

DIRECTOR DECISION – DD 174

Title: Loans for small business independent evaluator

Executive Summary

In June 2023 OPDC launched its £350,000 Loans for Small Businesses programme. This provides low interest loan funding between £10,000 to £150,000 to growing businesses in the food manufacturing and creative industries, as well as affordable workspace providers. The fund will work with local businesses to create new local job opportunities, deliver more affordable workspace and improve the environmental performance of existing industrial buildings. The current fund will run until March 2025.

As part of the approval by OPDC Board in March 2023, it was agreed that loans over £50,000 would be subject to additional scrutiny by an independent evaluator. In addition, OPDC has committed to providing an independent evaluation of the loan fund pilot.

OPDC will procure a combined independent evaluator. They will be responsible for assessing the business plans for loan applications over £50,000 as well as providing an independent evaluation of the loan fund pilot. Combining these roles provides OPDC with the best value for money and ensures that the programme evaluation will benefit from the insights gleaned from individual applications.

Decision

The Executive Director for Delivery approves expenditure of £25,000, comprising:

- i. £25,000 expenditure for the services of an Independent Evaluator to assess loans over £50,000 in value, as well as the programme evaluation.

Authorising Director

I do not have any disclosable interest in the proposed Decision. It is consistent with OPDC's priorities and has my approval.

Signature:



Date: 12 September 2023

PART 1: NON-CONFIDENTIAL FACTS AND ADVICE

1. Background and context

- 1.1 Park Royal is home to more than 1,700 businesses employing more than 40,000 people. Conservative estimates suggest that between 15–20 per cent of the workforce is in the creative sector, including a large number of specialist supply businesses servicing London's film, theatre and event production needs. A growing number of businesses are hosted in the area's 14 affordable workspaces including managed artist studios/creative workspace, many of which arrived in the area in the past 2-3 years.
- 1.2 However, Park Royal's success as London's premier industrial location has put considerable pressure on both affordable and low-cost workspace. Prime industrial rents can be as high as £30/sqft, more than doubling in the past year. Average land values in the area have surged to over £10m per acre (compared to the London average of £7.1m per acre), driven by demand for large industrial space. Vacancy rates are often as low as 2-3 per cent.
- 1.3 The OPDC Local Plan sets out a clear ambition to create substantial new affordable workspace within Park Royal and Old Oak ([POLICY SP5 Economic Resilience](#)) as well as supporting the area's new mix of SMEs ([E3: Supporting Small Businesses and Start Ups](#)). This is reflected in the RED Programme's 10 principles which include a stated ambition to "Deliver an adequate supply of the right type of workspace for businesses to start-up, grow, move-up and thrive" and "Work with our existing business base and strengths – food manufacturing, creative industries, film and media, and logistics".
- 1.4 In response to these challenges, in June 2023 OPDC launched its £350,000 Loans for Small Businesses programme. This provides low interest loan funding between £10,000 to £150,000 to growing businesses in the food manufacturing and creative industries, as well as affordable workspace providers. The fund will work with local businesses to create new local job opportunities, deliver more affordable workspace and improve the environmental performance of existing industrial buildings. The current fund will run until March 2025.
- 1.5 Loans will support Park Royal workspace providers and businesses to purchase new equipment, expand into new premises, and extend owner-occupier premises. The Loan Fund will be utilised to leverage additional outcomes including new jobs, local recruitment and local procurement. Businesses will be expected to work closely with The Forge, OPDC's business support and recruitment service, to ensure that employment opportunities are going to job seekers from the local area. Targets will be set to spend within the local supply chain during the construction process.
- 1.6 OPDC submitted a successful grant application to the GLA's Creative Enterprise Zone Small Capital Grants Programme. GLA will provide £150,000 grant funding to pilot the loan fund. A further £200,000 was secured from the Regeneration and Economic Development (RED) 23/24 budget to put into the loan fund.

2. The proposal and how it will be delivered

- 2.1 As part of the approval by OPDC Board in March 2023, it was agreed that loans over £50,000 would be subject to additional scrutiny by an independent evaluator. The evaluator will be responsible for providing impartial expert assessment of the submitted business plan, advising OPDC whether the business plan is fundamentally sound and providing tangible recommendations for any improvements that can be made. This advice, alongside the organisational due diligence process undertaken by OPDC finance, will ensure that OPDC is making prudent investment decisions.
- 2.2 In addition, OPDC has committed to providing an independent evaluation of the loan fund pilot. The evaluation will assess the overall effectiveness of the pilot against the agreed KPIs and outcomes, as well as assessing the efficiency of the decision-making process. The evaluation will set out recommendations for how OPDC can improve any follow on to the loan fund as well as identifying opportunities to expand the reach and impact of the fund.
- 2.3 OPDC will procure a combined independent evaluator. They will be responsible for assessing the business plans for loan applications over £50,000 as well as providing an independent evaluation of the loan fund pilot. Combining these roles provides OPDC with the best value for money and ensures that the programme evaluation will benefit from the insights gleaned from individual applications.
- 2.4 The appointed assessor will need to demonstrate suitable experience in assessing business plans as well as evaluation.
- 2.5 The total budget for the independent evaluator is £25,000. This will be divided approximately £5,000-£10,000 for funding application evaluation, and £15,000 - £20,000 for the programme evaluation. There will need to be some flexibility in the allocation, depending on the number of loan fund applications over £50,000 that need assessing, as the fund is open on a first come first serve basis. An estimate of the budget allocated for application evaluation is based on a minimum of five applications requiring at least two days of professional time.

3. Objectives and expected outcomes

- 3.1 The loan fund assessments will help inform the ultimate decision made by the RED Programme Board. The assessment will provide a concise written report which will be presented to RED Programme Board alongside a summary of the funding application and business plan, outcome of the organisational due diligence process undertaken by OPDC finance, and other relevant supporting information.
- 3.2 The evaluation report will help OPDC to assess the impact of the fund, as well as how it can improve and expand the fund if there is a decision to extend the programme. The evaluator will be expected to provide practical process recommendations as well as more strategic recommendations to inform the future development of the fund. This includes identifying potential funding and delivery partners that OPDC could approach.

4. Strategic fit

- 4.1 The evaluation partner will support the delivery of the Loans for Small Business Programme, which is a key pillar of OPDC's Regeneration and Economic

Development programme. In turn the RED programme delivers on the Local Plan policies to intensify the use of Park Royal and Old Oak North's Strategic Industrial Land, increase the number of jobs and deliver more affordable workspace.

5. Project governance and assurance

- 5.1 The evaluation partner will be managed by the Regeneration and Economic Development team as part of their existing work on the Loan fund. Outcomes from the report will be reported via the RED Programme Board as part of the agreed decision making process for the loan fund.

Risks and issues

- 5.2 The appointment of the evaluation partner will help mitigate one of the key risks identified for the loan fund (poor investment decisions leading to a low repayment rate).
- 5.3 We have already identified a number of suitably qualified suppliers who will be able to provide the necessary services. We will send the finalised tender to more than three suppliers, the minimum requirement for this contract value, in order to ensure a good response rate.
- 5.4 OPDC officers will meet regularly with the evaluation partner to ensure that they remain briefed on the loan fund as it develops and that they are receiving all the necessary information to help inform their work.
- 5.5 The project budget and governance will be managed in line with the standards established for the OPDC RED programme with regular updates provided to the RED Programme Board, and any risks or issues escalated as required.

6. Equality comments

- 6.1 OPDC must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation, as well as to the need to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not.
- 6.2 The RED programme seeks to actively address inequalities through targeted investment support for marginalised groups in line with the priorities of the Equity, Diversity and Inclusion (EDI) Strategy and Action Plan.
- 6.3 This will be captured via the outputs and KPIs, with key outputs including new jobs created and jobs brokered via the Forge. Where feasible and proportionate we will seek to measure participation by demographics. Metrics will be benchmarked against local demographic data to ensure that beneficiaries from any investment are truly reflective of the local community.
- 6.4 We will build on successes from the Year One programme including the introduction of mandatory EDI scoring and monitoring for grant recipients. Examples from the Year One programme includes the CEZ Open Call, which introduced EDI monitoring and EDI scoring to OPDC assessments. This resulted in 40% of funding going to minority ethnic-led organisation, and 60% from minority led

organisations. This approach is being applied to our Year Two CEZ programme and grant funded programmes delivered via the Forge.

- 6.5 In line with this approach, we score the procurement submissions with a mandatory 10% for Equalities, Diversity and Inclusion as well as mandatory EDI monitoring. This is a key step for us to ensure that the service providers we work with are representative of OPDC's communities.

7. Other considerations

Data protection

- 7.1 The evaluator appointed to deliver this project will need to demonstrate they are capable of managing personal data of the people they engage with in compliance with current GDPR policies.
- 7.2 Any data held for the purpose of the project to assist in the evaluation of the Small Business Loan Fund will be password protected and only accessible internally by nominated OPDC staff. Where individuals have provided their consent for the nominated team to make contact and receive updates, only the appropriate communications and emails will be sent to those individuals about the project.

8. Conflicts of interest

- 8.1 No one involved in the preparation or clearance of this Form, or its substantive proposal, has any conflict of interest.

9. Financial comments

- 9.1 The Executive Director for Delivery approves expenditure of £25,000.
- 9.2 The total expenditure of £25,000 is funded across two years. The current year is funded through the RED existing budget estimated at £25k which includes £10k for the independent evaluator cost. This will be identified in Q2 Budget Monitoring Report.
- 9.3 The future year (24/25) requirement will have budget allocated for it in the budget setting / forecasting exercise.

10. Legal comments

- 10.1 The foregoing sections of this report indicate that the decisions requested of the Director concern the exercise of the OPDC's general powers, falling within the OPDC's statutory powers to do such things considered to further or that are facilitative of, or conducive or incidental to, the promotion of economic development and wealth creation, social development or improvement of the environment, in Greater London.
- 10.2 In implementing the proposals in respect of which a decision is sought, officers should comply with the OPDC'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.

- 10.3 In taking the decisions requested, as noted in section 6 above, the Director must have due regard to the Public Sector Equality Duty under section 149 of the Equality Act 2010. To this end, the Director should have particular regard to section 6 (above) of this report.
- 10.4 In taking the decisions requested, as noted in section 6 above, the Director must have due regard to the Public Sector Equality Duty under section 149 of the Equality Act 2010. To this end, the Director should have particular regard to section 6 (above) of this report.
- 10.5 Section 1 of this report indicates that part of the sought budget concerns payment for services. The services required should be procured in accordance with the OPDC's Contracts and Funding Code by relevant procurement officers. Officers must ensure that appropriate contract documentation is put in place and executed by Addleshaw Goddard LLP and OPDC (with the assistance of TfL Legal) before the commencement of the services.

11. Summary timeline

Activity / Output	Date
Brief finalised	July 2023
Procurement period	September 2023
Supplier appointed / inception meeting	September 2023
Application evaluation period	September 2023 – March 2025
Programme evaluation complete	March 2025

Appendices

- None

Other supporting papers

- None

PUBLIC ACCESS TO INFORMATION

Information in this Form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA). OPDC aims to publish the Form within three working day of approval.

If immediate publication risks compromising the implementation of the Decision (for example, impacting a procurement process), it can be deferred until a specific date (when it will be published). Deferral periods are kept to the shortest length strictly necessary.

Part 1 – Deferral

Publication of this Part 1 is to be deferred: **No**

The deferral is until: N/A

This is because: N/A

Part 2 – Confidential information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in or attached to any separate Part 2 Form, together with the rationale for withholding the information at this time.

There is a separate and confidential Part 2 Form: **No**

DECLARATIONS

Drafting officer: Alex Marsh has drafted this Form in accordance with OPDC procedures, including for handling conflicts of interests, and confirms that:



Advice: The Finance and Legal teams have commented on the proposal.



CONFIRMATIONS

Section 106 funding: Not applicable

SMT review: This Decision was circulated to the **Senior Management Team** for review on Friday 11th August 2023.

Chief Finance Officer

Financial and legal implications have been appropriately considered in the preparation of this Form.

Signature:



Date: 14 September 2023