

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD1493

Title: London & Partners Business Plan 2015/16

Executive Summary:

The GLA entered into a funding agreement with London & Partners (L&P) in 2011 which governs the allocation of grant funding to L&P from 2011/12 to 2014/15. The original funding arrangements were due to run until 31 March 2015. In order for L&P to continue its remit promoting London as the world capital of business, the world's top international visitor destination and the world's leading centre of learning and creativity, it is proposed that the provision of funding be continued until the end of the 2016/17 financial year in order to make provision for the award of additional funding in 2015/16 and 2016/17. The Investment and Performance Board (IPB) endorsed this proposal on 20 February 2015.

L&P's funding is contingent on the GLA's approval of its business plan. On 20 February 2015, IPB endorsed L&P's 2015/16 business plan and, consequently, endorsed the award of GLA grant for 2015/16. Following the GLA's annual budget setting process, L&P has been awarded £12.446m for 2015/16 subject to this Mayoral Decision.

On 20 February, IPB also endorsed requirements to make L&P's operations more transparent, in line with the underlying principles of the GLA Group Corporate Governance Framework. These arrangements will be formalised by way of varying the grant agreement.

On 20 February, IPB also endorsed the proposal to allow L&P to retain all revenues generated in 2015/16 and 2016/17 from Dot London. This arrangement will be formalised in a letter to L&P from the GLA's Executive Director of Resources.

Decision:

That the Mayor approves:

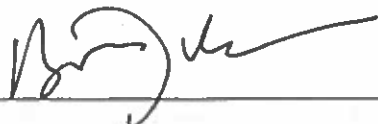
- a) the variation of the GLA's overarching funding agreement with L&P to make provision for a further two years of up to £12.446m (£0.18m capital and £12.266m revenue) in 2015/16 and £11.219m (£0.025m capital and £11.194m revenue) in 2016/17 subject to approval of L&P's 2016/17 Business Plan and increase in L&P's transparency obligations in relation to its activity;
- b) L&P's business plan for 2015/16 (relating to the variation noted at decision (a) above);
- c) the retention of all revenues generated in 2015/16 and 2016/17 from Dot London by L&P.

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:

18/06/15.

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

Decision required – supporting report

1. Introduction and Background

Variation of overarching funding agreement

1.1 L&P was incorporated as a company limited by guarantee on 14 January 2011 and, with the assistance of a grant from the GLA (approved by the Mayor under cover of MD807), commenced operations on 1 April 2011.

1.2 The Mayor approved a four-year funding agreement with L&P, under which the funding was allocated as follows¹.

2011/12	£15.825m	(actual)
2012/13	£13.166m	(actual)
2013/14	£11.28m	(actual)
2014/15	£11.707m	(budget as at January 2015)

1.3 L&P has concluded its fourth year of operation. The GLA is planning to continue funding L&P in financial years 2015/16 and 2016/17. This will enable L&P to continue its remit promoting London as the world capital of business, the world's top international visitor destination and the world's leading centre of learning and creativity. It will also enable L&P to deliver their 2015/16 targets (see 2.2) and 2015/16 business plan objectives.

1.4 Subject to the wishes of any successor Mayor and approval of the L&P business plan for each year, the following budget has been allocated following GLA's annual budget setting process.

2015/16	£ 12.446m (£0.180m capital and £12.266m revenue)
2016/17	£11.219m (£0.025m capital and £11.194m revenue)

These figures now reflect the reversal of the efficiency saving of £0.25m (compared to L&P's 2014/15 grant level) being passed onto L&P to fund L&P's 'London Season Cultural Campaign'. This funding is subject to L&P providing evidence of a minimum of £0.5m of match funding for this activity which must be external income excluding Dot London revenue.

1.5 The funding awarded to L&P in 2015/16 and 2016/17 is inclusive of a contribution of £0.24m for each year towards a reserve being held on behalf of L&P by the GLA. This reduces the grant payment to fund activities at L&P to £12.206m in 2015/16 (£12.026m revenue and £0.18m capital) and £10.979m in 2016/17 (£10.954m revenue and £0.025m capital).

1.6 As the four-year funding agreement was due to expire at the end of the 2014/15 financial year, a deed of variation was executed recording the proposed extension of the funding arrangements. This does not in itself commit the GLA legally to providing funding in either the 2015-16 or 2016/17 financial years, the agreement providing that post 2011/12 funding will only be awarded where L&P's business plan for the year in question is approved by the GLA and a supplementary award letter confirming the maximum sum for the year in question is issued by the GLA. Although the deed of variation has been executed a supplementary award letter has not yet been issued.

¹ Lower costs in latter years reflect efficiency savings across L&P and the funding of a reserve, held by the GLA to be drawn down and paid to L&P in the event of future closure.

Variation of overarching funding agreement - transparency

- 1.7 In light of recent calls from the London Assembly to increase the transparency of L&P's operations, the Mayor has publicly stated² that he will work to incorporate greater transparency requirements in L&P's funding agreement in line with the underlying principles of the GLA Group Corporate Governance Framework (but with concessions made for commercial reasons).
- 1.8 On 28 January 2015, L&P's Chief Operating Officer (COO) wrote to the Chairman of the London Assembly's Budget Monitoring Sub-Committee stating that the L&P Board intends to enact the following measures to increase transparency:
- Publish the 2015/16 business plan after IPB approval this year.
 - Bring forward the decision making process in future years to facilitate the Assembly reviewing how L&P intends to spend the GLA grant as part of the Assembly's scrutiny of the Mayor's budget.
 - Publish key policies including: procurement policy, travel and expenses policy, gifts and hospitality policy, remuneration policy and declarations of interest of board members.
 - Share quarterly updates with the Assembly outlining the progress against L&P's key economic performance indicators.
 - Invite Assembly members to attend the L&P AGM.
 - Continue to respond positively to requests from the Assembly about how it spends its public funds, with L&P's COO as the single point of contact between L&P and the Assembly.
- 1.9 Subsequent to this letter an additional request by the London Assembly has been made for the GLA to have the right to deploy internal auditors to L&P to access financial information when matters of concern arise.
- 1.10 Transparency measures, have been reflected in the deed of variation to the Grant Agreement.

Variation of overarching funding agreement - Annual Reconciliation Statement

- 1.11 The Deed of Variation has also removed the need for L&P to produce an Annual Recognition Statement, as this is no longer relevant to GLA processes.

L&P reserves

- 1.12 The GLA is holding an L&P reserve, which may be drawn down and paid to L&P in the event of future closure. The provision for potential closure costs is estimated by L&P to be £2.2m. The GLA deducted £1.48m from the 2013/14 grant and £0.24m from the 2014/15 grant. It will continue to deduct £0.24m for the next two years (2015/16 and 2016/17), which has already been factored into the grant figures shown above in 1.4.

L&P business plan

- 1.13 The funding agreement between the GLA and L&P states that no funding will be payable for any financial year prior to the GLA's approval of the business plan for that

² MQ 2015/0093: While London & Partners (L&P) is not part of the GLA Group, I am keen that L&P should follow the transparency principles applied to bodies in the Group. To that end, I have set out my expectation that the new L&P funding agreement should incorporate the GLA's transparency requirements of L&P. These requirements will not mirror precisely those applied across the Group for perfectly sound commercial reasons, but the underlying principles will of course be the same.

financial year. This stipulation will continue to be reflected in the varied funding agreement

- 1.14 L&P has produced a business plan for 2015/16 which was approved (in principle) by the L&P Board on 18 February 2015.
- 1.15 In line with its 2014-17 commercial strategy, which was published in 2014, its business plan sets out how it will deliver jobs and growth in London by attracting investment and visitors, and how it will build London's reputation with an eye to continuing success in the future.
- 1.16 It will continue to focus on the same thematic areas introduced in its 2014/15 business plan, which are:
- culture
 - life sciences
 - high technology
- 1.17 The new business plan will see L&P delivering much the same activity as last year, though it will cease to:
- deliver higher education events in India
 - enter into strategic partnerships with private sector partners to build relationships with and a database of, , target high net worth individuals (HNWIs)
 - offer escorted HNWI visit to London
- 1.18 Headcount will increase by 7.5 from 2014/15 (from 150 to 157.5). The additional 7.5 staff members are temporary and associated solely with commercial income programmes.

Dot London

- 1.19 The Mayor, under cover of MD967 delegated authority to the Executive Director of Resources to execute the Dot London agreement on behalf of the GLA.
- 1.20 In its meeting on 20 February, IPB endorsed the principle of L&P retaining Dot London revenues for two years (2015/16 and 2016/17).
- 1.21 This arrangement will be formalised in a letter from the GLA's Director of Finance to L&P, in line with 4.3 of the Dot London agreement that the GLA can 'decide, in its discretion that L&P shall retain all or any part of such amounts' of the relevant revenue.
- 1.22 Further information in relation to the above is set out in Part B.

2. Objectives & Expected Outcomes

- 2.1 In 2015/16 L&P will deliver the following:
- Create additional jobs and growth for London by convincing visitors, students and businesses to come to London now.
 - Strengthen London's reputation so that more visitors, students and businesses choose London in the future.
 - Secure support and active engagement from institutions, businesses and high-profile individuals with an interest in London.
 - Establish L&P's reputation as a world leading promotional organisation.
- 2.2 A summary of 2015/16 targets, compared against 2014/15 targets (where relevant) is set out below.

Target	2015/16	2014/15
Total GVA	£247m	£246m
Jobs created	4300	4300

Private sector income ³	£7.2m	£6.871m
Additional GVA from leisure visitors attracted to London	£100m	£100m
Additional GVA from international students attracted to London	£20m	£18m
Additional GVA from business events attracted to London	£25m	£25m
Additional GVA from major events attracted to London	£17m	£14.5m
Additional GVA from FDI attracted to London	£85m	£85m
Capital investment into London property and infrastructure projects	2 projects	£1.2bn
Advertising Value Equivalent (AVE) of positive international and national media coverage	£70m	£35m
Stakeholder satisfaction	>80%	80%
Staff satisfaction	>80%	80%

3. Equality comments

- 3.1 L&P officers have worked with the GLA Diversity and Social Policy to ensure that L&P's business plan adheres to the Public Sector Equality Duty.

4. Other considerations

Links to Mayoral priorities

- 4.1 The proposals are fully in line with the first objective of the Mayor's Economic Development Strategy to promote London as the world capital of business, the world's top international visitor destination and the world's leading centre of learning and creativity.

Impact assessment and consultations

- 4.2 The business plan has been developed in close consultation with senior GLA staff to ensure alignment with Mayoral priorities and plans.

Key risks and issues

- 4.3 Without approval of funding for 2015/16, L&P will be unable to continue business, which would disrupt the delivery of Mayoral priorities.
- 4.4 L&P may be unsuccessful in generating commercial income to meet its aspiration to achieve parity with its GLA grant by 2017 (as set out in its commercial strategy, published in 2014). A new commercial director is in place and in 2014/15 the GLA has seed funded two commercial initiatives with funds drawn down from L&P's indicative 2016/17 budget to help improve its ability raise commercial income.
- 4.5 L&P may also fail to reach the GVA and jobs targets set out in its 2014-17 strategy, given the current flat-lining of KPI targets for 2015/16, which backload increased performance

³ Includes commercial income, match funding and benefits in kind for tourism marketing activities and trade and investment activities, income from L&P's office and income from Dot London Domains Ltd.

to 2016/17. If commercial income projects are successful, L&P will be in possession of more funds in 2016/17 to meet these targets.

5. Financial comments

- 5.1 A provision for funding of up to £12.206m for London & Partners (£12.026m revenue and £0.18m capital) has been made in the 2015/16 GLA Budget.
- 5.2 The grant award for each financial year will be subject to the GLA's approval of L&P's Annual Business Plan, an increase in L&P's transparency obligations in relation to its activity and to the GLA issuing a grant award letter.

6. Legal comments

- 6.1 The foregoing sections of this report indicate that:
- 6.1.1 the decisions requested of the Mayor fall within his statutory powers and duties, acting on behalf of the Authority, to do anything which is facilitative of or conducive or incidental to the promotion of economic development and wealth creation in and tourism to in and through Greater London; and
- 6.1.2 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.
- 6.2 Before any reliance is placed upon any variation by either the Authority or London & Partners officers must ensure that the proposed supplementary grant award letter and letter concerning the retention of dot London revenue are issued.

7. Investment & Performance Board

- 7.1 On 20 February IPB approved in principle:
- the variation of the L&P Grant Agreement to extend L&P's grant funding for two years (2015/16 and 2016/17) and increase the transparency of L&P's operations;
 - the extension of the Dot London agreement for two years (2015/16 and 2016/17) and allowing L&P to retain all revenues during this period.
 - L&P's business plan for 2015/16; and the award of grant funding to L&P of up to 11.956m in 2015/16 and £10.729 in 2016/17.

8. L&P Funding Revision

- Since the IPB meeting, the grant funding for L&P has been reviewed. It has now been through the GLA's annual budget setting process (note 1.4 and 1.12) and reflects the reversal of the efficiency saving referred to in 1.5 above.

- For clarity, approval is therefore now requested for a further two years of up to £12.446m (£0.18m capital and £12.266m revenue) in 2015/16 and £11.219m (£0.025m capital and £11.194m revenue) in 2016/17.

8. Planned delivery approach and next steps

Activity	Timeline
Sign Deed of Variation - L&P Grant Agreement	May 2015

Appendices and supporting papers:

Appendix 1 L&P Draft Business Plan 2015-16

Appendix 2 L&P London Season Cultural Campaign

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

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 – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the following
(✓)

Drafting officer:

Katherine Davies has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director/Head of Service:

Jennifer Holmes has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Sponsoring Director:

Fiona Fletcher-Smith has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Munira Mirza has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Allen

Date

18.6.15

CHIEF OF STAFF:

Not appropriate as Chief of Staff is also Chair of London & Partners.