

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2461

Title: Catalysing Green Finance in London

Executive Summary:

The Mayor's ambitions for net zero carbon and other environment objectives can only be met by a vast increase in capital investment. For example, the Mayor's 1.5°C Climate Change Action Plan estimates capital cost of decarbonising London's built environment and infrastructure is £61 billion. The recent London Sustainable Development Commission report 'Financing for a Future London' produces recommendations for how to finance a fair transition to a resilient, circular, zero carbon London. The key suggestion is the creation of a new body, a proposed 'London Future Finance Facility (LFFF)' to deliver investment, which the Mayor has committed to exploring. A range of activities are underway across London's public sector organisations both in supporting the development of projects and providing some funds to deliver them. We are seeking the approval of the purchase of consultancy support from the Green Finance Institute to explore opportunities to maximise the flow of private capital into London's environmental priorities and set out how this could be delivered.

Decision:

That the Assistant Director of Energy and Environment approves:

- expenditure of up to £49,000 on services to develop a set of recommendations for accelerating the flow of private finance into London's environmental projects; and
- a related exemption from the GLA's Contracts and Funding Code so to appoint the Green Finance Institute, in respect of the above services, without a competitive tender.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT

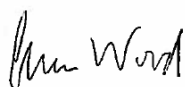
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Aram Wood

Position: Assistant Director, Energy and Environment

Signature:



Date:

25 August 2020

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. The Mayor is committed to making London a net zero carbon city, a zero waste city and to have the best air quality of any major world city. These ambitions can only be met by a vast increase in investment. For example, the Mayor's 1.5°C Climate Change Action Plan estimates capital cost of decarbonising London's built environment and infrastructure is £61 billion. The Mayor is also committed to other objectives in the London Environment Strategy that require investment beyond current public sources of funding, for example improving green infrastructure to offer greater resilience to Londoners from extreme weather events.
- 1.2. The Mayor has established several programmes across his environment priorities to drive forward activity in London. Additionally, the London Boroughs and other organisations are also developing their own initiatives and programmes. These will all need to be rapidly accelerated which will require large sums of private investment.
- 1.3. In March 2020 the London Sustainable Development Commission published their report 'Financing for a Future London'. This produces recommendations for how to finance a fair transition to a resilient, circular, zero carbon London. The key suggestion is the creation of a new body, a proposed 'London Future Finance Facility (LFFF)' to deliver investment, which the Mayor has committed to exploring.
- 1.4. The GLA lacks the required expertise in green finance to undertake a detailed assessment of the options for creating a delivery body to facilitate a step change in investment in environment projects. Officers therefore require consultancy support with expertise in green finance to explore opportunities to maximise the flow of private capital into London's environmental priorities and set out how this could be delivered through a series of recommendations. This work would aid London's longer term green recovery from the economic and social impacts of Covid-19. The London Recovery Board has approved the establishment of a Green New Deal Mission which includes accelerating green financing to support the recovery and transition to a low carbon and circular economy.
- 1.5. The Green Finance Institute (GFI) is an independent, commercially focused organisation, supported by seed funding from HM Treasury, the Foreign and Commonwealth Office, and the Department for Business, Energy and Industrial Strategy and the City of London Corporation. The organisation was launched in July 2019 in direct response to a key policy recommendation made by the industry-led Green Finance Taskforce in its 'Accelerating Green Finance' report published in March 2018. As the UK's principal forum for public and private sector collaboration in green finance, the Institute is uniquely placed to mobilise capital to accelerate the domestic and international transition to a sustainable, net zero carbon economy that is also climate resilient.
- 1.6. Officers propose that the Green Finance Institute are contracted to explore options for driving finance including a green finance facility for London. The GFI will build off of a mix of international examples and domestic knowledge to ensure the creation of effective, sustainable, and impactful recommendations. With their insights into developments at the national level and existing relationships with local authorities, the GFI are uniquely placed to develop workable solutions at pace. It is not considered by officers to be an effective use of time or resources to procure different contractors and the technical knowledge and expertise required is not available in house. Officers acknowledge that section 9 of the GLA's Contracts and Funding Code (Code) requires, where the expected value of a contract for services is between £10,000 and £150,000, the services to be procured competitively or called off from an accessible framework. Under section 10 of the Code however, an exemption from this requirement may be approved where a supplier has had previous involvement in a specific current project or continuation of existing work that cannot be separated from the new project/work. Given GFI's unique remit and involvement in Government backed green finance initiatives officers are of the opinion that this is the case here and that no other contractor has the unique expertise of GFI. Furthermore, the proposal from the GFI demonstrates very good value for

money, with the Institute retaining a key interest in delivering this project to meet their organisational objectives set by Government. Approval of an exemption from the requirements of section 9 of the GLA's Contracts and Funding Code is therefore, sought.

2. Objectives and expected outcomes

- 2.1. The primary objective of this work is to produce a set of recommendations for how the Mayor along with local authorities can most effectively ramp up investment in environment projects in London.
- 2.2. Specific deliverables required from the proposed assessment are:
 - an implementation plan for the potential delivery of a green finance delivery body, with major milestones and a map of the critical path to establishing a potential delivery body;
 - a critique of similar city-level initiatives from around the world, to learn from other nations;
 - a report to summarise GLA & borough expectations of the finance facility;
 - a report of private sector expectations for investable environmental projects in London, engaging with the financial community;
 - to design and recommend a funding and capital structure that maximises use of public funding;
 - proposal of potential governance structures (e.g. for a finance facility) and an implementation strategy; and
 - identification of and engagement with expert participants for a task force to review a proposed delivery model.
- 2.3. A detailed proposal is included as an annex.
- 2.4. The expected outcome is that the GLA will gain sufficient knowledge to progress with initiatives to accelerate the flow of private finance into London's environmental projects, including potentially the establishment of a new green finance delivery body for London.

3. Equality comments

- 3.1. The public sector equality duty requires the identification and evaluation of the likely potential impacts, both Under Section 149 of the Equality Act 2010 (the "Equality Act") as public authorities, the Mayor and the GLA must have due regard to the need to eliminate unlawful discrimination, harassment and victimisation, and to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. Protected characteristics under the Equality Act comprise age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status.
- 3.2. This work furthers actions and policies set out in the London Environment Strategy (e.g. supporting a low carbon economy) which has been consulted on publicly and sought input from all groups and communities. All responses to those consultations were analysed to help ensure the Strategy reflects diverse views and needs.
- 3.3. The request to appoint the Green Finance Institute is driven by both a requirement to appoint highly specialised experts and achieving value for money for the public sector by undertaking the work at cost (essentially a contribution from the Green Finance Institute).
- 3.4. The findings from the proposed work by the Green Finance Institute will further help the Mayor to identify the most appropriate mechanism to facilitate private sector investment in environment projects in London. This will deliver multiple benefits to all Londoners through supporting a Green Recover, driving a just transition and tackling inequalities such as poor air quality. Any proposed delivery body to facilitate investment in environment projects in London will also focus on the core

principle of supporting a just transition to best ensure that all Londoners can benefit from investment in environmental projects – be it through for example reduced energy use and therefore bills or increased resilience.

4. Other considerations

a) Key risks and issues

Risk/issue	Mitigating actions
1. Insufficient budget to complete the work required to meet the primary objective.	<ul style="list-style-type: none"> Budget of up to £49,000 has been accurately estimated following discussion with the Green Finance Institute and provision of a detailed and costed proposal.
2. Insufficient time to complete the work before announcements are sought.	<ul style="list-style-type: none"> The Green Finance Institute have established that December is achievable for project completion. Weekly catch ups and monitoring would be scheduled between the Green Finance Institute project team and the GLA's Project Manager.
3. The findings of the work do not align with wider GLA priorities	We will establish internal mechanisms to ensure that the work is coordinated with other GLA activities across Finance, Governance, Infrastructure and other teams with a key interest in this area of work and the wider London Recovery. The findings of the proposed assessment are focused on longer term investment in environment projects to meet targets out to as far as 2050. Therefore the objectives are complementary to any shorter term initiatives (e.g. the Green New Deal Mission).

- 4.1. This work is driven by the Mayor's Environment Strategy, which sets ambitious targets across several aspects of the environment. The Mayor alone does not have the power or funding to deliver all targets, including a net zero carbon London. The findings of the proposed work are expected to enable the establishment of a delivery body to facilitate investment in environment projects at a much greater rate than now. This will contribute significantly to the objectives in Chapter 10 of the London Environment Strategy to transition to a low carbon circular economy.

Green New Deal and London Recovery work

- 4.2. Green New Deal Mission prioritises green financing, with London Councils involved in the development of proposals to progress environment projects. The findings of the proposed assessment are focused on facilitating longer term capital investment in environment projects to meet mayoral targets. The objectives are complementary to the wider London Recovery work, with investment in environment projects supporting the growth of the green and circular economy and skills and jobs required to deliver net zero carbon alongside other mayoral priorities.

- 4.3. There are no conflicts of interest to note for any of the officers involved in the drafting or clearance of this decision form.

5. Financial comments

- 5.1 Approval is being sought for the expenditure of £49,000 on consultants from the Green Finance Institute to assess the options of creating a new delivery investment body for London.
- 5.2 The proposed deliverables are set out above in section 2.
- 5.3 This will be funded by the 2020-21 Zero Carbon budget held within the Environment Unit.

6. Legal comments

- 6.1. The foregoing sections of this report indicate that: the decisions requested of the Assistant Director (in accordance with the GLA's Contracts and Funding Code concern the exercise of the GLA's general powers, falling 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 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 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. In taking the decisions requested, the Assistant Director 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 and foster good relations 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 (section 149 of the Equality Act 2010). To this end, the Assistant Director should have particular regard to section 3 (above) of this report.
- 6.3. Section 9.1 of the Contracts and Funding Code (the 'Code') requires the GLA to procure services with a value of those concerned here competitively or from a suitable framework. However, the Assistant Director may approve an exemption from this requirement under section 10 of the Code upon certain specified grounds. One of those grounds is supplier has had previous involvement in a specific current project or continuation of existing work that cannot be separated from the new project/work. Officers have indicated at paragraph 1.6 of this report that this ground applies and that the proposed contracts affords value for money. On this basis the Assistant Director may approve the proposed exemption if satisfied with the content of this report.
- 6.4. In the event that the Assistant Director makes the decisions sought officers must ensure that a contract is entered into and executed by the GLA and the Green Finance Institute before the commencement of the services.

7. Planned delivery approach and next steps

Activity	Timeline
Award of contract	August 2020
Delivery Start Date	August 2020
Scoping report	September 2020

Draft report for discussion	October 2020
Delivery End Date	December 2020
Project Closure	Mark 2021

Appendices and supporting papers:

Appendix 1: GFI Proposal

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) 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 it has been approved or on the defer date.

Part 1 - Deferral

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

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

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included 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:

Matthew Thomas has drafted this report in accordance with GLA procedures and confirms the following:

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 24 August 2020.

ASSISTANT DIRECTOR OF FINANCE AND GOVERNANCE:

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

Signature



Date

25 August 2020