- 7.1 The Council is providing resources to lead and support the work of the Steering Group, process claims, and project manage the overall programme, and some of this funding can be claimed from the GLA to cover additional costs. Continuing staff for monitoring and management will be counted as match funding for the project, and can be delivered within existing resources.

8. Equalities implications and risks:

- 8.1 The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:
- i. The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
 - ii. The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;

- iii. Foster good relations between those who have protected characteristics and those who do not

Note: 'Protected characteristics' are: age, gender, race and disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

- 8.2 The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio – economics and health determinants. The proposals relating to this report, if they are implemented, will improve the business environment in the borough and consequently the employment prospects and socio- economic status of residents.
- 8.3 An Equalities Assessment (EA) is attached as Appendix 2 to this report.

BACKGROUND PAPERS

N/A