

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD2062

### Title: Revolving Investment in Cities (RICE) European Project

#### Executive Summary:

The GLA has been successful in its application for Revolving Investment in Cities (RICE) European funding, which is to be used to further the development of new financial instruments that can increase private sector investment in solutions and initiatives that tackle urban development issues, in particular in relation to Smart Cities, the environment and regeneration. The total award is €2.3m, the GLA's share of which is €245k, and the project will last for 12 months. This project will be delivered in conjunction with the City of The Hague and the Department of Communities and Local Government as main partners and Manchester City Council as an affiliate partner.

#### Decision:

That the Mayor:

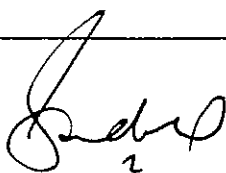
1. approves:
  - (a) the GLA's receipt of €244,976 EU Revolving Investment in Cities (RICE) funding from the City of The Hague (acting as lead partner); and
  - (b) GLA expenditure on the RICE project of up to €257,870 (€244,976 - EU RICE funding and up to €12,894 - existing GLA staff budgets);
2. delegates authority to the Executive Director for Development, Enterprise and Environment to take all steps necessary for the GLA to deliver its contribution to the RICE project, including revisions to proposed budget allocations, as appropriate, within the overall amount approved.

#### Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

23/1/12

## PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

### Decision required – supporting report

#### 1. Introduction and background

- 1.1 In July 2015, the GLA in partnership with the City of the Hague and the Department for Communities and Local Government (DCLG) submitted an application to the European Commission (EC) for funding for the Revolving Investment in Cities in Europe (RICE) project in response to a call for proposals under *"Multi-region assistance for the assessment of the potential use of financial instruments supported by the ERDF, CF, ESF and EAFRD in accordance with Title IV of Regulation (EU) 1303/2013"*.
- 1.2 The GLA were informed on 1 December 2016 that it had been successful in its application.
- 1.3 The total award is €2.3m and the project will last for 12 months. The lead partner is the City of The Hague. DCLG are the other main partner, with Manchester City Council as an affiliate partner. The GLA's share of the award is €244,976. The GLA is required to provide €12,894 match funding which will be met from existing staff budgets.
- 1.4 The project will explore how to increase the use of Financial Instruments (FIs) and the levels of investment (both public and private) secured and deployed through them in order to tackle urban development issues, in particular in relation to Smart Cities, the environment and regeneration. The project will build upon the work undertaken by the URBACT funded CSI Thematic Network in 2015. CSI was a network of ten European cities engaged in different capacities in the development and implementation of urban-based financial instruments. The network identified a number of themes and developed tools and guidance to facilitate the more efficient delivery of financial instruments to support urban development.
- 1.5 The European Investment Bank (EIB) will be commissioned by the City of The Hague to conduct analysis that will assess the market need for urban FIs, the barriers to implementation, as well as development needs and potential solutions. Following this, the feasibility of multi-regional urban FIs will be explored and initial pipeline development on one or more FIs will be undertaken. Findings will be shared with other EU regions, published and disseminated via two transnational events.
- 1.6 The project will help put London at the centre of commercialising innovation and prototyping technology-based solutions to urban challenges (specifically regeneration, environment and Smart City initiatives) and inform a London wide strategy on unlocking investment and leveraging private sector funding in these areas. It will help to explore and define possible roles for the GLA in new financial models of delivery and methods of harnessing the creative and innovative potential of London's SMEs and entrepreneurs to tackle some of our most entrenched urban challenges.
- 1.7 The advantage of using FIs over providing grants to distribute public funding for urban initiatives is that provision is made for a proportion of the investment to be repaid, releasing funds for reinvestment in further projects in the future. Under an FI, public funding is normally managed by a private sector fund manager who is responsible for the appraisal of investments, pricing of the financial products and monitoring of the deliverables.
- 1.8 In addition, the advantages of FIs go beyond recycling investment funds. The requirement for professional-led investment decisions imposes a discipline that means FIs only invest in financially viable projects and increases the likelihood that FI resources are invested in deliverable schemes. It is this commercial discipline that has the potential to attract additional investment from private or public funders.

- 1.9 Once, additional private funding has been attracted, the risk is spread between the partners and the private sector has a vested interest in making the initiative successful. In some cases, depending on how the incentives and performance requirements are contracted, there is an appropriate risk transfer to the private sector, which can further extract long-term value-for-money for the public sector.

## **2. Objectives and expected outcomes**

- 2.1 The RICE project is a research project which will support the development of future FIs. The specific research objectives are set out below:

### *Market need*

- To understand the extent of shared investment priorities and financing needs in the partner geographies
- To understand what FI models have worked to date (building on evaluation work already undertaken) in the partner geographies
- To understand the extent to which these priorities and financing issues are replicable in other cities/regions elsewhere in the EU

### *Implementation Barriers*

- To understand the complexities involved in the development and implementation of FIs – State aid framework, ability to secure private investment, balance sheet issues, pipeline development and viability, prevalence of grant, financial intermediary capacity and governance;
- This work stream will develop an understanding of the main barriers in detail in the partner geographies and will also involve scoping and consultation work to test the relevance of the issues in other regions.

- 2.2 Further to this analysis, the EIB will explore possible solutions to overcome the issues identified and achieve greater FI investment. It is envisaged that some of the solutions will include:

### *Standardised Solutions*

- Development of standardised investment products;
- Development of off balance sheet financing structures;
- Development of new technical assistance products to support pipeline development work, for the partner geographies but also replicable across other regions/FIs;
- Development of state aid guidance/pre-notification, paying particular attention to addressing FI delivery in non-assisted areas.

- 2.3 Work will also be undertaken on initial pipeline development for a future FI and the findings will be shared with other regions with a view to exploring the potential for a multi-regional approach:

### *Pipeline Development*

- To carry out initial pipeline development work in each of the partner geographies to develop an investment pipeline for the potential multi regional FI;
- To use the above pipeline development process to pilot the feasibility of the proposed technical assistance fund.

### *Transferability*

- To further develop the knowledge and expertise of the partners in the set up and implementation of financial instruments;
- To develop appropriate guidance documentation to address common implementation barriers and facilitate FI implementation;

- To organise dissemination events so as to help to improve the knowledge of other managing authorities and stakeholders interested in developing FIs;
- To explore potential additional partner regions/cities for the potential multi regional FI.

- 2.4 The project will help inform a London wide strategy on unlocking investment and leveraging private sector funding and to put London at the centre of commercialising innovation and prototyping technology based solutions to urban challenges. This will build on the GLA's work on Sharing Cities, which provides a testing bed for data led innovation, as well as supporting emerging strands of work such as GovTech, which would encourage entrepreneurs to build services and products aimed at the public sector in a bid to reduce costs, increase efficiency and improve service quality.
- 2.5 A draft budget profile, detailing the GLA expenditure, is attached in appendix 1. It is expected that €50,000 will be spent on consultancy costs and the remainder will be used to cover staffing resources, travelling expenses and co-ordinating activities.
- 2.6 The project will be delivered by the Intelligence Unit and Regeneration teams, drawing upon a mixture of existing and additional staffing resources. At this stage, it is anticipated that 2 FTE additional GLA staff (1 FTE per team) will be required to deliver the project at a cost of up to €160,500 (c. £134k). These new posts will be fully-funded by the European grant for the period of the project. Existing management and administration time to a value of €12,894 (c. £10k), evidenced by timesheets, will also be provided as the GLA's contribution to the project.

### **3. Equality comments**

- 3.1 The GLA as a public authority must comply with the Public Sector Equality Duty set out in section 149 (1) Equality Act 2010. This provides that, in the exercise of their functions, public authorities must have due regard to the need to:
- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
  - Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
  - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- a. The obligation in section 149(1) is placed upon the Mayor, as decision maker. Due regard must be had at the time a particular decision is being considered. The duty is non-delegable and must be exercised with an open mind.
- b. This duty also applies in the delivery of European funded projects and means that delivery of this RICE funded project must consider the needs of all individuals and have due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations between different people. The Project Manager will give due regard to the above when commissioning and designing the various strands of this programme and representing London on the EU wide steering group.

### **4. Other considerations**

- a) key risks and issues

<b>Risk</b>	<b>Probability</b>	<b>Impact</b>	<b>Overall</b>	<b>Mitigation</b>
Lack of dedicated resourcing – delays work plan, limits supervision and resulting transferability	<b>2</b>	<b>3</b>	<b>2</b>	Each partner has assigned dedicated staff resource to the project. This will be supplemented by EIB staff support and external consultancy support. A detailed work-plan will be developed.
Time/Budget constraints – limit scope of action, in particular activities which test wider relevance/transferability	<b>2</b>	<b>3</b>	<b>2</b>	The action has challenging objectives. Detailed consultancy terms of reference will be put in place and supervision proposals implemented. A detailed budget will be developed and this will be managed by The Hague. The GLA Project Manager will ensure they have sight of all relevant project documentation and access to an escalation process.
Lack of relevance of findings/recommendations, resulting in relevance to partners only	<b>1</b>	<b>2</b>	<b>1</b>	This will be addressed via wider consultation with other regions and interested stakeholders and dissemination events. A consultation plan will be developed.
On-going currency fluctuations and changes in the exchange rate lead to a shortfall in the GLA grant	<b>2</b>	<b>2</b>	<b>2</b>	The GLA claim will be paid in Euros by the lead partner. Exchange rate fluctuations between the claim date and the payment date may result in the GLA receiving less (or more) in £ sterling than it has claimed. GLA officers will seek advice from GLA Finance regarding establishing a Euro account to mitigate exchange rate risks, but in addition potential shortfalls against expenditure may be offset against savings on existing staff budgets resulting from the EU-funding income for this project.
Lack of skills and experience affects quality of outputs	<b>2</b>	<b>3</b>	<b>2</b>	The Consortium of Partners already has extensive experience in FI development and implementation. This will be supplemented by dedicated EIB staff and external consultants.

*b) links to Mayoral strategies and priorities*

The Mayor has promised to be the most pro-business Mayor that London has ever had. This has meant protecting small and technology businesses through public investment and protecting workspaces and ensuring businesses get a say in policy formulation through the formation of a Business Advisory Board. The Mayor is also keen that London gets the best deal possible in a post-Brexit scenario and is confident in the enduring strength of London's deep-seated, competitive assets, which include its economic dynamism, a highly skilled workforce and an innovative and entrepreneurial culture.

All of these priorities will be enhanced by a better understanding of how to further unlock private sector investment to bolster London's existing global leading sectors and also of potentially growing and emerging sectors. This project will help show that London is at the forefront of innovation and will also help to highlight the vast opportunities London offers to potential investors and business partners both home and abroad and will help ensure London stays open to the world.

## 5. Financial comments

- 5.1 The total award for this programme is €2.3m for which the GLA's share is €244,976 (to be funded by the EU Commission) over 12-months. In addition, the GLA is required to provide match funding totalling €12,894 which will be in the form of staff time and contained within the existing Delivery & Intelligence Unit's Staffing budgets. This will bring the total estimated gross cost of the project to €257,870. An estimated project budget is summarised below:

<b>Proposed Expenditure</b>	<b>€</b>
Staffing resource	160,500
Travel & Subsistence	16,000
Consumables & Supplies	7,000
Dissemination of information / publications	7,500
Consultancy Support	50,000
Direct eligible costs (7%)	16,870
<b>Total</b>	<b>257,870</b>

- 5.2 It should be noted that the GLA will make claims for the reimbursement of costs from the EU in arrears based upon actual spend and will be paid in euros; consequently, there is the risk that the GLA will suffer from exchange rate losses and the income received will not cover the expenditure incurred. Whilst it is not possible to estimate how much the potential loss will be; the losses will be contained within the GLA's Delivery & Intelligence Units staffing budgets via savings made upon staffing resources already budgeted for and utilised as part of this project.
- 5.3 Any changes to this project, including budgetary implications will be subject to further approval via the Authority's decision-making process. All appropriate budget adjustments will be made.

## 6. Legal comments

- 6.1 The foregoing sections of this report indicate that:
- 6.1.1 the decisions requested of the Mayor concern the exercise of the GLA's general powers, falling within the statutory powers of the GLA to do such things as may be considered necessary to further, and or be facilitative of or conducive or incidental to the furthering of, the promotion of wealth creation and economic development in Greater London and the making of investments where for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs; and
- 6.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory duties to:
- (a) pay due regard to the principle that there should be equality of opportunity for all people;
  - (b) 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; and
  - (c) consult with appropriate bodies.

- 6.2 In taking the decisions requested, the Mayor must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this report.
- 6.3 Should the Mayor be minded to make the decisions sought Officers must ensure that they:
- 6.3.1 are content that the GLA can meet any conditions to which the RICE funding is subject seeking legal and finance advice as necessary;
- 6.3.2 do not act in reliance of such funding until The City of the Hague are obligated to the provision of the same (by way of a funding agreement or other legally binding document);
- 6.3.3 any services required for delivery of the project is procured by Transport for London Procurement who will determine the detail of the procurement strategy to be adopted in accordance with the GLA's Contracts and Funding Code and appropriate contract documentation is put in place and executed by the successful bidder(s) and the GLA before the commencement of the services; and
- 6.3.4 comply fully with all GLA HR/Head of Paid Service protocols in respect of staffing proposals, in particular the need to gain all necessary approvals for the creation of any new posts.

## 7. Planned delivery approach and next steps

Activity	Timeline
Project contracting, set up and recruitment	Dec - Feb 2017
Delivery Start Date for project proposals	Mar/Apr 2017
Publication of findings	March 2018
Delivery End Date for project proposals	March 2018
Project Closure: for project proposals	April 2018

### Appendices and supporting papers:

#### Appendix 1: GLA draft budget profile

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) 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 approval or on the defer date.

**Part 1 Deferral:**

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

If YES, for what reason:

Until what date: (a date is required if deferring)

**Part 2 Confidentiality:** Only the facts or advice considered to be exempt from disclosure under the FOI Act should be 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:**

Nabeel Khan has drafted this report in accordance with GLA procedures and confirms the following:

✓

**Sponsoring Director:**

Fiona Fletcher Smith has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

**Mayoral Adviser:**

Rajesh Agrawal has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**Corporate Investment Board**

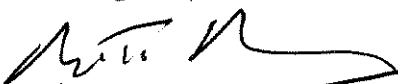
This decision was agreed by the Corporate Investment Board on the 16 January 2017

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature**

**Date**

  
16.01.17  
TOM MIDDLETON ON BEHALF OF MARTIN CLARKE

**CHIEF OF STAFF:**

I am satisfied that this is an appropriate request to be submitted to the Mayor

**Signature**

**Date**

  
16/1/2017



'INSERT THE PROJECT TITLE'

Name of the action: Revolving Investment in Cities Europe (RICE)

## ESTIMATED BUDGET OF THE ACTION OF APPLICANT

Greater London Authority

PLEASE MAKE SURE THAT THE ESTIMATED EXPENDITURE OF THE ACTION IS EQUAL TO THE ESTIMATED REVENUES OF THE ACTION!

Estimated eligible costs of the action and EU contribution (Table 1)

	REIMBURSEMENT OF ELIGIBLE COSTS	
		Estimated eligible actual costs [EUR]
<b>Direct eligible costs of the applicant*</b>		
<b>1. Costs of personnel (article II.19.2.a)</b>	= 160,500	160,500.00
1.1. Management & coordination staff	= 99,000	99,000
1.2. Administration & implementation staff	= 54,000	54,000
1.3. Secretarial staff	= 7,500	7,500
1.4. Accounting staff	= [cost amount]	0
1.5. Other staff	= [cost amount]	0
<b>2. Costs of travel and related subsistence allowances (II.19.2.b)</b>	= 16,000	16,000.00
2.1. Travel costs	= 10,000	10,000
2.2. Accommodation	= 4,500	4,500
2.3. Daily subsistence allowances	= 1,500	1,500
<b>3. Costs of consumables and supplies (II.19.2.d)</b>	= 7,000	7,000.00
3.1. Consumables	= [cost amount]	0
3.2. Rent of rooms/facilities	= 7,000	7,000
3.3. Interpretation	= [cost amount]	0
3.4. Other consumables and supplies (please specify if applicable)	= [cost amount]	0
<b>4. Costs arising directly from requirements imposed (II.19.2.e)</b>	= 7,500	7,500
4.1 Dissemination of information, including translation, reproduction and publication	= 7,500	7,500
4.2 Audits	= [cost amount]	0
4.3. Other costs (please specify if applicable)	= [cost amount]	0
<b>5. Costs of subcontracting (II.19.2.f)</b>	= 50,000	50,000
5.1. Estimated cost of EIB and external consultancy support	= 50,000	50,000
.....	= [cost amount]	
<b>6. Duties, taxes and charges</b>	= [sum of 6.1 to 6.N]	
6.1 < Insert direct eligible cost subcategory 6.1 >	= [cost amount]	
.....	= [cost amount]	
<b>Direct eligible costs of entities affiliated to the applicant</b>		
<b>7. Costs of personnel (article II.19.2**)</b>	= [sum of 7.1 to 7.5]	0
7.1. Management & coordination staff	= [cost amount]	0
7.2. Administration & implementation staff	= [cost amount]	0
7.3. Secretarial staff	= [cost amount]	0
7.4. Accounting staff	= [cost amount]	0
7.5. Other staff	= [cost amount]	0
<b>8. Costs of travel and related subsistence allowances (II.19.2 b)</b>	= [sum of 8.1 to 8.3]	0
8.1. Travel costs	= [cost amount]	0
8.2. Accommodation	= [cost amount]	0
8.3. Daily subsistence allowances	= [cost amount]	0
<b>9. Costs of consumables and supplies (II.19.2.d)</b>	= [sum of 9.1 to 9.4]	0
9.1. Consumables	= [cost amount]	0
9.2. Rent of rooms/facilities	= [cost amount]	0
9.3. Interpretation	= [cost amount]	0
9.4. Other consumables and supplies (please specify if applicable)	= [cost amount]	0
<b>10. Costs arising directly from requirements imposed (II.19.2.e)</b>	= [sum of 10.1 to 10.3]	0

10.1 Dissemination of information, including translation, reproduction and publication	= [cost amount]	0
10.2 Audits	= [cost amount]	0
10.3. Other costs (please specify if applicable)	= [cost amount]	0
<b>11. Costs of subcontracting (II.19.2.f)</b>	= [sum of 11.1 to 11.N]	
11.1. < Insert direct eligible cost subcategory 11.1 if applicable >	= [cost amount]	
.....	= [cost amount]	
<b>12. Duties, taxes and charges</b>	= [sum of 12.1 to 12.N]	
12.1 < Insert direct eligible cost subcategory 12.1 if applicable >	= [cost amount]	
.....	= [cost amount]	
<b>(a) Total estimated direct eligible costs</b>	= 241,000	241,000
<b>(b) Indirect eligible costs (7% of direct eligible costs)</b>	= 16,870	16,870
<b>(c) Total estimated eligible costs</b>	= 257,870	257,870.00
<b>(d) Estimated EU contribution = Requested EU grant</b>	= 244,976	244,976

**Estimated expenditure of the action (Table 2)**

Expenditure		EUR
<b>1. Total eligible costs</b>	= 257,870	257,870
<b>2. Other costs of the action</b>	= 0	0
<b>A. Total expenditure (= B. of table 3)</b>	= 257,870	257,870.00

**Estimated revenue of the action (Table 3)**

Revenue		EUR
<i>Receipts</i>		
<b>1. Requested EU grant</b>	= 244,976	244,976
<b>2. Income generated by the action</b>	= 0	0
<b>3. Financial contributions from third parties earmarked to the eligible costs</b>	= 0	0
<i>Other revenue</i>	= 244,976	244,976
<b>4. Financial contribution of the beneficiary (own resources)</b>	= 12,894	12,894
<b>5. Other financial contributions from third parties</b>	= 0	0
<b>B. Total revenue (= A. of table 2)</b>	= 257,870	257,870

\* Cost sub-categories have an informative value only and the Commission does not provide formal definitions or criteria for their classification. The applicants decide which costs to classify in which categories. The approach chosen for the estimate budget shall be followed in a consistent manner throughout the duration of the action.

\*\* Articles of the model grant agreement