

REQUEST FOR MAYORAL DECISION – MD2636

Title: Pay It Forward London – Match Funding

Executive Summary:

This proposal is for the provision of up to £1m in match-funding from the GLA through “Pay It Forward London”, a crowdfunding initiative to support London’s sole traders, micro-businesses and small and medium sized enterprises (SMEs) to pre-sell their goods and services to manage cashflow and stimulate Londoners to further support their favourite local businesses during the Covid-19 lock down – a programme that was approved under cover of DD2475.

It is proposed that match funding will be provided as a contribution to SME costs, the eligibility for which will require the prospective recipient to use at least part of the funding to meet costs of the putting in place a combination of business digital transformation and other measures to enable safe, socially-distant trading – investing now for future success and supporting business continuation ahead of the release phase.

Decision:

The Mayor approves expenditure of up to £1m of funding from the Skills for Londoners revenue budget as “Pay It Forward London” match funding to support London’s sole traders, micro-businesses, small and medium sized enterprise to manage the cashflow and trading challenges they face as a result of and during the Covid-19 pandemic, taking the total amount of funding for this programme of work to £1,075,000.

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: 29 July 2020

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

Decision required – supporting report

1. Introduction and background

- 1.1. Pay It Forward London (approved under cover of DD2475) launched on 20 April 2020 as an initiative delivered alongside Crowdfunder LTD to enable small businesses in London to pre-sell future goods and services, helping them secure cashflow through difficult trading conditions. Londoners can pledge funds to support their favourite local businesses during this crisis, for example by paying upfront for future meals, haircuts, or tickets to events to be provided in the future. 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.
- 1.2. Since the launch of Pay It Forward London, data from the platform has shown that hundreds of local businesses have signed up and have raised over £250,000 with the support of over 4,000 Londoners. Across the whole of London – including campaigns that have originated on Crowdfunder but have been migrated to Pay It Forward London to benefit from our audience reach – over £1,500,000 has been raised by over 280 businesses across London. There is therefore, clearly significant appetite amongst both business and the public for this type of fundraising model, with projects raising thousands from the public in every area of the city.
- 1.3. Whilst some small businesses begin to open their doors in the coming weeks, many businesses will continue to struggle with cashflow, with many only able to trade at a fraction of previous capacity, and many such as theatres and music venues are not yet able to reopen. Providing match funding would help small businesses in London to manage cashflow, support them to re-open safely and recover from financial hardship caused by the ongoing Covid-19 crisis.
- 1.4. Match funding would be provided on the basis that eligible recipients use the funding to meet costs of business digitisation and transformation, as many businesses have been forced to transition to digital models of delivery and adapt their business models to meet government safety guidelines. This would include, for example, measures to make their businesses Covid-secure, enabling safe re-opening and socially-distant trading – such as investment in Perspex screens, contactless payment technologies or slot-booking technologies. It would also include access to training on digital marketing and the adoption of tried and tested technologies such as e-commerce and customer relationship management. This will enable businesses to adapt, diversify and up-skill their workplaces to continue trading and to do so safely.
- 1.5. The Mayor would match fund every pound raised by an eligible business, up to a maximum of £5,000, and could therefore, benefit around 200 SMEs in key sectors reliant on physical trading affected by Covid-19 restrictions such as retail, hospitality, leisure, tourism, travel, creative and arts, entertainment and recreation, personal service, and health and fitness.
- 1.6. The match funding would be delivered through Crowdfunder LTD and a contract with Crowdfunder will be entered into in order to govern the holding and distribution of the monies via a third-party escrow account. Crowdfunder will not charge the GLA for the build and hosting of the match fund page and will contribute around £25,000 in kind in the form of waived transaction fees and set up costs.
- 1.7. To receive match funding, the businesses will need to reach 100% of their campaign target, with the match funding not exceeding 50% of the total raise.
- 1.8. Working with Crowdfunder Ltd, officers will put in place robust eligibility criteria for the match funding and verification/due diligence methods: including mandating submission of receipts and other relevant documents by businesses.

2. Objectives and expected outcomes

2.1. The proposal is for the GLA to match fund every pound raised by an eligible business, up to a maximum of £5,000 per business. The objectives of this are:

- to increase the number of businesses signing up to the platform;
- to increase the number of members of the public who are pledging;
- to increase the amounts being pledged; and
- to incentivise participating businesses to invest in tools and processes which will make them (a) more digitally-enabled, and (b) safer, socially-distant spaces to trade once reopened.

2.2. Outputs required to administer the scheme would include:

- crowdfunder to design, build and host the Pay it Forward Match Fund Page on london.gov.uk/payitforward, explaining the purpose of the match fund and the project criteria linking to a digital application;
- a 'menu' of options for businesses, covering cloud computing, CRM, cybersecurity, hardware options, equipment and others to spend some of the match funding on;
- a payment solution designed for the distribution of funds, holding public money in escrow, to be released only when GLA officers are satisfied that conditions have been met;
- online dashboard set up to connect with businesses and view applications; and
- a coaching programme of online courses in place to provide businesses with access to resources to build their digital skills and capacity.

2.3. Key outcomes include:

- around 200 businesses receiving up to £5,000 to support digitisation, diversification and upskilling;
- more widespread investment in, and adoption of, productivity-enhancing technology and e-commerce solutions; and
- business continuation supported through the purchase of equipment that will allow businesses to continue to trade or re-open.

2.4. The delivery of the match fund will build on the infrastructure already in place on Pay It Forward and Crowdfunder have offered to waive its fees, not charging for the transaction costs and other costs for setting up and promoting the fund. Members of the public have the option to 'tip' Crowdfunder which is entirely opt-in and voluntary, enabling Crowdfunder to marginally cover the set up costs and other waived fees, which is not expected to exceed the EU de minimis aid threshold of €200,000. Therefore, the £1 million funding will be used as set out below:

Cost name	Cost amount	Packages of work	Cost owner
Distribution of up to £5,000 of match funding per business	£916,000	<ul style="list-style-type: none">• payment solution designed to distribute the funds• online dashboard set up to connect with businesses and view applications• business verification process in place• distribution of business funding where match funding is secured	GLA

Engagement and Comms	£40,000	<ul style="list-style-type: none"> marketing and comms plan, including paid media advertising, targeting businesses to sign up to the platform and apply for match funding 	GLA
Delivery officer or consultancy support	£44,000	<ul style="list-style-type: none"> delivering, monitoring and reporting on the match fund verifying applications from businesses and ensuring that proof documents are submitted 	GLA

3. Equality comments

- 3.1. Under Section 149 of the Equality Act 2010, as a public authority, the Mayor of London must have due regard 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 a protected characteristic and those who do not.
- 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.
- 3.3. There is a significant risk that minority groups will be disproportionately impacted by the current crisis and many will face specific barriers to accessing support available from HM Government. Pay It Forward London, as part of the London Growth Hub support offer, will work with its delivery partners to ensure a significant level of engagement with community and faith groups in order to access harder to reach communities to avoid discrimination and make sure there is equality of opportunity. We will also use the Growth Hub's extensive contacts within minority and women owned business networks to disseminate messaging and support available to these communities. This will include translation of materials and use of diverse communication channels.
- 3.4. As a condition of application to the fund we will conduct a baseline and end line survey, taking place before and after the fundraising. In addition to capturing insights into the funding from a business perspective, it will also gather insights into the experience and needs of business founders from an equality and diversity perspective. The findings will be used to inform future SME-facing policy.

4. Other considerations

4.1. Risk register

Risk	Likelihood	Impact	Mitigation
Not enough businesses apply for match funding for it to have the desired benefit on London's economy	Low	Medium	We know that there is demand for this based on conversations with Crowdfunder, with many Local Authorities and Local Economic Partnerships setting up similar match funding pots for small business recovery. Even without the match funding or any marketing spend, our platform has seen over 1,000 businesses sign up in two weeks, with over 170 of these going live

			<p>and raising over £250,000 with the help of over 4,000 supporters.</p> <p>We will continue to work with colleagues to maximise the reach of marketing campaigning activity 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>
Businesses fail to spend the funds on the conditional outputs	Medium	Medium	<p>Verification of the businesses would be undertaken when the application is submitted. In addition, businesses would need to clearly explain how, with the help of the Mayor's funding, their business will increase productivity through, for example, adopting technology, equipment or upskilling their staff. They would need to demonstrate through their application that they have the ability and resources to undertake this activity. In-depth due diligence, KYC and anti-fraud checks will be conducted before any funds are released. Businesses will have to confirm they agree with the grant terms and conditions, which specify that they will need to complete a project report including itemised spend and submission of receipts and other relevant documents. This would help mitigate against any risk that the funds would be used for other purposes.</p>
State aid implications prevent the allocation of funding to businesses	Low	Low	<p>Businesses supported will need to self-assert that the match would not put them in breach of their state aid threshold. Given the sectors we are targeting this presents a low risk.</p>
Businesses that do not match our values use the match funding for abusive purposes	Low	Low	<p>Processes are in place to ensure that only legitimate businesses can trigger the Mayoral pledge, and Crowdfunder Ltd alongside the GLA will carry out appropriate vetting and due diligence checks before funds are released. Furthermore, the proposed Delivery Officer, as set out in the budget table above in section 2.4, will be responsible for verifying expenditure by collating receipts and invoices retrospectively.</p> <p>Furthermore, the nature of crowdfunding ensures that only businesses that customers know and trust receive money.</p>
Businesses become insolvent or go into administration, receivership or liquidation	Medium	Low	<p>Though this is not a risk unique to this programme, there is additional risk due to the challenging economic environment. The granting of this funding will be governed by standard GLA grant terms and conditions, the GLA shall be entitled to reduce, suspend, withhold and/or require re-payment of the funding should the business become insolvent during their fundraising.</p> <p>In terms of risks to the public who are pledging funds, officers will work with Crowdfunder to ensure that all marketing activity includes a prominent and clear</p>

			<p>explanation of the risks throughout. Moreover, individual pledges will be relatively small, with clear guidance not to pledge more than users can afford to lose.</p>
--	--	--	--

Links to Mayoral strategies and priorities

- 4.2. The Mayor has been clear over his concerns on the impact of Covid-19 on businesses if appropriate funding and support is not in place and continues to lobby the Government during this crisis. Many businesses cannot access the Government's support schemes because of the way they have been set up, and others are struggling even to access funding for which they are eligible. This proposal therefore forms a key part of the Mayor's response to supporting London's economy through the current crisis, of which the LEAP and Growth Hub are vital elements and trusted channels of support.
- 4.3. The current crisis calls for support to help businesses get back on their feet, and to digitise both the front and back ends of their business. This proposal also responds to the Government's Industrial Strategy, which called on all LEPs to do more to boost business productivity. The role of technology adoption and business management practices in enhancing productivity across London's SME base is expected to form a key tenet of London's forthcoming industrial strategy, and the Mayor's wider approach to economic recovery, which will shape LEAP's future objectives and funding streams.
- 4.4. The objectives and outcomes of this proposed intervention are fully aligned with the commitment set out in the Mayor's Economic Development Strategy to support businesses to invest in new technologies across the 'Everyday Economy' in sectors such as retail, hospitality and tourism.

Due diligence

- 4.5. Due Diligence on businesses which may be and are in receipt of funding will be undertaken in several stages and in line with standard GLA practice.
- 4.6. Verification of the businesses would be undertaken when the application is submitted. This will involve for example, cross-checking details with companies house and basic web research.
- 4.7. In order to prevent a business from match funding with their own money, the match from the public must come from at least 30 individuals. Moreover, there will be limits on how much any one individual can contribute as a percentage of the qualifying total.
- 4.8. Before any funding is released, businesses will need to submit receipts or other documentation as proof of spend. This would help guard against any risk that the funds would be used for other purposes.
- 4.9. Businesses would also need to demonstrate through their application that they have the ability and resources to undertake this activity.
- 4.10. Additional staff capacity will be needed to undertake this work, either through the creation and recruitment of a new post, external consultancy support or internal staffing.

Governance

- 4.11. The fund will be distributed to businesses by through a third-party payment provider (engaged by Crowdfunder and the transaction and escrow costs for which will be covered by Crowdfunder). The GLA would create an escrow 'wallet' with provider MangoPay. Funds will be paid into the wallet in lump sums at agreed points in time, and will remain in GLA's beneficial ownership until paid out to the recipients. The GLA would not need to enter into contract with MangoPay, only agreeing to their terms and conditions as a user. No money will be released to the companies until the GLA is satisfied that they have met and evidenced the necessary conditions. In order to receive the funds, recipients

would also need to set up a 'wallet' which enables additional risk mitigation as MangoPay undertake due diligence and anti-fraud checks.

- 4.12. It can be confirmed that no conflicts of interest were noted in the drafting and clearance of this decision.

5. Financial comments

- 5.1. Permission is being sought to provide funding of up to £1m to support London's sole traders and SME's following the trading pressures created by Covid-19.
- 5.2. The aim is to help the city approach economic recovery by providing financial support, in the form of match funds, to aid businesses in keeping afloat and alleviate cashflow strains
- 5.3. With demand anticipated to be around 200 entities, businesses can apply for up to a maximum investment of £5,000 which can be used to adopt at-a-distance business models, digitalisation and transformation.
- 5.4. Crowdfunder Ltd will distribute the £916,000 on behalf of the GLA via a secure escrow account. The GLA will have full access to this account and will authorise all payments.
- 5.5. As the nature of these investments requires payment to be made in advance, Crowdfunder Ltd alongside the GLA will carry out appropriate vetting and due diligence checks before funds are released. Furthermore, the proposed Delivery Officer, as set out in the budget table above in section 2.4, will be responsible for verifying expenditure by collating receipts and invoices retrospectively.
- 5.6. The budget for this proposal has been identified within the Skills for Londoners revenue programme budget in which there is circa £1.4m which has not been allocated to specific projects. Therefore, there is sufficient budget headroom to permit this proposal.
- 5.7. Due to the amount proposed, this will require drawing upon future funds, specifically 2023-24, to enable the expenditure to take place this financial year. The below table shows the current and revised budget for the Skills for Londoners programme and the Pay It Forward proposal:

Original Budget Profile	2020-21 (000)	2021-22 (000)	2022-23 (000)	2023-24 (000)	Total
Skills for Londoners Revenue Budget	220	280	350	2,365*	3,215

Revised Budget Profile	2020-21 (000)	2021-22 (000)	2022-23 (000)	2023-24 (000)	Total
Skills for Londoners Revenue Budget	220	280	350	1,365	2,215
Pay It Forward	1,000	0	0	0	1,000
Total	1,220	280	350	1,365	3,215

** A separate decision is being considered for approval relating to the London Resilience Fund (MD2664) in which £400,000 has been requested from the unallocated Skills for Londoners programme. This figure is based upon the assumption this has been approved.*

- 5.8. This will have a net nil financial impact on the GLA's budget as the funding source for this programme stems from MHCLG as part of the Growth Deal funding which the Authority has taken receipt of. As such, because the unallocated funds do not belong to the Authority they cannot be offered as savings and must be spent as outlined in the Growth Deal agreement.
- 5.9. Growth Deal funds allow expenditure to take place at any time across a fixed period and permits repurposing towards projects which create jobs, support businesses and encourage growth. To enable this, permission must first be sought from the LEAP investment committee. In this instance it was obtained on 24th June 2020.
- 5.10. It is important to note that this funding is a fixed amount and cannot be supplemented, therefore drawing upon it early will result in the diminished availability in 2023-24 as set out in the table above.

6. Legal comments

- 6.1. The foregoing sections of this report indicate that:
 - the decisions requested of the Mayor concern the exercise of the GLA's general powers, falling within the GLA's statutory 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
 - 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; and
 - 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 and foster good relations between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion) 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.
- 6.3. As officers have indicated that Crowdfunder Ltd is not charging the GLA for the services to be provided, nor any prospective recipient of GLA funding any transaction or other charge the services need not be procured competitively. Whilst it is understood that members of the public may, at their sole discretion, choose to provide Crowdfunder LTD with "tips" to be used, if secured, to meet the costs of service provision, officers have indicated that those costs are unlikely to exceed a sum below the de minimis threshold for State aid purposes (€200,000).
- 6.4. Should the Mayor be minded to make the decision sought officers must ensure that:
 - the GLA and Crowdfunder LTD enter into and execute a contract for the provision of the relevant services which protects the GLA's interests including setting out the detail of the eligibility criteria, due diligence, verification and monitoring mechanisms and funding terms required to ensure that funding can be and is awarded for the purposes of the scheme; and

- to the extent that expenditure is to be incurred on the purchase of services or supplies for delivery of the proposed scheme are procured by TfL Commercial and in accordance with the GLA's Contracts and Funding Code and the GLA and service providers/suppliers enter into and execute contracts for the provision of the same before the commencement of such services and supplies; and
- all GLA HR protocols are followed and approvals obtained concerning the establishment of any new posts.

7. Planned delivery approach and next steps

Activity	Timeline
Announcement	August 2020
Delivery Start Date	August 2020
Delivery End Date	August 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

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:

Maria Geftar has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

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

✓

Mayoral Adviser:

Ben Johnson has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

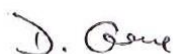
Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 27 July 2020.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature



Date

29 July 2020

CHIEF OF STAFF:

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

Signature

Approval received via email from Nick Bowes, Mayoral Director, Policy (on behalf of the Chief of Staff), to Felicity Harris on 29 July 2020.

Date

29 July 2020