Cabinet

Date: 17 September 2018

Subject: Draft Business Plan 2019-23

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 Cabinet notes the rolled forward MTFS for 2019 - 23.
2. That Cabinet confirm the latest position with regards to savings already in the MTFS
3. That Cabinet agrees the approach to setting a balanced budget using the unmet balance of last year's savings targets as the basis for the setting of targets for 2019-23.
4. That Cabinet agrees the proposed savings targets
5. That Cabinet agrees the timetable for the Business Plan 2019-23 including the revenue budget 2019/20, the MTFS 2019-23 and the Capital Programme for 2019-23.
6. That Cabinet note the process for the Service Plan 2019-23 and the progress made so far.
7. 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.

1. Purpose of report and executive summary

1.1 This report presents an initial review of the Medium Term Financial Strategy and updates it for development as part of the business planning process for 2019/20.

1.2 The report sets out the approach towards setting a balanced budget for 2019-2023 and a draft timetable for the business planning process for 2019/20. It also proposes initial corporate and departmental targets to be met from savings and income over the four year period of the MTFS.

Details

2. Medium Term Financial Strategy 2019-23

2.1 Background

Council on 28 February 2018 agreed the Budget 2018/19 and MTFS 2018-22. Whilst a balanced budget was set for 2018/19 there was a gap remaining in future years which needs to be addressed, as shown in the following table:-

	2019/20 £m	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**
MTFS gap (cumulative)	1.285	15.418	17.443	18.500

2.2 The initial phase of the business planning process is to re-price the MTFS and roll it forward for an additional year. Development of the MTFS in recent budget processes allowed for various scenarios on a range of key variables to be modelled and it is intended to do the same this year and where feasible, to improve the approach to modelling.

2.3 Review of Assumptions

The pay and price calculations have been reviewed using the approved budget for 2018/19.

2.3.1 Pay

The current assumptions regarding pay inflation incorporated into the MTFS reflect the agreed two year pay award for 2018/19 and 2019/20 and then 1% per year thereafter.

- 2.8% in 2019/20 and 1% in each other year of the MTFS

The latest local government pay award has been agreed for two years covering 2018/19 and 2019/20 but pay scales for 2019/20 have yet to be agreed nationally and for London.

The MTFS agreed by Council on 28 February 2018 includes the following provision for pay inflation

Provision for Pay Inflation:

(Cumulative)	2019/20	2020/21	2021/22	2022/23
Pay inflation (%)	2.8%	1.0%	1.0%	1.0%
Original MTFS 2018-22 (cumulative £000)	2,182	2,961	3,740	4,519

This has been reviewed using the approved budget for 2018/19 and the latest estimates for inflation arising from the pay awards are:-

(Cumulative)	2019/20	2020/21	2021/22	2022/23
Pay inflation (%)	2.8%	1.0%	1.0%	1.0%
Revised Estimate (cumulative £000)	2,166	2,939	3,712	4,485

Further details on the pay negotiations and the impact on the MTFS, particularly in the latter part of it, will be reported when they are known.

2.3.2 Prices

The current assumptions regarding price inflation incorporated into the MTFS are

- 1.5% in each year of the MTFS

The MTFS agreed by Council on 28 February 2018 includes the following provision for price inflation

Provision for Prices Inflation:

	2019/20	2020/21	2021/22	2022/23
Price inflation in MTFS (%)	1.5%	1.5%	1.5%	1.5%
Original MTFS 2018-22 (cumulative £000)	2,219	4,437	6,685	8,875

This has been reviewed using the approved budget for 2018/19 and the latest estimate based on 1.5% price inflation is:-

(Cumulative)	2019/20	2020/21	2021/22	2022/23
Price inflation (%)	1.5%	1.5%	1.5%	1.5%
Revised Estimate (cumulative £000)	2,270	4,540	6,810	9,080

Net change in Pay and Price inflation provision:

The overall change in inflation provision since Council in February 2018 is

(Cumulative) (£000)	2019/20	2020/21	2021/22	2022/23
Latest Inflation estimate	4,436	7,479	10,522	13,565
Original MTFS 2018-22 (Council February 2018)	4,401	7,398	10,396	13,394
Change	35	81	126	171

The Consumer Prices Index (CPI) 12-month rate was 2.5% in July 2018, up from 2.4% in June 2018.The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 2.3% in July 2018, unchanged from June 2018.
Rising prices for computer games and transport fares produced the largest upward contributions to change in the 12-month rate between June and July

2018, although computer game prices tend to be highly variable from month to month. The upward effects were offset by falls in prices for clothing and footwear, and the removal of initial charges for investment in some unit trusts. Prices for clothing and footwear fell by 0.4% between July 2017 and July 2018, the first time the 12-month rate has been negative since October 2016..

The RPI 12-month rate for July 2018 stood at 3.2%, down from 3.4% in June 2018.

2.3.3 Outlook for inflation:

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target and in a way that helps to sustain growth and employment. At its meeting ending on 1 August 2018, the MPC voted unanimously to increase the Bank Rate by 0.25% to 0.75%. The Committee voted unanimously to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion. The Committee also voted unanimously to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion.

The latest Inflation Report was published on the 2 August 2018.

In the August 2018 Inflation Report, the MPC noted that "The economy's supply capacity is judged likely to grow at a subdued pace — of around 1½% per year on average — over the forecast period. That is slightly lower than demand growth, with unemployment projected to fall a little further as a result and the economy moving into excess demand by late 2019. CPI inflation has fallen back since the beginning of 2018, but remains above the MPC's 2% target. The inflation overshoot reflects the impact of external cost pressures from import and energy prices. Inflation is projected to fall further towards the target as those effects wane, more than offsetting building domestic inflationary pressures. Under the market path for Bank Rate, inflation is judged likely to decline towards the target, reaching 2% in the third year of the forecast period. The projection is higher than in May, mainly reflecting the effect of the recent depreciation of sterling. The risks around the inflation projection remain balanced."

In the minutes to its August 2018 meeting the MPC stated that "Annual CPI inflation had been 2.4% in June, weaker than expected. Although it was possible that recent CPI data were signalling slightly weaker inflationary pressures, the judgement was that the news had been largely erratic. Indeed, recent developments in energy prices and the exchange rate meant that the shorter term inflation outlook was a little stronger than it had been at the time of the May Report. The combined contribution of those pressures was projected to ease over the forecast period. Taking external and domestic influences together, and conditioned on the gently rising path of Bank Rate implied by current market yields, CPI inflation remained slightly above 2% throughout most of the forecast period, reaching the target in the third year… Although the global outlook was a little softer, recent data appeared to confirm that the dip in UK output in the first quarter had been temporary, with momentum recovering in the second quarter. The labour market had continued to tighten and unit labour cost growth had firmed. Given these developments, a 0.25 percentage point increase in Bank Rate was warranted at this meeting to return inflation sustainably to the target."

The latest inflation and unemployment forecasts for the UK economy, based on a summary of independent forecasts are set out in the following table:-

Table 11: Forecasts for the UK Economy

Source: HM Treasury - Forecasts for the UK Economy (August 2018)			
2018 (Quarter 4)	Lowest %	Highest %	Average %
CPI	1.8	3.0	2.2
RPI	2.6	3.6	3.2
LFS Unemployment Rate	3.9	4.8	4.2
2019 (Quarter 4)	Lowest %	Highest %	Average %
CPI	1.5	3.5	2.1
RPI	2.2	4.2	3.0
LFS Unemployment Rate	3.7	5.2	4.3

Clearly where the level of inflation during the year exceeds the amount provided for in the budget, this will put pressure on services to stay within budget and will require effective monitoring and control.

Independent medium-term projections for the calendar years 2018 to 2022 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (August 2018)					
	2018	2019	2020	2021	2022
	%	%	%	%	%
CPI	2.4	2.1	2.0	2.0	2.1
RPI	3.4	3.1	3.0	3.1	3.2
LFS Unemployment Rate	4.2	4.2	4.2	4.3	4.4

2.3.4 Provision for Excess Inflation:

There is also a corporate provision which is held to assist services that may experience price increases greatly in excess of the 1.5% inflation allowance provided when setting the budget. This will only be released for specific demonstrable demand.

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Inflation exceeding 1.5%	450	450	450	450

The cash limiting strategy is not without risks but if the Government's 2% target levels of inflation were applied un-damped across the period then the budget gap would increase by c. £2.9m by 2022/23.

2.4 **Income**

2.4.1 The MTFS does not include any specific provision for inflation on income from fees and charges, as these have now been subsumed into the overall gap and therefore approach to targets. However, in the business planning process for recent years, service departments have been able to identify increased income as part of their savings proposals and increased income currently makes up c.18% of future savings.

2.5 **Pension Fund**

2.5.1 The Pension Fund is revalued every three years and the last valuation based on the position as at 31 March 2016 was implemented in the 2017/18 financial year. The next revaluation will be based on the position as at 31 March 2019 and will be implemented in 2020/21.

2.6 **Forecast of Resources and Local Government Finance Settlement**

2.6.1 Background

Each year in December, the Department of Communities and Local Government (DCLG) notifies local authorities of their Provisional Local Government Finance Settlement. The final Settlement figures are published the following January/February but are generally unchanged or very similar to the provisional figures. The total amount of funding available for local authorities is essentially determined by the amount of resources that Central Government has allocated as part of its annual Departmental Expenditure Limit. Revised Government Department budgets are not expected to be announced until the autumn, probably late November/mid December 2018.

2.6.2 The current level of resources included in the draft MTFS 2019-23 is as follows and the Revenue Support Grant figures are based on the Government's offer of a four year funding allocation for the period 2016/17 to 2019/20:-

DRAFT MTFS 2019-23:				
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Revenue Support Grant	(5,076)	0	0	0
Business Rates (inc. Section 31 grant)	(35,360)	(37,726)	(38,286)	(38,501)
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(2,028)	(1,304)	(1,008)	(800)
Corporate Government Grant in the MTFS	(47,261)	(43,827)	(44,091)	(44,098)

These figures currently assume the London Pilot pool does not continue in 2019/20. There will be updates to this as London Councils and City of London, as the lead authority, look to extend it for a further year.

2.6.3 Government Review of Relative Needs and Resources (Fair Funding Review)

Central government funding for local authorities is based on an assessment of its relative needs and resources. The overarching methodology that determines how much funding each authority receives each year was introduced over ten years ago and has not been updated since funding baselines were set at the start of the 50 per cent business rates retention scheme in 2013/14. The government is therefore undertaking the Fair Funding Review to update the needs formula and set new funding baselines for the start of the new 75 per cent business rates retention scheme, from April 2020.

In announcing the Local Government Finance Settlement for 2018/19, the Secretary of State announced that there would be consultation on a fair funding review which aims to set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources, using the best available evidence. He stated that:-

“To meet the challenges of the future we need an updated and more responsive distribution methodology. We have published a formal consultation on a review of relative needs and resources and aim to implement its findings in 2020 to 2021. There have been widespread calls for a thorough, evidence-based review, and we will deliver this. The review will examine the cost of delivering services across the country, including rural areas, and will consider which factors should be taken into account when considering a local authority’s relative resources.”

Although it is impossible to quantify at this stage, the review could have significant financial implications for all local authorities.

2.6.4 Adult Social Care Funding

The cost of adult social care, in all local authorities including Merton, has risen significantly in recent years and this trend is expected to continue. Merton has met this challenge with a significant increase in the level of resources allocated to this important, demand-led service.

In 2017/18, the following growth was approved for Adult Social Care:-

Adult Social Care – Growth approved in 2017/18			
	2017/18 £000	2018/19 £000	2019/20 £000
ASC - Growth	9,345	252	(2,891)*
cumulative	9,345	9,597	6,706

* Offset by Improving Better Care Fund

The growth has been partially funded by contributions from Council Tax and from Government grant.

Improved Better Care Fund

Merton has been allocated the following amounts of grant funding from the Improved Better Care Fund. An initial allocation was made in the 2016-17 Local Government Finance Settlement. Following this, in the Spring 2017-18 Budget announcement on 8 March 2017, a total of £2.021 billion was announced as supplementary funding to the improved Better Care Fund (iBCF). This is to be distributed as £1.01 billion in 2017-18, £674 million in 2018-19 and £337 million in 2019-20. Merton's share of this allocation is:-

Funding for adult social care announced at Budget 2017				
	2017/18 £	2018/19 £	2019/20 £	2020/21 £
LGF Settlement 2016-17	0	1,408,381	3,060,748	No funding announced
Spring 2017-18 Budget	2,745,896	2,114,651	1,053,738	
Total	2,745,896	3,523,032	4,114,486	

It should be recognised that the Government have not yet indicated that it will continue to provide funding beyond 2019/20 which leaves a significant element of funding which currently supports Adult Social Care expenditure in doubt.

The Community and Housing Department has undertaken an initial review of expected Adult Social expenditure commitments in 2020/21 and beyond which are yet to secure funding. These amount to c. £3.2m. It is possible that the Adult Social Care 2019/20 hypothecated Council Tax of 2% (amounting to c. £1.7m) could contribute some of this shortfall, if agreed.

These are current projections and will be reviewed and updated throughout th business planning process.

In addition, the following amounts of Adult Social Care Support Grant have been received:-

	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Adult Social Care Support Grant	751,000	467,000	No funding announced	No funding announced

2.6.5 Business Rates : 100% Retention - Update

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 2018/19 Merton participated in the London Business Rates Pool pilot scheme which was approved by Central Government to explore 100% Business Rates Retention for London boroughs.

In announcing the Local Government Finance Settlement for 2018/19, the Secretary of State said that:-

"Following the delay to the implementation of 100% business rates retention and reforms to the local government finance system, I acknowledge concerns around 'negative RSG'. We will be looking at fair and affordable options that will address the problem of negative RSG that occurs in 2019 to 2020, and will formally consult on proposals ahead of next year's settlement.

We will also work towards implementing the next phase of our business rates retention reforms in 2020 to 2021 to support the long held objective for local authorities of greater self-sufficiency and financial sustainability. This will give local councils the levers and incentives they need to grow their local economies.

Local authorities will be able to keep more business rates, to the value of the Revenue Support Grant, the Greater London Authority Transport Grant, the Rural Services Delivery Grant and the Public Health Grant. Overall, this is equivalent to 75% retention at 2019 to 2020 levels. Local authorities will then be able to keep the equivalent share of business rates growth on their baseline levels from 2020 to 2021, when the system is reset. The government intends to use the intervening period to develop a set of measures that support a smooth transition of funding for public health services from a grant to retained business rates."

The Housing, Communities and Local Government Select Committee carried out an inquiry into Business rates retention and reported in April 2018.

The Select committee conducted this short inquiry to find out how councils had been affected by the longer than planned implementation period for reforms to local government finance, specifically the move from 50 to 100 per cent retention of business rates revenue in 2019–20 and a ‘Fair Funding Review’ of the formula determining the amount of business rates revenue councils will retain. It concluded that:-
“In the event, three key themes emerged from the evidence:

- the increasingly difficult financial position of many councils,
- uncertainty over reforms affecting their financial planning, and
- their wider concerns about the design and operation of the reformed system.”

Strategic Investment Pot : Consultation report

One of the elements arising from participation in the pilot pool is an allocation from the pot set aside for Strategic Investment. A consultation report was published on 31 July 2018 and authorities have been asked to confirm by 14 September, via their own decision-making processes, support for funding each of the projects. The report is attached as Appendix 3.

The outcome of the 100% London Business Rates Pool pilot and whether this remains in place or reduces to 75% and the implications for the Council’s funding over the MTFS period will be reported as information becomes available.

2.7 **Council Tax and Collection Fund**

2.7.1 Council Tax

The Council Tax income forecast in the current MTFS agreed by Council in February 2018 assumes that the Council Tax Base will increase by 0.5% per year with a collection rate 98%. It also assumes the following changes in Council Tax over the MTFS period:-

	2019/20 %	2020/21 %	2021/22 %	2022/23 %
Council Tax increase - General	2.99%	2.0%	2.0%	2.0%
Council Tax increase – ASC*	2.0%	0%	0%	0%

* To be agreed and there has been no further announcement after 2019/20.

On the basis of these assumptions the Council Tax income included over the period of the MTFS is:-

(Cumulative figures exc. WPCC)	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Council Tax - No change in rate	(87,111)	(87,546)	(87,984)	(88,424)
Council Tax - General	(2,529)	(4,243)	(5,972)	(7,719)
Council Tax income	(89,640)	(91,789)	(93,956)	(96,143)

The Council Tax Referendum Principles for 2019/20 will not be known until the Provisional Local Government Finance Settlement for 2019/20 is announced, usually around mid-December. However, based on the current referendum principles previously announced by the Government in last year's Settlement for 2019/20, Merton could increase its council tax over the MTFS period by the following:-

- in 2019/20, 2.99% for the portion of the authority's council tax increase that has not been hypothecated for ASC.
- 2% general council tax increase 2020/21 to 2022/23
- In 2019/20, 2% hypothecated for Adult Social Care bringing the total to 6% over the three years 2017/18 to 2019/20

This would change the Council Tax income to the following:-

(Cumulative figures)	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Council Tax - No change in rate	(87,111)	(87,546)	(87,984)	(88,424)
Council Tax - General	(2,605)	(4,434)	(6,308)	(8,229)
Council Tax – hypothecated for ASC	(1,742)	(1,742	(1,742)	(1,742)
Council Tax income	(91,458)	(93,722)	(96,034)	(98,395)

The Council Tax Base will be updated later in the year following the return of the Government's CTB statistical return, usually in October, which is based on properties on the valuation list in September.

2.7.2 Collection Fund

In the MTFS approved by Council on 28 February 2018, the shares to preceptors of the collection surplus/deficit for Council Tax and NNDR based on the estimated Collection Fund balance at 31 March 2018 are summarised in the following table:-

	Estimated surplus/ (deficit) as at 31/03/18	Estimated surplus/ (deficit) as at 31/03/18	Total surplus/ (deficit) as at 31/03/18
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	(1,714)	(1,714)
GLA	406	(1,140)	(734)
Merton	1,653	(1,223)	430
Total	2,059	(4,077)	(2,018)

2.7.3 Merton's share of the surplus for council tax and NNDR were built into the MTFS agreed by Council in February 2018.

2.7.4 Since then, the Council has produced its draft 2017/18 accounts as at 31 March 2018 which are currently being audited. The draft accounts for

2017/18 include the following surplus/deficit for Council Tax and NNDR as at 31 March 2018:-

	Surplus/ (deficit) as at 31/03/18 Outturn	Surplus/ (deficit) as at 31/03/18 Outturn	Total surplus/ (deficit) as at 31/03/18
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	(994)	(994)
GLA	531	(1,140)	(609)
Merton	2,086	(914)	1,172
Total	2,617	(3,048)	(431)

2.7.5 The overall change in shares of surpluses/deficits is:-

	Surplus/ (deficit) as at 31/03/18	Surplus/ (deficit) as at 31/03/18	Total surplus/ (deficit) as at 31/03/18
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	720	720
GLA	125	0	125
Merton	433	309	742
Total	558	1,029	1,587

2.7.6 The net change in Merton's share of the surplus/deficit is therefore:-

	Estimated Surplus/ (deficit) as at 31/03/18	Outturn Surplus/ (deficit) as at 31/03/18	Surplus/ (deficit) as at 31/03/18 Change
	£000	£000	£000
Council Tax	1,653	2,086	433
NNDR	(1,223)	(914)	309
Total	430	1,172	742

2.7.7 There is no change to the surplus/deficit figures agreed for 2018/19 as all variations are managed via the Collection Fund. However, the net surplus of £0.742m will need to be taken into account when calculating the Merton General Fund's share of any surplus/deficit due to/from the Collection Fund in 2019/20.

2.7.8 The calculation of the estimated surplus/deficit on the Collection Fund as at 31 March 2019 will be made later in the budget process when key variables are firmed up and council tax base and NNDR returns have been completed. Until this time, the increase in the net surplus carried forward from 2018/19 of £0.742m will be included in the draft MTFS for 2019/20.

2.8 **Treasury Management: Capital Financing Costs and Investment income**

2.8.1 Council in February 2018 approved the following Capital Programme for 2018-22:-

Capital Expenditure	**2018/19 Estimate £'000**	**2019/20 Estimate £'000**	**2020/21 Estimate £'000**	**2021/22 Estimate £'000**
Capital Expenditure	**61,266**	**33,466**	**12,794**	**8,844**
Slippage	(13,035)	5,255	4.524	3,382
Total Capital Expenditure *	48,231	38,721	17,319	12,226
Financed by:				
Capital Receipts *	11,284	1,927	1,396	4,557
Capital Grants & Contributions	21,008	3,826	2,421	681
Revenue Provisions	1,952	15	7	2
Net financing need	**13,987**	**32,953**	**13.495**	**6,986**

* includes finance leasing expenditure

2.8.2 Following the closing and preparation of draft final accounts for 2017/18, the level of slippage required from 2017/18 and the reprofiling of schemes over the programming period has been undertaken to ensure that the level of capital budget is aligned with the Council's capacity to deliver it. In addition new capital projects commencing in 2022/23 may be identified in accordance with achievement of the Council's forward strategic plan. The capital programme will be continually reviewed throughout the financial year and further details including options around financing will be included in future reports as appropriate.

2.8.3 The level, profiling and funding strategy used for the capital programme will have a significant revenue impact that needs to be incorporated into the MTFS. More details on the latest assumptions regarding the Capital Programme 2019-23 are provided in Section 4 of this report.

2.8.4 Investment Income

There are two key factors that impact on the level of investment income that the Council can generate:-

- The amount invested
- The interest rate that is achieved

Based on latest information, the projected levels of investment income, which had accounted for an interest rate increase over the period of the MTFS, have been revised. The following table show the latest projections compared with the amounts included in the MTFS approved by Council in February 2018:-

Investment Income	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
MTFS (Council Feb. 2017)	**(633)**	**(509)**	**(486)**	**(1,408)**
Latest projections	**(584)**	**(449)**	**(395)**	**(1,386)**
Change	**49**	**60**	**91**	**22**

Currently in the monthly monitoring report for July it is forecast that investment income will be £0.759m which is at budgeted levels.

Work is currently ongoing to produce a robust cash flow forecast and forward projection of the level of interest rates that will be achievable. This will be included in a future report.

2.9 Reserve for Use in Future Year's Budgets

2.9.1 The Business Plan and MTFS for 2018-22 approved by Council on 28 February 2018 forecast that a contribution of £91,000 would be required in 2018/19 with the balance of £5.359m applied in 2019/20.

2.9.2 Following the final accounts process for 2017/18, it was possible to consolidate some reserves with the Reserve for use in Future Year's Budgets and as a result the balance (subject to audit) on the Reserve as at 31 March 2018 is £10.261m.

2.9.3 The reserve will be applied over the period of the MTFS to reduce the budget gap and enable longer term, strategic management of the budget.

2.9.4 It should be recognised that the use of reserves is a one-off form of funding and alternative ongoing savings would need to be identified to address the budget gap over the long-term.

2.9.5 In-year review of Reserves
The use and availability of Reserves is monitored throughout the year as part of the monthly monitoring process.

2.10 Review of Outturn 2017/18 and Current Budget and Spending 2018/19

2.10.1 There may be issues identified during the final accounts process and from monthly monitoring, elsewhere on this agenda, that have on-going financial implications which need to be addressed in setting the budget for 2019-23.

2.10.2 Monitoring 2018/19

At period 4 to 31st July 2018 the year end forecast is a net £1.782m overspend compared to the current budget. This has reduced by £0.859m from £2.641m in June. The budget monitoring process will continue to focus on Children's Social Care and Youth Inclusion as this area is forecasting an overspend of c.£3.3m.

2.11 **Re-priced MTFS 2019-23**

2.11.1 As indicated in the report, there have been a number of changes to information and data to factors which impact on the Council's MTFS and budget gap. Taking into account the latest available information as summarised in this report, with revised assumptions for

- Updated inflation
- Adult Social Care funding
- Collection Fund surplus/deficit change following draft outturn for 2017/18
- Change in reserve following draft outturn for 2017/18
- Changes to corporate items
- Capital financing projections based on June monitoring (paragraph 4 refers)

the opening position for the re-priced MTFS is set out in the following table:-

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Budget Gap	791	13,731	2,433	1,774
Budget Gap (Cumulative)	791	14,522	16,955	18,729

2.11.2 A more detailed MTFS is included as Appendix 1. The changes made to the MTFS since Council in March do not address the overall shortfall, which will require ongoing savings and/or funding over the longer term.

2.11.3 The gap over the four year period is c. £19m which is substantial and does not make any revisions to government funding which will not be known until the provisional Local Government Finance Settlement is announced in December 2018 following central government's Autumn Budget 2018. There are risks involved from the current economic situation which may increase the gap and similarly, use of reserves if available to fund the gap only provides one-off funding and there is still a necessity to find ongoing savings in future years to maintain a balanced budget.

2.11.4 The flexibility introduced to enable service departments to look at income increases and savings proposals together should assist in achieving effective planning.

2.12 **Summary**

2.12.1 There has been a substantial improvement in the council's strategic approach to business planning in recent years and it is important that this is maintained. Planning should be targeted towards the achievement of a balanced budget over the four year MTFS period.

2.12.2 Progress made in recent years in identifying savings over the whole period of the MTFS has reduced pressure on services to make short-term, non-strategic cuts. However, because there is still a sizeable gap over the four year period, and there is utilisation of the Reserve for Use in Future Year's budgets (amounting to c. £6m in the revised MTFS) there is a need to set savings targets aimed at eliminating this gap on an ongoing basis.

3. Approach to Setting a Balanced Budget

3.1 This is the initial report on the business planning process for 2019/20 and there is a great deal of work to be done, including the following key areas that are expected to be at the forefront.

a) Review of Central Items
All central items will be closely reviewed to assess the implications for 2019-2023.

b) Further Departmental Savings/Income Targets
The MTFS 2019-23 includes the full year effect of savings and income proposals amounting to c. £6.2m. Initial proposals to address the remaining budget gap are set out in paragraph 3.4.

Work is currently underway on developing proposals to achieve these targets.

c) Review of funding
Given the uncertain economic climate due to the ongoing Brexit negotiations, it is too soon in the financial year to accurately predict the ongoing impact on central Government funding particularly over a four year period. There will be regular updates during the business planning process as more information becomes available.

d) Capital Programme 2019-23
Changes in the capital programme may arise due to slippage, re-profiling and addition/deletion of schemes. This will have an impact on the capital financing costs of the programme. There is a more detailed analysis and discussion of capital related issues in Section 4 of this report.

3.2 Revenue Support Grant and Business Rates Retention

3.2.1 Further analysis and review in the current year will be undertaken to try to improve forecasting, particularly over the longer term.

3.3 Savings agreed and incorporated into the MTFS

3.3.1 The MTFS includes the following amounts in service department budgets for previously agreed savings/income proposals:-

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Savings in MTFS (cumulative)	4,464	6,070	6,185	6,185

3.3.2 However, it is also dependent on pre agreed savings for 2018/19 of c. £7.2m being achieved. The July monitoring report includes the following details of progress on meeting savings agreed in 2018/19.

Department	Target Savings 2018/19	Projected Savings 2018/19	Period 4 Forecast Shortfall	Period 3 Forecast Shortfall	Period Forecast Shortfall (P4)	2019/20 ExpectedShortfall
	£000	£000	£000	£000	%	£000
Corporate Services	2,024	1,549	475	475	23.5%	375
Children Schools and Families	489	489	0	0	0.0%	0
Community and Housing	2,198	1,896	302	340	13.7%	0
Environment and Regeneration	1,874	1,238	636	486	33.9%	127
Total	**6,585**	**5,172**	**1,413**	**1,301**	**21.5%**	**502**

Progress on savings agreed in 2017/18 is as follows:-

Department	Target Savings 2017/18	2017/18 Shortfall	2018/19 Period 4 Projected shortfall	2019/20 Period4 Projected shortfall	2018/19 Period 3 Projected shortfall	2019/20 Period 3 Projected shortfall
	£000	£000	£000	£000	£000	£000
Corporate Services	2,316	196	0	0	0	0
Children Schools and Families	2,191	7			0	0
Community and Housing	2,673	201	149	49	149	49
Environment and Regeneration	3,218	1,953	1,114	45	1,114	45
Total	**10,398**	**2,357**	**1,263**	**94**	**1,263**	**94**

It is imperative that firm discipline is maintained in delivering savings and departments should be beginning the planning for delivering 2019/20 savings now. Where difficulties are foreseen with achieving any of the savings currently incorporated into the MTFS, then alternative measures must be identified before the 2019/20 budget is set.

3.3.4 In addition to reviewing savings, the impact of changes in capital financing, potential changes in grant income and adjusting profiling of planned use of reserves will be utilised to assist in balancing the budget. All potential avenues will be reviewed and modelled throughout the Business Planning process.

3.3.5 Some savings will however be required to balance budgets over the period of the MTFS and draft targets are proposed for this. Draft proposals to meet the targets will be brought forward during the budget process and will be subject to scrutiny as has been the case in previous years.

3.3.6 It should also be recognised that in setting the 2018/19 budget, proposals to fully meet the savings targets set were not identified and agreed over the duration of last year's budget setting period, leaving a balance still to be found. Before setting new targets for 2019/20 onwards (using controllable budgets for 2018/19), departments will be required to identify savings/income proposals to meet the balance of the savings targets set in last year's business planning process.

3.3.7 The balance of savings not met by each department is as follows:-

	Targets	Proposals	Net Change - Replacements	Balance
	£'000	£'000	£'000	£'000
Corporate Services	4,443	-1,241	0	3,202
Children, Schools & Families	3,460	-150	0	3,310
Environment & Regeneration	6,870	-750	0	6,120
Community & Housing	6,958	-1,600	382	5,740
Total	21,731	-3,741	382	18,372

3.4 **Savings Targets for 2019-23**

3.4.1 In previous years the approach to setting savings targets for departments for the Business Planning process has been based on using controllable budgets and aimed to protect front-line services and services to the vulnerable in line with the 'July principles'. Weightings for each department; Corporate Services, Environment and Regeneration, Community and Housing, and Children, Schools and Families in the ratio (100%) : (100%) : (67%) : (50%), were applied to reduce the impact on Adult Social Care, Children's Social Care and vulnerable groups. The targets set also took into account the level to which departments had achieved savings against targets set for previous years.

3.4.2 There was a slight change made last year to the approach to setting savings targets:-

- To reduce the pressure on Children, Schools and Families and Community and Housing, no additional savings were required from these departments until 2020/21, giving them time to identify and plan strategic savings over a longer term. However, this meant that the burden fell on Corporate Services and Environment and Regeneration departments in

2019/20 and savings targets were apportioned for these two departments on a 50:50 basis, adjusted for controllable budgets.

3.4.3 However, given the level of underachievement against last year's targets and the size of the budget gap over the MTFS period, one approach would be to use these as the savings targets for 2019-2023

	Targets £'000
Corporate Services	3,202
Children, Schools & Families	3,310
Environment & Regeneration	6,120
Community & Housing	5,740
Total	18,372

3.4.4 Savings targets should be reprofiled over the MTFS period to aim to balance the budget in each year of the MTFS

Savings Targets	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Corporate Services	138	2,393	424	323	3,278
Children, Schools & Families	143	2,474	438	316	3,370
Environment & Regeneration	263	4,574	810	572	6,220
Community & Housing	247	4,290	760	563	5,861
Total	791	13,731	2,433	1,774	18,729
Net Cumulative total	791	14,522	16,955	18,729	

If the targets are adjusted to include a potential shortfall in Adult Social Care funding the allocation of targets is as follows:-

Savings Targets	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Corporate Services	138	2,650	426	379	3,594
Children, Schools & Families	143	2,740	438	299	3,619
Environment & Regeneration	263	5,066	807	495	6,631
Community & Housing	247	4,751	762	600	6,360
Total	791	15,207	2,433	1,773	20,204
Net Cumulative total	791	15,998	18,431	20,204	

3.4.5 Progress on identifying draft proposals will be included in reports throughout the Business Planning process.

3.4.6 Care needs to be taken regarding savings in Adult Social Care to ensure that the Council continues to comply with MHCLG guidelines and doesn't jeopardise government requirements regarding funding levels.

3.5 **Replacement Savings**

3.5.1 Monitoring of the delivery of savings is important and it is essential to recognise as quickly as possible where circumstances change and savings previously agreed are either not achievable in full or in part or are delayed.

3.5.2 If this is the case, departments will need to identify replacement savings from elsewhere within their overall budgets.

4. Capital Programme for 2019-23

4.1 Since the capital programme was approved by Council in March 2017 and the revenue implications built into the MTFS, there have been a number of amendments arising from outturn 2017/18, monthly monitoring and a review by project managers. There has been a great deal of effort made to ensure that the capital programme set is realistic, affordable and achievable within the capacity available. This has been accompanied by improved financial monitoring and modelling of the programme's costs over the period of the MTFS which has enabled the budgets for capital financing costs to be reduced and therefore scarce resources to be utilised more effectively.

4.2 It is important to ensure that the revenue and capital budgets are integrated and not considered in isolation. The revenue implications of capital expenditure can quickly grow if the capital programme is not contained within the Council's capacity to fund it over the longer term. For example, assuming external borrowing, the capital financing costs of funding £1m (on longer-life assets and short-life assets financed in 2019/20) for the next four years of the MTFS would be approximately:-.

Capital financing costs of £1m over the MTFS period	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Longer life Assets	10	60	60	60
Short-life assets	10	220	220	220

4.3 The bidding process for 2022/23 was launched on 25 June 2018. The closing date for submission of bids was 3 August 2018. Any resulting revisions to the programme and new schemes will be reported to Cabinet in October 2018. The current capital provision and associated revenue implications in the currently approved capital programme, based on June 2018 monitoring information and maximum use of capital receipts, are as follows:-

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Capital Programme	37,247	24,378	19,808	11,743
Revenue Implications	10,872	11,900	13,062	14,118

4.5 The potential change in the capital programme since Council in February 2018 is summarised in the following table:-

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Capital Programme: - As approved by Council - Revised Position with Slippage revisions	 38,721 37,247	 17,319 24,378	 12,226 19,808	 7,597 11,743
Change	(1,474)	7,059	7,582	4,146
Revenue impact As approved by Council Revised	 11,021 10,872	 12,746 11,900	 13,429 13,062	 13,572 14,118
Change	(149)	(846)	(367)	546

4.6 It is considered that these figures represent the worst case subject to there being no in programme bids, with further work currently ongoing to review and challenge the assumptions these figures are based on.

5. Service Planning for 2019-23

5.1 The Service planning process for 2019-23 was launched in August 2018. A plan has been created for each council service. These plans describe what the service does, its plans for the future linked to the Target Operating Model (TOM), its key performance indicators and how its plans will take place within the budget.

5.2 There will be three versions of service plans; First Draft, Second Draft and Final, reported to Cabinet and scrutiny.

6. Alternative Options

6.1 The range of options available to the Council relating to the Business Plan 2019-23 and for setting a balanced revenue budget and fully financed capital programme will be presented in reports to Cabinet and Council in accordance with the agreed timetable.

7. Consultation Undertaken or Proposed

7.1 All relevant bodies have been consulted.

8. Timetable

8.1 In accordance with current financial reporting timetables.

8.2 A chart setting out the proposed timetable for developing the business plan and service plans is provided as Appendix 2.

9. Financial, resource and property implications

9.1 As contained in the body of the report.

10. Legal and statutory implications

10.1 As outlined in the report.

11. Human rights, equalities and community cohesion implications

11.1 None for the purposes of this report, these will be dealt with as the budget is developed for 2019 – 2023.

12. Crime and Disorder Implications

12.1 Not applicable.

13. Risk Management and health and safety implications

13.1 There is a specific key strategic risk for the Business Plan, which is monitored in line with the corporate risk monitoring timetable.

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

Appendix 1 – Draft MTFS 2019-23: Re-priced and rolled forward
Appendix 2 – Business Plan and Service Planning Timetable 2019-23
Appendix 3 – London Business Rates Pool – Strategic Investment Pot

15. Background Papers

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

2017/18 Budgetary Control and Final Accounts Working Papers in the Corporate Services Department.
2018/19 Budget Monitoring working papers
MTFS working papers

16. REPORT AUTHOR

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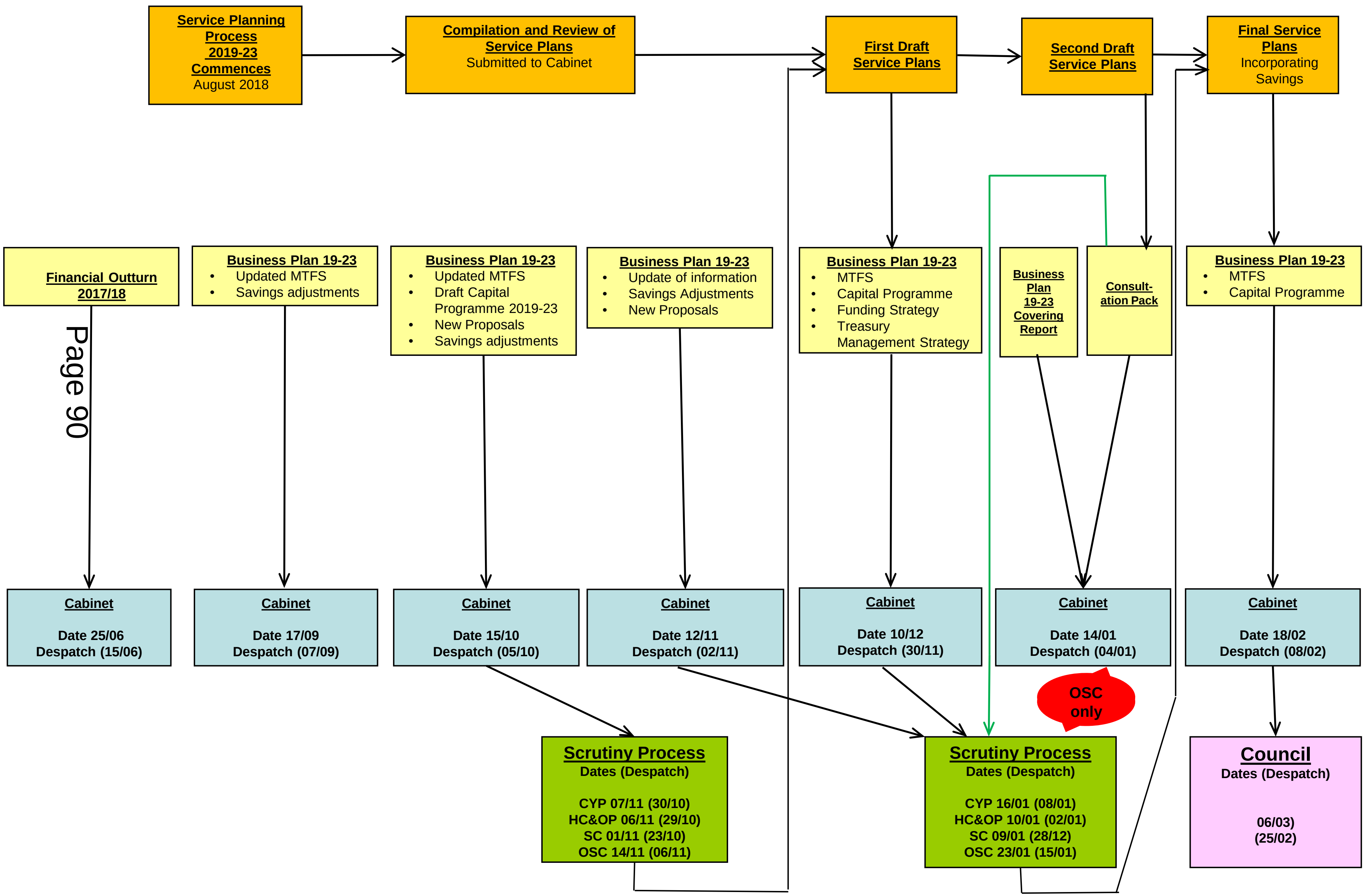
APPENDIX 1

DRAFT MTFS 2019-23:				
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Departmental Base Budget 2018/19	**149,808**	**149,808**	**149,808**	**149,808**
Inflation (Pay, Prices)	4,436	7,479	10,522	13,565
Autoenrolment/Nat. ins changes	0	0	0	0
FYE – Previous Years Savings	(4,464)	(6,070)	(6,185)	(6,185)
FYE – Previous Years Growth	(2,506)	(2,006)	(2,006)	(2,006)
Amendments to previously agreed savings/growth	0	0	0	0
Change in Net Appropriations to/(from) Reserves	99	242	398	335
Taxi card/Concessionary Fares	450	900	1,350	1,800
Adult Social Care - Additional Spend	1,054	0	0	0
Growth	0	0	0	0
Other	2,468	4,555	4,835	4,911
Re-Priced Departmental Budget	**151,345**	**154,908**	**158,722**	**162,228**
Treasury/Capital financing	10,288	11,451	12,667	12,732
Pensions	3,552	3,635	3,718	3,801
Other Corporate items	(16,781)	(16,705)	(16,654)	(16,229)
Levies	607	607	607	607
Sub-total: Corporate provisions	**(2,334)**	**(1,012)**	**338**	**911**
Sub-total: Repriced Departmental Budget + Corporate Provisions	**149,011**	**153,896**	**159,060**	**163,139**
Savings/Income Proposals 2018/19	0	0	0	0
Sub-total	**149,011**	**153,896**	**159,060**	**163,139**
Appropriation to/from departmental reserves	(1,350)	(1,493)	(1,649)	(1,586)
Appropriation to/from Balancing the Budget	(6,024)	0	0	0
BUDGET REQUIREMENT	**141,637**	**152,403**	**157,411**	**161,553**
Funded by:				
Revenue Support Grant	(5,076)	0	0	0
Business Rates (inc. Section 31 grant)	(35,360)	(37,726)	(38,286)	(38,501)
Adult Social Care - Improved Better Care Fund	(1,054)	0	0	0
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(2,028)	(1,304)	(1,008)	(800)
Council Tax inc. WPCC	(91,789)	(94,053)	(96,365)	(98,726)
Collection Fund – (Surplus)/Deficit	(742)	0	0	0
TOTAL FUNDING	**(140,846)**	**(137,880)**	**(140,456)**	**(142,824)**
GAP including Use of Reserves (Cumulative)	**791**	**14,522**	**16,955**	**18,729**
Potential Unfunded ASC commitments due to Loss of Better Care Funding	0	3,218	3,218	3,218
GAP assuming no new ASC Government Grant (Cumulative)	**791**	**17,740**	**20,173**	**21,947**
Possible Offset if 2019/20 ASC CT hypothecation can be used to replace Better Care Funding	0	(1,742)	(1,742)	(1,742)
GAP assuming no new ASC Government Grant but 2019/20 CT hypothecation can be used(Cumulative)	**791**	**15,998**	**18,431**	**20,204**

APPENDIX 2

BUSINESS PLANNING TIMETABLE - BUSINESS PLAN 2019-23



Memo

To Chief Executives, Treasurers
London Boroughs, Greater London Authority, London Councils

Copied to SIP Bidders, Sub-Regional Directors

Email ndr.pool@cityoflondon.gov.uk

Date 31 July 2018

DOMINE DIRIGE NOS
CITY OF LONDON

For action

London Business Rates Pool
Strategic Investment Pot: Consultation Report

The purpose of this note is to launch the consultation on the allocation of Strategic Investment Pot funds.

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 attached consultation report contains their analysis and recommendations.

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.

Authorities are asked to confirm **by Friday, 14 September**, via their own decision-making processes, their support for funding each of the projects. As laid out in the Memorandum of Understanding, signed by all authorities, subject to agreement of two-thirds of the authorities and the Mayor of London, and in the absence of any sub-regional veto, the formal decision will be taken by the Lead Authority in the Autumn and the SIP funds allocated. The Panel will reconvene shortly afterwards to review the results of the consultation and finalise an outcome report to the Congress of Leaders.

Contacts
For queries in relation to the operation of the business rates pool, including the Strategic Investment Pot, please contact the City of London Corporation at NDR.pool@cityoflondon.gov.uk

London Business Rates 2018/19 100% Pilot Pool

Strategic Investment Pot (SIP) Consultation Report

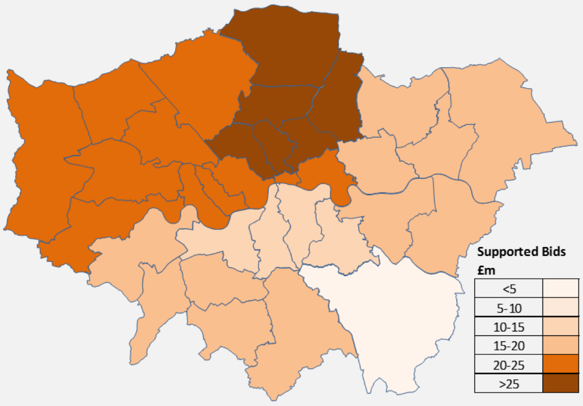
Report of the SIP Panel:

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.

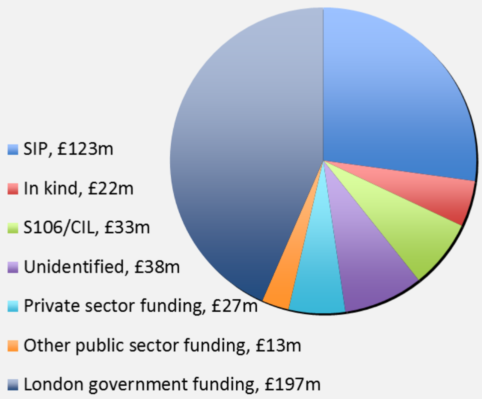
Bids were submitted from across London



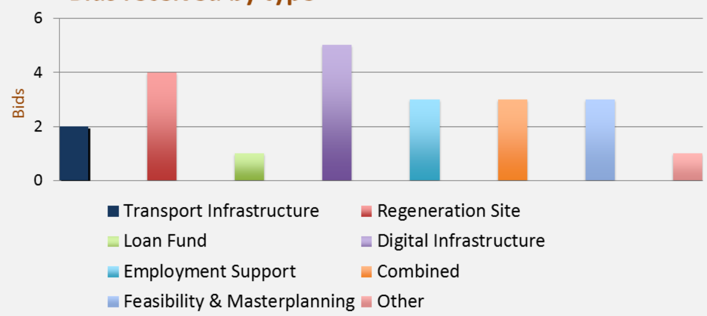
Project funding identified, £m

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

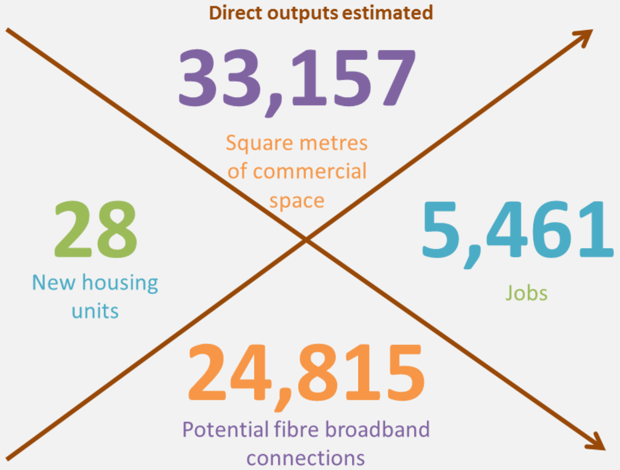
In-kind match funds identified included the market value of assets used in projects or secured through S106, and staff time.



Bids received by type



Direct outputs estimated



£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.

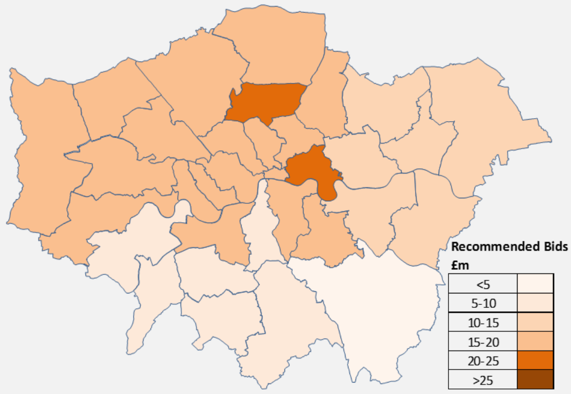
The precise amount of funds will be confirmed once the 2018/19 accounts are closed, and will be rolled into the 2019/20 SIP if the pilot is extended or allocated in another round if not.

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.

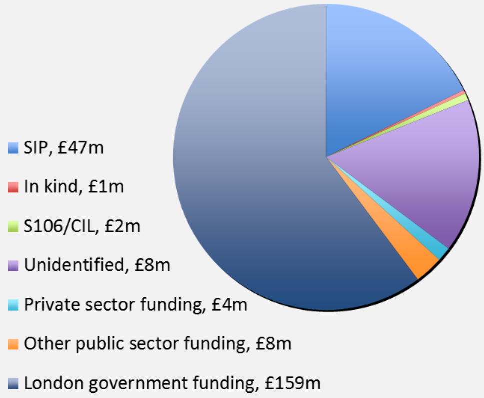
Bids are recommended from across London



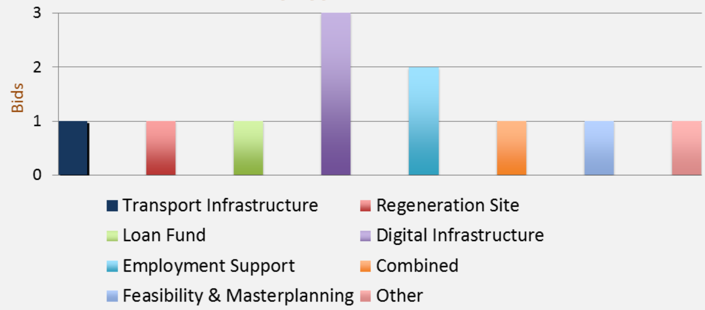
Bidders identified a range of different sources of funding. The Panel assessed these carefully and considered the extent to which they were reasonable claims.

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

Project funding identified, £m



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.

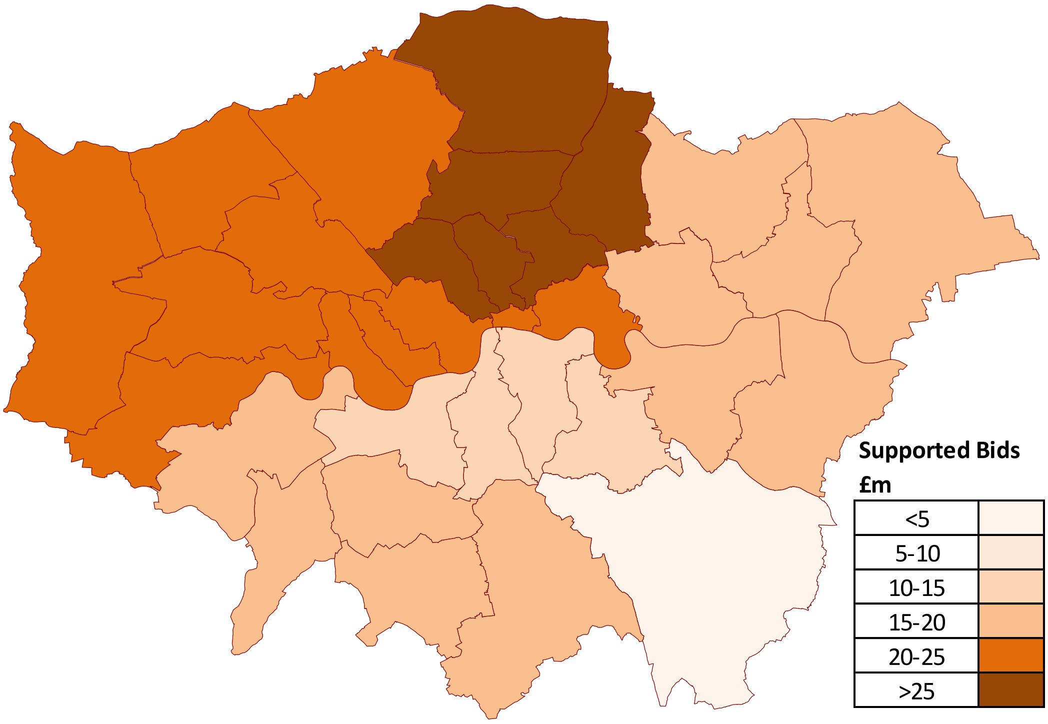
The bidding guidance made clear that, though the criteria were chosen in part because they were capable of objective evaluation, there would also be a degree of judgment and interpretation required. There would also be a need to assess the robustness and credibility of the estimates included in the bids.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

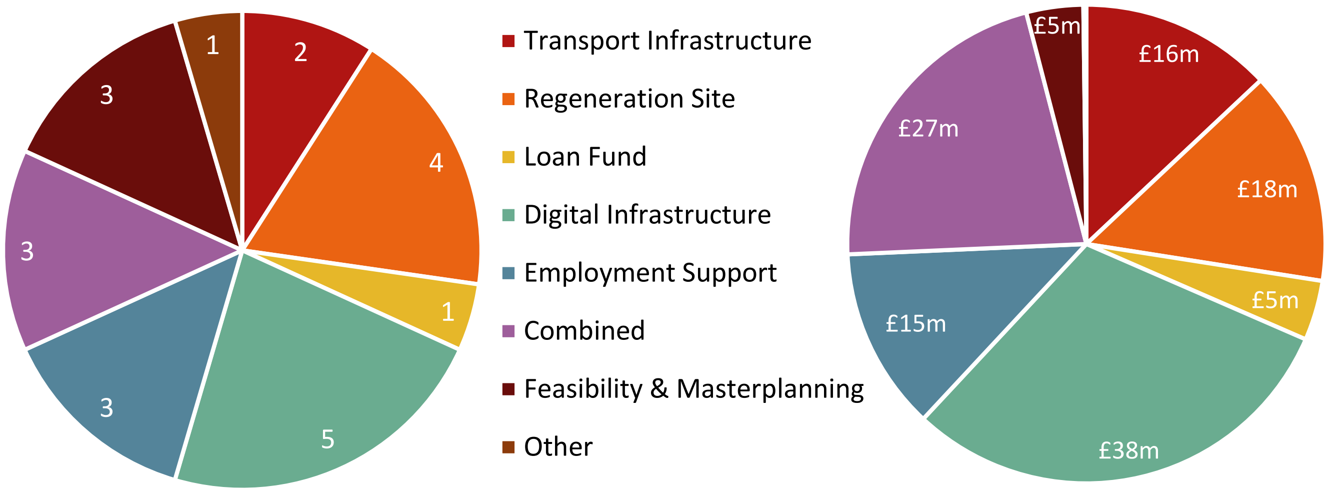


The bids were categorised to allow comparison between them, and to aid in the identification of a balanced package of bids. However, the Panel were conscious that the categorisation had been retrospectively applied, and it was kept under review throughout the evaluation process; no 'quota' was applied, 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.

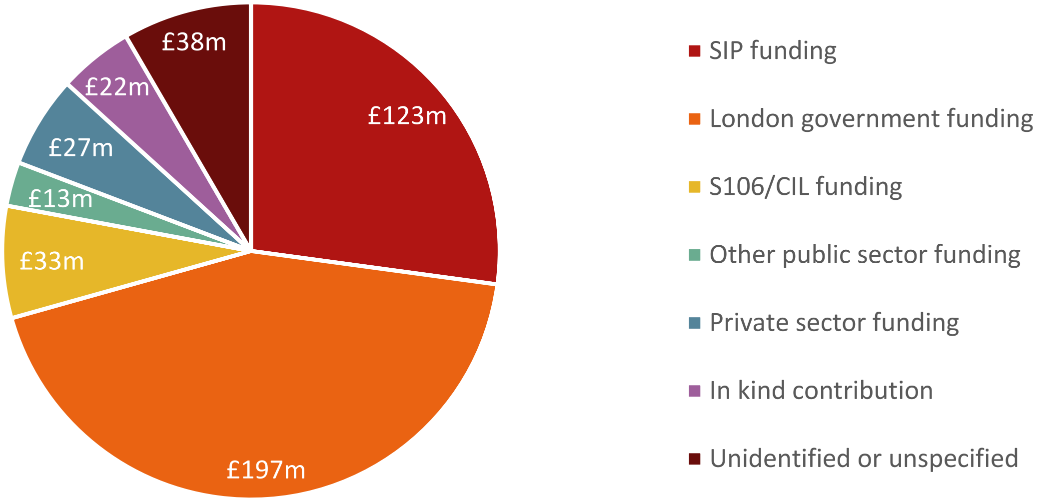
The graphs show the total bid amount and number of bids received in each category:



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>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>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>

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
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 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.

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
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

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.

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
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

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.

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
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

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.

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

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	

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

Bid size	£3m	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.
Estimated total project cost	£9m	
Estimated SIP proportion	33%	
Match Funding		
CIL & S106	£0.4m	
HS2 Grant Funding	£4.1m	
Mayor's Construction Academy	£1.5m	
Project timeframe	5+ Years	

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.

<table>
<tr><td>Bid size</td><td colspan="2">£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>Estimated total project cost</td><td colspan="2">£5.42m</td></tr>
<tr><td>Estimated SIP proportion</td><td colspan="2">63%</td></tr>
<tr><td colspan="3">Match Funding</td></tr>
<tr><td>Public sector match (unspecified)</td><td colspan="2">£1.99m</td></tr>
<tr><td>Project timeframe</td><td colspan="2">3-5 Years</td></tr>
</table>

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.

<table>
<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>

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

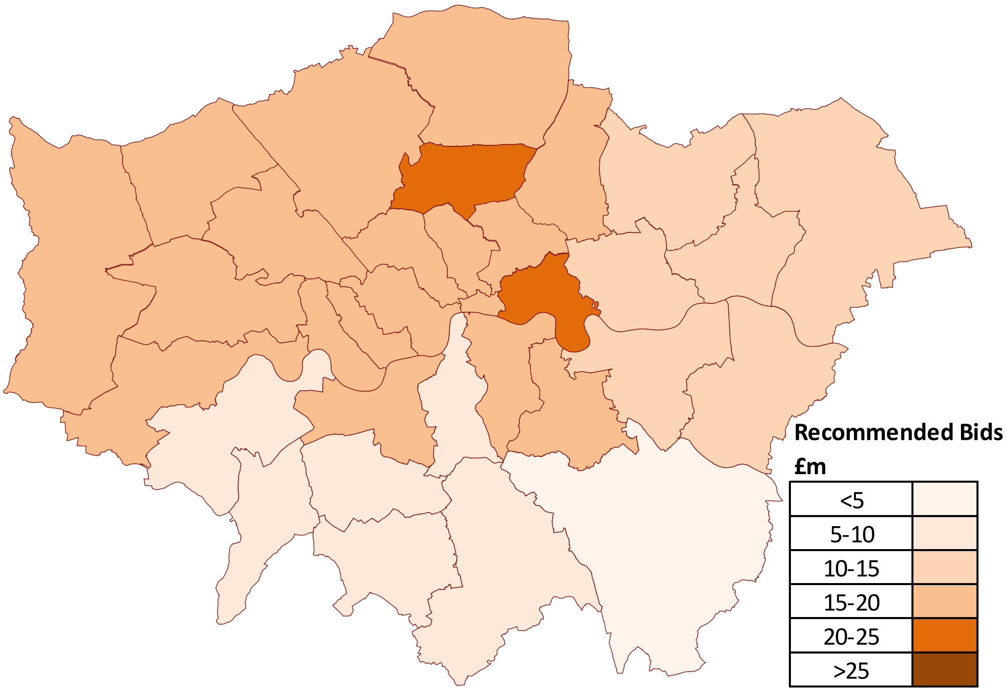
<table>
<tr><td>Bid size</td><td>£12.25m</td><td rowspan="7">This proposal is for establishment of a sustainable, region-wide, multipurpose ‘Internet of Things’ (IoT) platform connecting various IoT enabled sensors across Council boundaries to gather data about, for example, air quality, footfall, flood 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

South Dock Bridge	
Bid size	£7m
Estimated total project cost	£12m
Estimated SIP proportion	58%
Match Funding	
CIL & S106	£1.5m
Unidentified (likely CIL, though some sponsorship potential)	£3.5m
Project timeframe	1.5-3 Years

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.

Seven Sisters Road / Woodberry Down	
Bid Size	£9.05m
Estimated total project cost	£36.55m
Estimated SIP Proportion	25%
Match Funding	
CIL & S106	£0.5m
Public Sector match funding	£27m
Project timeframe	1.5-3 Years

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.

Loan fund bids

Productive Valley: Investment Fund	
Bid size	£5m
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

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.

Digital infrastructure bids

Shoreditch Fibre & CCTV		
Bid Size	£1m	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.
Estimated total project cost	£3.7m	
Estimated SIP Proportion	27%	
Match Funding		
Borough Capital	£2.7m	
Project timeframe	3-5 Years	

South London: Multi-Purpose Internet of Things Platform		
Bid size	£12.25m	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.
Estimated total project cost	£17.95m	
Estimated SIP proportion	68%	
Match Funding		
Borough capital funding	£5.2m	
In kind	£0.5m	
Project timeframe	1.5-3 Years	

Local London: Investment in Fibre		
Bid size	£15m	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.
Estimated total project cost	£20m	
Estimated SIP proportion	75%	
Match Funding		
DCMS vouchers estimated	£5m	
Project timeframe	1.5-3 Years	

Gigabit Network	
Bid Size	£1.6m
Estimated total project cost	£7.6m
Estimated SIP Proportion	21%
Match Funding	
CIL & S106	£2.8m
In kind (value of borough network)	£3m
Estimated DCMS vouchers	£0.2m
Project timeframe	1.5-3 Years

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.

West London Alliance: Investment in Digital	
Bid size	£7.7m
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 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.

Regeneration site bids

Productive Valley: South Tottenham Employment Area	
Bid Size	£2m
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 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.

Creative Industries Cluster

Bid Size	£4m
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

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.

Marian Court

Bid Size	£1.85m
Estimated total project cost	£5m
Estimated SIP Proportion	37%
Match Funding	
Public Sector funding	£3.15m
Project timeframe	3-5 Years

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.

Clerkenwell Fire Station

Bid Size	£10m
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

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.

Feasibility & masterplanning bids

<table>
<tr><th colspan="4">Old Street Tech City Feasibility</th></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><th colspan="4">Productive Valley: Montagu Industrial Estate Redevelopment</th></tr>
<tr><td colspan="2">Bid size</td><td>£2m</td><td rowspan="7">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><th colspan="4">Productive Valley: Rigg Approach</th></tr>
<tr><td colspan="2">Bid size</td><td>£2m</td><td rowspan="7">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, 11,000-22,000m² 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="3">Cross River Partnership: Employment Support Programme</th></tr>
<tr><td>Bid Size</td><td>£8.82m</td><td rowspan="7">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>Estimated total project cost</td><td>£10.32m</td></tr>
<tr><td>Estimated SIP Proportion</td><td>85%</td></tr>
<tr><td colspan="2">Match Funding</td></tr>
<tr><td>Public sector funding</td><td>£1.4m</td></tr>
<tr><td>BID Match funding (subject to ballot)</td><td>£0.1m</td></tr>
<tr><td>Project timeframe</td><td>3 Years</td></tr>
</table>

<table>
<tr><th colspan="3">Euston Recruitment Hub</th></tr>
<tr><td>Bid size</td><td>£3m</td><td rowspan="8">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>

<table>
<tr><th colspan="3">West London Alliance: Skills & Productivity</th></tr>
<tr><td>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>Estimated total project cost</td><td>£5.42m</td></tr>
<tr><td>Estimated SIP proportion</td><td>63%</td></tr>
<tr><td colspan="2">Match Funding</td></tr>
<tr><td>Public sector match (unspecified)</td><td>£1.99m</td></tr>
<tr><td>Project timeframe</td><td>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

<table>
<tr><td colspan="4">Open Data Standard for Planning</td></tr>
<tr><td colspan="2">Bid size</td><td>£0.25m</td><td rowspan="7">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 colspan="2">Estimated total project cost</td><td>£0.75m</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">MHCLG grant</td><td>£0.25m</td></tr>
<tr><td colspan="2">Borough funding</td><td>£0.25m</td></tr>
<tr><td>Project timeframe</td><td colspan="2">Within 18 months</td></tr>
</table>

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