

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2195

Title: In year (2017/18) asks for London & Partners programmes

Executive Summary:

The Mayor's promotional agency, London & Partners (L&P), has identified areas where additional funding is required for 2017/18, including:

- addressing the need for additional resources overseas for international business engagement in response to Brexit. This will enable L&P to procure additional posts overseas in mainland Europe and other key markets where L&P does not currently have any coverage
- towards the Mayor's International Business Programme to cover the shortfall caused by a change of the match funding model. This is to ensure the continuation of the programme

The funding would be provided from the GLA's Corporate Contingency and the GLA's L&P contingency budget.

Decision:

That the Mayor approves extending the pre-existing GLA grant to L&P, via the current funding agreement, by £452,000:

- to address the need for additional resources overseas in key markets including mainland Europe, in response to Brexit – £352,000 to be funded from the GLA's corporate budget; and
- towards the Mayor's International Business Programme – £100,000 to be funded from the GLA's L&P three per cent contingency budget

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:

14/11/17

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

Decision required – supporting report

1. Introduction and background

1.1 Additional resources for international business engagement

- 1.1.1 The London & Partners (L&P) 2018-2021 strategy responds to the changing medium-term context for the promotion of London. The GLA previously agreed, in principle, to maintain the L&P grant at current levels for the next three years (2018-21) to deliver the strategy.
- 1.1.2 Responding to Brexit has, however, created significant new demands on top of 'business as usual' activity in terms of resource and geographic spread. Brexit is already impacting L&P's inward investment pipeline. Since the vote to leave there has been an 18 per cent reduction in new leads and projects.
- 1.1.3 Data from Foreign Direct Investment Markets (FDI) comparing the first six months of 2016 with the first six months of 2017 shows a decrease of FDI into London of 35 per cent. Key competitor cities have either seen an increase – Dublin, Berlin, Munich – or a less marked decrease – Paris and Amsterdam.
- 1.1.4 The key action for L&P and the GLA is to mitigate these potential losses by persuading those who have postponed or reconsidered investment that London remains the most viable option for international expansion.
- 1.1.5 Currently L&P is not appropriately resourced to do so, given the size of the Brexit challenge (40 to 44 per cent of existing investors tell L&P they will review their London operations within the next 12 to 24 months) and the increase in activity from competitor cities.
- 1.1.6 Global trends indicate that 64 per cent of companies stay in a location if account managed correctly. Feedback from investors also suggest that they expect, and would welcome, representatives of London/UK to increase their engagement with them in the Brexit era.
- 1.1.7 Additional funding from the GLA to L&P of £352,000 is suggested for the three months ending 2017/2018, and then, subject to the GLA budget planning process and a further review of market conditions, £1.355m for the financial year 2018/19 and an additional £1.236m per year thereafter.
- 1.1.8 This additional budget will be used by L&P to expand significantly its overseas footprint in key markets by adding an extra 16 L&P posts in six cities where there currently is no coverage. These include: Paris, Berlin, Bangalore, Shenzhen, Chicago and Toronto and one slot to bolster the team in San Francisco.
- 1.1.9 To note: this Mayoral Decision is to only approve funding for 2017/18. Funding for the following years will be subject to the standard budget setting and approval processes.

1.2 Mayor's International Business Programme

- 1.2.1 In 2015 the previous Mayor approved support for London & Partners' (L&P) proposals for delivery of the Mayor's International Business Programme (MIBP). The programme was approved through MD1557 and support included approval of the programme concept, use of the Mayoral brand as well as for the GLA to be named as strategic partner on L&P's European Regional Development Fund (ERDF) application. MIBP is contributing to enhancing London's productivity, creating jobs and demonstrating a new model for the delivery of export support in the capital. So far, the programme has supported 240 businesses through a range of services including events, workshops and trade

missions to address the barriers to trading internationally. This has led to business wins of £12m and £51m invested into London companies.

- 1.2.2 The new Mayor and team are very supportive of the MIBP and the MIBP actively participates in overseas visits. A mission of MIBP companies has been the cornerstone of the Mayor's overseas visits to the USA and Europe and is planned for the scheduled long-haul visit at the end of 2017.
- 1.2.3 The MIBP is a three year £4.9m programme of which £2.45m is funded by the ERDF and the remainder by private sector partners. The GLA has not previously contributed to the MIBP financially.
- 1.2.4 Following further discussion with the GLA's European Programmes Management Unit, it became apparent that the details of the match funding package for the MIBP project risked breaching ERDF rules, and would be extremely complex to administer due to the number of private sector partners. It was therefore decided to remove private sector partners as a source of match funding. This would not affect partners' valued wider participation in the MIBP project, but would give rise to a potential funding gap, as all ERDF money must be matched 50/50. This MD accordingly seeks additional GLA funding to remove that risk.
- 1.2.5 MIBP is a key initiative for the GLA and it has become even more significant since the EU referendum and the PM formally starting the EU Exit process. The GLA therefore needs to move swiftly to the next phase of mitigating Brexit risks and maintaining the MIBP at its current capacity should be a priority.
- 1.2.6 To ensure the MIBP can continue at its current capacity, the MIBP will require additional funding from the GLA. The suggestion is to address the MIBP's funding gap in the following way:

Funding Source	17/18	18/19	Total:
Additional funding from the GLA to L&P	£100k¹	£400k²	£500k
London & Partners funding	£250k	£250k	£500
Increased funding from partners	£75k	£75k	£150k
Total:	£425k	£725k	£1,150k
¹ from the GLA's 3% contingency			
² subject to budget approval process			

- 1.2.7 To note: this Mayoral Decision is to only approve funding for 2017/18. Funding for the following year will be subject to the standard budget processes and then subsequent decision forms.

2. Objectives and expected outcomes

2.1 Additional resources for international business engagement

- The target results of this additional activity would be an uplift in net additional impact on the London economy from L&P (measured through gross value added) of 30% (or £30m) and an increase in safeguarded and new jobs of 1,500 over the first 18 months ending March 2019.

2.2 Mayor's International Business Programme

- The MIBP's outputs include supporting 600 businesses and creating 500 jobs across three years.

3. Equality comments

3.1 Additional resources for international business engagement

- L&P increasing overseas staff in new markets including Europe will mitigate against potential losses by persuading investors who have postponed or reconsidered investment. This will ultimately ensure jobs and growth for Londoners are retained.

3.2 Mayor's International Business Programme

- London SMEs are more likely than larger companies to be owned by women, BAME or disabled people and to this extent the project will therefore support equality and diversity.
- L&P monitors the equality performance throughout the project to see if there is more that the project can do to reach women-owned SMEs.
 - L&P has throughout the programme increased the number of female-led SMEs joining Trade Missions on this programme as well as delivering an all-female trade mission in the tech sector.
- London SMEs are more likely than larger companies to be owned by Black and Ethnic Minority people so to this extent the project will therefore support equality and diversity.
 - L&P is working with relevant business organisations to attract referrals to the project. L&P is monitoring equality performance throughout the project by gathering data on business ownership and take up by business owned by minority groups to identify any shortfall in take up by target groups. L&P shall adapt awareness raising/marketing to try to address any shortfall.
 - L&P will also be seeking to engage "champions" in minority groups to ensure that a diverse group of business people apply to join the programme.
- All reasonable provisions shall be made to ensure full accessibility for persons with disabilities, for example when arranging transport.
 - L&P will also be seeking to engage a "Champion" for people with disabilities who can encourage people to apply to join the programme.

4. **Other considerations**

4.1 Additional resource for international business engagement:

Links to Mayoral priorities

- The Mayor has a role in promoting London internationally to maintain London's global competitiveness, which helps to drive the city's economy. Within the context of the result of the EU referendum and increased international competition, increased resources for international business engagement is now even more important. This is particularly the case in key markets such as Europe which historically has required fairly light touch management. These markets now require more proactive management through having people on the ground that are closer to key decision makers within the headquarters, whether they be existing investors or potential new investors. This will mitigate against potential losses by persuading those who have postponed or reconsidered investment in London. This will ultimately ensure London does not shed growth and jobs.

Key risks and issues

- This MD seeks funding for this financial year to allow recruitment by L&P of staff overseas to commence swiftly. This does not mean funding for year two and three is secured as it will be subject to standard budget processes. L&P therefore needs to take precautions so that its budget for the

following years will be able to cover any additional staff overseas should this funding not be agreed for subsequent years. Through contributing funding this and the following financial year, the GLA does however show strong support and commitment to the programme.

4.2 Mayor's International Business Programme

Links to Mayoral priorities

- London has benefitted from being open to the world and in the context of the EU referendum it is now more important than ever to ensure the GLA maximises London's advantage as a global city in different ways. Exposure to international markets can help to improve competitiveness and productivity and for the benefit of UK and London's economy, businesses need to export more abroad and exploit new global trading opportunities. The MIBP meets all these objectives through helping London companies to scale up and internationalise.

Key risks and issues

- Whereas the GLA previously provided support to the MIBP through permitting L&P to use the Mayoral branding, support from the GLA will now also be financial. This means there is now an added reputational risk. This will be mitigated through allowing a GLA officer being more involved in the programme, through attending weekly MIBP meetings and the MIBP steering group meetings. This will allow the GLA to have oversight and provide steer on which companies should be recruited and any potential future partners. This is important to ensure the programme is aligned with Mayoral priorities. The Economic & Business Principal Policy Officer who currently manages the L&P contract will also be involved in agreeing outputs and outcomes of the MIBP programme as well as monitoring the programme on a quarterly basis.

5. Financial comments

- 5.1 The proposed increase of funding under the 2017-18 London & Partners grant agreement (previously approved by MD2090) for up to the value of £452,000 will be funded from the GLA's Corporate Contingency budget (£352,000) and the existing London & Partners budget for 2017-18 (£100,000), specifically via the 3 per cent budget provision retained by the GLA for short-term L&P related international promotional projects arising during the 2017-18 financial-year.
- 5.2 As detailed within the main body of this report, both the International Engagement & International Business Programmes will require further resources from 2018-19, and will be considered as part of the Authority's budget setting process for 2018-19 onwards.

6. Legal comments

- 6.1 Sections 1 to 3 of this report indicates 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, social development or the promotion of the improvement of the environment in Greater London and in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory duties:
- 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; and
 - consult with appropriate bodies.

- 6.2 Sections 1 to 3 of this report also indicate that the decisions requested of the Mayor fall within the GLA's statutory powers to do anything:
- to encourage people to visit Greater London;
 - to encourage people from outside the United Kingdom to visit the United Kingdom by way of Greater London;
 - to encourage the provision and improvement of tourist amenities and facilities in Greater London,
- 6.3 Under section 378(2), the GLA has powers to enter into arrangements with any other person or organisation for or in connection with the carrying on by that person or organisation of any promotional activities or publicity in respect of the GLA's duty to promote tourism. Section 378(4) also provides the GLA with powers for such activities to be carried on outside the United Kingdom for the purpose of encouraging people to visit Greater London or any part of it.
- 6.4 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).
- 6.5 Officers must ensure that the pre-existing L&P funding agreement between L&P and the GLA is varied before any commitment to fund is made.

7. Planned delivery approach and next steps

Activity	Timeline
Approval	November 2017
Funding Agreement variation	November 2017
Extension of GLA Grant of £452,000 awarded through the 3% contingency fund and the corporate contingency fund	November 2017

Appendices and supporting papers: MD1557

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? Yes**

If YES, for what reason: Publication is deferred to coincide with planned media announcements.

Until what date: Expected to be 1 December 2017.

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:

Hanna Ostling 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:

David Bellamy 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 13 November 2017.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Bellamy

Date

13.11.17

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

13/11/2017.

