

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2475

Title: Pay It Forward London

Executive Summary:

Public reaction and government measures towards preventing the spread of coronavirus has led to a drop in takings for London's Small and Medium sized Enterprises (SMEs) which rely on physical trade – such as cafes, restaurants, pubs and shops.

Crowdfunding presents a way for members of the public to pre-pay for services at businesses which are forced to close their doors, or suffering reduced income due to social distancing measures. This would help manage SME cashflow during the lock-down period.

This decision seeks approval of expenditure of £25,000, by way of the award of grant funding, as a contribution to Crowdfunder LTD's costs of building a 'Pay it Forward London' crowdfunding platform, which would allow businesses and supportive members of the public to pre-pay for services and support businesses through physical closure. It also seeks approval for the spending of £50,000 on an associated marketing campaign, to sit alongside wider Mayoral messaging.

Crowdfunder LTD, the UK's largest crowdfunding platform, has offered to: provide this service to allow businesses and supportive members of the public with 0% fees on the funding campaigns; and will cover the transaction costs itself.

The expenditure will be funded by reallocating expenditure that was previously approved by the Mayor for the Technology Adoption Service under cover of MD2815.

Decision:

That the Executive Director of Good Growth approves expenditure of £75,000 as follows:

1. The award of grant funding of £25,000 to Crowdfunder LTD as a contribution to its costs of delivering a public-facing crowdfunding tool called 'Pay it Forward London' to support businesses by facilitating the pre-payment of services; and
2. Expenditure of £50,000 on an associated marketing campaign.

AUTHORISING DIRECTOR

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: Philip Graham

Position: Executive Director of Good Growth

Signature:

Date:

2 April 2020



PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. London's small to medium sized enterprises (SMEs), particularly those in the hospitality, travel, tourism, retail and leisure sectors, are reporting significant and growing impacts of Coronavirus. Small businesses and those who rely on discretionary spending are under particular pressure, facing significant cashflow problems and the risk of business closure and redundancies.
- 1.2. The UK Government has announced a £30 billion stimulus to support the UK economy through coronavirus, including £7 billion to protect businesses and the self-employed. However, it is likely that businesses will need additional support to deal with cashflow problems relating to fixed costs or suppliers – particularly those which are not covered by new schemes such as the self-employed. There is also anecdotal evidence that there is public support for a pre-pay option to support local business cashflow.
- 1.3. The GLA has been identifying sector-specific issues where Growth Hub support could be utilised. This proposal concerns the award of grant funding as a contribution toward the costs of a 'Pay It Forward London' crowdfunding platform to support SMEs impacted by Coronavirus to pre-sell gift vouchers to manage cashflow issues. This is a quick and effective way to enable Londoners to support businesses in their community and for SMEs to set up funds. It is targeted specifically at SME's with a business-to-consumer (B2C) business model, with a physical presence.
- 1.4. Using a crowdfunding platform to pre-buy gift vouchers for local businesses is a ready-made solution, as the platforms are already FCA regulated and as payments are dealt with by third party means, the GLA's ongoing role will be to leverage public support by way of the marketing campaign for which approval is also sought.
- 1.5. In order to ensure that the fundraising is used solely for purposes which ensures business continuity and staff payment, as well as to ensure public confidence in the wider process, officers will work with Crowdfunder LTD, a UK-based crowdfunding platform, who will develop a flexible 'menu' of uses for the funding, which will include activities such as: wages, training, forward planning. As well as guidance on the kinds of things to offer prepayment for, such as meals, haircuts and other services.
- 1.6. Officers are currently in conversation with Crowdfunder, which has proposed its building and operation of a 'Pay It Forward London' crowdfunding platform with 0% fees on the funding campaigns and no transaction costs.
- 1.7. This decision form seeks the Director's approval of expenditure of a total of £75,000 funding to support the creation and operation of the proposed 'Pay It Forward London' crowdfunding platform. It will be funded from the 2019-2020 LEAP Strategies budget, with this expenditure previously approved by the Mayor under cover of MD2518, for a 'Technology Adoption Service'.

2. Objectives and expected outcomes

- 2.1. The objectives of this programme are to provide support to London's SMEs who are facing cashflow problems as a result of Coronavirus and to enable businesses and supportive members of the public to support their local community and local businesses.
- 2.2. This will be achieved through a 'Pay It Forward London' crowdfunding platform which would make it easier for businesses to set up fundraising activity and for people wanting to protect local businesses to do so in an accountable way. The platform would include a simple link to sign-up to add campaigns and 0% fees rewards-based fundraising for the businesses added.

- 2.3. The funding will be used for a basic web build, to get the Pay it Forward London platform up and running, plus a £50,000 marketing spend. This is an essential element of ensuring the success of the project, and officers are working closely with External Relations to ensure it is integrated into the wider messaging from the Mayor on how Londoners can support their local community, and with London & Partners to ensure the message is properly disseminated to businesses across London. Given resource limitations, officers are also exploring options around commissioning external support for the delivery of the marketing, should that be the most effective means of getting the message out.
- 2.4. Ultra-local mutual aid groups and new forms of social organisation which have emerged in response to the virus, also provide a means to get this peer-to-peer form of economic support widely disseminated. Moreover, working with London’s Business Improvement Districts and local authorities will be key to ensuring a grassroots uptake of the offer.
- 2.5. The table below sets out how the funding will be used:

Cost:	Amount:	Indicative tasks:	Delivered by:
Web development	£25,000	<ul style="list-style-type: none"> • Homepage with Mayoral branding • Integration with london.gov.uk • Rewards-based fundraising for the businesses added 	Crowdfunder LTD
Marketing and Communications	£50,000	<ul style="list-style-type: none"> • Development of a marketing campaign • Social media and online advertising 	GLA External Relations Team, Economic Development Team, London and Partners, Crowdfunder LTD

3. Equality comments

- 3.1. The public sector equality duty requires the identification and evaluation of the likely potential impacts, both positive and negative, of the decision on those with protected characteristics (age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation) and set out how you are addressing the duties). Please refer to <http://intranet.london.gov.uk/pages/glas-equality-duty> for further guidance.
- 3.2. The project will be promoted through a marketing campaign, which will reflect the diversity of London, and will seek to actively promote good relations between people of different characteristics. Moreover, by reaching out through peer-to-peer networks, as well as through London’s Business Improvement Districts and local authorities, we will ensure that the opportunity to fund raise reaches business founders across the whole of the city, including those who are not typically able to access this kind of funding.

4. Other considerations

- 4.1. As the elected head of the GLA, London’s strategic authority, the Mayor of London plays a full part in supporting the effective implementation of the Civil Contingencies Act 2004 and improving the preparedness of the capital during an emergency. The Mayor convened a Mayor’s Advisory Group in response to the Coronavirus outbreak which included key business and sector leaders and wrote to the Prime Minister to call for more ambitious action to support London’s economy.

4.2. Key risks and issues of Pay It Forward London:

Risk	Likelihood	Impact	Mitigation
Not enough businesses sign up to fundraise on the platform	Low	Medium	<p>We know that there is demand for this based on conversations with Crowdfunder, and even a moderate engagement would still drive significant value for London's economy.</p> <p>We will dedicate £50,000 of the budget to run a marketing campaign utilising all available channels, including online and social media advertising, to reach small businesses in London. We will also explore more direct outreach methods to encourage businesses to sign up.</p>
Not enough people utilise the platform to pledge funds	Low	Medium	<p>As above, there is demonstrable demand from the public to support local businesses, and even moderate traction would – in combination with other measures – have a real impact.</p> <p>We will utilise the marketing budget and campaign to encourage Londoners to support their local businesses, including through community groups and other online and offline distribution channels.</p>
The project is not delivered in time to provide meaningful impact on London's businesses	Medium	Medium	The greatest risk to the project is time, as it reduces the ability to get in touch with the businesses and Londoners who want to use this platform. Significant marketing, swift decision making and agile project management should ensure this project can meaningfully deliver.

- 4.3. Crowdfunder provide crowdfunding services to 30 local authorities (including 3 London Boroughs) and 3 Government Departments, and have transacted over £60m through the platform to date. Nonetheless, rewards-based crowdfunding brings with it an element of risk that sufficient funds will not be raised, which is built into the model and into the platform – with clear explanations given to funders that this is speculative and not the same as purchasing a product. Crowdfunder's users are made fully aware of this throughout the process, and this risk is reduced further in this instance because they will be funding businesses they know in their locality.
- 4.4. Given the likelihood that a number of the businesses which raise funds may not survive to be able to deliver on the pre-paid goods/services, officers will work with Crowdfunder and in the course of the proposed marketing activity to ensure a prominent and clear explanation of the risks is given throughout. Nonetheless, as it is envisaged that the amounts concerned will be relatively small, with clear guidance not to pledge more than users can afford to lose, this risk is not considered to be significant..
- 4.5. The service is being provided Crowdfunder LTD and the GLA's role is confined to making a contribution to Crowdfunder's costs of the same and the proposed marketing activity. .
- 4.6. Crowdfunder will be required to: take steps to avoid perverse incentives for those raising money – for instance in the case that someone raises so much money that there is no reason to reopen their business; and ensure the best practice in project accountability, including (if necessary) exploring the potential for caps on how much can be raised.

- 4.7. Accessing finance through the Pay it Forward London service will not impact any business' ability to access government support according to the criteria currently set out on the Government's Covid-19 business support pages – though it has the potential to reduce their reliance on it. For self-employed people and partnerships, it is a legal requirement that they plan to continue trading in 2020/21 in order to access support.
- 4.8. There are no conflicts of interest to note for any of those involved in the drafting or clearance of the decision.

5. Financial comments

- 5.1 The total cost of £75,000 for this proposal will be funded from the LEAP Strategies budget for 2019-20, specifically via repurposing funding approved under cover MD2518 for the Technology Adoption Service. It should be noted that this budget is funded from ringfenced BEIS grant and will be carried forward to 2020-21 when costs for this proposal will be incurred.

6. Legal comments

- 6.1 The foregoing sections of this Director's decision form indicate that:
 - 6.1.1 the decisions requested of the Director fall within the GLA's general powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development and wealth creation in Greater London; and
 - 6.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:
 - (a) pay due regard to the principle that there should be equality of opportunity for all people;
 - (b) consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
 - (c) consult with appropriate bodies.
- 6.2 In taking the decisions requested, the Director must have due regard to the Public Sector Equality Duty - namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010 and to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Director should have particular regard to section 3 (above) of this report.
- 6.3 Section 1 above indicates that the contribution of £25,000 to Crowdfunder LTD amounts to the provision of grant funding and not payment for services. Officers must ensure that: the funding is distributed fairly, transparently, in accordance with the GLA's equalities and in manner which affords value for money in accordance with the GLA's Contracts and Funding Code; and an appropriate funding agreement is put in place between and executed by the GLA and Crowdfunder LTD to govern the payment and use of GLA funding.
- 6.4 Any services or supplies which are required to deliver the proposed marketing campaign should be procured, liaising with TfL Commercial, in accordance with the GLA's Contracts and Funding Code and officers must ensure that appropriate contracts are put in place and executed with the relevant service providers and suppliers to govern the provision of the same.

7. Planned delivery approach and next steps

Activity	Timeline
Announcement	TBC – to tie in with London together Campaign
Delivery Start Date	8 April
Delivery End Date	30 April

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? YES**

If YES, for what reason: In order to ensure that officers have enough time to launch the platform.

Until what date: April 2020

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:

Nick Swanson has drafted this report in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service:

Luke Bruce has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

Corporate Investment Board

This decision was considered by the Corporate Investment Board in draft form on 30 March 2020.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

3 April 2020