

# GREATER **LONDON** AUTHORITY

## REQUEST FOR DIRECTOR DECISION - DD1400

**Title: FE Capital Investment Fund fast tracked project.**

### **Executive Summary:**

This paper sets out and requests approval for 1 project from Round 2 of the FE Capital Investment Fund with a grant award of up to a maximum of £544,246 capital expenditure to Fashion Retail Academy (FRA), following recommendation to proceed from the LEP and IPB. Delegated authority was provided to the Executive Director in MD1420.

### **Decision:**

That the Executive Director approves capital grant funding of up to a maximum of £544,246 to Fashion Retail Academy (FRA) to modernise the college estate and improve IT infrastructure and the consequent formation of a funding agreement with respective Further Education provider.

### **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:** 21.09.2015

## **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 and a further indicative £38m from 2017/18 as part of Growth Deal 2 for capital investment in further education colleges and providers. 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. This paper seeks approval for 1 fast-tracked application for funding from the 2015/16 funding provision.
- 1.2 Previously, 14 Round 1 projects have been approved by the LEP, IPB and the Executive Director in DD1368, through their delegated authority provided under the provisions contained in MD1420.
- 1.3 At its meeting in February the FE Capital Steering group agreed to the fast track process and at the LEP meeting in March, the LEP agreed the fast track process for applications needing full agreement between LEP meetings and that the FE Capital Steering Group could endorse bids on behalf of the LEP, prior to onward approval as per the GLA's Financial Delegations. This is to enable projects to commence works over the summer period. IPB has already approved one project – Westminster Kingsway College (contained in DD1368) – through the fast track process. On the 13th May the FE Capital Steering group agreed to be consulted on the Fashion Retail Academy (FRA) project application by written procedures.
- 1.4 The evaluation of this project has been in line with the evaluation of the Round 1 bids. This involves a two stage bidding process of an Expression of Interest followed by a full Detailed Application. This project has been fast tracked as it is dependent on being delivered over the summer vacation period.
- 1.5 The application was received on the 15 May 2015, and subsequently updated and resubmitted on 3 June 2015, following considerable dialogue between LEP Delivery Officers and the FRA. The resubmitted application was then evaluated by the internal officers as well as external consultants.
- 1.6 The following specialist due diligence was undertaken:
  - A detailed cost review of the scheme to ensure it is reasonable and represents good value for money; and
  - Property and building surveying advice to ensure appropriate and realistic plans.
- 1.7 The project costs changed considerably from the Expression of Interest. The total project costs increased from £787,020 at the Expression of Interest stage to £1,632,736 at detailed application stage, which increased the requested amount of grant funding by 107%. LEP Delivery Team officers worked with the project to understand the difference in costs, whether the project can be scaled back, whether further match funding could be provided and any additionality that would be delivered by the uplift in funds.
- 1.8 The stage 1 and 2 papers were presented at the July 2015 IPB, and the project was approved to proceed for an FE Capital Investment Fund grant award of £450,000 due to these factors;
  - The project can be scaled back to 2:1 match to grant ratio funding and will still produce tangible outputs and outcomes;
  - The uplift in costs from the Expression of Interest was insufficiently justified by the applicants to warrant an increase in proportionate funding;

- The minimum requirements for uplift in funding, 40% or more of the estate being in poor (C or D) condition has not been met; and
- To maintain an approach consistent with the principles of the prospectus.

- 1.9 At the July meeting, IPB agreed that, provided the 2:1 match funding can be secured for the full project (as opposed to the recommended scaled back option), the Executive Director is to agree a funding package with the FRA up to the level of grant funding that would be required due to the increased benefits that the full project will deliver. The FRA have since secured further match funding of £188,490 to make a total match funding contribution of £1,088,490. As such, approval is sought for the total FE Capital Investment Fund grant awarded to the FRA to be £544,246, in line with 2:1 match to grant funding ratio guidelines.
- 1.10 Approval is sought by way of this Director's Decision to award £544,246 grant funding via the Further Education Capital Investment Fund to the Fashion Retail Academy to modernise the college estate and improve IT infrastructure.
- 1.11 Payment for the project will be profiled for the entire allocation of funding to be made in the 2015/16 financial year. This will be fixed in the project funding agreement.
- 1.12 A wider strategic review of FE colleges is planned which is intended to establish the right set of institutions to offer high quality provision that meets the current and future needs of learners and businesses. As an independent provider the Fashion Retail Academy sits outside of scope of the review process. Nevertheless, FE Capital Working Group officers have reviewed the Net Present Value and income assumptions presented within the application and summarised that the college has demonstrated financial stability in the event of future budget cuts being announced.

## **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 January 2015, 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 as facilitated by the investment are summarised below, further outputs are detailed in appendix 1. Table 1 quantifies the outputs in the five financial years following completion of the project.

Table 1

<b>Outcome</b>	
No of learners supported	7144
Improve educational outcome (STEM)	1346
Improve educational outcome (Priority areas)	5798
No. of business supported to start-up	85
Cost saving	£98k

### **3. Equality comments**

- 3.1 All projects will be developed and delivered in compliance with relevant Codes of Practice and in line with the requirements of the public sector equalities duty.
- 3.2 The project has been required to submit the institution's equal opportunities policy as part of the Detailed Application process, which has been reviewed by the GLA Diversity and Social Policy team.
- 3.3 Responses to equality requirements raised in the due diligence process have been approved by the GLA Diversity and Social Policy team.
- 3.4 The FE Capital Investment Fund seeks to address issues of modernisation and rationalisation of FE Estate. In doing so, specific equality benefits include;
  - a. Increase in accessibility of college estate (measured in m<sup>2</sup>)
  - b. Increase in opportunity for Learners with Learning Difficulties and Disabilities to be engaged and retained in vocational and academic study.
  - c. Increase in course provision, enabling more learners per annum.
  - d. Increase in apprenticeships and traineeships, allowing students from deprived areas an economic incentive when obtaining a qualification.

### **4. Other considerations**

#### *a) key risks and issues*

- 4.1 Project is not deliverable. The Detailed Application received 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 project and a resolution or mitigation has been provided. In addition, the proposed procurement of an Independent Monitoring Surveyor services will provide appropriate assurance that the requirements of the funding agreement are met with regards to build time, cost, and quality before a project is able to drawdown funds.
- 4.2 Proposed project does not deliver 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 recent 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 projects can deliver further. To mitigate this, bidders have been 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*

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

- 4.4 A Memorandum of Understanding (MOU) between the GLA and SFA has been signed. This MOU will provide an extra level of assurance by verifying financial statements and providing information that the GLA may not otherwise receive.
- 4.5 The FE Capital Survey has completed and is undergoing analysis from Economic and Business Policy Unit colleagues (skills and employment policy leads). This will provide an evidence base to identify opportunities and support the decision making process for the programme. This survey will support providers and the LEP in identifying any key opportunities for rationalisation and will also explore potential developments around specialisation within the sector.

## **5. Financial comments**

- 5.1 The grant award of up to £544,246 recommended for approval will be funded from the £53.5 million FE capital budget and all of this would be incurred in 2015-16. It will be subject to a funding agreement governing release of the funds which will be only be drawn down on evidence of spend.
- 5.2 The college has demonstrated that it has match funding of up to £1,088,490 in place required for the project, an increase of £188,490 since approval by IPB, but this is in line with IPB approval conditions that the total estimated cost of the project does not increase and 2:1 match funding is maintained. The GLA will not be carrying any risk of any cost overruns. There are no reasons to place any further conditions on funding in light of financial due diligence checks of the college.

## **6. Legal comments**

- 6.1 Sections 1-3 of this report indicate that:
- 6.1.1 the proposals in respect of which the Executive 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 economic development and social improvement in Greater London;
  - 6.1.2 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.

6.2 Section 1 above indicates that the contribution of up to up to £544,246 amounts to the provision of grant funding and not payment for works, supplies or services. Officers must ensure that:

- 6.2.1 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
- 6.2.2 an appropriate funding agreement is put in place between and executed by the GLA and the recipient 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.

<b>Activity</b>	<b>Timeline</b>
Enter into Funding agreement	August 2015
Announcement	August 2015
Delivery	July 2015 – September 2015.

## **Appendices and supporting papers:**

Appendix 1: Fashion Retail Academy detailed profile.

**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:**

Elizabeth North has drafted this report in accordance with GLA procedures and confirms that:

✓

**Assistant Director/Head of Service:**

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. J. Ollie*

**Date**

*18.9.15*





Fashion Retail Academy	
FE Capital Request: £544,246	Total Project Value: £1,623,736
Description	
<p>The project will modernise the FRA estate and innovate facilities to ensure that delivery models are fit for the 21st century. The project takes an integrated approach to achieving this aim and through the innovation of the estate, supports diversification and future potential income streams. The project will:</p> <ol style="list-style-type: none"> <li>1) Modernise all current classroom space</li> <li>2) Support the recommendations of the FELTAG (Further Education Learning Technology Action Group) report to implement online learning</li> <li>3) Improve IT infrastructure</li> <li>4) Create new classroom space and Hubs: <ol style="list-style-type: none"> <li>a) Digital Innovation</li> <li>b) Creative</li> <li>c) Business &amp; Entrepreneurial</li> <li>d) Retail</li> <li>e) IT open access space</li> <li>f) Modern library</li> </ol> </li> </ol>	
Outputs and outcomes	
<ul style="list-style-type: none"> <li>• 5 new specialist courses delivered.</li> <li>• 7,114 learners supported over 5 years, all of which are in priority and niche sectors.</li> <li>• 1,346 learners supported to achieve digital skills qualifications in STEM sector.</li> <li>• 504 apprenticeships delivered over 5 years.</li> <li>• 600 NEETs supported into education over 5 years.</li> <li>• 320 LLDD supported over 5 years.</li> <li>• 26 jobs created.</li> <li>• 85 business start-ups supported.</li> <li>• £98,602 cost savings over 5 years following completion of project.</li> <li>• 30% of course content will be delivered online after 2 years, following completion of the project.</li> <li>• 95% increased space efficiency.</li> </ul>	
Evaluators comments	
<ul style="list-style-type: none"> <li>• Employer links, high graduate employment rate, the addressing of increased demand for online retailing and value to employers of work based learning all serve to reinforce how this bid meet LEP and FE capital priorities.</li> <li>• While local and wider regeneration plans have not been recognised, the proximity to the retail and fashion industry is a strong point.</li> <li>• Approach seems sound and cost saving targets realistic. Outputs would appear achievable.</li> <li>• Project would have a more positive Net Present Value if benefits were assessed over the lifetime of the expected improvement.</li> <li>• Project has received strong support including match funding and project management assistance from Arcadia, Oracle and Experian.</li> <li>• A good governance structure is included and the support of Arcadia as project managers could be essential to the project.</li> <li>• There are only 10 years on the lease of the building, though the building owners (Arcadia) show support for the project.</li> </ul>	
Investment and Performance Board recommendation	

That:

- a) The Stage 1 Strategic Case and Stage 2 Investment Decision for the Fashion Retail Academy project and the grant award of up to £450,000 be approved in principle; and
- b) Authority be delegated to the Executive Director – Development, Enterprise and Environment to agree a funding package with the FRA up to the level of funding that would be required under Scenario 1 (as set out in the report) provided the 2:1 match funding was secured, with a report back to the Board if any additional funding, beyond that amount, was deemed necessary.

Activity in both scenarios	Timeline
Start on site	22 June 2015
Refurbishment completion	31 August 2015