OVERVIEW AND SCRUTINY COMMISSION

Date: 14 November 2018

Subject: London Pilot of Business Rates Retention

Lead officer: Caroline Holland – Director of Corporate Services

Lead member: Councillor Mark Allison – Deputy Leader and Cabinet Member for Finance

Contact Officer: Roger Kershaw

Recommendations:

1. That the Overview and Scrutiny Commission discusses and comments upon the details provided on the London Business Rates Pilot Pool and Merton's participation in it.

1. Purpose of report and executive summary

1.1 This report sets out details relating to the London Business Rates Pilot Pool and Merton's participation in it. It discusses the basis on which the pool operates and provides an update on how the pilot is progressing in 2018/19.

1.3 It provides the latest information available regarding the potential continuation of the pool in 2019/20 and sets out the possible implications for Merton's Medium Term Financial Strategy.

Details

2. Background

2.1 At the meeting on 17 July 2018, Overview and Scrutiny Commission agreed its work programme for 2018/19 and this included a report updating Members on the London wide Business Rate Retention pilot including the financial implications for the Council's medium term financial strategy.

2.2 The report sets out the reasons why the London business rates pilot pool was formed in the first place (past), the details relating to the current pilot pool (present) and how the pilot pool might develop in the next year and beyond (future).

3. How the London Pilot Pool originated

3.1 The London Business Rates Pilot pool was approved by all London boroughs, the GLA, and central government and announced in the Provisional Local Government Finance Settlement 2018/19 in December 2017.

3.2 The origins of the pool date back a number of years when the Government published its formal proposals for business rates retention in December 2011 following wide consultation. Prior to introducing the scheme the Government worked extensively with the local government sector in order to design the new business rates retention scheme and produce the 2013-14 local government finance settlement.

3.3 Since 2013/14, business rate retention has been the subject of various changes, and has also been hampered by lack of clarity regarding future proposals to move to 100% Business Rates Retention.

3.4 The GLA partially piloted 100% retention in 2017-18, including the rolling-in of RSG and the former TfL capital investment grant. This meant that London local government retained 67% of its business rates income in 2017/18, consisting of a 30% local share for London billing authorities, a 37% share for the GLA, and a 33% central share. The 2017-18 retention scheme is therefore referred to as the “67% scheme”.

3.5 Details of how Business Rates retention has evolved to where it is now are set out in Appendix 1.

4. Current London Business Rates Pilot Pool 2018/19

4.1 The Government formally confirmed its commitment to establishing a 100% business rate retention pilot in London for the 2018/19 financial year in the Autumn 2017 Budget. This was agreed by a memorandum of understanding (MOU) signed by the Chair of London Councils, the Mayor of London, the Minister for London and the Secretary of State for Communities and Local Government. The principles between the Government and London Government under which the Pilot Pool is operating are set out in Appendix 2.

4.2 In addition, there is a separate MOU between the 34 London pooling authorities (32 London boroughs, City of London Corporation, and the GLA) that sets out the key principles that underpin the London pooling agreement. These are set out in Appendix 3.

4.3 Why join the pool? The benefits of pooling

The net financial benefit of pooling consists of retaining 100% of growth (rather than the “67% scheme” that applied in 2017/18), and in not paying a levy on that growth (which tariff authorities and tariff pools currently pay). The principle means that any aggregate growth in the pool overall because of the increased retention level will generate additional resources to share, with each pooling member benefitting to some extent.

In return, London boroughs will receive no Revenue Support Grant and for Merton, the level of Revenue Support Grant forecast in 2018/19 as part of the four year Settlement was £10.1m.

At the time the decision to enter the pool was made, the net financial benefit to participating in the pool in 2018-19 was estimated to be in the region of £240 million, based on London Councils’ modelling using boroughs’ own forecasts. Merton’s share of this was estimated to be £3m.

Basis of Distribution
Both the pooling agreement and the pilot MOU set out how the pool members have agreed to redistribute any net collective benefit from the pool, above what each pool member would have received under the existing scheme.

The pooling agreement sets out the principles and method for distributing any net financial benefits that may be generated. The principles are based on four objectives agreed by Council Leaders and the Mayor:

- incentivising growth (by allowing those boroughs where growth occurs to keep some proportion of the additional resources retained as a result of the pool)
- recognising the contribution of all boroughs (through a per capita allocation)
- recognising need (through the needs assessment formula); and
- facilitating collective investment (through an investment pot designed to promote economic growth and lever additional investment funding from other sources).

The basis of distribution is that:-

a. 15% of any net financial benefit will be set aside as a “Strategic Investment Pot”;
b. the remaining 85% net financial benefit not top-sliced for the investment pot will be shared between the GLA and the 33 billing authorities (the 32 boroughs and the Corporation of London) in the ratio 36:64. Boroughs’ shares will be distributed based on shares of three further pots representing different priorities, using the following weightings of the overall total
- Incentives pot (15%)
- SFA (needs based) pot (35%)
- Population pot (35%).

4.4 In summary, what will be retained by each authority in 2018-19 is:

a. the calculated amount that they would have received including levy or safety net payments and any section 31 grants under the 67% scheme;

plus

b. their estimated share of the net financial benefit as a result of pooling.

4.5 Cabinet on 11 December 2017 agreed that Merton should participate in the London Business Rates Pilot Pool for 2018/19 and at that time it was estimated that (b) would provide Merton with £2.4m as its estimated share of the net financial benefit as a result of pooling

4.6 The calculation of (b), the estimated share of the net financial benefit as a result of pooling is done in five steps and the details of this calculation are set out in Appendix 4.

4.7 As with other existing pools, it is a statutory requirement that a Lead Authority acts as the accountable body to government and is responsible for the administration of the pooled fund. The City of London is the lead authority for the London business rates pool in 2018/19. The standard responsibilities of the lead authority are set out in the Memorandum of Understanding (Appendix 3).

4.8 A chart outlining the main cash flows arising from operation of the pool is provided in Appendix 5.

5. Estimating, Monitoring and Reconciling Business Rates Cash Flows

5.1 <u>NNDR1</u>

Before the creation of the London Pilot Pool Merton, along with other local authorities estimated its annual yield from Business Rates using the Government Return “NNDR1”. The NNDR1 is a budget based return and collects information on the Council’s estimated business rates for the forthcoming year and this also includes all relevant details such as transitional protection, costs of collection, mandatory and discretionary reliefs. The form also includes a review of the year in progress and estimates a surplus or deficit anticipated at year end. The form calculated amounts of Section 31 grant due and determined the business rates allocations between the Government, GLA and the Council using the agreed proportions. This form remains in use for the pilot pool but the forms for each authority are aggregated to produce estimated allocations as discussed in Section 4.

5.2 <u>NNDR3</u>

Following the closure of accounts for the year in question the NNDR3 form collects information on actual business rates collected, taking into account transitional protection, costs of collection, mandatory and discretionary reliefs etc. The NNDR3 refers to the entire historic rating liability and reflects corrections to the amounts provided for in the estimates (NNDR1) process. They are audited as part of each Council’s final accounts procedures. The year on year differences between estimate and actual are accounted for via the Council’s Collection Fund Account. This form remains in use for the pilot pool but the forms for each authority will be aggregated to produce final allocations as discussed in Section 4 and will produce a balance on the Pilot’s Pooling Account which will need to be fully reallocated when the Pool is eventually wound up.

5.3 NNDR2

The forecast is based on estimates and the final actual amount will not be known until after NNDR3 forms for 2018-19 are collected and audited. As the impact of changes can be significant, especially for the sums available in the Strategic Investment Pot, intermediate “NNDR2” forms have been issued 2018 to keep an accurate and updated view.

Monitoring has been identified as an important requirement and the NNDR2 has been issued to provide the leading authority with a mechanism to achieve it. The London pilot pool is of unprecedented size and is also complex in nature, having: 33 billing authorities, a complex mechanism for the distribution of pooling gains including a no detriment guarantee, and a Strategic Investment Pot (SIP).

The NNDR2 form has been designed to collect monitoring information across two time periods:

- “Year to date” showing the actual position to date, and
- “Forecast year end” showing the forecast at 31 March 2019.

6. Merton’s Potential income from the London Pilot Pool 2018/19

6.1 Given the uncertainty and level of complexity surrounding the London Pilot Pool figures when the Budget for 2018/19 was being set, it was decided that it would be prudent to budget for Business Rates income at the “No worse off” level. Merton’s budget for 2018/18 for Business Rates is £47.611m

6.2 The latest estimate from the leading authority for Merton’s potential share of net benefit from participation in the pool is as follows:-

	£m
Net retained rates under existing "67%" system	36.7
RSG rolled-in	10.1
S.31 grants not built into net retained rates above	0.8
"No worse off" level	**47.6**
Share of total net benefit to the pool	**3.3**
Retained income under pool in 2018-19	**50.9**

6.3 In addition to the above, 15% of the growth has been set aside for the Strategic Investment Pot (SIP) and Merton will benefit from this. The SIP is discussed in more detail in Section 7.

6.4 As indicated in Section 5, the final position for 2018/19 will not be known until mid-2019 once all London Boroughs, the City of London and the GLA have submitted audited NNDR3 forms to the Government and leading authority, and the final allocations calculated. Any remaining balance on the pooling account will be distributed in the event that the London pool is discontinued or carried forward if the pool continues.

6.5 As part of the Business Planning process for 2019/20, there will be regular updates on the financial implications arising from the London Business Rates pilot pool and the outturn for 2018/19 will be reported as part of Merton's final accounts procedures.

7. Strategic Investment Pot (SIP)

7.1 As indicated in Section 4, 15% of any financial benefit arising from the London Pilot pool will be set aside in 2018/19 for Strategic Investment. The aim of the SIP is that individual pool members do not receive a direct share of this pot: instead it will be spent collectively on projects that will contribute to the sustainable growth of London's economy and lead to an increase in London's overall business rate income.

7.2 Details on the consultation process, lead by the City of London as leading authority, and initial allocations of the SIP were reported to Cabinet on 17 September 2018. At that meeting it was resolved that:-

"Cabinet agrees the information regarding the London Business Rates Pool - Strategic Investment Pot set out in Appendix 3 and agrees to delegate future action regarding the London Business Rates Pool to the Director of Corporate Services in collaboration with the Deputy Leader and Cabinet Member for Finance."

7.3 The expected value of SIP funds available is £52m, though this is subject to the final outturn on business rates in 2018/19. The Panel recommend that 90% of this amount is allocated (£46.83m) to a package of bids which, within the resources available, seek to balance the objectives of the fund and support projects, namely:

- 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.

7.4 22 SIP bids were received from 15 accountable boroughs for a total of £123.4m. All London authorities were represented on at least one bid and a maximum of seven; and bids were received from all sub-regions. A SIP Panel of senior finance and regeneration leads from the London authorities, the GLA and London Councils was convened to advise and assist the Lead Authority in review and evaluation of the bids. The consultation report containing their analysis and recommendations was provided with the report to Cabinet in September.

7.5 The SIP report is attached as Appendix 9.

7.6 London boroughs are divided into a number of sub-regional blocks to aid the decision making process in respect of the SIP and a map illustrating these groupings is provided in Appendix 6. Merton is in the South London Partnership group which includes Croydon, Kingston, Merton, Richmond and Sutton.

8. The future of the London Business Rates Pilot Pool – 2019/20 onwards

8.1 Despite previous indications that 100% Business Rates Retention was to be introduced and the operation of some 100% pilots such as the London pilot, in December 2017, the government announced the aim of increasing the level of business rates retained by local government from the current 50% to the equivalent of 75% in April 2020.

8.2 In July 2018, the Government invited local authorities in England to apply to become 75% business rates retention pilots in 2019/20 in order to test increased business rates retention and to aid understanding of how to transition into a reformed business rates retention system in April 2020. The aim is to focus on the learning necessary for transition to the proposed new scheme in 2020/21, allowing the Government to test business rates retention at 75% in line with proposed level of retention for 2020/21 and resulting in a smoother transition to full implementation.

8.3 As part of the move towards a reformed business rates retention system in 2020/21, the government intends to devolve Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG), the Greater London Authority (GLA) Transport Grant and the Public Health Grant (PHG) to local government when the new system commences. The government also intends to use the intervening period to develop a set of measures that support a smooth transition of funding for public health services from grant funding to retained business rates.

8.4 To ensure that piloting in 2019/20 closely reflects the government's proposals to date for a reformed business rates retention system, authorities selected as pilots in 2019/20 will be expected to forego Revenue Support Grant (RSG) and Rural Services Delivery Grant (RSDG).

8.5 New 75% retention pilots in 2019/20 will provide the opportunity to test and gather information on the design of the new business rates retention system in preparation for 2020/21. The pilots will test authorities' administration, technical planning for implementation, and look at system maintenance; how the accounting, data collection and IT systems will work. They will also aid the Government understanding of how it can transition into and operationalise the proposed 75% business rates retention system from 2020 onwards.

8.6 The value of grants devolved as part of business rates pilots will be taken into account when revised tariffs and top-ups for the piloting authorities are set up.

This is to ensure that pilots are fiscally neutral against business rates baselines, and only benefit financially if actual revenues exceed baselines.

8.7 Pilot areas will be expected to operate under the arrangements that currently determine safety net payments for pools. Each 'pool' will have a single safety net threshold determined on the basis of the pool's overall baseline funding level and business rates baseline. However, the pool's safety net threshold will be set at 95% of its baseline funding level, instead of 92.5%, to reflect the additional risk of 75% retention. Pilots will operate with a 'zero levy', as is the case for the current 2018/19 pilot areas.

8.8 As the pilots are testing the pooled authorities' approach to risk, the government has agreed that a 'no detriment' clause will not be applied to the 2019/20 pilots. Instead, selected areas will test a 95% safety net to reflect increased risk in the proposed increased business rates retention system. Applying a 'no detriment' clause to the pilots would not be reflective of the reformed business rates retention system that the government aims to introduce in 2020/21.

8.9 The invitation is addressed to all authorities in England, excluding those with ongoing business rates retention pilots in devolution deal areas and London. Separate discussions are being held between the local authorities concerned and the MHCLG. It is not known at this stage if the pilots could continue under current arrangements (i.e. 100% retention) but it is expected that details will be announced as part of the Provisional Local Government Finance Settlement 2019-20 in December 2018. It has, however, been confirmed that Public Health Grant will not be rolled into the Business Rates for 2019/20.

8.10 Funding from Business Rates in Merton's draft MTFS 2019-23 currently assumes that Merton is not in a pilot and funding is based on the four year offer agreed with the Government for 2016-20. In this case Merton will receive Revenue Support Grant in 2019/20 and a smaller proportion of its business rates as per the 67% scheme discussed earlier in this report.

9. An independent view

9.1 The Institute of Fiscal studies (IFS) has produced a report "100% business rate retention pilots: what can be learnt and at what cost?".

9.2 The IFS estimate that pilot areas will see a financial benefit in 2018–19 of around £870 million in total, calculated based on councils' revenue forecasts. This is equivalent to 3.6% of pilot councils' core spending power, or almost 2% of the spending power of all councils. This financial benefit represents a cost to central government, to which this revenue would otherwise have flowed. This revenue could have been used to reduce the budget deficit, or fund tax cuts or higher central government spending. There is therefore an 'opportunity cost' to the 100% business rates retention pilots."

"One alternative option for using this money would have been to have increased grant funding for all English councils instead. £870 million, equivalent to 2% of councils' core spending power, would have enabled an increase in grants of £16 per person, on average. If this had been allocated according to official assessments of spending needs, one-in-ten areas would have seen spending power that was £16.80 per person or 2.1% higher than is currently planned for 2018–19. But most – although not all – pilot areas would have received less funding, as they gain more from pilot status than they would have gained from needs-based grants."

9.3 The main conclusions included in the IFS report are set out in Appendix 7.

9.4 The Office for Budget Responsibility (OBR) has recently responded to the IFS report in its Economic and Fiscal Outlook (EFO) which was published on 29 October 2018. In the EFO it stated

"The Government has been piloting full business rates retention since 2017-18. These pilots have featured in our forecasts since March 2017, but were incorrectly incorporated as being fiscally neutral by definition, as they straightforwardly transferred spending from central government to local authorities. A reduction in central government DEL grants was assumed to offset an equivalent amount of locally retained business rates that financed higher local authority self-financed expenditure (LASFE). A paper published in April by the Institute for Fiscal Studies (IFS) argued that the pilot schemes would in fact not be spending- or borrowing-neutral, but would instead result in a financial gain to local authorities and higher public sector net borrowing.

In light of this, we engaged with the Ministry of Housing, Communities and Local Government (MHCLG) and the Treasury to understand the significant differences between its conclusions and the estimates we had used in our forecasts. We established that the information that we had been provided regarding the way the pilots would operate and their potential fiscal effects was incomplete and in part incorrect. As a result, the fiscal costs of the pilots have been re-estimated and included in this forecast.

The overwhelming majority of pilot authorities are expected to receive a net financial gain. Relative to a situation in which they had continued to retain 50 per cent of business rates, we expect pilot authorities to gain £0.8 billion in 2018-19, which aligns to the IFS estimate."

10. Budget 2018 and Office for Budget Responsibility Economic and Fiscal Outlook – October 2018

<u>Budget 2018</u>

10.1 The Chancellor of the Exchequer presented the Budget 2018 to Parliament on 29 October 2018 and on the same day the Office for Budget Responsibility (OBR) published its "Economic and fiscal outlook - October 2018"

10.2 In respect of Business Rates, the Budget 2018 included the following:-

"To provide upfront support through the business rates system, the government is cutting bills by one-third for retail properties with a rateable value below £51,000, benefiting up to 90% of retail properties, for 2 years from April 2019".

10.3 The national cost of this small business rate relief is estimated to be £900m and local authorities will be fully compensated for this, probably via Section 31 grant as is the current practice.

Office for Budget Responsibility Economic and Fiscal Outlook – October 2018

10.4 The OBR's outlook report included a number of references to Business Rates including in respect of the pilots programme.

10.5 However, there remains a lack of clarity in the information currently available. In particular, the OBR does not refer to the Government's move towards 75% rates retention and states that:-

"In October 2015 the Government pledged that "by the end of the Parliament, local government should retain all taxes raised locally, including 100% of locally collected business rates". This ambition was restated in the 2019-20 local government finance settlement technical consultation, but the precise timetable remains unclear. The Government has been running pilot schemes in selected authorities since 2017-18, with further extensions announced since March…… the Government has extended the first wave of business rate pilots to 2019-20. As local authorities retain growth in business rates revenues beyond a specified baseline, this boosts local authorities' self-financed spending beyond the amount foregone in central government grants".

10.6 A summary of information relating to Business Rates Retention included in the Budget 2018 and the OBR's Economic and Fiscal Outlook – October 2018 is provided in Appendix 8.

11. Alternative Options

11.1 It is possible that the Government and all London local authorities will agree to a new pilot for 2019/20 either continuing at 100% or reduced to 75%. Alternatively, one or more London local authorities may decide not to continue in a pilot for 2019/20, in which event it is expected that local authorities in London will revert to funding agreed as part of the four year offer.

12. **Consultation Undertaken or Proposed**

12.1 Details of any updates/proposals regarding the current London Business Rates Pilot pool and the terms of any new proposals for a London pilot are circulated by the City of London Corporation as leading authority. Officers will liaise with groups such as London Councils and the Society of London Treasurers to identify the implications for London as a whole and each individual London Council and report back as appropriate

13. Timetable

13.1 In accordance with the Business Planning timetable approved by Cabinet in September 2018.

13.2 It is expected that an announcement about possible terms for continuation of the London pilot pool in 2019/20 will be included in the Provisional Local Government Finance Settlement 2019-20 in December 2018.

14. Financial, resource and property implications

14.1 As contained in the body of the report.

15. Legal and statutory implications

15.1 As outlined in the report.

16. Human rights, equalities and community cohesion implications

16.1 None for the purposes of this report.

17. Crime and Disorder Implications

17.1 None for the purposes of this report.

18. Risk Management and health and safety implications

18.1 None for the purposes of this report.

19. Appendices – The following documents are to be published with this Report and form part of the Report.

Appendix 1 – The evolution of Business Rates Retention Pilots
Appendix 2 – MEMORANDUM OF UNDERSTANDING (MOU) between London Government and the Government
Appendix 3 - MEMORANDUM OF UNDERSTANDING (MOU) between London Authorities in the London Pilot Pool

Appendix 4 - Calculating the Estimated share of Net Financial Benefit as a result of Pooling

Appendix 5 - London 2018-19 Business Rates pool – in-year cash flow summary

Appendix 6 – Sub-regional groupings for the Strategic Investment Pot

Appendix 7 - Institute of Fiscal studies (IFS) report “100% business rate retention pilots: what can be learnt and at what cost?”

Appendix 8 – Budget 2018 and OBR’s Economic and Fiscal Outlook – October 2018 – Business Rates Retention issues

Appendix 9 - Strategic Investment Pot – Consultation Report

20. Background Papers

20.1 The following documents have been relied on in drawing up this report but do not form part of the report:

Papers relating to the London Business Rates Pilot Pool
MTFS working papers

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APPENDIX 1

KEY DATES IN THE EVOLUTION OF BUSINESS RATES RETENTION PILOTS

2011/12 and 2012/13

The Government published its formal proposals for business rates retention in December 2011 following wide consultation. This was undertaken alongside the introduction of the Local Government Finance Bill, which became an Act in November 2012 and, with the secondary legislation, gave effect to the reforms.

Prior to introducing the scheme the Government worked extensively with the local government sector in order to design the new business rates retention scheme.

In May 2012, the Government announced that local government would be able to keep 50% of locally collected business rates, and therefore also 50% of any growth, with the other 50% being paid to central government. These shares are called the local share and the central share. The local share constitutes the funding within the business rates retention scheme.

2013-14 local government finance settlement

From April 2013, the Government changed the way in which local government is funded through the introduction of the business rates retention scheme. Previously all business rates collected were paid to central government, in the form of the national NNDR pool. The government then redistributed the nationally collected amount to local authorities according to a very complicated formula for spending need.
The 2013/14 local government finance settlement was the first under the new scheme. It provided each local authority with its starting position under the business rates retention scheme and included the following calculations

- Individual authority start-up funding assessment
- Baseline funding level
- Individual authority business rates baseline
- Tariffs and top-ups (uprated annually by RPI)
- Levy ratio
- Safety net guarantee funding level

These will be fixed until the first reset takes place in 2020:

Some of the services in London are provided by the Greater London Authority (GLA) and therefore in 2013/14 Merton’s share was 30% and the GLA’s was 20%.

The concept of “Pooling” was introduced

Following introduction of the business rates retention scheme, local authorities were able to come together, on a voluntary basis, to pool their business rates, giving them scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area. In 2014/15, there was a total of18 pools, comprising 111 different authorities. Some of these were continuing pools having been designated in 2013-14. For the purposes of the business rates retention system, pools are treated as a single local authority.

The Government believes that pooling can deliver a range of benefits for local authorities.
At a time when authorities are faced with tight public expenditure settlements and scrutiny of their spending from local ratepayers, collaboration over service delivery can help secure improved value for money. The act of setting up pools can help further the process of joint working and could result in wider benefits that go well beyond pooling. Moreover, pooling the rates income from growth across a wider and economically coherent area ensures that all authorities can benefit from economic growth across the wider area. This can mean that the strategic decisions that are needed about infrastructure investment are easier to make.
Furthermore, by pooling their rates retention resources, pool authorities can help manage the inherent risk caused by natural volatility in rates income. Variations in annual rates income are normal, reflecting the nature of the rating system and, particularly, the risk of rating appeals. By pooling their rates retention resources, authorities can collectively manage these variations by balancing gains and losses across the pooled area.

2014/15 and 2015/16

The Department for Communities and Local Government's (DCLG) Pooling Prospectus for 2015/16 was published in July 2014, and any proposals for new pools had to be submitted by 31 October 2014.

In October 2015 the government committed that local government should retain 100% of taxes raised locally. Subject to Parliamentary approval the aim was to introduce 100% retention by the financial year 2019/20.
The government introduced into Parliament, primary legislation that is intended to provide the framework for the reformed 100% business rates retention system. In order to ensure that the reforms were fiscally neutral, the main local government grants would be phased out and additional responsibilities devolved to local authorities.

2016/17 and 2017/18

<u>The introduction of Pilots</u>
Following the announcement that, local authorities would be allowed to keep 100% of locally-collected business rates before the end of the Parliament, the Government then announced that a number of devolution-deal areas would pilot 100% rates retention from 1 April 2017.
The announcement, at Budget 2016, confirmed that local authorities in Greater Manchester and Liverpool City Region had agreed to be pilots. It also confirmed that from 2017-18, the Greater London Authority (GLA) would take on responsibility for

funding TfL's investment grant in return for a higher share of local business rates; and invited other devolution deal areas to come forward if they too wanted to pilot 100% rates retention. Discussions were held and successfully concluded with authorities in the West of England Combined Authority area, the West Midlands and Cornwall.

On 1 April 2017 the government launched five initial 100% business rates retention pilots1 in devolution deal areas. These pilots were continued into 2018/19.

On 1 April 2017 the Government also transferred the responsibility for funding TfL investment grant to the Greater London Authority (GLA).

In all the pilot areas, authorities agreed to forego other funding streams in return for higher shares of business rates. For example. In London, the GLA did not receive any Revenue Support Grant (RSG) from DCLG for 2017-18 but DfT no longer paid TfL's investment grant, which instead was paid by the GLA. In return the GLA received 37% of the business rates collected by London Boroughs and the Government's central share reduced to 33% with 30% still going to individual London Boroughs.

The arrangements for these pilot authorities had no impact on the funding available for other areas.

The DCLG (now the Ministry of Housing, Communities and Local Government (MHCLG)) did not publish a new Pooling Prospectus for 2016/17, 2017/18 or 2018/19. However, in September 2017, the government invited local authorities to pilot 100% business rates retention in 2018/19. The intention is to help the government with the design of future local government finance reforms

<u>Uncertainty over 100% Retention</u>

The London Devolution Memorandum of Understanding, announced by the government in the Spring Budget in March 2017, committed to working with London "to explore options for granting London Government greater powers and flexibilities over the administration of business rates. This includes supporting the voluntary pooling of business rates within London, subject to appropriate governance structures being agreed".

London Councils Leaders' Committee received a report following the Budget in March 2017, which set out the broad rationale and potential financial and strategic benefits of partaking in a pilot as then envisaged. In the event that such a pilot pool were available, it could bring both a financial incentive – through the early reduction of levy payments and access to 100% retained growth – and provide a limited opportunity to address some policy issues.

A pilot on the lines of those currently operating in other areas would not in itself address the full range of powers outlined in London's joint business rates proposition to Government, but participating in a pilot could also enhance Government's view of London's willingness and capacity to take on broader devolution of fiscal and service responsibilities.

The Queen's Speech delivered on 21 June 2017 made no mention of the Local Government Finance Bill. However, on 1 September 2017 the Secretary of State for Communities and Local Government announced a new pilots scheme and encouraged Councils "to join forces and put forward proposals to retain the growth in their business rates income." From April 2018, pilots across economic areas were offered the opportunity to be able to retain 100% of the growth in income raised locally through business rates. Findings from this tranche of pilots would inform the business rates retention process going forward. The deadline for submission of proposals was 27 October 2017 and successful pilots were announced in December 2017. The DCLG supported authorities in preparing for implementation in April 2018. Successful pilot local authorities were able to retain 100% of the growth in their business rates income in the year of the pilot (2018 to 2019) meaning that the central government share remained in the local area.

London boroughs submitted a bid to be a pilot pool for 100% retention in 2018/19 and following agreement of all London boroughs, the London Pilot pool was accepted as a 100% pilot pool for 2018/19.

At the 2017 Autumn Budget it was confirmed that London would become a 100% business rates retention pilot for the duration of the 2018/19 financial year. The pilot comprises of the thirty-two London Boroughs, the City of London and the Greater London Authority. The government will continue to have separate discussions with London about their pilot programme.

At the provisional Local Government Finance Settlement in December 2017, the government announced a further ten 100% business rates retention pilots for the duration of the 2018/19 financial year in local authority areas across England. Whilst these pilots are set to end on 31 March 2019, we are inviting the areas involved to apply to become 75% business rates retention pilots in 2019/20.

On 10 October, Leaders' Committee and the Mayor agreed in principle to pool business rates in a London pilot of 100% retention in 2018-19. Leaders' Committee delegated authority to the 5 elected officers of London Councils (the Chair, Deputy Chair, and three Vice Chairs) to take the in principle agreement forward to arrive at a core proposition for the operation of the pool and to continue discussions with both the Mayor and ministers on this.

The elected officers discussed this in October and agreed a final distribution option to take forward with government, on 1 November following discussions via the party groups.

The Chair of London Councils wrote to all Leaders on 10 November confirming the proposal that London Councils and the GLA would take forward to gain agreement with Government.

APPENDIX 2

MEMORANDUM OF UNDERSTANDING (MOU) between London Government and the Government

The MOU between London Government and the Government on the London 100% business rates retention pilot agrees that:

- The 100% business rates retention pilot in London will be voluntary, but will be a pool comprising all 32 London boroughs, the Corporation of the City of London and the Greater London Authority.
- From 1 April 2018 the London authorities will retain 100% of their non-domestic rating income. London will not retain 100% of total rates collected, as it will continue to pay an aggregate tariff to government. The overall level of collected rates that will be retained is around 64% after the tariff is paid.
- London authorities will also receive section 31 grants in respect of Government changes to the business rates system which reduce the level of business rates income. Section 31 grant will amount to 100% of the value of the lost income. Tariffs and top-ups will be adjusted to ensure cost neutrality.
- The London pool will retain 100% of any growth in business rate income above baselines, and will pay no levy on that growth.
- In moving to 100% rates retention, the Department for Communities and Local Government will no longer pay Revenue Support Grant (RSG) to the London authorities in 2018/19. Funding baselines will be increased by the equivalent amount to reflect this transfer of RSG, which overall amounts to £775 million in 2018/19
- London authorities will not be subject to more onerous rules or constraints under the 100% rates retention pilot, than they would have been if they had remained subject to the existing “67% scheme” in place in 2017/18.
- No “new burdens” will be transferred to London and participation in the pilot will not affect the development or implementation of the Fair Funding Review.
- In the event that London’s business rates income fell, the pool will have a higher “safety net” threshold – 97% rather than 92.5% of the overall baseline funding level – than in the existing system, reflecting the greater reliance local authorities will have on business rates within the pilot.
- The piloted approach is to be without detriment to the resources that would have been available collectively to the 34 London authorities under the current local government finance regime, over the four year settlement period. This “no detriment” guarantee will ensure that the pool, as a whole, cannot be worse off than the participating authorities would have been collectively if they had not entered the pilot pool. In the unlikely event of this arising (the current forecast is for collected rates to 6% above baselines), the government would intervene to provide additional resources.

APPENDIX 3

MEMORANDUM OF UNDERSTANDING (MOU) between London Authorities in the London Pilot Pool

The key principles that underpin the London pooling agreement are that:

- The pool in 2018-19 would not bind boroughs or the Mayor indefinitely – the founding agreement includes notice provisions for authorities to withdraw provided notice is given by 31 August each year. Were the pool to continue beyond 2018/19, unanimous agreement would be required to reconfirm a pool from 2020/21 onwards (the expected year in which funding baselines will be update as a result of the Fair Funding Review).
- No authority can be worse off as a result of participating - where authorities anticipate a decline in business rates, the first call on any additional resources generated by the pool would be used to ensure each borough and the GLA receives at least the same amount as it would have without entering the pool (this would include the equivalent of a safety net payment were it eligible for one individually under the current 67% system). Where authorities expect to grow, they will continue to retain at least as much of that income as they would under the current system, plus a potential share of the aggregate benefits of pooling assuming the pools grows. Where the pool overall has less income than would have been available collectively under the 67% system, the funding provided by the Government as part of the "no detriment" guarantee would be used to ensure that no individual authority is worse off than it would have been otherwise. Existing Enterprise Zones and "designated areas", along with other special arrangements, such as the statutory provision to reflect the unique circumstances of the City of London Corporation, will be taken into account in calculating the level of resources below which the guarantee would operate. For boroughs in an existing pool, DCLG have also indicated that the basis of comparison would include the income due from that pool.
- All members will receive some share of any net benefits arising from the pilot pool – recognising that growing London's economy is a collective endeavour in which all boroughs make some contribution to the success of the whole, all members of the pool will receive at least some financial benefit, were the pool to generate additional resources.

Lead authority

It is a statutory requirement that a "lead authority" acts as the accountable body to government and is responsible for the administration of the pooled fund.

The City of London is the lead authority for the London business rates pool. The lead authority's standard responsibilities include, but are not be limited, to:

- all accounting for the finances of the pool including payments to and from the Government;
- management of the pool's collection fund;
- all audit requirements in relation to the pool;
- production of an annual report of the pool's activity following final allocation of funds for the year;
- the administration of the dissolution of the pool;
- all communications with the MHCLG including year-end reconciliations; and
- the collation and submission of information required for planning and monitoring purposes.

The Lead Authority for the pool determines the distribution of revenues between members of the pool and also pays the net tariff payment to the Government during the year.

Under a delegation arrangement, the GLA manages treasury management issues and monetary transfers between billing authorities on behalf of the lead authority. This reflects the fact that the GLA already had the systems in place to manage payment flows to and from billing authorities for business rates retention as well as council tax and the BRS.

APPENDIX 4

Calculating the Estimated share of Net Financial Benefit as a result of Pooling
This sets out how the aggregate income generated by the pool in 2018-19 will be calculated and how the figures from the NNDR1 returns will be used to calculate the amounts that will be redistributed to member authorities in 2018-19.
The "retained income" figures on the NNDR1 forms (part 1B, line 14, column 5), do not directly represent what will be redistributed in year on account within the pool: this will be determined by the methodology set out below. Similarly, while the NNDR1 forms calculate the section 31 grants to be paid by MHCLG to individual authorities in 2018-19, the level of section 31 grants that authorities will retain is not what is included on the NNDR1 return. They will be taken into account within the following methodology.

STEP 1: - Calculate "no worse off" Levels
The starting point for every authority is to calculate what its retained business rates income would be under the 2017/18 (existing) retention system in 2018-19 (i.e. if the pilot pool did not go ahead).
This is the retained business rates income each authority would have received under the 67% scheme (using 2018-19 NNDR1 data and the 67% baselines/tariffs and top-ups that would have been applied were the pool not in existence), plus 2018-19 RSG, plus the section 31 grants they would have received based on the 30 per cent billing authority and 37 per cent GLA shares.

Besides using data from local authorities NNDR1 forms, some key figures under the existing 67% scheme are published in the 2018-19 local government finance settlement:-

a. baseline funding,
b. tariff / top-ups (excluding the one-off 2017-18 reconciliation adjustments resulting from the 2017 Revaluation)
c. levy rates
d. safety net threshold.

STEP 2:- Calculate income generated under the 100% retention scheme
This is a calculation of the amounts that would theoretically be retained if each authority were piloting 100% retention individually and uses 2018-19 NNDR1 data and the new 100% baselines/tariffs and top-ups published in the 2018/19 local government finance settlement.

The retained income calculation uses a split of 64% for billing authorities and 36% for the GLA and the tariff/top-ups are those applicable to the 100% pilot scheme.

STEP 3: - Calculate the overall net financial benefit to the pool

At the aggregate level, if the pool grows, there will be a total net financial benefit to the pool by comparing the aggregate figures from steps 1 and 2. If the pool overall is worse off than the sum of the individual authorities' income under the 67% scheme, a no detriment payment is due from the Government and no net benefit will be redistributed.

So this step calculates the overall financial benefit resulting from being in the pilot pool, which results from retaining 100% of growth (rather than 67%), in not paying a levy on that growth, and also includes the net impact of retaining 100% of section 31 grants rather than 67%.
At an aggregate level, the net financial benefit to the pool is the difference between the sum of all 34 authorities' no worse off levels of funding (calculated in step 1) and the sum of all 34 authorities theoretical 100% retained income (calculated in step 2), plus the additional central share section 31 grant not included in the growth calculation.
If the pool overall is worse off, Step 4 does not apply and go straight to Step 5.

STEP 4: - Calculate authority shares of the total net benefit for redistribution

This step determines how much of the total net benefit each authority should receive. The first 15% of the net benefit will be top-sliced to form the joint for the Strategic Investment Pot. Individual pool members will not receive a direct share of this pot: instead it will be spent collectively on projects that will contribute to the sustainable growth of London's economy and lead to an increase in London's overall business rate income.

The remainder of the funding is distributed 36 per cent to the GLA with the remaining 64 per cent allocated to billing authorities according to the agreed formula based on relative shares of the "incentives" pot (i.e. how much each authority contributed to the total net benefit); the SFA pot (each authority's share of SFA in 2018-19); and the population pot (each authority's projected population in 2018).

The incentives pot will constitute 15% of the total net financial benefit to the pool. It is designed to benefit those local authorities that generate the greatest additional growth for the pool. The additional benefit from retaining 100% of S.31 grants rather than 67% at the individual level will not be taken into account within this calculation. This is because the grants are largely driven by the relative business rates bases of each authority rather than levels of underlying growth. Without piloting 100% the additional benefit from the S.31 grants would not be available, and the 100% pilot is only possible because London is pooling. Therefore, the individual levels of S.31 grants are not included when calculating contributions to the pool to determine the incentives pot distribution.

An individual authority's contribution of additional growth to the pool is the difference between its theoretical funding calculated in Step 2 (which excludes S.31 grants) and the sum of its retained income and RSG calculated in Step 1. The incentives pot will therefore be distributed in proportion to each authority's relative share of the additional growth it contributes to the pool excluding S.31 grants outside of the levy/safety net methodology for calculating business rates income. Those local authorities in a position of negative growth for 2018-19 will not receive funding from the incentives pot.

The SFA pot will constitute 35% of the total net financial benefit to the pool in respect of the billing authority share and will be distributed in proportion to each authority's share of the total London level of Settlement Funding Assessment (SFA) in 2018-19, as taken from the 2018-19 local government finance settlement.
The population pot will also constitute 35% of the total net financial benefit to the pool and will be distributed in proportion to each authority's relative population share in 2018 using the 2014-based Sub-National Population Projections published by the Office of National Statistics.

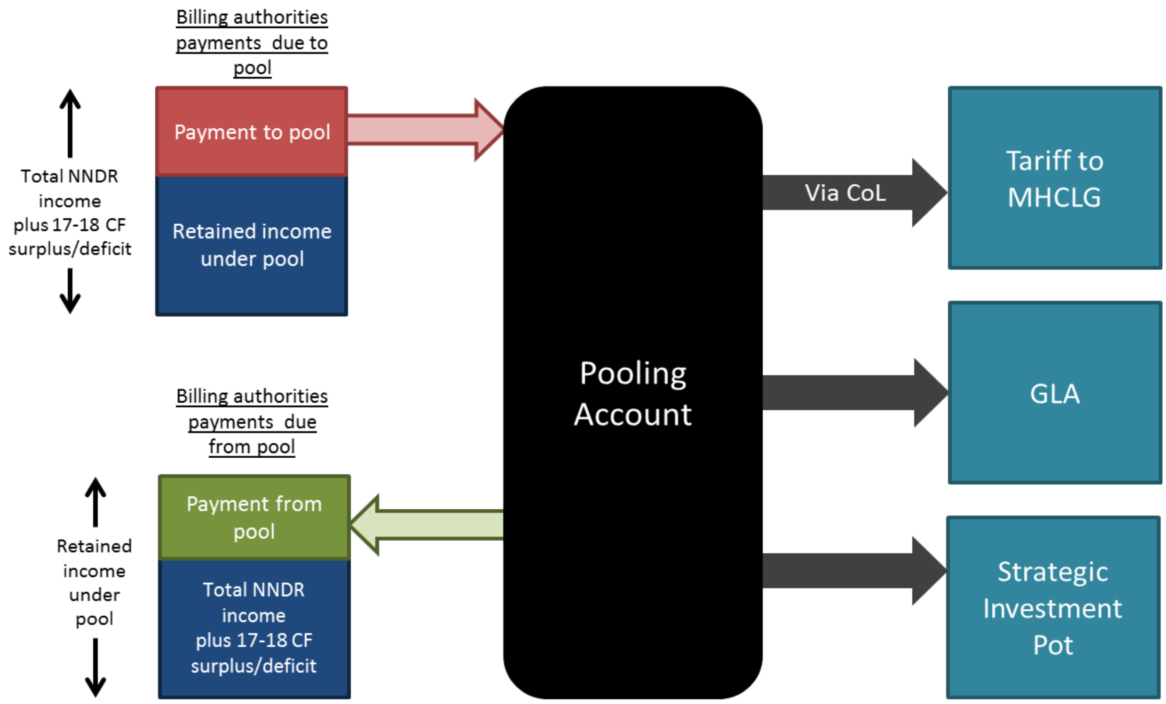
STEP 5: - Calculate retained funding to be distributed in year

Each authority's retained funding to be distributed in 2018-19 will be the sum of its "no worse off" level of funding, plus its combined shares of the Incentives pot; SFA pot and population pot.

If the pool turns out to be worse off than the sum of the individual authorities' positions under the 67% scheme, and therefore a no detriment payment is due to the pool, each authority will simply receive its "no worse off" level of funding.

APPENDIX 5

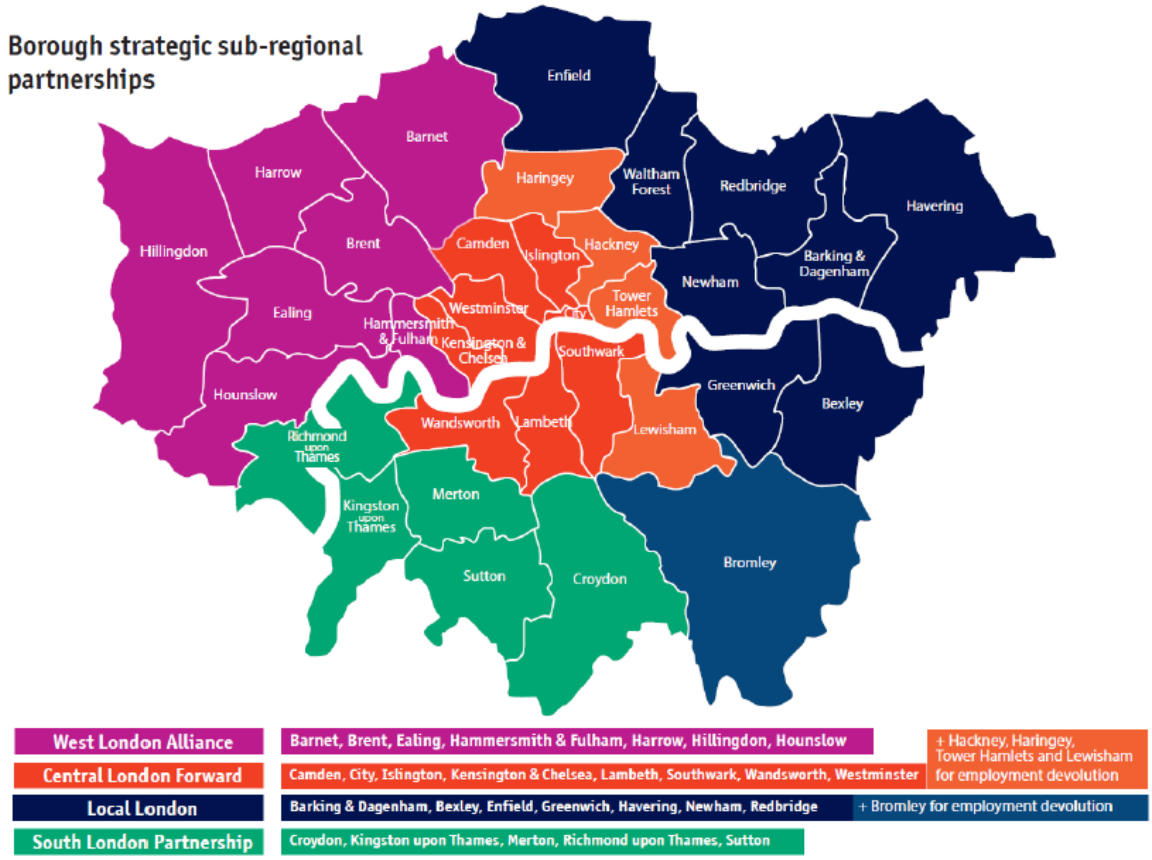
London 2018-19 Business Rates pool – in-year cash flow summary



Source: City of London

APPENDIX 6

Sub-regional groupings for the Strategic Investment Pot



APPENDIX 7

Institute of Fiscal Studies: "100% business rate retention pilots: what can be learnt and at what cost?

Main conclusions

100% business rates retention pilots

a. "risk growing divergences between the funding available to different councils. In just a few years under 100% rates retention those councils which would have seen the biggest increases in their retained business rates revenues were often not the councils that experienced the biggest increases in their relative spending needs, for example, because their population became older, poorer or sicker. This implies that central and local government face a difficult trade off when moving to 75% or 100% rates retention. More frequent and fuller periodic redistributions of revenues could limit the scale of funding divergences. But they would also dampen the incentives for councils to grow revenues and tackle spending needs."

b. "It is also not clear that the incentives provided by rates retention will translate into faster economic growth. The report finds no relationship between changes in the councils' business rates tax bases and local economic growth, or indeed employment or earnings growth, in recent years. However, there is a link between changes in the value of business properties when they are re-valued (as in April 2017) and local economic growth. Most of the impact of these valuation changes is stripped out from the revenues actually retained by councils though, meaning little incentive for councils to boost local business property values."

c. "The IFS estimate that pilot areas will see a financial benefit in 2018–19 of around £870 million in total, calculated based on councils' revenue forecasts. This is equivalent to 3.6% of pilot councils' core spending power, or almost 2% of the spending power of all councils. This financial benefit represents a cost to central government, to which this revenue would otherwise have flowed. This revenue could have been used to reduce the budget deficit, or fund tax cuts or higher central government spending. There is therefore an 'opportunity cost' to the 100% business rates retention pilots."

d. "One alternative option for using this money would have been to have increased grant funding for all English councils instead. £870 million, equivalent to 2% of councils' core spending power, would have enabled an increase in grants of £16 per person, on average. If this had been allocated according to official assessments of spending needs, one-in-ten areas would have seen spending power that was £16.80 per person or 2.1% higher than is currently planned for 2018–19. But most – although not all – pilot areas would have received less funding, as they gain more from pilot status than they would have gained from needs-based grants."

e. "The scope for learning from the pilots is likely to be limited though. The non-random selection of pilot areas means they are unlikely to be representative of all councils"

f. "The 'no detriment' clause means councils are not facing the risks that they would under nationwide 100% retention."

g. "There may, on the other hand, be other benefits to the government of running the pilot schemes. For instance, they may help maintain the momentum of local government finance reform following the setback of the June 2017 election (since which time the legislation to take forward previous plans for a national roll-out of 100% rates retention has not been resurrected)."

APPENDIX 8

Summary of Business Rates Retention issues in Budget 2018 and OBR's Economic and Fiscal Outlook – October 2018

Budget 2018

“Property tax - High streets

To provide upfront support through the business rates system, the government is cutting bills by one-third for retail properties with a rateable value below £51,000, benefiting up to 90% of retail properties, for 2 years from April 2019, subject to state aid limits.” **(paragraph 3.33, page 46)**

“Local authorities will be fully compensated for the loss of income as a result of these business rates measures.” **(paragraph 3.36, page 46)**

OBR – Economic and Fiscal Outlook – October 2018

Page 98

“Policy risks

4.15 Parliament requires that our forecasts only reflect current Government policy. As such, when the Government or governing party sets out ‘ambitions’ or ‘intentions’ we ask the Treasury to confirm whether they represent firm policy. We use that information to determine what should be reflected in our forecast. Where they are not yet firm policy, we note them as a source of risk to our central forecast. Abstracting from the wider policy uncertainty associated with the negotiations on leaving the EU, we note:

- The intention to localise all business rates and to provide some additional discretion to local authorities in setting them, while also shifting some spending responsibilities to local authorities. In October 2015 the Government pledged that “by the end of the Parliament, local government should retain all taxes raised locally, including 100% of locally collected business rates”. This ambition was restated in the 2019-20 local government finance settlement technical consultation, but the precise timetable remains unclear. The Government has been running pilot schemes in selected authorities since 2017-18, with further extensions announced since March.”

Page 124

“Business rates

4.71 Business rates are calculated by multiplying the rateable value of non-domestic property by the multiplier, which is uprated by inflation. With CPI inflation around 0.1 percentage points a year higher over the forecast period, this pushes up business rates by around £0.2 billion by the end of the forecast period. But the main changes to business rates receipts since March reflect Budget measures.

4.72 The Government has announced a business rates discount of one third for retailers with a rateable property value of less than £51,000 for 2019-20 and 2020-21. This reduces receipts by around £450 million in each of these years. The Government also announced in the Spring Statement that the business rates revaluation would be brought forward a year to 2021. We were informed too late to include this in our forecast then, so have factored it in now. The Government is obliged to design the revaluation and transitional relief to be fiscally neutral. At revaluation, the multiplier is set to include headroom for future changes to the rating list (e.g. from successful appeals) so that the yield remains constant in real terms after the estimated loss of rateable value from these changes. With the revaluation brought forward a year, the initial boost to yield (before appeals erode the yield) occurs a year earlier than in our March forecast. This adds £0.9 billion to receipts in 2021-22.

4.73 We have assumed that the transitional relief scheme for the 2021 revaluation will be fiscally neutral ahead of details of the scheme. Although the aim is always for schemes to be fiscally neutral, the initial evidence from the 2017 scheme suggests that it will produce a surplus, in contrast to the 2010 scheme that produced a deficit. "

Page 163 (Box 4.2)

"<u>Business rates retention pilots</u>

The Government has been piloting full business rates retention since 2017-18. These pilots have featured in our forecasts since March 2017, but were incorrectly incorporated as being fiscally neutral by definition, as they straightforwardly transferred spending from central government to local authorities. A reduction in central government DEL grants was assumed to offset an equivalent amount of locally retained business rates that financed higher LASFE. A paper published in April by the Institute for Fiscal Studies (IFS) argued that the pilot schemes would in fact not be spending- or borrowing-neutral, but would instead result in a financial gain to local authorities and higher public sector net borrowing.

In light of this, we engaged with the Ministry of Housing, Communities and Local Government (MHCLG) and the Treasury to understand the significant differences between its conclusions and the estimates we had used in our forecasts. We established that the information that we had been provided regarding the way the pilots would operate and their potential fiscal effects was incomplete and in part incorrect. As a result, the fiscal costs of the pilots have been re-estimated and included in this forecast.

The overwhelming majority of pilot authorities are expected to receive a net financial gain. Relative to a situation in which they had continued to retain 50 per cent of business rates, we expect pilot authorities to gain £0.8 billion in 2018-19, which aligns to the IFS estimate."

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"Business rates revaluation:

- the rateable value of business properties is usually reassessed by the Valuation Office Agency every five years, with the most recent taking place in 2017. At Spring Statement 2018 the Government announced that the next revaluation would be brought forward a year to 2021, and reduced the standard interval to three years. We were informed too late to include this in our March forecast. The Government is obliged to design the revaluation and transitional relief to be fiscally neutral. At revaluation, the multiplier is set to include headroom for future changes to the rating list (e.g. from successful appeals). With the revaluation brought forward a year, the initial boost to yield (before it is eroded by appeals) occurs a year earlier than in our March forecast. This adds £0.9 billion to receipts in 2021-22. "

"Business rates: extension to pilots:

- the Government has extended the first wave of business rate pilots to 2019-20. As local authorities retain growth in business rates revenues beyond a specified baseline, this boosts local authorities' self-financed spending beyond the amount foregone in central government grants."

London Business Rates 2018/19 100% Pilot Pool

Strategic Investment Pot (SIP) Consultation Report

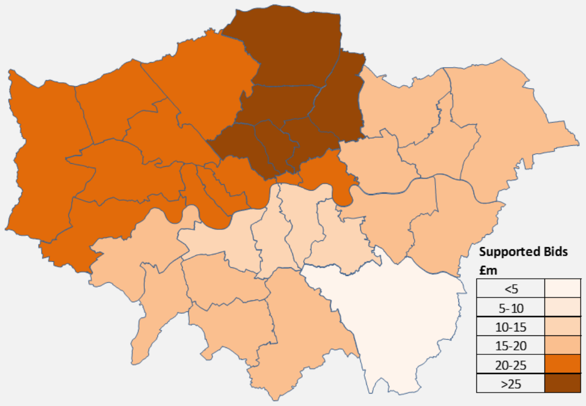
Report of the SIP Panel:

Peter Kane, Chamberlain, City of London Corporation
Guy Ware, Director Finance, Performance & Procurement, London Councils
Andy Donald, Chief Executive, Redbridge
Shifa Mustafa, Executive Director Place, Croydon
James Rolfe, Executive Director Finance, Resources & Customer Services, Enfield
Amar Dave, Strategic Director Regeneration & Environment, Brent
Debbie Jackson, Assistant Director Regeneration and Economic Development, GLA
Richard Simpson, Executive Director Resources, Croydon
Duncan Whitfield, Strategic Director Finance & Governance, Southwark
Gerald Almeroth, Strategic Director Resources, Sutton

Bids Received

This info-graphic shows a summary of key information from all of the bids submitted: geography, types and amounts of funding, expected project outputs.

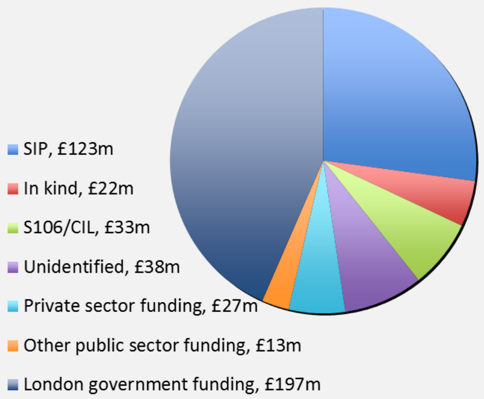
Bids were submitted from across London



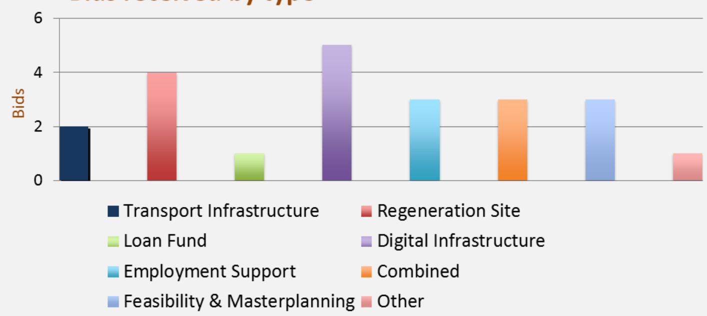
Project sizes have been estimated using the total match funds available where not specified in bids.

In-kind match funds identified included the market value of assets used in projects or secured through S106, and staff time.

Project funding identified, £m



Bids received by type



Direct outputs estimated

33,157 Square metres of commercial space

28 New housing units

5,461 Jobs

24,815 Potential fibre broadband connections

£52m Expected SIP fund

£123m Total SIP Bids Received

The executive summary

For 2018/19, the GLA and the 33 London billing authorities are piloting 100% business rates retention. This allows London to retain an estimated £349m of extra funding. Of this, approximately 50% will be used for strategic investment: 15% (c.£52m, Strategic Investment Pot) to be allocated by the agreement of London government, and the balance (the GLA share of total benefit) for allocation by the Mayor of London.

The aim for the SIP funds is to:

- 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.

There is not currently a mechanism for joint decision-making by London government, therefore the formal decision must be taken by the Members of the Lead Authority (City of London Corporation), subject to consultation with all participating authorities. This is the consultation report, to which authorities are asked to respond according to their own decision-making processes. The consultation requirements are that:

- the Mayor of London and two-thirds of the 33 billing authorities agree to recommend project approval; and
- if all the authorities in a given sub-region (as defined in the pooling agreement) do not recommend the project, it shall not be agreed.

Bids were invited in April 2018 with a deadline at the end of May. 22 bids were received for a total of £123.4m. A summary of the bids received is shown in the info-graphic (left). The overall quality of bids was high, bearing in mind the timescale. Some were well developed with a clear delivery plan and estimates of impact; others will benefit from further development and reconsideration in future rounds.

The City of London Corporation, the Lead Authority for the pooling arrangement, has led the evaluation process, convening a Panel of senior finance, regeneration, and service directors from the London authorities, the GLA, and London Councils to carry it out. This approach was designed to ensure that appropriate expertise and pan-London engagement was obtained for the evaluation. This report is issued by the Panel and provides:

- an overview of the pilot scheme,
- information about the bidding and evaluation process,
- an overview of bids,
- the recommended package of bids to be funded, and
- an appendix with a summary of each of the bids.

The recommendation

The Panel has considered the bids and recommends that the following SIP funds are awarded because they provide the best way to balance the objectives of the fund within the resources available. The Mayor and the 33 London authorities are asked to use their own decision-making processes to confirm their support for each.

	£m
• South Dock Bridge	7.00
• Productive Valley:	5.75
○ South Tottenham Employment Area	
○ Investment Fund	
○ Rigg Approach	
• South London Innovation Corridor	8.00
• Open Data Standard for Planning	0.25
• Euston Recruitment Hub	3.00
• West London Alliance:	11.13
○ Skills & Productivity	
○ Investment in Digital	
• Local London Investment in Fibre	7.70
• South London Multi-Purpose Internet of Things Platform	4.00
Total Recommended Package	**46.83**

A summary of the bids in the recommended package is shown in the info-graphic (right). The package includes bids which 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, demonstrate to Government that London government can cooperate and work together, and provide a sound basis for the Government evaluation of the pilot which is expected in the Autumn.

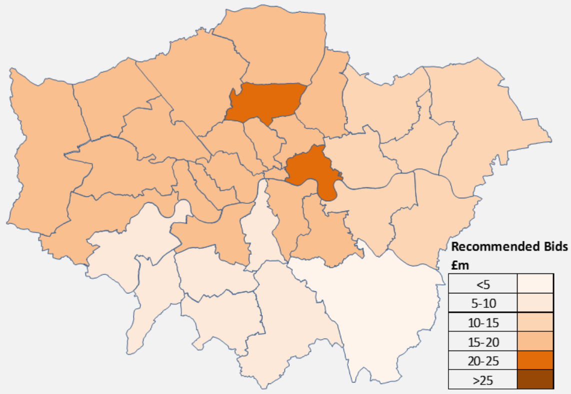
The precise amount of funds will be confirmed once the 2018/19 accounts are closed, and will be rolled into the 2019/20 SIP if the pilot is extended or allocated in another round if not.

The Lead Authority will make arrangements for funding agreements, including application of funding conditions relating to the outputs and match funding in the bid once the consultation and decision-making process is complete.

Recommended Package

This info-graphic shows a summary of key information from the recommended package: geography, types and amounts of funding, expected project outputs.

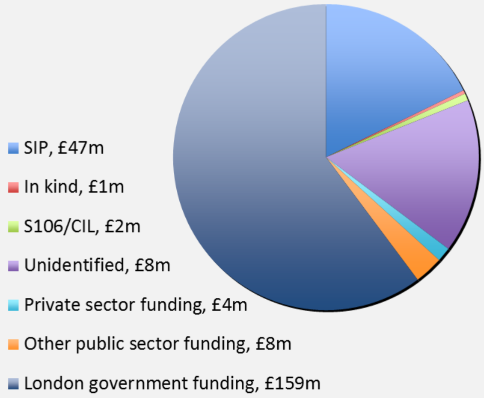
Bids are recommended from across London



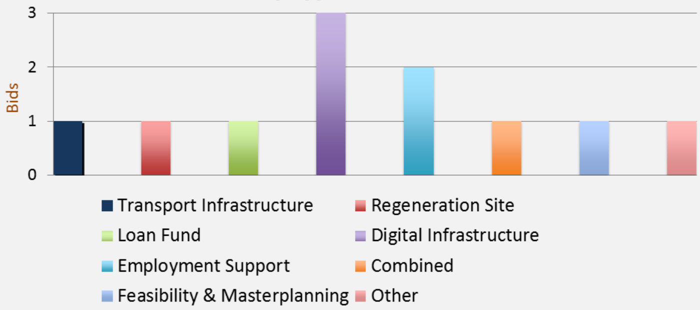
Project funding identified, £m

Bidders identified a range of different sources of funding. The Panel assessed these carefully and considered the extent to which they were reasonable claims.

In-kind match funds identified included the market value of assets used in projects or secured through S106, and staff time.



Bids recommended by type



Direct outputs estimated

15,320
Square metres of commercial space

33
Authorities supporting at least one bid

4,020
Jobs

19,955
Potential fibre broadband connections

£52m
Expected SIP fund

£46.83m
Total SIP Bids Recommended

The 100% pilot scheme and SIP

This is the second year that London has piloted additional business rates retention. In 2017/18, the GLA's Revenue Support Grant (RSG) and funding for TfL capital was replaced by additional rates, meaning London retained a total of 67% of business rates (adjusted for redistributive measures and a 50% levy on growth over baselines set in 2013-14).

For 2018/19, all 33 London billing authorities and the GLA have come together to pilot 100% retention, reaching agreement with Government at the Autumn Budget 2017. The operating principles of the pilot pool were subsequently agreed, via a Memorandum of Understanding (MoU), by the 32 London Boroughs, the City of London Corporation and the GLA in January 2018.

The pilot replaces RSG for the 33 London billing authorities with retained business rates. Government also agreed an enhanced safety net threshold of 97% (compared with 92.5% under the previous scheme), meaning that London, as a whole, cannot lose more than 3% of its baseline funding level. An additional safeguard has been agreed between the London authorities that no authority will be worse off than under the pilot than the previous arrangements.

The pilot allows London to retain 100% of any growth (rather than 67% that would have been the case otherwise) over the baseline levels set in 2013/14. The 2018/19 pilot also removes the 50% levy on that growth. Following analysis of all London borough business rates forecasts submitted to the Government in January, the overall forecast net additional benefit to London is estimated to be approximately £349m. However, the final figure will not be known until after the financial year has ended and accounts have been audited.

Under the agreed terms of the London pilot, 15% of the net financial benefit of pooling – budgeted at approximately £52m – is reserved for the Strategic Investment Pot, 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.

The final amount of SIP funds available is subject to the final amount collected in year. The budgeted amount is based on authorities' estimates in January 2018, with a recommended allocation of £46.83m (90%).

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. This is the consultation report, to which authorities are asked to respond, according to their own decision-making processes. The consultation requirements are that:

- the Mayor of London and the majority (two-thirds) of the 33 billing authorities agree to recommend approval of the project; and
- if all the authorities in a given sub-region (as defined by the MoU) do not recommend the project, it shall not be agreed.

This report provides information about the pilot scheme, the bidding and evaluation process, an overview of the bids received, the recommended package of bids for funding, and an appendix with a summary of all bids.

In addition, the Mayor of London has committed to spending the GLA's share of the additional net financial benefit from the pilot on strategic investment priorities. The allocation process for this, separate, fund (estimated at £112m) is currently underway, the Mayor is expected to make decisions shortly, and announcements on each project will follow afterwards.

The bidding and evaluation process

The 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. The call for bids was issued in April 2018 to the Leaders of the 33 London billing authorities, this included a bid form and bidding guidance. The deadline for submissions was the end of May 2018.

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.

The criteria considered were those included in the bidding guidance, namely:

- **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), but ensuring an appropriate mix of recommended proposals between 'oven-ready' schemes and longer-term investment projects.

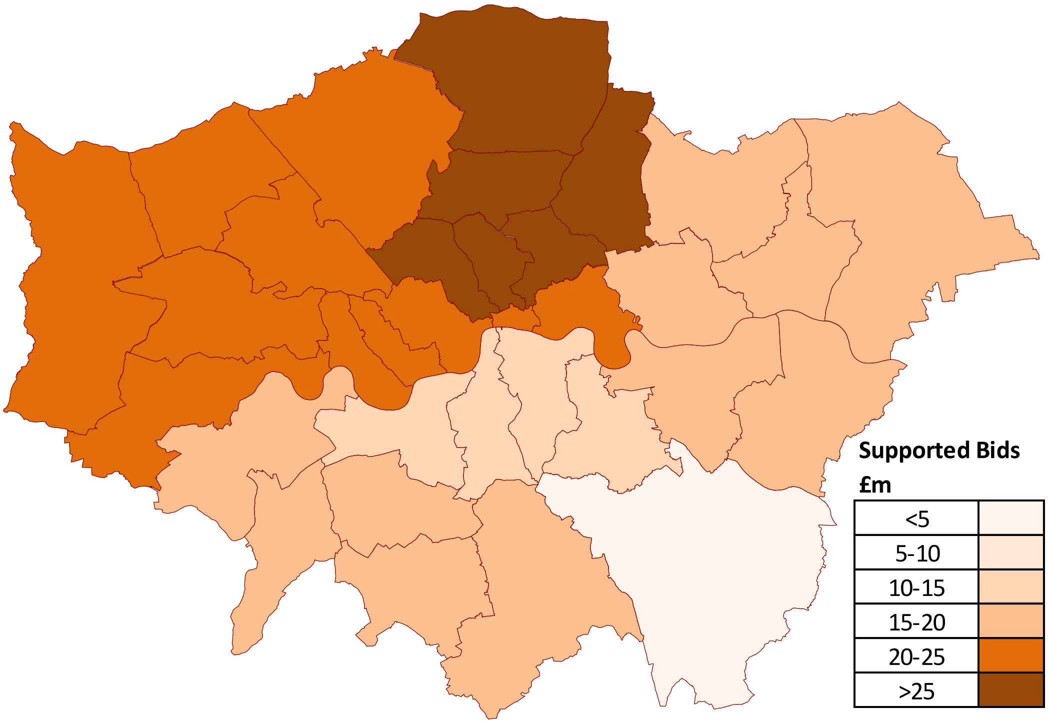
The bidding guidance made clear that, though the criteria were chosen in part because they were capable of objective evaluation, there would also be a degree of judgment and interpretation required. There would also be a need to assess the robustness and credibility of the estimates included in the bids. 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:

- **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.

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.

The bids received

The expected value of SIP funds is £52m, subject to the final outturn on business rates. Following the invitation to bid in April, by the deadline at the end of May, 22 SIP bids were received from 15 accountable boroughs for a total of £123.4m. All authorities supported at least one bid, and the majority supported bids of at least £5m, the total value of bids supported by each authority is shown on the map:

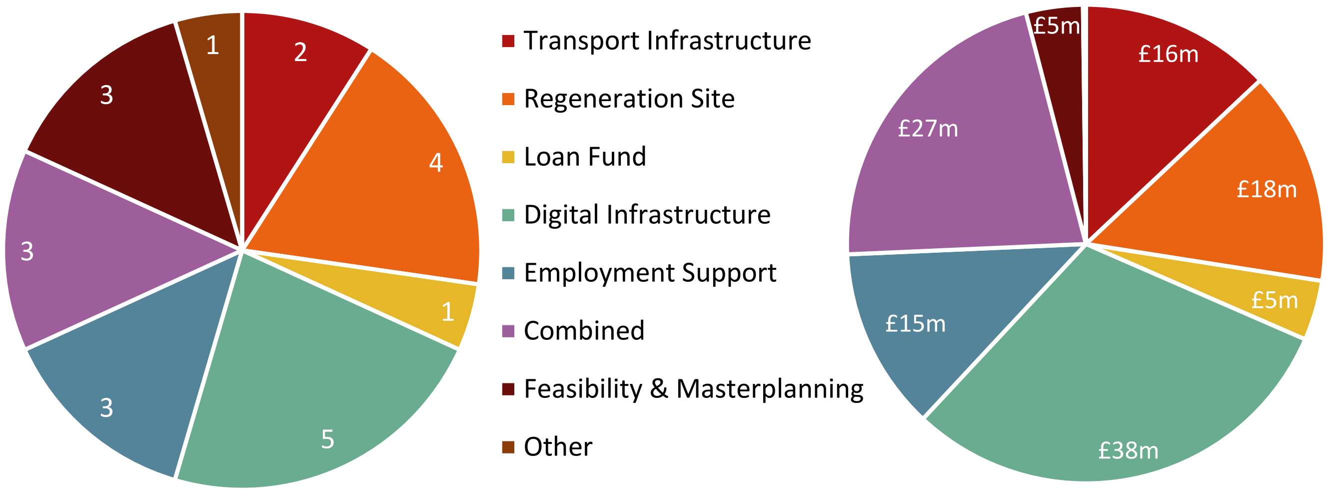


The bids were categorised to allow comparison between them, and to aid in the identification of a balanced package of bids. However, the Panel were conscious that the categorisation had been retrospectively applied, and it was kept under review throughout the evaluation process; no 'quota' was applied, and there was no specific aim relating to categorisation in the Panel's approach to identifying a recommended package. The final categories used were as follows:

- **Transport infrastructure bids** which supported projects such as bus lanes, bridges, public realm or cycling improvements.
- **Digital infrastructure bids** for projects such as fibre networks, CCTV and 'Internet of Things' installations.
- **Regeneration site bids** contributing to regeneration of particular sites, including at least one phase of construction and delivery.
- **Feasibility & masterplanning bids** supporting the initial or planning phases of a regeneration scheme or infrastructure project, and in general delivering business cases, master plans or feasibility studies rather than completed projects or works. However, some included initial enabling works or funded some land assembly.
- **Employment support bids** providing intervention or facilities to support people into work or improve their skills.
- **Loan fund bids** aimed at setting up a local investment fund for projects, on a repayment and interest bearing basis.

- **Combined bids** are those combine a number of these types, generally by seeking an allocation of funds to be used in a locality for a number of sub-projects.
- **Other bids** which did not fit into any of the other categories.

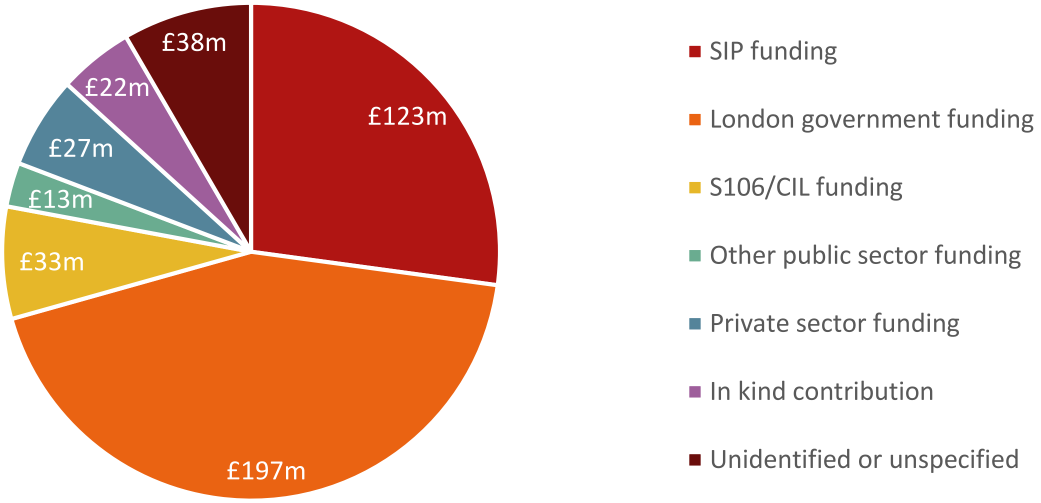
The graphs show the total bid amount and number of bids received in each category:



The bids were for projects with a range of different sizes, some specified the total size of the project and others just provided a total amount of match funding (so in this case the total of the match funding was used to estimate the project size). The average bid size was £5.6m, with a minimum of £0.25m and a maximum of £15m, and the SIP funding proportion was from 5% to 85%. The bidders identified a wide range of different sources of match funding, which have been organised into a number of categories:

- **SIP funding** is the bid amount.
- **London government funding** is other funding committed, requested, or to be requested by the boroughs, GLA, and TfL as part of their project. This generally related to capital resources (including right to buy receipts) or grant funding (such as the Mayor's Construction Academy, for which one bidder has applied).
- **S106/CIL funding** is the use of contributions made by developers to the localities surrounding their developments. These funds are within the control of the local authority, subject to some restrictions depending on the nature of some S106 agreements. Some bids identified expected additional contributions that would be secured as a result of additional development following the proposed SIP funded project.
- **Other public sector funding** is most commonly government grant.
- **Private sector funding** is expected contributions from the private sector, which might, for example, be through sponsorship or joint venture agreements.
- **In kind contributions** were from a variety of different potential sources, including staff time in the authority which was bidding or to manage the project, but in some cases included the market value of existing assets or assets secured through S106 agreements with developers.
- **Unidentified or unspecified** funds, in one case referred to proposed borrowing, but this category also used where bids were unclear or uncertain as to the expected funding source.

The Panel considered the additionality of match funding (as described above under 'The bidding and evaluation process') offered by bidders and the quantum of match funding to inform their recommendation. The graph shows the total (estimated) project costs and funding sources, over all the bids received:



The recommended package

The Panel recommend that Members fund a balanced package of bids, which combines a range of different projects. The bids included in the package, and the reasons why are detailed in this section. They are presented in no specific order.

South Dock Bridge

<table>
<tr><td colspan="2">Bid size</td><td>£7m</td><td rowspan="7">South Dock Bridge is a proposed new footbridge to provide a fully accessible link to South Quay within the private Canary Wharf estate, near its new Elizabeth and Jubilee line stations. The bid will unlock delivery of new housing and commercial development and links residential and commercial districts to the south of the Isle of Dogs to the Canary Wharf commercial district.

The Bidder expects this to unlock development on the Isle of Dogs, and to relieve congestion on nearby public transport.</td></tr>
<tr><td colspan="2">Estimated total project cost</td><td>£12m</td></tr>
<tr><td colspan="2">Estimated SIP proportion</td><td>58%</td></tr>
<tr><td colspan="3">Match Funding</td></tr>
<tr><td colspan="2">CIL & S106</td><td>£1.5m</td></tr>
<tr><td colspan="2">Unidentified (likely CIL, though some sponsorship potential)</td><td>£3.5m</td></tr>
<tr><td>Project timeframe</td><td colspan="2">1.5-3 Years</td></tr>
</table>

The Panel conclude that this bid would bring forward the provision of the proposed infrastructure, and are confident that this will unlock earlier development in the area. The importance of the borough to London and the wider UK economy is a factor in recommending this bid. Supporting this bid will deliver a particular, discrete piece of transport infrastructure and clearly demonstrate to Government the impact of SIP funding.

Productive Valley:

- South Tottenham Employment Area
- Investment Fund
- Rigg Approach

The Productive Valley study provides a clear rationale for intervention in this area, and of the four initiatives proposed, the Panel concluded that three should be recommended for funding.

Bid size	£2m	The South Tottenham Employment Area bid is for delivery of 7,776m^2 of good quality employment space through a mix of refurbishment, extension and redevelopment of existing premises in the South Tottenham Employment Area. The Bidder expects this to redevelop the site, which they consider underutilised. In addition to new space, this will also provide 2,029m^2 of refurbished space. They expect an uplift of c.£0.32m of rates income and 320 new jobs.
Estimated total project cost	£2.5m	
Estimated SIP proportion	80%	
Match Funding		
Public sector funding	£0.2m	
In-kind (staff time)	£0.3m	
Project timeframe	3-5 Years	

The South Tottenham Employment Area initiative is considered deliverable by the Panel because the building involved is already in the ownership of the bidding authority. The Panel also understood from the bid that there was a much larger scheme in mind which funding this first phase will 'kick off'. Supporting this bid will deliver regeneration on a specific site and increase the business rates base through additional commercial space.

Bid size	£5m	The Productive Valley Investment Fund would be a valley-wide loan fund, modelled on the existing Opportunity Investment Fund which provides unsecured loans at 6-8% to local businesses, with an initial repayment holiday. The fund would help support businesses, enabling them to grow and attracting others into the area. They plan to budget for 70% repayment to allow for some failures, though the existing fund has so far had no write-offs. The Bidder expects this to directly support at least 32 businesses over three years.
Estimated total project cost	£6.5m	
Estimated SIP proportion	77%	
Match Funding		
In-kind (officer time)	£0.3m	
Unidentified (would ask for match)	£1.2m	
Project timeframe	3-5 Years	

Whilst the lack of specific projects identified and approved for funding means that the Panel identify a possible risk to the delivery of these projects and some potential for delay. The repayment nature of this fund means that it is expected to have a wide and longer term impact than simply offering grant funding. However, given the limited amount of SIP funds available, the Panel consider that a lower award than the £5m bid of £3m is reasonable and recommend funding at this level. Where part funding is recommended, the balance is moved to unidentified in the Executive Summary infographic, which also includes the bid outputs unadjusted.

Bid size	£2m	Rigg Approach is a 5ha area of land identified as a Strategic Industrial Location (SIL) that forms the Lea Bridge gateway to Waltham Forest. This bid is for SIP funding to be used to: establish formal partnerships with businesses, landowners, interested developers and strategic parties; prepare an agreed masterplan, overarching outline and phase one planning applications; develop strategies and business cases for securing investment and the first phases of work. Funding will also be retained to kick-start the initial phase of development. The Bidder expects this to complete masterplanning, identify land assembly and phasing strategies and assess delivery routes/more detailed business cases for a programme of regeneration of 5ha to 2028. Total GDV c.£250m, 11,000-22,000m^2 industrial. They expect 100%+ growth in rates for area.
Estimated total project cost	£3m	
Estimated SIP proportion	67%	
Match Funding		
In-kind (spend to date)	£0.15m	
To be identified – Council funding and officer time	£0.85m	
Project timeframe	1.5-3 Years	

The Rigg Approach initiative covers a large site, and the bid aims to increase density and intensify activity in the area. This has a good strategic fit and meets a specific policy objective to improve the performance of industrial land and investigate multi-level industrial use. Supporting this bid will contribute to a clear strategy to grow business rates in London's limited land resource over the longer term, and could also free up land for housing where there is not additional business demand. The Panel note that 25% of the £2m bid is intended to support the first phase of development which has not been guaranteed, leaving a balance of £1.5m for the master-planning exercise. The Panel view £1.5m as a very significant amount to spend on an initial project, and considering the size of the SIP fund, recommend a smaller award of £0.75m to produce a focused piece of work.

South London Innovation Corridor

Bid size	£11.33m	This project proposes strategic investments into central (South Bank; Vauxhall Nine Elms Battersea) and local growth clusters (Brixton; New Cross; Old Kent Road; Peckham; Camberwell; and Wandsworth) on Workspace (capital investment into affordable workspace and incubators projects, delivering substantial new commercial floorspace), Business support (cross-borough networking; accelerators and support for creative and digital start-ups supporting substantial job creation), and Talent development (cross-borough creative and digital employment initiatives focussed on enabling disadvantaged groups to access employment and support career progression). The Bidder expects this to deliver £1.5m business rates income, 400 pre-apprenticeships, 200 work experience placements, 200 apprenticeships, and 1,700 jobs. 750 businesses will be supported, beneficiaries will be 50% BAME.
Estimated total project cost	£26.33m	
Estimated SIP proportion	43%	
Match Funding		
Unidentified (bid describes as 'cash match')	£15m	
Project timeframe	1.5-3 Years	

The Panel considered this bid to be imaginative and wide ranging covering workspace, talent development, and business support. The bidder expected in particular that it would produce a significant amount of commercial space. Supporting this bid therefore is expected to grow business rates through both direct and indirect means. The Panel discussed the level of management fees, but concluded that these were reasonable given the number of sub-projects described. The Panel considered reducing the amount to be awarded in the case of this type of bid and concluded that this could be expected to increase the focus and assist bidders in ensuring that prioritisation takes place and only the most effective sub-projects are funded. The Panel consider that £8m is a reasonable level, and recommend an award at that level.

Open Data Standard for Planning

<table>
<tr><td>Bid size</td><td>£0.25m</td><td rowspan="8">This bid is for development of an open data standard for planning applications to transform the quality of strategic planning and administration of planning permission. Planning data needs to be in a format that's consistent across boroughs, regardless of the particular software tools or policies of individual boroughs. This bid would provide a single end to end data solution, which no providers in the market currently provide. This bid could benefit all London Boroughs and any planning authority, provided their software vendor adopts the data standard

The Bidder expects this to offer significant benefits, in line with other open data projects (overall potential of open data estimated at £6-7bn, TfL data at £130m/annum). They expect improved access to faster, more efficient planning services.</td></tr>
<tr><td>Estimated total project cost</td><td>£0.75m</td></tr>
<tr><td>Estimated SIP proportion</td><td>33%</td></tr>
<tr><td colspan="2">Match Funding</td></tr>
<tr><td>MHCLG grant</td><td>£0.25m</td></tr>
<tr><td>Borough funding</td><td>£0.25m</td></tr>
<tr><td>Project timeframe</td><td>Within 18 months</td></tr>
</table>

This bid is highly rated, and the Panel feels that it clearly has the greatest potential for a wide geographical impact given the number of planning authorities throughout England. Initially, the Panel wondered about the link between this project and business rates, but concluded that there is significant potential: firstly, relating to business premises themselves which must get planning permission, with clear timing benefits from improved access; secondly, relating to potential savings for local authorities, which could free resources for further investment in the many areas of local authority activity which develop the economy; and thirdly in relation to the potential to assist SME developers in identifying smaller in-fill type sites. The Panel also note the potential impact on housing. The Panel recommend that a funding condition specifies an open source standard. Subject to this condition, the Panel recommend this bid for funding.

Euston Recruitment Hub

<table>
<tr><td>Bid size</td><td>£3m</td><td rowspan="9">The proposal is seeking funding to build a Euston Construction Skills Centre to deliver bespoke construction skills for key construction companies. The centre will also provide skills needed for construction in general, including housing, plus skills needed for transportation, with rail/engineering opportunities through HS2. The Centre will also provide STEM skills training and will pilot new building methods/technologies (off-site manufacturing). The centre will build up from over previous experience from the successful King’s Cross Construction Skills Centre currently delivering short courses, apprenticeships and job starts.

The Bidder expects this to lead to more than 200 job starts and 150 apprenticeships per annum. The centre will run short courses and adult education.</td></tr>
<tr><td>Estimated total project cost</td><td>£9m</td></tr>
<tr><td>Estimated SIP proportion</td><td>33%</td></tr>
<tr><td colspan="2">Match Funding</td></tr>
<tr><td>CIL & S106</td><td>£0.4m</td></tr>
<tr><td>HS2 Grant Funding</td><td>£4.1m</td></tr>
<tr><td>Mayor’s Construction Academy</td><td>£1.5m</td></tr>
<tr><td>Project timeframe</td><td>5+ Years</td></tr>
</table>

This scheme was recognised by the Panel as having identified significant match funding, and offering a specific business rates outcome (by way of the centre) as well as the indirect growth in rates expected through its supporting employment. The long term nature and wider geographical focus of this scheme was also considered positive. The construction theme is well-aligned strategically with the SIP as this industry in particular will be required to increase business rates. The expected effect of leaving the EU on this sector and forthcoming significant London developments requiring these skills (e.g. Crossrail 2) also make this timely and relevant. The Panel therefore recommend this bid for funding.

West London Alliance:

- Skills & Productivity
- Investment in Digital

The West London Alliance is well established and has a clear governance arrangement in place to manage the projects which might be recommended for funding by the SIP Panel. Of the three initiatives proposed, two are recommended for funding, in full or in part.

Bid size	£3.43m	The bid would fund delivery of an evidence-based productivity and skills programme for West London to support individuals and businesses. The Bidder expects this to support 4,925 residents and 595 employers. There are various schemes: one pilot suggests potential £6.9m total annual salary growth for participants; apprenticeship programmes deliver £25-52k per person in 3 year cost savings.
Estimated total project cost	£5.42m	
Estimated SIP proportion	63%	
Match Funding		
Public sector match (unspecified)	£1.99m	
Project timeframe	3-5 Years	

The Skills & Productivity initiative appeared to be a well-planned scheme with a clear strategic aim. Whilst the Panel note an apparent optimism bias in this scheme between the detailed appendices and the outputs shown on the bid form, the Panel are supportive of this bid and the expected impacts on business in the area. The Panel note that there is adult education funding and funding for English as a Second or Other Language (ESOL) available, but expect that this project will help residents access these.

Bid size	£7.7m	The West London Alliance proposes a major extension of the high-speed fibre network to large areas of West London covering seven boroughs, particularly targeting areas affected by persistently slow internet speeds – so-called 'not-spots' - that are also located in mandated growth and regeneration areas. Libraries, schools, public and council offices located in 'not-spots' would be connected directly to the super-fast fibre network from their local TfL station and private providers will then be able to connect business properties within 250m of the public building. Also, a 'broadband fighting fund' is proposed to support fibre installation that would otherwise be commercially unviable. The Bidder expects this to cover public buildings, but potentially enable access to 18,900 businesses and 41,950 households.
Estimated total project cost	£10.3m	
Estimated SIP proportion	75%	
Match Funding		
Estimated DCMS Vouchers	£2.6m	
The bid also claims to leverage £150m TfL investment in the roll-out of fibre to tube stations.		
Project timeframe	Within 18 months	

The Investment in Digital initiative is a well-developed scheme, with delivery arrangements in place via an agreement with TfL which will add the work to its existing programme. The timescale reported is ambitious, which will allow the impact of the SIP to be quickly demonstrated to Government.

Local London Investment in Fibre

<table>
<tr><td>Bid size</td><td>£15m</td><td rowspan="6">Eight Local London Partnership boroughs and Haringey propose investment to undertake Full Fibre upgrade to key public sector sites that will anchor fibre investment by the commercial sector. The chosen sites will be those where there will be significant improvement in public sector service delivery and where the commercial sector will be motivated to invest in key development zones and address areas of digital exclusion.

The Bidder expects this to provide connectivity in 15 strategic investment locations, providing an increase in penetration by 10%. Additional private sector investment is expected to be leveraged through public investment.</td></tr>
<tr><td>Estimated total project cost</td><td>£20m</td></tr>
<tr><td>Estimated SIP proportion</td><td>75%</td></tr>
<tr><td colspan="2">Match Funding</td></tr>
<tr><td>DCMS vouchers estimated</td><td>£5m</td></tr>
<tr><td>Project timeframe</td><td>1.5-3 Years</td></tr>
</table>

The Panel considered this bid to be relatively similar to the bid for West London: Investment in Digital, and is expected to provide similar benefits to local residents and businesses. However, the size of the bid, at £15m, is considerably greater. In order to allow for a balanced and affordable overall package, the Panel recommends funding both projects at £7.7m each.

South London: Multi-Purpose Internet of Things Platform

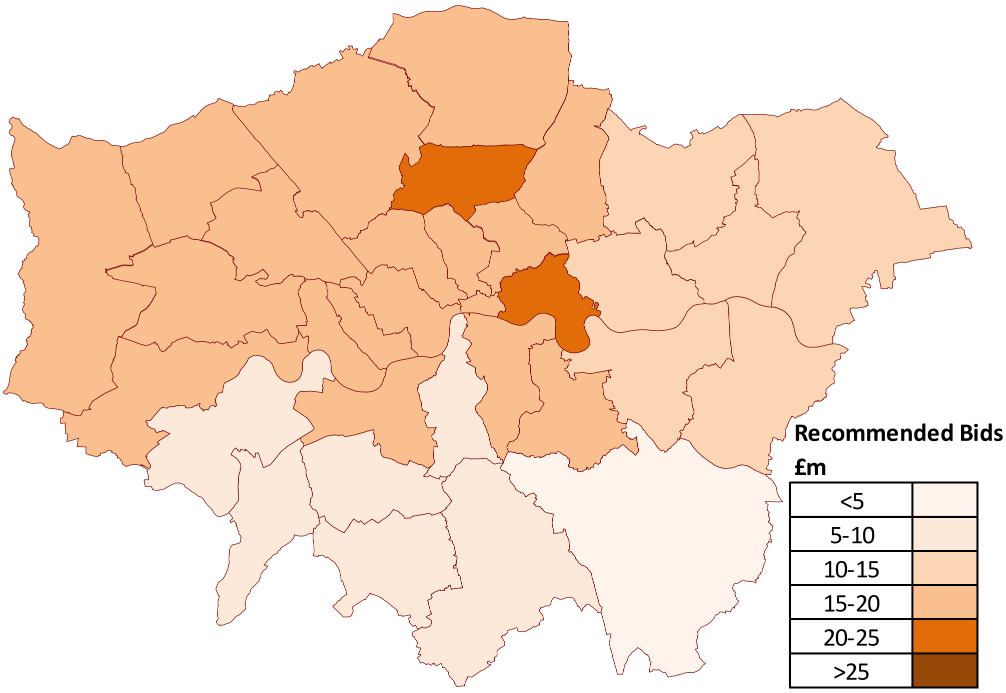
<table>
<tr><td>Bid size</td><td>£12.25m</td><td rowspan="7">This proposal is for establishment of a sustainable, region-wide, multipurpose ‘Internet of Things’ (IoT) platform connecting various IoT enabled sensors across Council boundaries to gather data about, for example, air quality, footfall, flood risks, traffic, road surface temperature, and parking space availability. Data would be made available to local and national government through the London Data Store.

The Bidder expects this to improve access to and increase use of town centres, to reduce emissions and improve logistics, and to reduce costs for council services.</td></tr>
<tr><td>Estimated total project cost</td><td>£17.95m</td></tr>
<tr><td>Estimated SIP proportion</td><td>68%</td></tr>
<tr><td colspan="2">Match Funding</td></tr>
<tr><td>Borough capital funding</td><td>£5.2m</td></tr>
<tr><td>In kind</td><td>£0.5m</td></tr>
<tr><td>Project timeframe</td><td>1.5-3 Years</td></tr>
</table>

The Panel agree that this is an innovative project and that it will have an impact on local services for the bidders. Smart City initiatives have been successful elsewhere, and the Panel feel that this should be considered in more detail. In particular, the approach to the data and whether it is open or commercialised, and the scope for making this project self-funding through commercialisation. There is debate about the effects of the transport aspects of this bid, and the Panel acknowledge that it will be difficult to predict the impact of parking sensors on traffic levels (which is a key consideration in relation to assessing the strategic alignment of this project). Given the need to ensure that SIP funds are focused on enabling economic growth, the Panel consider that funding of £4m should be awarded to carry out further detailed study and pilot work on this project.

Conclusion

The expected value of SIP funds is £52m. The Panel recommend awards of £46.83m at this time, which represents 90% of the budgeted amount. The total amount of funds available will not be finally confirmed until the 2018/19 accounts are closed, so it is important to under-commit this fund in case there is an unfavourable variance at the end of the year. The map shows the amount of funding each authority is supporting in the recommended package:



Once the consultation and decision-making process is complete, the Lead Authority will make arrangements for funding agreements. These will include application of funding conditions relating to the outputs and match funding in the bid, as well as any other specific points required (e.g. the open source requirement on the planning open data standard). The balance of funds will be confirmed once the 2018/19 accounts are closed, and, along with any under-spends, will be rolled into the 2019/20 SIP if the pilot is extended or allocated in another round if not.

Appendix: Detailed bid information

This section provides an overview of each of the bids received, shown in the categories described in the overview. This includes, for ease of reference, the recommended package. This summarises the objectively measurable areas that the Panel considered when coming to their recommended package.

Transport infrastructure bids

<table>
<tr><th colspan="3">South Dock Bridge</th></tr>
<tr><td>Bid size</td><td>£7m</td><td rowspan="8">South Dock Bridge is a proposed new footbridge to provide a fully accessible link to South Quay within the private Canary Wharf estate, near its new Elizabeth and Jubilee line stations. The bid will unlock delivery of new housing and commercial development and links residential and commercial districts to the south of the Isle of Dogs to the Canary Wharf commercial district.

The Bidder expects this to unlock development on the Isle of Dogs, and to relieve congestion on nearby public transport.</td></tr>
<tr><td>Estimated total project cost</td><td>£12m</td></tr>
<tr><td>Estimated SIP proportion</td><td>58%</td></tr>
<tr><td colspan="2">Match Funding</td></tr>
<tr><td>CIL & S106</td><td>£1.5m</td></tr>
<tr><td>Unidentified (likely CIL, though some sponsorship potential)</td><td>£3.5m</td></tr>
<tr><td>Project timeframe</td><td>1.5-3 Years</td></tr>
</table>

<table>
<tr><th colspan="3">Seven Sisters Road / Woodberry Down</th></tr>
<tr><td>Bid Size</td><td>£9.05m</td><td rowspan="7">A bid to provide additional funding for improvements to streets and connectivity in Woodberry Down and on Seven Sisters Road to create a Healthy Streets environment and support new homes and jobs.

The Bidder expects this to increase footfall and reduce town centre retail vacancy rates, increase walking and cycling, improve air quality, and increase visitor numbers and spend.</td></tr>
<tr><td>Estimated total project cost</td><td>£36.55m</td></tr>
<tr><td>Estimated SIP Proportion</td><td>25%</td></tr>
<tr><td colspan="2">Match Funding</td></tr>
<tr><td>CIL & S106</td><td>£0.5m</td></tr>
<tr><td>Public Sector match funding</td><td>£27m</td></tr>
<tr><td>Project timeframe</td><td>1.5-3 Years</td></tr>
</table>

Loan fund bids

<table>
<tr><th colspan="3">Productive Valley: Investment Fund</th></tr>
<tr><td>Bid size</td><td>£5m</td><td rowspan="7">The Productive Valley Investment Fund would be a valley-wide loan fund, modelled on the existing Opportunity Investment Fund which provides unsecured loans at 6-8% to local businesses, with an initial repayment holiday. The fund would help support businesses, enabling them to grow and attracting others into the area. They plan to budget for 70% repayment to allow for some failures, though the existing fund has so far had no write-offs.

The Bidder expects this to directly support at least 32 businesses over three years.</td></tr>
<tr><td>Estimated total project cost</td><td>£6.5m</td></tr>
<tr><td>Estimated SIP proportion</td><td>77%</td></tr>
<tr><td colspan="2">Match Funding</td></tr>
<tr><td>In-kind (officer time)</td><td>£0.3m</td></tr>
<tr><td>Unidentified (would ask for match)</td><td>£1.2m</td></tr>
<tr><td>Project timeframe</td><td>3-5 Years</td></tr>
</table>

Digital infrastructure bids

<table>
<tr><th colspan="3">Shoreditch Fibre & CCTV</th></tr>
<tr><td colspan="2">Bid Size</td><td>£1m</td><td rowspan="6">This bid is for a mix of digital CCTV provision to support the night time economy and improve safety, and enhancing broadband coverage, free and low cost Wi-Fi and 5G connectivity through the use of enhanced council-owned fibre network assets.

The Bidder expects this to support wider strategy.</td></tr>
<tr><td colspan="2">Estimated total project cost</td><td>£3.7m</td></tr>
<tr><td colspan="2">Estimated SIP Proportion</td><td>27%</td></tr>
<tr><td colspan="3">Match Funding</td></tr>
<tr><td colspan="2">Borough Capital</td><td>£2.7m</td></tr>
<tr><td>Project timeframe</td><td colspan="2">3-5 Years</td></tr>
</table>

<table>
<tr><th colspan="4">South London: Multi-Purpose Internet of Things Platform</th></tr>
<tr><td colspan="2">Bid size</td><td>£12.25m</td><td rowspan="7">This proposal is for establishment of a sustainable, region-wide, multipurpose ‘Internet of Things’ (IoT) platform connecting various IoT enabled sensors across Council boundaries to gather data about, for example, air quality, footfall, flood risks, traffic, road surface temperature, and parking space availability. Data would be made available to local and national government through the London Data Store.

The Bidder expects this to improve access to and increase use of town centres, to reduce emissions and improve logistics, and to reduce costs for council services.</td></tr>
<tr><td colspan="2">Estimated total project cost</td><td>£17.95m</td></tr>
<tr><td colspan="2">Estimated SIP proportion</td><td>68%</td></tr>
<tr><td colspan="3">Match Funding</td></tr>
<tr><td colspan="2">Borough capital funding</td><td>£5.2m</td></tr>
<tr><td colspan="2">In kind</td><td>£0.5m</td></tr>
<tr><td>Project timeframe</td><td colspan="2">1.5-3 Years</td></tr>
</table>

<table>
<tr><th colspan="4">Local London: Investment in Fibre</th></tr>
<tr><td colspan="2">Bid size</td><td>£15m</td><td rowspan="6">Eight Local London Partnership boroughs and Haringey propose investment to undertake Full Fibre upgrade to key public sector sites that will anchor fibre investment by the commercial sector. The chosen sites will be those where there will be significant improvement in public sector service delivery and where the commercial sector will be motivated to invest in key development zones and address areas of digital exclusion.

The Bidder expects this to provide connectivity in 15 strategic investment locations, providing an increase in penetration by 10%. Additional private sector investment is expected to be leveraged through public investment.</td></tr>
<tr><td colspan="2">Estimated total project cost</td><td>£20m</td></tr>
<tr><td colspan="2">Estimated SIP proportion</td><td>75%</td></tr>
<tr><td colspan="3">Match Funding</td></tr>
<tr><td colspan="2">DCMS vouchers estimated</td><td>£5m</td></tr>
<tr><td>Project timeframe</td><td colspan="2">1.5-3 Years</td></tr>
</table>

<table>
<tr><th colspan="3">Gigabit Network</th></tr>
<tr><td>Bid Size</td><td>£1.6m</td><td rowspan="8">Bromley's Digital ICT strategy would be supported by this bid, which if successful will contribute to extending an existing council-owned dark fibre network by 12.3 km to cover two of the borough strategic growth areas: the Cray Valley Strategic SIL; and Biggin Hill Strategic Outer London Development Centre.

The Bidder expects this to enable access to 1,200 business and 15,000 residential addresses.</td></tr>
<tr><td>Estimated total project cost</td><td>£7.6m</td></tr>
<tr><td>Estimated SIP Proportion</td><td>21%</td></tr>
<tr><td colspan="2">Match Funding</td></tr>
<tr><td>CIL & S106</td><td>£2.8m</td></tr>
<tr><td>In kind (value of borough network)</td><td>£3m</td></tr>
<tr><td>Estimated DCMS vouchers</td><td>£0.2m</td></tr>
<tr><td>Project timeframe</td><td>1.5-3 Years</td></tr>
</table>

<table>
<tr><th colspan="3">West London Alliance: Investment in Digital</th></tr>
<tr><td>Bid size</td><td>£7.7m</td><td rowspan="7">The West London Alliance proposes a major extension of the high-speed fibre network to large areas of West London covering seven boroughs, particularly targeting areas affected by persistently slow internet speeds – so-called ‘not-spots’ - that are also located in mandated growth and regeneration areas. Libraries, schools, public and council offices located in ‘not-spots’ would be connected directly to the super-fast fibre network from their local TfL station and private providers will then be able to connect business properties within 250m of the public building. Also, a 'broadband fighting fund' is proposed to support fibre installation that would otherwise be commercially unviable.

The Bidder expects this to cover public buildings, but potentially enable access to 18,900 businesses and 41,950 households.</td></tr>
<tr><td>Estimated total project cost</td><td>£10.3m</td></tr>
<tr><td>Estimated SIP proportion</td><td>75%</td></tr>
<tr><td colspan="2">Match Funding</td></tr>
<tr><td>Estimated DCMS Vouchers</td><td>£2.6m</td></tr>
<tr><td colspan="2">The bid also claims to leverage £150m TfL investment in the roll-out of fibre to tube stations.</td></tr>
<tr><td>Project timeframe</td><td>Within 18 months</td></tr>
</table>

Regeneration site bids

<table>
<tr><th colspan="3">Productive Valley: South Tottenham Employment Area</th></tr>
<tr><td>Bid Size</td><td>£2m</td><td rowspan="7">The South Tottenham Employment Area bid is for delivery of 7,776m² of good quality employment space through a mix of refurbishment, extension and redevelopment of existing premises in the South Tottenham Employment Area.

The Bidder expects this to redevelop the site, which they consider underutilised. In addition to new space, this will also provide 2,029m² of refurbished space. They expect an uplift of c.£0.32m of rates income and 320 new jobs.</td></tr>
<tr><td>Estimated total project cost</td><td>£2.5m</td></tr>
<tr><td>Estimated SIP Proportion</td><td>80%</td></tr>
<tr><td colspan="2">Match Funding</td></tr>
<tr><td>Public sector funding</td><td>£0.2m</td></tr>
<tr><td>In-kind (staff time)</td><td>£0.3m</td></tr>
<tr><td>Project timeframe</td><td>3-5 Years</td></tr>
</table>

Creative Industries Cluster		
Bid Size	£4m	A request for funding to deliver an ambitious proposal for a Creative Industries Cluster at Bretons House in Havering incorporating music, gaming, film, theatre, design, fashion, music, arts, architecture, advertising and marketing, to nurture and upskill young people. The cluster will attract new creatives into the borough and offer workspace and studios which would generate business rates over the longer term as well as enhance the local economy. The Bidder expects this to restore an 'at risk', grade II* listed heritage building, and generate a significant reach (100,000 visitors). They expect to provide 20 artist studios and 50 creative enterprise workspaces.
Estimated total project cost	£23m	
Estimated SIP Proportion	17%	
Match Funding		
GLA grant (unconfirmed)	£2m	
In-kind (private sector sponsorship)	£1m	
Other Grant Funding (FA, HLF, Veolia)	£5.1m	
Borrowing	£10.9m	
Project timeframe	3-5 Years	

Marian Court		
Bid Size	£1.85m	This bid is for funding towards the fit out costs of the 1069.1m^2 commercial and community space at the ground floor of Marian Court, one of Hackney Council's estate regeneration schemes. Bid will directly support affordable workspace, making its provision cost neutral for Hackney. The Bidder expects this to allow cost neutral delivery of affordable workspace alongside wider regeneration project.
Estimated total project cost	£5m	
Estimated SIP Proportion	37%	
Match Funding		
Public Sector funding	£3.15m	
Project timeframe	3-5 Years	

Clerkenwell Fire Station		
Bid Size	£10m	An investment to fund the purchase of the fire station to allow 28 new 2-bedroom homes (50% affordable) and 700m^2 of affordable creative workspace, supporting the proposed Hatton Gardens Creative Enterprise Zone. The Bidder expects this to deliver 100 jobs, £0.2m business rates, £0.03m council tax, and £0.7m CIL.
Estimated total project cost	£17.8m	
Estimated SIP Proportion	56%	
Match Funding		
Right to Buy receipts	£0.8m	
Market value of other commercial space secured as affordable via S106	£7m	
Project timeframe	1.5-3 Years	

Feasibility & masterplanning bids

<table>
<tr><td colspan="4">Old Street Tech City Feasibility</td></tr>
<tr><td colspan="2">Bid Size</td><td>£0.75m</td><td rowspan="8">This bid is for a feasibility and financial viability study to investigate purchase (free- or lease-hold) of a landmark building to act as the focal point for Tech City. This would strengthen the network of affordable workspaces and provide other support for micro and small businesses in the tech sector, and ultimately provide opportunities for disadvantaged local people in terms of jobs, training and apprenticeships in the tech sector.

The Bidder expects this to prepare a business case for a regeneration project and identify a site to be purchased.</td></tr>
<tr><td colspan="2">Estimated total project cost</td><td>£11.75m</td></tr>
<tr><td colspan="2">Estimated SIP Proportion</td><td>6%</td></tr>
<tr><td colspan="3">Match Funding</td></tr>
<tr><td colspan="2">CIL & S106</td><td>£1m</td></tr>
<tr><td colspan="2">In kind (market value of office space secured via S106 for affordable use)</td><td>£10m</td></tr>
<tr><td>Project timeframe</td><td colspan="2">Within 18 months</td></tr>
</table>

<table>
<tr><td colspan="4">Productive Valley: Montagu Industrial Estate Redevelopment</td></tr>
<tr><td colspan="2">Bid size</td><td>£2m</td><td rowspan="8">This bid is to support the creation of a site development plan master-plan and CPO for the redevelopment of the Montagu Industrial Estate.

The Bidder expects this to support the existing project, which is in progress with JV partner procured for a 20 year deal.</td></tr>
<tr><td colspan="2">Estimated total project cost</td><td>£40.8m</td></tr>
<tr><td colspan="2">Estimated SIP proportion</td><td>5%</td></tr>
<tr><td colspan="3">Match Funding</td></tr>
<tr><td colspan="2">Public sector investment in joint venture</td><td>£16.3m</td></tr>
<tr><td colspan="2">Private sector investment in joint venture</td><td>£22.5m</td></tr>
<tr><td>Project timeframe</td><td colspan="2">1.5-3 Years</td></tr>
</table>

<table>
<tr><td colspan="4">Productive Valley: Rigg Approach</td></tr>
<tr><td colspan="2">Bid size</td><td>£2m</td><td rowspan="8">Rigg Approach is a 5ha area of land identified as a Strategic Industrial Location (SIL) that forms the Lea Bridge gateway to Waltham Forest. This bid is for SIP funding to be used to: establish formal partnerships with businesses, landowners, interested developers and strategic parties; prepare an agreed masterplan, overarching outline and phase one planning applications; develop strategies and business cases for securing investment and the first phases of work. Funding will also be retained to kick-start the initial phase of development.

The Bidder expects this to complete masterplanning, identify land assembly and phasing strategies and assess delivery routes/more detailed business cases for a programme of regeneration of 5ha to 2028. Total GDV c.£250m, 11,000-22,000m^2 industrial. They expect 100%+ growth in rates for area.</td></tr>
<tr><td colspan="2">Estimated total project cost</td><td>£3m</td></tr>
<tr><td colspan="2">Estimated SIP proportion</td><td>67%</td></tr>
<tr><td colspan="3">Match Funding</td></tr>
<tr><td colspan="2">In-kind (spend to date)</td><td>£0.15m</td></tr>
<tr><td colspan="2">To be identified – Council funding and officer time</td><td>£0.85m</td></tr>
<tr><td>Project timeframe</td><td colspan="2">1.5-3 Years</td></tr>
</table>

Employment support bids

<table>
<tr><th colspan="4">Cross River Partnership: Employment Support Programme</th></tr>
<tr><td colspan="2">Bid Size</td><td>£8.82m</td><td rowspan="8">The proposed programme is to re-skill and prepare people not currently participating in the workforce so that employers in central London have access to a pipeline of employees, particularly in the retail and hospitality sectors.

The Bidder expects this to support 3,375 people, of these 1,441 are expected to move into work, and 864 to remain in work for 6 months. They expect £4m in welfare savings, £3.5m in other public sector savings, £4m general economic benefits, and £3.1m distributional benefits.</td></tr>
<tr><td colspan="2">Estimated total project cost</td><td>£10.32m</td></tr>
<tr><td colspan="2">Estimated SIP Proportion</td><td>85%</td></tr>
<tr><td colspan="3">Match Funding</td></tr>
<tr><td colspan="2">Public sector funding</td><td>£1.4m</td></tr>
<tr><td colspan="2">BID Match funding (subject to ballot)</td><td>£0.1m</td></tr>
<tr><td>Project timeframe</td><td colspan="2">3 Years</td></tr>
</table>

<table>
<tr><th colspan="4">Euston Recruitment Hub</th></tr>
<tr><td colspan="2">Bid size</td><td>£3m</td><td rowspan="9">The proposal is seeking funding to build a Euston Construction Skills Centre to deliver bespoke construction skills for key construction companies. The centre will also provide skills needed for construction in general, including housing, plus skills needed for transportation, with rail/engineering opportunities through HS2. The Centre will also provide STEM skills training and will pilot new building methods/technologies (off-site manufacturing). The centre will build up from over previous experience from the successful King's Cross Construction Skills Centre currently delivering short courses, apprenticeships and job starts.

The Bidder expects this to lead to more than 200 job starts and 150 apprenticeships per annum. The centre will run short courses and adult education.</td></tr>
<tr><td colspan="2">Estimated total project cost</td><td>£9m</td></tr>
<tr><td colspan="2">Estimated SIP proportion</td><td>33%</td></tr>
<tr><td colspan="3">Match Funding</td></tr>
<tr><td colspan="2">CIL & S106</td><td>£0.4m</td></tr>
<tr><td colspan="2">HS2 Grant Funding</td><td>£4.1m</td></tr>
<tr><td colspan="2">Mayor's Construction Academy</td><td>£1.5m</td></tr>
<tr><td>Project timeframe</td><td colspan="2">5+ Years</td></tr>
</table>

<table>
<tr><th colspan="4">West London Alliance: Skills & Productivity</th></tr>
<tr><td colspan="2">Bid size</td><td>£3.43m</td><td rowspan="6">The bid would fund delivery of an evidence-based productivity and skills programme for West London to support individuals and businesses.

The Bidder expects this to support 4,925 residents and 595 employers. There are various schemes: one pilot suggests potential £6.9m total annual salary growth for participants; apprenticeship programmes deliver £25-52k per person in 3 year cost savings.</td></tr>
<tr><td colspan="2">Estimated total project cost</td><td>£5.42m</td></tr>
<tr><td colspan="2">Estimated SIP proportion</td><td>63%</td></tr>
<tr><td colspan="3">Match Funding</td></tr>
<tr><td colspan="2">Public sector match (unspecified)</td><td>£1.99m</td></tr>
<tr><td>Project timeframe</td><td colspan="2">3-5 Years</td></tr>
</table>

Combined bids

<table>
<tr><th colspan="3">South London Innovation Corridor</th></tr>
<tr><td>Bid size</td><td>£11.33m</td><td rowspan="7">This project proposes strategic investments into central (South Bank; Vauxhall Nine Elms Battersea) and local growth clusters (Brixton; New Cross; Old Kent Road; Peckham; Camberwell; and Wandsworth) on Workspace (capital investment into affordable workspace and incubators projects, delivering substantial new commercial floorspace), Business support (cross-borough networking; accelerators and support for creative and digital start-ups supporting substantial job creation), and Talent development (cross-borough creative and digital employment initiatives focussed on enabling disadvantaged groups to access employment and support career progression).

The Bidder expects this to deliver £1.5m business rates income, 400 pre-apprenticeships, 200 work experience placements, 200 apprenticeships, and 1,700 jobs. 750 businesses will be supported, beneficiaries will be 50% BAME.</td></tr>
<tr><td>Estimated total project cost</td><td>£26.33m</td></tr>
<tr><td>Estimated SIP proportion</td><td>43%</td></tr>
<tr><td colspan="2">Match Funding</td></tr>
<tr><td>Unidentified (bid describes as ‘cash match’)</td><td>£15m</td></tr>
<tr><td>Project timeframe</td><td>1.5-3 Years</td></tr>
</table>

<table>
<tr><th colspan="3">South London Workspace Investment Fund</th></tr>
<tr><td>Bid Size</td><td>£6.5m</td><td rowspan="6">A bid to set up a fund to enable the delivery of workspace solutions that meet an identified market gap – primarily lack of flexible and affordable open workspace solutions in key locations and/or growth sectors. This will be a passive fund and project proposals will need to make applications to the fund, meeting certain criteria. The fund will award grants for schemes, there will be no repayment.

The Bidder expects this fund to support 5-8 projects, and around 300 businesses.</td></tr>
<tr><td>Estimated total project cost</td><td>£13m</td></tr>
<tr><td>Estimated SIP Proportion</td><td>50%</td></tr>
<tr><td colspan="2">Match Funding</td></tr>
<tr><td>Unidentified (would seek match funding, though this could include S106/CIL and in-kind)</td><td>£6.5m</td></tr>
<tr><td>Project timeframe</td><td>1.5-3 Years</td></tr>
</table>

<table>
<tr><th colspan="3">West London Alliance: Orbital Rail Enabling Measures</th></tr>
<tr><td>Bid Size</td><td>£8.87m</td><td rowspan="7">Integration of the proposed West London Orbital railway line into the string of existing and new communities that lie along its length, through a wide range of physical and enabling works, detailed design and master planning projects, and land safeguarding activity, which would be supported by this bid.

The Bidder expects this to make the best of the potential, but currently unfunded railway scheme.</td></tr>
<tr><td>Estimated total project cost</td><td>£20.47m</td></tr>
<tr><td>Estimated SIP Proportion</td><td>43%</td></tr>
<tr><td colspan="2">Match Funding</td></tr>
<tr><td>Borough Funding</td><td>£10.6m</td></tr>
<tr><td>TfL funding</td><td>£1m</td></tr>
<tr><td>Project timeframe</td><td>Over 5 years</td></tr>
</table>

Other bids

Open Data Standard for Planning		
Bid size	£0.25m	This bid is for development of an open data standard for planning applications to transform the quality of strategic planning and administration of planning permission. Planning data needs to be in a format that's consistent across boroughs, regardless of the particular software tools or policies of individual boroughs. This bid would provide a single end to end data solution, which no providers in the market currently provide. This bid could benefit all London Boroughs and any planning authority, provided their software vendor adopts the data standard The Bidder expects this to offer significant benefits, in line with other open data projects (overall potential of open data estimated at £6-7bn, TfL data at £130m/annum). They expect improved access to faster, more efficient planning services.
Estimated total project cost	£0.75m	
Estimated SIP proportion	33%	
Match Funding		
MHCLG grant	£0.25m	
Borough funding	£0.25m	
Project timeframe	Within 18 months	

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