

## PART 2 – CONFIDENTIAL FACTS AND ADVICE

### MAYORAL DECISION – MD2237

**Title: Establishing a legal entity for new SME Fund and temporary payment of its management costs and fees.**

*Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.*

#### **This information is not for publication until the stated date, because:**

Appendix 2 of this paper contains information which is commercially sensitive. Its disclosure may be considered to prejudice the commercial interests of the GLA and Funding London and the related procurement process Funding London will be undertaking.

#### **Date at which Part 2 will cease to be confidential or when confidentiality should be reviewed:**

to be reviewed following the conclusion of the procurement process to procure fund managers for the SME Fund and by the latest of 30 September 2018.

#### **Legal recommendation on the grounds of keeping the information confidential:**

In the event of any request for access to the information contained in this document under section 1 of the Freedom of Information Act 2000 ("the Act"), it is considered that access can be denied on the basis that the disclosure of such information would prejudice the GLA's and Funding London's commercial interests. This is therefore covered by the exemption under section 43 of the Act.

Section 1 of the Act creates the general right of access, which provides that any person making a request for information to a public authority is entitled:

- To be informed in writing by the public authority whether it holds information of the description specified in the request; and
- If that is the case, to have that information communicated to him/her.

Part II of the Act contains a number of exemptions from disclosure for certain classes of information. In particular, section 43 of the Act provides that information is exempt information if disclosure under the Act would, or would be likely to prejudice the commercial interests of any persons (including the public authority holding it).

Information is considered commercially sensitive as its release could detrimentally affect Funding London's ability to effectively negotiate the applicable management fees and costs during the procurement process.

The section 43 exemptions are qualified exemptions and its use is therefore, subject to the public interest assessment.

## Public Interest Assessment

At present, on balance, it is considered that the public interest is best served if the information is not disclosed at this point. Disclosure by the GLA would be likely to have a detrimental effect;

- On Funding London and the GLA's commercial interests as the information is commercially confidential; and
- For Funding London to effectively negotiate the applicable management costs and fees during the procurement process for a fund manager.

The eligibility of these exemptions should be reassessed in the event of an FOI request for this information as the level of sensitivity will change over time and different circumstances may alter the arguments in favour of non-disclosure.

**Legal Adviser** - I make the above recommendations that this information should be considered confidential at this time

**Title:** Head of Commercial Law

**Date:** 16 February 2018

*Once this form is fully authorised, it should be circulated with Part 1.*

**Confidential decision and/or advice: see over page**

## Appendix 2 - LSF Estimated Management Costs and Fees and SPV structure

<b>Table 1 - Investments in SME</b>														
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Capital investment	3,990,000	17,750,000	25,000,000	23,005,000	23,005,000	7,250,000	-	-	-	-	-	-	-	100,000,000
EIB	1,995,000	8,875,000	12,500,000	11,502,500	11,502,500	3,625,000	-	-	-	-	-	-	-	50,000,000
ERDF	1,276,800	5,680,000	8,000,000	7,361,600	7,361,600	2,320,000	-	-	-	-	-	-	-	32,000,000
Funding London legacy	379,050	1,686,250	2,375,000	2,185,475	2,185,475	688,750	-	-	-	-	-	-	-	9,500,000
LWARB	279,300	1,242,500	1,750,000	1,610,350	1,610,350	507,500	-	-	-	-	-	-	-	7,000,000
Fund managers' capital	59,850	266,250	375,000	345,075	345,075	108,750	-	-	-	-	-	-	-	1,500,000
	<b>3,990,000</b>	<b>17,750,000</b>	<b>25,000,000</b>	<b>23,005,000</b>	<b>23,005,000</b>	<b>7,250,000</b>	-	-	-	-	-	-	-	<b>100,000,000</b>

<b>Table 2 - Management Costs &amp; Fees</b>														
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Sub-Fund managers' fees	1,112,500	2,225,000	2,225,000	2,225,000	2,225,000	1,245,917	1,261,617	1,178,474	1,101,840	865,395	543,426	288,958	80,423	16,578,550
Funding London's costs	862,714	993,535	1,238,027	1,432,495	1,493,900	1,504,196	1,063,580	619,391	230,296	172,722	129,542	97,156	72,867	9,910,421
	<b>1,975,214</b>	<b>3,218,535</b>	<b>3,463,027</b>	<b>3,657,495</b>	<b>3,718,900</b>	<b>2,750,113</b>	<b>2,325,196</b>	<b>1,797,865</b>	<b>1,332,136</b>	<b>1,038,117</b>	<b>672,968</b>	<b>386,114</b>	<b>153,290</b>	<b>26,488,971</b>
<i>Financed by:</i>														
Funding London legacy	835,147	-	-	-	-	-	-	-	-	-	-	-	-	835,147
Interest repayments	397,725	1,980,150	3,651,505	4,725,065	5,558,373	4,643,676	3,387,114	2,339,014	1,450,248	764,306	342,720	113,368	16,886	29,370,150
Capital Realisations after paydown of EIB loan	-	-	-	-	-	-	-	4,079,533	16,353,461	13,636,360	8,980,260	5,011,407	1,413,979	49,475,000
	<b>1,232,872</b>	<b>1,980,150</b>	<b>3,651,505</b>	<b>4,725,065</b>	<b>5,558,373</b>	<b>4,643,676</b>	<b>3,387,114</b>	<b>6,418,547</b>	<b>17,803,709</b>	<b>14,400,666</b>	<b>9,322,980</b>	<b>5,124,775</b>	<b>1,430,865</b>	<b>79,680,297</b>
<b>Surplus / (deficit) in funding</b>	<b>(742,342)</b>	<b>(1,238,384)</b>	<b>188,478</b>	<b>1,067,569</b>	<b>1,839,473</b>	<b>1,893,563</b>	<b>1,061,918</b>	<b>4,620,682</b>	<b>16,471,573</b>	<b>13,362,549</b>	<b>8,650,012</b>	<b>4,738,660</b>	<b>1,277,574</b>	<b>53,191,326</b>

Diagram 1 – SPV Fund Structure

