

Report for: Cabinet – 12th March 2019

Title: Award of funding from the Strategic Investment Pot

Report

Authorised by: Dan Hawthorn, Director of Housing, Regeneration and Planning

Lead Officer: Peter O'Brien, AD Area Regeneration

Ward(s) affected: Tottenham Hale, Tottenham Green, Bruce Grove, Seven Sisters, Northumberland Park & White Hart Lane

Report for Key/

Non Key Decision: Key

1. Describe the issue under consideration

- 1.1 This paper seeks Cabinet approval to accept a grant of £5 million from the City of London Corporation, and to subsequently enter into funding agreements. A grant agreement of £2million will allow the delivery of a workspace intensification scheme in South Tottenham and a further grant agreement of £3 million will allow the delivery of a sub-regional small business loan fund.
- 1.2 In May 2018, as part of a competitive bidding process, Haringey Council submitted a joint-bid with the London Boroughs of Enfield and Waltham Forest in order to secure funding from the Strategic Investment Pot (SIP). The cross-borough bid focussed on a package of projects which seek to strengthen the economic profile across the Upper Lea Valley by facilitating business growth and new employment floor space.
- 1.3 The SIP is a grant programme which sits within the London-wide Business Rates Retention Pilot for the financial year 2018/19. Managed by the City of London Corporation, the SIP allocates funding to Local Authorities in order to deliver projects which contribute to the growth of London's economy and in business rates income.
- 1.4 The Council has set out an ambitious vision for economic and employment growth in Tottenham. In order to achieve this vision, it is imperative that businesses are encouraged to locate and grow within the borough, and able to access suitable workspace.
- 1.5 Tottenham's business base, the vast majority of which are SMEs, has significant potential to expand but there are a number of barriers to growth. With a substantial demand for workspace in Tottenham, and limited vacant spaces, it is becoming increasingly difficult for businesses to access workspace. Businesses also struggle to secure upfront capital in order to invest in equipment and resources required for their growth.
- 1.6 The grant funding secured through the SIP will be used to address these challenges through the following Tottenham based projects;

- **A Productive Valley Fund** aimed at industrial estate-based businesses in the Upper Lea Valley, led by Haringey and covering parts of Enfield and Waltham Forest, it will provide businesses with loan finance at favourable terms enabling them to invest in growing their business and increasing employment opportunities.

- **A workspace intensification scheme** which will develop a Council asset in South Tottenham in order to provide a higher quantum of suitable workspace. This demonstrator project will help to provide confidence to developers and landlords that high density workspaces are able to be both viable and attractive to the market.

1.7 A strengthened local employment and business portfolio brings an array of benefits including a larger quantum of local employment opportunities for local residents, inward investment, an improved local perception of the area as being supportive of small business entrepreneurship, and higher business rates income for the Council, to support local public services.

2. Cabinet Member introduction

2.1. Taking a pro-active approach to employment and business growth is essential to the successful future of the borough and sits at the core of our plans for the regeneration of Tottenham.

2.2. Tottenham has an increasingly diverse business portfolio. Bespoke mirrors, high-end contract furniture and military tunics are some examples of the products contributing to a home grown 'Made in Tottenham' brand. As the number of businesses continue to rise, they will contribute to Tottenham becoming a more prosperous and resilient place.

2.3. However, it is becoming increasingly hard for businesses, especially SMEs, to reach their full potential. The Council is therefore committed to seeking out opportunities where we are able to support the borough's businesses to flourish and grow.

3. Recommendations

Cabinet is recommended to:

3.1. Note the forecast revenue outturn for the General Fund (GF), including corporate items, of **£9.1m overspend** post mitigations of £6.4m and the need for remedial actions to be implemented to bring closer to the approved budget (Section 6, Table 1, and Appendix 1).

3.2. Note the HRA forecast of £4.4m underspend. (Section 6, Table 2, and Appendix 2).

3.3. Note the net DSG in-year forecast of £3.5m overspend and projected year end DSG Reserve deficit of £2.6m and the actions being taken to seek to address this (Section 7 and Table 3).

3.4. Note the latest capital forecast expenditure of £172.4m in 2018/19 which equates to 75% of the approved budget (Section 9, Table 5 and Appendix 5).

- 3.5. Note the forecast delivery of savings in 2018/19 (Section 8, Table 4 and Appendix 4); *and*
- 3.6. To approve the budget virements as set out in Appendix 3.

4. Reason for Decision

- 4.1 A strong financial management framework, including oversight by Members and senior management, is an essential part of delivering the council's priorities and statutory duties.

5. Alternative Options Considered

- 5.1 The report of the management of the Council's financial resources is a duty of the Director of Finance (Section 151 Officer), helping members to exercise their role and no other options have therefore been considered.

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6. **Background Information**

- **Strategic Investment Pot**

6.1 In January 2018, Cabinet agreed that the Council would participate in the London-wide Business Rates Retention Pilot for the financial year 2018/19. The London Pilot Pool is a joint and unanimously agreed one year pilot between the 32 Boroughs, the Corporation of London and the GLA which allows London to retain 100% of any

growth in business rate receipts. 15% of the net financial benefit of pooling will be reserved for the SIP.

6.2 The SIP allocates funding to Local Authorities in order to deliver 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.

6.3 The amount of SIP funding available is expected to be £52m, though this is subject to the final outturn on business rates within 2018/19. Following a formal consultation, the participants of the London Pilot Pool approved the allocation of 90% of the SIP funds towards a package of bids which seek to balance the objectives of the fund.

6.4 Subsequent to the consultation on the allocation of the SIP funds, it has been confirmed that the following grant funding has been apportioned to the ULV package of projects:

a) Productive Valley Investment Fund- Haringey (lead partner), Enfield, Waltham Forest (£3million)

b) Pilot workspace intensification schemes-

- South Tottenham Employment Area-Haringey (£2m)
- Rigg Approach- Waltham Forest (£0.75m)

6.5 In addition, the Council also participated in Local London Partnership's bid which secured funding in order to tackle broadband and communications infrastructure challenges in the Upper Lea Valley. The Council will receive this funding directly from Bexley, the Lead borough for the project, who will administer grants to the participating Councils through a Service Level Agreement.

- **Workspace Intensification Scheme**

6.6 As outlined above, there is substantial demand for workspace in Tottenham, with a limited response from the market. This is most notably the case for light-industrial and SME space.

6.7 The ULV bid submitted to the SIP incorporated a proposal to deliver a workspace intensification project in South Tottenham. The proposed project would leverage a Council asset in order to bring forward a higher quantum of workspace suitable for local businesses.

6.8 The proposed project was based on a study commissioned by the Council in 2017 which examines future workspace intensification opportunities in the South Tottenham Employment Area and potential sites which could accommodate them.

6.9 The South Tottenham Employment Area (STEA) has been identified with the Tottenham Area Action Plan (AAP) as a key focus area for future employment activity in the borough. A recent surge in SME activity, alongside the decline of the area's manufacturing and storage/distribution industries, has provided an opportunity to further intensify sites and provide sufficient, suitable and diverse employment floor-space.

6.10 The STEA is equidistant from Tottenham Hale and Seven Sisters tube stations. The area is made up of warehouses which accommodate an increasing proportion of light industrial businesses. The STEA sits at the heart of Tottenham's Creative Enterprise Zone, formally designed by the Mayor of London in order to further protect and strengthen the cluster of creator and maker businesses.

6.11 Further work is required by officers in order to determine the Council site which will be used, the delivery model and the total cost of the development scheme. The proposed development scheme will require further Cabinet approval at a later date, and is not in the scope of this Cabinet report.

6.12 It is the ambition to use the £2 million of grant funding secured from the SIP in order to lever in any further funding and resources that are required in order to deliver a high quality workspace intensification scheme. The grant funding from the City of London will be spread over three years, April 2019 to March 2022.

- **Productive Valley Fund**

6.13 PVF will target industrial-estate based businesses in the Upper Lea Valley area, including North Tottenham and Tottenham Hale industrial areas and equivalent areas in neighbouring Waltham Forest and Enfield. Haringey will be lead partner for the project and manage and administer the loan fund on behalf of the partners. Each loan agreement will be made between Haringey and the individual business.

6.14 The fund will run alongside and is modelled on the Opportunity Investment Fund, a small business loan fund for existing and new businesses throughout Tottenham which has seen £2.6M loaned to 20 businesses to date, enabling the creation of over 200 new jobs. Like OIF, it will be a recycled fund where loan repayments are reinvested into the fund and loaned out in turn to more businesses. The fund is modelled on an assumption that 70% of funding is likely to be repaid. Any defaults on agreements will be followed up as a debt should a repayment plan not be agreed.

6.14 The PVF will offer loans on attractive terms to businesses, enabling existing businesses to grow and encouraging new businesses into the area. It will directly support at least 20 businesses in total across the three boroughs, helping to achieve sustainable growth by supporting key sectors and ensuring commercial space is fit for purpose. PVF will target businesses with a focus on industry, manufacturing and production, creative/maker businesses and green industries.

6.15 The grant funding from the City of London will be spread over three years (April 2019 to March 2022) and targets set for delivery of outputs as follows:

Outputs (over typical five year loan period unless stated)	
Additional business rate uplift (from year 3 onwards)	£120,000
Investment in businesses in priority sectors	20 business loans
Jobs created (in addition to jobs safeguarded by investment)	210
Commercial space brought back into use/created	£180,000 sq.ft.
Apprenticeships created	60
Vacant premises brought back into use	9

6.16 Management and administration costs (£100k p.a.) will be covered by grant funding over the project's three years.

7. Contribution to strategic outcomes

7.1. The package of projects set out in the report will support the Council in delivering the following priorities in the Council's existing Corporate Plan:

- **Drive growth and employment from which everyone can benefit**

7.2. The two projects set out in the report will support a robust local employment profile by;

- Providing a higher quantum and larger range of employment opportunities
- Support local businesses by providing more high quality and affordable workspace
- Enable businesses to grow and adapt the space to their needs

- **Create homes and communities where people choose to live and are able to thrive**

7.3 The projects will create more opportunities for Tottenham residents by;

- Enabling residents to access work locally and improve their quality of life
- Enabling more local businesses to access local supply chains, strengthening the local economy.

7.4 The projects outlined in this report will contribute towards the following strategic priority outlined in the emerging Borough Plan:

- **Economy** - a growing economy which provides opportunities for all our residents and supports our businesses to thrive

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

8.1 Council at its meeting of the 25th February 2019, agreed the Council's budget for 2019/20 which included these grants with the following profile:

2019/20	2020/21	2021/22
1,750	1,400	2,650

- 8.2 The overall allocation in the capital programme includes an additional £0.8m for the broadband programme (which may or may not come to the Council).
- 8.3 Care will need to be taken to ensure that the grant terms and conditions are adhered to so as to ensure that there is no risk of the grant having to be repaid.
- 8.4 Of the overall allocation of funding, £0.3m is revenue which will cover the management and administration of the Productive Lea Valley fund.

Legal

- 8.5 The Council has statutory power under section 1 of the Localism Act 2011 to do anything that individuals generally may do. Under the secondary power contained within section 111 of the Local Government Act 1972 the Council has power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.
- 8.6 The Council can therefore accept the grants from the City of London Corporation. Pursuant to CSO 17.1 for approval of receipt of grants valued at £500,000 a Cabinet decision is required. The grants will come with certain conditions that the Council will need to comply with; these will be contained in the Funding Agreements to be entered into with the City of London Corporation. Legal advice will be required when these conditions are known (including any repayment requirements).

Equality

- 8.7 The Strategic Investment Pot allocates funding to Local Authorities in order to deliver projects which contribute to the sustainable growth of London's economy and an increase in business rates income. The grant of £2million will allow the delivery of a workspace intensification scheme in South Tottenham and a further grant agreement of £3 million will allow the delivery of a sub-regional small business loan fund.
- 8.8 The grant will fund a package of projects which seek to strengthen the economic profile across the Upper Lea Valley by facilitating business growth and new employment floor space.
- 8.9 A strengthened local employment and business portfolio brings an array of benefits including a larger quantum of local employment opportunities for local residents, higher business rates income, inward investment, and an improved local perception of the area as being supportive of small business entrepreneurship.
- 8.10 The decision has been taken not to progress with an EQIA due to the following reasons:

- The proposal is likely to have no/minimal impact on groups that share the protected characteristics or other disadvantaged groups
- Any changes will not have any impact on service users and residents and limited impact on staff

8.11 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share those protected characteristics and those people who do not
- Foster good relations between people who share those characteristics and people who do not.

8.12 The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

8.13 There are no anticipated equalities issues, as set out under the Public Sector Equality Duty in Equality Act 2010, with regards to the award of this funding.

9. Appendices

None

10. Local Government (Access to Information) Act 1985

None