

## REQUEST FOR DIRECTOR DECISION – DD2525

### Title: Making the Enterprise Zone a 'Living Wage Place'

#### Executive Summary:

Mayoral Decision (MD) 2338 approved expenditure of up to £212.5million for the Royal Docks Enterprise Zone (EZ) Delivery Plan to deliver an integrated and catalytic package of projects under the five strategic objectives of Place, Connectivity, Economy, Activation and Promotion. A revised budget of £54.7million is allocated to Economy over the next seven years. MD2338 delegated authority to the Executive Director of Housing and Land to approve through Director's Decisions, the income and detailed spending proposals for each project that is to be funded within this initial £212.5million expenditure budget envelope.

This Director's Decision (DD) requests approval of up to £120,000 (over three years) of revenue expenditure to establish the EZ as a "Living Wage Place". This programme will be implemented in partnership with the Living Wage Foundation (LWF), local employers and the third sector to support inclusive growth by harnessing the power of place to significantly increase the uptake of the adoption of London Living Wage (LLW) within the Enterprise Zone, thus lifting more people out of low pay. Consequently, this DD also requests that the LWF can be appointed through a Single Source Justification (SSJ) approach.

In accordance with London Economic Action Partnership (LEAP) governance and funding responsibilities for all Royal Docks EZ projects, the investment set out in this Decision request will be subject to consideration and endorsement by the Royal Docks EZ Officer Level Programme Board.

#### Decision:

That the Executive Director of Housing and Land approves:

1. up to £120,000 of revenue expenditure from the Economy budget to establish the Royal Docks EZ as a Living Wage Place; and
2. a single-source exemption from the GLA's Contracts and Funding Code so as to allow for the approval of the Living Wage Foundation to be procured without a competitive procurement exercise.

#### 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:** Rickardo Hyatt

**Position:** Executive Director Housing and Land

**Signature:**



**Date:**

10 March 2021

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

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

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

- 1.1 The Royal Docks is one of London's most distinctive economic locations and largest regeneration projects, with the potential to generate 35,000 additional jobs and 4,000 new homes within the Enterprise Zone (EZ) over the next 20 years. The Mayor of London and the Mayor of Newham are jointly leading the regeneration of the area through its EZ status, which is funded through the ringfencing of business rate income collected within the Zone. The EZ is projected to deliver over seven million square feet of commercial space, primarily at three key development sites at Royal Albert Dock, Silvertown Quays and Albert Island.
- 1.2 With the Royal Docks set to become one of London's leading economic centres, a key priority is to capitalise on and retain investment into the area whilst giving local people more control over their economic future. The EZ aims to embed Community Wealth Building (CWB) and participatory principles across the area in a way that defines 'value' and 'impact' so that it better balances social and economic outcomes. Implicit within this, is a focus on an inclusive economic approach which prioritises increasing levels of inclusion and prosperity within the area.
- 1.3 CWB is embedded into the strategic narrative of the EZ, and Newham's CWB strategy details an inclusive economic approach that aims to address poverty in the borough and ensure that the investment coming into the borough benefits all residents. In autumn 2020, Newham Council and the EZ launched the CWB Pledge as the primary vehicle to enable organisations to embrace these principles. The importance of tackling inequality and in-work poverty by paying employees a fair and decent wage is a key part of this.
- 1.4 MD2338 has an allocated budget envelope of £54.7million for Economy to invest in and deliver projects across four overarching programmes of Good Growth, Employment and Skills, Business Support and Workspace. From this, a revenue expenditure of up to £120,000 has been requested to pay for the costs associated with establishing the Royal Docks EZ as a Living Wage Place (LWP). This is projected to include:
  - consultancy cost (over 3 years);
  - evaluation by UEL academics;
  - accreditation licence;
  - LWF business membership fees; and
  - administration fees.

#### *Achieving Living Wage Place status*

- 1.5 Positioning the EZ as one of the first Living Wage Places in the UK aligns with the shift towards the 'inclusive growth' principle outlined in the Mayor of Newham's CWB strategy and wider ambitions to have a more collaborative approach to supporting the local economy. It also fits into the Recovery narratives of both London and Newham.
- 1.6 The CWB Pledge (launched in November 2020) outlined an ambition for local organisations to 'tackle inequality and in-work poverty by paying employees a fair and decent wage', through the LLW. Consequently, organisations paying the Living Wage in London, and more specifically the EZ, are considered to be actively trying to tackle low pay and improving the quality of work of their staff.

- 1.7 At present, some local businesses e.g. Tate & Lyle Sugars and London City Airport already pay the Living Wage. However, for this practice to be properly embedded within organisations based in the Royal Docks, there is a unique opportunity to harness the power of place, and the EZ status, by involving local employers, communities and people to help extend the Living Wage to more organisations and consequently more workers, and consequently help lift more people out of low pay. LLW is one of the clearest and most easily understood applications of CWB within the Royal Docks.
- 1.8 Further, given that the Mayor of London will be moving into the Royal Docks in autumn 2021, achieving the LWP status provides a strategic focus around the existing Mayor's Good Work Standard which sets the benchmark the Mayor of London wants every London employer to work towards and achieve and specifically identifies the LLW as being highly beneficial for Londoners and the wider business community. The LWP status gives the EZ the opportunity to strongly align itself with a key Mayoral priority in preparation for his move to the area, helping build the reputation of the Royal Docks as a fair and equitable place.
- 1.9 The LWF acknowledges that many of the factors influencing pay are driven by global markets, national policy and the dynamics of different industrial sectors. Nonetheless, the LWP scheme presents a tangible vehicle through which the EZ can catalyse pay improvements for local workers.

#### The Living Wage Place model

- 1.10 The LWF has identified that collective efforts within defined geographic places are integral to redesigning the way local economies work. Getting large place-based institutions (e.g. councils, universities and big employers) to work with SMEs, local grassroot groups and the third sector improves their ability and efficacy in addressing the rise of in-work poverty and rebuilding identity and prosperity within local communities.
- 1.11 In order to achieve recognition as an LWP, the Royal Docks EZ would need to begin a process to demonstrate its commitment towards making the real Living Wage the expected norm. This entails three core stages:
- Stage 1: Creating a group of locally based Living Wage accredited organisations to form a Living Wage Action Group, to provide leadership and to agree a Living Wage Action Plan over a period of three years. As a minimum, the Action Group will need to include:
    - the relevant local authority (i.e. the London Borough of Newham);
    - major private sector champions;
    - other large 'anchor' institutions;
    - third sector champions;
    - a representative from small or medium-sized enterprise; and
    - a representative from an employment network e.g. Chambers of Commerce.
  - Stage 2: The Action Group will prepare an Action Plan. The Action Plan itself will set realistic yet ambitious targets for increasing uptake of the status in the area and provide guidance on how this can be achieved taking into consideration local circumstances and contexts.
  - Stage 3: The Action Plan will need to be officially recognised by the LWF, as well as supported by the EZ Programme Board.
- 1.12 The successful delivery of all of this work will require the Royal Docks Team (RDT) to work in partnership with the LWF to provide resource, advice and ultimately accreditation status.

- 1.13 This work will culminate with the official launch of the Action Plan and acknowledgement of the LWP status, with a key ambition for this to be in autumn 2021, aligning with the Mayor of London's move to the new City Hall at The Crystal and the 20-year anniversary of Living Wage (November 2021).
- 1.14 Following adoption and launch, the LWF will continue to provide ongoing support to the RDT to deliver the Action Plan by 2023/24. These activities will include, but are not limited to:
- supporting the accreditation of large employers not currently accredited;
  - developing a cohort of 'core' civil society and business leaders who take responsibility for championing (and building) an LWP;
  - investing in the development of civil society leaders to develop their understanding of the Living Wage and CWB across the Royal Docks; and
  - training local leaders in how to make change around the Living Wage, and CWB inside institutions and businesses.
- 1.15 Successfully achieving this status does not require that all organisations within the Royal Docks EZ become Living Wage employers. However, it does necessitate that a credible Action Plan is formulated and delivered within two to three years of its approval by the LWF.

#### Additional Resource

- 1.16 As alluded to above, dedicated specialist resource through the LWF team is required to enable the Royall Docks EZ to achieve LWP status. This resource will support the RDT to develop, plan, coordinate and monitor the outputs of the LWP Action Group and the corresponding Action Plan.
- 1.17 Subject to approval through this decision, the RDT will work with the LWF to establish a suitable programme of work in order to achieve stated ambitions.

#### Budget Breakdown

- 1.18 A budget has been earmarked of £120,000 (revenue) over the three years to fund support by LWF to attain LWP status, and delivery thereafter. The investment will allow:
- appointment of LWF as a specialist delivery partner;
  - the LWF to work alongside local organisations to establish an LWP Action Group and develop an LWP Action Plan;
  - subject to the details of the Action Plan, formal accreditation of the area as an LWP; and
  - ongoing support from the LWF in future years to help more employers adopt the status.
- 1.19 The anticipated project expenditure breakdown (subject to discussion with LWF) is as follows:

Activity Detail	Costs
Consultancy support (over 3 years)	£80,000
Evaluation by University of East London (UEL) Academics	£15,000
Accreditation Licence	£10,000
LWF Business Membership Fees	£10,000

Administration Fees (LWF expenses, printing materials etc.)	£5,000
<b>Total</b>	<b>£120,000</b>

- 1.20 Evaluation by UEL Academics – funding has been earmarked to commission UEL as an evaluation partner to evaluate the impact of project, numbers uplifted and the key outputs and outcomes.
- 1.21 Expected outputs will be clarified through the development of the Action Plan, but are expected to cover the following items:
- one accredited LWP Action Plan;
  - a number of businesses accredited as a LW employer (as agreed with the LWF);
  - a corresponding increase in gross and % of employees paid the LLW (and associated increase in 'value' created associated with this increase); and
  - a cohort of civil society leaders and organisations engaged in this process.
- 1.22 Accreditation Licence – accredited Living Wage employers will need to sign a licence agreement with the LWF to confirm they pay the real (London) Living Wage. This licence agreement enables accredited employers within the EZ to use the Living Wage Employer Mark to publicly demonstrate their commitment to the Living Wage.
- 1.23 LWF Business Membership Fees – the LWF charges an annual membership fee to employers. The EZ has allocated funding to support small and medium sized employers with the cost of membership in their first year of becoming accredited Living Wage employers.

#### Procurement and Delivery

- 1.24 The RDT has identified the LWF as the key delivery partner in achieving 'Living Wage Place' status. The LWF is the architect of the status and is the only organisation operating in the UK with the licence to provide employers with the Living Wage accreditation, thus making them the only appropriate partner for this work. Consequently, this DD is requesting a Single Source Justification (SSJ) for the procurement of LWF to deliver these services.
- 1.25 This process will require the RDT to follow all necessary procurement procedures to ensure the appointment of LWF delivers VfM for the EZ and is in line with the GLA Contracts and Funding Code.
- 1.26 Delivery of the appointment and management thereafter will be through the RDT.

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

- 2.1 By establishing the Royal Docks EZ as an LWP, CWB and participatory principles will be embedded in a way that better balances social and economic outcomes. This will help ensure that local people benefit from increased incomes, empowering them to have more control over their economic futures and improving their employment outcomes. Further, becoming an LWP strongly aligns with the shift towards inclusive growth and wider ambitions to have a more collaborative approach to supporting the local economy.
- 2.2 Reflecting a key outcome in the adopted Royal Docks EZ Delivery Plan, the intervention will help improve the economic prosperity of residents by tackling low pay in the Royal Docks EZ. The key expected outcomes are:

- tackling inequality and in work poverty by encouraging more employers to pay a fair and decent LLW;
- extending the Living Wage to more workers thus lifting more local residents out of low pay;
- building the reputation of the Royal Docks as a fair and equitable place; and
- supporting the attraction of socially minded investment and investors to the area.

2.2 The additional benefits of the programme support a key philosophy of the Royal Docks' Economic Purpose to make the Royal Docks a 'nationally significant hub of enterprise, employment and culture'. It:

- ensures social issues are addressed in the making of economic decisions;
- highlights the importance of integrating inclusive economy with inclusive growth;
- lessens the economic inequalities that exist within the Royal Docks; and
- maximises the role of local employers in addressing the long-term needs of the market.

### **3. Equality comments**

3.1 Under Section 149 of the Equality Act 2010, as a public authority, the GLA must have 'due regard' of the need to:

- eliminate unlawful discrimination, harassment and victimisation;
- advance equality of opportunity and foster good relations between people who have a protected characteristic and those who do not; and
- foster good relations between people who share a relevant protected characteristic and those who do not. Protected characteristics under section 149 of the Equality Act are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status.

3.2 The implications of this proposal have been assessed against the Public Sector Equality Duty and it is considered that it will have a positive impact. Whilst progress has been made over the last decade in linking residents to emerging employment opportunities in Newham, significant inequality persists locally. The Royal Docks Opportunity Area including the EZ aims to create 25,000 new homes and 60,000 new jobs within the next 20 years and the Good Growth Funds aim is to contribute towards that. No adverse implications for any group sharing a protected characteristic have been identified during this process.

3.3 The Royal Docks EZ Delivery Plan projects are aimed at implementing a number of the Mayor's policies such as the London Plan, A City for All Londoners, Healthy Streets Approach, Culture Strategy, London Housing Strategy, Transport Strategy and is aligned with the Mayor's Equalities Framework to consider the requirements of relevant equalities groups. Impact assessments will determine whether any persons with those characteristics will be unduly impacted by the activities described in this paper, and the course of action in order to mitigate any impacts.

3.4 The LWF and the RDT are jointly committed to ensuring there is an equality of access to opportunities (i.e. LLW pay) through this project. Pursuing and achieving LWP status in line with the ethos of CWB, and indeed is a core theme of the CWB Pledge and more broadly the Royal Docks EZ programme. Further, the primary ambition of the Living Wage (and the LWP by extension) is to tackle inequality by supporting those on a lower pay to have more control over their economic future.

- 3.5 LBN's CWB strategy ensures that growth in the borough:
- is shared locally and held democratically;
  - builds on internal strengths and opportunities; and
  - realises the potential of Newham's community, residents, businesses, and voluntary sector.

#### **4. Other considerations**

- 4.1 There are no conflicts of interest to declare from anyone involved in the drafting or clearance of this decision form.

##### Key risks

- 4.2 *Insufficient number of employers and/or civil society representatives come forward to form a suitable Action Group.* This will be mitigated by the existing pool of anchor employers within the Royal Docks EZ who are highly supportive of the Living Wage accreditation so will want to support this process. The budget includes the potential for short-term support with accreditation fees as an incentive.
- 4.3 *A delay in developing a viable Action Plan.* To mitigate this risk, the Action Group will be working closely with the LWF who have the expertise in developing these within pre-established timeframes. Viability is a key part of the plan being adopted.
- 4.4 *The LWF does not sign off the Action Plan.* This risk will be mitigated because the LWF play a leading role in helping develop the Action Plan in a way that meets their criteria, helping ensure it will be approved at submission.
- 4.5 A summary of the most significant project level risks is reported to the Royal Docks EZ Programme Board on a quarterly basis. A risk register is maintained to continuously review programme delivery.
- 4.6 In addition to the above, this programme will also help deliver the following Mayoral policies and strategies:
- the Mayor's London Plan;
  - the Mayor's London Recovery Programme;
  - the Mayor's Equality, Diversity and Inclusion Strategy, Inclusive London; and
  - the Mayor's Economic Development Strategy for London.

#### **5. Financial comments**

- 5.1 This decision requests approval for funding of up to a total of £120,000 revenue expenditure in 2021-24 to support the Royal Docks EZ in achieving Living Wage Place status. The spend profile is £60,000 in 2021/22, £30,000 in 2022/23 and £30,000 in 2023/24.
- 5.2 This expenditure will be funded from within the £212.5 million approved delivery plan budget (Economy Funding stream) confirmed in MD2338.
- 5.3 A single source justification is made based on the charity being the only appropriate partners for this work in the UK.

## **6. Legal comments**

- 6.1 The foregoing sections of this report indicate that the decisions requested of the Executive Director concern the exercise of the GLA's general powers, falling 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.
- 6.2 In implementing the proposals in respect of which a decision is sought, officers should comply with the GLA'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.
- 6.3 In taking the decisions requested, the Executive Director must have due regard to the Public Sector Equality Duty under section 149 of the Equality Act 2010, namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, to advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation) and to foster good relations between persons who share a relevant protected characteristic and persons who do not share it. To this end, the Executive Director should have particular regard to section 3 (above) of this report.
- 6.4 Section 10 of the GLA Contracts and Funding Code (the "Code") requires the GLA to seek a call-off from a suitable framework where possible or, if not, undertake a formal tender process to procure such services in relation to all contracts for goods or services with a value above £10,000. However, the Executive Director may approve an exemption from this requirement under section 10 of the Code upon certain specified grounds. Section 10 of the Code also requires the GLA to explain how it intends to obtain value for money when seeking an exemption from the Code.
- 6.5 Section 10.1 of the Code states that one reason for an exemption is where there is a complete absence of competition. Officers have indicated in section 1 of this report that this ground applies, and that the proposed contract affords value for money.
- 6.6 Officers must ensure to append a completed Single Source Request Form to this decision form in accordance with section 10 of the Code.
- 6.7 On this basis the Executive Director may approve the proposed exemption if satisfied with the content of this report.
- 6.8 Section 1 of this report indicates that part of the sought budget amounts to the provision of grant funding for membership fees to the LWF for SMEs. Officers must ensure that the funding is distributed fairly, transparently, in accordance with the GLA's equality policy, subsidy control rules and in manner which affords value for money in accordance with the GLA Contracts and Funding Code.



## 7. Planned delivery approach and next steps

Activity	Timeline
Delivery start date	March 2021
Living Wage Place Action Group established	June 2021
EZ Living Wage Place status announced	October 2021
Delivery end date	February 2024

### Supporting paper:

Single Source Justification form

### 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? NO**

If YES, for what reason:

Until what date: (a date is required if deferring)

### 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:

Tomi Moronkola has drafted this report in accordance with GLA procedures and confirms the following:

✓

#### Assistant Director/Head of Service:

Simon Powell 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.

✓

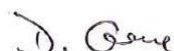
#### Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 22 February 2021.

### EXECUTIVE DIRECTOR, RESOURCES:

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

**Signature**



**Date**

10 March 2021