

Committee(s): Policy & Resources Committee – For decision	Date: 8 April 2021
Subject: Finance for Sustainable Growth	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	7, 10
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Damian Nussbaum, Director, Innovation & Growth	For Decision
Report author: Ines Righi (Innovation & Growth)	

Summary

Key 2021 CoLC priorities are: 1) delivering our cross UK strategy (i.e. showing how London/FPS is an asset to the UK, capable of supporting Levelling Up); and 2) supporting ambitious climate action in the year of COP26.

With these objectives in mind we are piloting a new approach, bringing together regional UK partners and linking them into sustainable funding opportunities in London. To facilitate the connection of green research and innovation in the UK's regions to London's capital and expertise.

The capital's position as a global hub for sustainable finance leaves us well placed to do this. And by doing so, London will be making a public and demonstrable contribution to the UK-wide, net zero ambition.

We will trial this approach first in the North East. Research shows this area to be a relative 'cold spot' for greentech/sustainable business. We have four partners lined up – all key players within the region's sustainable business ecosystem (see 'Background' for more information)¹.

They are ready to provide case studies, information on regional investor events, and investment opportunities to us that can be posted on a new and dedicated microsite. The exact ask/offer will be captured in a Memorandum of Understanding to be signed between CoLC and partners.

The aim is to spotlight the innovative (green) business activity that is happening in the North East. But often gets missed by national/international investors. Ultimately to drive more private finance into the area to support green growth. If successful there, we would like to roll this approach out to other parts of the country.

Recommendations

Members are asked to:

1. Approve the outlined partnership model and the attached MoU
2. Note the partnership concept being piloted in the North East

¹ Our prospective partners are NorthStar Ventures, the Northern Accelerator, the North East LEP and potentially BP (reflecting the region's relative competitiveness in the energy sector).

Main Report

Background

1. To achieve net-zero by 2050 we must do more to support greentech and sustainability-oriented businesses throughout the UK. Much of this is now based in London and the South-East. If more can be developed outside these areas, we can help hit net-zero and create new, resilient jobs across the UK. Building back better in action.
2. London is uniquely positioned to support here – it has the breadth of green finance expertise and deep capital pools that can be leveraged to support balanced UK green growth. The City Corporation has the unique brand and network to lend credibility within private finance to this agenda. Which in turn will cement the Corporation's credentials in the green finance arena – vital in this year of climate action and with COP26 in sight.
3. Our North East pilot has been long in the works. Last year the City Corporation commissioned research looking at 850 UK SMEs who have attempted to access finance in the last three years. It identified five “elements of success” that underpin sustainable business cluster growth. The first four are: i) corporate ecosystem ii) political infrastructure iii) research & commercialisation and iv) access to finance. The fifth element is what makes things fly and can be called ‘interconnectors.’ They coordinate the other four, bringing them together so ideas and capital can link up to drive business growth.
4. This research identified greentech/sustainable business “cold spots”² around the UK. Last December we hosted a roundtable which put this research to regional partners in the North East – an identified cold spot. The discussion showed that the region has some of the right elements to support green business cluster growth. But they suffer from a lack of visibility outside the region. We have since maintained a dialogue with actors there to explore how the City Corporation could help here.
5. We now have four prospective partners – one representing each of our identified element of success – lined up in the North East³, ready to proceed with signing an MoU. We will then work towards a public launch of this work – including publishing the core research and launching a new website where content from partners can sit – in the coming months. The MoU will be centred around the amplification and connection of North East innovation to London for a period of twelve months.

Current Position

6. The rationale for the City Corporation supporting green cluster growth across the UK is clearer than ever:
 - Most of the greentech/sustainable business activity is happening in London and the South East. This needs to change if we are hoping to reach net zero by 2050
 - This proposal complements the Corporation's commitment to supporting a thriving economy. It promotes London/the UK as a global hub for sustainable investment,

² We have defined cold spots as UK regions with comparatively fewer greentech/sustainability-oriented start-ups and scale-ups, as identified by the research undertaken

³ Our prospective partners are NorthStar Ventures (Finance), Northern Accelerator (Research & Commercialisation) and North East LEP (Policy). The fourth partner (Companies) – potentially BP – will be confirmed shortly

supports 'levelling up' across the country, and ensures the UK remains competitive in the future.

- This proposal contributes to IG's goals of enabling growth in the UK's share of global Assets under Management, establishing the UK 'levelling-up' agenda as an investment opportunity for FPS and enhancing the UK's position as a leader in FPS innovation.
- This proposal complements our prospective regional signatories' goals in that it supports building a case for investment in the regions and showcases green innovation.
- This work supports and strengthens our ongoing cross-UK engagement, critical to several of our objectives and policy goals.

Proposal

7. The Finance for Sustainable Growth programme in the North East will officially launch in May 2021 and will last for twelve months.
8. Programme Objectives:
 - Facilitate the connection of North East green research and innovation to London's capital and expertise
 - Enhance visibility of regional green innovation and interconnecting initiatives
 - Support an increase in the flow of green investment to the region
 - Support ecosystem interconnection for sustainable business growth in the region
9. Ask of regional signatories:
 - They will create interest for the work and a public launch
 - They should provide the material they would like to profile on the website
 - They should provide access to their regional and national network in support of keeping website content up-to-date and relevant.
10. Offer to regional signatories - During the North East pilot, we will develop a standard offer of activities that we could potentially roll out to other regions:
 - We are developing a dedicated website to showcase the events and case studies provided by regional partners.
 - We may conduct additional amplifying activities with support from delivery partners (for example, organise a thematic roundtable).
 - We will publicly report on the progress and impact of the Finance for Sustainable Growth work in the North East and other UK regions.

Key Data

11. We intend on measuring success in the long term by reviewing the:
 - Increase in proportion of private capital going to green innovation in region (%)
 - Increase in number of deals (%)
 - Track record of new thematic fund mandates for North East based investment (x number)

Corporate & Strategic Implications

- Strategic Implications - This proposal complements the Corporation's commitment to supporting a thriving economy by promoting London/the UK as a global hub for sustainable

investment, supporting a greater flow of investment into sustainable solutions in the UK regions to promote levelling up across the country, and ensuring the UK remains competitive in the future .

- This work supports and strengthens our ongoing cross-UK engagement, critical to several of our objectives and policy goals.
- Financial implications – this proposal entails the launch of a report (estimated £3,600) and a website (estimated £10,000). This will be covered in existing IG local risk budgets.
- Resource implications – none
- Legal implications – none
- Risk implications – none
- Equalities implications – none
- Climate implications - none
- Security implications - none

Conclusion

12. We plan to launch the North East programme in early May (date TBC), once the MoU has been signed by all North East partners, the early findings report is ready to be published and the website has been built. The North East programme will last for twelve months from May 2021.

Appendices

- Appendix 1: 212203 – F4SG North East MoU
- Appendix 2: 212203 - Finance for Sustainable Growth Exec Summary

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