

REQUEST FOR DIRECTOR DECISION – DD1174

ERDF 2007-13 programme: approval of ERDF funding for Capital's Accelerator Programme project.

Executive Summary:

Mayoral Decision 1220 (24 July 2013) delegates 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 Capital Enterprise (Capital's Accelerator Programme) 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 Director approves the award of £1,926,838 to Capital Enterprise.

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:

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 secretariat for the ERDF Local Management Committee (LMC). The LMC oversees the strategy, monitoring, evaluation and performance of the ERDF programme in line with 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:	Capital Enterprise
Name of project:	Capital's Accelerator Programme
ERDF requested:	£1,926,838
Capital or Revenue:	Revenue
Total Project Cost:	£3,853,673 (of which 50% is match funding)

Forecast spend profile (including match funding):

2013:	£473,245
2014:	£2,231,834
2015:	£1,148,594
Total:	£3,853,673

Summary of project activity:

An 'accelerator' is a method for supporting entrepreneurs via intensive mentor support, seed funding, opportunities to trial the market and introductions to investors. The Capital's Accelerator Programme (CAP) will provide a co-ordinated service offer of support to existing London pre-revenue and seed stage tech-enabled SMEs to access and benefit from accelerator programmes and seed investment.

CAP will also create and coordinate a business support 'eco-system' involving universities, accelerators, incubators and seed investors and partners that will expand the cluster of digital, science and technology businesses in London.

The CAP project will provide resources, expertise and know-how to potential scalable and investable SMEs, supporting them at the pre-acceleration, acceleration and post acceleration stage. The project delivery partners (Capital Enterprise, UCL Advances, Angel Capital Innovations and GLE) have secured the financial and practical support of accelerators, incubators and tech entrepreneur advice providers in London. The project will:

- Provide a pre-accelerator programme for established but early stage SMEs which demonstrate they have the ambition and potential to grow.
- Increase the number of places on either existing (or when there is a gap in provision) or newly created accelerators and incubators and to enhance the capacity of these programmes to generate highly investable and scalable businesses.
- Create a new pathway to investment support for businesses which graduate from CAP's supported accelerator and incubator programmes.

The project's contribution to London ERDF Operational Programme targets includes:

- To provide at least 626 SMEs to ambitious businesses that are suitable candidates for accelerator and incubator programmes and/or investment.
- To support 186 SMEs to engage in access to finance activity
- To support the SMEs to create 284 new jobs and to safeguard 100 jobs.
- To improve the business performance of 186 SMEs; to raise at least £9.5m investment finance.

The application has a retrospective start date in 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 7 of the London ERDF programme, launched in December 2012. This was an open call to which all eligible applicants could apply. The Call 7 Prospectus set out the eligibility and other requirements, in addition to the appraisal criteria (approved by the LMC). The Call 7 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 February 2013. A first version of the Full Application was submitted to EPMU in April 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 27th January 2014 and the LMC itself on 3rd February 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 business support for SMEs.

In particular the Capital Enterprise application focusses on enabling SMEs to obtaining finance, including risk capital to grow, including seeking angel investment through either accelerators or from business angels.

ERDF funds are available to commit to the project. Of the €181m available under the 2007-13 London ERDF programme; c.104%¹ of funds have been committed to projects, or are ring-fenced for projects in the pipeline; including these projects.

3. Other considerations

Key risks:

EPMU will need to 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 a revised update in April 2013.

4. Financial comments

Director approval is being sought to award funding of £1,926,838 for the Capital's Accelerator Programme project, delivered by Capital Enterprise, as part of the London ERDF 2007-13 programme.

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.

The GLA is the financial accountable body for the distribution of ERDF. The cost of administering the programmes is funded by Government and EU 'Technical Assistance' and the GLA.

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.

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.

¹ This figure will change; it is dependent on existing ERDF projects underspending and/or returning funds to EPMU; also £/€ exchange rate fluctuations. The over-commitment of funds is designed to accommodate underspends that will arise from existing projects.

The project will be match-funded, coordinated by Capital Enterprise to a total sum of £1,926,838. 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.

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 within the ERDF and DCLG rules.

5. 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 will be granted in the following amount to the following organisation:

- £1,926,838 to Capital Enterprise in order to fund partly its Capital's Accelerator Programme project (the "CAP Project").

As set out in paragraph 2 above, the CAP project aims to assist pre-revenue SME's to obtain seed investment. Furthermore, the CAP Project will be pan-London in scope. To this end, the GLA's funding of the Project may be viewed as promoting economic development and wealth creation within Greater London.

6. Planned delivery approach and next steps

Capital's Accelerator Programme	Timeline
Project delivery Start Date (may be retrospective)	8 July 2013
Project delivery financial End Date	30 September 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