

## REQUEST FOR MAYORAL DECISION – MD1294

**Title: Long Term Infrastructure Investment Plan for London**

### **Executive Summary:**

The London Finance Commission recommended the GLA produce a high level plan to set out London's long term infrastructure needs, how much they will cost and how they might be financed under current fiscal arrangements and in a more devolved future.

Work is underway to produce a Long Term Infrastructure Investment Plan for London. We are completing the majority of this work in-house. However, there are certain aspects where we require additional expertise. The sourcing of this expertise and stakeholder engagement account for costs of £200,000 in 2013/14 to produce an interim report for Spring 2014.

### **Decision:**

That the Mayor approves the allocation of £200,000 for the delivery of the Interim Report for the Long Term Infrastructure Plan for London.

### **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:**

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

### **Decision required – supporting report**

#### **1. Introduction and background**

1.1 The London Finance Commission (LFC) reported in May 2013 and recommended greater financial autonomy for London government through the devolution of property taxes and relaxation of borrowing constraints, in order that the city can more independently provide for its own infrastructure requirements. The Mayor publicly accepted all the recommendations, including in a [press release](#) following publication of the LFC report.

1.2 The LFC recommended that a long term infrastructure and capital investment plan for the city should be produced (informed by similar recommendations made by London First's Infrastructure Commission in 2010), identifying the absence of such a plan as a clear gap in the Mayor's ability to secure the requisite funding for London's infrastructure by facilitating financial planning and leveraging private investment.

1.3 The Mayor committed to producing a Long Term Infrastructure Investment Plan for London in his 2020 Vision document which makes a broad outline of London's infrastructure needs in the years to 2020.

1.4 Work is underway to produce a Long Term Infrastructure Investment Plan for London, which will set out London's strategic infrastructure requirements to 2050, across the main aspects of infrastructure (transport, energy, water, waste and telecoms). It will also assess the magnitude of spend involved, and consider how we could fund and finance our requirements.

#### **2. Objectives and expected outcomes**

2.1 The overarching objectives of the Long Term Infrastructure Investment Plan for London are:

Objective 1: By Spring 2014, the GLA's initial thinking on London's long term infrastructure requirements will be set out in an interim report that covers:

- Expectations for London's economy and people up to 2050
- The high level infrastructure requirements to support these expectations
- The magnitude of cost involved
- The case for investing in London's infrastructure
- Financing options (with and without fiscal devolution) at both a major project and overall programme level
- The main challenges to overcome to enable effective financing and rollout of projects
- Recommended course of action to 2050

Objective 2: By summer 2014, the GLA will have a firm set of recommendations to ensure London's infrastructure requirements to 2050 are articulated and costed. A clear set of priorities and a timeline to 2050 will be set out in a published report.

Objective 3: Demonstrate to the Government, Londoners and investors that infrastructure is a key priority and that London has a clear plan to ensure it has the necessary infrastructure to meet the demands of its growing population and remain a leading world city.

Objective 4: Ensure the Infrastructure Investment Plan is supported and deliverable, through active engagement of key stakeholders, including national and local Government as well London's business community.

Objective 5: Provide the Mayor and other London leaders with the information to understand and critically appraise London's infrastructure delivery.

2.2 This is a significant piece of work, cutting across all aspects of infrastructure, as well as considering costs and funding and finance options. It is also the first time we have undertaken such a project. We will require external input to ensure we have the full range of expertise needed. Buy-in from key players, many of whom have responsibility for delivering London's infrastructure, will be essential to ensuring the report has real impact. The costs of which are expected to amount to £200,000 in 2013/14. These activities are outlined below.

#### External expertise

2.3 In drafting the interim report we have been making an internal assessment of London's infrastructure needs to 2050. The next stage will be to assess the costs and benefits of these proposals. Given the level of expertise needed, we propose contracting out this piece of work. As part of this work we will also ask the contractors to look over and provide additional input on our proposed infrastructure requirements. We expect this piece of work would start in December and be completed by late January 2014. This will be competitively procured through the TfL Financial Services Framework. We expect this piece of work will cost around £170,000.

2.4 Further external expertise will be needed on funding and financing options. We have some expertise in-house and within partner organisations such as the City of London that we can draw on. This will allow us to lead on this aspect internally and undertake much of the drafting. To ensure we have the full range of expertise needed we will also need to draw on other experts who have a wealth of knowledge and ideas that are worth exploring in further detail. We have explored ideas such as developing a balance sheet approach to thinking about financing London's requirements. To fully capture these ideas, we propose commissioning 1 or 2 papers on the balance sheet approach and the use of regulatory asset bases. As our work on funding and financing develops we may find other gaps in knowledge that also need filling. These services will be competitively procured by seeking three or more written quotations in accordance with the GLA Contracts and Funding Code (the "Code"). We expect this to cost around £10,000.

2.5 Much of the work is undermined by our projections for London's population and economy at 2050. We will produce these projections in-house, but given their importance, we plan to have them independently verified, at a cost of around £2,000.

- 2.6 We have established an External Advisory Group to provide additional guidance and input to the project. We expect this group will meet 5 or 6 times over the life of the project. Costs will be limited to travel, expenses and catering at meetings. This will total £5,000.
- 2.7 This input will enable us to publish an Interim Report early next year. The Interim Report will be followed up by a final report by Summer next year. At this stage it is not clear what extra external input we will require, but it is likely further expertise will be needed. It seems prudent to allocate a contingency budget for this. Any work will be competitively procured by seeking three or more written quotations in accordance with the GLA Contracts and Funding Code (the "Code"). This contingency has been approved in principle by the IPB, a separate MD will be submitted subject to the budget approval process for 2014/15.

## Engagement

- 2.8 As we develop the work, it will be important we test our ideas with a range of audiences. The stakeholder engagement plan for the project focuses on cross interest stakeholder events at key stages in the project. Namely, as we have been starting our thinking; from December as our ideas are emerging; following publication of the interim report and finally a launch event for the final report.
- 2.9 Budget will be required to allow this engagement to take place, to pay for stakeholder engagement events, to include fees paid to organise the events on our behalf speaker fees and catering costs.
- 2.10 One of these events has already taken place – the infrastructure at 2050 debate, which was held at City Hall on 14<sup>th</sup> October, with Dieter Helm, Chris Choa and Tony Travers as speakers and Isabel Dedring and Harvey McGrath joining them for a Panel discussion. This successfully kicked off our public engagement and provided useful input and ideas to expand on.
- 2.11 We commissioned New London Architecture (NLA) to organise this event for us, from sending invites to their database of over 20,000 professionals to commissioning speakers. They are very experienced at successfully organising such events, running programme of over 120 events per annum including breakfast talks, and conferences that bring together leading decision makers in the future of London's built environment. As a result the event was well attended and well organised. The cost of which, around £5,700, needs to be met from the overall Infrastructure Investment Plan budget.
- 2.12 The event planned for December will be larger scale, taking the best part of a day, comprising all attendee presentations on our emerging recommendations, followed by themed workshops where participants can debate our recommendations and put forward their own ideas. This will allow us to engage the full scale of stakeholders in one go and allow cross interest discussion.
- 2.13 The next stage for engagement is following publication of the interim report. We will use the London First Infrastructure Summit at the end of March 2014 for that. This will incur no cost.

2.14 We may hold a small number of smaller scale events with key partners, these may incur relatively low costs.

2.15 We are also issuing a call for evidence to the main stakeholders asking for their thoughts on London's long term infrastructure requirements; what we can learn from infrastructure planning and delivery in other cities; how we might improve funding and financing mechanisms; and where relevant for existing plans they have for infrastructure. This will be supported by web based forum to allow those having received a call for evidence to publically respond. The web forum will also be used to seek views from all Londoners. This may incur a relatively small cost.

2.16 The total allocated for stakeholder engagement in 2013/14 is £18,000.

### 3 Other considerations

3.1 This is a high profile project that has been publically recommended by the LFC and promoted by the Mayor. It will be a crucial element of London's ability to cater for its growing population and to remain competitive. It will be central to London's bid for fiscal devolution and London's ability to attract investment. As such it carries a number of significant risks. The main being failure to deliver a product that meets the demanding objectives set. The project risks being seen as little more than a lobbying document for expensive projects or a range of asks outside the Mayors control. The risks are articulated in more detail in the table below.

	<b>Risk description</b>	<b>Mitigation / Risk response</b>	<b>Probability</b>	<b>Impact</b>
<b>1</b>	Project fails to deliver on its ambitious objectives	Careful monitoring of outputs and iterative approach will ensure outputs are of high standard and meet objectives.  Governance structures are in place to monitor outputs and check progress against objectives.	LOW	VERY HIGH
<b>2</b>	Central Government rejects recommendations	We have been in discussions with HMT on the LFC recommendations and the Infrastructure Investment Plan. They are open to considering some form of fiscal devolution and understand the need for infrastructure planning.  We are working with Infrastructure UK. They are on our External Advisory Group.	MEDIUM	HIGH
<b>3</b>	Does not receive buy in from infrastructure suppliers	Engagement to date has indicated wide spread support for the need for a long term infrastructure investment plan for London; as well as for our approach.	MEDIUM	HIGH

		<p>We have an engagement plan in place to ensure key stakeholders are closely involved. We are also providing a range of opportunities for large scale engagement that allows the full range of stakeholders to input.</p> <p>This will ensure wide spread buy-in and ensure recommendations are deliverable.</p>		
<b>4</b>	We cannot recruit the expertise needed	<p>This is a high profile project that is attracting a great deal of interest. This has ensured partner organisations such as London Councils and London First are inputting and sourcing expertise.</p> <p>We have set up Expert Advisory Group with experts such as Dieter Helm and Tony Travers, as well as senior developers such as the CEO of MACE.</p> <p>The LEP are closely involved, and provide a further source of expertise themselves.</p>	LOW	MEDIUM
<b>5</b>	Timescales are not met	<p>Project plans are in place and are monitored and updated regularly.</p> <p>Governance structures are in place to monitor progress.</p>	LOW	MEDIUM

#### **4 Financial comments**

- 4.1 Approval is being sought to allocate up to £200,000 for 2013-14 in order commence delivery of the Long Term Infrastructure Plan for London. This will include the sourcing of external resource and stakeholder engagement, specifically for the Interim report as detailed within this report.
- 4.2 The £200,000 budget requirement to commence delivery will be funded from within the existing 2013-14 Economic Business Policy Unit, specifically funded from under-spends against the 2012 Employment Legacy Programme, Diversity Works for London and staffing under-spends that have accrued due staff recharging to the Regeneration Fund.
- 4.3 It is also expected that the GLA will make a financial contribution towards the running of the Programme from the 2014-15 financial-year. The exact amount has not yet been determined but will be subject to the 2014-15 budget process currently underway. The unit is reminded to make no financial commitments relating to 2014-15 and beyond until

the outcome of the budget setting process. All appropriate budget adjustments will be made.

- 4.4 It should be noted that delegation to the Executive Director for Development, Enterprise & Environment is also being sought in order to approve the associated contracts and / or documentation relating to the programme.
- 4.5 The Economic Business Policy Unit (Development, Enterprise and Environment Directorate) will be responsible for managing all the GLA's activities relating to the Long Term Infrastructure Investment Plan and must ensure that all proposed expenditure adheres to the Authority's Financial Regulations, Contracts & Funding Code, Expenses & Benefits Framework and Funding Agreement Toolkit.

## **5 Legal comments**

- 5.1 Sections 1 – 3 of this report indicate that the decisions requested of the Mayor in accordance with the GLA's Contracts and Funding Code (the "Code") fall 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 or the promotion of 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 Authority'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; and
  - consult with appropriate bodies.
- 5.2 This paper proposes the preparation of a "Long Term Infrastructure Plan" for London, which is understood to be intended to cover London's infrastructure needs as far ahead as 2050, and the extent of the investment which would be required to supply the infrastructure. The requirements of Greater London for infrastructure in the foreseeable future touch on all of the GLA's three principal purposes. The process of identification, examination and discussion of those requirements is within the powers of the GLA.
- 5.3 In performing their role, external consultants will need to be mindful that the Long Term Infrastructure Plan must be consistent with the Mayor's statutory strategies and that the Mayor will need to have regard to the public sector equality duty set out in the Equality Act 2010.
- 5.4 It is currently proposed that publication take place approximately a month before the date projected for local (and European Parliament) elections in 2014. This may need to be considered again nearer the proposed time, specifically by reference to the sections relating to elections in the Code of Recommended Practice on Local Authority Publicity, and generally to ensure compliance with the conventions in relation to activity by local authorities in pre-election periods which is, or could be interpreted as, party political.

- 5.5 The services required must be procured by Transport for London Procurement who will determine the detail of the procurement strategy to be adopted in accordance with the Code. Officers must ensure that appropriate contract documentation is put in place and executed by the successful bidder(s) and the GLA before the commencement of the services.
- 5.6 Under section 38(1) of the GLA Act, any function exercisable by the Mayor on behalf of the GLA may also be exercisable on behalf of the GLA by specified persons including any member of the staff of the GLA if or to the extent that the Mayor so authorises, whether generally or specifically and subject to any conditions imposed by the Mayor. The Mayor therefore has the appropriate power to delegate his powers in respect of the Long Term Infrastructure Investment Plan for London to the Executive Director for Development, Enterprise and Environment.

## **6 Investment & Performance Board**

- 6.1 At their meeting on 15 November 2013, the IPB agreed that the proposal for the additional resource required to deliver the Long Term Infrastructure Investment Plan for London be agreed in principle.

## **7. Planned delivery approach and next steps**

- 7.1 The majority of the work will be produced in-house. As set out above, officials are currently assessing London's high level infrastructure requirements.
- 7.2 The next stage is an assessment of the costs involved in delivering London's infrastructure requirements. The tendering process for this will start immediately, so the work can begin in December, and be completed by the end of January.
- 7.3 While this work is being completed, the stakeholder engagement outlined above will take place.
- 7.4 The results of the costs work and feedback from stakeholders will inform drafting of the report. Publication of the interim report is then planned for Spring 2014.
- 7.5 Publication of the final report is then planned for Summer 2014. Production of this report is likely to require further resourcing. IPB have approved in principle a contingency budget for this, which will be submitted in a separate MD.

<b>Activity</b>	<b>Timeline</b>
Procurement of contract [for externally delivered projects]	Up to January 2014
Announcement [if applicable]	
Delivery Start Date [for project proposals]	Underway
Final evaluation start and finish (self/external) [delete as applicable]:	
Delivery End Date [for project proposals]	July 2014
Project Closure: [for project proposals]	



**Appendices and supporting papers:**

Annex A – Specification for 'Costs of London's Long Term Infrastructure Investment Requirements'

**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**

If YES, for what reason:

Until what date:

**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:**

Suzanne Moroney 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:**

Mark Kleinman 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:**

Kit Malthouse 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**

**Date**

**CHIEF OF STAFF:**

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

**Signature**

**Date**

## **Annex A: Consultants input on Costs of London's Long Term Infrastructure Investment Requirements**

### **1. Introduction**

- 1.1 The Greater London Authority (GLA) is producing a long term infrastructure investment plan for the city, to set out London's strategic infrastructure requirements to 2050, across the main aspects of infrastructure (transport, energy, water, waste, green infrastructure, telecoms and partially social infrastructure). It will also assess the magnitude of spend involved, and consider how we could fund and finance our requirements.

- 1.2 Objectives for the project are:

Objective 1: By Spring 2014, the GLA's initial thinking on London's long term infrastructure requirements will be set out in an interim report that covers:

- Expectations for London's economy and people up to 2050
- The high level infrastructure requirements to support these expectations
- The magnitude of cost involved
- The case for investing in London's infrastructure
- Financing options (with and without fiscal devolution) at both a major project and overall programme level
- The main challenges to overcome to enable effective financing and rollout of projects
- Recommended course of action to 2050

Objective 2: By summer 2014, the GLA will have a firm set of recommendations to ensure London's infrastructure requirements to 2050 are articulated and costed. A clear set of priorities and a timeline to 2050 will be set out in a published report.

Objective 3: Demonstrate to the Government, Londoners and investors that infrastructure is a key priority and that London has a clear plan to ensure it has the necessary infrastructure to meet the demands of its growing population and remain a leading world city.

Objective 4: Ensure the Infrastructure Investment Plan is supported and deliverable, through active engagement of key stakeholders, including national and local Government as well London's business community.

Objective 5: Provide the Mayor and other London leaders with the information to understand and critically appraise London's infrastructure delivery.

- 1.3 We are seeking consultancy input at this stage to sense check the internal work conducted to date and provide an assessment of the costs associated with our proposed infrastructure requirements to 2050.

### **2 Work to date and next steps**

- 2.1 A range of internal work has been conducted on projections and expectations for London at 2050 and our first thoughts on the infrastructure requirements to support such a vision for London. We have also started to consider funding and finance

- options to ensure London can pay for its infrastructure requirements. With this work completed for each infrastructure sector, we are now seeking external input on the feasibility of our proposals, consideration of how proposals can be integrated to ensure best value along with the magnitude of cost involved.
- 2.2 We will access this external input through stakeholder engagement and consultancy input. Both will take place over December and the first half of January.
- 2.3 For the piece of work contracted here we are asking consultants to provide the following:
- I. Provide advice on the feasibility of proposed infrastructure needs and where necessary suggest alternatives or where proposals may not be necessary.
  - II. Provide advice on how proposals could be integrated to provide best value delivery along with advice on who is best placed to deliver the proposals.
  - III. Analyse the costs and benefits associated with each project, setting out both financial and non-financial (such as effects on society well-being, environment) costs and benefits and the methodology behind the results.
  - IV. Provide advice on funding and finance sources, mechanisms and scenarios.
  - V. Provide advice on next steps post Infrastructure Investment Plan publication.
- 2.4 It is expected that III above will form the majority of work involved.
- 2.5 In terms of the final output, consultants would produce a report that details their advice on London's high level infrastructure requirements to 2050, by sector and on providing an integrated approach to delivery. The final report will also detail the costs of individual projects and the total sum involved.
- 2.6 Other outputs required as part of the consultancy work:
- Details around assumptions and targets included in the analysis
  - Details behind the checks run on GLA's proposed infrastructure needs
  - Data detailing calculations and modelling involved (including proposed and rejected projects).
  - Records of all desk research conducted and parties consulted with
- 2.7 It is expected that consultants will bring a high level of expertise in both infrastructure and finance. Their experience will consolidate our research, stir innovative thinking and provide an external perspective.
- 2.8 It expected that this piece of work will begin early December 2014 and be completed by mid-January 2014.

### **3 Submission requirements**

- 3.1 The submission should provide the GLA with the following information:
- An explanation of the approach to delivering the GLA's requirements
  - Reference to previous projects that show a similar approach.
  - An explanation of the proposed team structure.
  - Team member CV's (one page)
  - Further information indicating the added value in delivering the process.
  - A fee proposal broken down into days and rates per consultant
- 3.2 The CV's of the proposed team members need to reflect experience in the full range of sectors covering Transport, Energy, Water, Waste, Green Infrastructure, Telecoms and Social Infrastructure.

- 3.3 The response should include a detailed breakdown on the proposed methodology to be adopted for the costs and benefits analysis.