



Agenda item	8
Briefing Title	London Business Rates Pilot – Strategic Investment Pot
Date	23rd March 2018
Author	Interim Local London Director

Briefing Objective:

To consider how to respond to the emerging opportunity to bid to the proposed Strategic Investment Pot for resources in support of Local London borough's objectives .

Introduction

1. Under the agreed terms of the London 100% Business Rates Retention Pilot Pool, 15% of the net financial benefit of pooling – currently estimated at c£55 million – is reserved for the Strategic Investment Pot (SIP), 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. London Councils is now considering how these moneys will be allocated in 2018/19 and are expected to confirm the process in the near future.
3. Local London, and the Local London boroughs, needs to give early consideration to the potential to bid into the SIP as the timetable for bids at present under discussion at London Councils leaves a comparatively short amount of time to respond – currently it is understood that bids will need to be submitted by the 31st May 2018.

Operation of the SIP

4. The MoU governing the Pilot sets out that any decisions regarding the use of the Strategic Investment Pot will be taken by the City of London Corporation as the Lead Authority for the Pool, but in consultation with all member authorities. The



Lead Authority's decisions will reflect the principles designed to protect Mayoral, borough and sub-regional interests. These are that:

- i. both the Mayor and a clear majority of the boroughs would have to agree
 - ii. a clear majority of the boroughs would be defined as two-thirds of the 33 billing authorities (the 32 boroughs and the Corporation of the City of London), subject to the caveat that where all boroughs in a given sub-region disagreed, the decision would not be approved
 - iii. if no decisions on allocation can be reached, the available resources would be rolled forward within the Pot for future consideration at the next decision making round
5. The exact size of the fund will not be finalised until the 2018-19 accounts are closed. The proposal is therefore that there will be two bidding and allocation rounds: the first in October 2018 (for circa £44m) and the second for the balance of resources following the end of the financial year. If the pilot were to be extended by agreement between the boroughs, GLA and the Government, further rounds would be arranged.
 6. It is understood that the aim is to identify a package of 5-10 projects addressing a range of priority issues and areas to promote economic growth. Bids can be for either capital or revenue.
 7. The current proposal under consideration is that bids are to be invited from boroughs, or groups of boroughs, and will be judged against the following criteria:
 - i. **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.
 - ii. **The anticipated scale of economic benefit**, both in absolute terms and, where appropriate, expressed as a ratio of anticipated return to investment required.
 - iii. **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.
 - iv. **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.
- v. ***Delivery timescales:*** No strict cut-off point is proposed; however delivery timescales will be considered within the overall evaluation, with a presumption in favour of earlier completion (and therefore earlier economic returns) but ensuring an appropriate mix of recommended proposals between “oven-ready” schemes and longer-term investment projects.
8. The Lead Authority will undertake the evaluation of bids and formulate its recommendations, supported by a panel of advisors drawn from senior finance, regeneration and service directors from the boroughs, London Councils and the GLA
9. An indicative timetable for the process is provided in **Appendix A** – it is important to note that this is not yet agreed and may change.

Responding to the SIP Opportunity

10. The comment has been made to London Council officers that the timescale for the submission of bids is both very tight and also unfortunate in coinciding with the period of the local elections.
11. The SIP presents an opportunity for Local London boroughs to access additional funding which could be used in pursuit of its ambitions for inclusive and sustainable growth in Local London. However, there is limited time to consider, select and develop proposals. The LLSEB is the early stages of identifying projects which would meet the criteria and would be able to deliver across the all the Partnership, in particular the skills elevator project addressing the needs of low pay, low skill in-work residents. However, for such revenue projects there is a major challenge in identifying match funding (unless ESF were used). Capital projects with existing funding commitments may be easier to identify but there would then be the challenge of demonstrating their benefit across more than one borough.
12. Given the scope of the funding opportunity it is proposed to refer the opportunity to the Growth Directors Board for consideration. However, if one of more projects were to be forthcoming there would be a need for the Partnership to consider its support or otherwise for them in order to make sure the bid was as strong as possible. This would imply either a special meeting of the Partnership or an agreement to an email sign-off process.

Recommendation

The Strategy Group is asked to -

- a. Refer to the opportunity of the SIP to the Growth Directors Board
- b. Consider how the Partnership should arrive at a view on bids that emerge in Local London given the timescale for decision making.



Appendix A

Action	
Letter from Lead Authority to pool member authorities setting out criteria, process and timetable for proposals to be submitted.	March
Proposals submitted to Lead Authority	31 May
Summary report complete	25 June
Informal “green paper” summarising the bids despatched to Leaders and Mayor	2 July
Congress of Leaders and the Mayor	10 July
Evaluation of bids complete	24 July
Lead Authority circulates evaluation report and recommendations for consultation	31 July
Consultation response deadline	14 Sept
Report to Leaders Committee and the Mayor of London despatched	1 Oct
Leaders Committee	10 Oct
Lead Authority Decision	Oct 2018