

REQUEST FOR MAYORAL DECISION – MD2358

London Business Rates Pool – Strategic Investment Pot Funding Allocations

Executive Summary:

The Mayor, the London boroughs and the City of London Corporation, with the agreement of the government, established the London Business Rates Pool for 2018-19. The main financial benefit of the pool is that London retains 100% of any growth in business rates income over and above the business rates baseline set by central government. It was agreed by all of the pool members and the government that 15 per cent of the additional income available from pooling would be used to establish a collective Strategic Investment Pot, used to fund strategic investment across the capital.

The memorandum of understanding between the Mayor and London local authorities sets out that they must collectively agree on the projects to be funded from the Strategic Investment Pot. The City of London Corporation, as the lead authority for the pool, has put forward recommendations for projects to be funded and the level of funding to be awarded and is consulting all pool members. The Mayor is requested to approve the recommendations set out in the consultation report.

The Strategic Investment Pot is distinct from the Mayor's own share of the net financial benefit of pooling, which will also be spent on strategic investment but is under the Mayor's control. A separate Mayoral Decision report will invite the Mayor to make a decision about how to use those funds.

Decision:

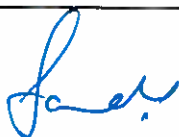
The Mayor is requested to agree to the allocation of £46.83 million from the London Business Rates Pool's Strategic Investment Pot on the projects recommended for funding set out in the City of London Corporation's Strategic Investment Pot: Consultation Report. The list of projects requested for approval, and the amount of Strategic Investment Pot funding allocated to each of them is set out in section 2 and Appendix A of this report.

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:

12/7/17

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

Decision required – supporting report

1. Introduction and background

- 1.1. The Mayor, the London boroughs and the City of London Corporation (collectively referred to as 'London government'), with the agreement of the then Secretary of State for Communities and Local Government, established a London Business Rates Pool ('the pool') for 2018-19. The Mayor's agreement to the GLA's participation in the pool was set out in MD2217.
- 1.2. The main financial benefit of the pool is that in 2018-19 London government retains 100 per cent of any growth in business rates income over and above the government-set business rates baseline. The memorandum of understanding between the pool members sets out the arrangements for distributing the additional growth arising from the pool including the 15 per cent proportion used for a Strategic Investment Pot (SIP) – the use of which is determined collectively by the Mayor and the other participating authorities albeit with the City of London Corporation ('the City'), as the lead authority of the pool, taking the formal funding allocation decisions.
- 1.3. Separate to the SIP the Mayor has also created a £112 million Strategic Investment Fund (SIF) using all of the GLA's share of the additional growth resulting from the creation of the pool – £107 million – and increased by a further £5 million from other business rates income available. The SIF will be used by the Mayor for strategic investment projects and his decisions regarding the projects to be funded and the amounts of funding to be allocated will be invited in a separate Mayoral Decision. Decisions regarding the allocation of funding from the SIF is under the control of the Mayor and is not subject to the collective decision-making requirements of the pool's SIP.
- 1.4. Based on forecasts of business rates income supplied by the boroughs and the City, the total amount available in the pool's SIP is £52 million although this is subject to the final 2018-19 business rates outturn that will be reported by the boroughs and the City following the financial year end. Due to this uncertainty, the City has recommended that at this stage 90 per cent of the £52 million – £46.83 million – should be allocated to a package of projects.
- 1.5. The governance processes agreed in establishing the pool require that the formal funding allocation decisions concerning the use of the SIP must be taken by the Members of the City of London Corporation (as the pool's lead authority), subject to consultation with all participating authorities. For the recommended funding allocations from the SIP to be agreed for any project:
 - The Mayor of London and the majority (two-thirds) of the 33 billing authorities must agree to recommend approval of the project; and
 - If all the authorities in a given sub-region (as defined by the pool's MoU) do not recommend the project, it shall not be agreed.
- 1.6. The City made arrangements for inviting bids, evaluation, and the preparation of the recommendation report used to consult all pool members. The call for bids was issued in April 2018 to the leaders of the 33 London billing authorities and the deadline for submissions was the end of May 2018. The City's intention is to take a decision at their Policy and Resources Committee on 4 October based upon the outcome of the consultation with the boroughs and the Mayor.
- 1.7. The bidding guidance issued explained the City's intention that the evaluation would be carried out by a panel of senior finance, regeneration, and service directors from the London authorities, the GLA and London Councils. This approach was designed to ensure that appropriate expertise and pan-London engagement was obtained for the evaluation method.

- 1.8. Boroughs could bid for funding individually or in groupings, although for grouped bids one borough – the accountable borough – had to submit the bid on behalf of the group. 22 SIP bids were received from 15 accountable boroughs for a total of £123.4 million in SIP funding. All 33 London local authorities supported at least one bid (either as an individual borough or as part of a group) and the majority supported bids of at least £5 million. The evaluation panel has issued a report providing its recommended package of bids to be funded, up to £46.83 million, and it is this recommended package that the Mayor is requested to agree to.

2. Objectives and expected outcomes

- 2.1. A summarised list of the projects recommended by the panel is set out below in order of amount of SIP funding allocated. Further details on each of the recommended projects, including the panel's reasons for recommending each project, are set out in Appendix A to this report. Appendix A also contains detail of the geographical spread of the bids and the amount of SIP funding allocated per local authority area.

Projects Recommended by SIP Bid Evaluation Panel	Recommended Amount of Funding to be Allocated from Strategic Investment Pot £m
West London Alliance:	
Investment in Digital Skills & Productivity	7.70
	3.43
South London Innovation Corridor	8.00
Local London Investment in Fibre	7.70
South Dock Bridge	7.00
Productive Valley:	
Investment Fund	3.00
South Tottenham Employment Area	2.00
Rigg Approach	0.75
South London Multi-Purpose Internet of Things Platform	4.00
Euston Recruitment Hub	3.00
Open Data Standard for Planning	0.25
Total Recommended Package	46.83

- 2.2. Under the agreed terms of the pool the Strategic Investment Pot is to be spent on projects that:

- contribute to the sustainable growth of London's economy and an increase in business rates income either directly or as a result of the wider economic benefits anticipated;
- leverage additional investment funding from other private or public sources;
- and have broad support across London government in accordance with the agreed governance process.

2.3. As well as being in accordance with these agreed terms, the recommended SIP package is broadly in line with the Mayor's priorities. In particular, there is strong representation for digital and connectivity investment. In agreeing to this recommended package of projects the Mayor is supporting programmes that will directly grow London's business rates by providing new or refurbished commercial space, as well as ones which will indirectly generate growth by providing transport and digital infrastructure, supporting employment and businesses, and creating frameworks for development. A mixture of bids is included to achieve a balanced package: some are focused on a single, specific site and some have a much wider focus and potential impact. Furthermore, agreement of this recommended package will allow London government to demonstrate robust collective governance processes to central government and evidence the ability to effectively allocate the financial benefit of the pool on strategic projects that will be to the benefit of Londoners.

2.4. In making its recommendations, the evaluation panel used the following criteria that were outlined in the bidding guidance and used to evaluate the bids received:

- *Contribution of anticipated outputs to key economic growth priorities:* e.g. housing and planning; transport and infrastructure (including digital infrastructure); skills, employment and business support. This could be evidenced, for example, by quantification of anticipated outputs (increase in homes, commercial floor space, jobs, etc.) and by alignment with existing regional, sub-regional and local strategies.
- *The anticipated scale of economic benefit,* both in absolute terms and, where appropriate, expressed as a ratio of anticipated return to investment required.
- *The breadth of geographic impact* – with a presumption that the broader the area of impact the better. Whilst strong local bids will be considered under other criteria, there will be a preference for joint proposals, including but not necessarily limited to those from existing sub-regional partnerships, or which apply to the whole of London.
- *The scale of match funding,* both in absolute terms and expressed as a ratio of funding from other public or private sources to SIP investment required. The presumption will be that – all other things being equal – proposals that command a greater level of match funding will be preferred.
- *Delivery timescales:* No strict cut-off point is defined; however, delivery timescales will be considered within the overall evaluation, with a presumption in favour of earlier completion (and therefore earlier economic returns) but ensuring an appropriate mix of recommended proposals between 'oven-ready' schemes and longer-term investment projects.

2.5. The bidding guidance also made clear that, though the criteria were chosen in part because they were capable of objective evaluation, there would also be a degree of judgment and interpretation required. There was also a need to assess the robustness and credibility of the estimates included in the bids. By way of specific consideration of the matters of judgement and interpretation which could not be objectively summarised from the bids, four areas were considered by the panel:

- *Deliverability* – an assessment of the likelihood of delivering the project (and any sub-projects) referred to in the bid, and doing so within the timeframe and resource base described in the bid documentation.
- *Economic impact* – an assessment of the expected level of impact of the bid; considering, in particular, the two key aims of the SIP which were to directly increase business rates income and to increase business rates income indirectly as a result of wider economic benefits.
- *Geographical impact* – a consideration of whether the bid would impact directly in just a specific locale, across a borough, a sub-region, or even more widely.

- *Additionality of match funding* – an assessment of the extent to which the bid leveraged truly additional investment funding, or whether it referred only to funding already accessible to bidders.

2.6. These four areas and the objective and comparative details of the bids were all considered and discussed by the panel in forming its recommended package of bids. Bids were categorised to allow comparison between them, and to aid in the identification of a balanced package of bids. However, the panel was conscious that the categorisation had been retrospectively applied, and it was kept under review throughout the evaluation process; no 'quota' was applied, and there was no specific aim relating to categorisation in the panel's approach to identifying a recommended package. The categories used and data on the number and value of bids by category are set out in Appendix B to this report alongside data on bid amounts and sources of match funding and geographical spread.

3. Equality comments

- 3.1. Public authorities, such as the GLA and boroughs (including the City), must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation as well as to the need to advance equality of opportunity and foster good relations between people who share a relevant protected characteristic and those who do not, under section 149 of the Equality Act 2010. This involves having due regard to the need to remove or minimise any disadvantage suffered by those who share a relevant protected characteristic that is connected to that characteristic, taking steps to meet the different needs of such people; and encouraging them to participate in public life or in any other activity where their participation is disproportionately low.
- 3.2. The relevant protected characteristics under section 149 of the Equality Act are: age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, and sexual orientation. Compliance with the duty may involve treating people with a protected characteristic more favourably than those without the characteristic. All of the recommended projects put forward for funding from the London Business Rates Pool's Strategic Investment Pot contribute to the sustainable growth of London's economy and will directly or indirectly help create employment opportunities for a wide variety of Londoners. Indeed, the bid recommended by the evaluation panel to receive the single largest amount of funding from the SIP is forecast by the bidder to support a high number of employment opportunities and provide business support where 50% of the beneficiaries will be BAME.
- 3.3. Compliance with the public sector equality duty is necessarily iterative and on-going. It includes carrying out a process at a level proportionate to the decision being taken to identify and actively consider potential detrimental impacts (if any) that may arise for individual protected groups and what mitigations (if any) could be implemented to address them. The public authorities that will be delivering the projects that are funded from the Strategic Investment Pot are required to carry out this process in the planning and implementation of the projects.

4. Other considerations

- 4.1. The recommended SIP package is broadly in line with the Mayor's priorities. In particular, there is strong representation for digital and connectivity investment. This recommended package of projects will deliver economic benefits to the capital either by providing new or refurbished commercial space, directly growing London's business rates income or indirectly generating growth, by providing transport and digital infrastructure, supporting employment and businesses, and creating frameworks for development.

Key Risks

One of the key risks is that one or more of the projects recommended by the evaluation panel cannot deliver the forecast benefits within the estimated total project cost set out in the bid(s). This risk has been partially mitigated through the panel, in making its recommendations, considering the deliverability of each of the projects within the timeframe and resource base described. The panel also considered for each project the additionality of any match funding, assessing the extent to which the bid leveraged truly additional investment funding, or whether it referred only to funding already accessible to bidders, giving an indication of likely levels of external financial commitment to each project and thus a further indication of the likelihood of delivery within the resources available.

- 4.2. A further risk is that business rates income at year end is less than the level of income forecast by the billing authorities and used to determine the level of resource available in the SIP. This has been mitigated through the panel's recommendation that only 90 per cent of the total forecast SIP funding available should be allocated at this stage. Furthermore, the City in its capacity as lead authority of the pool has requested mid-year business rates income forecasts from each of the London billing authorities in order to help determine the likelihood of such an issue arising. This monitoring has helped to give confidence that the level of SIP funding forecast is likely to be achieved.
- 4.3. There is also the risk that if the Mayor and two-thirds of the London local authorities do not agree to the recommended package, or if all the authorities in a given sub-region (as defined by the pool's MoU) do not agree to the recommended package, then the money in the SIP will remain unspent. This risk has been mitigated through ensuring broad representation on the SIP evaluation panel, with the panel being made up of senior finance, regeneration, and service directors from the London authorities, the GLA and London Councils. GLA officers have been closely involved in the process both before and throughout the City of London Corporation's consultation of pool members. Notwithstanding, should the required agreement thresholds not be met then the City of London Corporation will need to consider all consultation responses and make a new recommendation on the package of programmes to be given SIP funding, which will require further consultation with pool members and cause a delay in providing funding to programmes.

5. Financial comments

- 5.1. Based on the latest forecasts available, it is thought unlikely that a shortfall will arise in the forecast funds available in the pool's Strategic Investment Pot. However, in order to mitigate against the unlikely possibility of the SIP being over committed as a result of any shortfall, only 90 per cent of the forecast funds available in the SIP are being committed at this stage. If there was a shortfall in the funds available in the SIP, and this could not be dealt with through reducing the committed allocations from the SIP, then this would have to be met collectively by all pool members through a reduction in the business rates growth available for allocation across the pool members.
- 5.2. Conversely, if forecasts under-estimate the level of business rates income collected in 2018-19, compared to final 2018-19 business rates outturn, reported by the boroughs and the City after the financial year-end, there will be additional funding available for the SIP. If this were the case, the allocation of the remaining 10 per cent of the forecast funding not yet committed, and any additional growth, would be subject to a separate decision-making process.
- 5.3. As set out in the body of the report, the London pool's Strategic Investment Pot is entirely separate from the Mayor's own £112 million Strategic Investment Fund that has been established using the GLA's share of the net financial benefit of pooling. The Mayor has control over his Strategic Investment Fund without the need for the collective decision-making requirements applicable to the London pool's Strategic Investment Pot.

6. Legal comments

- 6.1. The decision the Mayor is recommended to take regarding the allocation of £46.83 million from the London Business Rates Pool's Strategic Investment Pot on the projects recommended for funding set as out in the City of London Corporation's Strategic Investment Pot: Consultation Report is consistent with the Mayor's powers under section 30 and 34 of the GLA Act 1999 as being likely to promote the social, environmental, economic development and wealth creation of London.

7. Planned delivery approach and next steps

- 7.1. An outline timeline of delivery is set out below.

Activity	Timeline
All pool members submit their response to the City of London Corporation's consultation on the use of SIP funds	14 September 2018
The City of London Corporation's intention is that based upon the outcome of the consultation it will take a formal decision on the allocation of SIP funding at its Policy and Resources Committee	4 October 2018

Appendices and supporting papers:

- Appendix A** - Details of Bids Recommended for Approval by Strategic Investment Pot Bid Evaluation Panel
Appendix B - Data on Total Bids Received for Strategic Investment Pot Funding

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: Proposals should not be published until the City of London Corporation takes its formal decision on the allocation of SIP funding at its Policy and Resources Committee on 4 October

Until what date: 5 October 2018

Part 2 - Sensitive information

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

Matthew Beals has drafted this report in accordance with GLA procedures and confirms the following:

(✓)

Sponsoring Director:

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

(✓)

Mayoral Adviser:

David Bellamy 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 the 10 September 2018.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Beals

Date

10.9.18

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

10 / 9 / 2018.