

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD862

Title: European Regional Development Fund (ERDF) funding for the Cable Car

Executive Summary:

This MD recommends the approval of £8 million from the European Regional Development Fund (ERDF) to part-fund the London Cable Car project which will be delivered by Transport for London (TfL).

TfL's application has been appraised and approved by an external Appraisal Panel chaired by the Mayor's Director of Environment and Digital London. In line with European Commission regulations, the proposal has also been endorsed by the ERDF Local Management Committee (LMC), which is the strategic partnership body overseeing the delivery of the ERDF 2007-13 programme in London.

It should be noted that as the total value of the project exceeds €50 million, EC regulations require that it be also submitted to the European Commission (EC) for their approval.

The proposal will be submitted to the EC by the Department for Communities and Local Government, (DCLG) who is the managing authority of the English ERDF programme.

If the EC approves the project, the GLA's European Management Programmes Unit (EPMU) will enter into contract negotiations with TfL. However, funding will only be secured on conclusion of the technical negotiation process. If during contract negotiations officers are not satisfied with the information provided, TfL will not be offered ERDF funding and the contractual agreement will not proceed further. The Mayor is therefore advised that until a Funding Agreement is issued, ERDF funding is not guaranteed.

Decision:

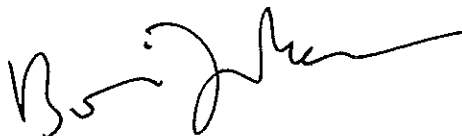
To gain the Mayor's approval for:

- Approving TfL's £8 million ERDF application to part-fund the London Cable Car.
- Delegating authority to the Executive Director of Resources to enter into an agreement with TfL should EC approval be given.

Mayor of London

The above request has my approval.

Signature



Date

20.9.11

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

Decision required – supporting report

1. Introduction

- 1.1 The ERDF Statutory Instrument (SI) 2011 No 1398 was approved by Parliament on 8 June and entered into force 1 July 2011. The instrument designates the GLA to carry out functions relating to the implementation and management of the development strategy for London adopted by the EC.
- 1.2 The Mayor makes the final selection of ERDF funded projects following EPMU's consultation with the London Management Committee (LMC).¹
- 1.3 The 2007-13 London European Regional Development Fund (ERDF) Operational Programme (OP), drafted by GLA and LDA and approved by the European Commission (EC) in 2007, sets out the strategy for utilising London's 2007-13 ERDF allocation, and details of activities that can be supported.
- 1.4 The programme has four priorities and this application has been submitted under Priority 3 which in the OP is defined as Sustainable Places for Business².

2. Background

- 2.1 Transport for London (TfL) has applied for £8 million from the ERDF to support the development of the Cable Car across the River Thames. To that effect an application was submitted to the European Programmes Management Unit (EPMU) on 5 May 2011.
- 2.2 While ERDF cannot fund transport infrastructure projects in London, it can support regeneration activity which seeks to enhance employment sites and surrounding areas. The Cable Car would, for the first time, directly link residential areas and key employment sites in two of London's most deprived areas, in LB Newham and LB Greenwich. The Cable Car will act as a catalyst for regeneration.
- 2.3 The Cable Car proposal is deemed eligible for ERDF funding as it supports activities described in the ERDF Operational Programme document. The Cable Car application fits the criteria 'Environmental improvements to employment premises, sites and their surrounding environments'. In particular, ERDF activities that are eligible include the 'creation and enhancement of accessible and functional green corridors along rivers and through existing public space to ensure that employment sites are well-connected, by foot and cycle paths, to neighbouring employment sites, residential areas and the wider community, town centres and public transport hubs'. The Cable Car addresses this activity. Further, the ERDF application should be viewed as a distinct regeneration project in its own right and not part of the wider TfL Cable Car construction.

Cable Car application

- 2.4 The project will achieve sustainable private sector business growth within economically and socially deprived areas of East London. It will facilitate sustainable regeneration and heighten perceptions

¹ The European Regulations that govern European funds require the creation of a Local Management Committee (LMC -- previously known as Programme Monitoring Committee). This is a formal decision making body, chaired by the Mayor of London or his representative. The current Chair is Mark Kleinman. The LMC includes representatives from SMEs, statutory organisations and the voluntary sector.

² The objective of this investment priority is to improve the competitiveness of economically and socially deprived areas of London and to secure their long-term regeneration. This is achieved by supporting the development of high quality working environments and low/zero carbon employment sites and premises within attractive environments. Investments under Priority 3 aim to stimulate increased investment by the private sector. There is a focus on encouraging clusters of businesses, particularly green businesses, such as those supported by ERDF revenue activity, and on demonstration projects to reduce the carbon footprint of businesses and encourage wider take-up of sustainable business practices.

of the area. The Cable Car will drive economic growth by creating 316 new jobs, safeguarding 175 jobs and triggering 101,855 new cross-river work-related trips.

- 2.5 TfL will match fund the project with £44 million from its own resources.
- 2.6 TfL is proposing a retrospective start date of 1 March 2011.

Appraisal Process

- 2.7 After the application was submitted to EPMU, a series of technical checks and balances were carried out to ensure that the appraisal process complied with European Commission and Department Communities & Local Government rules.
- 2.8 The first stage of the appraisal process was undertaken by EPMU who checked the application for technical ERDF eligibility.
- 2.9 The second stage was to set up a panel of experts to assess the application. The members of the panel were:

Kulveer Ranger	Mayor's Director of Environment and Digital London (Chair of the Panel)
John Armitt	Chairman, Olympic Delivery Authority
Joanna Key	Deputy Director, Strategy and Programmes Team, Localities and London, DCLG
David Wardle	London Environment Manager, Environment Agency; member of ERDF Local Management Committee
Mike Henesey	Team Lead EC Audits, ERDF Closure Division, DCLG
Simon Wyke	Environment Programme Officer, GLA; member of ERDF Local Management Committee

- 2.10 Secretariat to the panel was provided by EPMU.
- 2.11 The panel membership was structured to include external experts and members of the ERDF Local Management Committee who have knowledge and understanding of ERDF.
- 2.12 Members of the panel were required to: i) sign a Declaration of Interest; ii) discuss each of the questions of the LMC-approved appraisal form; iii) agree whether the application should proceed to the next stage of the appraisal process.
- 2.13 The panel met twice - on 13 June and 11 July 2011 - to consider the proposal and additional information submitted by TfL. Following their deliberations, the panel recommended that the proposal be submitted to the LMC for their endorsement.
- 2.14 The proposal was endorsed by the LMC on 4 August 2011.

3. Recommendations to the Mayor

- 3.1 Based on the recommendations of the external appraisal panel and endorsement of the LMC the Mayor is invited to approve the Cable Car ERDF Project for the value of £8 million.

4. Next Steps

- 4.1 The proposal will be submitted to the European Commission for consideration by the Department of Communities and Local Government, who is the managing authority of the ERDF English programme. As the total project cost is in excess of €50 million, the Commission deems it a 'major project' and is required to formally approve the application.

- 4.2 The European Commission will have an intra-service consultation which we have been advised can take between 4 and 6 months.
- 4.3 If the EC approves the project, EPMU will enter into contract negotiations with TfL. However, funding will only be secured on conclusion of the contract negotiation process. Note that some aspects of the application could be amended during this process. If during contract negotiations officers are not satisfied with the information provided, project will not be offered ERDF funding and contractual agreement will not proceed further. The Mayor is therefore advised that until a Funding Agreement is issued, ERDF funding is not guaranteed
- 4.4 Once the applicant has been informed of the final decision, a press-release will be published.

5. Impact assessments and Consultation

- 5.1 Consultation on the draft London ERDF operational programme document took place during 2006 and 2007. There were several consultation events for stakeholders to provide feedback on the operational programme. Organisations consulted included the European Commission, UK Government departments, London Councils, SMEs, Higher and Further Education and the voluntary sector.
- 5.2 The final version of the ERDF Operational Programme was officially approved by the European Commission in December 2007.

6. Risk

Risk	Level of risk	Action (to be) Taken	Action Owner
Delay in submission of project proposals to EC by CLG	Likelihood 3, consequence 3	CLG is the managing authority for the programme and therefore needs to officially submit the proposal. If CLG delays submitting the proposal the Mayor's office will be advised and requested to discuss with CLG.	Alex Conway
Project not delivering on performance indicators	Likelihood 1, consequence 3	EPMU to re-negotiate contract and if circumstances require it, ERDF funding to be reduced.	Alex Conway
Funding gap and additional sources of funding will need to be sought by TfL	Likelihood 3, consequence 3	TfL will need to secure additional private sector contributions.	TfL

7. Financial Comments

- 7.1 Mayoral approval is being sought to approve allocation of £8m of the European Regional Development Fund (ERDF) to TfL to part-fund the London Cable Car project. This is subject to issue of a funding agreement, prior to which ERDF funding is not guaranteed to be provided.
- 7.2 The European Programmes Management Unit (EPMU) within the Resources Directorate will be responsible for managing and monitoring this project. EPMU officers must ensure compliance with

the GLA Contracts and Funding Code and liaise with both legal and finance teams in the preparation and execution of all necessary documentation with TfL.

8. Legal Comments

- 8.1 Section 30 of the Greater London Authority Act 1999 (the 'Act') allows the Mayor, acting on behalf of the Authority, and after appropriate consultation, to do anything which the Mayor considers will further the promotion of the economic and social development of Greater London and the improvement of the environment within Greater London. Paragraph 1 indicates that the receipt of the funding would assist the Mayor in its work of promoting social and economic development in Greater London. Section 34 of the Act also allows the Authority, acting by the Mayor, to do anything which is calculated to facilitate, or is conducive or incidental to, the exercise of any functions of the Authority exercisable by the Mayor.
- 8.2 Section 30(5) of the Act provides that the Authority should exercise its section 30 powers in the way which it considers best calculated to promote the improvement of health of persons in greater London and to contribute towards the achievement of sustainable development in the United Kingdom, except to the extent the Authority considers not reasonably practicable. Additionally it requires that the Mayor exercises his powers in a way best calculated to reach objectives related to the mitigation of, or adaptation to, climate change.
- 8.3 Section 32 of the Act provides that the power under section 30 is exercisable only after consultation with such bodies or persons, as the Authority considers appropriate in the particular case.
- 8.4 Section 33 of the Act requires the Authority, when exercising a section 30 power, to make appropriate arrangements with a view to securing that there is due regard to the principle that there should be equality of opportunity for all people.
- 8.5 Officers should consult legal on the terms of the agreement they may enter into with the TfL. Officers should ensure that as per the Contracts and Funding Code (the 'Code') funding is distributed fairly, transparently and in accordance with equalities obligations. The Code also requires the GLA to demonstrate value for money when distributing the funding.
- 8.6 Officers should ensure ERDF funding conditions are met in the distribution of funding, in addition to taking steps to avoid any potential conflicts of interest.
- 8.7 Under Section 38(1) of the Greater London Authority Act 1999 (the 'Act') "any function exercisable on behalf of the Authority by the Mayor shall also be exercisable on behalf of the bodies or persons specified in subsection (2) below, if or to the extent that the Mayor so authorises, whether generally or specially, and subject to any conditions imposed by the Mayor. Subsection 38(2) goes on further to state that "those bodies and persons are- (a) the Deputy Mayor, (b) any member of staff of the Authority. As such the delegation requested in the decisions may be approved.

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOI Act) and other legislation. Part 1 of this form will be made available on the GLA website within 1 working day of approval. Any facts and advice that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this approval to be deferred? No

If yes, for what reason:

Until what date:

Is there a part 2 form – No

ORIGINATING OFFICER DECLARATION:

Tick to indicate approval

Sponsoring Director:

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

✓

Mayoral Advisor:

Sir Peter Rogers has been consulted about the proposal and agrees the recommendations.

✓

Legal Advice:

The Commercial Law and Projects Team have commented on this proposal.

✓

Financial Advice:

The C&I finance team has commented on this proposal on behalf of the Assistant Director of GLA Finance.

✓

OFFICER APPROVAL

Executive Director, Resources

I have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

Signature

M. J. Allen

Date

7.9.11

Chief of Staff

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

Signature

E. W. L.

Date

09/09/2011