

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD3049

### Title: Additional ERDF funding for the Better Futures Project

#### Executive Summary:

“Better Futures” is a partnership of leading organisations in London’s public and private sectors to support innovation in small- and medium-sized cleantech enterprises. It provides direct support to help them innovate and bring new ideas to market, delivering business growth and jobs, and promoting diversity in the sector.

The project has been running since February 2017, partially supported by EU funding. It was due to end at the end of last year (December 2022) but has been offered a nine-month extension by the European Regional Development Fund (ERDF) to continue until September 2023. Accepting this would allow the partnership to continue supporting innovative cleantech businesses, while developing a bid to the UK Shared Prosperity Fund for future support. Over 30 SMEs should be supported with this additional funding.

The total extra expenditure would be £771,996 of which half would be from ERDF and the rest provided through match funding from the project delivery partners and £58,779 from the GLA (mainly staff time).

#### Decision:

That the Mayor:

1. approves a nine-month extension of the Better Futures Project to end of September 2023
2. approves additional expenditure of £771,996, taking the total project budget up to £5,032,426 (2016-17 to 2023-24)
3. approves receipt of £385,998 from the European Regional Development Fund, representing 50 per cent of the costs, and £327,219 from project delivery partners
4. delegates authority to the Executive Director of Good Growth to agree and execute changes to the delivery of the Better Futures Project within the above budget envelope
5. approves continued expenditure for two existing posts to support the project, funded by the ERDF:  
1) Grade 7 Project Compliance Officer (0.5 FTE, subject to approval for the post to be extended) 2) Grade 8 Project Manager post (1 FTE, already permanent on establishment)
6. approves an exemption from the Contracts and Funding Code to allow for the variation of the Authority’s contract with Hatch Consulting to undertake the final project evaluation by up to £8,000 and extend the term of the contract until September 2023.

#### Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

31/3/23

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1. “Better Futures” is a partnership of leading organisations in London’s public and private sectors to support innovation in small- and medium-sized cleantech enterprises. It provides direct support to help them innovate and bring new ideas to market, delivering business growth and jobs, and promoting diversity in the sector. Through a funding extension the project will continue to target and benefit eligible Cleantech SMEs from across the capital, who are seeking to innovate, grow and create jobs, bring new low carbon solutions to market and contribute towards helping to reduce London’s greenhouse gas emissions.
- 1.2. The Better Futures (BF) project was originally approved under MD2077 as a three-year project with a total project budget of £1,067,044. The project further received another three-year extension until December 2022 under MD2536 which increased the total project budget to £4,260,430. Following a recent funding call for the last remaining ERDF funds, the GLA Environment and Energy Unit have been given approval by the European Programme Management Unit (EPMU) to extend the project for nine months until the end of September 2023 and increase the total project budget by a further £771,996 to £5,032,425.62. Half of the additional funding will be provided from the ERDF, conditional upon this being matched by project partners, including the GLA.
- 1.3. The project has already delivered advice and support to over 200 small- and medium-sized enterprises (SMEs) across Greater London that have developed low carbon, circular economy, and clean technologies. All target outputs have been achieved as expected and, in some cases, delivered earlier than profiled, as well as over delivered.
- 1.4. Project partners have previously secured an additional £2m of funding from the Mayor of London’s Green New Deal Fund to expand the project and pivot it to respond to the impacts felt by businesses due to Covid-19, but even with these additional resources it has been unable to meet all demand. In the long term, it is hoped that funding from the UK Shared Prosperity Fund (UKSPF) may be available to maintain the project in some form. In the meantime, this funding will ensure that it does not shut down or lose momentum while a UKSPF bid is produced.
- 1.5. The Better Futures project has delivered good value for money. Through the “On The Spot Visit” (OTSV) audit, the project was commended for the quality of its business support. In addition, the project has undertaken two interim evaluations which have highlighted positive outcomes including increased job creation, increased investment and improved business survival levels, as well as potential carbon savings from the products and services being developed through the project.
- 1.6. The GLA will continue to be the lead Delivery Partner for this project, supported by the existing team of public and private sector Delivery Partners who have specific roles on the BF project and all of whom bring match-funding to the BF project. There is a minor amendment to the process of delivery regarding collaboration with an academic institution – the Hackspace arm of Imperial College London will now deliver academic expertise and facilities to businesses in addition to the existing internship programme already being delivered.
- 1.7. The delegated authority to the Executive Director of Good Growth, is to allow for efficient decision-making or adjustments to be made locally, by someone with close knowledge of the scope, context, and priorities of the project.

#### **2. Objectives and expected outcomes**

##### *Objectives*

- 2.1. The objectives of the Better Futures project are as follows:

- stimulate innovation amongst London's cleantech SMEs in order to bring new ideas to market and support growth of the green economy and of green jobs
- develop cleantech start-ups as a pipeline for the wider cleantech ecosystem in London, providing technologies and services that help all business to become greener
- deliver technically viable and carbon saving technologies with high growth potential within a sustainability focused workspace.

#### *Outcomes*

- 2.2. Cleantech SMEs will continue to be supported to develop new products or processes in the next nine months. This includes additional design, technical guidance/support and, training at Imperial's Advanced Hackspace on their White City campus. The project will be a seamless continuation of the existing Better Futures project which was due to come to an end on 31<sup>st</sup> December 2022 and will now be completed on 30<sup>th</sup> September 2023.

#### *Outputs*

- 2.3. The outputs that will be provided through the project are set out in the table below:

<b>Output Definition</b>	<b>Previous Target</b>	<b>Revised Target</b>
C1 = 12 hours of business support	150	174
C5 = a subset of C1, specifically for SMEs less than 12 months old	40	46
C26 = collaboration with an academic Institution (internships and innovation vouchers)	50	68
C29 = New products or services to market	55	64

- 2.4. Due to the extension of the project, it will be necessary to extend the existing contract for the evaluation of the project and an exemption from the requirements of the Contracts and Funding Code due to previous involvement in a specific current project will be required. The GLA procured, via competitive tender to the open market, Hatch Consulting to undertake interim evaluation and summative assessments of the project. Having already demonstrated value for money in the tender; to avoid duplication of costs with a new supplier; to allow for operational timeframes to be met; and given the subsequent interim evaluations already provided by this supplier, the project will increase the contract value with the existing supplier by up to £8,000. The new total value of the contract will be up to £50,000. This extension will use the current contract day rates, to include evaluation of the additional support being provided, and extend the contract to September 2023.

### **3. Equality comments**

- 3.1. Under section 149 of the Equality Act 2010, as a public authority, the GLA must have due regard to the need to eliminate unlawful discrimination, harassment, and victimisation and to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. Protected characteristics under the Equality Act comprise age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation and marriage or civil partnership status.
- 3.2. Due to systemic barriers that some groups face, SMEs do not always realise their full potential. In terms of targeting high growth potential SMEs, the project will continue to seek to engage, monitor and support: Black, Asian, and Minority Ethnic (BAME), women and disabled groups who own and

run low carbon sector businesses or have the potential to develop innovations to support that market.

- 3.3. The project will continue to work with the London Sustainable Development Commission (LSDC) and Undaunted (Centre for Climate Change Innovation), to run several events, workshops and partnerships that will enable the project to reach more women-led cleantech SMEs and will continue to support the resulting Women in Cleantech Action Plan and Workstreams.<sup>1</sup>
- 3.4. The project will continue to work with relevant business organisations to attract referrals to the project, including the Asian Business Association, the Prince's Initiative for Mature Enterprise, and Business in the Community. To date, the project has supported SMEs with diverse ownership as follows:
  - 50% or above disabled ownership = 4% of SMEs supported
  - 50% or above BAME ownership = 23% of SMEs supported
  - 50% or above female ownership = 37% of SMEs supported.
- 3.5. To prevent discrimination against those with protected characteristics, the Delivery Partners will continue to:
  - ensure that selection and assessment of innovation SMEs, applicants and sub-contractors is non-discriminatory on the grounds of the 'Protected Characteristics' of the applicants
  - work to ensure business support is open and accessible to all by removing barriers to participation whenever encountered
  - encourage feedback from participants on equality of opportunity in terms of access and participation in competition events and business advice sessions: difficulties encountered will be addressed as a priority and appropriate adjustments made
  - make all promotional information available in accessible formats when requested.

#### **4. Other considerations**

##### *Impact assessment*

- 4.1. Following the first six years' project delivery, an interim evaluation was undertaken to critically assess the model and outcomes. This indicated that the BF model is effective in supporting cleantech SMEs in London to grow and that the objectives of the project are being met. The evaluation also showed that participating SMEs employed more staff, increased their turnover, contacted new collaborators, and were more likely to win funding or investment bids. Overall, the interim evaluation demonstrated that there is still a clear case for supporting London's cleantech SMEs to develop products and services to help deliver the Mayor's priorities for a low carbon and circular economy. The evaluated impact of the project included:
  - 65% of SMEs increasing their staff numbers
  - 26% of SMEs receiving additional investment following support<sup>2</sup>
  - 18% successfully winning grant funding bids (£15m, through 158 grants)
  - 17% being accepted onto other growth programmes to develop their business further

<sup>1</sup> Women in Cleantech Report: Is cleantech Entrepreneurship missing out on the Diversity Dividend [https://www.london.gov.uk/sites/default/files/lcdc\\_-\\_women\\_in\\_cleantech\\_2018\\_report.pdf](https://www.london.gov.uk/sites/default/files/lcdc_-_women_in_cleantech_2018_report.pdf)

<sup>2</sup> Better Futures total fundraisings received (as of Nov 2021, from 72 Beahurst tracked SMEs) - Equity: £67, 477, 837.43 through 134 fundraisings



- 25 new cleantech products being developed and reaching market readiness.

#### *Risks*

- 4.2. The GLA as the lead partner is ultimately responsible for the ownership and management of risks. However, the partnership has a shared approach to risk identification and is clear where ownership of risks and issues lie between the partners.
- 4.3. A detailed risks and issues log is held by the project team and updated regularly during delivery. The risk register will be reviewed and managed by the Senior Project Officer, with support from delivery partners. A risk will either not materialise due to the mitigation actions or other factors and can be closed, or, if the risk is realised it is moved to the issues log where the impact of the risk occurring is managed. High impact risks will be escalated and discussed at project management board level.
- 4.4. The following table details the key risks currently identified by the project team:

Ref No.	Description of risk	Organisation responsible	Probability	Impact	Risk reduction (reduce probability)	Mitigation (reduce impact)
1	Compliance of ERDF reporting and accounting requirements are incomplete	All	Medium	Low	Ensure all project documentation and evidence is up to date.	Agree definition of all expected project specifications and paperwork with EPMU prior to project closure.
2	External factors on SME impact on ability to deliver target outcomes within project timeframe (new products & C26 projects)	Imperial College	Medium	Low	Ensure SME signs up to clear package of support and agrees to intention to develop specific product outcomes within project timeframe.	Agree definition of outcomes – particularly the verification requirements to prove product development has occurred – with EPMU prior to project start.
3	Staff changes in project delivery partners impacts on delivery and securing project outputs and outcomes	All	Low	Low	Effective recruitment and incentivisation to ensure continuity of delivery.	Ensure detailed job descriptions & workflow procedures in place for all activities.

#### *Links to Mayoral strategies and priorities*

- 4.5. The BF project continues to contribute to improving quality of life for Londoners and to the delivery of Mayoral programmes, manifesto commitments and priorities including: the London Environment Strategy, Economic Development Strategy, and the Green New Deal Mission.
- 4.6. The BF project is directly linked to the Mayor's Economic Development Strategy (EDS) and the London Environment Strategy (LES). Each of these strategies contains policies aimed at growing the

low carbon and environmental goods and services sector, including creating demand and supply for low carbon products and services. The LES looks to develop demand and market opportunities for low carbon and resource efficient businesses, supporting the development of products and services to help reach Net Zero by 2030. The EDS includes policies to grow the low carbon, resource-efficient business sector and support the cleantech ecosystem in London. Specific policies include:

- EDS Policy 5.5 Low Carbon and Environmental Goods and Services sector. This sets out the importance of this sector in creating a fairer and more sustainable future economy for London, both through providing solutions to London's environmental challenges and creating opportunities for economic growth and job creation. It specifically references the important role of the BF project in accelerating innovation within the cleantech sector by assisting start-ups to test, prototype and commercialise new products and services in London.
- LES Policy 10.1.1 ('To build on London's strengths and grow the low carbon and environmental goods and services sector') and Proposal 10.1.1a ('The Mayor will establish a Centre for Cleantech Innovation to provide workspace, collaboration space and business support').

4.7. The BF project also helps to bring the wider London cleantech business ecosystem together to simultaneously help tackle the climate and ecological emergencies whilst creating businesses that generate growth and create jobs. This will play an important role in supporting the Green New Deal mission's target of doubling the 'green economy' by 2030.

4.8. The project will continue to contribute to manifesto commitments including:

- to establish a pipeline of talent in the technology sector and develop a city-wide STEM strategy to boost London's workforce
- to diversify London's economic base including manufacturing
- to commit London to becoming a zero-carbon city by 2030 to help tackle the global climate emergency
- to work in partnership with industry to deliver skills, infrastructure, and growth to achieve economic fairness and inclusion.

#### *State aid*

4.9. The Better Futures project follows the ERDF State Aid rules as set out below and will continue to adhere to these for the remainder of the project lifetime in line with UK subsidy control regulations.

- The Grant Recipient warrants that any economic advantage will be provided to the project beneficiaries by either the Grant Recipient or the Delivery Partner within the framework of the 'De Minimis Regulations' (EC Reg 1407/2013 OJ L 352 of 24.12.2013) and agrees that it will meet, and will ensure that the Delivery Partner meets, the conditions set out below.
- The Grant Recipient confirms that all staff and Delivery Partners who deliver such aid shall first read the De Minimis Regulations 1407/2013 to ensure that they understand the administrative requirements. Compliance with the De Minimis Regulations shall include:
  - valuing the 'gross grant equivalent' of the aid provided to each SME
  - establishing how much aid the SME has received in the current and two previous financial years to ensure that the award of the aid shall not exceed the €200,000 threshold for the SME in that period; 47 ERDF Revenue Funding Agreement Template ESIF-Form-3-015 Version 3 Date Published 8 November 2016
  - obtaining a prior declaration from the SME (signed by a person authorised to bind them) that the aid received shall not result in the SME exceeding its allowable €200,000 threshold as above

- providing a follow-up letter to each SME recording the gross grant equivalent value of aid provided under the De Minimis Regulations.
- The Grant Recipient agrees not to provide, and to ensure that any Delivery Partner does not provide, aid to any person or sector excluded under the De Minimis Regulations and to retain all declarations until 2033 to establish that all the conditions laid down in Regulation 1407/2013 have been complied with.

#### *Grant funding*

- 4.10. The Department for Levelling Up, Housing and Communities (DLUHC) is the 'Managing Authority' (MA) in England for the European Regional Development Fund (ERDF). The responsibility for managing London's share of England's ERDF programme has been delegated to the GLA as a designated IB. The relevant arrangements between the DLUHC and the GLA are formally recorded in an MOU and were approved via MD1583 in March 2016.
- 4.11. The table below shows the revised match funding allocation profiles based on existing delivery profiles and the additional expenditure sought by each delivery partner because of the extension and corresponding delivery outputs:

<b>Organisation</b>	<b>Existing Allocation</b>	<b>Additional allocation being sought</b>	<b>New Total ERDF allocation</b>
ICON	£42,477	£0	£42,477
OPDC	£63,122	£9,445	£72,567
Sustainable Ventures	£597,405	£131,140	£728,545
Sustainable Pioneers	£181,942	£62,111	£244,054
Agile Charging	£125,133	-£1,011	£124,122
Sustainable Workspaces	£186,651	£38,899	£225,551
Imperial College	£355,670	£42,871	£398,541
West London Business	£162,219	£43,764	£205,983
	£1,714,619	£327,219	£2,041,838

#### *Conflict of interest*

- 4.12. There are no conflicts of interest to note from any of those involved in the drafting or clearance of this form.

### **5. Financial comments**

- 5.1. Approval is being sought for:

- receipt of £385,998 ERDF income
- receipt of £327,219 match funding from delivery partners (4.11)
- gross expenditure of up to £772,000 to continue the Better Futures project.

- 5.2. Following a recent funding call by the ERDF, the project has been permitted additional funds which will allow it to extend for nine months between January 2023 and September 2023. The ERDF has agreed to fund 50% (£385,998) of the total cost of the extension to the project on the condition that the remaining 50% will be matched funded.

- 5.3. The GLA will contribute £59,000 of labour in kind which is within the approved budget. This is the GLA's only contribution to the work and the GLA will not incur any further costs above this.

- 5.4. The remaining match funding will come from the project delivery partners funding the balance of £327,219. There are signed agreements in place with the delivery partners and their match contributions are as set out in the table at para 4.11 above. Following this decision, a more formal contractual agreement will be drawn up between all the concerned parties.
- 5.5. The Authority will remain as the lead delivery partner on the Better Futures project and as such will continue to account for all the expenditure incurred. The GLA will pay for the services required for the project and will subsequently invoice the delivery partners retrospectively. In addition, the GLA will be responsible for claiming the ERDF match funds which will occur thereafter.
- 5.6. It is planned that the Better Futures Project will be profiled across two financial years as per the table below:

Financial Year 2022-23	Financial Year 2023-24	Total
£22,000	£750,000	£772,000

## 6. Legal comments

### *Power to undertake the requested decisions*

- 6.1. The foregoing sections of this report indicate that the decisions requested of the Mayor concern the exercise of the Authority's general powers and fall within the Authority's statutory power to do such things considered to further or which are facilitative of, conducive or incidental to the improvement of the environment and the promotion of economic development and wealth creation within Greater London and in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:
- pay due regard to the principle that there should be equality of opportunity for all people
  - consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom
  - consult with appropriate bodies.
- 6.2. In taking the decisions requested, the Mayor must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this report.

### *Grant funding*

- 6.3. Decision 2 above seeks approval for the variation of existing grants from the Authority to the recipients set out in paragraph 4.11 above. The additional funding will bring the Authority's grants with Sustainable Ventures and Imperial College to £728,544 and £398,541 respectively.
- 6.4. As explained at paragraph 4.9 above the Better Futures project will comply with the State aid rules rather than with the subsidy control regime. Officers have set out how the grants to Sustainable Ventures and Imperial College comply with the State aid rules.

### *Exemption from the Contracts and Funding Code*



- 6.5. The original value of the GLA's contract with Hatch Consulting was £42,000. The variation is valued at £8,000 and brings the overall value of the contract to a total of £50,000. Section 9 of the Authority's Contracts and Funding Code (the "Code") requires that the Authority undertake a formal tender process or make a call off from an accessible framework for procurements with a value between £10,000 and £150,000. However, section 10 of the Code also provides that an exemption from this requirement may be justified on the basis where the service provider has had previous involvement in a specific current project. Officers have set out at paragraph 2.4 above the reasons why the variation of the Authority's contract with Hatch Consulting falls within the said exemption. Accordingly, the Mayor may approve the exemption if he be so minded.

#### *Delegation*

- 6.6. Any function exercisable by the Mayor on behalf of the Authority may also be exercised by a member of the Authority's staff albeit subject to any conditions, which the Mayor sees fit to impose. To this end, the Mayor may make the requested delegation to the Executive Director of Good Growth if he so chooses.

#### *Staffing*

- 6.7. It should be noted that this decision relates only to the approval of budget although there is reference to approval also being sought for continued expenditure for two existing posts. Any staffing decisions that need to be made following this decision must be approved by the Head of Paid Service in accordance with the GLA Head of Paid Service Staffing Protocol and Scheme of Delegation.

## **7. Planned delivery approach and next steps**

<b>Activity</b>	<b>Timeline</b>
Delivery period of previous ERDF funding finished	September 2022
Original wrap up timeline of project	September – December 2022
Decision by EMPU to award additional funding to continue project until end of Sept 2023. Outputs reprofiled in line with extension from Sept 2022 New funding agreement signed with EPMU	December 2022
Announcement once MD signed	March 2023
Final evaluation starts and finish	July - September 2023
Delivery end date	End June 2023
Project closure	July - September 2023

## **Appendices and supporting papers**

None

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

**Part 1 - Deferral**

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

**Part 2 – Sensitive information**

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

**Is there a part 2 form – NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to  
confirm the  
following (✓)

**Drafting officer:**

Olayinka Somoye has drafted this report in accordance with GLA procedures and confirms the following:

✓

**Sponsoring Director:**

Philip Graham has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

**Mayoral Adviser:**

Shirley Rodrigues has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**Corporate Investment Board**

This decision was agreed by the Corporate Investment Board on 13 February 2023.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature:**

D. Gove

**Date:**

16/02/2023

**CHIEF OF STAFF:**

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

**Signature:**

D. Bellamy

**Date:**

03/03/2023