

**REQUEST FOR DIRECTOR DECISION – DD1205**

**ERDF 2007-13 programme: Retrofit London project delivered by LB of Enfield**

**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 LB Enfield, Retrofit London 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 £525,000 ERDF funding to LB Enfield for the Retrofit London project, 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:** 24 April 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 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:	LB Enfield
Name of project:	Retrofit London
ERDF requested:	£525,000
Capital or Revenue:	Revenue
Total Project Cost:	£1,050,000 (of which 50% is match funding)

Forecast spend profile (including match funding):

2013:	£203,275
2014:	£370,330
2015:	£476,395
Total:	£1,050,000

Match funders:

LB Enfield (Procurement team):	£42,000
Enfield Council:	£130,405
LB Haringey:	£100,000
LB Lewisham:	£75,000
LB Waltham Forest (Procurement team):	£42,000
LB Waltham Forest (Economic Development team):	£38,000
North London Chamber of Commerce:	£47,595
Enterprise Enfield:	£50,000

## Summary of project activity:

The 'Retrofit London' project is led by LB Enfield, working in partnership with LB Haringey, LB Waltham Forest, LB Lewisham, Enterprise Enfield (EE) and North London Chamber of Commerce (NLCoFC).

Retrofit London aims to support 175 SMEs based in Enfield, Haringey, Waltham Forest and Lewisham, to access new market opportunities, particularly market opportunities driven by the carbon reduction and energy saving agenda.

The SMEs recruited to the project will be from skilled and experienced trades and businesses in the construction sector and professionals including surveyors, engineers, architects and energy reduction specialists in the business support services sector. In addition manufacturers and wholesalers of insulation and other carbon reduction and energy saving products to be installed in buildings will be recruited. The project will seek to recruit SMEs managed by women, Black and Minority Ethnic (BAME) community members and disabled people. Marketing and recruitment drives will identify SMEs with experience and capacity in the following areas:

- i. General builders with experience providing refurbishment and maintenance services
- ii. Installers of heating and plumbing systems in domestic, commercial and public buildings
- iii. Double and triple glazing installers
- iv. Electrician and engineers providing voltage optimising services; products and energy saving solutions for lighting in domestic, commercial and public buildings,
- v. Installers of ground source heat pumps, Photo Voltaic (PV) and other renewable energy systems and technology.
- vi. SMEs providing plastering, bricklaying and painting & decorating services to support the completion of energy saving solution installations.
- vii. Registered installers with PAS2030 carrying out: Heating, Double Glazing, Insulation or Renewable Energy measures to achieve carbon savings.
- viii. Registered Energy Assessors working in carbon reduction and energy saving markets and carrying out Green Deal Energy Assessments.
- ix. Building Surveyors and Building Management professionals experienced in carrying out Energy Performance Certificates (EPCs) for landlords of rented properties.
- x. Manufacturers and wholesale businesses providing advice on energy saving products to be installed as part of energy saving solutions in buildings and new build.

The Retrofit London project has been developed following research carried out by the Business & Economic Development Team in LB Enfield into how local SMEs could benefit from new market opportunities driven by the carbon saving policies and fuel price increases, particularly energy saving and retrofit programmes.

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

- 175 SMEs assisted for 12 hours or more.
- 30 of these SMEs achieving sales in new markets
- 25 jobs being created within these SMEs and 35 jobs safeguarded as a result of ERDF
- Circa £900,000 generated in GVA for the London economy

The application 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 18<sup>th</sup> March 2014 and the LMC itself on 2<sup>nd</sup> April 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.

### **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 for the above named ERDF project 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.

The project will be match-funded, coordinated by LB Enfield to a sum of £525,000. 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.

The programme's allocation is in Euros not Pounds Sterling so commitment figures may change according to exchange rates. The programme's commitment is currently forecast at 101%. However, the actual commitment rate is 96% pending approval of pipeline projects (i.e. c.£7m ERDF still available to commit). The commitment will reduce as funds (associated with irregularities and underperformance from existing ERDF projects) are recycled into the programme.

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 suggests that programmes always underspend on closure; the only mitigating factor being a prolonged exchange rate crash of Pound Sterling versus the Euro. Experience suggests that there is minimal likelihood of over commitment happening in reality.

## **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 of £525,000 will be granted to LB Enfield in order to fund partly its Retrofit London project (the "Project").

As set out in paragraph 2 above, the project aims to support 175 SMEs based in Enfield, Haringey, Waltham Forest and Lewisham, to access new market opportunities, driven by the carbon reduction and energy saving agenda. The project will seek to recruit SMEs 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 within Greater London.

Paragraph 4.8 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 equalities obligations. 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.

**6. Planned delivery approach and next steps**

<b>Activity</b>	<b>Timeline</b>
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:**

Iva Figueiredo 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**