Annex A

Section 43 (2) – Commercial interests

Section 43(2) is a prejudice-based exemption which states that information is exempt if its disclosure under FOIA would, or would be likely to, prejudice the commercial interests of any legal person (including the public authority holding it).

The information that has been withheld under London & Partners Cover Paper relates to Dot London revenue forecasts, VisitLondon.com which includes financial information and business case for City consultancy. We consider that disclosure of this detailed financial information to be commercially sensitive. We have assessed that this information would, or would be likely to, prejudice the commercial interest by causing potential harm to London and Partners commercial operations if its strategy is made public.

Appendix 1 is released with partial exemptions, as above, the information that has been exempted under Section 43(2) of the FOIA as it also relates to commercial interests. The information that has been exempted relates to London & Partners commercial strategy plans. Commercial Strategy provides a framework in supporting all areas of London & Partners in adopting a consistent, comprehensive, and robust approach to commercial activity and income generating schemes. Any disclosure of this information would or would be likely to prejudice its position with regards to maintaining a competitive advantage. In addition, we consider that disclosure would also affect its ability to negotiate with its current and/or future partners in delivering efficient and value for money services.

Appendix 4 has been exempted in its entirety under Section 43(2) of the FOIA, as above, we have considered the information to be commercially sensitive due to the detailed commercial strategy development plans that is included in the report. We have assessed that disclosure is likely to harm London & Partners commercial operations if its commercial strategy plans are made public. We have considered that disclosure of its strategic plan will entail the offering of non-grant funding details, channels to market, joint commercial initiatives with other private sector partners, customer targeting strategies and early thoughts on positioning.
Disclosure of this information in the public domain is likely to prejudice the commercial interests of London & Partners, as the strategic analysis would provide tangible benchmarks and revenue targets to its competitors. As such, its strategic framework is likely to be compromised if information relating to funding and revenue of it projects and/or initiatives are made available to the public. More specifically, information relating to whether it delivers the key objectives to its stakeholders and any analysis that may hinder on any current or future negotiations or investment plans.

Section 43(2) is a qualified exemption and subject to the prejudice test and the public interest test. Under the prejudice test we have to consider if disclosure of this information would, or would be likely to, prejudice our commercial interests or the commercial interests of a third party. Information disclosed under the FOIA is considered to be public information, and while there is a presumption towards disclosure, consideration needs to be given as to who will have access to this information beyond the requestor and the purposes for which they could use the information.

Public Interest Test
There is, of course, a public interest in promoting transparency of public authorities' decisions and accountability. However, the disclosure of the information currently identified as commercially sensitive is likely to prejudice the commercial interests of London & Partners.

Disclosure of this information will expose sensitive financial details, which are likely to impact on not only future strategies but also prejudice the effectiveness of their ability to negotiate and deliver services competitively.

It is our view that, at present, the public interest in withholding the information outweighs the public interest in disclosing it.

Section 42 – Legal professional privilege

Legal advice remains subject to Legal Professional Privilege and is therefore exempt under section 42. Legal Professional Privilege (LPP) protects confidential communication between lawyers and clients and is a fundamental principle of English law. The principle is based upon the need to protect a client's confidence that any communication with their legal adviser will be treated in confidence and not revealed without consent.

We have considered the public interest and strongly believe that the public interest in protecting legal professional privilege outweighs the public interest in disclosure.

The Information Commissioner's Office quotes from the Tribunal's case of Bellamy (2005):

> *"...there is a strong element of public interest inbuilt into the privilege itself. At least equally strong countervailing considerations would need to be adduced to override that inbuilt interest … it is important that public authorities be allowed to conduct a free exchange of views as to their legal rights and obligations with those advising them without fear of intrusion, save in the most clear case..."*

The general public interest inherent in section 42 will always be strong due to the importance of the principle behind LPP: safeguarding openness in communications between client and lawyer to ensure access to full and frank legal advice, which in turn is fundamental to the administration of justice.

1 London & Partners Business Planning (Reserved) (Item 9)

11.1 The Board received a report summarising the performance of London & Partners (L&P) over the four year period of its grant agreement with the GLA (2010/11 – 2014/15) and setting out L&P's future objectives.

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted]

[redacted]

Investment & Performance Board (IPB)

Date of meeting:	**16 October 2014**
Title of paper:	**London & Partners budget 2015/16 and 2016/17**
To be presented by:	**Fiona Fletcher-Smith, Executive Director - Development Enterprise and Environment and Gordon Innes, Chief Executive, London & Partners**
Cleared by: (name Adviser & Director)	**Sir Edward Lister, Chief of Staff** **Fiona Fletcher-Smith, Executive Director - Development Enterprise and Environment**
Classification:	**Reserved from publication (early formulation of strategy)**

1 Executive Summary

1.1 This report summarises the performance of London & Partners (L&P) over the course of the four-year grant agreement with the GLA (2010/11 - 2014/15) and sets out L&P's objectives and strategic relevance for the next two years, with a view to extending the grant agreement by a further two years (2015/16 – 2016/17).

1.2 This report proposes funding options for the next two years, using GLA Finance's indicative core budget assumption for 2015/16 of £11.66m as a starting point, considering GLA resources, the interplay of the core grant with other potential revenue sources including Dot London, and the implications of any budgetary decisions for incentivising L&P to develop alternative funding sources.

1.3 This report also puts forward for the decision of IPB two business cases prepared by L&P and approved by the L&P Board for two projects to be funded this year (2014/15) from funds to be drawn down in advance of its indicative 2016/17 budget. The principle of advanced draw down has been agreed by the GLA, subject to conditions including that L&P must submit satisfactory business cases and that it can demonstrate having considered other options reprioritising its existing budget.

1.4 Finally, this report seeks IPB's endorsement for L&P to develop a 2015/16 business plan, IPB's subsequent approval of which will ultimately underpin release of GLA funding next year.

2 Recommendation

2.1 That IPB:

a) Endorses an extension of the grant agreement between the GLA and L&P by two years to 2016/17, and the production of L&P's 2015/16 business plan, which will return to IPB in early 2015 for sign-off.

b) Approves in principle two years (2015/16 – 2016/17) of grant funding for L&P maintained at current levels but subject to 2.5% efficiency savings;

c) Approves in principle L&P's full retention of Dot London revenues for two years (2015/16 – 2016/17)

2.2 IPB to note L&P's commercial strategy and consider the business cases put forward by L&P and agree in principle whether or not to release drawn-down funding from the GLA's indicative core 2016/17 grant to the amounts requested.

3 Introduction and Background

L&P arrangements 2010/11 – 2014/15

3.1 L&P was established in 2011 as the official promotional agency for London, with the aim of championing London internationally with a single compelling voice. Since L&P was established, GLA core grant funding has been provided and committed as follows:

2011/12	£15.825m	(actual)
2012/13	£13.166m	(actual)
2013/14	£11.28m	(actual)
2014/15	£11.65m	(committed) [1]

3.2 The GLA is planning to continue funding L&P in financial years 2015/16 and 2016/17, subject to the GLA's annual budget-setting process, approval of the L&P business plan for each year and any change in incoming (post 2016 GLA election) mayoral policy. Any further funding award will be subject to GLA approval processes and a Deed of Variation to the grant agreement.

3.3 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, £0.24m from the 2014/15 grant, and further amounts of £0.24m per annum will be deducted over the next two years from the L&P budget, leaving L&P's indicative core GLA budget allocation for 2015/16 at £11.66m**.**

3.4 L&P's core grant is supplemented by income drawn from alternative sources. In previous years, L&P reports that non-GLA income[2] has been as follows:

2011/12	£4.773m
2012/13	£6.896m
2013/14	£6.268
2014/15	£6.433 (forecast)

3.5 Whilst L&P has been successful in growing its non-grant income year-on-year it has fallen short of its own commercial income targets and in 2014/15, for which it is forecasting a £1.2m shortfall against target.

3.6 Alongside the core funding agreement, the Dot London agreement between the GLA and L&P (April 2012) states that during the first year (only) that of revenue

[1] The initial funding agreement from the GLA was for £56m over four years; however, the GLA subsequently held back £3.9m to hold as a closure provision for L&P.

[2] These figures include ring-fenced funding from corporate partners, ring-fenced funding from universities, donations in kind, ring-fenced earnings and value in kind, partnership fees, digital and advertising, rental income and other income.

generated from the sale of Dot London domain names, the first £1m will be ring-fenced and kept by L&P. The following revenue share arrangements will then apply, such that if the dividend for the preceding year is equal to or less than the maximum amount of grant for that year the GLA will reduce its grant funding to L&P in the current financial year by the corresponding amount. If the dividend for the preceding year exceeds the maximum amount of grant for that year L&P will pay 50% of any such excess to the GLA.

3.7 However, this agreement expires on 31 March 2015, in line with the expiration of the core funding agreement. Given Dot London set-up delays, revenues in 2014/15 are expected to do no more than cover set up costs.

Delivering for London

3.8 L&P has a track record of delivering for London. Working closely with GLA Economics, the organisation has developed a rigorous methodology for tracking the impact of its activities that has been recognised by Deloitte as being more robust than any other leading city[3].

3.9 See Annex 1 for further detail about L&P's track record.

Funding options 2015/16 – 2016/17

3.10 L&P's initial four-year funding agreement and the 2012 Dot London agreement will expire in March 2015. It is now necessary to agree funding arrangements for the next two years (2015/16 – 2016/17) that will help enable it to meet the Mayor's priorities and allow it to maximise non-GLA revenues.

[redacted]

3.12 In any arrangements agreed, a number of interconnected factors must be taken into account, namely:

- the level of core GLA grant in the context of GLA corporate budget cuts of 2.5%
- the level of Dot London funding that L&P will retain
- the relationship between the above and the incentives any arrangements introduce for L&P to increase alternative revenue sources.

3.13 Based on research commissioned by Deloitte, L&P argues that London's promotional activities are relatively underfunded compared to those of other cities (see Annex 1).

3.14 Set out below are a range of options with accompanying commentary about implications for IPB to consider.

3.15 Option 4 is recommended as the most effective way of incentivising L&P to maximise Dot London revenues and reduce its reliance on the public purse, while also sharing the burden of GLA efficiency targets.

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[3] Benchmarking London's Promotion, Deloitte 2014

[4] Despite this uncertainty, these figures are used for the purposes of argument in this paper.

<u>Option 1: Maintain current grant level plus Dot London revenues up to £1m in 2015/16 (status quo)</u>

In this scenario, L&P would be awarded the same level of grant funding as in 2014/15, and would retain all Dot London revenues up to £1m (in addition to its grant) in the first year, as follows:

Indicative core grant
2015/16 £11.66m
2016/17 £11.66m minus any Dot London revenue earned in 2015/16 over and above the first £1m plus any funding brought forward into 2014/15 to seed fund commercial initiatives (see Annex 2).

[redacted]

Implications

[redacted]

<u>Option 2: Maintain current grant level plus additional Dot London revenues</u>

As above, L&P would be awarded the same level of grant funding as in 2014/15, however, L&P would keep additional income from Dot London – either all of it (L&P's proposed option), or an agreed proportion (e.g. 50/50 split above £1m – many formulations exist).

Indicative core grant
2015/16 £11.66m
2016/17 £11.66m minus any funding brought forward into 2014/15 to seed fund commercial initiatives.

[redacted]

Implications

In this scenario L&P would be better off than it is under current arrangements, particularly if it kept all Dot London revenues.

Depending how Dot London revenues were shared, the GLA's finances would either remain the same as they are now (but worse off than under current arrangements) or could improve (depending on the Dot London revenue share agreed), at least in 2016/17 (revenues above £1m are not predicted for 2015/16).

This option would incentivise L&P to drive the performance of Dot London to a greater extent than under the terms of the current agreement.

<u>Option 3: Maintain GLA grant subject to 2.5% efficiency saving, plus existing level of Dot London revenues</u>

L&P's core grant would be reduced by 2.5%, passing on to L&P the same efficiency saving being applied to GLA teams. L&P would retain all Dot London revenues up to £1m (in addition to its grant) in the first year, as per the current Dot London agreement.

Indicative core grant with 2.5% reduction:
2015/16 £11.368m
2016/17 £11.368m minus any funding brought forward into 2014/15 to seed fund commercial initiatives.

[redacted]

Implications

In this scenario L&P would shoulder the same level of efficiency savings as the GLA, yet on balance would retain more income than it has at present (but worse off than under current arrangements) should Dot London revenue materialise as projected.

This option would not incentivise L&P to improve the performance of Dot London above £1m.

<u>Option 4: Maintain GLA grant subject to 2.5% efficiency saving, plus additional Dot London revenues</u>

As with Option 3, L&P's core grant would be reduced by 2.5%, passing on to L&P the same efficiency saving being applied to GLA teams. At the same time, L&P would retain either all or a proportion of Dot London revenues, necessitating a variation to the current agreement.

Indicative core grant with 2.5% reduction
2015/16 £11.368m
2016/17 £11.368m minus any funding brought forward into 2014/15 to seed fund commercial initiatives.

[redacted]

Implications

Depending on the level of additional funding agreed for L&P from Dot London revenues above £1m, it is likely that L&P would be better off under this scenario than it is at present (but worse off than under current arrangements), despite the reduction in GLA core budget.

L&P would also be incentivised to increase Dot London revenues.

<u>Option 5: GLA grant reduced pound-for pound with Dot London revenue projections</u>
In this scenario, the baseline GLA grant would be reduced in line with current Dot London revenue projections. L&P could be allowed to retain all Dot London revenue, either up to the level of the current grant, or without limit (though the latter implies a huge increase in projections).

Indicative core budget
2015/16 £11.06m
2016/17 £9.76m minus any funding brought forward into 2014/15 to seed fund commercial initiatives.

[redacted]

Implications
L&P would be incentivised to drive the performance of Dot London to enable it to maintain its current level of funding (though this scenario may also introduce a perverse incentive to under-estimate Dot London revenues). If Dot London did not achieve its projected revenue, L&P would have a reduced level of grant with which to deliver its activities.

<u>Option 6: GLA grant reduced pound-for pound with Dot London revenues</u>
In this scenario, the baseline GLA grant would be reduced in line with actual Dot London revenue, pound for pound. L&P would be allowed to retain all Dot London revenue up to the level of the current grant (£11.66m).

Indicative core budget
2015/16 £11.06m
2016/17 £9.76m minus any funding brought forward into 2014/15 to seed fund commercial initiatives.

[redacted]

Implications
L&P would not be incentivised to drive the performance of Dot London, as it would receive the same level of income regardless.

Advance grant from 2016/17 budget

[redacted]

3.17 In July 2014, following a request from L&P, the GLA agreed in principle to allow L&P to draw down an advance grant of up to £1m from its indicative 2016/17 core budget to help seed fund commercial initiatives in the current financial year (2014/15), subject to IPB endorsement and Mayoral Decision. [5]

3.18 As such, L&P has submitted two business cases (see Annex 1) for IPB to endorse.

[redacted]

4 Objectives & Expected Outcomes

4.1 Earlier this year L&P refreshed its Corporate Strategy. The new 2014-17 strategy reflects the views of stakeholders that, as well as delivering value for London in terms of additional jobs and growth, L&P should also deliver high impact activities which build London's reputation for the future.

4.2 As a result, the company is now focused on four objectives:

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[5] The agreement stated that funding would be drawn down on a project by project basis; that it would be subject to detailed business cases being submitted, including forecast profiling of new additional income that would result from proposed activity; and subject to evidence being provided that options for reprioritising funding within L&P's existing funding envelope had been considered; and finally that it would be subject to endorsement by IPB and approval by the Mayor.

- Create additional jobs and growth for London by convincing visitors, students and businesses to come to London now.
- Strengthen London's reputation so 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

4.3 L&P's corporate strategy sets out the following targets for 2014-17:
- Add £850 million GVA to London's economy
- Create 14,000 new jobs in London
- Achieve positive international and national coverage with an Advertising Value Equivalent of £135 million
- Successfully activate 150 partnerships with organisations and individuals to promote London, particularly in the areas of culture, life sciences and technology
- Achieve parity between the level of public sector grant and private sector investment (including private sector benefits in kind)
- Secure L&P's entry to the Times Top 100 Best Companies ranking

4.4 See Annex 1 for further information about L&P's 2014-17 strategy.

5 Equality comments

5.1 Endorsement of the recommendations set out in this paper is not considered to give rise to any negative equality impacts.

5.2 Equalities impact considerations and mitigations will be built in to the L&P's business planning process and a summary report will be provided to IPB when the business plan is brought forward for sign-off.

6 Key Risks and Issues

Corporate priorities

6.1 Failing to provide L&P with an adequate settlement carries with it a number of risks.

6.2 The Mayor's 2012 manifesto committed to continue to champion London's creative industries, which help promote the London brand and drive tourism and retail spend in the capital.

6.3 The 2010 Economic Develop Strategy emphasises the importance of maintaining London's reputation globally to ensure business investment and tourism continue to grow.

6.4 L&P is the London vehicle for achieving these strategic aims, which are unlikely to be met if L&P's funding falls short.

6.5 The research conducted on behalf of L&P by Deloitte highlights the fact that L&P receives less funding than many international counterparts. While acknowledging the fact that GLA funding is unlikely to increase, it highlights the risks of London falling behind international competitors if L&P is not supported to grow its income in other ways (see Appendix 1).

[redacted]

L&P incentives to grow non-GLA revenue sources

6.7 The GLA approved in principle L&P's request for forward funding as it has consistently placed an emphasis on the importance of L&P increasing its commercial revenues. Allowing L&P to retain all Dot London revenues for the next two years is the most convincing way of supporting this aim.

6.8 Mitigation of funding provided being considered a subsidy for commercial activity (see Annexes 3 and 4 re State aid). NB: The GLA is advised to seek its own legal advice if IPB agrees to provide seed funding for either of the two projects.

Business case: visitlondon

6.9 Again there is a risk that, unless structured carefully, the use of public funds in respect of this potential work stream might be considered to be subsidy for commercial activity and incompatible and unlawful State aid. L&P has sought legal advice (see Annex 3) and it is clear from the same that it would be prudent for the GLA to: request more information about L&P's viability assessment of establishing a private subsidiary for this purpose; and seek its own legal advice in this regard (see Section 8).

[redacted]

7 Financial comments of the Executive Director Resources

7.1 This report proposes an extension of the grant agreement with L&P for the two years 2015/16 and 2016/17 (subject to the approval of L&P's business plan for each year).

7.2 The report proposes alternative funding options as follows :

- Option 1, 2 £11.66m each year
- Option 3, 4 £11.368m each year (a 2.5% reduction)
- Option 5 £11.66m each year reduced re projected Dot London earned revenues
- Option 6 £11.66m each year reduced re actual Dot London earned revenues

7.3 The report recommends option 4; grant funding of up to £11.368m in 2015/16 and 2016/17.

7.4 These sums can be met from the indicative budget, subject to the annual budget setting process.

7.5 This report also proposes alternative funding options relating to Dot London earned revenues [redacted] the income receivable by the GLA would be as follows :

- Option 1, 3
  2015/16 nil
  2016/17 £900,000 L&P retains up to £1m (status quo)

- Option 2, 4
  2015/16 nil
  2016/17 £0 - £900,000 L&P retains in excess of £1m - proportion of surplus revenue to be agreed

- Option 5
  variable, depending upon actual income
  L&P funding is £11.66m, reduced by revenues below projected level, or increased by revenues above projected level (proportion of surplus revenue to be agreed)

- Option 6
  2015/16 nil
  2016/17 nil
  L&P funding is capped at £11.66m

7.6 The report recommends option 4, but with all Dot London earned revenues retained by L&P. This is a worse position than the status quo, under which the GLA would receive £900,000 in 2016/17.

7.7 The GLA is currently seeking efficiency savings. The loss of expected income at this time could potentially be considered as growth.

7.8 [redacted] No grant is proposed in respect of 2017/18.

7.9 This report also asks for a decision relating to the drawdown of 2016/17 L&P grant into 2014/15 to seed fund commercial initiatives. In July 2014, following a request from L&P, the GLA agreed in principle to allow L&P to draw down an advance grant of up to £1m, subject to IPB endorsement and Mayoral Decision.

8 Legal Comments

8.1 The recommendations set out at Section 1 of this report appear broadly to fall within the GLA's powers to such things as may be considered facilitative of, conducive or incidental to the: discharge of its duty to promote tourism to, in and through Greater London and promotion of economic development and wealth creation in Greater London.

8.2 Officers must ensure that:

- if IPB approves the recommendations in principle, appropriate authority (by way of MD/DD as appropriate) is sought before proceeding further;
- they liaise with TFL Legal and the GLA's Finance team to enable the proposed funding arrangements to be structured so as to comply with all applicable domestic and EU legislation including (without limitation) that relating to State aid; and
- the relevant funding agreement is varied in accordance with the process for and documented as set out in that agreement.

8.3 The GLA must comply with the principle that an incumbent administration should not unreasonably fetter the discretion of any future administration. Officers must ensure therefore, that any extended funding agreement contains a termination for convenience provision to enable the GLA to remove its ongoing support should any new Mayor wish.

9 Next steps

9.1 The next steps following consideration/in-principle approval by IPB are summarised below:

Activity	Timeline
Any subsequent approvals i.e. MD or DD [if applicable]	
Procurement of contract [for externally delivered projects]	
Announcement [if applicable]	
Delivery Start Date [for project proposals]	
Final evaluation start and finish (self/external) [delete as applicable]:	
Delivery End Date [for project proposals]	
Project Closure: [for project proposals]	

Appendices:
Appendix 1 - L&P IPB submission
Appendix 2 - Agreement to seed fund from 2016/17 budget
Appendix 3 - Excerpt from L&P's Board Meeting, 18 September 2014 setting out the notes from a conference call with lawyers about commercial income sources
Appendix 4 – Commercial Strategy

COMMERCIAL IN CONFIDENCE – NOT FOR PUBLICATION
LONDON & PARTNERS' FUNDING 2015-2017

1. Purpose

The Investment Promotion Board is asked to consider the GLA grant for London & Partners (L&P) for the financial years 2015-16 and 2016-17.

2. Executive Summary

- **L&P is an efficient and effective company**, which delivers greater returns on investment than national/ devolved counterparts and leverages considerable non-GLA grant resources. This track record is clearly measurable.

- L&P is in the first year of a **new three year strategy** that deliver jobs and growth now and continues to build London's international reputation for the future.

- Over the next three years it is anticipated that L&P's activities will attract 14,000 new jobs and £850m of GVA (the best measure of economic growth).

- According to the LEP's draft economic development plan for London, **the Capital will face tougher competition and more uncertainty** in the years ahead. Sustaining its performance as the destination of choice for investors, visitors and students will be critical to its future success. L&P plays an important role in this area.

- Recent Deloitte research, which benchmarked London's competitive position, found that **L&P is significantly under-resourced compared to counterparts in London's main competitor cities**.

- Additional resources would allow **L&P to deliver more for London** in line with the LEP's draft economic development plan.

- We understand an increase in GLA funding in the short term is unlikely. Therefore, in order to provide additional resources, L&P has developed a new commercial strategy which aims to **double commercial income over the next three years** from c.£6m to c.£12m.

- However, key to the delivery of this commercial strategy is L&P's ability to leverage our grant funding and associated activities. Therefore it is **vital that the GLA grant to L&P is maintained at current levels**.

- The company needs to **invest in order to grow its commercial income** and it is, therefore, required to bring forward some grant funding from 2016/17 to this year.

- In addition, the **GLA can support L&P's commercial strategy** in a number of ways: allowing it to maximise existing assets (Dot London) and leverage/ monetise other assets within the wider GLA family – such as land/ buildings, expertise and advertising space.

- On the basis of the above, maintaining the GLA grant at the same level for the next two years, whilst supporting the company to achieve its commercial objectives, will help the organisation to continue to scale up to a more appropriate level to respond to London's future challenges.

LONDON & PARTNERS

3. Effectiveness and Efficiency

L&P now has a track record of delivering jobs and growth for London. During the first three years of operation, the company attracted investment which created 13,079 new jobs, attracted visitors and students who supported a further 6,063 jobs and its activities generated over £605m additional GVA[1].

L&P delivers value-for-money interventions for the GLA. Over the last two years, L&P's overall activities have generated £525m GVA and 8543 new jobs, with a return on investment of 13.5:1. This compares favourably to other economic development activities funded by the GLA and national agencies, for example the GREAT Britain marketing campaign delivered a ROI of 8:1.

Highlights over the period include:

- Establishing a new and **innovative business model** for promoting the city under a single brand
- **Capitalising on the Olympics** to showcase London to the world, by hosting 200 overseas business leaders; running a Media Centre for 8,000 international journalists and delivering a leisure tourism marketing campaign ("*Limited Edition London*") to help mitigate displacement due to the Games year.
- Running London's **most successful ever leisure tourism marketing campaign** (*"The London Story*") which, capitalising on Olympic coverage, reached more than 170 million people
- **Securing high profile congresses** (including the world's largest medical congress - the *European Society of Cardiology* in 2015) which helped London move from 14th to 6th in international city rankings; and creating new major events such as *Prudential RideLondon* (which L&P and TfL co-own) and *London Technology Week* (which L&P, ExCeL and UBM co-own).
- Promoting London as the best place for business, supporting **successful Mayoral trade missions** and **assisting London's regeneration** (identifying ABP, Wanda and other international investors)
- Developing a new partnership model with 16 London universities to **promote the Capital's strengths as a higher education destination**
- Launching the **Dot London city domain** - the most successful geographic top level domain to date.

Moreover, £2m efficiency savings were made during L&P's first year of operation, compared to the three former agencies. L&P's discretionary overhead costs have subsequently reduced by a 9% in 2012/13 and 5% in 2013/14.

L&P has also reviewed areas of the business which were sub-optimal and re-structured where necessary to bolster skills and expertise, most recently in the areas of PR, comms and external relations. As a result, L&P recently became Mediacomm's most efficient client, with a lower CPT (cost to reach one thousand people or households) than any other client. Moreover, L&P recently received an 80% stakeholder approval rating and 91% staff satisfaction rating.

[1] Working closely with GLA Economics, the organisation has developed a rigorous methodology for tracking the impact of its activities that has been recognised as being more robust than key comparator cities. As a result, unlike its national counterparts, it can accurately claim its <u>direct</u>, <u>additional</u> contribution to the London economy.

4. Future Strategy

Earlier this year, to align more clearly with GLA priorities and reflect the views of wider stakeholders, L&P refreshed its Corporate Strategy.

As a result, the company is now focused on four objectives:

1) Create additional jobs and growth for London, by convincing visitors, students and businesses to come to London now

L&P is rigorously targeting its sales and promotional activities and its scare resources in order to attract more jobs and growth by focusing on priority markets and sectors. L&P is also supporting the GLA in other areas including attracting international developers and institutional investors for regeneration projects and supporting the Mayor's export programme.

2) Strengthen London's reputation so more visitors, students and businesses choose London in the future

L&P is now dedicating more time and resource to build London's reputation in three critical areas; as a cultural powerhouse, as a world-leading centre for tech, and as a rapidly growing hub for life sciences.

3) Secure support and active engagement from institutions, businesses and high profile individuals with an interest in London

Given L&P's limited resources, the company is working more closely with businesses and organisations which share its economic objectives. In particular, we are now working more closely with Visit Britain, UKTI, the GREAT Britain Campaign, ExCeL and London BIDs and boroughs and developing strategic partnerships with private sector companies and well-known brands.

4) Establish L&P's reputation as a world leading promotional organisation

As international competition for investment and tourism becomes more intense, it is vital that L&P remains ahead of the game. The company is currently implementing strategies to generate significantly more commercial income and make it more agile and innovative. It is also implementing a strategy to become one of the UK's top 100 best companies.

5. London's Competitive Position

London First is funding the development of an economic development plan for London to 2036. The draft findings highlight the importance of international promotion to the city's future success:

- **Tourism and jobs growth**: London's tourism sector has performed well since the 2008 economic crisis (growing by £2.4bn, 2009-2012) and is an important source of jobs across the skills spectrum, which can support the city's goal of making future growth inclusive. In addition, London is the UK's strongest brand for international visitors. London's attractiveness benefits the UK as a whole – with 88% of visitors to London reporting that they would not otherwise have visited the UK.

- **Sectoral Diversification**: Post-financial crisis, London has become more reliant on other growth sectors: tourism, technology and creative industries are now driving jobs growth. London is emerging as Europe's "tech" and creative capital – but these positions are not yet secure, as London's tech economy remains focused on early-stage start-ups.

London now needs to cement and extend its lead as the most innovative city outside North America, by helping these start-ups to scale-up.

- **Foreign subsidiaries and HQs**: London's position as a 'command centre' for the global economy has also been critical in driving jobs and growth for the Capital and the wider UK. The city is currently the number one destination for foreign corporate subsidiaries, attracting 36% of all projects into the UK in 2013. However, London's fundamental strengths – of location, language and rule of law – are being diminished as the global economy shifts east. Going forward, the city will have to work harder to sustain its appeal as a premier choice destination for global business (and talent).

The LEP economic development plan's draft findings indicate that London is not currently investing sufficiently in markets with future potential growth in investment, tourism and education (particularly in Asia). In addition, what helped London attract businesses, visitors and students in the past, may not make it successful in the future, given new target markets and competitors. Furthermore, the Capital's role in driving economic growth across the UK is not widely understood.

6. Benchmarking the effectiveness of London's promotion

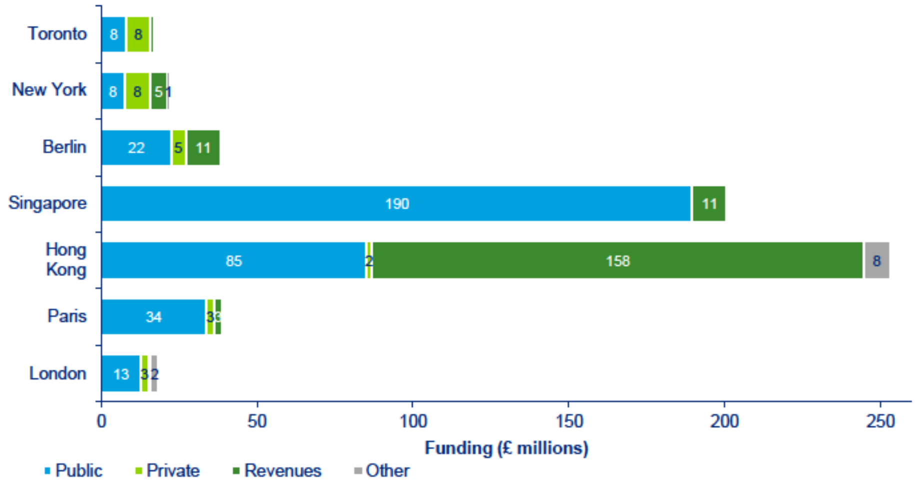
With L&P's support, London First has commissioned Deloitte to benchmark London's promotional system (structures, strategies, funding, effectiveness) against other leading world cities. Draft findings suggest:

- **Horizontal integration is a potential source of competitive advantage** – The Mayor's decision, in 2011, to create a single promotional company with a wide remit covering FDI, tourism, major events and international students offers strong synergies and is a source of competitive advantage. L&P's advanced evaluation system also makes it better able to target resources on initiatives which generate the greatest return.

- **Coordination with national and London agencies is challenging** – L&P has limited ability to encourage other London and national players to combine resources and activities in order better to promote the Capital. The situation is starting to improve at the national level, as national agencies increasingly recognise the role London and L&P can play in driving investment and tourism to the rest of the UK.

- **London's promotion lacks firepower** – L&P is under-resourced in comparison to other cities' promotional agencies (Figure 1). Moreover, L&P's funding has been diminishing while funding for other agencies has increased (Appendix 1). L&P's relative lack of funding and an absence of assets which L&P can monetise, are limiting its ability to raise private sector funding and other commercial revenues.

Figure 1: Sources of income of city-level promotional agencies



Source: Deloitte analysis based on agency accounts.
Notes: New York income is only for leisure tourism promotion.
L&P is unique in promoting educational opportunities.

7. A Strategy to create higher funding levels from commercial sources

Higher levels of funding would not only allow London to compete more effectively with its top competitors, it would deliver a significant uplift in jobs and growth, while enhancing London's reputation at a time when the city's international position is under threat.

L&P recognises that additional grant funding from the GLA is unlikely in the near future. [redacted] In particular, L&P will focus on the following areas:

Developing existing revenue:

- Generate significantly higher revenue from tourism partnerships
- Grow revenue from visitlondon.com

New income streams

- Dot London, deliver revenue from the successful operation of the Dot London registry
- Develop businesses, utilising Dot London premium names e.g. (tickets.london; hotels.london, theatre.london)
- Develop a city consultancy which monetises the demand from other world cities for London's know how
- Seek additional funding from central government (Visit Britain, UKTI, GREAT) and other public sources (e.g. EU funds).

Investing to grow

The company is entering an investment-for-growth phase. Business cases are currently being submitted to L&P's investment committee (a sub-group of the board). The majority of proposals will require seed funding, either in terms of staff or cash, as well as additional management focus. In the short term, the strategy will limit L&P's ability to attract more jobs and growth to London, but the company will continue to deliver at current levels.

The GLA has agreed in principle to allow L&P to draw down an advance of grant from 2016-17 of up to £1m, which will allow sufficient time for the new activities to recoup their investment.

Appendix 2 contains details of required funding of £470k for the first two work steams – growing the revenue of visitlondon.com and piloting the city consultancy.

Dot London Revenues

A straight-forward way for the GLA to enable L&P to grow resources for international promotion would be to amend the current agreement in relation to profits generated by the Dot London registry to allow L&P to retain the profits generated. Under the current arrangement with the GLA, L&P would keep the first £1m profit, but would then not benefit from any further/ future profits.

[redacted]

Allowing L&P to retain the profits would not impact on the GLA's budget as we understand that no income has yet been allocated. Giving L&P certainty now that it can retain the profits is the best way of motivating its subsidiary company to maximise the returns.

GLA Support

In addition, as highlighted by Deloitte's research, other international city promotional agencies have greater access to their cities' assets, be that access to the Mayor, public advertising space, use of venues and land, etc. The GLA could play a role co-ordinating the GLA family's approach to commercial activities to give L&P a larger share, including sponsorship requests to major brands, allocation of assets, and ensuring commercial strategies of the differing agencies are complementary and not competitive.

Last year, for the first time, L&P was given access to tube advertising space (in exchange for promoting Oyster cards.) It was able to "swap" this space for more than £1m of media in New York City. The media swap deal was highly successful, but took many months to negotiate with both TfL and the GLA. Agreeing an allocation of advertising assets upfront when TfL is agreeing its contract with its media partner would assist in this area.

L&P is seeking the GLA's support for its commercial strategy. Firstly, the principle: that the GLA sees the value of the strategy and is committed to assisting L&P in raising additional income for international promotion. And secondly, practically: to assist in discussions with TfL (and the wider London family), in developing strategic partnerships with major brands, and in the development of the city consultancy.

8. What can be delivered with greater resources

We have identified the following additional activities which we could deliver with enhanced funding, all of which are aligned to the emerging findings of the LEP economic development plan.

<u>Building London's Reputation</u>

- Joint L&P/UKTI/business marketing campaigns around high tech and life sciences research clusters
- Grow the *London Technology Week* event, by adding a consumer festival and inward trade missions

- Original research, white papers, events and conferences which reinforce London's leading global position.

Leisure tourism
- Deliver "Beyond London" tourism campaigns in conjunction with the GREAT Campaign, Visit Britain, regional DMOs and UK travel and hospitality businesses
- Promote London in high growth markets (e.g. Latin America, South East Asia)
- Replicate the successful "*London Autumn Cultural Season*" campaign with a second season in spring 2015.

Conventions and meetings
- A marketing campaign to build London's reputation in high growth markets (e.g. China)
- Developing spousal and extender packages to generate more value from business visits
- Proactive targeting of more corporate meetings, which are less price sensitive (during a time of high hotel rates)

Major events
- Seed-fund "aggregate events", such as an annual Light Festival

Trade and Investment
- Deliver activities with outer boroughs to attract high value manufacturing, logistic and similar investments to outer London
- A proactive campaign with UKTI and EY to attract European HQs and healthcare-related investment
- Increased, in-market resources in priority and growth markets (USA, India, China, Korea)

Property regeneration
- Developing more compelling propositions and building a dedicated sales team to promote the Mayor's infrastructure plan and property regeneration opportunities

International students
- A proactive approach to growth markets (Brazil, Turkey, Nigeria) and emerging markets where London is currently largely absent
- A concerted marcomms campaign in India to reverse a recent, one-third drop in student numbers
- A campaign with London's leading universities to boost the Capital's profile as the world's leading higher education city, specifically aimed at beating US cities which currently have this reputation.

9. Future Budget projections

We have prepared indicative budgets for L&P for the next three years (Appendix 3).

Income assumptions are based upon:

- Grant funding of £12m per annum from the GLA (assuming a proportion of funding for 16-17 has been pulled forward to 14-15 to pump prime commercial activities)

- Commercial income including realistic forecasts for new commercial ventures (targets will be set at a higher level with activities ring-fenced until the funding is realised)
- L&P retaining all the projected revenue from running the Dot London registry.

Based on these assumptions, L&P's income will increase from £18.7m in the current year to £24m over the next three years.

LONDON & PARTNERS

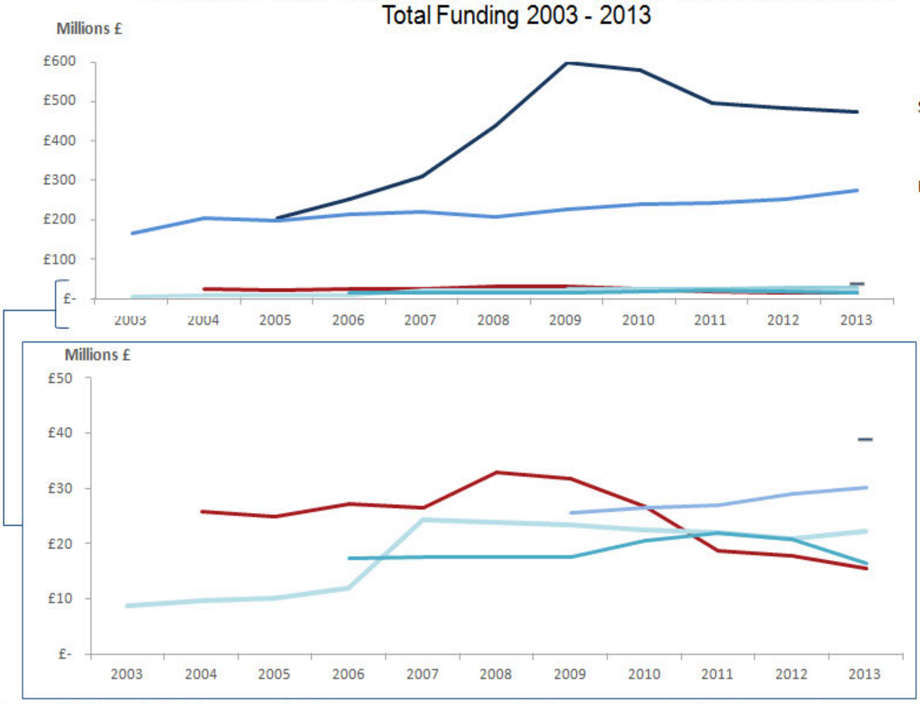
Appendix I

London's ability to Compete against other major Cities is slowly eroding

- In 2013 all major competitor cities have more total funding at their disposal than London
- Over the last 10 years, 4 out of 6 of London's main competitor cities have increased their budgets
- In the same period London's funding decreased by 40%

London's 6 main Competing Cities have greater funds than London

Total Funding 2003 - 2013



City	5yr Change	10yr Change
Singapore	-21%	+130%
Hong Kong	+21%	+65%

City	5yr Change	10yr Change
Paris	N/A	N/A
Berlin	+18%	+18%
NYC	-5%	+156%
Toronto	-6%	-5%
London	-51%	-40%

Sources: L&P Finance, BerlinPartner, www.visitberlin.de, www.nycgo.com, www.seetorontonow.com, www.investtoronto.ca, www.mof.gov.sg, www.budget.gov.hk, info.hktdc.com, www.discoverhongkong.com

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LONDON & PARTNERS

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Notes:

- Future figures are illustrative and will be finalised as part of the annual business planning rocess. All future grant allocations will be agreed with the GLA before the start of each financial year.
- The deficit shown in 2013/14 is due to the GLA's decision that L&P should no longer hold reserves. Instead, the GLA now holds a provision to cover L&P's closure costs. As a result, the GLA reduced its grant to L&P and L&P spent its reserves in 2013/14.
- A greater amount of grant was allocated to programme spend in 2013/14 because the reserves were utilised to fund operations costs.
- We have forecast funding from HM Government, through the GREAT campaign, from 2015/16. In particular, we have forecast £2m funding that year, with a prudent reduction to £1m in future years, (as funding for the GREAT campaign for future years will not be agreed until after the election).
- A proportion of GREAT campaign funding will be required to be spent on leisure tourism marketing activities, so we have allocated less grant income to this business line in 2015/16. Our commercial strategy will also see us attracting more private sector funding for tourism marketing activities so cash expenditure on these activities will not decline.
- L&P's commercial earnings include partnership fees, digital income, secondment income, rental income, new commercial projects (after tax) and income from the Dot London registry.
- L&P's ring-fenced earnings include private sector funding and donations-in-kind that are spent on specific activities, such as leisure tourism marketing campaigns, business tourism trade shows and our FDI "touchdown" programme.
- L&P's operations costs will rise slightly over the period, due to increases in rent and salaries and larger depreciation costs (which will be offset by higher income from sub-leasing office space and our new TravelTech Lab, amongst other things).

Appendix 2

Agreement to seed fund from 2016/17 budget

In July 2014, L&P and the GLA came to the following agreement, based on L&P's request to draw down an advance of grant for 2016-17 to help seed fund commercial initiatives in the current financial year that will generate returns in future years. The GLA stated that it could agree to the arrangements, as part of its shared and long-standing aims to improve the commercial income to London & Partners and reduce dependency from the public purse, but subject to the following caveats:

- Funding must be drawn down on a project-by-project basis on the receipt of detailed business cases, including information about how funding has been reprioritised within L&P's existing envelope and how plans have been developed to maximise efficiency.
- A timetable for implementation and the forecast profiling of the new additional income which would stem from each activity must be submitted.
- Each request must be endorsed by IPB and approved by the Mayor.