

GREATER LONDON AUTHORITY

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2434

Title: Investment Readiness Programme

Executive Summary:

The GLA's Enterprise Team and Funding London will collaborate to deliver a programme of business support activity, that will aim to increase the knowledge of the types of finance available to Small and Medium Sized Enterprises (SMEs) according to their growth journey and capacity to secure investment. The programme will focus particularly on women and Black Asian and Minority Ethnic (BAME) owned SMEs to address the low levels of finance that these groups of SMEs face. The project delivery form part of the London Growth Hub business support offer, and will include business plan reviews, pitch deck reviews, peer to peer learning and it will facilitate introductions to angel and early stage institutional investors.

Decision:

That the Interim Head of Economic Development approves:

Expenditure of up to £44, 000 on a grant to be awarded to SMEs Wholesale Finance (London) Limited trading as 'Funding London' a wholly owned GLA subsidiary, for a one-year programme of activities to build investment capacity of Small and Medium Sized Enterprises to increase the capacity of becoming 'investment ready'.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT

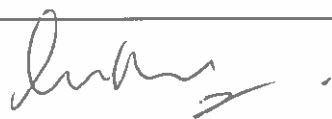
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Luke Bruce

Position: Interim Head of Economic Development

Signature:



Date: 03/03/20

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. The London Growth Hub is one the 38 'Growth Hubs' across England which were established to bring together public and private sector partners to promote, coordinate and deliver local business support and provide a mechanism for integrating national and local business support, so it is easy for businesses to access.
- 1.2. The first stage of the London Growth Hub was predominantly web based, as the primary objective was to create a repository of business support information and offer that to all London Small and Medium Sized Enterprises (SMEs).
- 1.3. In November 2019 the GLA Enterprise Team established five physical locations of the London Growth Hub, in Vauxhall, Woolwich, Croydon, Tottenham, and Hammersmith. The locations house business support advisers, that carry out business diagnostics and referrals and host business support activities for established SMEs across all sectors. In addition to this core programme of support, the GLA's Enterprise team are developing a range of programmes as part of the London Growth Hub's offer, based on the needs of specific underrepresented group and existing gap in provision.
- 1.4. The Mayor's Economic Development Strategy (EDS) identifies access to finance as one of the challenges faced by Women, BAME and disabled led businesses and states that he will promote and deliver finance initiatives to raise awareness amongst underrepresented groups to promote the take up of finance.
- 1.5. The EDS asks that the business and the finance community to review their practices to enable more women, and other underrepresented groups, to participate in entrepreneurship and secure funding. This activity will aim to start the conversation with the business community, particularly by introducing investors to businesses to facilitate more finance opportunities, and to ensure that these businesses are 'pitch-ready'.
- 1.6. Across all stages of their life cycle, SMEs require access to appropriate sources of financing for their creation, survival and growth. Although SME access to finance has largely improved since the financial crisis, market failure and structural challenges remain, including information asymmetries, high transaction costs and lack of financial skills and knowledge among micro, small and medium sized business owners.
- 1.7. A January 2020 report by Beauhurst on 'Female Entrepreneurs' noted that the proportion of equity deals secured by teams with a female founder has increased from 14% in 2011 to a high 22% in 2017. However, this figure has plateaued in the last three years of political and economic uncertainty.
- 1.8. The proportion of funding invested in female founded businesses is declining.: 15% in 2015 and 2016 to just 9% in 2019. This is due to the increasing mega deals often secured by all male teams. All female founding teams have received just 1.5% of the UK investment in 2019.
- 1.9. The 'Investment Finance' programme is designed to help early stage businesses, especially those led by disabled, female and BAME entrepreneurs, to understand how to access external finance such as equity or debt.
- 1.10. This project will aim to improve investment readiness capacity of London SMEs by delivering a programme of activity that will include:
 - Workshops that aim to raise awareness to microbusinesses and small and medium enterprises to the types of finance available to them and their suitability according to their growth stage; and
 - An 'Investment Readiness' programme that will include business plan reviews, pitch deck reviews and mentoring to ensure that businesses are 'investment ready'.

- 1.11. The programme will be delivered in collaboration with Funding London, a GLA arm's length subsidiary company that provides debt and equity finance.

Funding London

- 1.12. Funding London was established in 2004 with a specific mandate to support the Mayor's Economic Development Strategy through its SME funding activities. In 2017 it became a wholly owned GLA subsidiary, with the objectives of providing strategic and independent support for early stage businesses and enabling sustainable growth opportunities for small businesses
- 1.13. Funding London has a proven track record of successfully helping businesses to access finance. Since its inception in 2004, it has invested £68m in 673 SMEs across London and has helped create and safeguard 6400 jobs.
- 1.14. Over the last 15 years Funding London team has developed a good understanding of the SME finance landscape and the challenges faced by start-ups and growth SMEs in London. Additionally, the investment and portfolio team at Funding London have the necessary knowledge and experience to deliver workshops and to secure investors and mentors to support SMEs participating in the programme.
- 1.15. The Enterprise Team will collaborate with Funding London, to harness their expertise in providing finance, securing investors, experts and mentors to create a new London wide intervention that will promote alternative sources of finance to businesses, particularly for groups of entrepreneurs that traditionally struggle to secure finance.
- 1.16. The project will enable businesses to engage in a full programme of activities that complement each other, starting with an understanding of what types of finance is available to them and at what point of their business journey each is more appropriate. This will be followed by other elements of support such as marketing, leadership and business planning; that will enable businesses to prepare and present credible pitches to investors.
- 1.17. The London Growth Hub will collaborate with Funding London through a grant funding agreement to align the objectives of both areas of the GLA and successfully deliver against the Economic Development Strategy. Funding London through its SME funding activities is required to promote and increase access to finance particularly amongst underrepresented groups in businesses. The London Growth Hub is cited across the Economic Development Strategy as the Mayor's vehicle to support small businesses.
- 1.18. This project will enable the London Growth Hub to provide a wraparound service for businesses seeking finance. Through its connections and networks Funding London will attract early stage investors, develop content for the workshops and broker introductions between investors and SMEs. The London Growth Hub will provide other support to make the SMEs investment and to enable them to develop a credible business plan, the interventions provided by the London Growth Hub will cover marketing, leadership and management and sales.

2. Objectives and expected outcomes

- 2.1 As set out in the Mayor's EDS, 'businesses need to access more capital to support their growth ambitions, and external sources of finance are particularly important for a significant proportion of SMEs'. The project will support the Mayor's aim to ensure that businesses can access finance by providing hands on support advice and guidance to entrepreneurs focusing on BAME and female entrepreneurs. The programme will be delivered through a series of one day sessions as well as follow up activities and will:
- educate 180 early stage entrepreneurs in accessing equity and debt finance;
 - create a support network which early stage entrepreneurs can connect for mentoring, guidance, introductions and support; and

- support 90 founders from underrepresented groups to access investment, through referral to investors, incubators and accelerators.

3. Equality comments

- 3.1. Under Section 149 of the Equality Act 2010, in making decision “due regard” must be had to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who have relevant protected characteristic and those who do not. Protected characteristics include age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation (and marriage or civil partnership status for the purpose of the duty to eliminate unlawful discrimination only)
- 3.2. For the face-to-face business support offer, delivered as part of the London Growth Hub has a range of projects and activities that proactively seek to satisfy the GLA’s public sector equalities duty, namely through addressing underrepresentation of women, disabled people and people of BAME origin to advance the equality of opportunity open to these unrepresented groups.
- 3.3. This project was developed to address the levels of finance attained by BAME, female and disabled entrepreneurs in London. Funding London has a good track record in supporting BAME and female owned businesses, of the 150 companies on its portfolio, 20% are BAME founded and likewise 20% have a female as one the founders (compared to the 9% UK average- Beauhurst 2017). The recruitment for the project will focus on these groups and equality targets will be tracked throughout delivery to ascertain the effectiveness of the marketing campaign and the support provided.

4. Other considerations

- 4.1. The Mayor of London chairs the London Economic Action Partnership for London (LEAP), the local enterprise partnership that brings together businesses, councils and the mayoralty to identify strategic actions to support sustainable economic growth and job creation in the capital. The London Growth Hub is the initiative through which LEAP delivers its business support activities.
- 4.2. The Mayor also has an Economic Development Strategy (EDS) that establishes the Mayor’s objectives for the sustainable economic development of London. The London Growth Hub is cited throughout the EDS as a key tool in delivering the Mayor’s priorities for enterprise and entrepreneurship and delivers against the commitment to provide business support programmes, triage and signposting, online tools and multimedia business support resources through the London Growth Hub.
- 4.3. This project will further align the objectives of the LEAP and EDS by creating an environment in the capital where businesses have access to free and impartial face to face business support and information to help them on their entrepreneurial journey.

Risks and mitigation

| Risk Description | Owner | Probability (Low, Medium, High) | Impact (Low, Medium, High) | Mitigation |
|--|----------------|--|-----------------------------------|--|
| Difficulties in finding investment finance experts | Funding London | Low | Medium | Funding London will be able to secure some of its fund managers to deliver workshops |
| Delays in launching the project | Growth Hub | Low | Low | Other activity will be delivered through the London Growth Hub face to face offer |

| | | | | |
|---|------------|--------|-----|---|
| Difficulties in recruiting beneficiaries from targeted groups | Growth Hub | Medium | Low | The London Growth hub is working with local authorities where it has physical space to identify suitable businesses |
|---|------------|--------|-----|---|

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

5. Financial comments

- 5.1. The Authority's Enterprise Team is seeking approval for the expenditure of up to £44,000 to deliver a business support programme which helps improve the investment readiness capacity of London's SME's.
- 5.2. This will be issued in the form of a grant to SMEWFL (SME Wholesale Finance Ltd), also known as 'Funding London' who will create and deliver the programme in partnership with the GLA. It is anticipated the grant will be given as an upfront payment in 2019/20 therefore an appropriate grant agreement will be drawn up outlining milestones. Furthermore, as this is a partnership, the GLA will be working very closely with Funding London to ensure that these are met.
- 5.3. The expenditure will be funded from the Growth Hub Budget which is funded by HM Government via the LEAP Programme.

6. Planned delivery approach and next steps

| Activity | Timeline |
|-----------------------------------|---------------|
| Development of delivery programme | February 2020 |
| Marketing campaign | March 2020 |
| Project starts | March 2020 |
| Delivery end date | April 2021 |

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

If YES, for what reason:

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

Part 2 – Sensitive information

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

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Iva Figueiredo has drafted this report in accordance with GLA procedures.

✓

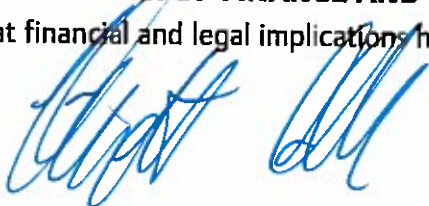
Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 2 March 2020.

ASSISTANT DIRECTOR OF FINANCE AND GOVERNANCE:

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

Signature



Date

2/3/20