

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD3019

Title: Compressor House and Levelling Up Funding

Executive summary:

This Mayoral Decision (MD) requests approval for the GLA to receive £1.725m of grant funding from the London Borough of Newham for the refurbishment and ultimate letting of Compressor House for the purposes of delivering an operation in line with the ambitions of the Levelling Up Fund (via London Borough of Newham).

The location and scope of Compressor House presents a unique opportunity to link the surrounding communities, especially Beckton and Custom House, with the benefits of the Royal Docks Enterprise Zone (EZ) – in this case through the lens of digital inclusion and opportunity. The Royal Docks Team (RDT) believes it is able to secure a new preferred tenant for Compressor House; and seeks to take advantage of LB Newham's successful Levelling Up Fund proposals.

Decision:

That the Mayor approves the receipt of £1.725m Levelling Up Funding from the Department for Transport (DfT), the Department for Levelling Up, Housing and Communities (DLUHC) and HM Treasury, via LB Newham, to invest in Compressor House and secure a suitable tenant to deliver against Levelling Up and Good Growth ambitions.

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:

24/10/22

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

Decision required – supporting report

1. Introduction and background

- 1.1 The Royal Docks is one of London's most distinctive economic locations and largest regeneration projects, with the potential to deliver 41,500 jobs and over 30,000 homes over the next 20 years. The Mayor of London and the Mayor of Newham are jointly leading the regeneration of the area through its EZ status, which is funded through the ringfencing of business rate income collected within the zone.
- 1.2 Compressor House is located on the northern bank of Royal Albert Dock (RAD), directly underneath Royal Albert station and next to Newham Council offices (see site plan at Appendix 1). It is also a 10-minute walk away from Custom House station.
- 1.3 Compressor House was built in 1914 for cold storage of Royal Docks cargo and retains many original features including original hoists, rails and winching machinery. The space is approximately 6,200 sqft, which increases to 7,100 sqft if the mezzanine space on the east side is included. Internally, the property is an open hall up to the exposed roof (8-9m).
- 1.4 Compressor House was, until September 2021, under the leasehold control of ABP as part of the wider RAD development. Through agreement with them, it returned to GLAP's control and it is in GLAP's interest to bring the building into active use for both financial and placemaking purposes.
- 1.5 Through Newham Council's successful application to the Government's Levelling Up Fund, £1.725m capital funding has been secured to invest in the building. This amount was based on a business plan by a previously earmarked tenant who are now no longer proceeding to take the space. Consequently, the Royal Docks Team (RDT) is seeking a new partner to deliver on the broad ambitions of Levelling Up.
- 1.6 It is a requirement of the Levelling Up Fund that there is £563,000 of local match-funding provided. This needs to be capital funding directly related to the building (capital works) or its fit-out (e.g. equipment). There is an expectation that the preferred partner(s) will be able to at least contribute to this, if not provide all of this £563,000 contribution. However, should it be necessary, the Royal Docks Good Growth Fund (GGF) is able to fund this, subject to a successful GGF application in line with the established GGF process.
- 1.7 The RDT is using its own GGF process as a means of finding a suitable preferred partner(s) and securing best value for the opportunity. An indicative timetable should see a preferred partner secured by late 2022, with a lease commencing in April 2023.
- 1.8 All details relating to the disposal of this asset will be covered by a separate approval process at the appropriate time.
- 1.9 The RDT anticipates that the GLA will directly procure the relevant enabling works required to ensure the asset is in a lettable state. The GLA will undertake relevant procurement activity in accordance with the GLA's Contracts and Funding Code. Should such works be procured before the receipt of the Levelling Up funding, the GLA's own budget shall be used to cover such expenditure (see financial comments below for further information).

2 Objectives and expected outcomes

- 2.1 The aim of investing in Compressor House is to deliver a project in line with the financial, social and place-making aspirations of the RDT and its partners, notably LB Newham via its Levelling Up Fund proposals. It is felt likely (but not essential) that this would include the asset becoming a destination venue in the heart of East London, but also bringing significant social value and, potentially, cultural wealth-building to the local and wider community.
- 2.2 With the project being part-funded by the Levelling Up Fund, outcomes and outputs associated therewith are linked to this funding programme – specifically, in this case, digital inclusion linked to both the council’s Levelling Up project, and Newham Sparks (which sets the ambition for the borough to become the home for London’s Data Economy). Other areas of stated relevant focus are digital and urban technology; young people; arts, creativity and culture; and heritage, to name a few.
- 2.3 The RDT is looking for a partner, or partner(s) who can bring their own vision to this opportunity. The aesthetic nature of the building and its location probably lends itself to a destination venue (i.e. one that people would travel to) because there is currently limited footfall to the site. It is also considered likely (but by no means necessary) that there may need to be a food and beverage/events offer as part of any business plan.
- 2.4 The Royal Docks Cultural Placemaking Strategy 2021 has been published and outlines the vision to mould the Royal Docks into the cultural engine of London. Within this, Compressor House provides the opportunity to become a destination space, a cultural hub, or an event space that converges multiple communities within the Docks.
- 2.5 It is anticipated that at the time of the Royal Docks EZ Programme Board meeting no later than November 2022, a partner (or partners) will have been selected for this Compressor House opportunity.

3 Equality comments

- 3.1 Section 149(1) of the Equality Act 2010 provides that, in the exercise of their functions, public authorities must have due regard to the need to:
 - eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 3.2 Relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.
- 3.3 The Levelling Up Fund is by definition aimed at equalising investment between and within communities UK-wide. LB Newham was awarded this funding to in-part reflect the systemic disadvantages that the borough’s communities face. The investment at Compressor House will respond to this agenda. Issues of digital inclusion, offering opportunities for young people and supporting entrepreneurial activity from UK-minority ethnic groups are examples of target areas that could emerge (subject to the specialist areas of preferred tenants). Such structural inequalities also reflect the headline Newham policy of Community Wealth Building, and the Recovery agendas of both the Mayor of London and Newham, all of which are core themes running through all of the EZ programme activities.

- 3.4 The goals outlined in this MD are also aimed at supporting those most at risk from the impact of the economic crisis brought on by Covid-19, exacerbated by the growing cost of living. The pandemic has shown to be disproportionately affecting many communities like those in Newham more due to a range of factors like age profile (young), multi-generational households and informal labour markets (e.g. zero hours) to name a few. It is hoped Compressor House can act as an impetus and driver to address some of these issues.
- 3.5 Whilst commercial in nature, the opportunity seeks to offer significantly more added social and placemaking value and has the potential to be a link – physical and otherwise – between the opportunities of the Royal Docks and the surrounding local communities. Newham is one of the most diverse and youngest places in London so responding to the opportunity as articulated, if delivered well by the right partner, is likely to be a valuable means to addressing inequality in the area.

4 Other considerations

- 4.1 In addition to the above, this programme will also help deliver the following Mayoral policies and strategies:
- the Mayor’s Skills for Londoners Strategy
 - the Mayor’s Equality, Diversity and Inclusion Strategy, Inclusive London
 - the Mayor’s London Health Inequalities Strategy
 - the Mayor’s Economic Development Strategy for London.

Key risks

- 4.2 The key project risks and mitigation measures are set out in the table below.

Issue	Likelihood (HML)	Impact (HML)	Mitigation
Unable to find a suitable partner(s), meaning the project is undeliverable	L/M	H	<ul style="list-style-type: none"> • In-depth soft market testing and collation of potential interested parties to inform the process of finding a partner – minimising risk of not finding someone suitable. • Regular communication with funder on progress to ensure their buy-in and input to the process (helpful if it proves difficult to find a partner as new ideas could be formulated in partnership). • Close working relationship with potential partners to develop plans.
Construction uncertainty that could affect timing, scope and budget	M	M	<ul style="list-style-type: none"> • Given budget considered to be significant enough to cover necessary works and attractive enough to prospective partners. • The scope of the opportunity linked to GGF process – this process will bring more certainty to the scope and value of construction works. • Value engineering will be undertaken throughout the process.

Lack of revenue funding meaning outputs are unachievable	M	M	<ul style="list-style-type: none"> • Explore EZ revenue options to bring additional benefits to the opportunity. • The GGF will place a requirement on the preferred partner(s) to bring some certainty to any proposed programme(s). • Involvement of multiple partners brings diverse opportunities and manages the risk across numerous bodies.
Unable to agree legal arrangements with Newham	L	H	<ul style="list-style-type: none"> • Retain oversight of progress and work closely with relevant legal teams. • Heads of Terms already agreed between respective legal teams.
Not enough time to secure tenant for the building (pressure of Levelling Up Fund timetable)	M	H	<ul style="list-style-type: none"> • Treated as an EZ priority project with cross-team working. • Close working with prospective tenants to ensure project development is done with appropriate diligence. • LB Newham fully aware of project plans and progress.

4.3 There are no conflicts of interest to declare from any of the officers involved in the drafting or clearance of the Mayoral Decision.

5 Financial comments

5.1 The decision is seeking approval for GLA together with LB Newham to receive the amount of £1.725m, from the council's Levelling Up Fund allocation. The fund would be invested in improvements to Compressor House to make it suitable for financial and place-making purposes. The project would also receive match-funding of £563,000 towards capital spend on building works.

Taxation

5.2 A tax liability may arise if the lease and funding agreements stipulate that the capital works should be done by the tenant (preferred partner). The tax liability will be based on any increase in the value of the property after the capital works have been completed. At this stage the tax liability cannot be estimated as the agreements have not been drafted and the works have not commenced. There would be no tax liability if the capital works were done by GLAP.

6 Legal comments

6.1 The foregoing sections of this report indicate that the decisions requested of the Mayor concern the exercise of the GLA's general powers; falling within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development and wealth creation, social development and the improvement of the

environment in Greater London; and in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory duties to:

- pay due regard to the principle that there should be equality of opportunity for all people
- 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
- consult with appropriate bodies.

6.2 In taking the decisions requested, the Mayor 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 (age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation) 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 Mayor should have particular regard to section 3 (above) of this report.

6.3 All procurements of works, services and supplies required for the project must be procured in accordance with the GLA's Contracts and Funding Code (the "Code") and, where the value exceeds £150,000, in accordance with the Public Contracts Regulations 2015 (the "Regulations"). Furthermore, officers must liaise with Transport for London's procurement and supply chain team, which will determine the detail of the procurement strategy to be adopted in accordance with the Code and the Regulations. Officers must ensure that appropriate contractual documentation be put in place and executed by the chosen service provider/supplier and the GLA before the commencement of the attendant works, services or supplies.

7 Planned delivery approach and next steps

Activity	Timeline
MD approved	October 2022
Commence preparation of relevant legal documentation	October 2022
Announcement of preferred tenant(s)	November 2022
Delivery start date (legal agreement)	January 2023
Tennent-led construction period	April 2023 – late 2023
Project open	Early 2024

Appendices and supporting papers:

Appendix 1 – Compressor House site plan

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) 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 it has been approved 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: For commercial sensitivity reasons the potential rent figure is to be kept confidential until the GLA has secured a tenant/s.

Until what date: 30 November 2022

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under the FoIA should be included 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:

Matt Davies has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Tim Steer has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Tom Copley has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 10 October 2022

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature



Date 21/10/22

CHIEF OF STAFF:

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

Signature



Date 10/10/22