Appendix 1

Budget and Performance Committee – 29 September 2016

Transcript of Agenda Item 6 – EU Funding after the EU Exit Vote

Gareth Bacon AM (Chairman): Item 6 is on European Union (EU) funding after the EU exit vote. I would like to welcome our guests today. Alex Conway is the European Programmes Director at the Greater London Authority (GLA). Thank you for coming, Alex. John Spindler is the Chief Executive of Capital Enterprise. Madeleine Williams is the Director of Access Europe Network and an observer on the London Enterprise Panel (LEP) European Structural and Investment Funds (ESIF) Committee. Naomi Weir is the Deputy Director for the Campaign for Science and Engineering. Thank you all very much indeed for giving up your time this morning.

This meeting is effectively a scene-setting meeting because nobody really knows what the full details of Brexit will be. Article 50 is not yet declared and so we do not really know where we are going to be when it is. However, it is quite useful for us to get an understanding of the kind of funding that is currently available and that may be placed at risk depending on what the Government decides to do after Brexit actually happens.

I would like to set the ball rolling with some scene-setting questions primarily for you, Alex, if I may. The first is about how much direct funding the EU has that the GLA group has received for the 2014-2020 funding round.

Alex Conway (European Programmes Director, GLA): By that, do you mean the money for which I am responsible or the projects that we hand out to the GLA?

Gareth Bacon AM (Chairman): Direct funding from the EU, projects that the GLA has actually undertaken and also the wider budgets that you are distributing to other organisations.

Alex Conway (European Programmes Director, GLA): Starting with the wider question, there is a budget of about €750 million that has been notionally allocated - I will come on to what that means - to the LEP area by the Government for us to spend over the next seven years. I am responsible for two programmes, the European Social Fund (ESF) and the European Regional Development Fund (ERDF). We anticipate the ESF taking about three-quarters of that €750 million and the ERDF about a quarter. We will come on to what those programmes do. We allocate that money primarily through open competitive bidding rounds run by my team for which the GLA and other City Hall organisations can bid alongside anyone else. We can come on to what proportion of funding they get.

Gareth Bacon AM (Chairman): How much funding is due to be received in the current funding round? Is it all decided?

Alex Conway (European Programmes Director, GLA): No, not as yet. On where we are overall, on the ERDF side we have, potentially, committed up to 85% of our funding. We have signed only the first dozen or so funding agreements; we have another 26 or so projects in contract negotiation and, crucially, about half of our ERDF money is going to go into financial instruments - we can come on to those - and the loan and equity investments. If all of that happens, then about 85% of the funding would be committed and we could, potentially, commit all remaining funding in the event that another bidding round was held, which is something we are arguing for.

On the ESF side, it is a bit different. Most of our funding there goes through so-called 'co-financing organisations', the Big Lottery Fund, the Department for Work and Pensions (DWP), the Skills Funding Agency and the GLA itself. They match-fund projects and then carry out their own procurements. About 50% of the funding is committed there. Again, we are very keen to get some signals from the Government that we can commit all remaining ESF funding primarily through those co-financing organisations. We do also support a fewer number of projects directly.

Gareth Bacon AM (Chairman): How many projects are we supporting directly?

Alex Conway (European Programmes Director, GLA): For ESF, there are about 10 at the moment, which get about £50 million and the vast majority of the money is going to go through co-financing organisations. On the ERDF side, we have signed contracts with 12 projects and there are another 26 in negotiation.

Gareth Bacon AM (Chairman): The vote for Brexit can introduce a certain amount of doubt, I imagine, in the organisations that would apply for funding. Has any of that translated so far? Is there anxiety amongst the organisations?

Alex Conway (European Programmes Director, GLA): There is concern about what will replace this funding. As it happens, the way the cookie crumbled in London was that we did not have any bidding rounds open at the time of the referendum. When the programmes first launched a couple of years ago, we were quite quick to launch several bidding rounds and our intention was always to have a further bidding round in the autumn. That is something that we are pushing for now. It will be interesting to see, if we do have that further bidding round, whether people come forward. I expect they will because there are quite a lot of organisations here that are used to European funding and probably want to maximise what might be their last opportunity to use it.

Gareth Bacon AM (Chairman): Is the EU funding for the GLA group solely grants or is it match-funding?

Alex Conway (European Programmes Director, GLA): It is all grants with the important exception of the very large loans that Transport for London (TfL) gets from the European Investment Bank (EIB). That is several billions worth in relation to Crossrail, the Northern line extension and other projects.

Gareth Bacon AM (Chairman): Just because you have touched on the EIB, leaving the EU would not preclude TfL continuing to take loans from the EIB, would it?

Alex Conway (European Programmes Director, GLA): It does not preclude it and my understanding is that all the deals that are currently there or nearly there will continue. The EIB can lend outside the EU. I guess what I would say - and it remains to be seen - is whether it would be as likely to and so --

Gareth Bacon AM (Chairman): Does it at the moment? Does it do business with, say, Switzerland?

Alex Conway (European Programmes Director, GLA): It does, but to a lesser extent.

Gareth Bacon AM (Chairman): Is that on the same rates that it would do it with EU members?

Alex Conway (European Programmes Director, GLA): I do not know, but presumably.

John Spindler (Chief Executive Officer, Capital Enterprise): I can probably put in something here on the EIB and the European Investment Fund (EIF). Industry - and the tech sector in particular - are campaigning hard for us to maintain our membership of the EIB and via that the EIF. The EIF, for instance, accounts for

37% of all the investment in venture capital (VC) in the UK and the EIB is a major contributor. They both have offices in the City and are very keen themselves to go down that route.

It does not preclude us leaving and not being a member of it, but we would have to negotiate that. It has to be one of the negotiation targets, we believe, to maintain the membership of both of those organisations. We actually get a hell of a lot more out than we put in. It is one of the few European institutions we benefit from as a net. Roughly, in the EIF, we contribute about 12% and we receive about 32% of all of Europe's investment. It is one of those cases where we are a very big beneficiary of that. That is to give you some kind of context.

Gareth Bacon AM (Chairman): Like much else, really, it is subject to the negotiations that will take place after Article 50 is triggered?

John Spindler (Chief Executive Officer, Capital Enterprise): I know more about the EIF. It has a deal with Norway and it has a deal with Israel. It does not have a deal with Switzerland. At the moment, it has a cap and the funds can invest only 20% outside the core EU area. Again, it is down to negotiation on both sides to see how important that is.

Gareth Bacon AM (Chairman): Is it at that cap now? Do you know?

John Spindler (Chief Executive Officer, Capital Enterprise): It depends. Because we are an EU member at the moment, obviously, we are way above our cap if you look across. Most of the funds that receive direct funding from the EIF into a VC fund, they are a Europe-wide fund but most of them are actually based in London. By the nature of proximity and also by the nature of how good we are in this sector, we get a large slice of that funding. In the future, they can be based here. They could be based in the [United] States (US). However, they would have to show that they are doing 80% of their deals outside the UK unless we can renegotiate and maintain our membership of the EIB and - the EIB owns the EIF - therefore the EIF. On the loan side, it would be very similar as well. There is goodwill on both sides. They are independent institutions. Theoretically, we could be a member of the EIB without being a member of the EU.

Gareth Bacon AM (Chairman): That was interesting.

Len Duvall AM (Deputy Chair): Let us stick with the EIB. Is there a list of potential projects that are in the process of seeking funds? Is that a publicly available list? Could we get access to that to see if there are any London projects that are in process now? I am aware of a housing project that was seeking some of those funds, but I wondered whether there was a list.

John Spindler (Chief Executive Officer, Capital Enterprise): I am sure there is, definitely, a list of projects that have been approved, but I am not quite sure whether they would make public the projects that are in negotiation.

Alex Conway (European Programmes Director, GLA): Yes, as I said, I am aware of different focuses and City Hall at times has had different discussions with the EIB about potential investment, but I do not know that there is anything out there in the public domain beyond the list of approved schemes.

Madeleine Williams (Director, Access Europe Network): You could probably find out by, for example, talking to borough chief executives. Several boroughs have housing schemes looking for EIB funding. They keep it quiet while they are applying and trying to negotiate, but you could certainly find out fairly informally by talking to them. There are a few schemes up for discussion and negotiation at the moment.

Unmesh Desai AM: If I could ask you, Mr Conway, a few questions about wider London EU funding, what is the GLA's role with wider London EU funding?

Alex Conway (European Programmes Director, GLA): My team is responsible for allocating that and managing the €750 million that I mentioned earlier. How do we get that money out there? In respect of the ERDF, we run open competitive bidding rounds and any organisation that can bring its own match funding can apply to the cash. We have had four bidding rounds so far and we hope to have a fifth. That accounts for about half of the money.

The other half of the ERDF money we aim to allocate through what are called financial instruments. That means funds that make loan and equity investments. We have pioneered that approach in London, really, for the last 10 years and it is great because of course, if it all works well, which it mostly has, you get your money back. Now that this funding may be disappearing going forward, it is all the more reason to have those. There are two main vehicles that we are working on for 2014-2020 where we hope to launch procurement shortly. One is the London Green Fund, investing in green infrastructure projects, and the other is the Small and Medium Enterprise (SME) Fund, which will make loan and equity investments to small businesses. That is the ERDF.

For the ESF and the way we hand out the money, again, we have also had one open competitive bidding round when people brought their own match funding, but most of the money is allocated to co-financing organisations; in this case, the Big Lottery Fund, the Skills Funding Agency, the DWP and the GLA. We and the stakeholders built up the skills and employment programme for London that we wanted those organisations to manage on our behalf and those organisations are now procuring that activity and getting it started.

Unmesh Desai AM: If you could be more specific, what sort of funds are involved, how large are the funds and how long is the funding agreed for?

Alex Conway (European Programmes Director, GLA): A typical project or programme lasts for about three years but there is no artificial deadline. They can be longer or shorter. The ESF programmes are worth - again, we get the money in euros but we translate into pounds - nearly £500 million and the ERDF programmes are worth about £160 million. It goes up and down with the exchange rate. We double that with match-funding, of course. When we are talking in the round, what we tend to say is that these are £1 billion seven-year programmes.

Unmesh Desai AM: In terms of the process, how do you decide the objectives of the funding?

Alex Conway (European Programmes Director, GLA): I suppose there are three steps to that. Starting at the top level, the EU agrees its budget every seven years. The last budget hit about €1 trillion. That has to be agreed across all 28 member states. The largest part of that €1 trillion budget is the so-called structural fund programmes, for which I am responsible. They are about 35% or so of the budget, bigger that the Common Agricultural Policy and some of those other things. Those funds are split in four ways. There is fish money, which we do not get in London; there is agriculture money, which we do not get in London; and then there are the two funds for which my team is responsible, the ERDF and the ESF.

Once it is agreed at EU level, the EU then negotiates with each member state the operational programmes. I have bought a couple of these fund documents with me. These are negotiated by the Government and the Commission and set out what - in this case, in England - the Government will achieve in respect of the ERDF and the ESF, "We are going to get X number of people into work. We are going to assist Y number of small businesses. We are going to increase the turnover of those small businesses by X per cent". That is agreed at the Government level.

What the Government is then asked is that each of the 39 local enterprise partnership areas in England comes up with a strategy for using the money in line with these operational programmes. That is what we have done in London and the LEP's own priorities were the same as the Government's operational programme priorities. It is all fairly motherhood-and-apple-pie stuff about job creation and economic growth and those are the priorities we have used.

What it boils down to us that the Commission expects in return for its money to see and to have proof of the number of jobs created, people in employment and people with skills. The biggest part of my team's work is ensuring that the projects we support will deliver those outputs and, again, we have a good track record of doing that.

Unmesh Desai AM: Finally - and you have already answered my last question to some extent - how effective has this funding been in London? How do you measure success?

Alex Conway (European Programmes Director, GLA): Again, the programmes come with a lot of - quite rightly because it is a lot of money - heavy evaluation tools and monitoring requirements. I was just before this meeting putting together the final implementation report for the 2007-2013 programmes, which are now closing. You have to have independent evaluations of the work that you do and, in the case of London, we have those evaluations and they have been pretty complimentary about the work we have done.

I will just, somewhere here, give you a flavour. On our website we have our top ten achievements in the structural fund. If you look at the programmes just closing, where we now have the data, over 500,000 people were engaged by ESF programmes in some way in London and that is a pretty high number; 63,000 people were supported into work; over 68,000 young people were helped into employment, education or training; we assisted over 15,000 small businesses; and we had over 65,000 level 2 or 3 qualifications gained, which is the GCSE (General Certificate of Secondary Education) or A level equivalent. On the infrastructure side, we diverted 330,000 tonnes of waste from landfill per annum through our Green Fund; we created or safeguarded over 5,000 jobs; we saved at least 215,000 tonnes of carbon dioxide per annum through retrofitting buildings and that kind of work; we generated £135 million worth of new sales for small businesses supported; and 70,000 people gained basic skills qualifications. That is the kind of bang you are getting for your £1 billion worth of bucks and it compares pretty well with domestic programmes or anything similar.

Sian Berry AM: Thanks very much for coming to the external guests. We have heard a lot of very big numbers but we have some questions now that look more at the different sectors and the impact specifically on the ground in London. I have a lot of questions but I want to ask them to each of you in turn, if that is OK. I will start with SMEs and John. We want to ask what funding you get and also what it is used for and how effective it is in helping your sector.

John Spindler (Chief Executive Officer, Capital Enterprise): I am CEO of Capital Enterprise and I probably have two hats here because we are a lead on a project at the moment and we were the lead on a project previously for some of our members. Our members -75 of them - are incubators, accelerators, universities, enterprise agencies, further education (FE) colleges and an occasional council, which all support entrepreneurs in either their sector or their district. We have members like Imperial [College London] and University College London (UCL) and the London Business School; members in the accelerator space that you may have heard of like Seedcamp and Techstars; and co-working spaces and incubators like Bow Arts, Cockpit Arts, etc, in the art space. There is a whole range. I would say that almost half of them have been engaged directly in a European-funded project under the 2007-2013 programme.

I suspect - and I do not have the numbers on me - that of the 12 you have signed and the 26 coming up, the majority will be led by a university, a local enterprise agency, a council that has an enterprise unit or an incubator accelerator. That sector, unlike some sectors elsewhere in the country, relies on this EU money because it does not get any direct money itself like it would in places like Manchester, Scotland, etc.

I can talk a little bit about how different agencies have built up export services for SMEs, have built up prototype labs for creative sector businesses, have incubated artists and have built schemes and programmes to help the tech sector. The programmes that we do directly are mainly focused on tech start-ups. You are probably aware that in the last six or seven years we have gone from a tiny cluster to the world's third-largest tech cluster employing over 300,000 people. At its base, it employed only about 40,000 in 2009 and so it has been the big economic success story that has emerged over the last six or seven years.

Every day there seems to be a new story. You probably saw yesterday about Apple putting its headquarters in Battersea. We have Google here and all the big tech sectors have put their European headquarters here. It used to be on the M4 corridor, by the way. It used to be out near Heathrow and beyond Heathrow. Now they want to be in the centre of town. Why? They want to be close to the start-ups and the talent. That is a big thing. They have revolutionised some boroughs like Hackney and others.

What is the programme that we run at the moment? We ran a similar programme last time. The previous programme we ran was called the Capital Accelerator Programme and that was a programme to use ERDF money to match-fund 50%. We had to fund the other 50% of the money from corporate sponsors and members in order to scrape it together to fund activities that would support very early-stage start-ups form the idea to the first business, from the first business to the first customer, from the first customer to the first fund-raise and from the first fund-raise to expansion. The programme we ran last time was a £1.9 million European programme and we match-funded it with £1.9 million from the private sector. We created 425 jobs in 18 months and helped those companies raise over £35 million.

Now we have a programme that is nearly £3.7 million, which we launch next week on 6 October. You are all welcome to come along. There will be about 300 start-ups in the room. Again, it is to support the ecosystem that enables these start-ups to start and, in this case, continue to grow. We are very much focused this time on trying to scale them after they are in the market and have a project and to get them to the next stage where they can go from one or two employees to 10, 20 or 30.

How do we do it with Capital Enterprise? We always do in partnership. The CASTS project stands for Capital Accelerate and Scale Tech Superstars. If you see the projects, you will see very strange names as we all try to work out the acronyms. I apologise for the names, but you will see them all and they all look strange, SMILE and all the rest of them. That is with UCL, City University and Greater London Enterprise (GLE). Through ourselves, we are going to be supporting another 12 organisations that support early-stage tech start-ups.

You had an earlier question. What happened with the anxiety about losing and potentially not getting this kind of funding? You are probably aware that after Brexit, Treasury put a pause on authorising all new projects. I am sure that Alex [Conway] will mention that. That was a project that had been approved back in the winter of 2015 and it was supposed to start in June. It was a little bit delayed because of the purdah with the mayoral election and then we found out it was delayed again. That was very anxious because we had a lot of organisations willing and ready and had actually put money aside and raised money to match-fund. With ERDF money, you have to pay the money out in advance and so you have to pay 100% out in advance and you are reimbursed 50%. There is actually quite a lot of financial commitment that you have to get from sponsors, partners, etc, and we were very anxious.

We wrote a letter to Alex [Conway]. We wrote a letter to the Treasury and to George Osborne [MP, former Chancellor of the Exchequer] - I do not know what happened to him - and followed that up; we were in the media. We got covered by *The Independent* and the BBC. It turned out to be a nice story in the end because, in early August, [the Rt Hon] Philip Hammond [MP], the new Chancellor, approved it and said that they were un-paused and we have until the Autumn Statement to get the projects started and signed. We think that Alex [Conway] has most of them in the ERDF up and running.

If we did not have that European money, the private money would dissipate because it is on a condition that you can. The tech scene - and I can tell you about the tech scene in particular - would find it very difficult to maintain its expansion because, without that money, you do not get the private money and, without that, you do not get the support. It is the support that has made London grow so rapidly. That is why we have so much support from the industry behind that - Tech City UK, all the universities, accelerators, etc - to back that up. This structural money may not have been necessarily and written and designed for it in the first place but is quite important if we are going to help early-stage entrepreneurs because, financially, they cannot pay the big consultancy firms to support them. Our economy in terms of innovation is dependent on them. As I said, as the tech scene has shown, it can go from quite a small niche sector in 2008/09 to one of the three or four sectors that London's economy is built on.

Sian Berry AM: You mentioned the pause that Treasury put onto the projects that were already in train. Have you noticed or have there been any more delays in putting new projects together? Are they suffering as well?

John Spindler (Chief Executive Officer, Capital Enterprise): It is all delayed. It has all put things back by months. When it was un-paused, Alex's [Conway] team rapidly got them into contract and I know that they are doing that presently on a rapid basis. They have kept on doing lots of work and so they are already prepared.

Certain teams, especially some of my university members, had programmes previously and wanted to keep similar teams and employ them to another and have had that big gap. That has affected some of them and one or two of my university members have decided not to even get involved in supporting SMEs because of uncertainty about the funding.

Yes, it has had an impact. At the moment, we are all fairly relieved that it is happening and we have at least two-and-a-half to three years to prove that and think about where the future funding will come from.

Sian Berry AM: We will have more questions about the future in our later session.

John Spindler (Chief Executive Officer, Capital Enterprise): It has had an effect, but we are all relieved now that it is happening. I suspect that if you asked the opinion of most of them, they are just glad that we can start these projects now, admittedly three to six months later than we wanted to be.

Sian Berry AM: Thank you. If I can move on to Madeleine, it is basically the same question. For the projects that you work with, what kind of funding and support do you receive? How effective is it in helping? What would the impact be if it was withdrawn?

Madeleine Williams (Director, Access Europe Network): It is impossible to say exactly how much funding goes into local government or, indeed, into the third sector because there are so many EU programmes and it is extraordinarily difficult to get information. They are all on the 39 different Directorate-General (DG) websites in the Commission and so it is very difficult. We are currently doing a survey of local government and the third sector with the Institute of Fundraising to try to get hard information.

Also, it is important from the point of view of local government to recognise that some of the funding goes directly into the boroughs and that some of it is of indirect benefit to a local authority. Alex [Conway] talked quite a bit about how the ESF and the ERDF programmes are developed. If I could add one more stage from the strategic one, once we had the strategic priorities, then local government, voluntary sector and third sector organisations and others worked quite closely with the GLA to make sure that when we were moving to the point of actual projects that were going to be commissioned, those recognised the priorities that sat with local government. Even if it is a Skills Funding Agency project run by a commercial organisation, it provides benefits to local authorities in that their priorities for, say, jobs and employment are reflected in and delivered by the ESF programme. For ESF and ERDF, where, again, there are direct and indirect benefits for local authorities, we can measure the impact.

When it becomes more difficult, it is the very wide range of other projects that we focus on very much for local government and third sector. That can range from the very large programmes for the environment to inter-regional programmes about co-operation - for example, between cities, looking at common issues and trying jointly to come up with innovative solutions - to really very small projects for organisations to support their volunteers or their youth work; their work with vulnerable young people, for example. There is a huge range of benefits.

Outside ESF and ERDF, there is a particular benefit in that with many European funds you can try new things out and you can take some risks. They encourage innovation, which is not always encouraged. The way we have to report ESF, for example, with the output measures and the outcomes is quite inflexible as a reporting mechanism. However, with other funds, you can try things out that have a risk attached and you are not tied to getting your grant funding only if you deliver X number of targets.

Recently, we have just helped Westminster win just over £1.25 million for a new way of working with vulnerable families. It brings together health, mental health, housing, employment and skills support into one single offer to vulnerable families rather than referring people from one service to another when they fall by the wayside in between referrals. That is not something that is currently easily funded through domestic programmes. It is risky. It might work and it might achieve better outcomes, but it might not. They could not have tried that out in the same way and discussed it with other cities and had lots of input across Europe had it not been for this particular project.

That kind of benefit is difficult to measure but it is immensely important in a context where local government has continual reductions in the funding available to it and has to try finding new and innovative ways of delivering better services with less money.

Sian Berry AM: We are quite interested in the environmental programmes. Are you in a position to comment on those and the impact they have on local authorities?

Madeleine Williams (Director, Access Europe Network): Yes. The ERDF does, of course, have an element of environment focus in it. It supports things like business hubs for green industries and that kind of thing.

In terms of climate change mitigation and affordable and sustainable energy, there is the LIFE Programme, which is a large programme. There are several third-sector organisations, big charities, non-governmental organisations (NGOs) and local authorities in London that currently have LIFE Programme applications being assessed now. That is an interesting programme because it is partly transnational and so you can work with other cities jointly to develop new approaches but you can just work on your own. It has a better intervention rate than the ERDF because it pays for 60% and you have to find only 40% to match. There is that programme.

Then there is a strong environmental element in all of the inter-regional programmes, very much stronger in this period than in the last period. I cannot think of specific examples now. There is a project in the Beddington area in Sutton that is using, we hope, when it finishes its negotiations, the ERDF for part of it and the LIFE Programme for part of this very large 50-acre brownfield development and inter-regional funding for some of it. It is pulling together different funding sources, the usual jigsaw of funding, for very big, large-scale projects.

John Spindler (Chief Executive Officer, Capital Enterprise): One of my members, the London Waste and Recycling Board, has used the ERDF. It is one of the 26 that is about to be approved, hopefully, and it is going to do the first green technology accelerator in the UK to support early-stage start-ups to come up with new technology for new businesses so that they can have an impact on some of the environmental challenges from the ground up. Sometimes you get very big projects appear but you do not have measures from the ground up that you can see. That is one programme.

One of the things that the ERDF allows is organisations like that to put in some of their own resources, get corporate sponsorship and use the ERDF to pilot things they have never done before, which could have a really big impact on finding small businesses that can develop the next level of technology to, for instance, tackle the clean air issue in London, make recycling more popular and other such things.

Sian Berry AM: Is that the London Green Fund?

John Spindler (Chief Executive Officer, Capital Enterprise): No, this is an accelerator programme linked to it. You do not want to have a fund unless you have demand for it. One of the things that they are doing very cleverly in this case is building a programme here to get companies to a level where they are worthy and justified to get funding from the Green Fund.

Alex Conway (European Programmes Director, GLA): There are several projects - GLA projects involving folks from City Hall - which are about the pipeline for projects that the Green Fund or indeed the SME Fund may then support. One of the things we talk about is having the SME Fund concentrating on circular-style SMEs. That is something that the Waste and Recycling Board is keen to put some match behind. The aim is to tackle one of our bits of learning from the last time around, which is that we could do a little bit more to use European funding to augment the pipeline. That is what we are trying to do for 2014-2020.

Sian Berry AM: Can I ask about retrofitting of energy-saving and things like that? That is something that is hard to get payback for and presumably EU funds are quite important in that and the GLA does some work on that.

Alex Conway (European Programmes Director, GLA): We have been doing a lot and the Green Fund has been leading the way across Europe, in fact, which is why it gets prizes for providing an example of how you can get your money back. When you retrofit public-sector buildings, you save so much on your energy bills that you can repay your loans quickly and then can reinvest the money. We are seeing that happening right now with some of the first investments we made over the last few years and so it has been a pretty successful model.

The ideal, of course, is that in the long run - and we are seeing some signs of this as well - local authorities and the private sector realise, "Actually, this is great. You do get your money back. We can do this ourselves". One of the interesting things we learned from the Green Fund was that sometimes the fund managers had difficulty getting money out of the door because they would go to a local authority and say, "We can lend you the money and you can retrofit all of your schools", and the council would go away and think about it and then say, "You are quite right but, actually, we do not need your money to do it because we can use our reserves and get our money back in a couple of years". That did not help us spend the Green Fund, but it helped to cut London's carbon dioxide emissions, which is ultimately what this is all about. We feel that that has been one of the very positive achievements of the current programme.

Sian Berry AM: Does that potentially reduce the impact of removing the EU funds, potentially?

Alex Conway (European Programmes Director, GLA): By having loan and equity funds, the hope is that we can have evergreen funds that go on in perpetuity anyway. However, if in the long run people just realise that this is a bit of a no-brainer, particularly the big property guys who own all of the 1960s and 1970s office blocks - we want them to realise that it makes financial sense for them to retrofit their own blocks and save money that way without public intervention on our part - the signs are that that is beginning to happen a little bit and so that would be our hope. Of course, every case is different and sometimes, where you have particular complex and difficult jobs, you are going to need some cash as well or public sector support.

Sian Berry AM: Is there a danger that we would have to repay the EU funding that we have distributed as loans like the London Green Fund if the funding was withdrawn?

Alex Conway (European Programmes Director, GLA): No, because we have signed the contracts. The money is ours. We do not need to give it back to the European Commission and so Brexit will not have an impact on it.

Sian Berry AM: We will continue to revolve it in perpetuity?

Alex Conway (European Programmes Director, GLA): I should say that the immediate challenge, which I am fairly confident on at the moment, is that we need to make sure that the Government does not close the door on us sealing the deal on these financial instruments. I mentioned earlier that we are going into procurement. That is going to take six to nine months - or whatever time it takes - and that takes us beyond the Autumn Statement, which is the Government's nominal deadline for concluding EU funding project negotiations.

We are very clear - and we are not the only area in this situation - that financial instruments take a bit longer than that. They are a good thing and the Treasury is for them and so we do not expect there to be a problem, but we do not have that assurance yet. We are going ahead on the assumption that we are going to get it and the Mayor will battle for it if necessary, but we are not there yet. It is not a risk about having to pay back the money; it is more a risk that somebody in Treasury might arbitrarily say, "No, we do not want this to go ahead anymore", but that is unlikely.

Sian Berry AM: Thank you. Thank you for waiting, Naomi. Can we move on to science and engineering, which is another important sector in London?

Naomi Weir (Deputy Director, Campaign for Science and Engineering): Similarly, our members are right across the science and engineering sector and that includes universities, companies, some unions, some learned and professional societies and some of the big research charities, some of which have their bases in London and are another large part of the research funding landscape. Broadly, I will take the country view, if I can, from the beginning and then I have a few insights from London that I have tried to pull out.

Research is an area where the UK is a net beneficiary from the EU. Nominally, we put in about €5.4 billion - this is looking back over the full programme to 2013 - for research and development (R&D) and we got back

€8.8 billion and so we are a net beneficiary in terms of R&D funding. That puts us in an interesting position for the sector as we look ahead to what might happen in terms of funding levels, but I can come on to that. Of that, the majority was from the Framework Programme, of which Horizon 2020 is the new version, and so about €6.9 billion was for Framework Programme 7 and the rest of it was structural investment funds that we have heard something about this morning already.

When we look at that whole funding, it is used in a range of different ways in universities and also in companies. Looking specifically at some London examples that I have tried to pull out, three of London's biggest universities are second, fourth and 11th on the list of top beneficiaries in terms of universities for funding - UCL, Imperial [College London] and King's [College London] - in terms of total amounts of money received in the last cycle. Equally, there is a range of universities in London and, if you look at those that are most dependent on EU funding looking at their balance of research funds, you have others such as the London School of Economics (LSE) and [the University of] Greenwich, which are much more dependent on EU funding for their research. For LSE, 36% of its research funding is from the EU and, for Greenwich, it is even higher at about 64%. Their total numbers are lower but the impact on those institutions and the programmes and the people who work there and what they are then able to do is disproportionately impacted.

There is a lot of work to do in the sector to think about what that will look like going forward and, as you can imagine, working on quite long cycles in terms of research programmes, research areas, people's jobs and their careers as researchers. If it is 60% of an institution's funding, it is an outlier. Broadly, it is about 10% across the country that comes from EU funding in terms of research funding but some are higher. They are going to have to think about what their research programmes look like in future and what their staffing programmes look like in future because those are large changes to their budgets going forward. There is a lot of concern, as you would have if you have a large shock to your budgets. I am sure you are familiar with these things. That is something that is definitely a major consideration at the moment. What funding levels will look like as well as what that funding is made up of is important.

I might come back to levels in a minute, but I am talking about the type of funding that comes from the EU and how perhaps it is not just additional money or the same kind of money that we might get from UK sources. Often one thing that is different about it is the timeline. As we have said, they are often agreed on seven-year cycles and so there is certainty of the levels of funding over that period. It is mostly competitively won in the R&D space, but we do quite well out of that. That long timeframe is really important and is something that we will need to be thinking about in the UK going forward is our timelines of investment.

Some of the projects are very big and the UK leads a lot of them. Colleagues can perhaps talk about that a bit, but as a non-member we would not be able to lead projects. What that means is that the UK is the lead researcher or research team in that project and often researchers may come to the UK with their funding. Therefore, some of our funding is international researchers bringing their EU funding to the UK and to, by definition, London as well to do their research. That is another way in which our research environment benefits.

Also, there is the collaborative nature. Some of the funding is for individuals and individual research groups but a lot of it is quite large project funding that requires multination teams. One of the things that that does is it provides a structure and a framework for cross-border collaboration. In an area where you have real niche expertise scattered across the world, it is a wonderful opportunity for bringing together teams, which can be quite difficult to do outside of those structured programmes and structured funds that facilitate that. It happens but it is a lot more difficult - this is what we hear - outside of the European model.

The collaboration that it brings can be really beneficial for science. Just before Christmas, we did a survey of individual science and engineering researchers asking them what different aspects of EU funding they felt they benefited from and what the particular benefits were, not just, "I got some money and that was great". They said it was the collaborative aspect in terms of building new collaborations with researchers and also building new collaborations with industry. Those are the ones that then, beyond that particular grant, as we all know, if we have built those connections, have a leverage effect for future work and future opportunities. That is important. That is the timeline and the collaboration aspects.

The other aspect of the funding is the type of funding. In the UK, most of our research funding comes through the research councils and through HEFCE (Higher Education Funding Council for England) at the moment in England. They will have certain priorities - as we have already heard about at a local authority level - and certain funding calls that will come out. Those might be slightly different in the EU. At the moment, we have a say as a member national and are able to have influence over what types of projects and what types of priorities are included within those research programmes. Even if we are able to participate in future, it is very unlikely that we will have the same level of influence. At the moment, the types of funding that EU research funding supports might be slightly different to those that are done in the UK but complementary and it perhaps fills a gap where other funding domestically is not available, maybe for types of disciplines, maybe for very early-stage blue-skies research or very long, larger grants. There is a whole range of ways where the type of funding is different but complementary to UK funding. That poses questions about how we might do that going forward but we can, as you say, talk about that in a bit. Therefore, there is the timeline, the collaborative nature and the type as well as discipline of funding.

Sian Berry AM: Outside of the area of funding, just quickly, free movement of people is not a monetary thing but what value does that have to science and engineering here?

John Spindler (Chief Executive Officer, Capital Enterprise): In the tech sector, roughly about 40% of all the founders or the entrepreneurs are EU citizens. If you are looking at, regardless of the employees, the people who actually found the businesses that create the jobs, roughly 40% are EU citizens.

Gareth Bacon AM (Chairman): Do you mean non-British EU citizens?

John Spindler (Chief Executive Officer, Capital Enterprise): Yes, non-British EU citizens from places like Germany, Ireland, Italy, Spain, etc. The number employees, independent of sectors, could be bigger or smaller, but just the entrepreneurs, the guys who actually create the wealth, come to London because it is the best place in Europe to be.

Naomi Weir (Deputy Director, Campaign for Science and Engineering): Similarly, as we look across the research space, we did a meeting of about 40 or 50 of our members from right across the spectrum, including tech. You will have heard these again and again, I imagine, but the three major areas, very bluntly, are people, money and regulation. Cutting across all of those is an aspect of collaboration that those enable. We have talked a bit about the funding.

In terms of people, there is the question of who is currently here. In the academic space, where those numbers are much more easily and readily available across the country, about 30% of academic staff are non-UK nationals and about 16% of those are EU nationals. Equally, as you look at slightly more senior colleagues, often those numbers are a bit higher. Also, looking at particular disciplines, some disciplines are particularly dependent on or particularly attract EU talent. I know that in science and engineering disciplines, those numbers are slightly higher than the average. What that means is that at the moment, whether it is in companies or across the academic sector, there are a lot of them as employers with concerns about their staff, as is the case right across the economy, with large numbers of EU staff and also EU students and EU post-docs.

That is quite an interesting one, actually. That particular level of staff who have done PhDs and are very early researchers have very high international numbers. I do not have the exact numbers, but it is quite interesting. At different stages of the research career, international posts are particularly important. It is not that we do not have any particularly good researchers in the UK but getting international experience at that stage of a career is really important and so we see quite a lot of migration. I know that there is some work being done by others in the sector and the Royal Society is looking at commissioning some work particularly trying to articulate what that movement looks like at different career stages, etc, and so there is a bit more work to be done on that. It is very important and it is a major concern as to what ease of movement will look like.

It is not just long-term posts and it is not just what we currently have now in terms of a tier-two type of person who would fit into that category when they have a job offer and are coming to work here - and that type of person is important - but also a lot of the short-term, whether it coming over for a collaboration, whether it coming over for conferences, whether it is moving for training purposes, going to train up people in other countries or having an expert from another nation coming here to deliver lectures or work on a particular technique.

There is a range of types of movement that currently there can be different barriers to when we are looking outside of the EU - and we have tried to work constructively with the Home Office on some of those - and how those will be managed after we leave the EU is quite a pressing concern. There is the total number but there is also the type and ease of movement, particularly for research where some of those can be quite short-term in nature, as well as the long-term movement.

Therefore, I would say that that is often number one on the list. Funding is important. If you cannot get the good people here, the funding will not come, either. Similarly, if you have the funding here, you might get the people who want to come. They are dependent on each other.

Sian Berry AM: There was just one other final thing. The Science and Technology Committee in the House of Commons seems to have said that Switzerland had its access to Horizon 2020 funding restricted when it restricted free movement. Are there formal conditions about free movement attached to this funding?

Naomi Weir (Deputy Director, Campaign for Science and Engineering): The example that you give is precedent; I would not necessarily say formal conditions. A lot of this seems to be based on negotiation and we will see what happens, but there do seem to be some very strong signals from precedent. Switzerland is one example where, as you said, it restricted free movement and then has been removed from full access to Horizon 2020 on the basis of what they had already negotiated. It did not have full access in the way that we do as a member, but it had negotiated access and that was restricted further based on its decision around free movement. That is another way in which the funding is very closely tied to decisions that are made around movement of people. That can be a very complex issue to manage going forward both for negotiations and also for the sector in terms of what would ideally be the case around funding, people movement and what is able to be negotiated.

Gareth Bacon AM (Chairman): Before we move on, there are a couple of things you said, Naomi, that I would like to just come back to and pick up on. It was your sections about timeline and collaboration.

Britain is a net contributor to the EU and I suppose a lazy argument you could make is that we are a net contributor and, therefore, we can just divert all the money that we are paying to the EU into what is pre-existing. That might be what happens, but who knows? You mentioned something very interesting about the funding timelines and seven-year funding providing certainty for schemes and how they work. I can understand why seven-year certainty of funding might make you feel a bit more reassured about the future, but what would be the impact if that does not happen? Let us say that Britain does carry on funding to the same level over a period of time but does not structure it in the same way that it is at the moment. Would that have an impact, negative or positive, on schemes in your sector?

Naomi Weir (Deputy Director, Campaign for Science and Engineering): You have rightly said that it is impossible to say precisely and so this is a backdrop discussion.

The long-term agreement, as you said, is particularly useful with that stability of funding. We have tested this with members when we have brought them together and asked them about if the option set before them was that they would get all of the level of funding but no access to EU programmes. We have tried to test some of these questions. As expected, some organisations had slightly different responses.

Generally - and this is a broad generalisation from what I have heard so far - particularly in industry, where you have large multinational companies that can access EU funding through bases in EU countries if the UK leaves, they were more concerned about the level to which the UK was funded for R&D to make it an attractive environment. However, for others, even within industry but also within academia, the collaboration that comes from the way that the EU funds are structured in terms of drawing those people together is extremely important for their research. That varies across disciplines. If you have somewhere where there are really big facilities involved and it is "big team big science", solving challenges that no one nation is going to be able to, having those teams built up where the UK can lead a lot of them is really important.

Regardless of what negotiation arises around research, there will be a funding shortfall that will have to be made up by UK sources because, if we are net beneficiaries, it is very improbable that other EU member states would be happy. Even if we did negotiate some sort of access to Horizon 2020 and other funding streams, I cannot imagine that any other member states would be happy for us to be net beneficiaries still. That gap over seven years was the €3.5 billion that we put in versus the additional that we got out.

One quite interesting thing about that is that at the moment non-member states are funded and can participate in funding. However, for that Framework Programme 7, in seven years about €3.5 billion in total went to non-member states. That is the total of our net benefit. Therefore, the dynamics of that kind of funding pot, if we did want to continue to bid in, would look very different. It would have a much more substantial amount perhaps going to a non-member state and that brings up difficulties as well as the net benefit.

Gareth Bacon AM (Chairman): Let us assume for the sake of argument that the British Government will continue funding R&D in your sector to the same level that the EU is at the moment. It is whether there will be a knock-on benefit or disbenefit to the work that is done around the timing of the funding. I imagine that when some projects are scoped up, it will be, "This is going to take us X amount of years to get from A to B and it is great because we have funding that is going to cover all of that". However, if the UK Government decided that we would fund it on a year-by-year basis or in two-year chunks or something like that, would those schemes therefore not happen at all because people, when they are scoping them, would say, "We cannot guarantee the funding for the whole time and, therefore, we will not do it"?

Naomi Weir (Deputy Director, Campaign for Science and Engineering): At the moment, UK funding does not extend beyond Parliamentary cycles and often budgets can change at shorter timeframes than that as well. The sector has experience of dealing with that already. It would just be that a larger proportion of the funding would be in that mode.

There is an opportunity now as the Government is developing its industrial strategy and that, of course, includes the competitive strength that the UK has in science and innovation. That is an opportunity, perhaps, to do some of that long-term thinking from the UK Government's side.

The short-term disruption is difficult when you have people building their careers on this kind of thing and so we cannot divorce the money from the people who are involved in it. If you think you have a one-year job and then you have to look for money to get another one, some people work on that basis already but a lot of funding will fund people's salaries. Therefore, the long-term nature is partly to do with that but also building up long-term collaborations and building large equipment or facilities might take a lot of time. The level is really important and that timeline as well will have different impacts on different types of research, I would imagine.

Gareth Bacon AM (Chairman): Yes, I understand that. The second part of it was collaboration and I will try to quote you but I may be paraphrasing you. If I am, I am sorry about that. You said that cross-border co-operation happens but it is more difficult outside the EU model. Would you like to flesh out why? I can imagine but I would rather you said.

Naomi Weir (Deputy Director, Campaign for Science and Engineering): From speaking with members about this - because I have not been involved in any of these projects myself - what is integral to some of the big Framework Programme bids is that you have multiple nations involved in the bid. Because of that, there is a mechanism that draws people together around a common research question. One of the things that I am sure you have heard as well is that there are difficulties that come with working with multination teams and some of the organisation that goes around can be difficult, but if it is part of the funding bid people will work together to get over that.

Outside of Europe, where you do not have that structure and you have to have those multi-nations, because it can be quite hard, it does not happen as much. Say you have someone in the US and someone in Japan. In trying to pull those together, you have to separately come up with those agreements yourselves in order to pull that together, which is a lot harder and does not happen as much.

John Spindler (Chief Executive Officer, Capital Enterprise): It is harder as a person who has Horizon 2020 projects at the moment. You tend to bid with people that you know. Once you have done one project with, say, the University of Trento in Italy, you are probably going to talk about doing another project together. Because it has been going now for about 20 or 30 years, you have established your institutions and you have established those relationships. That is at the basis of the trust that you can work together to solve a research project and the frequency. You may do one with an American university maybe in a ten-year period while the rest just carries on at the moment.
Why we are very good here at Horizon 2020 is for two or three reasons. One is that it demands that you have impact. The UK university sector, especially in London, has very good relationships with industry across the board from SMEs all the way up.

Secondly, I would say that we are very good at it. There are as many universities in the UK in the top 100 research institutions as there are in the rest of Europe put together. We have four of the top 10 within a 50-mile radius of where we are today.

Gareth Bacon AM (Chairman): None of this will change, though, will it?

John Spindler (Chief Executive Officer, Capital Enterprise): That gives you glamour. They all want to work at the big universities here because they are the best. Again, picking on the University of Trento, which is a great Italian university, it wants to have a UK partner because it will get papers published, it will get higher marks, it will be glamorous and it will mean something.

Thirdly, the way that it is structured allows academics to be entrepreneurial because it does not specify, unlike some of the Research Council money, that you have to do all of these things down to the tiny little details. When it is just a bid to see who can deliver it most effectively, it keeps it quite broad. It has a broad title like "Innovation in Green Technology in Air Pollution". It gives you a broad title that you can then put your own thoughts and idea into, while in the UK we have a tendency to say, "That is what we want. We want it to be like this, this and this", and specify it down to when you have the teas made!

Gareth Bacon AM (Chairman): The cross-border relationships that you talk about, which I completely understand, would not just switch off, would they, when Britain leaves the EU?

Naomi Weir (Deputy Director, Campaign for Science and Engineering): It is unlikely to be a switch-off but certainly even already it has been reported that the phones are ringing less. If it becomes harder for international researchers to come and base their careers here, then they will have less of a link with the UK. I do not imagine that it will be a complete cliff edge, depending on what some of the negotiations are, but as it drip-drip-drips those relationships will become weaker, people will move on and we will not be regenerating new ones in the same way that we have been. Thinking about it in the long term for the UK, we need to work out how we are going to make sure that that drip-drip-drip does not just erode the strength, as we have said, of some of these incredible institutions. Those are not just people from the UK. They are people from everywhere. Making sure that that drip-drip-drip is known about and also being mindful of it so that we can work to mitigate some of the damage that it could otherwise cause will be important.

Gareth Bacon AM (Chairman): That would be centred on whatever immigration policy emerges from this, presumably?

Naomi Weir (Deputy Director, Campaign for Science and Engineering): It will be whatever immigration policy emerges. It will also be what funding level and what funding access we have perhaps into programmes. It might be that there are some programmes that we think are particularly worthwhile bidding into to be part of if negotiations around people movement allow us to do that. There are a lot of decisions that can be made in the future but those are the areas that we will have to be mindful of if we want to retain and to not just maintain but grow our strength in this area, which is currently a real national strength of the UK.

Keith Prince AM: While in some cases there may be a loss of funding as a result of us leaving the EU, clearly, it has already been indicated that that funding may be replaced by the Government. Certainly the Government will have more money. Could there not be benefits such as the reduction in the EU directives and regulations, not just for the scientific community but for all communities?

Naomi Weir (Deputy Director, Campaign for Science and Engineering): That is quite interesting. I have been speaking with colleagues from right across different sectors, everything from life sciences to aerospace. At the moment, those are industries where a lot of the value is based in regulations. Making sure that you have very robust regulations about how drugs are developed is something we all want. We do not want drugs to be able to be developed in a way that could be quite slap-dash, for instance. Making sure that things are done to a very high standard is something that is extremely important. That is an area where regulation is not always bad. It is probably one thing that we have to remind ourselves of, particularly when we are talking about some of these industries.

The other thing is that some of that regulation removes barriers to trade. At the moment, we have influence as to what those regulations are. Take the Clinical Trials Directive. The UK has been very influential in improving and changing that as it has come through and now it is in a much better state and something that we are very happy with. If we are looking at engaging with clinical trials now and in the future, if a company wants to do a clinical trial and is looking at how many people, we have 60 million in the UK and 500 million in Europe. You want to be able to be accessing that bigger area. With clinical trials, if you can draw people in from all across Europe - particularly looking at rare disease, for instance - and if the population in the UK is too small to have enough people to participate in that clinical trial, having it right across Europe is really important. Making sure that that regulation is well created is something that we can have a say in as a member.

The other area is that at the moment a lot of our members are saying that with some of the regulation they really want to just have a smooth transition to perhaps mirror it and to make sure that we can have stability and certainty for their sector in the short to medium term.

There are some opportunities that will come with it and we will have to carefully consider what those might be, but regulation is an area where there are some opportunities for the UK. Can we make the UK a bit more of a sandbox for innovation and doing interesting things quickly that perhaps is not possible? There are areas where there will be some opportunities. It is important that we look for those, obviously, but not to have the wrong assumption that all the regulation that we have currently is bad. We have had a lot of say in writing a lot of that draft regulation in a way that meets the needs of our industry and our research. Making sure that what is good is kept is really important as well.

John Spindler (Chief Executive Officer, Capital Enterprise): There will be some positives. If we are going to leave, we have to look for the positives. The bureaucracy in Brussels is incredibly slow. We are in 2014-2020 and the vast majority of the money is to be spent at the end of 2016/17 just started. If the British Government had a two- to three-year lag before it did anything, I am sure the press would notice, but there is a big bureaucracy there and so you could say we could deploy money faster and more adaptably.

State aid rules and the bureaucracy around the state aid rules can be a pain in the proverbial. There could be more flexibility there that could allow us to have a more dynamic industrial strategy, for instance, and a more dynamic local strategy.

Everyone is looking for silver linings and the opportunities that may emerge in here because it is happening. There are things and it will be interesting once we know the terms we are leaving on for London and others to think about how we can take advantage of some of these opportunities as well as mitigate the more negative impacts that might occur as well.

Madeleine Williams (Director, Access Europe Network): For local government, it is a big issue. There are about 420 regulations that apply to local government in the UK and elsewhere. However, in the same way, many of those are regulations and standards that you would not wish to abandon. They are about things like consumer protection, health and safety, food safety and those kinds of regulations. Most of them have been absorbed into UK law and removing them again is quite a complex and time-consuming issue. What local government is doing at the moment is looking at all of those directives and regulations to see how many of them, if any, you would want to change.

It is worth emphasising the issue of the single market and trade and quite a lot of regulation in terms of products, for example. If EU regulation - agreed by all member states including the UK - is not met by UK companies, they will not be able to trade. The changes in regulation may not be very significant when we are finished considering all of that.

Keith Prince AM: If I can come in on that point, though, only about 5% of UK businesses trade with the EU. The other 95% that does not trade with the EU is still bound by all of that onerous regulation. That is the advantage that we have and the opportunity that we have in that 95% of businesses can opt out of meeting that EU regulation because they are not trading with it. If they want to trade with it, clearly, they will have to comply, but surely that takes a lot of weight off small businesses.

Madeleine Williams (Director, Access Europe Network): Yes, but if very small businesses are working with larger businesses that are engaged in trading with Europe - and I read the other day that there are components in electrical goods that will always be made in bulk according to EU standards and regulation - it would be very difficult in many sectors to move outside of that and, essentially, restrict your own market and also the supplies that you have to access to continue your own business. It is a very complex issue that simply needs to be analysed regulation by regulation.

Keith Prince AM: Thank you. Certainly as far as the tech sector you have answered this question, John, but how do you feel the outcome of the referendum has affected the GLA and organisations across London that receive EU funding? Have any projects been paused or cancelled because of the referendum outcome? That can apply for all of the businesses and, as I said, you have done the tech sector.

Alex Conway (European Programmes Director, GLA): Of the projects that we are currently negotiating, we have had only one so far withdraw. Whether that was because of the referendum or just because they did not fancy the idea anymore I am not sure. It is often the case that projects submit a bid and then withdraw and so I would not have noticed that effect directly in the areas that I am responsible for.

I did want to add something to what Naomi [Weir] was saying earlier. There is a slight chilling effect on the transnational programme side. Maybe to state the obvious and to go back a step, there are the programmes that I am responsible for - which is EU money that is given to us that we manage in London - and then there is all the funding that you bid to Brussels for, and Horizon 2020 stuff is the biggest example. Normally that money when you bid in to Brussels is part of a transnational partnership with anything up to 10 organisations from other member states. They could be universities, they could be small businesses or they could be local authorities. Colleagues here would have experience of all of that. I have certainly been told of a couple of examples of what is happening. If you are trying to put together that transnational partnership - and, as John says, some of these are quite well established - maybe you are thinking about your best chance of getting the funding and you have a choice between a UK partner and a Dutch partner. At this current, precise point in time, your safer bet when you are going to Brussels for the money, unfortunately, is not going to be the UK partner.

John Spindler (Chief Executive Officer, Capital Enterprise): You go on the risk register. There is a risk register about things that go wrong. If you are a UK partner, you now have to go on the risk register. It is never a good thing to be seen as a risk to the project. The projects are three years. You might not be here.

Madeleine Williams (Director, Access Europe Network): That only applies to Horizon 2020. For all of the other funds, there is full access. Some of the fund secretariats go out of their way to put warm and welcoming messages about how much they value UK partners and how important they are. There is some reluctance here. Organisations are concerned that they will invest quite a lot of time and resource in developing a proposal, they will find partners in other member states, they will work it all out and they will negotiate it, and that might take six months. They are really concerned that perhaps they are going to start too late and they will run out of time. If after Article 50 we had only two years, then we would be looking at projects having to end by early 2019. That is a bit tight for quite a lot of projects. We have not seen any projects cancelled. We get a lot of enquiries about whether it is worth our while or whether it is just too risky now.

One of the good things we do, especially since we have tried to get organisations engaged in European funding that have not been in the past, is we help them find partners. We have not yet found any reduction in the number of responses we get to searching for partners for London organisations. From the point of view of the smaller funds, the transnational ones, there is not yet much difference. European funding can be difficult to apply for. You have to find these partners and you have to know that they are reliable and secure, and they are sometimes quite demanding to manage in terms of accounting for the public funds. This is another element of discouragement for organisations when they are considering getting engaged in a European programme.

Naomi Weir (Deputy Director, Campaign for Science and Engineering): Regarding some of the research things, I know various anecdotal examples. If I am ever in a room with people talking about science and Brexit and this question comes up, I have never been in a room yet where someone has not had a story, but all of those are stories. I know that the research councils and Universities UK have actively asked people from the science sector to let them know, and they are collating some of those and will be pulling together those examples of issues that have come up since the vote to leave, whether that is regarding individuals choosing not to take up job offers or whether that is to do with issues with funding programmes.

I know Jo Johnson [MP, Minister of State for Universities and Science] and also Commissioner Moedas [European Commissioner for Research, Science and Innovation] in the EU have been very clear, saying that the UK is still a member and, therefore, that should not affect choosing partners and the like in terms of pulling bids together. The very human side of it is, just as Alex [Conway] pointed out, around if you have the choice of a Dutch member and a UK member of your team and you are looking ahead to future years. Again, it is this drip-drip-drip thing, even up until we leave the EU and depending on what the negotiations are of our access into programmes. Already it is not necessarily people pulling out, although some of that has been happening, apparently, and that has been collated. It is more the phones not ringing quite so much, and what is that opportunity cost of what we are not going to be involved in that perhaps we would have been otherwise?

Keith Prince AM: Thank you. In light of the Chancellor's statement, and that is the one about the timing of funding and so on, how confident are you that the 2020 funding cycle will be fully delivered? Most of you have touched on that. In addition, what contingencies do you feel are being put in place in regard to delaying cash flow funding?

Alex Conway (European Programmes Director, GLA): The first thing I would say about the Chancellor's statement is that it was quite carefully crafted. He was not guaranteeing all money ever. What he said was that where agreements are signed by the Autumn Statement, they will be guaranteed one way or another. What that means is that the Government, quite rightly, envisages that for the time being European programmes are going to continue and we will get money back from the EU in due course and so that is a sensible course.

John [Spindler] alluded to the Treasury pause earlier. What that reflected was just a bit of a systemic shock in Whitehall post the referendum result. People had just assumed everything was going to go on. Now it is not, what now? The likes of me were saying that we just have to continue while you think of plan B, but perhaps inevitably - particularly of course after the Prime Minister resigned - there was a bit of the Government not being quite sure whether it could do anything at all until it had its ducks in a row about where we stop --

Keith Prince AM: Can I just add to the question? I might as well because I think you are going to pick it up anyway. Do you feel that organisations are having the need to rush through applications or do you not think that is affected?

Alex Conway (European Programmes Director, GLA): That is not the case in London, in part due to the particular set of circumstances we had, which was that we had bidding rounds closed and we had a number of projects that we were getting ready to appraise and negotiate. What the deadline has done is to concentrate our minds. That is no bad thing. It means we all have to speed up a bit. If that means that we get more projects into contract more quickly, delivering more benefits for London by 23 November 2016, it is no bad thing.

I am more interested at the moment about what comes next. As we will be arguing, ahead of any knowledge around whether there is going to be any domestic replacement funding, let us make the most of what European funding we have left. That is the view that the Mayor will be putting forward. We would like to see another bidding round and another set of contract negotiations. We would like to see more money going to the Skills Funding Agency, the Big Lottery and so on so that we can keep building on those employment programmes. We have an immediate goal of getting everything off our plates by 23 November 2016 and then we have a slightly medium-term one of committing remaining funds.

John Spindler (Chief Executive Officer, Capital Enterprise): We were all concerned that the money does not just get back to Brussels because we have not spent it and it is not allocated. There is a concern. The ERDF has 15% of this money if it is not allocated and we are keen to not say on 23 November 2016, "Sorry, you did not get it signed off. Money gone". The ESF is even larger and the financial instrument in particular. The rest of the country is much further behind and much more dependent. London does not get that much in comparison. I am more interested in the ERDF, but even the City of Manchester has three times the budget with effectively a quarter of the population. Some regions of Britain - we are not talking about devolved ones, Wales in particular and Northern Ireland - are very heavily dependent on the structural funds. We do not get much here and we use it probably more wisely than most places, I would say.

Keith Prince AM: I am sure we do.

John Spindler (Chief Executive Officer, Capital Enterprise): Whether they will get their acts together and spend that money quickly is more the thing. Alex should be praised for getting quite a lot at least of the ERDF money out.

Alex Conway (European Programmes Director, GLA): It is worth it. Of the 39 LEP areas, we have potentially committed way more funding than other areas. You could say that is a double-edged thing because, if you believe that the Government was going to come out in the Autumn Statement and say, "Guess what, LEP areas, we are going to replace all that European money you were going to spend with domestic money that you can do what you like with", then you might say, in London, "Why did we commit all that European money? We could have had it with no strings attached". The reality is that is very unlikely to happen, and the wisest course at this stage in the game is to make the most of what we have.

One of the reasons I am cautiously optimistic that there will be more bidding rounds is because, as John says, in other parts of the country much less European funding has been utilised, and I am sure it is in everyone's interests to get more out the door pending a longer-term replacement with devolved domestic funds of some kind, which of course the Mayor will also be arguing for.

Keith Prince AM: Any comments on that?

Naomi Weir (Deputy Director, Campaign for Science and Engineering): For research, the commitment from the Chancellor is slightly different and less hinged around the Autumn Statement. For the Horizon 2020 aspect of the funds, it is in terms of up until we leave the EU. In that sense, it is a slightly different feel to it. It does not have the same kind of deadline - we do not quite know when that will be, but we will give it a little while - and saying that they will honour to underwrite the research funds if they extend beyond the time when we leave the EU. Again, it does not say that it will underwrite it for the lifetime of the grant. You could perhaps assume that that is what he meant, but it was not written in there that it was for the lifetime of the grant, so we do not know that for sure. Again, it is what will be the domestic funding situation going forward beyond that, and when the institutions or companies are talking about these they will have five, ten or 15-year plans and budgets that they are looking to. For some of them, when the average university is 10% dependent on EU funds for research, they will be looking for what that means beyond. The Chancellor's statement was a very helpful stabiliser in the short-term and so now it is looking at what will be next.

John Spindler (Chief Executive Officer, Capital Enterprise): You have to say that in certain areas - take small business support and small business advice in London - ERDF is by far the largest contribution to the public funds to that. Because of councils' budgets, they have reduced the amount of money they have been funding for local agencies to provide business support. Alex [Conway] probably can tell you. For the GLE, Small Business Centre and Enterprise Enfield, which are delivering on-the-ground business support to local businesses in those areas, probably the largest single source of money is this European money at the moment. That is a worry. In two-and-a-half or three years' time, will that be replaced? How will that filter through?

Madeleine Williams (Director, Access Europe Network): It is also important to look at where the money is coming from if these funds are replaced. Is Innovate UK simply going to take its budget and focus it on Horizon 2020-type research activities, in which case it is a very large net loss? When we are looking at this or making arguments for future funding, we have to try to make sure that it is additional to current domestic funding, rather than just a refocusing.

Len Duvall AM (Deputy Chair): Let us follow on in terms of long-term planning and mayoral priorities. My first question is to Alex but I am quite interested for other members of the panel to comment on this.

What mayoral objectives have you been given in terms of managing lost EU funding for London? We are in a vacuum, I understand, and we are, "What if?" Have you been given any specific instructions from the Mayor's Office about what the plan is at this moment in time and when we think the next key milestone will be or what is the next trigger to develop it further?

Alex Conway (European Programmes Director, GLA): Yes. As you might imagine, we had pretty close discussions with the Mayor's Office really very soon after his election. Prior to the referendum results, there was some interest about to what extent European programmes support mayoral objectives. Answer: quite a lot when it comes to funding skills, employment programmes, jobs and growth and so on. Immediately post-referendum, the Mayor was very quick, like John [Spindler], to be writing to the then-Chancellor saying that we want this pause lifted as quickly as possible, we want programmes to continue and we want funding to be maximised. The one-line message from the Mayor's Office is very clear: we want to maximise the use of remaining EU funding. The line after that is: we want devolved domestic funding to fully replace it and to be managed, as you would expect, as European funding is now, from City Hall and to be managed regionally and locally. That is what we want.

So far, things could have been worse. Some of the ideas that were being knocked around before the Chancellor's announcement were around whether we want to cap the amount of funding that people can give out. Do we want to say that all funding has to be spent by 2018 because that is when we think we are going to leave the EU? To be fair, the Government has quite rightly left all those options open. It has just said the programmes are continuing. It has not set an end date. It has not set a maximum envelope of money or anything else. That is the right thing to do. We will be encouraging the Government to continue doing those right things. That may well mean that we do end up committing pretty much all our 2014-2020 money and that is probably the right thing to do in the absence of domestic funding because, ultimately, you claim that money back from the EU and you bring it back to the UK. It is all still quite early days in the negotiations and we do not know exactly how this is going to pan out.

Len Duvall AM (Deputy Chair): The trigger-point of Article 50 then pushes the likes of you, this building and its potential partners to consider what the asks of the Government are in a new framework if this funding is to continue in another form. Is that correct?

Alex Conway (European Programmes Director, GLA): That is right. It is not really an exact parallel. Again, pre-referendum, some of the Brexit Ministers now in Government talked pretty positively about funding being fully replaced. Government has fallen a bit short of that: the regional development agencies, including the London Development Agency (LDA), which were abolished in 2010, and what happened there. Those regional agencies were responsible for bid skills, employment and business support budgets, which were usually matched to European funds to pretty good effect.

What happened when they were abolished is not that those funding streams all completely disappeared, but they in many cases were much reduced and have relied much more ever since on European funding, now administered through the LEP. I wonder whether you might see something similar in due course from the Government in respect of the funds. There are going to be different lobbying groups. Of course, the farming lobby I am sure will be very strong when it comes to replacement for agricultural-related funds. Personally, there will be some sort of successor to ERDF. There is usually some sort of local growth initiative. Again, it might be much reduced, but there will be something.

The things I actually worry about the most myself are the skills and employment programmes because they are very, very important in London and in other big cities and areas of relatively high unemployment. They are not necessarily important nationally, to tell the truth, because some areas these days have full employment. The money comes through these co-financing organisations. Is there a bit of a risk that that is the cash that gets lost? I would be encouraging - I know the Mayor shares the view - them to say, "That is where we really need funding". It was not so long ago that we were saying, "It is great. There are these proposals to devolve all skills funding the Mayor. We can match that with European money, double it, and then we will control a really big pot of money that will finally be able to do some of the things that mayors of both political sides have always wanted to do". Now we are losing the European money, it is not quite clear whether the skills funding comes with so many strings attached that you may or may not want it. The picture is changing all the time, but it is skills and employment that I would worry about the most.

Len Duvall AM (Deputy Chair): That is a big risk in terms of a mayoral priority. Let us go back on. On the issue of first call on you, maximise the spend within the existing priorities we have, yes, there is another ask about devolvement and then an ask to the Government. We saw the outcome of the report today about the arrangements that the Government is making, the various think-tank commenting on those arrangements. When do we see a document of the asks of the Government of saying, "When this ends, we think you should be spending on this" - you have highlighted the priority about skills and that - or, "We think you need to continue on this"? There are not many mainstream Government programmes that focus on business start-ups because there is a risk. That is the reason why the Government does not spend its own money on it in the way that it might do. When do we see that lobbying or the coming together of something? All the focus in the Government is about gearing up for the negotiations, exit strategy, then the negotiations of various new treaties with new partners. Where in the Government do you see the thinking about post these programmes?

Alex Conway (European Programmes Director, GLA): All I will say - sorry, colleagues will want to come in - is that the Government has been responding to one short-term thing after another: referendum result, Autumn Statement. There is some thinking going on, and we are involved in this with colleagues in the Department for Communities and Local Government (DCLG) and the DWP about - again, let us take the upside - what comes next. If you have this money but free of European rules, how do you want to do it and what would it look like? That is just starting now.

As ever, with all Government things, it is all going to be dependent on how much cash the Treasury is going to feel it wants to splash compared to all the money promised to the National Health Service or anywhere else, but there is some thinking - and it is positive thinking - around, all right, what do we do to promote local growth? How can we take the best of the kinds of things we have done with European funding but minus some of the mind-numbing bureaucracy that colleagues have referred to that we could do without?

It is starting, and I do not necessarily think it is going to be anything terribly radical, and we are always going to be pushing the ideas that there should be devolved control over local economic growth, local skills and employment packages. That is clearly going to be the Mayor's line. There is an ongoing, never-ending discussion around devolution with the Government about what gets devolved, and we will be using this as an opportunity to make the case again for further devolved powers for City Hall, boroughs and local partners.

John Spindler (Chief Executive Officer, Capital Enterprise): There is something that has occurred for this new Government - quite a new Government - if it has changed the Department for Business, Innovation and Skills (BIS) to the Department for Business, Energy and Industrial Strategy (BEIS) and it now has an industrial strategy, and that will be a lot of where this will come from, in that industrial strategy. If I have a concern - and there is a concern for London - it is the early indications that the industrial strategy by Greg Clark [Secretary of State for Business, Energy and Industrial Strategy] will be a regional strategy to get money out of London and put it into the regions. In the first speech he made this week on that, etc, that is the view. If that is the view, London will lose out on not just resources but other things that have occurred. I would think that the Mayor should be careful to make sure that an industrial strategy is an industrial strategy, and not how to take money from London, Manchester or the other big cities and put it into areas that do not, for instance, have a booming science sector or a booming tech sector. That is a theme because, as we always say, we are not competing against other cities. We are competing in the world, in the globalised economy, with San Francisco in tech, in science with China, and London is doing very well. It is doing well because it is having public sector money taking off some of the risk that stops innovation in particular.

I worry that London will lose out. I worry that they will re-correct the ERDF, which, as you know, London was excluded from. If the Mayor and the Assembly are there, I will tell them my members and others will be keen to support you to say that London should not be excluded from some of these initiatives and London can deliver them better. It would be my concern that an industrial strategy becomes a regional strategy.

Len Duvall AM (Deputy Chair): Our starting point must be the performance and the historic performance in the past of these funds, how they have been spent and what is the success.

Earlier on, you gave us an idea, Alex, that there were success stories of these interventions and some interesting partnerships that have developed. Going back to the point you say about how we talk to the Government, I know we are at a very stage, but who is co-ordinating that? Is that the Mayor or is that London Councils or is that the university sector because it is going to be worried about the R&D issues? Is it fragmented at the moment, should I be worried or, no, is it early stages and this will come together, and the various partners in London will speak with one voice about what the new era should look like post-exit on any funds - UK funds, Government funds - that may well be thinking along these lines?

Alex Conway (European Programmes Director, GLA): Historically, we have been good and got better over the years at joint letters from the Mayor, the London Councils Chair, the Assembly and the LEP Chair, at saying, "These are London's devolutionary goals, these are the things London wants". Of course it is not always the case that City Hall and boroughs have identical objectives, but in this area, broadly, we do. We would always look to maximise impact in that way so that if - I mentioned the risk earlier - we are told that the Government says, "You cannot have your London Green Fund mark 2 because we have decided we are not going to proceed with any EU activity after 23 November 2016", there would be a pretty heavy joint approach to the Government saying that this is not correct. I would be optimistic that we can do something, but we just do not know enough yet about what the Government is doing.

The good thing is that we are already quite plugged into the Government's thinking. It is not like there is a whole lot of stuff going on that we do not know about and so, as long as we stay plugged in - and in this area we do have pretty strong links through my team, through the work of the Economic and Business Policy Unit and colleagues in London Councils - I would be optimistic we will get a result. We are not working against each other.

Madeleine Williams (Director, Access Europe Network): All of that is absolutely correct, but it is not sufficient. If we look at the very effective campaign run by London's universities, where you could not pick up a newspaper or read a tweet or anything but you got virtually exactly the same article everywhere, a very effective campaign resulted in a letter from the Minister. Alex is right; it is incredibly important to have good working relationships between officials in the Government and here, but we should be looking at something much more public. We also need to go back a step and say, "What do we actually want?" Everyone knows that whatever Brexit means, we do not know what it means and so what would we like to see post Brexit? Are there some programmes that we would like Government to continue to engage in in the way that Norway does or Switzerland used to, which includes ERDF, for example, includes Horizon 2020, includes the LIFE and other environment programmes? Is that what we want to happen, leaving aside ESF, which - and Alex is perfectly right - is the biggest risk for London? We have the biggest ESF programme in the country by some way. Our ERDF programme is small but our ESF programme is very large. That is the balance that London wanted because those are the issues that London faces.

I would like to see a more visible campaign and I would like to see London Councils involved visibly, as well as all of our letters to Ministers, as well as discussions behind the scenes. The Core Cities, for example, are very visible in their demands about funding post Brexit. As John [Spindler] said, London is not at the top of that particular agenda. I would like to see a much more visible, co-ordinated campaign. It is the visibility I am looking for that we do not have now, and having our view on what we want to see happen in a way that is good for London, rather than waiting to see.

Naomi Weir (Deputy Director, Campaign for Science and Engineering): There are no guarantees on what will happen. Just because we have been funded at a certain level through our contribution to the EU, it does not mean we will get even that back, let alone the additional, if we are talking funding. We have to remember, yes, engaging with the Government is going to be important. There are a lot of people in new positions, new departments, but also there are a range of new people in new roles. We certainly have a role in terms of feeding in evidence of what is working and what are the benefits of it. There is a civil service there really needing evidence. What can we do to make sure that they have the best evidence to articulate what is working well and what we would want?

The other thing to remember is the negotiation has two sides, and there is a whole watching Europe that will be part of that negotiation as well. Some of these areas - particularly, I can speak about the science area - are areas where the UK is phenomenally good at it, but also there are mutual benefits between the UK and Europe in collaborating together, as John [Spindler] has already articulated, in some areas. Working with partners, counterparts in European cities, on areas where there is mutual benefit to make sure that this is not a negotiation we go forward with and then the other side has completely different ideas, but making sure we are working on areas where there is real benefit from the UK being strong in certain aspects and partnerships that come from it. Making sure that we are working with European counterparts who will be on the other side of the negotiating table will be really important, so for the Mayor that would be one thing for him to be working with his European counterparts as well.

Len Duvall AM (Deputy Chair): Of course we cannot predict, and it is the "What ifs". It is not going to be more of the same. It is different. In any regional development monies, do you think we now have the expertise and the history of what works and what does not work in terms of maybe being able to prioritise and maybe take some hard decisions of what we would invest in, in the very areas that we have heard about this morning? Where is that best done? Is that going to be Government to university sector or Government to LEP? With the ESF, local government is a big player. Is it Government to local government associations or London Councils? Are we in a position to target now or give advice to the Government saying, "If you are going to do X, we think you should do Y, and this is why because this is what history to date has told us"?

John Spindler (Chief Executive Officer, Capital Enterprise): It is going to be an interesting play. We do not know what Brexit is and all those caveats. The industrial strategy is an interesting play because, quite frankly, my own view would be - and it may be completely wrong - that industrial strategy will determine the funding that follows it. Because the Government is going down that line, does London have to think about that as well to be there, to use partners? One of the great strengths of London is you can get people to collate around you - the previous Mayor was very good at it and this Mayor could be equally as good at it - which is getting other players, industry, universities, social impact groups etc to back a case. Hopefully, someone on this side here is looking at that and saying the industrial strategy should be an opportunity for London. Then we reach out to some of the industries, not just around the financial services sector which is pretty big, but others where London is particularly prominent, where the future growth of the country is, and where certain things that affect London affect it much more.

I will go back to start-ups; 35% of all the nation's start-ups are here. We are a start-up-led economy. Nowhere else is like this, so policies around supporting innovation start-ups, not protecting incumbents, benefit London a hell of a lot more than Northern Ireland or the north east of England.

Len Duvall AM (Deputy Chair): Going back to the issue about start-ups, that risk in start-ups and supporting is very intense. We have received evidence in the past of that and we know the good ones that succeed, but the learning experience of the failures, we never track where that goes. Mainstream Government funding does not really value start-ups, does it? The problem in London is, because of the financial sector, any industrial-led sector -- we still have a strong manufacturing base, slightly different from what it was in the past --

John Spindler (Chief Executive Officer, Capital Enterprise): Yes, and really advanced manufacturing, too.

Len Duvall AM (Deputy Chair): There is nothing, in a sense, if you tried to say, "What is that intervention?" It is usually this money that is the intervention, but no one ever says that is why we do it. It is not really mainstreamed. Is that one of the weaknesses of London's arguments, even though we have a number of strengths?

John Spindler (Chief Executive Officer, Capital Enterprise): It is having been quick-response. When they put out a paper and they say, for instance -- a classic one today. I assume it will be business rates in the next three months. It is going to affect London particularly. We are there to respond and the Mayor is there to respond, and he has organisations and examples ready to hand to exemplify that, to bring it to life, to say, "Business rates: that is going to affect these types of businesses and these types of businesses, having this impact in the local area". They are the powerful arguments, being quick to respond. With Brexit, since we cannot determine what is going to be in the negotiations, we have to be able to show what impact it would immediately have, what we want to do to mitigate it, and, as someone said here, what we can do to build upon it and exploit it, etc, and be quick.

Alex Conway (European Programmes Director, GLA): You have put your finger on an interesting question which we all have to start getting our heads around. Over the last ten years, I have got into the habit of meeting one set of mayoral advisors or another set of mayoral advisors, and the question is always, "What can I do with European funding? Can I do this?" "No." "Can I do that?" "Yes." "Can I do this?" "A little bit." Our strategy has been partly based around, "These are some of the things you can do". One of the big arguments for trialling our financial instruments is: you can only do certain sorts of things with this money, so why not do stuff where you get your money back and you support SMEs? Yes, it is risky, but it is a good use of the money.

If people say, "All right, you do not have this European money anymore. You have a pot of money. What do you want to do with it?" that is what we have to get our heads around. Would we want to carry on doing the same things, or different things, or would we never the opportunity because there will not be any money? These are all things we do not know the answer to yet, but we do have to stop thinking that we must just carry on doing all the things that we did before. We do not need to do that anymore. What comes next is an interesting question.

Len Duvall AM (Deputy Chair): Then the last bit. I have a question here which really relates to the functional bodies but should relate to the players in London who are all part of this scheme. What should they be putting into their business plans over the coming year? It would be interesting what Greenwich University is going to put in its business plan in terms of this. The question was originally phrased for us in a way as: how should the GLA and other functional bodies incorporate the question of EU funding over future business plans? What is the thinking going out, albeit it is wait and see? Because business planning is going on, what are people doing on their business plans? What has been suggested to them? Are they talking to each other? What is the thinking?

John Spindler (Chief Executive Officer, Capital Enterprise): They are independent, different groups. Some of them are more organised than others. We have a group together in tech called Tech Together, which has brought in the big companies like Google and Apple and the early-stage start-ups and the agencies to say, "Is there a year zero here? When Brexit comes and we have been reliant on the investment side so much on European money, on the support side, what do we need to do to be less reliant on Government money? What can we do to put up different incentives? What do we want to try to preserve as much as possible?" You will get the cities doing it every day. There will be different sectors. I have not seen anyone do it geographically to say, "What do we want to preserve for London?" That may be missing.

In terms of businesses, the great thing is that the sky did not fall in. It was a nice summer. It has been a lovely summer. It has been quite a nice autumn so far. People are getting on with making lemonade, doing reasonably well. The economy still has momentum. We are still starting businesses, we are still growing and we are still creating new stuff. I have not seen a slowdown in momentum. I have been seeing a slowdown on decisions and investments that may have a return two, three, four or five years down the line, but we are all in this holding position. When businesses come to us, and we have hundreds and thousands that come to us - my group, Capital Enterprise, alone will see 2,500 businesses this year - effectively we are not advising them to panic. We are getting to carry on as before but think about some contingencies and be close and be adaptable. That is what everyone will do: be adaptable. That will probably have a big impact on some longer-term decisions that will not be made that have longer paybacks, and that is what we are advising them at the moment: "Do not change. Carry on as before. Be adaptable when measures start to emerge that may positively or negatively impact your business".

Naomi Weir (Deputy Director, Campaign for Science and Engineering): I cannot say I have talked specifically with anyone about business plans they are doing for individual organisations. I know it is the funding, but it is also the people aspect that is definitely a major area when they are considering their business plan. If a large proportion of your staff have uncertainties about whether or not they can stay in the UK, that is quite a big area as well that should not be forgotten, alongside the funding. As I say, I have not spoken specifically to bodies about it, but they are businesses. They are looking ahead to see what they can do, and coming out of patterns of, "We have this pot that we can match with this and we can do that", and coming up with a list of, "What would we like to do if we were given".

At the same time, you can think of all these wonderful opportunities we could do if we had X, Y or Z funding, but at the moment, as a sensible business looking at the risks coming ahead, you have £1 billion a year, broadly, all in, for R&D that is related to EU funds. Across the sector they have to think, "If we get none of that back, I would anticipate that the Government would like to make sure that there is no drop in the funding level and set ambitious targets for how this sector can help the UK grow and find its place in the world in the future". However, as you know, for any business you cannot just say, "This is what we would love to do if we had all of this extra X, Y and Z". The reality is they might get none of it and they have to plan for the worst-case scenario as well. That is where businesses are at the moment.

John Spindler (Chief Executive Officer, Capital Enterprise): You are going to get a lot of very clever strategies of having a business that is nominally located in Berlin or Dublin but actually trades from here as a basis to get not just EU funding. The universities talk about having branches in Europe so they can still access it. Start-ups are thinking about, if they are in fintech, having at least a Dublin presence so they can do passporting across. There will be lots of interesting strategies to try to avoid -- but they still want to be here because it is still an amazing city. It is still the only megacity in Europe that can have that degree of innovation that goes on rapidly and that can change itself very quickly. I am fairly positive it will still be doing great stuff. It will be doing it in an interesting and creative way.

Madeleine Williams (Director, Access Europe Network): I was thinking slightly less about local government and slightly more about third sector organisations who are very dependent on European funding, whether directly or indirectly, by providing ESF support to big contractors and so on. They have no cash flow or working capital worth speaking of. They are already finding it very difficult because general reductions in local government funding are trickled down to the third sector. Quite a lot of them are at tremendous risk, particular those working in employment and skills, who work with the most vulnerable, difficult-to-reach, multiple-barrier target groups. They are not currently putting together any strategies for the future. They have already milked big charities of every pound they can possibly get, and they have been very good at that in the last few years. They are potentially in serious trouble.

For local government, it is replacing three things. One is the kind of project the ERDF will support, where there is not any funding available within the local authority for small infrastructure work and innovative work with small businesses on business hubs and business support. There is the ESF programme. Replacing more than £450 million of skills and employment provision funding is going to be incredibly difficult. That is the top of London's agenda in terms of people, in terms of job growth and in terms of reducing reliance on benefits and all those kinds of things. Local government is beginning to think about what it can do instead but it is very limited and so I would hope that any case for London in the future that is made to the Government will take into account the real need for large-scale employment and skills programmes.

The other thing that we will almost certainly lose is the ability and the resource to work with other cities, which currently is almost entirely funded by European programmes. It might sound a bit like frills or the icing on the cake or something like this, but it is incredibly important in terms of giving people who are delivering services and trying to improve them the time to go away and think and talk about what they are doing. I cannot see, without European funding, that any of that is going to happen, and that is a big loss.

John Spindler (Chief Executive Officer, Capital Enterprise): I have five FE members, and it probably has not come across how important ESF money is to the FE sector, which is incredibly visible in London and going through massive reorganisations as it is. In particular, going forward, it would be useful to speak to them about what they are doing because, if they lose this money, there will be another big hit, and they have had some big hits already in London, particularly in the FE sector. I just raise that as a concern. I do not know what percentage of the budget of ESF goes to FE, but I would have thought a large percentage.

Alex Conway (European Programmes Director, GLA): You referred to the functional bodies. Only to make the fundamental point that EU funding is always additional funding and TfL or the police need to go through their internal processes to get the matched funding and get projects approved. What you are seeing is that all those organisations have made good use of transnational programmes, and I guess that is less likely to happen. The Mayor just last month approved the activities of the GLA as a co-financing organisation, going to match some ESF to work going on with the Old Oak and Park Royal Development Corporation and the London Legacy Development Corporation. Will the GLA be able to do that kind of work going forward? Maybe not. EU funding is not part of the core budget of any of the functional bodies and so, like everyone else has been saying, they will have to find other ways of making up any shortfall.

Gareth Bacon AM (Chairman): I have some sweeping-up questions really at the end. We are on the final lap now, I am sure you are relieved to know. What steps would you like the Mayor and the GLA to take to support your sector after the UK leaves the EU?

Madeleine Williams (Director, Access Europe Network): I have said this, have I not? I would like us all to be working on demonstrating the effectiveness and the impact of European funding across the board. We can do that with the big funds quite easily but not with any of the smaller funds, and that includes in some cases the impact of Horizon 2020 funding, not just how much we get but what actually comes out. That is the first thing that all of the actors have to do.

Gareth Bacon AM (Chairman): Highlighting the outcomes, rather than the amount of funding?

Madeleine Williams (Director, Access Europe Network): Yes. About both but certainly, as you were saying earlier, we have to show that this money is well used and that it is making a difference to some of the challenges that are faced in London.

I would like to see different sectors work together to do that, which most of us do, generally speaking, but perhaps a bit more urgency in terms of pulling something together. The GLA has a huge amount of information about this, so do local authorities, so do others, and so it is pulling it together into a real case for London. Possibly we may have different opinions from, for example, BIS or BEIS about what sort of funding we want, for example on start-ups, which BIS was not, until now, interested in supporting. It is important to pull together a case for what we want and then to put that case.

John Spindler (Chief Executive Officer, Capital Enterprise): Out there in the world I am, everyone was keen to work with London as a way of amplifying that voice. It would be interesting if the Assembly and GLA and the Mayor set up a Brexit unit that can take responses from industry, from small businesses, from colleges, universities etc, to say, "This is what we think the impact is. This is where we think there may be some advantages". We say to our members, "It is not only negative. We also have to think of the positives". The positives also need often Government intervention in that transition period. This organisation and the Mayor can play an enormous role of getting the voice out there, into the Government and beyond. I do not know what the mechanism will be going forward to do that but it would be great if there was one. On Tech Together, it would be good to know that I can send all our evidence that we are collecting to this person, who will then do something to amplify that and say, "We want to back it because it is such an important sector to London". There will be other sectors that have that same view as well.

Gareth Bacon AM (Chairman): OK, so a Brexit unit reporting to the Mayor.

John Spindler (Chief Executive Officer, Capital Enterprise): A Brexit unit or something that says, "Here is the person in here that you can talk to, that can give you advice and also amplify what you are trying to do".

Gareth Bacon AM (Chairman): It is quite interesting.

Naomi Weir (Deputy Director, Campaign for Science and Engineering): A couple of things. One I have already said around making sure that it is on the agenda when meeting with European colleagues, talking about making sure that we are building bridges there as well with European colleagues and making an effort to do that. Part of that is being a champion for science innovation internationally. We have talked about London's strengths in this area and the UK more broadly as well, but London in particularly. Being a champion for it internationally. Again, it is amplifying not only the messages but also what is going on here, and setting it as part of the sell for London, continuing with that role of making sure that London is seen as a really attractive place for people to base their careers, for people to base their businesses, for people to invest. That must continue.

Gareth Bacon AM (Chairman): "London is open", as the Mayor is saying all the time.

Naomi Weir (Deputy Director, Campaign for Science and Engineering): London is open, exactly. I was trying to use other words, but we will go with those ones. They are good. Making it a priority in the Brexit negotiations with the Government, making sure that it does not drop off the radar about science innovation, just assuming that we are quite good at it and, therefore, we will carry on being good at it. There are some real challenges ahead that we hope can be overcome, and we can look at ways of making those opportunities as well, but making sure it does not drop off the agenda, that it is really in there when talking to the Government, both in terms of with its home department, if we can talk about BEIS like that, but also the Brexit department, with international trade, all of those areas where this is going to be really important.

I have talked around the skills, the schools, the apprenticeships and the people side of it as well, and this place does a lot - we have heard already - around the skills programmes in a variety of areas. People movement will look different after we leave the EU, and in the short term that could bring some real challenges to the sector. This is going to be the UK going forward for decades and decades, so making sure that we are really investing in skills. There are some challenges that the Apprenticeship Levy at the moment has, and there really needs to be some work to make sure that it is fit for purpose before it is launched. That is going to be part of making sure that we have good skills going forward, which all of London will need in order to be thriving in decades' time. Making sure that that long-term work, which might have not so much short-term payoff, is really a priority as well.

Gareth Bacon AM (Chairman): Thank you. The final question I am going to ask is related to something that Alex [Conway] alluded to earlier on about the desirability of some of the projects that are currently funded by the EU because they fit into the EU's specified criteria. Do you believe the projects currently funded by the EU will continue after Brexit?

John Spindler (Chief Executive Officer, Capital Enterprise): I do not know. There seems to be willingness, and it depends whom you speak to in Government. There seems to be willingness that they want to do this, and, as I mentioned before, there are certain restrictions on what they can do because of state aid rules. Once they have gone, it will be interesting. They have more freedom to what they deploy. It is very clever to bring in an industrial strategy because it effectively says, "We will plateau out what will be the replacement for the EU funding, whether it is science and technological or regional/structural". I am hopeful that they will because it is important to note that it has a big impact. In a capitalist society, you still need state interventions to take risks that cannot give you immediate returns because they take a long time - 10, 15, 20 years - or because the benefit spills out and benefits the entire society, not just the organisation that does it. I am hopeful because this is the kind of funding that we use. We are using public money to de-risk projects that otherwise would not happen, and the benefits of those are collected. They are not just to the individual business. Hopefully, that argument is strongly put forward that the money that goes to Europe that will then be repatriated will be spent on similar things, and maybe in a more intelligent way. I am optimistic.

Gareth Bacon AM (Chairman): OK, good. Optimism is good. Naomi, how about you?

Naomi Weir (Deputy Director, Campaign for Science and Engineering): Research will still carry on here. R&D will still carry on in the UK, as we have already talked about. We have real expertise in it, and some of the challenges will depend on what funding decisions are made going forward. Individual projects are perhaps slightly less relevant in the research space because a researcher will carry on their research probably in their research area, so it is perhaps slightly different to some of the structural and investment funds in that way. Thinking particularly, as I am here as that representative around some of the Horizon 2020 stuff, making sure that the level of funding in the UK as well as the collaborative and open outlook of the UK as a place to do research and be a partner for research, making sure that that continues to happen, and it will to an extent, but making sure that we do not put fetters on it and stop it doing what it could do for the UK and for London will be important. There is a slightly different question around programmes, but there is work to do to make sure that we can continue to be as successful as we have been.

Madeleine Williams (Director, Access Europe Network): I do not know whether I am optimistic or not because I have negatives about both outcomes. My hope is that for London - sorry to say it again - the skills and employment work continues. That would be a huge loss. I am hopeful that led by the Mayor, with other sectors involved, we can make a good enough case to the Government that somehow the bulk of that funding is retained. It is high risk, but it is possible.

I have a hope that we will be able with the Government to counter the power of the Core Cities lobby, which is as much against London in some cases as it is pro Core Cities, and I would not underestimate the risk of that. We have seen in various domestic funding streams over the last few years that London does lose out. As well as pushing the devolution agenda, which is incredibly important, it is also just continuing to counter the idea that London does not need support, London is so wealthy and we do not need any public funding in the way that the Core Cities, the north and so on, do. That is the biggest risk.

Sian Berry AM: It has been quite a long time now since the vote happened, and we do have the Department for Exiting the European Union (DExEU). Our briefing simply says the Mayor says it is vital that we get involved. We are all making preparations to get involved, but it is possible that you might have already had some contact with that Department and might have an impression of it so far. Have any of you managed to talk to the Brexit Ministers?

John Spindler (Chief Executive Officer, Capital Enterprise): I met them. I met the political advisers, who seem to be the only ones who have some view of what is happening there at the moment, which says something. The name is quite amusing when you get their business cards: "Minister, Secretary of State for Exiting the EU Assistant". I do not have any feel. One of my colleagues is going to a Conservative Party conference next week, fundamentally just to try to find in the bars what the thinking is behind that. Every time we meet it is, "Do you know any more? Any thoughts? Any inkling?" It is like the Kremlin, is it not? It is like trying to find out who is in, who is out. I cannot say that we have any clear direction from that or the overseas trade or the Foreign Office, and even the Department for BEIS has not done any real consultation. They have all kept closed behind doors. I do not know.

Sian Berry AM: Naomi, you are a national campaigner.

Naomi Weir (Deputy Director, Campaign for Science and Engineering): It feels like a lifetime ago in some ways, but at the same time you have to remember that a lot of that has been taken up by recess both over the summer and also now for party conferences. Quite a lot of that time, thinking about political engagement, departments have been very busy doing a lot of things over the summer in terms of recruiting two whole new departments that need to be staffed with whole new people. As I said at the beginning, there a lot of new faces and a lot of new people getting to grips with what their roles are, but also designing what departments look like. I would agree with John [Spindler] that we engage quite well with BEIS and some of the other departments as well, but all of them will have their own Brexit team or functions within their departments.

It still slightly remains to be seen quite how all of that will be brought together, how that feeds into then the Brexit department and other areas. A lot of that still seems very unclear as to quite what are the channels through which that will happen, and that, even with departments, seems to still not be completely clear, which in some ways is very understandable in that you have to recruit two whole new departments. Clarity on that would be very useful to make sure that those of us who are interested in making sure that the Government can take decisions on good evidence can get to the right places. That still is currently a challenge.

Alex Conway (European Programmes Director, GLA): What I have observed is responsibility to structural funds cuts across Government departments. BEIS has overall responsibility for UK EU programmes, the Department for Environment, Food and Rural Affairs (Defra) has responsibility for fish and farms, DWP has a social fund and the DCLG for the Regional Development Fund.

One pretty good thing is that we have seen those four departments all working very much in step. If you are a Whitehall watcher, you might say in part that is because they are wanting to make clear what they think the policy should be before - I do not know - someone from DExEU comes and tells them what it is. That August announcement from the Treasury was a good thing in terms of showing a bit of relatively fast, by Government standards, joint working by the Government to come up with a position on where we are with EU funds, but it needs to keep building on that. Once Article 50 is invoked, that is when you will see DExEU playing that formal role. The Mayor said, "I want to be part of those talks", and the Government has accepted that idea, but we just do not know what it means in practice yet.

Madeleine Williams (Director, Access Europe Network): Yes. With recess and summer breaks etc it has been very difficult to talk to anybody. Like John [Spindler], we have tried to talk to the advisers because they are generally more open and sometimes will talk informally, but we have not got very much out of anybody. There probably was not a plan B for the referendum, and this is really difficult for Whitehall. It is not a fast-moving machine necessarily. They have had a lot to do. They have a lot of thinking to do, as would anybody in Government. It is just really, really difficult.

What is going to happen is that local government will start after the party conferences to try to get in there in a more structured and slightly more formal way. I hope that this would be done in some cases at least jointly so that there is a concerted approach from London as well as individual ones.

Sian Berry AM: It seems to me we are still waiting for some certainty about the processes before we get certainty about continued funding and all those things that will reduce risks in your industries.

Madeleine Williams (Director, Access Europe Network): Yes. I do not think we know yet what the Government wants out of this organisation. It wants to contribute less to the EU - we know that - and we know that it is not keen on free movement. Apart from that, this is all about detail. The devil is definitely in a lot of the detail and I do not think anybody has got to that point yet.

John Spindler (Chief Executive Officer, Capital Enterprise): The biggest basic impact you have had so far is the invites to conferences where "Brexit" is in the title, to discuss the impact of Brexit on, etc, which I am sure you have been invited to as well, Chairman.

Gareth Bacon AM (Chairman): A few, it is fair to say. The good news, the reassuring thing that I can say on all of this, of course, is that Article 50 has not been invoked yet and so the clock has not started ticking. The Prime Minister was very clear that she would not invoke Article 50 until we were ready to go and so I slightly disagree with my colleague. I do not think three months is a long time over this. It is better to do it right than to do it quickly. To reassure everyone in the room, hopefully the Government has a plan to get everything sorted out before Article 50 is invoked. Then, as Alex [Conway] indicated, the Brexit Department will come to the fore, and that is when an awful lot of engagement will take place.

I am going to draw things to a close now. Can I thank our guests very much indeed for their contributions this morning and thank you for giving up your time? It is very much appreciated.