

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD1467

Further Education (FE) Capital Investment Fund: Round 2

Executive Summary:

MD1420 delegated approval of allocations of FE Capital grant to the Executive Director of Development, Enterprise and Environment on the advice of the London Enterprise Panel. This decision seeks approval for seven projects from Round 2 of the FE Capital Investment Fund with grant award of up to £46,570,452.50 of capital expenditure.

Decision:

Following advice and approval by the London Enterprise Panel on the 10 Feb 2016, the Executive Director approves grant funding of up to a maximum of £46,570,453 to seven colleges.

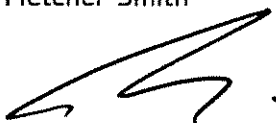
AUTHORISING DIRECTOR

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:

9.3.2016

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 The London Enterprise Panel (LEP) has been awarded £55m in 2015/16, an indicative £65m for 2016/17 from Growth Deal 1 (to be confirmed in late February 2016) and a further indicative £38m from 2017/18 as part of Growth Deal 2 for capital investment in further education colleges and providers. This paper seeks a decision on seven applications, which will, in the majority, be funded from the 2016/17 provision. This FE Capital Investment Fund is for a programme of capital expenditure on infrastructure which will facilitate the delivery of further education services in London.
- 1.2 At its meeting on 20th November 2014, IPB approved the proposed approach to allocation of funding through bidding rounds.
- 1.3 The Round 2 Prospectus was published on 22nd November 2014 inviting Expressions of Interest from FE colleges and providers for a deadline of 19th January 2015. In total 20 Expressions of Interest were received as part of this second round with a total funding request of £60m and total value of £134m. These were received from 20 organisations including 16 FE colleges and 4 private providers.
- 1.4 The proposals have 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%)
- 1.5 At its March 2015 meeting, the London Enterprise Panel provided in principle approval for 18 Round 2 projects and rejected two on the basis that these applications failed to meet the minimum scoring criteria. The successful projects were then invited to submit a full Detailed Application with the deadlines of 15th June 2015 or 21st September 2015, with the applicant choosing the most appropriate submission date for the project.
- 1.6 Four applications were received by the June 2015 application deadline with a further three applications received by the September 2015 application deadline. The below table shows the indicative grant amounts. Approval of applications was subject to evaluation by a team of GLA Officers (in line with the criterion displayed in 1.4) and finalisation of specialist due diligence of applications including cost, building surveying, architecture and sustainability, and valuation advice.

Table 1

Applicant College	FE Capital Grant (up to)
Big Creative Education (in partnership with Waltham Forest College)	£1,800,000
Ealing, Hammersmith and West London College	£660,000
Hackney Community College	£1,144,277
Havering College of Further and Higher Education	£5,446,191
Lambeth College	£22,254,955
Richmond upon Thames College	£11,710,048
Waltham Forest College	£3,554,982
Total grant amount	£46,570,453.50

- 1.7 The remaining 11 applications chose not to apply for funding for reasons such as the project no longer being necessary or the College decided to wait for the outcomes of Area Reviews before lodging applications for capital works.
- 1.8 Under the Memorandum of Understanding between the LEP and the Skills Funding Agency (SFA), the SFA have provided due diligence support in terms of financial assessment, value for money and estate condition in relation to the information and data they hold on each applicant. Any queries raised by the SFA have been discussed and resolved with the applicants.
- 1.9 It was agreed at the September FE Capital Steering Group meeting that recommendations relating to the first tranche of Round 2 applications would be considered at the same time as the second tranche of applications because the LEP was yet to receive confirmation of funding for 2016/17 funding.
- 1.10 The outcome of the evaluations was reported to the FE Capital Steering Group and London Enterprise Panel in February 2016. The recommendation that seven projects are endorsed for funding was agreed (Part 2 of this Decision includes further information).
- 1.11 At the February 2016 IPB, the stage 1 and 2 were approved. The approval totalled £46,525,471 due to a £50k error in the reporting of the Waltham Forest College number. The actual total
- 1.12 Round 2 projects have been discussed with BIS as will all future projects through reporting and monitoring. However, there is no requirement for Government approval as funding has been delegated to the GLA. There is also a Memorandum of Understanding with the SFA and through this officers are made aware of potential mergers and closures.

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 per year as facilitated by the investment are summarised below, further outputs are detailed in appendix 1 (reserved from publication). Table 2 quantifies the outputs in the five financial years following completion of the projects.

Table 2

Output/Outcome	Total
No. of learners supported	38,566
Cost savings (£)	8,784,594
No. of Jobs created	3,405
No. of Apprenticeships	7,642
No. of NEETs into employment	3,885
No. of LLDDs supported	2,231
No. of sqm constructed	21,144
No. of sqm improved	25,084
Rationalisation of sqm	24,735
Businesses supported	1,521

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 2016/17 funding allocation is less than anticipated. Should further funds be less than expected, the Round 2 bidding process will become competitive as the GLA will have a higher request for funding than it has available. At the point at which the funding allocation is known options for prioritisation will be considered including funding the top highest scoring bids and/or scaling projects.
- 4.2 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.
- 4.3 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.
- 4.4 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

- 4.5 Applications received have been assessed on their alignment to the Mayor's Smart London Plan, Economic Development Strategy and links to the London Plan.
- 4.6 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.

- 4.7 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 The Round 2 projects recommended for approval would commit expenditure of £46.6 million over the period 2015-16 to 2018-19 from the FE Capital budget, but these would be conditional on a formal Government grant determination for additional FE Capital grant. Funding agreements will govern the drawdown and oversight of individual projects. The estimated profile is as follows:

2015-16	£3.5m
2016-17	£10.9m
2017-18	£24.1m
2018-19	£8.1m

- 5.2 Any changes, including slippage in the programme, will be subject to the year end carry forward approval process.
- 5.3 Further commentary is detailed in Part 2 (reserved from publication).

6. Legal comments

- 6.1 The foregoing sections of this report indicate that:

- i. the proposals in respect of which the Director's approval is 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 have complied 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.

2. Section 1 above indicates that 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.

7. Planned delivery approach and next steps

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

Activity	Timeline
Confirmation of 2016/17 funding allocation expected	February 2016
Enter funding agreements and delivery commences	March/April 2016
Announcement	March 2016
Construction completion for last project	August 2019

Appendices:

Appendix 1 – Project descriptions and outcomes

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:

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 – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Elizabeth North 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. Allen

Date

4.3.16