

Individual Mayoral Decision 20 November 2019	 TOWER HAMLETS
Report of: Neville Murton – Corporate Director Resources	Classification: Unrestricted
London Business Rate Strategic Investment Pot – Consultation response	

Lead Member	Councillor Ronald, Cabinet Member for Resources and the Voluntary Sector
Originating Officer(s)	Neville Murton – Corporate Director Resources
Wards affected	n/a
Key Decision?	No
Forward Plan Notice Published	20 November 2019
Reason for Key Decision	n/a
Strategic Plan Priority / Outcome	A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.

Executive Summary

1. The Council agreed to participate in the 2019/20 London Business Rate Retention pilot scheme; this allows for 75% of business rate growth above the relevant baseline to be retained across London. For 2019/20 this sum was estimated at £181m.
2. The agreed retention scheme allows for 15% of any surplus to be put into a Strategic Investment Pot (SIP) and distributed towards approved relevant bids submitted by London authorities.
3. Following a bidding and evaluation process administered by the Corporation of London, a consultation report setting out the recommended proposals for the use of the SIP has been received which requires a decision from each authority before the Lead Authority can take the final decision in accordance with the terms of the agreement.
4. Full details of the decision sought, including setting out the reasons for the recommendations and/or all the options put forward; other options considered; background information; the comments of the Chief Finance Officer; the concurrent report of the Head of Legal Services; implications for One Tower Hamlets; Risk Assessment; Background Documents; and other relevant matters are set out in the attached report.

Recommendations:

The Mayor is recommended to:

1. Agree the schemes proposed for funding from the 2019/20 Strategic Investment Pot as set out in the attached consultation report.

1 REASONS FOR THE DECISIONS

- 1.1 There is not currently a mechanism for joint decision-making by London government, therefore a formal decision must be taken by the Members of the Lead Authority (City of London Corporation), subject to consultation with all participating authorities. The consultation report is attached, 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.

2 ALTERNATIVE OPTIONS

- 2.1 The Mayor could register disagreement with some or all of the proposed schemes. If the recommended proposals are not agreed, the Memorandum of Understanding agreed requires resources to be rolled forward and allocated in future SIP rounds

3 DETAILS OF THE REPORT

- 3.1 The Council has confirmed its participation in the London Business Rate pilot scheme for 2018/19 and 2019/20. As part of that agreement additional growth resources across London, attributable to business rates, is 'pooled' and redistributed according to a number of factors. 15% of any surplus is redistributed against investment projects subject to a bidding and approval process involving all London Authorities and the London Mayor.
- 3.2 For 2018/19 the pilot was based on retaining 100% of any net additional growth, for 2019/20 the scheme was amended to allow retention of 75%. The additional estimated sum for 2019/20 under the 75% model was £181m and consequently the amount for the Strategic Investment Pot has been calculated as £39.9m – this reflects both the estimated 2019/20 share together with uncommitted resources from the 2018/19 scheme.
- 3.3 The Lead authority has produced a detailed consultation report which is attached as Appendix 1 and this summarises the proposals and the recommended projects that the Mayor is being asked to endorse.

- 3.4 There are a number of projects that will benefit the Council, in particular the Inclusive Growth proposals and the Lower Lee Valley Bridges enabling project. However, it is important to note that, to the extent that additional business rate yield arises from any of the projects across London, these benefits will, all other things being equal benefit all London authorities.

4 EQUALITIES IMPLICATIONS

- 4.1 The London pilot scheme is intended to create the conditions for business rate growth and share those benefits across all London authorities in accordance with defined criteria. In addition to the bidding nature of the Strategic Investment Pot, these criteria reflect the extent to which an authority itself contributes towards the business rate tax base and growth, the relative needs of authorities and a population based approach.
- 4.2 These mechanisms have been agreed as a balanced approach to distributing additional resources; it is for authorities individually and subsequently to determine how those additional resources will be targeted towards priority areas of expenditure including the extent to which they address equality issue within an individual authority. This is achieved through the annual budget setting process.

5 OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
 - Consultations,
 - Environmental (including air quality),
 - Risk Management,
 - Crime Reduction,
 - Safeguarding.
 - Data Protection / Privacy Impact Assessment.
- 5.2 Because of the nature of the pilot scheme there are risks associated with estimating the overall benefit of additional growth; this has been mitigated by not distributing all available resources.
- 5.3 Additional project level issues such as consultation, budget management and best value considerations will be managed by the Lead borough on a project by project basis.

6 COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 There are no direct financial implications for the authority arising from this report. The agreement for participation in the London pilot scheme means that the additional resources generated, and being proposed in support of the schemes in the consultation paper, are not the Council's resources.
- 6.2 The consultation report proposes a number of schemes that will be delivered over a number of financial years and which, it is hoped, will improve the

business rate tax base across London for the benefit of all authorities; in that context it is important that future years schemes to share that benefit are given careful consideration.

7 COMMENTS OF LEGAL SERVICES

- 7.1 This report invites the mayor to confirm support for schemes that may be funded from the 19/20 Strategic Investment pot(SIP) that has been accumulated from the business rate retention scheme. The council is a participating authority in the said scheme.
- 7.2 Under the applicable rules, the decision on which projects to support rests with the City of London subject to consultation with all participating authorities.
- 7.3 The decision required in this report will respond to the said consultation and is one that the mayor has power to make via cabinet or IMD.
- 7.4 If schemes are not supported by the majority of councils funding is rolled forward to future SIP rounds.
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Linked Reports, Appendices and Background Documents

Linked Report

- NONE.

Appendices

- Appendix 1 – Strategic Investment Pot – consultation report.

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- NONE.

Officer contact details for documents:

Neville Murton (Corporate Director of Resources)