

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2541

London Business Rates Pool – Strategic Investment Pot Funding Allocations 2019-20

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 2019-20. This is the second year that London has piloted operating a business rates pool. The 2019-20 pilot was based on a reduced 75 percent retained business rates income over and above the business rates baseline set by central government.

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

For 2019-20 the SIP is estimated at £27m. In addition, £12.8m is unallocated from the 2018-19 funds. However, the level of benefit cannot be guaranteed and so the SIP Panel have recommended an allocation of approximately 90% of the estimated funds available.

The Strategic Investment Pot is distinct from the Mayor's own share of the net financial benefit of pooling (the Strategic Investment Fund/SIF) which is budgeted at £61.2 million for 2019-20, which will also be spent on strategic investment but is solely under the Mayor's control.

Decision:

That the Mayor:

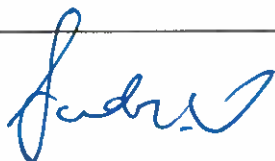
Agrees the allocation of £37.14 million from the London Business Rates Pool's Strategic Investment Pot to the projects recommended for funding as set out in the City of London Corporation's Strategic Investment Pot: Consultation Report, on the basis set out in section 2 and Appendix A of this report.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

18/11/19

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 which allowed 100% of business rates growth to be retained in the capital. This followed on from the partial GLA-only 67 per cent pilot in 2017-18. The Government confirmed in the 2019-20 provisional local government finance settlement that it would continue the London pilot for a further year, albeit at a lower retention rate of 75 per cent. The pilot will allow London to retain 75 per cent of the growth in business rates income in 2019-20 excluding revaluation growth. It will otherwise operate on the same basis as in 2018-19. The Mayor's agreement to the GLA's participation in the pool was set out in MD2407.
- 1.2. The local memorandum of understanding between the pool members which was signed by the Executive Director Resources on behalf of the GLA under the delegation given in MD2407 sets out the arrangements for distributing the additional growth arising from the pool including the 15 per cent proportion used for a Strategic Investment Pot (SIP) – the use of which is determined collectively by the Mayor and the other participating authorities albeit with the City of London Corporation ('the City'), as the lead authority of the pool, taking the decisions in law.
- 1.3. Separately to the SIP, the Mayor has also created a Strategic Investment Fund (SIF) using the GLA's share of the additional growth resulting from the creation of the pool. A £112 million SIF was created in 2018-19 and projects were subsequently approved under MD2363, MD2493, MD2325 and MD2530. The unallocated sum from 2019-20 is £9m and an estimated further £60.7m has been budgeted available from the 2019-20 pilot. The allocation of funding from the SIF is under the control of the Mayor and is not subject to the collective decision-making requirements of the pool's SIP. The allocation of the remaining SIF funding will be subject to separate Mayoral approval in due course.
- 1.4. For 2019-20, the budgeted SIP is £25.7m, though the forecast at September 2019 suggests that the outturn might be £27.1m. Added to the £12.8m balance from last year, this gives a total of up to £39.9m which could be allocated. However, the level of benefit is uncertain and could reduce once the 2019-20 business rates outturn for all 33 local authorities is confirmed in summer 2020, and so the SIP Panel (see paragraph 1.7 below) have recommended an allocation of approximately 90% of the uncertain funds to ensure that there is not an over-allocation. This means circa £2.7m is proposed to be kept in reserve.
- 1.5. The process agreed in establishing the pilot pool reflects the absence of a statutorily recognisable mechanism for joint decision-making by the 33 billing authorities and the Mayor of London. The formal decision must therefore be taken by the Members of the Lead Authority (the City of London Corporation), subject to consultation with all participating authorities. For the recommended funding allocations from the SIP to be agreed for any project:
 - the Mayor of London and the majority (two-thirds) of the 33 billing authorities must agree to recommend approval of the project; and
 - if all the authorities in a given sub-region (as defined by the pool's MoU) do not recommend the project, it shall not be agreed.
- 1.6. The City, as Lead Authority is responsible for the operation of the SIP, and has made arrangements for inviting bids, evaluation and the preparation of this recommendation report. Following the 2018-19 bidding round, the Lead Authority consulted in March 2019 before finalising the timetable for 2019-20. Following requests from participating authorities, further consultation was undertaken in April

2019 on the draft guidance. This allowed bidders to begin work on their submissions in advance of the formal call for bids, which was issued in June 2019 to the Chief Executives and Treasurers of the 33 London billing authorities, the 2018-19 bidders, and the directors of the sub-regional partnerships. The deadline for submissions was in September 2019.

- 1.7. The bidding guidance explained the Lead Authority's intention that the evaluation would be carried out by a Panel of senior finance, regeneration, and service directors from the London authorities and GLA, and London Councils. This approach was designed to ensure that appropriate expertise and pan-London engagement was obtained for the evaluation method. This report is issued by the Panel and provides its recommended package of bids to be funded.
- 1.8. Boroughs could bid for funding individually or in groupings, although for grouped bids one borough – the accountable borough – had to submit the bid on behalf of the group. 18 SIP bids were received from 11 accountable boroughs for a total of £102m. All authorities (except the City) individually supported at least one bid, and the majority supported bids of at least £10m. In addition, support was also expressed through memberships of sub-regional group, with each sub-regional group either being part of the preparation and submission of bids, or identifying bids which as a group they support.

2. Objectives and expected outcomes

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

Projects Recommended by SIP Bid Evaluation Panel	Recommended Amount of Funding to be Allocated from Strategic Investment Pot £m
Crystal Palace Subway	2.34
Inclusive Growth: <ul style="list-style-type: none"> • Central London Inclusive Growth • Building an Inclusive Knowledge Economy 	8.00
London Cancer Hub	8.38
Supporting Sustainable Growth with 5G	0.15
West London Orbital and Strategic Growth	3.60
Croydon Creative Campus Phase 1	2.50
South London Knowledge Exchange	6.04
Local London e-Business for Growth	5.63
Lower Lea Valley Bridge Enabling	0.50
Total Recommended Package	37.14

- 2.2. Under the agreed terms of the pool the Strategic Investment Pot is to be spent on projects that:
 - contribute to the sustainable growth of London's economy and an increase in business rates income either directly or as a result of the wider economic benefits anticipated;
 - leverage additional investment funding from other private or public sources; and

- have broad support across London government in accordance with the agreed governance process.
- 2.3. As well as being in accordance with these agreed terms, the recommended SIP package is broadly in line with the Mayor's priorities. Officers from a range of policy areas from the GLA and TfL have had input into the evaluation process. In agreeing to this recommended package of projects the Mayor is supporting programmes that will directly grow London's business rates by providing new or refurbished commercial space, as well as ones which will indirectly generate growth by providing transport and digital infrastructure, supporting employment and businesses, and creating frameworks for development. A mixture of bids is included to achieve a balanced package: some are focused on a single, specific site and some have a much wider focus and potential impact. A successful allocation of funds will allow the various strategic investment projects to begin, and continue to demonstrate to Government that London government can cooperate and work together.
- 2.4. In making its recommendations, the evaluation panel used the following criteria that were outlined in the bidding guidance and used to evaluate the bids received:
- **Contribution of anticipated outputs to key economic growth priorities:** e.g. housing and planning; transport and infrastructure (including digital infrastructure); skills, employment and business support. This could be evidenced, for example, by quantification of anticipated outputs (increase in homes, commercial floor space, jobs, etc.) and by alignment with existing regional, sub-regional and local strategies.
 - **The anticipated scale of economic benefit,** both in absolute terms and, where appropriate, expressed as a ratio of anticipated return to investment required.
 - **The breadth of geographic impact** – with a presumption that the broader the area of impact the better. Whilst strong local bids will be considered under other criteria, there will be a preference for joint proposals, including but not necessarily limited to those from existing sub-regional partnerships, or which apply to the whole of London.
 - **The scale of match funding,** both in absolute terms and expressed as a ratio of funding from other public or private sources to SIP investment required. The presumption will be that – all other things being equal – proposals that command a greater level of match funding will be preferred.
 - **Delivery timescales:** no strict cut-off point is defined; however delivery timescales will be considered within the overall evaluation, with a presumption in favour of earlier completion (and therefore earlier economic returns), while ensuring an appropriate mix of recommended proposals between 'oven-ready' schemes and longer-term investment projects.
- 2.5. The bidding guidance also made clear that, though the criteria were chosen in part because they were capable of objective evaluation, there would also be a degree of judgment and interpretation required. There was also a need to assess the robustness and credibility of the estimates included in the bids. By way of specific consideration of the matters of judgement and interpretation which could not be objectively summarised from the bids, four areas were considered by the panel:
- **Deliverability** – an assessment of the likelihood of delivering the project (and any sub-projects) referred to in the bid, and doing so within the timeframe and resource base described in the bid documentation.
 - **Economic impact** – an assessment of the expected level of impact of the bid; considering, in particular, the two key aims of the SIP which were to directly increase business rates income and to increase business rates income indirectly as a result of wider economic benefits.
 - **Geographical impact** – a consideration of whether the bid would impact directly in just a specific locale, across a borough, a sub-region, or even more widely.

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

2.6. These four areas and the objective and comparative details of the bids were all considered and discussed by the Panel in forming its recommended package of bids.

3. Equality comments

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

4. Other considerations

4.1. *Links to Mayoral Strategies and Priorities*

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

4.2. *Key Risks*

One of the key risks is that one or more of the projects recommended by the evaluation panel cannot deliver the forecast benefits within the estimated total project cost set out in the bid(s). This risk has been partially mitigated through the panel, in making its recommendations, considering the deliverability of each of the projects within the timeframe and resource base described. The application process for 2019-20 specifically asked bidders to outline scalable options for delivery and the impact that a reduced funding award would have on outputs and outcomes.

- 4.3. A further risk is that business rates income at year end is less than the level of income forecast by the billing authorities and used to determine the level of resource available in the SIP. This has been

mitigated through the panel's recommendation that only 90 per cent of the total forecast SIP funding available should be allocated at this stage, as per last year.

- 4.4. There is also the risk that if the Mayor and 2/3 of the London local authorities do not agree to the recommended package, or if all the authorities in a given sub-region (as defined by the pool's MoU) do not agree to the recommended package, then the money in the SIP will remain unspent. This risk has been mitigated through ensuring broad representation on the SIP evaluation panel, with the panel being made up of senior finance, regeneration, and service directors from the London authorities, the GLA and London Councils. GLA officers have been closely involved in the process both before and throughout the City of London Corporation's consultation of pool members. Notwithstanding, should the required agreement thresholds not be met then the City of London Corporation will need to consider all consultation responses and make a new recommendation on the package of programmes to be given SIP funding, which will require further consultation with pool members and cause a delay in providing funding to programmes.
- 4.5. There are no conflicts of interest to declare for anyone involved in the preparation of this decision.

5. Financial comments

- 5.1. Based on the latest forecasts available, it is thought unlikely that a shortfall will arise in the forecast funds available in the pool's Strategic Investment Pot. However, in order to mitigate against the unlikely possibility of the SIP being over committed as a result of any shortfall once the 2019-20 outturn data is confirmed in summer 2020, only 90 per cent of the forecast funds available in the SIP are being committed at this stage. If there was a shortfall in the funds available in the SIP, and this could not be dealt with through reducing the committed allocations from the SIP, then this would have to be met collectively by all pool members through a reduction in the business rates growth available for allocation across the pool members.
- 5.2. Conversely, if forecasts under-estimate the level of business rates income collected in 2018-19, once the final business rates outturn reported by the boroughs and the City is confirmed, there will be additional funding available for the SIP. Due to delays in the external audit for several London boroughs the final 2018-19 business rates outturn is not expected to be confirmed until early 2020. If any such surplus arose in respect of 2018-19, the allocation of the remaining 10 per cent of the forecast funding not yet committed, and any additional growth, would be subject to a separate decision-making process.
- 5.3. As set out in the body of the report, the London pool's Strategic Investment Pot is entirely separate from the Mayor's own £173 million Strategic Investment Fund that has been established using the GLA's share of the net financial benefit of pooling. The Mayor has full control over his Strategic Investment Fund without the need for the collective decision-making requirements applicable to the London pool's Strategic Investment Pot.

6. Legal comments

- 6.1. The decision the Mayor is recommended to take regarding the allocation of £37.14 million from the London Business Rates Pool's Strategic Investment Pot on the projects recommended for funding set as out in the City of London Corporation's Strategic Investment Pot: Consultation Report is consistent with the Mayor's powers under section 30 and 34 of the GLA Act 1999 as being likely to promote the social, environmental, economic development and wealth creation of London.

7. Planned delivery approach and next steps

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

Activity	Timeline
All pool members submit their response to the City of London Corporation's consultation on the use of SIP funds	November 2019
The City of London Corporation's intention is that based upon the outcome of the consultation it will take a formal decision on the allocation of SIP funding at its Policy and Resources Committee.	December 2019
Projects commence delivery	April 2020 onwards

Appendices and supporting papers:

Appendix A - Details of Bids Recommended for Approval by Strategic Investment Pot Bid Evaluation Panel

Appendix B - Data on Total Bids Received for Strategic Investment Pot Funding

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral

Is the publication of Part 1 of this approval to be deferred? YES

Proposals should not be published until the City of London Corporation takes its formal decision on the allocation of SIP funding at its Policy and Resources Committee on 19 December 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:

Patrick Dubeck has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

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

✓

Mayoral Adviser:

David Bellamy has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on the 18 November

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Alce

Date

18.11.19

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

18/11/2019.