

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD2115

### Title: Big Creative Training FE Capital

#### Executive Summary:

MD1420 delegated approval of allocations of Further Education Capital grant ("FE Capital grant") to the Executive Director of Development, Enterprise and Environment. DD1467 approved seven projects from Round 2 of the Further Education Capital Investment Fund with grant award of up to £46,570,453 of capital expenditure. This included a £1.8 million FE Capital grant for a joint Waltham Forest College ("WFC") & Big Creative Training Ltd ("BCT") application to deliver the Big Creative and Waltham Forest: Big Creative Village project. The project funding is intended to create physical space to enable outputs including apprenticeship training, employment outcomes and to provide shared workspace for Micro-business & SMEs from the creative industry.

WFC and BCT have requested a project variation to allow the funding to be used to take out a long-lease and carry out a two floor refurbishment on Gnome House which is 50 meters away from the main BCT site. This is different to WFC and BCT's original application approved by DD1367 which involved constructing a new building.

Due-diligence has been carried out on the revised project proposal which has been satisfactory. The total project budget (£3.6 million) and funding request (£1.8 million FE Capital) remain the same as per WFC and BCT's original FE Capital grant funding application. The type of project outputs and outcomes remain constant however they have reduced by less than 10% in volume as a result of a more conservative occupation profile for the shared work space at Gnome House. WFC and BCT have also requested that BCT becomes the grant recipient as BCT is due to be awarded a direct Education and Skills Funding Agency ("ESFA") contract. Previously the grant recipient was intended to be WFC.

#### Decision:

That the Executive Director of Development, Enterprise and Environment approves:

1. A project variation for a lease-hold acquisition and refurbishment of Gnome House to deliver: shared workspace and apprenticeship and employment outputs.
2. A delegation to the Assistant Director of Regeneration to change the grant recipient for the project from Waltham Forest College to Big Creative Training and without the need for a further decision form, to be progressed if BCT is awarded a direct Education and Skills Funding Agency contract.

#### 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: Fiona Fletcher Smith

Signature:



Position: Executive Director Development  
Enterprise and Environment

Date: 26.4.2017

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 MD1420 delegated approval of allocations of Further Education Capital grant (“FE Capital grant”) to the Executive Director of Development, Enterprise and Environment on the advice of the London Enterprise Panel. DD1467 approved the seven projects from Round 2 of the Further Education Capital Investment Fund with grant award of up to £46,570,453 of capital expenditure including a joint Waltham Forest College (“WFC”) & Big Creative Training Limited <sup>1</sup>(“BCT”) application to deliver the Big Creative and Waltham Forest: Big Creative Village project. The funding would enable the following;
- A new Creative Industries Training Centre for the delivery of pre apprenticeship, intermediate and advanced apprenticeships;
  - The new Creative Enterprise & incubator Centre of creative industries business units, desk space for freelance and start ups and a range of support services to support business growth and development; and
  - A new community based Arts Theatre which courses will use as a training ground in the performing arts and related industries, as well as a place to explore and develop new skills and to showcase their skills and innovations.
- 1.2 WFC as part of a joint application with BCT were awarded £1.8 million for their £3.6 million project proposal as part of the FE Capital Round 2 in March 2016. The original scheme was proposed to be entirely based on the Big Creative Academy permanent site at Willowfields in Waltham Forest. This included constructing a new building to deliver the shared-work and apprenticeship output delivery of the project. This involved taking out a sub-lease on BCT’s existing site from BCT’s sister organisation Big Creative Academy and constructing a new building to host the learner skills development and shared work space for Creative Industry SMEs and micro businesses. The funding was awarded to the project however the project changed before they signed a funding agreement.
- 1.3 The main changes to WFC’s original application are summarised in the points below:
- WFC and BCT’s new proposal is to acquire by taking a 125 year lease and refurbish two floors of Gnome House. The building is owned by MacDonald Egan, a London based property company. This will provide an equivalent amount of space to the original proposal.
  - The type of project outputs and outcomes remain the same but have been reduced by less than 10% in volume as a result of a more conservative & realistic first year occupation profile of Gnome House by SMEs.
  - Planning permission is no longer required because there is no change of use and the proposed work is all internal alterations which enable the outputs to be delivered more quickly.
  - Gnome House has a better location for the shared work element with high-street frontage and therefore better visibility to visitors and potential customers.
  - Another benefit to the new proposal is that it separates space for Business / Enterprise activity away from a campus of 600 full time students to a stand-alone centre still connected geographically by a 50m walk providing a more professional setting for the workspace.
  - Gnome House is currently empty so it would bring this into use rather than building new premises.

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<sup>1</sup> The organisation is referred to as Big Creative Education in DD1467. However this is a typo. The application was made by and due diligence was carried out on Big Creative Training.

- The grant funding will enable BCT to take out a long-lease on Gnome House therefore the GLA will place restrictions in the grant agreement to ensure the building is used for the intended purposes as set out in this decision.
- BCT has carried out additional due-diligence on the shared workspace business plan for Gnome House. As a result a more conservative and realistic occupation profile has been adopted. As a result Net Present Value ("NPV") is now valued at £6.8million. The original NPV was £8.8 million. This is as a result of revised income profiles for first two years from the shared work-space. This still represents good value for money relative to the benefits delivered.
- A stronger shared-work space element of the project represents an opportunity for greater resilience for the organisation in a landscape of potential future sector funding changes.
- It also represents a valuable tool for BCT as it will allow them to further promote their 'prepare for apprenticeship' training offer at Willowfields as they are able to point directly to the apprenticeship and job opportunities delivered at Gnome House by creative sector micro businesses and SME's. The Gnome House option provides greater certainty as it is held for a 125 year lease.

#### 1.4 **Change of grant recipient**

A condition of the FE Capital grant programme is for fund recipients to be a direct ESFA<sup>2</sup> funding provider. The original joint application from WFC and BCT positioned WFC as the lead delivery for the project as BCT only delivered subcontracted ESFA provision (along with other funded programmes), i.e. BCT was not recognised as a direct ESFA provider. BCT is expecting to be awarded a direct ESFA contract in May 2017. A direct ESFA contract would make BCT eligible to receive FE Capital grant funding directly to deliver the project.

- 1.5 Should BCT be awarded a direct ESFA contract and be awarded the FE Capital grant, WFC will no longer be required to enter into such FE Capital grant funding agreement; WFC would however continue to work closely with BCT. WFC will continue their on-going relationship with BCT and there would be two way referrals of students. WFC would also refer their completing students to the business start-up apprenticeships and work opportunities at Gnome House. BCT would be responsible for contracting with subcontractors for the refurbishment of Gnome House. They would also be responsible for ensuring the delivery of all project outcomes and outputs.

- 1.6 If BCT are not awarded the new direct ESFA funding agreement in May 2017 the GLA reserves the right to review the reasons for this before determining whether to proceed with the funding agreement. If the GLA is satisfied with the reasons for BCT not receiving a direct ESFA funding agreement, GLA will enter into a tripartite funding agreement with both BCT and WFC. Approval for entry into a funding agreement with WFC was already provided for as part of the original project application. Satisfactory due-diligence has already been carried out on WFC and the potential for a funding agreement entered into between GLA and WFC in respect of the project is covered by the original decision DD1467.

## 2. **Objectives and expected outcomes**

- 2.1 The types of outputs and outcomes remain the same as those that were approved under DD1467. However the number learners supported by the shared work space has been reduced by 8.4% over the first five years. Other outputs have been reduced by less than 7%. This is a result of a more conservative shared work space occupation profile. The GLA funding is there to enable the delivery of these outcomes.

### 2.2 **Apprenticeships and employment**

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<sup>2</sup> The Education Funding Agency has recently merged with the Skills Funding Agency and become the ESFA.

The outputs and outcomes which will be delivered at Gnome House relate to apprenticeship provision and the progression of young people into apprenticeships and employment, including those from disadvantaged backgrounds. Gnome House will be a shared work space for creative tenants that will employ BCT apprentices and is also the location for all of the Apprenticeship and Access 2 Apprenticeships skills training.

### 2.3 **Access 2 Apprenticeship & FT study**

The 'no of learners supported' is split between Gnome House and the Willowfields campus. Access 2 Apprenticeship training will take place at Gnome House whereas full time study programmes will take place at Willowfield. The full time study programmes at Willowfields will provide young people with the depth of vocational knowledge, personal development and core Maths & English skills to progress to an apprenticeship, higher education or employment.

### 2.4 **Total Output and Outcome Profile - Gnome House & Willowfields**

Over a five year period from opening, the college is expected to produce the following outputs and outcomes between the Willowfields and Gnome House sites;

- A training centre to deliver creative industry pre-apprenticeship, intermediate and advanced apprenticeships
- A shared workspace centre and incubator for creative industries including desk space for freelance and start ups and a range of support services to support business growth
- A new community based arts performance space which learners will use to develop performing arts and creative industry skills, showcase their projects and demonstrate innovations.

### 2.5 Outcomes

- Support 4,225 learners
- 1,345 job progressions
- 680 apprenticeship starts
- Support 35 new SMEs and 48 micro-businesses to start up by 2017
- Support 673 young people not in education, employment or training ("NEETS") into employment or training.
- No. of learners with learning difficulties and/or disabilities ("LLDD") supported 820
- Improve 1,404m<sup>2</sup> by refurbishment improvement of the Willowfields site for Training use (now funded by the EFA)
- 1,200m<sup>2</sup> of newly acquired refurbished space for skills & enterprise development new build and at Gnome House
- Rationalise 2,000m<sup>2</sup> of estate that is in 'poor' or 'unfit for purpose' condition
- Produce £300k cost savings over 2 years.

### 2.6 Delivered if GLA grant not approved

If the GLA grant was not approved 2,055 learners would still be supported by 'Access 2 Apprenticeship & FT study' at Willowfields. This includes 420 LLDD supported learners. 1,404m<sup>2</sup> refurbishment improvements would also be delivered.

### 2.7 Only delivered if GLA grant approved

If the GLA grant is approved the remaining project outputs and outcomes highlighted above will be delivered. These include 2,170 learners supported, 1,345 job progressions, 680 apprenticeships and support for 35 SME's and 48 micro-businesses, 673 NEETS into employment and training and 400 LLDD supported. Additionally 1,200<sup>2</sup> at Gnome House which is currently unused would be converted into a space for skills & enterprise development.

### **3. Equality comments**

- 3.1 The FE Capital Investment Fund will support FE colleges and providers to invest in improving their estate that has poor accessibility.
- 3.2 Through the FE Capital programme and the selection of project proposals and development of these, the GLA requires all applicants to evaluate the potential impacts with regard to protected characteristic groups. In particular applicants are required to demonstrate inclusive design of new and refurbished FE estate funded through projects and College's Equality and Diversity Policies are submitted within the application. As a condition of funding agreements, projects awarded funding will be required to meet the Public Sector Equality Duty and demonstrate this through reporting of progress. The London Economic Action Partnership and the GLA are aware of their responsibilities under the Public Sector Equality Duty as set out in Section 149 of the Equality Act 2010, compliance of which will be formalised in Grant Agreements with individual projects. The GLA Diversity and Social Policy team has reviewed all projects at the detailed application stage, which has been tested through the due diligence process as necessary.

### **4. Other considerations**

- 4.1 Failure to attract sufficient tenants to shared work space  
Failure to attract sufficient tenants for shared work space at Gnome House represents a risk that could result in the project failing to meet its targeted outcomes impacting the value for money and benefits delivered. To mitigate against this risk BCT has carried out significant benchmarking of other shared work space providers to ensure they represent a good-value proposition in an area where there is local demand. Supported by social lenders Charity Bank they have also carried out enhanced due-diligence on the shared work space business offer is financially viable. One of the outputs of this enhanced due diligence has been a more conservative occupation profile, particularly over the first two years of the project. BCT has initial expressions of interests from multiple businesses who would be interested in taking on shared work space at Gnome House. They have also had expressions of interest from several organisations who are interested in referring tenants to a shared work space facility at Gnome House.
- 4.2 BCT has also engaged from an early point with London Borough of Waltham Forest Council who are supportive of the scheme. Jonathan Martin, Director of Investment and Delivery at London Borough of Waltham Forest has confirmed the borough supports the scheme as it is closely aligned with the borough's Blackhorse Lane Regeneration plan and because the scheme is in an area of planned Housing Zone growth and the borough has signed up for the Mayor of London's Workspace Pledge.
- 4.3 Delays to building works  
Delays to building works could result in cost inflation of the refurbishments works on Gnome House and a potential funding gap stalling the project. To mitigate against this, GLA has commissioned independent cost-due diligence and the results have been discussed in detail with BCT and their project management team at Fusion Project Management Ltd ("Fusion"). As a result of this additional precautions have been put in place and an updated risk register has been provided. An additional mitigation includes the retention of the property advisors Fusion by BCT to manage the ongoing project management responsibilities during the lease and fit out stages of the project. Fusion are very familiar with the project.
- 4.4 Recruiting sufficient people into apprenticeships  
There is a risk that BCT may not recruit sufficient people into their creative industry pre-apprenticeship, intermediate and advanced apprenticeships. The risk to the GLA is the projected number of apprenticeships would not be achieved. BCT does have a good track record of programme recruitment, often exceeding project delivery targets. BCT student recruitment has grown 10-20%

year on year since 2000 and achieved 100% growth in 13-14 when they launched their Academy provision.

4.5 BCT are not awarded direct ESFA contract

If BCT are not awarded a direct ESFA contract there is a risk that it will create a complex reporting and accountability relationship between WFC and BCT. To mitigate against this GLA Officers would sit on the project board and attend monthly progress meetings. The GLA would also enter into a tripartite funding agreement with both organisations so that if there was a need to retrieve any GLA funding we would have a contractual relationship with both organisations.

4.6 Links to Mayoral strategies and priorities

- Applications received have been assessed on their alignment to the Mayor's manifesto commitments and the City for all Londoners plan.
- The project supports these ambitions to be the most pro-business Mayor yet as it helps deliver the skills that the creative industry have reported are in short supply. It supports the development of the talent of Londoners by providing both a preparation for apprenticeship and delivers apprenticeships.
- It also helps provide workspace for Micro business & SMEs. A proportion of the work space at Gnome House also enables 'grow-on space' for SMEs as they grow the number of staff they hire.
- A key aspect of the project is that the creative industry tenants at Gnome House are offered discounted desk rental if they take on an apprentice within their business.
- All applications have been assessed on their ability to meet the ambitions of the LEAP objectives, namely delivering skills and employment, supporting micro, small and medium sized enterprises and enabling digital creative, science and technology sectors of the economy.
- The project promotes the GLA's priorities as it delivers against skills & employment, micro and SME's support and it also supports the digital and creative industries.

4.7 Impact assessments and consultation

As a result of the changes within the project, GLA Officers have carried out the following additional due-diligence on updated documentation which have been satisfactory.

- Cost due diligence - ARUP independent monitoring services
- Financial due diligence on BCT - GLA Finance
- Investment Appraisal - GLA Economics
- FE Capital Working Group clarification session

- 4.8 BCT has confirmed that during the live phase of the scheme they have commissioned Fusion as Project Managers to mitigate against project risks. Fusion specialises in supporting educational providers with capital projects and have been involved in the project from an early stage. They have also confirmed that they have access to low cost finance through the organisation Charity Bank if they do need to access additional funds. Charity Bank is supporting BCT with the project by providing low cost social finance for Gnome House. They have also been supporting with the business plan for the shared work space.

## 5 **Financial comments**

- 5.1 The paper is seeking approval to: change the recipient of the FE Capital grant (£1.8m) and to acquire a 125 year lease and refurbish the Gnome House, instead of constructing a new building, as stated in the grant application. The changes will result in a potential reduction of planned outputs.
- 5.2 There is no change in the proposed grant award of £1.8m originally approved by DD1467. In line with DD1467, the grant will be funded from the FE Capital budget, with the phasing of the grant to be determined and incorporated into the funding agreement. The funding agreement, itself will

govern the drawdown and oversight of the grant award to the new grant recipient; Big Creative Training.

- 5.3 The FE Capital budget has been re-profiled as part of the 2017-18 budget process and the GLA Capital Spending Plan has earmarked budget provision up to the end of 2020-21 to fund this and other FE capital grant awards. Any changes, including slippage on this project, will be subject to the Authority's closing of accounts process.

## **6 Legal comments**

- 6.1 Sections 1 to 3 of this report indicates that the decisions requested of the Mayor fall within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development and wealth creation, social development or the promotion of the improvement of the environment in Greater London and in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory duties:
- 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.
- 6.2 In taking the decisions requested, the Executive Director of Development, Enterprise and Environment 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 of this report.
- 6.3 Officers must ensure that appropriate documentation is put in place before the commencement of the services. It is noted that the funding agreement will be entered into between either:
- GLA and BCT if BCT is awarded a direct ESFA funding agreement; or
  - where BCT is not awarded a direct ESFA funding agreement (subject to GLA determining whether it wishes to proceed due to the reasons for BCT failing to receive such ESFA funding), between GLA, BCT and WFC. As previously noted in paragraph 4.5 above, this is necessary to ensure that there is a direct contractual relationship between GLA, WFC and BCT.

Officers must also ensure that Legal review and advise on the above mentioned funding agreement before entering into it.

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

<b>Activity</b>	<b>Timeline</b>
GLA & BCT enter funding agreement	May 2017
BCT complete contractor procurement for refurbishment works	June 2017
BCT refurbishment contract start on site	July 2017
Practical completion – Gnome House	January 2018

**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:**

Dominic Bloomfield has drafted this report in accordance with GLA procedures and confirms that:

✓

**Assistant Director/Head of Service:**

Mark Kleinman 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:**

The Corporate Investment Board reviewed this proposal on 24 April 2017.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. J. [Signature]*

Date

*24.4.17*

