

**REQUEST FOR DIRECTOR DECISION – DD1232**

**ERDF 2007-13 programme: approval of ERDF funding for the Investment Escalator project, delivered by London South Bank University**

**Executive Summary:**

Mayoral Decision 1220 (24 July 2013) delegated the approval of applications received under the London European Regional Development Fund (ERDF) 2007-13 programme from the Mayor to Director Decision level.

Approval is sought for the London South Bank University, Investment Escalator application to be awarded ERDF funding.

The GLA's European Programmes Management Unit has completed its appraisal of the application. The ERDF Programme Review Group and ERDF Local Management Committee have approved the project in line with MD1220. Payment of ERDF will be made to the applicant in arrears following evidence of project-related eligible expenditure.

**Decision:**

That the Executive Director of Resources approves the award of £395,127 of ERDF funding to London South Bank University for the Investment Escalator project, in order to deliver business support to Small and Medium Enterprises in London.

**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:** Martin Clarke

**Position:** Executive Director Resources

**Signature:**

**Date:** 4 July 2014

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE**

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

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

The European Regional Development Fund (ERDF) 2007-13 programme is worth €181m for London. The London 'Operational Programme' (OP), which was approved by the European Commission in 2007, sets out the types of activities that can be supported and the outputs and results that should be delivered; targets include jobs created, jobs safeguarded, businesses supported. The OP is available on the GLA website.

The Department for Communities & Local Government (DCLG) is the Managing Authority (MA) with overall responsibility for the ERDF 2007-2013 programme in England. In London, responsibility has been delegated to the GLA as 'Intermediate Body' by Statutory Instrument.

The European Programmes Management Unit (EPMU) is a distinct functional unit in the GLA, co-financed by DCLG and ERDF. EPMU manages all operational aspects of ERDF programme delivery including project appraisal, payment and monitoring, and acts as the secretariat for the ERDF Local Management Committee (LMC). The LMC oversees the strategy, monitoring, evaluation and performance of the London ERDF Operational Programme. The Executive Director for Development, Enterprise and the Environment chairs the LMC.

Mayoral Decision (MD) 1220 (July 2013) expedites the project approval process by delegating approval of new applications for ERDF funding from the Mayor to the Executive Director Resources; (or the GLA Head of Paid Service when approval is requested for projects where the GLA will be the recipient of funds).

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

This Director Decision seeks approval of the following application:

Applicant:	London South Bank University
Name of project:	Investment Escalator
ERDF requested:	£395,127
Capital or Revenue:	Revenue
Total Project Cost:	£790,254 (of which 50% is match funding)

Forecast spend profile (including match funding):

2013: £53,744  
2014: £417,584  
2015: £318,926  
Total: £790,254

Match funders:

London South Bank University: £280,844  
South Bank University Enterprises Ltd: £114,283

Summary of project activity:

The Investment Escalator will be delivered in partnership by London South Bank University (LSBU - lead Partner) and one partner, South Bank University Enterprise Ltd (SBUEL).

The Investment Escalator will target eligible small to medium sized businesses (SMEs) of which a minimum of 200 will receive at least 12 hours of specific, focused, business support interventions to de-risk their

investment proposals, articulate their growth aspirations and provide a clear business case for investment support, to overcome key barriers they face in accessing investment finance.

The Investment Escalator is a demand-led, structured pathway, which will lead eligible SMEs in London through to successfully securing appropriate investment finance – hence the project name ‘Investment Escalator’. The project will provide relevant connections for participating SMEs to access appropriate investment finance, including access to crowd funding and other equity and loan finance.

The following key areas of support from the Investment Escalator will be provided.

1. Business Planning
2. Sales and Marketing
3. Financial and Funding
4. Operations and process (including specialist technical knowledge)
5. People Skills

This support will be delivered through a structured pathway with networking events, up-skilling support for investment readiness, access to finance support and guidance.

Through on-going review of action plans, participating businesses will be able to agree development routes to reaching a required level of readiness for investment. SMEs can step on and off the Investment Escalator, as appropriate. They will be able to participate in a single or in multiple interventions relevant to individual business needs, so they can articulate their growth aspirations and provide a clear business case for investment.

The project’s contribution towards the London ERDF Operational Programme targets include:

- 200 SMEs assisted for 12 hours or more.
- 24 of these SMEs achieving sales in new markets
- 40 jobs being created within these SMEs and 16 jobs safeguarded as a result of ERDF
- £1,000,000 generated in GVA for the London economy

The project has a retrospective start date of 1 November 2013. This is permissible under national ERDF guidelines; the project has to ensure a compliant ERDF audit trail from the first date eligible expenditure is incurred.

### Appraisal process

The application was submitted under Call 8 of the London ERDF programme, launched in December 2012. This was an open call to which all eligible applicants could apply. The Call 8 Prospectus set out the eligibility and other requirements, in addition to the appraisal criteria (approved by the LMC). The Call 8 Prospectus and appraisal criteria were advertised on the ERDF pages of the GLA website. EPMU adhered to DCLG’s national, standard, approach for the appraisal of applications. There was no pass mark for applications; the applications were assessed on merit, as described in the Prospectus.

The applicant’s Outline Application was appraised by EPMU, and endorsed to progress to the Full Application stage by the ERDF Programme Review Group (the sub-committee of the Local Management Committee (LMC)) in August 2013. A first version of the Full Application was submitted to EPMU in October 2013. The applicant then worked up the application to a state ready to submit to the PRG and LMC for final review.

The final application was approved by the PRG on 27<sup>th</sup> May 2014 and the LMC itself on 11<sup>th</sup> June 2014. The application meets the objectives of Priority 2 of the 2007-13 ERDF Operational Programme document and,

in so doing, addresses market failures including the lack of available targeted support for SMEs to enable them to access finance. This is expected to be the final new application for ERDF funding submitted for approval under the 2007-13 programme.

### **3. Equality Comments**

Equal Opportunities is one of the cross cutting themes of the 2007-13 ERDF programme in London. The Investment Escalator project has committed to support the three key groups which are set out in the 2007-13 ERDF Operational Programme; these are businesses led by women, BAME and disabled entrepreneurs. The project's achievements in supporting these groups will be captured via the Outputs and Results targets which the project will report to the GLA.

### **4. Other considerations**

#### Key risks:

EPMU will monitor the delivery of the project to ensure activity and outputs/results are delivered within a) the contractual period; and b) prior the cut-off for ERDF project spend of 31 December 2015. It is common for ERDF projects to seek one or more contract variation during the project lifetime; EPMU will manage this process in accordance with the requirements of the ERDF Managing Authority, DCLG (without recourse for a further Director Decision, but ensuring a GLA officer with appropriate delegated authority approves any variation).

#### Links to Mayoral strategies and priorities:

The London ERDF 2007-13 Operational Programme – under which the application was submitted – was drafted by the London Development Agency and GLA. It is aligned with Mayoral strategies including Mayoral economic objectives. The ERDF programme aims to promote sustainable, environmentally efficient growth, capitalising on London's innovation and knowledge resources with a focus on promoting social inclusion through extending economic opportunities to communities in areas it is most needed.

#### Impact assessments and consultations:

The London ERDF Operational Programme underwent consultation in 2006 and 2007, and was approved by the European Commission (EC) in December 2007. The EC approved revised updates in April 2013 and March 2014.

### **5. Financial comments**

- 5.1 Director approval is being sought to award funding for the above named ERDF project as part of the London ERDF 2007-13 programme.
- 5.2 Mayoral Decision 1220 delegates the commitment of remaining funds from the ERDF 2007-13 programme to the Executive Director Resources; and the GLA Head of Paid Service where approval is requested for projects in which the GLA will be the recipient of funds. The request to commit funds has been made following initial approval from the ERDF Programme Review Group (a sub-group of the London ERDF 2007-13 Local Management Committee (LMC)) and the LMC itself.
- 5.3 The GLA is the accountable body for the distribution of ERDF. The cost of administering the programmes is funded by Government, EU 'Technical Assistance' and the GLA.

- 5.4 Financial Due Diligence checks are undertaken on applicants prior to the award of an ERDF Funding Agreement with the exception of Local Authorities and Government funded Higher Education Institutes.
- 5.5 An individual Funding Agreement, between the applicant and GLA, will set out appropriate milestones and funding conditions. ERDF funding will be paid to the applicant in arrears based on declarations of ERDF eligible spend.
- 5.6 The project will be match-funded, coordinated by London South Bank University, to a sum of £395,127. In the event that the match funding does not materialise, the project will be required to either secure alternative match funding or the project will be unable to proceed on the scale envisaged and a contract variation will be required.
- 5.7 The European Programmes Management Unit within the Resources Directorate will be responsible for managing the project/contract and ensuring that the proposed contract expenditure complies with the Authority's Financial Regulations, Contracts & Funding Code and Expenses & Benefits Framework as well as the ERDF and DCLG rules.
- 5.8 The programme's allocation is in Euros while funding is awarded in Pounds Sterling. This means that, were the pound to fall against the euro, commitment of the GLA's funding may decline. Conversely, there is a risk that a prolonged strengthening of the pound could result in over-commitment. This is monitored by EPMU.
- 5.9 Government has agreed that the Greater London Authority – as an Intermediate Body – can commit funds over 100%. We consider a degree of over-commitment to be prudent, as experience tells us that programmes always underspend on closure. The ERDF programme's commitment is currently 102%. The commitment will reduce as funds (associated with technical irregularities and underperformance from existing ERDF projects) are recycled into the programme.

## **6. Legal comments**

The GLA's distribution of the ERDF funding was approved by MD851. As regards the distribution of further ERDF funding by the GLA, the legal comments in MD851 apply equally to this DD.

As regards the approval of the specific grant of ERDF funding set out in this report, section 30 of the Greater London Authority Act 1999 (the Act) gives the GLA the power to promote, inter alia, economic development and wealth creation. The proposed ERDF funding of £395,127 will be granted to London South Bank University in order to fund partly its Investment Escalator project (the "Project").

As set out in paragraph 2 above, the project aims to support 200 SMEs based across London to access support new market opportunities, which are driven by the carbon-reduction and energy-saving agenda. The project will seek to recruit SMEs, which are managed by women, BAME community members and disabled people. To this end, the GLA's funding of the Projects may be viewed as promoting economic development and wealth creation as well as social development within Greater London.

Paragraph 6.4 of the GLA's contracts and Funding Code (the "Code") required that the GLA distribute funding fairly, transparently and in accordance with the GLA's obligations regarding equality of opportunities. The officers have set out in paragraph 2 (see section entitled "Appraisal Process") the process which was employed, in order to meet the requirements of paragraph 4.8 of the Code.

## 7. Planned delivery approach and next steps

Activity	Timeline
Project delivery Start Date (retrospective)	1 November 2013
Project delivery financial End Date	31 December 2015

**Appendices and supporting papers: None**

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) 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 approval 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 Confidentiality:** Only the facts or advice considered to be exempt from disclosure under the FOI Act should be 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:**

Stuart Scott has drafted this report in accordance with GLA procedures and confirms that:

✓

**Assistant Director/Head of Service:**

Alex Conway 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.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature**

**Date**