

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2460

Title: Financing Community Enterprise: Pilot Accelerator Programme

Executive Summary:

MD2163 approved £67m worth of expenditure through the Good Growth Fund (GGF) and delegated the detailed funding allocation to the Executive Director of Development, Enterprise and Environment (now Good Growth) in consultation with the London Economic Action Partnership (LEAP). £4m was ringfenced for the Crowdfund London Programme. This decision seeks approval for £220,000 revenue funding to support the development of Crowdfund London and an associated community enterprise agenda by delivering a pilot accelerator programme to support community-led organisations to explore using alternative finance (investment-based crowdfunding) to grow and sustain valuable activities and community participation over time.

Decision:

That the Executive Director of Good Growth approves:

Expenditure of £220,000 revenue from the Good Growth Fund, approved with delegated authority from the Mayor (see MD2163) to support the 'Financing Community Enterprise: Pilot Accelerator Programme'. This expenditure comprises:

- the provision of up to £170,000 revenue funding to Power to Change to utilise their Community Shares Booster Programme, securing a focus on London and Londoners; and
- expenditure of up to £50,000 to commission action research and future programme design recommendations.

AUTHORISING DIRECTOR

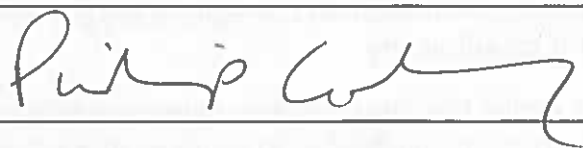
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Philip Graham

Position: Executive Director, Good Growth

Signature:



Date:

16/3/2020

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. MD2163 approved £67m worth of expenditure through the Good Growth Fund (GGF) and delegated the detailed funding allocation to the Executive Director of Development, Enterprise and Environment (now Good Growth) in consultation with the London Economic Action Partnership (LEAP). £4m (£2.5m Capital and £1.5m Revenue funding) was ringfenced to support the development of the Crowdfund London Programme.
- 1.2. Of that £4m, £2.2m in expenditure has been approved through DD2225.
- 1.3. This decision seeks approval for a further £220,000 revenue expenditure from the initial, unapproved (with approval delegated to the Executive Director through MD2163) GGF allocation to expand activities that support Crowdfund London and an associated Community Enterprise agenda.
- 1.4. Over this Mayoral administration, Crowdfund London has established itself as a world-leading example of a city crowdsourcing civic innovation, promoting active citizenship and coordinating resources to support new community-led initiatives.
- 1.5. It has proved an effective incubator for locally-led projects that would struggle to secure funds through traditional means. These projects have demonstrated their capability to bring people together and build capacity, but it has often been a challenge for groups to sustain positive social impact or create a meaningful legacy for activities.
- 1.6. Many projects are naturally short-term in nature, with scope, scale and ambition limited by our £50,000 maximum pledge threshold and limitations to the amount that can realistically be raised through donation-based crowdfunding. We have observed the optimum target cost for civic crowdfunding campaigns to be between £20,000-£60,000 above our maximum pledge awarded.
- 1.7. In the same way a start-up business incubator needs to consider the conditions for follow-on support to ensure growth, Crowdfund London needs to develop pathways to securing valuable social value and the resilience of the organisations or networks of local capacity and resource developed through our projects.
- 1.8. At the same time, there is an opportunity to explore new models of ownership in the public interest, with local communities and social enterprise involved in the ownership and/or management of assets to combine entrepreneurial dynamism with local involvement and investment.
- 1.9. In 2019 we partnered with innovation charity Nesta to explore how Crowdfunding-based alternative investment can empower communities and boost local economies by giving local structures more control and ownership over assets that they rely on.
- 1.10. Two principal mechanisms were identified to have clear relevance and potential to this objective; community shares (equity based) and community bonds (debt based).
- 1.11. Forms of investment crowdfunding can provide levels of finance for community projects beyond the reach of donations or rewards-based crowdfunding. The average investment raise is £185,000 (with average target of £400,000) and the average investment is in the region £500 per person, more than ten times higher than donation or rewards crowdfunding.
- 1.12. This can be used to provide the vital risk capital that any business requires to ride the ups and downs of early development, but social enterprises often find difficult to secure when equity investment is considered incompatible with wider social purpose.
- 1.13. London is host to only 6% of community share offers nation-wide, despite being home to 12% of the population, and despite having the highest levels of activity for most other crowdfunding models -

potentially due to less affordable property prices or more transient populations, though evidence from Nesta suggests that the need and the resource is there.

- 1.14. The main challenges for community organisations raising money in this way include; gaining access to assets to buy or use; transitioning from grassroots fundraising to implementing a business-minded project; and remaining inclusive and diverse, in terms of engagement.
- 1.15. There is an opportunity for the GLA and Local Economic Action Partnership to show leadership in this space to help incubate new social businesses and/or secure social infrastructure assets whilst ensuring alignment with more strategic regeneration priorities and underutilised policy levers such as community asset transfer and community right to buy/bid.
- 1.16. In turn, this could help counter the threat identified by Locality in 2018; reporting evidence that more than 200 publicly owned buildings and spaces (typically, valued social infrastructure) are being sold off in London each year, with the majority lost to private developers for the highest price. Only 17% of London Boroughs indicated they had a Community Asset Transfer policy; the most pertinent of the under-utilised localism legislation that could better support inclusive local growth strategies.
- 1.17. The reasons for these sales are broad but are linked to pressures that austerity is exerting on Local Authority service provision and their knock-on ability to own and manage assets in the public interest.
- 1.18. These spaces are seen by researchers as places that are vital for generating social capital – networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit.
- 1.19. This decision proposes a pilot accelerator programme to support community enterprise. The pilot would equip a range of promising local/community organisations or projects (including those incubated through Crowdfund London) with the legal and technical advice required to develop robust governance structures and business plans to sustain their activity. Specialist expertise would support entrepreneurial spirit to help grass-roots organisations access new forms of alternative financing – namely community shares – and local ownership to raise capital and grow. This would help secure vital social infrastructure whilst building civic pride through genuinely local ownership.
- 1.20. We have identified an existing programme – The Power to Change Community Shares Booster Programme delivered in Partnership with the Community Shares Unit – delivering this requirement. London based organisations are currently under-represented. A modest intervention from the GLA can better focus attention and resource on London communities and Mayoral priorities by co-opting an existing and tested third party delivery infrastructure. This would minimize risk and maximise the efficiency and impact of our pilot expenditure.
- 1.21. It is proposed that the GLA provide grant funding of up to £170,000 to Power to Change in order to enhance its current programme by making funding available for London-based projects. Under the proposed grant agreement, Power to Change would act as the responsible body for the distribution of up to £150,000 funding. The funding would be divided into ten development grants of up to £15,000 each for London-based organisations. Up to £20,000 revenue funding would go directly to Power to Change in order to enable it to allocate and administer the London-based grants.
- 1.22. Organisations receiving development grants would be subject to GLA approval following an Expression of Interest and formal application process. This process will ensure a diverse range of applicants, project types and geographic representation is present in the pilot. Organisations and their proposals would meet the broad regeneration objectives of the Good Growth Fund to support people, places and prosperity.
- 1.23. We would commission live action research to follow the cohort and assist us in designing a future programme that could link to our own capital regeneration programmes (e.g. Good Growth Fund) to support community ownership / social enterprise operators for some of our interventions. This would represent £50,000 revenue expenditure and would be competitively tendered in line with the GLA Contracts and Funding Code.

- 1.24. This would represent a one-off investment of up to £220,000 revenue in total with the potential to scale up in the future, if successful.
- 1.25. The business case for this investment has been approved by LEAP Programme Board (Feb 2020).

2. Objectives and expected outcomes

2.1. Objectives:

- Initiate a complimentary pilot accelerator programme to explore more sophisticated community investment (via more robust crowdfunded means such as community shares, that lock in governance and business planning) in assets, local social businesses or regeneration projects.
- This would develop our existing Crowdfund London activity in a direction that would better secure legacy and sustain social impact whilst enabling entrepreneurial spirit in the creative development of socially focused enterprise with local ownership locked in.
- This would allow the GLA/LEAP to better understand the barriers groups face in utilising alternative financing for this purpose, whilst demonstrating leadership to support promising organisations to take the risk and drive innovation in this space (also an emerging marketplace).

2.2. Outputs:

- a pilot demonstrating leadership in an emerging area of alternative finance & tech for social good;
- up to 10 local / community organisations supported to develop appropriate legal, governance and business planning structures to build capacity and potentially operate more sustainable enterprise;
- at least 1-2 community share offers expected following the pilot;
- an expectation that all cohort organisations develop a more robust business case for their existing or proposed activities leading to enhanced operational sustainability independent of a potential share offer launch;
- an internal report making recommendations for the design and implementation of a GLA-backed programme to support community share offers linked to capital investment to secure or improve assets or develop community businesses to manage strategic assets as part of a place-based regeneration strategy;
- one External report summary to communicate the impact of the pilot; and
- develop a pipeline of organisations seeking GLA capital funding support for locally-led regeneration initiatives to understand the appetite and potential future value of our intervention.

2.3 Outcomes:

- new opportunities for local / community organisations to raise funding to secure assets of community value or establish locally-owned social businesses;
- new opportunities for local / community organisations to build capacity, develop robust business models and explore more sustainable, long-term operation;
- new opportunities for active citizenship with groups coming together to develop assets or shared resources;

- more activity within the area of social investment in regeneration, where London leads the country in donation-based crowdfunding activity, but lags behind in crowdfunded investment. Progress would create new opportunities for SMEs and social enterprises to access new resources, helping to stimulate a market response to provide the platforms of support required;
- key learning for the GLA/LEAP in how the public sector can stimulate innovation in alternative finance to support community-led regeneration strategies;
- the potential to directly secure social infrastructure to support the resilience of local economics and local communities; and
- coordination of expertise in the community-shares sector with focus on priorities that benefit London and Londoners.

3. Equality comments

- 3.1 All projects will be developed and delivered in compliance with relevant Codes of Practice and in line with the requirements of the Public Sector Equality Duty as set out in Section 149 of the Equality Act 2010. As a public authority, the Mayor of London must have 'due regard' of 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. To meet the above, the GLA will ensure that the following issues have been considered;
- i) Project Proposals: All proposals will be open and accessible to all, and community groups will be reminded that their projects are required to take appropriate steps to minimise disadvantages suffered by people who share a protected characteristic: age, disability, gender reassignment, pregnancy and maternity, race, sex, religion or belief, sexual orientation.
 - ii) Documents and publications: all documents produced will comply with Mayor of London branding guidelines.
 - iii) Events: all events will be open to all and, where possible, will encourage people who share a protected characteristic to participate in any activity in which their participation is disproportionately low.
- 3.2. We will monitor the diversity of applicants and those awarded funds. We will use this to inform the way an future programme is promoted and managed to ensure equality, diversity and inclusion is considered from the outset based on evidence.
- 3.3. Whilst we will need to support the most promising proposals determined via a fair and transparent application process, we will endeavour to select a range of community beneficiaries where possible (geographic spread, project typology and socio-economic profile of the area).
- 3.4. As a condition of funding agreement, Power to Change, their partners (Community Shares Unit) and community recipients of GLA funds will be expected to meet expectations set out in the Public Sector Equality duty.

4. Other considerations

Risks and issues:

- 4.1. Lack of interest in the opportunity from local community organisations. We have conducted some soft market testing and identified up to 20 appropriate and interested organisations with viable propositions via our existing funding programmes alone. This suggests a low risk.

- 4.2. Development grants / support reveal challenges that undermine a potential share offer launch or lead to no share offer. The application process and support from Power to Change / Community Shares Unit should minimise this risk, but it remains medium.
- 4.3. Any subsequent share raise is unsuccessful in securing capital required for the venture. A medium risk but support and promotion from the GLA and partners will help ensure realistic targets and broad awareness. Association with a Mayor of London initiatives has already been shown (through Crowdfund London) to entice investment from unpredictable sources.

Links to Mayoral strategies:

- 4.4. This initiative supports the Good Growth Fund's aims to promote innovative and inclusive regeneration activities, enabling:
- Londoners to actively participate in their local community and have a say in how their city is shaped by stimulating routes to local ownership and/or management of assets of community value or local social enterprises
 - delivery of co-ordinated place-based strategies that welcome growth in a way that works with the physical character of London's many places by supporting communities in areas undergoing change or receiving other public / private investment.
 - diverse and accessible local economies – from our high streets and town centres to industrial areas – to realise their full potential and making London a place of opportunity for all. This would be enhanced through potential new mechanisms to allow for local enterprise that supports both economic and social resilience by building capacity in local groups.
- 4.5. The initiative will contribute to deliver of ambitions in the following emerging Mayoral strategies or priorities:
- London Plan – Contributing to Good Growth and building strong, inclusive communities by involving citizens directly in the future development of the city.
 - Economic Development Strategy – Supporting innovation and creating opportunities for all Londoners to develop new skills. Delivering projects that help communities to directly share in the opportunities created by investment and change.
 - Social Integration – Promoting active citizenship and community cohesion by enabling citizens to propose, deliver and manage sustainable projects that matter to them. Often this will secure or formalise vital social infrastructure being lost across the city.
 - Equality Diversity and Inclusion Strategy – By encouraging communities to come together and collaborate around shared objectives.
 - Culture – Through projects that support and promote creative arts and cultural industries or cultural exchange.
 - Smart London – The use of new technology and alternative financing to support innovation and participation in public life.
 - Environment – Through projects that create new green spaces or greening of public spaces.
- 4.6. There are no conflicts of interest to note, for anyone involved in the drafting or clearance of this DD.

5. Financial comments

- 5.1 Under the delegated authority of MD2163 approval is being sought from the Executive Director of Good Growth for the expenditure of £220,000 on a pilot accelerator programme to support London based community businesses in seeking alternative finances.

- 5.2 It is anticipated the main element of this pilot would be delivered by the independent charitable trust 'Power to change' who have extensive experience in launching community shares to start up community enterprises.
- 5.3 As this is an experimental programme, the GLA will grant fund up to 10 London based organisations £15,000 each to develop their businesses which will be facilitated by Power to Change. Up to £20,000 will be available to cover the administrations fees applied to these arrangements.
- 5.4 £50,000 is required to commission research on community share initiatives and future programme design based upon the outcome of the pilot.
- 5.5 This pilot will be funded from the Good Growth Fund (approved under MD2163) allocated to London from Government and currently sits within the Regeneration and Economic Development Unit.

6. Legal comments

- 6.1. The foregoing sections of this report indicate that the decisions requested of the Executive Director fall within the statutory powers of the Authority to promote and/or to do anything which is facilitative of or conducive or incidental to 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:
- (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 of him, the Executive 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 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 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 Executive Director should have particular regard to section 3 (above) of this report.

Funding

- 6.3. The officers are reminded to ensure that they comply with the requirements of section 12 of the Code when allocating the funding to Power to Change. Furthermore, they should ensure that the Authority enter into a funding agreement with Power to Change, before any of the funding is paid.

Procurement

- 6.4. The officers must ensure that they comply with the requirements of the Authority's Contracts and Funding Code when they procure any services in relation to the research and future programme design proposed in the second dot point of the decision.

7. Planned delivery approach and next steps

Activity	Timeline
Establish contractual partnership and delivery programme for accelerator and launch tender for action research	March/April 2020
Formal application process launched (earliest, post Mayoral election)	May 2020
Up to 10 organisations identified and grant funds awarded	Autumn 2020
Funding spent	March 2021
Evaluation from action research commission and future programme proposal developed for consideration	Spring/Summer 2021
Project Closure:	Summer 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:

James Parkinson has drafted this report in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service:

Patrick Dubeck 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 agreed by the Corporate Investment Board on 16 March 2020.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

