

GREATER LONDON AUTHORITY

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2706

Title: Skills for Londoners Capital Fund – Round Three

Executive Summary:

The £214m Skills for Londoners Capital Fund (SfLCF) programme has been in delivery since 2015. In March 2023 £31m of this funding was unspent, and MD3092 approved expenditure of up to £31m comprising the award of up to:

- £23m of contingency funding to support live projects facing significant budget pressures
- £8m to be made available to new projects via a third round of the SfLCF.

As of January 2024, a maximum of £20.3m was required for contingency funding, so the remaining amount available for SfLCF Round Three was increased to £10.877m.

The Mayor also delegated authority to approve the final allocation of SfLCF funding to the Assistant Director - Skills & Employment.

The SfLCF Round Three will prioritise half of the available funding for the green skills sector to support London's progress towards becoming net zero carbon by 2030, with the remainder supporting projects in the creative, digital, health and social care and hospitality sectors.

This decision seeks approval to award up to £10.877m to 30 successful applications. A number of application awards will be subject to certain conditions of award being met prior to entry into grant agreement. If these conditions are not met, the projects would no longer deliver and the funding awarded would be withdrawn and repurposed under a future decision.

Decision:

That the Assistant Director – Skills & Employment (Delivery) approves the expenditure of up to £10.877m to 30 Skills for Londoners Capital Fund Round Three projects, comprising:

- up to £10.419m grant funding awards
- any remaining funding to provide necessary contingency support to the projects to enable them to deliver (further information at paragraphs 1.24-1.26).

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT

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: Ayodeji Akande

Position: Assistant Director, Skills and Employment (Delivery)

Signature:



Date:

01/03/2024

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. The Mayor approved (under cover of [MD1420](#) and [MD2142](#)) the spend of £214m of Skills for Londoners Capital Fund (SfLCF) and delegated authority to the Executive Director of Development, Enterprise and Environment to make decisions on project awards and expenditure.
- 1.2. Seven rounds of capital funding have been awarded since 2015 and the majority of projects are now complete, enabling the amount of unspent funding to be confirmed and funds to be reallocated.
- 1.3. In March 2023, £31m of the £214m funding was unspent and the Mayor approved expenditure of up to £23m of contingency funding to support live projects facing significant budget pressures and £8m to be made available to new projects via a third round of the SfLCF (under cover of MD3092¹). The Mayor also delegated authority to approve the final allocation of SfLCF funding to the Assistant Director – Skills and Employment.
- 1.4. As of January 2024, a maximum of £20.3m is required for contingency funding (full details in Appendix A) which allows for up to £10.877m to be made available for SfLCF Round Three. At the time of launch of the SfLCF, £10m was advertised as available and as some contingency awards have not been progressed to contract or have been reduced, some additional funding is now available.
- 1.5. While this is an increase on the Round Three funding approved under the cover of MD3092, the overall budget envelope remains the same. Furthermore, MD3092 noted that any funding remaining from the contingency budget would be put towards SfLCF Round Three (as endorsed by the LEAP Board).

SfLCF Round Three sector focus

- 1.6. The fund focuses on equipment projects and associated building adaptations which deliver the skills aligned to the Mayor's Skills Academies priority sectors. The Academies aim to support Londoners hardest hit by the pandemic into good work in sectors key to London's recovery and long-term economic growth. Key sectors are green, hospitality, digital, creative and health and social care.
- 1.7. The scale of change required for London to reach net zero by 2030 is significant. Based on GLA and Worcester Polytechnic Institute (WPI) research, the key priority green skills sectors are homes and buildings, low carbon transport and green infrastructure and resilience. These sectors also form the largest number of Adult Education Budget (AEB) funded learners in London on courses which we have identified as green and linked to occupations which will see growth as we move towards net zero.
- 1.8. From the £10.877m available for this funding round £5 million was reserved for green skills projects and £5 million was reserved for projects in the creative, digital, health and social care and hospitality sectors. Applicants could apply for funding between £50,000 and £1.2 million per project. Of the total £10.877 million, £2 million was reserved for projects requesting up to £150,000, of which £1 million was reserved for green skills projects and £1 million was reserved for projects in the creative, digital, health and social care and hospitality sectors. All applicants were required to demonstrate an ability to provide a minimum of 50 per cent match funding or provide an evidenced rationale for consideration of exceptional circumstances where they could not meet this.

The application and assessment process

¹ MD3092 is deferred from publication as it contains commercially sensitive information intended for publication at a later date.

- 1.9. The GLA launched the SfLCF Round Three Programme on 10 October 2023, inviting organisations to submit applications by 15 November 2023. Thirty-three applications were received via the online GLA-OPS application portal. Applications related to project sites across 21 London boroughs, with one project also spanning multiple boroughs.
- 1.10. The scoring framework was designed to accurately assess the suitability of applications for funding and published in summary form in the fund prospectus.
- 1.11. Each application was scored by three external evaluators and the resulting average scores were quality-assured by the supplier to ensure consistency, with moderation taking place as necessary.
- 1.12. Each application was scored against applicants' response to questions (each with a maximum of five marks) against the following weighted criteria (weighting shown in brackets) by external consultants:
 - project aims and rationale (30 per cent)
 - deliverability (40 per cent)
 - value for money (30 per cent).
- 1.13. Construction cost due diligence was provided by external consultants for proposals of over £0.5m value which included substantial construction costs alongside equipment purchases.

Financial due diligence

- 1.14. Financial due diligence is being undertaken by the GLA for all applicants being included on the lists of recommended projects. Where the results of the due diligence tests suggest that funding should not be awarded, the level of funding should be reduced, or additional mitigations should be put in place, these considerations will be taken into account.

Endorsement by the Sfl Board

- 1.15. Following the closure of LEAP, the Skills for Londoners Board took on the oversight and monitoring of the SfLCF programme. The final outcome and any associated recommendations for conditional award of funding were identified at an internal moderation meeting, and on 13 February 2024, an update on the fund was shared with the Skills for Londoners Board, which endorsed the strategic fit and deliverability of the proposed programme of activity. In total, up to £10.419m SfLCF will be awarded to 30 projects, with remaining funding available to provide contingency support to projects or considered for a future green skills focused fund.
- 1.16. One organisation did not meet the organisational eligibility criteria as set out in the prospectus and two projects requested funding for ineligible spending, so are recommended to be unsuccessful.
- 1.17. Successful applicants will contribute approximately £26m match funding, bringing the total programme value to approximately £37m.
- 1.18. Details of the 30 projects recommended for SfLCF investment are presented in Appendix B.
- 1.19. 17 projects only require minor clarifications and amendments before proceeding to contract, for example review of their output forecasts to ensure that they are realistic and include all relevant categories, or submission and review of more detailed equipment purchase quotes.
- 1.20. 13 projects require more substantial clarifications before proceeding to contract and/or may require formal conditions as part of their funding award. For example, a project may have not received planning consent as of January 2024 and be required to evidence that they have achieved planning consent as a condition of their funding award or may be required to submit a more detailed cost plan for further review by external cost consultants.

- 1.21. The projects requiring more substantial clarifications and/or formal conditions are recommended for award because they have scored at least satisfactorily across the criteria. It is considered that any risks relating to information to be clarified or provided in due course as projects develop beyond business case stage can be mitigated by establishing clear conditions of any award to be met ahead of contracting or drawdown of GLA funding. The alternative would be to not proceed with an award of funding to these projects which poses a risk to the GLA in leaving a substantial amount of funding unallocated and requiring a further round of funding to be advertised. This would lead to significant cost and time resource outlay for the GLA to run the process, and a high likelihood that the same projects would be proposed, in the same or more developed form in a future round.
- 1.22. Details of the proportion of projects by sector and value are presented in Table One below, with the funding distributed between the sectors and project values approximately as planned (see point 1.7), though with fewer small green sector projects than anticipated.

Table One – Proportion of projects by sector and value

| Project sector | Project value | | | |
|---------------------------------|---------------|-----------|-------------------|--------------|
| | <£150k | £150k+ | Total/£ | |
| Projects including green sector | 214,518 | 4,666,645 | 4,881,163 | |
| Projects excluding green sector | 901,069 | 4,636,862 | 5,537,931 | |
| | | | 10,419,094 | Total |

- 1.23. Of the £4.88m funding recommended for award to projects including green sector, approximately £3.57m will support the delivery of green skills and approximately £1.31m will support the delivery of skills in other priority areas.

Use of remaining funding to manage project risks and deliver programme aims

- 1.24. Eight of the largest applications have been reviewed by external cost consultants, which have identified that some projects will need to increase their budgets to meet recommended inflation allowances. All projects are also at risk of inflation causing costs to rise above their contingency budgets even where these meet the currently recommended values due to the unpredictability of the current national and global economic context.
- 1.25. It is therefore recommended that the remaining available funding is ringfenced to match fund increasing inflation allowances prior to contracting, and also to provide broader contingency funding to projects if applicants are able to evidence that they are unable to meet this cost themselves. It is anticipated that the majority of applicants will be able to meet these costs, but where they cannot this ringfenced amount will enable the GLA to support mitigation of this key project risk.
- 1.26. Funding required for possible contingency support for current commitments as set out in paragraph 1.25 above will be agreed via local programme management and internal Unit governance arrangements as approved by the Assistant Director without a further formal decision form. Should funding not be required for contingency for these projects, it will be considered for use for contingency funding for projects within the broader SfLCF programme or towards a future green skills fund (which would be agreed under a future decision form).

2. Objectives and expected outcomes

- 2.1. The SfLCF Round Three launched on 10 October 2023 with a new prospectus, making circa £10m available to improve the quality of training funded through the AEB, other GLA revenue funded skills programmes and skills programmes endorsed by Her Majesty's Prison and Probation Service (HMPPS) by investing in industry standard equipment and facilities to ensure that learning environments are good quality and fit for purpose.

- 2.2. The available funding will be split approximately 50/50 between green sector projects and the digital, creative, health and social care and hospitality sectors to recognise the vital role that skills delivery and training will play in moving towards net zero, while continuing to invest in broader priorities for London’s recovery to the pandemic and longer-term growth, training Londoners to progress into meaningful employment.
- 2.3. Funding is prioritised for applications that will serve the sectors outlined in section 3.1 of the fund prospectus, which sets out priority occupations within each sector.
- 2.4. Applications were also required to demonstrate how their project:
- encourages and enables integration of all learners, with priority given to those most in need, to ensure London’s diverse communities are fully represented and everyone has access to skills which are locally relevant and support progression
 - supports progress towards net zero campuses, meeting Building Research Establishment Environmental Assessment Method (BREEAM) ‘Outstanding’ for new build projects and ‘Excellent’ for refurbishment projects.
- 2.5. Applicants were required to feature in their scopes of work:
- purchase and installation of industry-standard equipment to support learners into careers in the priority sectors identified above
 - adaptations to premises to accommodate equipment and associated learning provision (where required)
 - adaptations to premises to enable equitable and safe access to the newly equipped space (where required).
- 2.6. The forecast core outputs and outcomes to be delivered by the SfLCF Round Three successful projects are summarised in Table Two below. These figures will be refined and updated during the contracting process.

Table Two – Approximate outputs and outcomes for learners supported and space added

| Output type | Total number |
|--|-----------------------|
| Total learners supported | 180,000 |
| Area of new or improved learning/training floorspace (m ²) (not required for equipment only projects) | 80,000 m ² |
| Amount of space with improved energy efficiency (m ²) (not required for equipment only or minor refurbishment projects) | 70,000 m ² |

3. Equality comments

- 3.1. The GLA is required, in the exercise of its functions, have due regard to the need to:
- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

- 3.2. In the context of the SfLCF, the Mayor's Equality, Diversity and Inclusion Strategy launched in 2018 includes the following relevant objectives:
- many more people of all ages progressing in learning to reach their full potential
 - ensuring all Londoners and London's businesses can access the skills they need to succeed
 - promoting social integration and contact between different groups and tackle the inequalities that exist which prevent people from being active citizens
 - more young people having the knowledge, skills and life experiences to succeed
 - reducing the number of jobless young people
 - London being a city where people of every background feel connected with each other and can realise the benefits of London's diversity, creating greater equality, diversity and inclusion (which includes gender parity in terms of career outcomes and greater social mobility within professions).
- 3.3. The Equality Impact Assessment (EqIA) for the programme summarises how impacts on people in equality groups, i.e. Londoners who share protected characteristics under the Equality Act 2010 or are part of other disadvantaged groups, have been considered in the development of the SfLCF Round Three programme.
- 3.4. All successful applicants are required to demonstrate how they intend to make their courses as accessible as possible particularly in terms of actively promoting less well-known career choices and providing guidance as to what qualifications are needed to get into the roles, demonstrating how they give due regard to the requirements of the Public Sector Equality Duty and how they will integrate relevant equality, fairness, and inclusion considerations into all areas of delivery. They will also be required to foster good relations between persons who share a relevant protected characteristic and persons who do not share it in the delivery of funded projects. This will be reinforced by the requirements set out in the funding agreement and monitoring of any successful project.
- 3.5. Additionally, one of the organisational eligibility criteria for funding applicants is that recipients are already in receipt of GLA skills revenue funding, receipt of which requires providers to have a strong focus on supporting diverse learners. The approximate total breakdown of learners in equality groups to be supported by applicants is in line with London's population. The groups include Deaf and disabled learners, Black, Asian, and Minority Ethnic learners, female learners, young (16-24) learners, older (50+) learners, migrant learners, care leavers, people affected by the criminal justice system, lone parents and learners with caring responsibilities.

4. Other considerations

Risks and issues

- 4.1. A programme level risk is the uncertainty of pricing of early-stage projects and low inflation allowances at the time that the project budgets are being developed for the purposes of application. There is a risk of future inflation leading to projects becoming financially unviable or project costs increasing as scope is further defined and planned for. Each applicant has been required to include a risk management and sensitivity analysis (including inflation) along with a minimum construction contingency of 10 per cent with inflation factored into the contingency at 3-4 per cent as appropriate for the type and value of the project. Where proposals have not factored this in their project budget accordingly, the funding award will be conditioned on the required risk and inflationary allowance being included.

- 4.2. There is also a programme level risk that a small number of projects are not successful in securing the required match funding. At the time of funding award, officers will review the status of match funding and make a recommendation on how long the funding should be ringfenced for if the match funding is not yet evidenced as secured.

Link to Mayoral strategies and priorities

- 4.3. All SfLCF Round Three successful projects contribute to the Mayor's plan set out in the Skills Roadmap for London, this roadmap ensures London's skills offer better serves London's communities and economies. This builds on the success of City Hall's local leadership since the delegation of the AEB to the Mayor in 2019. Successful projects will be accessible, make an impact and be locally relevant.
- 4.4. Half of the funding provided by SfL Round Three targets City Hall identified green occupations where there is existing demand from employers. This is expected to grow, as London moves to net zero, making skills training for this growing workforce essential to meeting net zero.
- 4.5. Investments will contribute to the Mayor's drive to make London a better place in which to live and work and to visit, through delivery approaches that secure the highest levels of social, economic and environmental value.
- 4.6. SfLCF Round Three projects align with relevant policies of the London Plan and contribute positively to the Mayor's planning objectives relating to Design (Chapter 3), Social Infrastructure (Chapter 5), Green and Sustainable Infrastructure (Chapters 8 and 9), Transport (Chapter 10), Affordable Housing (Chapter 4, Policy H6 and H7) and the Mayor's Affordable Housing and Viability Supplementary Planning Guidance where applicable.
- 4.7. In alignment with the London Environment Strategy, SfLCF Round Three is supporting highly ambitious projects, integrating creative solutions to environmental sustainability interventions and demonstrating how they align with the Mayor's environmental priorities. One SfLCF Round Three requirement was that projects should be ambitious and achieve the maximum environmental and practical benefits of sustainable design by meeting BREEAM 'Outstanding' for new build projects and 'Excellent' for refurbishment projects where applicable.
- 4.8. The SfLCF Round Three projects support the diverse needs of all learners and help to reduce the disability, gender and race employment gaps in addition to meeting the Public Sector Equality Duty and are in alignment with Equality, Diversity and Inclusion Strategy.
- 4.9. The London Local Skills Improvement Plans (LSIPs) priorities are supported by projects though measures that better meet the skills needs that employers, providers, and stakeholders in a local area and directly contribute to or indirectly support Net Zero targets or adaptation to Climate Change.

Conflicts of interest

- 4.10. There are no conflicts of interest to note from those involved in the drafting or clearance of this decision.

5. Financial comments

- 5.1. Approval is sought for the expenditure of up to £10.877m underspend on the LEAP funded Skills for Londoners Capital Fund (SfLCf) programme on up to 30 successful Skills for Londoners Capital Fund Round Three projects.

- 5.2. MD3092 approved unspent funding from the SfLCf programme (currently £10.877m) to be invested in new projects via a third round of competitive SfLCF. This decision also delegated authority to the Assistant Director, Skills and Employment to approve the final allocation for the third round of Skills Capital Funding.
- 5.3. Projected timeline of this expenditure across 2024-25 and 2025-26 financial years (subject to change during contracting) is: £6.8m in 2024-25 and £4m in 2025-26 financial years.
- 5.4. Any contracts that commit the GLA in future years are subject to appropriate break clauses.
- 5.5. The award of grant funding will be subject to satisfactory due diligence.

6. Planned delivery approach and next steps

- 6.1. The GLA will enter into grant agreement with the applicant for each SfLCF Round Three project once any outstanding clarifications and evidence are provided, and projects are confirmed to be ready to contract. Each applicant will be required to monitor and report their progress on a monthly and/or quarterly basis and will be required to complete an evaluation following completion.
- 6.2. The next steps for the SfLCF Round Three are summarised below:

| Activity | Timeline |
|--|-------------------------------|
| Resolution of any outstanding clarifications, financial due diligence and preparations to contract | Ongoing to March 2024 |
| Announcement of successful applications | By 1 March 2024 |
| Successful projects enter into grant agreement and commence delivery | March 2024 onwards |
| Equipment purchase projects completed | September 2024 |
| Refurbishment and other construction projects completed | September 2025 |
| Project submission of final funding claims and commencement of evaluation and output reporting | November 2024 to January 2026 |

Appendices and supporting papers:

Appendix A – Contingency funding requirements as of January 2024

Appendix B – Details of projects recommended for SfLCF investment

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? YES

If YES, for what reason: The decision includes information relating to the potential of the GLA match funding increases to project inflation allowances which could prejudice discussions with applicants if made public prior to the discussions taking place.

Until what date: 30 September 2024

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:

Alison Davies has drafted this report in accordance with GLA procedures and confirms the following:

✓

Corporate Investment Board

A summary of this decision was reviewed by the Corporate Investment Board on 26 February 2024.

✓

ASSISTANT DIRECTOR FINANCIAL SERVICES:

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

Signature:

Anna Eastcott

Date:

26/02/2024