

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2022

Further Education (FE) Capital Investment Fund: Round 1 ELATT

Executive Summary:

This paper sets out and requests approval, by way of delegated authority (MD1420), additional expenditure of £61,082 for the East London Advanced Technology and Training (ELATT) project from Round 1 of the FE Capital Investment Fund bringing the total grant award of FE Capital funding to £147,962, for a total, project value of £443,887. The project provided additional information which changed the amount of funding they were able to apply for. The increase in funding will allow for an upgrade in scope with regards to accessibility and upgraded windows.

The additional costs are a result of 1) clearer costs certainty from an updated Quantity Surveyor report 2) additional accessibility improvements to the college and 3) new windows to improve the projects BREEAM score, following our FE Capital technical advisors recommendations.

Decision:

That the Executive Director approves:

1. Additional expenditure of up to a maximum of £61,082 of grant funding on the East London Advanced Technology and Training project for the purpose of capital expenditure resulting in a total FE Capital grant expenditure of up to a maximum of £147,692, noting the initial funding of up to £86,880 was approved under DD1368.

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

Position: Executive Director, Development Enterprise and Environment

Signature:



Date:

11 July 2016

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 The London Enterprise Panel (LEP) was awarded £55m in 2015/16, £65m for 2016/17 from Growth Deal 1 and a further indicative £38m from 2017/18 as part of Growth Deal 2 for capital investment in Further Education colleges and providers.
- 1.2 **Previous approval**
The East London Advanced Technology and Training (ELATT) project has previously been approved under DD1368 for £86,880. Since this approval the project has become unviable for the reasons set out below.
- 1.3 **Additional information**
Additional information provided by the college changed the state aid position they had previously held. This enabled the project to upgrade the scope of the project's environmental outputs which could be funded by the GLA.
- 1.4 **Accessibility**
The College carried out an additional audit on their Stage 2 access proposal (a ramp). This report was completed by NRAC Access Consultants. They advised that the colleges Stage 1 plan for access to the main entrance via a lift would be a preferred option for wheelchair users, those with pushchairs and people carrying heavy loads. These updates ensure that the facility is fully accessible are now included in the recommended project.
- 1.5 **Replacement of windows**
Following an eco-audit carried out by London Sustainability Exchange a key recommendation was to install double glazed windows across the front elevation at the same time as the wider works. This will provide improved energy use and reduced carbon footprint. Other benefits include being able to keep the building generally warmer (positive impact on retention, engagement and achievement rates of students) and estimated savings of £453 per year.
- 1.6 **BREEAM**
It was also highlighted that additional funding to improve the windows of the building would have a significant and positive impact on the project's BREEAM score due to improved energy saving abilities. It was recommended by GLA consultants that the following amendments would improve the BREEAM scoring of the project. New double-glazed windows will reduce energy consumption. There will be further cost savings from the reduced requirement for air conditioning.
- 1.7 **Updated costs from Quantity Surveyor**
Following this the college revisited the approved project and completed a second Quantity Surveyor report which gave further cost certainty and have increased the scope to provide full accessibility to the college and new windows. These scope changes have undergone technical due diligence and have been reviewed by the FE Capital Investment Programme assessment panel who consider them to contribute to the aims of the project.
- 1.8 **Cost Breakdown**
These changes impact upon the overall costs and grant sought by the project as detailed below:

	Application	Approved via DD 1368	Revised Grant for approval through this DD	Variance
Build Costs	£447,513	£237,588	£420,834	£183,246
Equipment Costs	£58,961	£23,053	£23,053	£0
Overall Costs	£506,474	£260,641	£443,887	£183,246
FE Capital Grant Sought	£168,825	£86,880	£147,962	£61,082

The main changes are replacement of windows and external doors (£54,000), lift and conveyor installation (£41,000) and associated costs of preliminaries (£36,000) and professional fees (£24,000).

1.9 Equipment Costs

These have remained as per Stage 2 application due to there being no significant change in the rationalization of space.

1.10 Uplift in outputs

The project outputs are higher than expected for the additional funding requested. This has been tested with the college whom have confirmed that they are able to meet the outputs if traineeships may be counted in addition to apprenticeships.

1.11 Due diligence

These scope changes have undergone technical due diligence and have been reviewed by the FE Capital Investment Programme assessment panel who consider them to contribute to the aims of the project.

1.12 Evaluation

The proposal has been evaluated by a team of GLA officers at both Expression of Interest and Detailed Application stages. Each bid has a score out of 100 based on a weighted score of 5 against the following criteria (weighting in brackets):

- a) Strategic fit with LEP priorities (30%)
- b) Benefits (30%)
- c) Value for money (20%)
- d) Affordability and Deliverability (20%)

The updated proposal for additional funding to be applied to this project was made to the FE Capital Steering Group, LEP and IPB in February 2016 who endorsed the recommendations.

1.13 Funding

There is residual funding from the FE Capital Round 1 2015/16 funding allocation to cover this increase.

2. Objectives and expected outcomes

2.1 The London Enterprise Panel's Growth Deal for London established a comprehensive request to HM Government to invest in the Further Education (FE) estate in London.

2.2 The Prospectus, launched in November 2014, invited applications to deliver against the LEP's Jobs and Growth Plan priorities as well as the following priorities and objectives specific to the FE Capital Investment Fund:

- a. Renewal, rationalisation and modernisation of the FE estate
- b. Creation of space which is versatile fit for purpose, transformational and tolerant to change
- c. Proposals that help to meet the ambitions of the Mayor's Smart London Plan or which support LEP priority areas
- d. Proposals focused on progression to the highest levels of vocational study
- e. Proposals that demonstrate collaboration with schools, other education providers and employers

2.3 The approximate primary outcomes delivered by the investment are summarised below, table below quantifies the outputs in the five financial years following completion of the projects.

Table 1

Output/Outcome	Eol Application	Approved project (Detailed Application)	Revised Grant Request	Variance to Eol	Variance to Detailed App
No. of learners supported	640	750	1156	516	406
Cost savings (£)	£24,414	£32,220	£34,230	£9,816	£2,010
Learners into employment	310	237	367	57	130
No. of Apprenticeship starts	165	182	225	60	43
No. of NEETs into employment	265	218	473	208	255
No. of LLDDs supported	35	89	142	107	53
Increase in the number of students in local priority training sectors	265	107	238	-27	131
Numbers of businesses supported	100	105	156	56	51

NB. 'Jobs created' refers to all jobs created including construction jobs and progression from education to employment.

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.
- 3.3 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.
- 3.4 The LEP and the Authority 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.

- 3.5 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

a) key risks

- 4.1 Funding required to deliver preferred projects exceeds that available. In order to mitigate the risk that the FE Capital Fund is unable to fund all preferred projects, a two stage approval process has been developed. Projects have been required to submit detailed applications to test costs, deliverability and to undertake detailed due diligence, tested by independent consultants where appropriate. Any queries resulting from due diligence have been raised with the projects and a resolution or mitigation has been provided. Officers have analysed match funding proposals and the college's financial health to ensure that funding is available or can be obtained. Furthermore, appropriate break clauses are included in all Funding Agreements and Deeds of Variation to allow for the eventuality that certain projects are unable to obtain the required match funding.
- 4.2 Projects are not deliverable. The Detailed Application has been scored on the basis of detailed information on deliverability and affordability, including assessment by independent due diligence consultants. Any queries resulting from due diligence have been raised with the projects and a resolution or mitigation has been provided. In addition, the procured Independent Monitoring Surveyor services will provide appropriate assurance that the requirements of project specific funding agreements are met with regards to build time, cost, and quality before projects may drawdown funds.
- 4.3 Proposed do not deliver full outputs. All bids have been assessed against this criterion initially at the Expression of Interest and furthermore for robustness of the output and outcome data at the Detailed Application Stage, including understanding the implications of SFA budget cuts from projects. However, there is a risk of further cuts to future budgets which may have implications on the outputs/outcomes that the project can deliver further. To mitigate this, the bidder was asked to present plans that are flexible and tolerant to change, which are assessed by internal evaluators and specialist consultants.

b) links to Mayoral strategies and priorities

- 4.4 Applications received have been assessed on their alignment to the Mayor's Smart London Plan, Economic Development Strategy and links to the London Plan.
- 4.5 In addition, applications have been assessed on the ability to meet the ambitions of the LEP Jobs and Growth Plan in the following criterion;
- skills and employment: to ensure that Londoners have the skills to compete for and sustain London's jobs;
 - micro, small and medium sized enterprises: to support and grow London's businesses;
 - digital creative, science and technology: for the capital to be recognised globally as a world leading hub for science, technology and innovation – creating new jobs and growth; and
 - Infrastructure: to keep London moving and functioning.

c) Impact assessments and consultations.

- 4.6 The Area Review for London, led by the Mayor working with government, will commence on 29th February with sub regional reviews for West and Central starting in March and South and North East in May. The purpose of AR is to develop and deliver a more resilient, high quality and stable post-16 Skills and education landscape in London focused on meeting business and local social and

economic needs. The AR will focus primarily on General Further Education and Sixth Form Colleges however other post-16 providers including Adult and Community Learning and Specialist Designated Institutions can opt in. Applications to the FE Capital Investment Fund that have been formalised by Grant Agreement at the time of the AR will be taken into account in the AR considerations.

5. Financial comments

- 5.1 DD1368 approved an initial capital grant award of £86,880 for the East London Advanced Technology Training project as part of the first round FE Capital Investment Fund. Due to the reasons noted above the project become unviable with this level of funding and therefore additional funding of £61,082 is required, which will bring the maximum grant award for this project up to the value of £147,962, for which there is sufficient headroom within the FE Capital Round 1 funding allocation to cover the additional grant award.
- 5.2 As per DD1368, match funding will need to be provided in order to make all the FE Capital projects viable and in this case the match funding required will be £295,925. The match funding will need to be confirmed as part of the funding agreement and in the event that this is not confirmed or made available, the funding agreement will include the appropriate break clauses. Expenditure will be incurred over a number of years and the aggregate indicative profile of this will also need to be confirmed once funding agreements are finalised.
- 5.3 Any changes to this proposal, including budgetary implications will be subject to further approval via the Authority's decision-making process. All appropriate budget adjustments will be made.

6. Legal comments

- 6.1 The foregoing sections of this paper indicate that:
- i. the proposals in respect of which the recommendation will be sought may be considered to fall within the GLA's powers to do such things as are facilitative of or conducive to the economic and social development in Greater London;
 - ii. in formulating the proposals in respect of which a decision is sought officers shall comply with the GLA's related statutory duties to:
 - a) Pay due regard to the principle that there should be equality of opportunity for all people;
 - b) Consider how the proposals will promote the health of persons, health inequalities between persons and to contribute towards achievement of sustainable development in the United Kingdom; and
 - c) Consult with the appropriate bodies.
- 6.2 The contribution of funding amounts to the provision of grant funding and not payment for works, supplies or services. Officers must ensure that:
- a) the funding is distributed fairly, transparently, in accordance with the GLA's equalities and in manner which affords value for money in accordance with the Contracts and Funding Code; and
 - b) appropriate funding agreements are put in place between and executed by the GLA and the recipients of the funding before any commitment to fund is made.
- 6.3 Officers shall ensure that they liaise with legal Services in the preparation and execution of documentation to vary the original funding agreement

7 Planned delivery approach and next steps

- 7.1 The GLA will enter into grant agreement with the FE Capital provider for this project. The project will be required to monitor and report their progress on a monthly and quarterly basis and will be required to complete an evaluation at following completion.

Activity	Timeline
Enter funding agreement	June 2016
Announcement	June 2016
Delivery commences	June 2016
Construction completion and Formal opening	Sept 2016

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: to be

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:

Debbie Jackson 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

M. D. Bell

Date

7.7.16