

REQUEST FOR MAYORAL DECISION – MD1375

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 London and GSE life sciences sector;
- 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.

The decision is requested to approve MedCity's draft 2014/15 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 2014-15 financial year.
2. Expenditure of up to £975,000, over a maximum of three years, by way of grant funding to MedCity Limited as a contribution to the costs of its activity:
 - a) up to £182,000 of which shall be made available in 2014-15 financial year; and
 - b) the balance of which shall be made available in financial years 2015-16 and 2016-17 following and subject to prior approval by the GLA of each of MedCity Limited's business plans for those financial years.

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: 11 July 2014

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. There is a huge opportunity to further exploit this research through collaborating with the Greater South East (GSE) to attain the critical mass able to compete with global competitors, such as Boston, and through making this research base one of the most accessible in the world. The MedCity project aims to provide a key portal through which investors, collaborators and entrepreneurs can access this world class expertise – 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.

IPB on 20th May 2014 agreed in principle to the GLA's award of additional grant funding to MedCity of up to £975,000 over three years 2014/15 to 2016/17 (and the award of £182,000 of that funding in 2014/15).

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 ('MedCity') was established on 27 November 2013 as a not-for-profit company limited by guarantee to promote London and the Greater South East's life science sector. MedCity will work to improve the attractiveness of London and the Greater South East as a destination for life science research, development and commercialisation, to become the pre-eminent life sciences hub globally.

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 UCL Partners.

The GLA will not become a member of MedCity Limited at present, but intends to enter into agreements with each of the Members to afford it the right to do so in future. The Agreements will 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.

The articles afford the GLA (along with the Members of MedCity) the right to appoint and set the remuneration of the Chair of MedCity and approve the appointments and remuneration of the CEO, COO and FD.

A grant agreement will be put in place to govern the GLA's funds. Each year's grant award will be 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:

- establishing MedCity as a 'go to' point for businesses and investors to access the life sciences base – through developing the MedCity brand; gathering and analysing intelligence on the life sciences sector in London and the GSE; and making this widely available, so that potential investors and collaborators can access partners more easily;

- increasing collaboration across institutions in London; and across London, Oxford and Cambridge to create critical mass that can compete with global competitors such as Boston – through engaging partners, industry, NHS, charities and patients in collaborative opportunities; signposting partners and hosting/supporting cross-sector and cross-discipline collaboration events and programmes; and
- generating a more commercial mindset amongst academia – through supporting or running networking events where potential entrepreneurs can gain better understanding of the demand and meet partners; reviewing business support provided and work with partners to fill gaps; developing a seed funding programme and building relationships with the wider funding community.

Officers believe that MedCity Limited's proposed activities will:

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

Before the above economic outcomes can be realised, the first year milestones will necessarily involve significant activities to: set up the organisation and its services, establish its brand, map research capabilities, external marketing, and develop reach beyond London and across the GSE.

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

a) Key risks and issues

GLA investment will be matched by other public and private sector partners. The Higher Education Funding Council for England (HEFCE) has committed £2.9m over five years. Additional revenue is anticipated from membership fees (a commercial membership model to supplement other private sector is being developed); and private and charitable sponsorship.

At the 20th May 2014 IPB meeting, it was noted that additional private sector funding was likely to be required after the end of year 3 when the GLA's funding ended, and that there may need to be some flexibility within years 1-3 in order to potentially frontload spend of the GLA's funding.

The proposed expenditure to provide seed funding will not be drawn down from core grant, but is being funded through HEFCE grant funding, with additional private sector match being sought.

The risks are set out below, and will be shared evenly amongst founding partners:

	Risk description	Mitigation / Risk response	Current probability (1-4)	Current impact (1-4)	RAG	GLA risk owner

1	Geographical competition/city politics: competition within London and the GSE Life Sciences sector may limit the success of MedCity if institutions are unwilling to collaborate for the greater good. Oxford and Cambridge AHSCs and GSE institutions do not join.	Early and senior level engagement deployed to ensure buy in, including close involvement of the Mayor/Deputy Mayor to demonstrate strategic importance of MedCity to all stakeholders; and ensure that Oxford and Cambridge are engaged. MedCity has already begun to engage Oxford and Cambridge; and will ramp this activity up with launch events in Oxford; Cambridge and wider GSE area over the coming months. Oxford and Cambridge are represented on the MedCity advisory board and keen to galvanise wider support. MedCity research will help to evidence the economic benefit to be gained from collaboration.	2	3	Amber	CG
2	Institutional competition: Key stakeholders do not commit to MedCity – academic and clinical staff are not encouraged to collaborate across institutions. Competition for funding amongst the research base may limit MedCity's success if stakeholders within the research base are unwilling to collaborate for the greater good.	MedCity will raise awareness of the health and wealth benefits to be gained from collaboration; establish the incentives (such as seed funding) and provide the opportunities for collaboration (from effective signposting for partners to networking events).	2	3	Amber	CG
3	Capacity: insufficient staff of suitable calibre seconded from Founders (and future partners) – unable to deliver resources from within their institution. Latent demand greater than capacity for MedCity to deliver.	Senior agreement to role descriptions. Interim team in place is of very high calibre. Future roles will be made attractive and MedCity will recruit a small number of business developers of more senior calibre, experience and contacts. Reputation already precedes MedCity and we are receiving significant interest from potential partners. If demand increases, there will be an even greater need to prioritise (and then expand) resources.	2	3	Amber	CG
4	Market confusion, MedCity role unclear.	Clearly articulated proposition and careful branding. Close engagement with industry and scientific membership bodies. Communications tailored to segmented audience. Targeted publicity campaign to raise awareness.	2	3	Amber	CG
5	MedCity fails to attract sufficient funding for the	External fundraising from public, private and charity sources and from	2	2	Green	CG

	organisation to meet its objectives.	partners. The funding application to HEFCE has been successful and MedCity has been awarded £2,982,488 over 5 years. In addition there have been positive initial conversations with other potential funders.				
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b) Links to Mayoral strategies and priorities

MedCity is fully aligned with the Mayor's Economic Development Strategy and the London Enterprise Panel's Jobs and Growth Plan (in particular with regard to championing London's science and technology offer to global partners, investors and potential collaborators).

c) Impact assessments and consultations

MedCity's Advisory Board comprises leaders from across the life sciences community: life sciences research, the NHS, the finance sector, industry and medical research charities. The Advisory Board has been consulted on the MedCity Business Plan and will provide ongoing strategic direction for MedCity's work.

5. Financial comments

- 5.1 MD1298 approved expenditure of £150,000 for activity related to the interim delivery of MedCity. Approval is now being sought to agree MedCity's draft Business Plan for 2014/15; and approve expenditure of up to £975,000 by way of grant funding to MedCity Limited, £182,000 of which shall be available in respect of 2014/15 (annual funding available for draw down in subsequent years (2015-16 & 2016-17) shall be determined following review of future years Business Plans and via further consultation with the Investment and Performance Board).
- 5.2 The proposed grant award of up to £975,000 will be funded via the Growing Places Fund. In addition to the GLA funding, MedCity have also secured £2.9m from HEFCE over a 5 year-period to part fund project activities (2014-15 to 2018-19). Therefore, including the £150,000 approved by MD1298 and the £975,000 GLA funding that is currently being sought; MedCity Limited have secured £4.025m over the five year period.
- 5.3 The GLA's commitment from the Growing Places Fund ceases after year 3 (2016-17) and consequently a funding model is due to be developed by March 2015 and this will need to demonstrate how any potential shortfalls will be met over the life of the Plan and how longer term funding sustainability will be secured. The indicative budget in the business plan is consistent with IPB's request that the GLA's funding should be used for core funding only with seed funding to come from HEFCE and other generated income. It also reflects a grant agreement condition that the maximum level of reserves being carried is limited to £200,000.
- 5.4 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.
- 5.5 The Economic Business Policy Unit within the Development, Environment & Enterprise 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:

- 6.1.1 the decisions requested of the Director fall within the statutory powers of the Authority to do such things as may be considered facilitative of or conducive or incidental to the promotion of economic development and wealth creation in a way which pays particular regard to the promotion of the improvement of health of persons, health inequalities between persons in Greater London; and
- 6.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the Authority'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 Officers have indicated that the proposed contribution of funding to MedCity Limited will amount to the provision of grant funding and not a payment for services rendered. Officers must ensure therefore, that:
- 6.2.3 the funding is disbursed fairly, transparently, and which are considered to afford value for money;
- 6.2.4 appropriate grant funding documentation is put in place between and executed by the Authority and MedCity Limited before any commitment to provide grant funding is made such agreement to provide:
- (a) the funding is not used for any activities or overheads incurred in respect of activities for which MedCity Limited charge;
 - (b) MedCity are required to have a separate account for the receipt and use of Authority funding, or if this is not possible, that they show the funding and related expenditure as a restricted fund in their accounts under a clear identifier, e.g. "GLA Funding"; and
 - (c) any supplies or services purchased using the funding are procured in accordance with public sector procurement principles.
- 6.2.5 Officers should seek further advice regarding any the seeking of rights in respect of MedCity Limited, whether by the reservation of rights in its articles of association, entry into supplemental agreements with members or otherwise.

7. Investment & Performance Board

The following matters were discussed at the IPB meeting of 20th May 2014:

- Future funding: It was noted that additional private sector funding was likely to be required after the end of year 3 when the GLA's funding ended. The Deputy Mayor for Business and Skills added that there may need to be some flexibility within years 1-3 in order to potentially frontload spend of the GLA's funding.
- Seed funding: Members suggested that the proposed expenditure to provide seed funding should not be drawn down from core grant but instead funded from any additional revenue.
- Membership charge: It was noted that the proposed membership charge was indicative at this stage and that a commercial membership model would be developed.
- GLA role on Board: A discussion took place regarding the proposal for the GLA to be represented on the Board through an observer rather than a full voting member. Officers explained that the GLA would retain the right to nominate a Board member but had chosen not to do this on the basis that this would help ensure the Board was driven by the private sector. It would also help avoid any risk of MedCity's accounts being consolidated with the GLA's accounts. The Head of Financial Services

clarified that membership of MedCity would not necessarily mean that the accounts would need to be consolidated and that the overall control exerted by the GLA would be more relevant to this matter. The Head of Financial Services agreed to look into this further.

Officers explained that a range of decisions would require GLA approval, including the appointment of additional Board members, sign-off of the organisation's business plan and appointment/removal of key staff. After a detailed discussion, some Members remained of the view that the GLA should exercise its right to nominate a Board Member and that the argument against doing so had not been made.

- Mayoral branding: A request was made for the 'Supported by Mayor of London' and London Enterprise' logos to be included on the MedCity website.

It was agreed at the IPB meeting of 20th May 2014 that:

- MedCity's draft Business Plan for 2014/15 be endorsed, subject to the comments above being considered and the revised document being circulated to Members by email for information following final amendments by the Med City Advisory Board and by the London Enterprise Panel's Digital Creative, Science and Technology Working Group;
- The GLA's entry into a grant agreement with MedCity awarding £975,000 over three years 214/15 to 2016/17 and the award of £182,000 of that funding in 2014/15, be approved in principle;
- The condition that each year's grant award be subject to the IPB's consideration and the GLA's subsequent approval of MedCity's annual Business Plan and to the GLA issuing a grant award letter, be noted;
- The GLA's entry into agreements with the three Academic Health Science Centres (AHSCs) under which the GLA is afforded the right to become a member of MedCity in the future should it wish to do so and reserve certain rights in respect of the governance of MedCity; be approved in principle; and
- That the 'Supported by Mayor of London' and 'London Enterprise Panel' logos to be included on the MedCity website;
- That an update on progress be provided to the September meeting of the Board; and
- That the Director of Financial Services looks in to whether there was any risk that MedCity's account would need to be consolidated with the GLA's accounts.

8. Planned delivery approach and next steps

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

Appendices and supporting papers:

Annex 1- MedCity draft Business Plan 2014/15

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