

<b>Item No.</b> N/a	<b>Classification:</b> Open	<b>Date:</b> 7 November 2019	<b>Meeting Name:</b> Leader of the Council
<b>Report title:</b>		Southwark Council's response to 2019-20 Strategic Investment Pot (SIP) Consultation	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Head of Chief Executive's Office	

## RECOMMENDATION

That the Leader of the Council:

1. Objects to the recommendations set out in the 2019-20 SIP consultation report and the proposed levels of funding for each of the projects therein.

## BACKGROUND INFORMATION

2. For 2019-20, the GLA and the 33 London billing authorities are piloting 75% business rates retention. This allows London to retain an estimated £181m of extra funding. Of this, approximately 50% will be used for strategic investment: 15% (c£27m, Strategic Investment Pot ("SIP")) is 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. In addition, funds unallocated in 2018-19 estimated at £12.8m are also available for allocation, making a total fund value of c.£38m.
3. Bids to the second round of the Strategic Investment Pot were invited in June 2019 with a deadline of 4 September. In total 18 bids were received for a total funding request of £102m. The City of London Corporation, the Lead Authority for the pooling arrangement, has led the evaluation process, convening a Panel (the "Panel") of senior finance, regeneration, and service directors from the London authorities, the GLA, and London Councils to carry it out. The Panel has considered the bids and recommends that the following SIP funds are awarded.

<b>Project</b>	<b>Recommended funding (£m)</b>
Crystal Palace Subway	2.34
Central London Inclusive Growth / Building an Inclusive Knowledge Economy	8.00
London Cancer Hub	8.38
Supporting Sustainable Growth with 5G	0.15
West London Orbital and Strategic Growth	3.60
Croydon Creative Campus Phase 1	2.50
South London Knowledge Exchange	6.04
Local London e-Business for Growth	5.63
Lower Lea Valley Bridge Enabling	0.50
<b>Total recommended package</b>	<b>37.14</b>

4. The council is a partner in two bids to this SIP round.
  - South London Innovation Corridor Phase Two, no funding recommended.
  - Crystal Palace Subway, recommended £2.34m.
5. Under the terms of the Memorandum of Understanding for the retained business rates pilot, decisions on the allocation of funds from the Strategic Investment Pot are subject to consultation with the participating authorities (the 33 billing authorities and the Mayor of London). 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.

### **KEY ISSUES FOR CONSIDERATION**

6. There are serious concerns about both the process and the outcome of the second SIP bidding round. The process has been conducted in a manner that has not met the objectives of London local government in pooling resources to achieve strategic impact, and damages confidence in the effectiveness of this model of pan-London funding. These concerns can be summarised as follows:
  - 6.1. Local authority leadership has not been engaged in the funding decisions.
  - 6.2. The officer-led bid evaluation process has been opaque and it is not apparent that criteria have been consistently and transparently applied. Participating authorities in the pool are being asked to endorse a funding package for which no consistent set of justifications has been provided.
  - 6.3. There has been no engagement with bidding authorities by the Panel between submission and a set of recommended decisions.
  - 6.4. The strategic considerations made by the Panel in forming their final recommendations are unclear.
  - 6.5. The recommendations report does not distinguish between authorities that have lent strategic support to a bid and those that will be active delivery partners and direct beneficiaries of funds, demonstrating a fundamental weakness in the Panel's assessment of impact.
  - 6.6. The role of sub-regional partnerships in the process has been unclear and inconsistent.

### **Policy implications**

7. Central London Forward has responded to the consultation setting out similar serious concerns from its member authorities. However, members have not elected to use their power of veto over the decision (which is explained in paragraph 5 of this report).
8. Should 12 billing authorities (one third plus one) disagree with the Panel's recommendations, the SIP Memorandum of Understanding states that would result in the funds being unspent and rolled into the next year of the SIP.

However, as the SIP will not proceed in 2020, an alternative process would need to be identified to allocate the funding. The London Councils Leaders Committee on 3rd December presents an opportunity to discuss options to develop an alternative proposal for funding allocations.

### **Community impact statement**

9. The aim for the SIP funds is to:

- Contribute to 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.
- Have broad support across London government in accordance with the agreed governance process.

### **Resource implications**

10. The SIP panel has recommended an award of £2.34m to the Crystal Palace Subway project, which aims to unlock the potential of the Crystal Palace Subway as a cultural destination for south London. The subway is jointly owned by Southwark and Bromley councils.
11. The SIP panel recommended no funds for the South London Innovation Corridor Phase 2, for which a partnership bid was submitted, covering Southwark, Lambeth, Lewisham and Wandsworth to the value of £9.95m. The project aims to build upon the Partnership's existing success and deliver a high impact programme of workspace and inclusive innovation business support.

### **Legal implications**

12. For 2019-20, all 33 London billing authorities and the GLA have come together to pilot 75% retention, following 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.

### **Financial implications**

13. The expected value of SIP funds is £39.9m. The Panel has recommended awards of £37.14m at this time. The total amount of funds available will not be finally confirmed until the 2018-19 and 2019-20 accounts are closed late in 2020.

### **Consultation**

14. Authorities are asked to confirm 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 and the SIP funds allocated.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
London Business Rates 2019-20 75% Pilot Pool Strategic Investment Pot (SIP) Consultation Report	Local Economy Team 160 Tooley Street	Nick Wolff 020 7525 5676

## APPENDICES

No.	Title
None	

## AUDIT TRAIL

<b>Lead Officer</b>	Stephen Gaskell, Head of Chief Executive's Office	
<b>Report Author</b>	Nick Wolff, Principal Strategy Officer	
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<b>Dated</b>	7 November 2019	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	No	No
<b>Cabinet Member</b>	No	No
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