

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2363

London Business Rates Pool – Allocation of the Mayor's Strategic Investment Fund

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 per cent of any growth in business rates income over and above the business rates baseline set by central government.

In the memorandum of understanding (MoU) with the other pool members and the government, the Mayor set out his intention to use his share of the net financial benefit of pooling on strategic investment in the capital. In order to do this, the Mayor has established a £112 million Strategic Investment Fund using the GLA's forecast share of the growth in income; and the Mayor is requested to agree to the recommended package of strategic investment projects set out in this report for funding from that source.

The Mayor's Strategic Investment Fund is under the control of the Mayor and is distinct from the London Business Rates Pool's collective Strategic Investment Pot, the allocation of which is subject to a separate set of agreed collective decision-making processes between all the pool members.

Decision:

That the Mayor:


1. Approves the allocation of £90.89 million from his Strategic Investment Fund on the strategic investment projects set out in section 2 and Appendix A of this report; and
2. Delegates authority for detailed project level approval of these strategic investment projects to the relevant Executive Director through a Director's Decision.

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:

25/9/12

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. Any net additional income that arises from pooling is distributed amongst the pool members in the proportions agreed and set out in the memorandum of understanding (MoU) between all pool members.
- 1.3. It was agreed by the Mayor and the government that he would commit of all the GLA's share of the net additional benefit of pooling on strategic investment projects. In accordance with this agreement, the Mayor has created a £112 million Strategic Investment Fund (SIF) that he will use to fund strategic investment projects. The SIF has been created using 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 growth available to the GLA but separate from the growth resulting from the creation of the pool. The Mayor took the decision to increase the SIF by the £5 million in his 2018-19 budget in order to maximise the amount of funding available for strategic investment in the capital. The allocation of the SIF is under the control of the Mayor without the need for collective decision making with the other pool members. It is the allocation of the SIF that the Mayor is requested to agree to in this Mayoral Decision form.
- 1.4. Separate from the GLA's SIF, the MoU between the pool members and the government also specifies that 15 per cent of the total benefit of pooling should be used for a Strategic Investment Pot (SIP). The use of the SIP is determined collectively by the Mayor and the other participating authorities through the governance arrangements set out in the MoU. The City of London Corporation ('the City'), as the lead authority of the pool, takes the decision on the allocation of the funding in consultation with all other pool members. The City has consulted all pool members of the proposed use of funding in the SIP and the Mayor's agreement to the use of SIP funds as recommended by the SIP evaluation panel convened by the City is set out in MD2358.
- 1.5. This MD forms phase 1 of the approval of SIF funding for 2018-19. Of the £21.11 million that remains unallocated, further phases, with associated MDs, will take place as other schemes in the pipeline have matured and can be brought forward for approval.
- 1.6. Bids for SIF funding were invited from across the GLA Group and assessed against the criteria agreed with the Mayor's Office (further details are set out below). The headline criteria are to support projects that lead to an increase in commercial space and projects that address key risks to the economy. Forty-nine expressions of interest were reduced to 19 projects invited to submit detailed bids against a pro-forma that reflected HM Treasury's Green Book five case model. The bids were evaluated by a cross-GLA Group officer team and the recommendations discussed with the Mayor's Office and the GLA's Growth Board. Twelve of these projects are recommended for funding, along with the West End Good Growth Study which has been commissioned in response to structural changes in the retail market and recent announcements by key retailers on Oxford Street, and the emerging need to carry out analysis of the risks to good growth in the West End economy.
- 1.7. This London Business Rates Pool is a pilot arrangement with the government for 2018-19 and representation will be made to government for the ongoing case for devolution of business rates, with the first submission of evidence to government taking place by 25 September 2018.

2. Objectives and expected outcomes

- 2.1. A summarised list of the projects recommended for SIF funding is set out below on a thematic basis. Further detail on each of the recommended projects, including the forecast phasing of the allocations, is set out in Appendix A to this report.

Strategic Investment Projects Recommended for Funding from the Mayor's Strategic Investment Fund	Total Recommended Amount of Funding to be Allocated from Strategic Investment Fund £m
Commercial Development in London's Opportunity Areas	
Elephant & Castle Northern Line Ticket Hall	25.00
Canada Water	17.50
Royal Docks Enterprise Zone	13.70
Stratford Station	4.00
Delivery of London Plan Objectives for Affordable Housing Development	
Build for London	10.00
Mayor's Construction Academy (MCA) and Construction Careers Campaign	3.20
Industrial Intensification Delivery Strategies	1.00
Support Local Economies and Small Businesses	
*Good Growth Fund – Intensifying London's local economies	5.00
Micro and SME Business Support Programme	1.43
**West End Good Growth Study	0.05
Support London's Industrial Strategy	
Centre for Cleantech Innovation	8.70
*Workspace Investment: Second Floor Studios, Deptford and Studio Voltaire, Clapham	1.16
Creative Land Trust	0.15
Total Recommended Package	90.89

*Already approved in MD2325

**Already approved in ADD2256

- 2.2. The MoU between the pool members and the government sets out that:

"strategic investment" is defined as projects that will contribute to the sustainable growth of London's economy which lead to an increase in London's overall business rate income. Examples of the kinds of projects the Mayor will seek to support with the GLA's share include supporting the delivery of housing through infrastructure investment and the provision of skills and training to further support housing delivery.

- 2.3. The 13 bids recommended in this phase of funding from the Mayor's SIF aim to support a further uplift in business rates, and to develop London's economic diversity and long-term sustainability. They will also further the Mayor's strategic and policy priorities, both for London's economy and its wider development. The criteria used to assess the bids are set out in Appendix B to this report.
- 2.4. Details on the funding recommended for allocation on a thematic basis is set out below.

Commercial Development in London's Opportunity Areas

- 2.5. £60.2 million is recommended to be allocated to four projects that will support commercial development in London's Opportunity Areas.
- 2.6. This funding will support some of London's key development and regeneration projects, unlocking the first phase of the transformation of Canada Water and the redevelopment of Elephant and Castle shopping centre, and providing essential transport infrastructure and enabling works to underpin growth in Stratford and the Royal Docks Enterprise Zone. Taken together, this funding will support delivery of new commercial space, new homes and new jobs.

Delivery of London Plan Objectives for Affordable Housing Development

- 2.7. £14.2 million is recommended to be allocated on three projects that will support delivery of London Plan objectives for affordable housing development.
- 2.8. This funding is focussed on developing practical solutions to structural challenges to the delivery of genuinely affordable homes for Londoners and will therefore meet the aims of the fund by addressing a key risk to the economy. This risk is highlighted in both the Economic Development and Housing Strategies, with the latter relying on evidence that 84 per cent of businesses in London believe that its high housing costs and housing shortage pose a risk to its economic growth.
- 2.9. The projects support capacity in local authorities to implement the housing supply policies in the London Plan, enable the development of deliverable strategies for industrial intensification with modern industrial floorspace and new affordable homes and double the outputs from the Mayor's Construction Academy scheme.
- 2.10. Without these investments, there is a significant risk that the resource implications of the policies will lead to a lack of political will and support from Local Authorities, and as a result they would be less likely to develop the policies and bring forward programmes for the new models of delivery required by the new London Plan. Furthermore, there is a risk that the construction market will not be able to respond to the challenge due to a lack of skilled workers, which will be addressed by boosting the investment in the Mayor's Construction Academy.

Support Local Economies and Small Businesses

- 2.11. £6.48 million is recommended to be allocated on three projects to support local economies and small businesses.
- 2.12. London's wider economy is made up of many local economies, centred around high streets and town centres and a predominance of small and medium sized enterprises. This investment will help local centres to thrive, stimulate entrepreneurial activity, particularly amongst underrepresented groups and deliver place-making strategies and projects. A study will also be undertaken to review the risks and opportunities to the achievement of the West End's potential within the context of the new London Plan policy for good growth in the Central Activities Zone.

Support London's Industrial Strategy

- 2.13. £10.01 million is recommended to be allocated on three projects to support London's industrial strategy.
- 2.14. This funding will go towards a combination of a Centre for Cleantech Innovation and the creation of affordable creative workspace.
- 2.15. Cleantech is an emerging industry that will help London to become a zero-carbon city by 2050. The move towards a low-carbon, circular economy is a central aim of the London Environment Strategy. This investment is important both to support London's future sustainability and to establish London as a leader in this essential form of economic innovation.

- 2.16. Culture and the creative industries are a major and growing part of the London economy, with four in five visitors to the city saying 'culture' is a key reason for their visit. This investment will support the development of specific local workspace projects, as well as the wider work of the Creative Land Trust.

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 Mayor's Strategic Investment Fund contribute to the sustainable growth of London's economy and will directly or indirectly help create employment opportunities for Londoners.
- 3.3. Detailed consideration of equality impacts will be given to each project as they undergo separate approval processes.

4. Other considerations

Strategic Investment Funding Allocated in Other Decisions

- 4.1. The Good Growth Fund and the Workspace Investment: Second Floor Studios, Deptford and Studio Voltaire, Clapham projects have both been allocated SIF funding in MD2325 (Good Growth Fund - £5 million of SIF, Workspace Investment - £1.16 million SIF). This is noted to make clear that the funding allocations set out for these projects in this Mayoral Decision are not in addition to those sums already allocated in MD2325 but represent the same agreed funding.
- 4.2. Similarly, the West End Good Growth Study AD2256 has also been assigned SIF funding to the same amount set out in this mayoral decision (£0.05m). Again, this is not in addition to the sum set out in AD2256 but represents the same agreed funding.

Key Risks

- 4.3. The £112 million in the Mayor's SIF is based on forecasts of business rates income supplied by the boroughs and the City. The actual amount that will be available 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. Therefore, one of the key risks is that business rates income at year end is less than was forecast by the billing authorities. This uncertainty is partly mitigated through the forecast phasing of the cash allocations to the projects (see Appendix A); the phasing means that should the £112 million not be achieved at the year-end, cash allocations in future years could be reduced if necessary and where possible to scale the projects accordingly. Of the £90.89 million being allocated in total in this Mayoral Decision, £6.93 million is allocated in 2018-19, £27.21 million in 2019-20, £56.25 million in 2020-21 and £0.50 million in 2021-22 meaning that over half of the £90.89 million is not forecast to be required until 2020-21. 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 a shortfall. This monitoring has helped to give a moderate degree of confidence that the forecast level of the Mayor's SIF will be achieved.

- 4.4. A further risk is that one or more of the projects recommended for funding cannot deliver the forecast benefits within the estimated funding allocated from the SIF. This risk has been partially mitigated through the cross-GLA Group officer team that made the recommendations applying the principle that projects should not require ongoing revenue expenditure from the GLA beyond the project life when making its recommendations. Similarly, the officer team applied the principle that the funding should, in the main, support costs external to the GLA and not entail a significant or long-lasting increase in headcount. This provides partial mitigation against the likelihood of the projects exceeding their planned costs.
- 4.5. Another risk is that there is slippage in the planned delivery of the project(s). Each project will be mainstreamed in the delivery of its host team's business and therefore will be subject to prevailing performance management processes meaning that progress in project delivery will be monitored.

5. Financial comments

- 5.1. Based on the latest business rates income forecasts provided by the 33 London billing authorities, it is thought unlikely that a shortfall will arise in the forecast £112 million of funds budgeted for in the Mayor's Strategic Investment Fund through the 2018-19 100 per cent London business rates pilot. However, as set out in the body of the report, the phasing of the funding allocated to the recommended projects means that were a shortfall to arise then, if other sources of funding could not be found, the allocations of the SIF funding here set out could be reduced. If there was a shortfall in the funds available in the SIF, and this could not be dealt with through reducing the committed allocations from the SIF, then this would have to be met by the GLA from other funding sources.
- 5.2. Conversely, if the forecasts under-estimate the level of business rates income collected in 2018-19 compared to the final 2018-19 business rates outturn reported by the boroughs and the City after the 2018-19 financial year-end, there is likely to be additional funding available for the SIF. If this is the case, the allocation of any remaining forecast funding not yet committed, and any additional growth, will be subject to a separate decision-making process.
- 5.3. As set out in the body of the report, the Mayor's own £112 million Strategic Investment Fund is entirely separate from the London pool's Strategic Investment Pot which has a budgeted allocation of £52 million. 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 recommended 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. Whilst there is a statutory restriction on the GLA incurring expenditure on anything transport related that may be done by TfL, that doesn't prevent the GLA incurring such expenditure where it's done for the purposes or, or relating to, regeneration or housing.

7. Planned delivery approach and next steps

Activity	Timeline
Announce Good Growth Fund investments (already approved)	Sept 2018
SIF project by project announcements and approval via director decision forms	Sept 2018 onwards
Submission of evidence to government to make the ongoing case for devolution of business rates	25 Sept 2018
Consideration of further pipeline proposals for SIF funding	Autumn 2018

Appendices and supporting papers:

Appendix A – Strategic Investment Projects Recommended for Funding from the Mayor's Strategic Investment Fund

Appendix B - Criteria Used to Assess Strategic Investment Projects for Funding from the Mayor's Strategic Investment Fund

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

Individual announcements will be made as more detail approvals are sought on each project.

Until what date: 29 March 2019

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:

Margaret Kalaugher 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 17 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. Clarke

Date

17.9.18

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

17/9/2018.