

REQUEST FOR DIRECTOR DECISION – DD2671

Title: Report on expanding the London Climate Finance Facility

Executive Summary:

This decision requests the procurement of a research report to develop options to expand the London Climate Finance Facility, in particular into how to enable greater private investment in the Mayor's priorities as set out in the London Environment Strategy. We have shortlisted three sectors (adaptation, nature and retrofit) where we believe there is market failure and the GLA may be able to play a role in unlocking greater private finance. The report will produce recommendations for which sectors could be prioritised, the scale of private sector finance that can be unlocked and what specific measures the GLA could implement. This follows from the ambitions set out for the London Climate Finance Facility (LCFF) which was launched by the Mayor in June 2023, and would allow new measures to be in place before the [investment period for the Mayor's Energy Efficiency Fund ends](#).

Decision:

That the Executive Director of Good Growth approves expenditure of up to £60,000 to procure consultancy support to assess the scope and options for expanding the London Climate Finance Facility.

AUTHORISING DIRECTOR

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Philip Graham

Position: Executive Director, Good Growth

Signature:



Date:

04/12/2023

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 £75 billion of investment is needed to achieve the Mayor's net zero by 2030 target. This does not take into account the need to adapt to a changing climate which will also create significant costs. Investment will need to come from multiple sources – including public and private finance and grant funding – and target a variety of sectors. To enable the expansion of the low carbon activity in London, the Mayor launched in June 2023 the London Climate Finance Facility (LCFF), which aims to:
- unlock billions of pounds of long-term, flexible, private finance to support the decarbonisation of London's buildings, energy and transport systems, thereby tackling the triple dangers of toxic air pollution, climate change and congestion
 - accelerate significantly the development and delivery of climate and environmental projects, working with strategic partners
 - build on London's existing financing capabilities to secure investment for London and strengthen its international competitiveness.
- 1.2 The establishment of the LCFF was informed by work commissioned by the GLA from the Green Finance Institute (GFI)¹. The GFI's report recommended a phased approach to rollout, beginning with a first phase which aims to move rapidly on already-identified projects to set an example and begin building a track record of successful investment, but with preparations for the second phase being undertaken in parallel. This second phase would involve the creation of investment funds that could be run by an external manager. In the longer term, the GFI recommended transitioning to a mechanism overseen by the GLA, established as a separate arms-length entity, and operated by an independent fund manager. The GFI proposes that this is done through the establishment of a new facility, rather than the transition of an existing entity, as this would be expected to achieve the best alignment between GLA and private sector stakeholders' interests and desired levels of oversight.
- 1.3 Aligning with the GFI's recommendations, the London Climate Finance Facility achieved its first milestone in June 2023 with the launch of the £500m Green Finance Fund (GFF). This fund is open to all public sector organisations in London delivering energy efficiency, renewable energy and low carbon transport projects. The GFF, although a welcome mechanism to accelerate climate action in the city, only goes so far in terms of the finance and scale needed, and relies on public funds. The next step is therefore to examine the options for and potential benefits of expanding the London Climate Finance Facility further.
- 1.4 The GLA will procure a research report to help identify how we can deliver a new finance facility effectively and in response to market failures the GLA will have a competitive advantage in rectifying. The report will look at the three following areas:
- identifying the sectors in which the GLA should seek to invest
 - creating a pathway to setting up the appropriate facility
 - providing supporting evidence from a broad list of stakeholders, including academics and industry professionals.
- 1.5 The research report will form the basis of an emerging workstream to be delivered by the Green Finance team who will follow up on recommendations and set up any funds taken forward on the basis of its recommendations to invest in projects across London.

2. Objectives and expected outcomes

- 2.1 The research report will support the further development of the LCFF to create opportunities for private investments which target areas currently experiencing market failures and beyond the scope of the Green Finance Fund. The GLA is interested in whether and how the LCFF can help establish new markets and business models so they can attract significant sums of private capital alongside it.
- 2.2 The GLA has identified a shortlist of sectors – retrofit, nature-based solutions and adaptations – where we believe lack of developed business models is holding back flows of private finance and our ability to mitigate and adapt to the impacts of climate change. We would like to make interventions now that enable greater private investment in future. There are several key questions we would like the research programme to answer:
- how can the GLA enable greater private investment in retrofit, nature-based solutions and adaptation projects?
 - for the recommended sectors, what specific actions could the GLA undertake?
 - for the recommended actions, which should the GLA prioritise?
 - for the recommended actions, what are the business models for project, the appetite in the sector and the opportunity pipeline?
- 2.3 To ensure the report is in line with GLA considerations, an interim report should be provided part-way through the project. In addition, the report should be written with input from across the GLA and key stakeholders. The work should provide clear recommendations including:
- funding/finance required, with ranges to make clear the level of opportunity unlocked by different levels of investment and the specific role required (if any for GLA or other public sector capital)
 - clear assessment of repayment routes for proposed interventions and an assessment of market appetite and maturity
 - assessment of challenges and issues that will need to be unblocked, if any other than the provision of capital
 - potential private finance that could be unlocked through intervention and likely rates of support.
 - case studies of comparable interventions, including success measures
 - requirements and expected timeline for implementation (including dependencies such as project pipeline).
- 2.4 Throughout, the report should be underpinned by the following priorities:
- the need to understand where the GLA has a unique role and can act in a way that national and local governments may not be able to, reflecting the GLA's position as a strategic and policy-making authority, its risk tolerance, and goals
 - the need to understand how the GLA could have the most impact in a range of funding/financing scenarios
 - an assessment of how much private funding can be unlocked at scale through its recommendations
 - an exploration of the options for enhancing progress in these complex sectors, including but not limited to interventions related to the Green Finance Fund, blended finance, technical assistance, mechanisms to enable project aggregation, and investing in established funds.

3. Equality comments

- 3.1 The LCFF responds to recommendations from the London Environment Strategy, which impacts almost every protected group. A full Equality Impact Assessment was carried out for the strategy, which can be found [here](#). As the report proposed here will recommend policy actions, the specific impact on equalities would need to be considered in full if interventions were to be adopted. However, these could provide improvements to social housing, with benefits to health and comfort of vulnerable groups through improved insulation and lower pollution levels, as well as to support climate adaptation, for example by reducing flood risks, which are likely to disproportionately benefit protected groups. Interventions to improve green infrastructure would also be in scope, with projects such as these providing better access to green space, which would be likely to benefit disadvantaged and underrepresented communities, who are known to suffer poorer access on average than other groups.

4. Other considerations

4.1 Risks and issues

<i>Description</i>	<i>Mitigation</i>	<i>RAG after mitigation</i>
There is a risk that the procured document does not provide actionable recommendations that ensure value for money.	Close collaboration with those nominated to take forward report, clear scoping of the request and requiring an interim report is produced.	<i>Green</i>
There is also a risk that any report does not fully take into account the range of GLA priorities that must be taken into account when formulating recommendations.	A list of officials that must be engaged with as part of the process will be provided	<i>Green</i>
There is a risk that proposals do not sufficiently take into account the priorities of the financial sector.	We will ensure the report authors are required to engage broadly with the financial sector	<i>Green</i>
At the other end of the spectrum, there is a risk that interventions do not meet the needs of potential users.	We will require that any report authors test proposed interventions with stakeholders before completion of the report.	<i>Green</i>

Link to mayoral strategies and priorities

- 4.2 This procurement supports the implementation of the London Environment Strategy, the Mayor's commitment to a London Climate Finance Facility and action to enable greater private investment in London's green priorities.
- 4.3 This contract will not require the sharing of sensitive data, nor will any sensitive data require storing. The GDPR and data-sharing implications are therefore minimal and does not require a DPIA.
- 4.4 There are no direct implications or concerns relating to health, safeguarding or conflicts of interest.

5. Financial comments

- 5.1 Approval is requested for expenditure of up to £60,000 to procure consultancy support to consider expanding the London Climate Finance Facility.
- 5.2 The work is due to be completed between January 2024 and June 2024. The planned split of expenditure between financial years is shown below:

	2023-24	2024-25
Planned Expenditure	£50,000	£10,000

- 5.3 This expenditure will be funded equally from the Climate Emergency budget and the Adaptation Delivery budget within the Environment Unit. There is sufficient available budget within the 2023-24 budget to cover the expenditure planned in the current year. Budget for 2024-25 is subject to approval as part of the Mayor's budget setting process. In the event there was insufficient budget available following this from the above sources then this would need to be funded from across the wider Environment Unit budget.

6. Legal comments

- 6.1 The foregoing sections of this report indicate that the decisions requested of the Executive Director of Good Growth concern the exercise of the GLA's general powers, falling within the GLA's statutory powers to do such things considered to further or that are facilitative of, or conducive or incidental to, the promotion of economic development and wealth creation, social development or improvement of the environment, in Greater London.
- 6.2 In implementing the proposals in respect of which a decision is sought, officers should comply with the GLA's related statutory duties to:
- pay due regard to the principle that there should be equality of opportunity for all people
 - consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom
 - consult with appropriate bodies.
- 6.3 In taking the decisions requested, as noted in section 3 above, the Executive Director of Good Growth must have due regard to the Public Sector Equality Duty under section 149 of the Equality Act 2010, namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010; to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sex, sexual orientation, religion or belief, pregnancy and maternity, and gender reassignment) and persons who do not share it; and to foster good relations between persons who share a relevant protected characteristic and persons who do not share it. To this end, the Executive Director of Good Growth should have particular regard to section 3 (above) of this report.
- 6.4 The procurement of services required by the GLA for the report on mission-based investment opportunities must be procured in accordance with the GLA's Contracts and Funding Code (the "Code") and, where the value exceeds £150,000, in accordance with the Public Contracts Regulations 2015 (the "Regulations"). Furthermore, GLA officers must liaise with Transport for London's procurement and supply chain team, which will determine the detail of the procurement strategy to be adopted in accordance with the Code and the Regulations. Officers must ensure that appropriate contractual documentation be put in place and executed by chosen service provider/supplier and the GLA before the commencement of the services.

7. Planned delivery approach and next steps

Activity	Timeline
Procurement of contract [for externally delivered projects]	January 2024
Announcement [if applicable]	May 2024
Delivery Start Date [for project proposals]	January 2024
Final evaluation start and finish (external)	June 2024
Delivery End Date [for project proposals]	May 2024
Project Closure: [for project proposals]	June 2024

Appendices and supporting papers

None

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral

Is the publication of Part 1 of this approval to be deferred? NO

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Cecilia Dalgarno has drafted this report in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service:

Catherine Barber has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

Corporate Investment Board

A summary of this decision was reviewed by the Corporate Investment Board on 4 December 2023.

✓

INTERIM CHIEF FINANCE OFFICER:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature:



Date:

04/12/2023