

**REQUEST FOR MAYORAL DECISION – MD1458**

**Title: MedCity**

**Executive Summary:**

The MedCity vision is for London and the Greater South East (GSE) to be a world-leading, interconnected region for life science research, development, manufacturing and commercialisation – to deliver health improvements and economic growth. It seeks to:

- address barriers to growing the life sciences sector in London and the GSE;
- catalyse and enable more research collaborations;
- foster a more entrepreneurial environment within academic and NHS institutions; and
- attract significant investment into the sector and region.

This decision is requested to approve MedCity's draft 2015/16 Business Plan, and release the grant funding as a contribution to MedCity Limited's costs of meeting the above objectives.

**Decision:**

The Mayor approves:

1. MedCity Limited's business plan for the 2015/16 financial year.
2. The release of £400,000 grant funding, to be made available in the 2015/16 financial year.

**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:**

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

### **Decision required – supporting report**

#### **1. Introduction and background**

Despite a world-leading life science research base, London underperforms compared with its global peers in translating research excellence into economic outcomes. The experience and evidence gathered in MedCity's first year of operation underlines the huge opportunity to increase health and wealth opportunities in London and the GSE by making the region the global destination of choice for life science entrepreneurs and investors – speeding patient access to new technologies and therapies, and creating high value jobs. The MedCity project aims to provide a key portal through which investors, collaborators and entrepreneurs can access our world-class expertise in life sciences – increasing investment in, and collaboration with, the research base – maximising economic and health outcomes.

The Mayor (under cover of MD1298) approved expenditure of £150,000 for activity related to the interim delivery of MedCity.

The Mayor (under cover of MD1375) approved expenditure of up to £975,000, over a maximum of three years, by way of grant funding to MedCity Limited.

IPB on 20<sup>th</sup> February 2015 agreed in principle to the release of up to £400,000 of grant funding in the financial year 2015/16.

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

The overarching vision of MedCity is for London and the Greater South East (GSE) to be a world leading, interconnected region for life science research, development, manufacturing and commercialisation – to deliver health improvements and economic growth.

MedCity Limited was established by the GLA and London's three Academic Health Science Centres (AHSCs) – Imperial College Academic Health Science Centre, King's Health Partners and UCLPartners.

The GLA is not currently a member of MedCity Limited, but has entered into agreements with each of the Members to afford it the right to do so in future. The Agreements state that Members of the company are not permitted to change the articles or to invite other organisations to become a member without the consent of the GLA, and cannot take a decision on any matter that requires GLA agreement or consent, without first gaining the GLA's agreement or consent.

A grant agreement is in place to govern the GLA's funds. Each year's grant award is subject to the GLA's approval of MedCity's annual Business Plan and to the GLA issuing a grant award letter.

GLA grant funding is essential to enable MedCity Limited to be appropriately staffed – including the Chief Operating Officer, Executive Chair and project/account management staff – in order to undertake activities aimed at growing and promoting the life sciences sector in London and the GSE. These activities will include (see Appendix 1):

- **Creating a visible 'front door'** – where businesses, entrepreneurs, investors and academics can go when they are confused by the complex environment across the region. MedCity will provide a concierge service navigating the industry for those who want to invest, collaborate and provide up-to-date market insights.
- **Promoting the region** – as a base for life science investment and growth, by further developing MedCity as a brand both at home and overseas. MedCity will continue to communicate London and the

south east’s capability; raising awareness amongst the international life science community of the benefits of locating activity in London and the south east, including access to one of the world’s most innovative entrepreneurial ecosystems.

- **Encouraging and enabling entrepreneurialism** - MedCity will evaluate the Angels in MedCity programme and determine whether it should be extended beyond the first year. MedCity has a small amount of funding intended for seed investment (HEFCE grant funding will be matched with private sector funding). The seed fund aims to support the commercialisation of innovation emerging from the convergence between different sectors and disciplines, promoting and enabling academic and student entrepreneurship (exact focus to be confirmed). In year 2 of operation, MedCity will also continue to identify opportunities to boost ventures which enable entrepreneurs to access mentoring and expertise. Activity to support the growth of life sciences clusters, including easier identification of existing sites for emerging or investing companies to locate in London will also be a focus for work in 2015/16.
- **Explaining the market** - working with the Academic Health Sciences Centres and universities, MedCity will explore further ways to facilitate industry engagement with the academic base. MedCity also aims to increase investment in late phase clinical research.

At a strategic level, MedCity will increase the health and wealth outcomes from life sciences research and commercialisation across London and the GSE. However, it must be recognised that there are factors far outside MedCity’s control which will also influence the availability of global capital and the attractiveness of the UK and the region for investment. Following the first MedCity Advisory Board discussion, MedCity committed to develop a set of strategic impact measures. These are likely to be in the areas of investment, jobs and number of life sciences companies in the region. Work to develop these measures is on-going and an analysis being undertaken for the GLA is critical to establishing the baseline data from which impact will be assessed.

At an operational level, MedCity has identified a basket of lagging indicators which MedCity believes collectively provide a ‘barometer reading’ as a proxy for the effectiveness of MedCity (see Appendix 1). Indicators will need to be agreed as stakeholder engagement progresses with Oxford, Cambridge and other partners. The draft MedCity business plan therefore must be viewed as a live and evolving document.

MedCity has agreed a methodology for assessing the value of direct jobs (from relevant FDI investments) resulting from the MedCity involvement (see Appendix 1). The proposal for estimating the prospective benefits relies on estimates of FDI in London as the major source of direct jobs, and through them, GVA. However, the difficulty of forecasting FDI jobs should be noted, as large investments cannot be accurately predicted. Due to the volatility of the data series, over the course of five years of jobs created (job persistence of three years is assumed), the calculated average annual jobs created is 10% above the previous trend of 100 jobs per year (5% above trend is assumed for 2014/15). This provides a benefit cost ratio in excess of 2.

In addition to the indicators outlined in the MedCity Business Plan, the following performance indicators will also be reported on:

Area of MedCity activities	Indicator	Year 2 of MedCity
Front door service	Number of approaches from customers	Number of approaches from customers to be reported quarterly during 2015/16, with growth figures suggested thereafter. 2014/15 not representative as a baseline, due to MedCity being in set-up phase.
Promote the region	AVE of media coverage	5% increase across the year, reported quarterly.  Baseline: £1,984,998. This is an annualised figure, based on the AVE from May 2014-January 2015 inclusive. The

		<p>AVE generated from the launch of MedCity in April 2014 has been excluded from the baseline.</p> <p>N.B.</p> <ul style="list-style-type: none"> <li>• MedCity AVE target is dependent in part on the level of public Mayoral support for MedCity events and news.</li> <li>• Industry newsletters carry no AVE but should be included in media performance since they target an important MedCity audience.</li> </ul>
	Newsletter subscribers	10% growth per quarter
	Twitter followers	10% growth per month
Explain the market	MedCity website	<p>10% growth per quarter</p> <p>(Subject to MedCity website development planned with aim of increasing flexibility and availability of information.)</p>
	Website hits for science and technology cluster map	Tbc - dependent on confirmation of funding for cluster map.

Officers believe that MedCity Limited's proposed activities will:

- change the perception of London and the Greater South East – making it a global destination of choice for life sciences entrepreneurs and investors;
- generate significant additional GVA from the creation of high value jobs;
- attract significant investment into the sector; and
- create an entrepreneurial environment in which more spin-outs are created and supported to remain in London and the GSE as they grow.

### 3. Equality comments

MedCity will aim to advance equality of opportunity in the delivery of the MedCity programme. Actions will include ensuring equality of opportunity for all protected groups through MedCity's staff recruitment and selection processes, and when organising events, in particular through ensuring MedCity events are accessible for people with disabilities. MedCity will also take the present under-representation of women in the STEM sector into consideration by ensuring that equality and diversity are taken into account for future appointments to its Advisory Board and Management Board, and by considering opportunities to promote female entrepreneurship at MedCity-facilitated/hosted events.

### 4. Other considerations

*Please ensure this section covers a) key risks and issues b) links to Mayoral strategies and priorities c) impact assessments and consultations.*

The risks are set out below, and are shared evenly amongst founding partners.

<b>Risk description</b>	<b>Mitigation/risk response</b>	<b>Current probability</b>	<b>Current impact</b>	<b>RAG</b>
<b>Geographical competition:</b> Competition within London and the GSE Life Sciences sector may limit MedCity success if institutions unwilling to collaborate for the greater good.	Ongoing work with Oxford, Cambridge and wider GSE LEPs/partners to develop relationships.	2	3	Amber
<b>Institutional competition:</b> Key stakeholders do not commit to MedCity – academic and clinical staff not encouraged to collaborate across institutions.	MedCity to continue to raise awareness of benefits of collaboration & identify collaboration opportunities and incentives.	2	2	Amber
<b>Capacity:</b> Insufficient staff of suitable calibre seconded from future partners. Latent demand greater than capacity for MedCity to deliver.	Project delivery support engaged. Drawing on network with specialist experience.	1	2	Green

(Please see Appendix 1 for high level risk register.)

## 5. Financial comments

- 5.1 Approval is being sought for the endorsement of MedCity Limited's draft Business Plan for 2015/16 and the consequent award of £400,000 revenue grant funding in respect of 2015/16. (The grant award for each financial year is subject to the GLA's approval of MedCity's annual Business Plan and to the GLA issuing a grant award letter.)
- 5.2 Funding of £1.125m for the MedCity project has been secured for 3 years from 2014/15 to 2016/17 from the London Enterprise Panel (LEP) Growing Places Fund (GPF). Additional funds have been secured from HEFCE. The LEP GPF funding recommendation was endorsed by IPB in August 2013, subject to confirmation of the HEFCE funding and capped at £1.125m. Officers were instructed to ensure that any financial risk to the GLA in future years be mitigated.
- 5.3 The GLA's commitment towards the project from the LEP GPF funds ceases after 2016/17 and a key issue is therefore how longer term funding sustainability will be secured. There are also potential shortfalls in 2015/16 and 2016/17 for the seed fund programme, unless this can be raised from private sector sources. The MedCity Advisory Board was due to set out a future funding model by March 2015, but this is now due to be discussed in May/June 2015 and presented in September. It is noted that this model is now expected to be based on sponsorship for programmes and activities, having ruled out the possibility of membership income through provision of services and potential income from inward investors.
- 5.4 The Business Plan identifies additional funding requirements for MedCity :
- |         |          |
|---------|----------|
| 2016/17 | £50,000  |
| 2017/18 | £455,000 |
| 2018/19 | £485,000 |
- 5.5 Additional funding is also required for the seed fund programme :
- |         |          |
|---------|----------|
| 2015/16 | £260,000 |
| 2016/17 | £760,000 |
| 2017/18 | £760,000 |
| 2018/19 | £760,000 |

- 5.6 Further additional funding is required for additional activities :
- |         |          |
|---------|----------|
| 2015/16 | £130,000 |
| 2016/17 | £25,000  |
| 2017/18 | £25,000  |
| 2018/19 | £25,000  |
- 5.7 The Business Plan notes that the additional funding for the additional activities will either be bid for through the GLA's Economic & Business Policy Unit, or sought through private sector partnership. A number of these activities are contingent on the GLA team successfully securing these funds. If this money is not available, each activity will be examined to determine whether it can be progressed through alternative means, whether it should be deferred or whether it should be deleted from the Plan.
- 5.8 The LEP GPF funding was approved by the GLA in 2013, contingent upon confirmation of the HEFCE funding and based on the understanding that this would seed fund the organisation but that further GLA funding was unlikely to be available due to known pressures on its resources. A bid for further funding was submitted under the GLA's budget setting process for 2015/16 and was rejected.
- 5.9 Any changes to this proposal, including budgetary implications, will be subject to further approval via the Authority's decision making process. All appropriate budget adjustments will be made.
- 5.10 The Economic & Business Policy Unit within the Development, Enterprise & Environment Directorate will be responsible for managing this project and ensuring all activities and expenditure complies with the Authority's Financial Regulations, Contracts & Funding Code and Funding Agreement Toolkit.

## **6. Legal comments**

- 6.1 The foregoing sections of this report indicate that the decisions requested of the Mayor fall within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development and wealth creation in Greater London and in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:
- 6.1.1 pay due regard to the principle that there should be equality of opportunity for all people;
- 6.1.2 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
- 6.1.3 consult with appropriate bodies.
- 6.2 If the Mayor is minded to make the decisions in respect of which approval is sought officers must ensure that the proposed release of funding is administered and managed in accordance with the funding agreement between the GLA and Medcity Limited.

## **7. Investment & Performance Board**

At the IPB meeting of 20<sup>th</sup> February 2015, the Board received a report requesting in principle approval of MedCity's draft 2015/16 Business Plan, as required each year as a condition of MedCity's grant funding.

### **DECISIONS:**

- a) That MedCity's draft Business Plan for 2015/16 be endorsed; and
- b) That the award of £400,000 of grant funding in 2015/16, as outlined in the GLA's grant funding agreement with MedCity, be approved in principle.

## **8. Planned delivery approach and next steps**

The MedCity 2015/16 Business Plan (see Appendix 1) sets out an Action Plan and Year 2 milestones. The milestones cover the following key areas of MedCity's activities:

- Front door service
- Promoting the region
- Encouraging and enabling entrepreneurship
- Explaining the market

A milestone relating to the future funding of MedCity is also included in the Business Plan.

<b>Activity</b>	<b>Timeline</b>
Procurement of contract [for externally delivered projects]	
Announcement [if applicable]	
Delivery Start Date [for project proposals]	
Final evaluation start and finish (self/external) [delete as applicable]:	January 2017
Delivery End Date [for project proposals]	
Project Closure: [for project proposals]	

## **Appendices and supporting papers:**

- Appendix 1 – MedCity Business Plan 2015/16

**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:**

Laura Gilbert has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

**Assistant Director/Head of Service:**

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

✓

**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:**

Kit Malthouse has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature**

**Date**

**CHIEF OF STAFF:**

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

**Signature**

**Date**