

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2302

Title: Good Growth Fund – Recommendations at Round 2 Stage 2

Executive Summary:

The Good Growth Fund is an overarching regeneration programme delivered through the London Economic Action Partnership (LEAP). It provides funding, expert regeneration advice, design support and knowledge sharing opportunities to a broad range of public, private and third-sector organisations to support their projects to deliver against three strategic themes: Empowering People, Making Better Places and Growing Prosperity.

Under MD 2163, the Mayor delegated approval of detailed funding allocations to the Executive Director of Development, Enterprise and Environment, in consultation with LEAP.

A total of 59 Stage 2 applications were submitted, with a total ask of £48,714,546 comprising capital grant (£46,924,546), revenue grant (£1,477,500) repayable grant (£0) and ESF (£312,500). The evaluation process has generated a recommendation for each of these projects – which were endorsed by LEAP Investment Committee on 30 November. This paper provides an overview of the process and seeks approval for expenditure on capital and revenue funding for a number of projects.

Decision:

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

1. Expenditure of up to £32,933,323 to support 35 projects, with £312,500 match funded from the 2014-2020 ESF Programme (Appendix B) and comprising:
 - a. £5,000,000 funding from the Strategic Investment Fund (SIF) approved in MD2325 to five of these projects (Appendix B1);
 - b. up to £220,000 revenue funding to support four projects in the development of their project proposals (Appendix D); and
2. The proposal for Development Funded projects to be eligible to bring forward full bids between rounds.

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: Lucy Owen

Position: Executive Director of
Development, Enterprise and
Environment

Signature:



Date:

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 The Greater London Authority has available £67.183m Growth Deal funding to create one overarching Good Growth Fund targeting equality, inclusion and citizen-led regeneration. The Good Growth Fund is focused on delivery against three strategic themes: Empowering People, Making Better Places and Growing Prosperity.
- 1.1 The Good Growth Fund prospectus states that in making funding decisions, the way applications map across stated priorities and London's communities will be assessed, in order to deliver a balanced programme of exemplary projects.
- 1.2 Under MD2163, the Mayor approved up to £6.088m revenue support funding. Good Growth Fund revenue support funding is targeted to build a balanced programme with the specific aim of addressing any gaps observed through open call process. Three categories of support are offered to support the development of a balanced programme:
 - a) *Development Funding* - supports the development of projects with design and development costs including feasibility, viability, business planning and commercial/property advice to demonstrate need, improve quality and shape and influence the delivery of targeted outcomes, with a view to submitting a full funding bid down the line;
 - b) *Research and Evidence base* - supports a series of research commissions which inform and influence the direction and emphasis of funding calls over the lifetime of the programme; and
 - c) *Due Diligence* – supports the GLA in undertaking technical assessment of grant funding and loan applications. This includes advice on property, valuation, cost/value for money and sustainability.
- 1.3 The programme was specifically designed to flex and adapt to new funding opportunities. In Round 2 the following additional funding has been secured:
 - o £8,000,000 from underspend on the Growing Places Fund to expand the range of projects that can be supported.
 - o £5,000,000 from the Mayor's Strategic Investment Fund (SIF) to intensify London's local economies.
 - o Further funding is available from ESF to support skills and employability projects – subject to European eligibility criteria.
- 1.4 The Good Growth Fund updated allocation funding profile, that was endorsed by LEAP Board on 24th July 2018, is attached at Appendix A.
- 1.5 Following Round 2 Stage 1 assessment and endorsement by LEAPIC 61 projects (combined ask: £50m) were invited to submit Stage 2 applications. For Stage 2 we received 59 applications with a total combined ask of £48.5m on 22 October. The two projects that did not make a Stage 2 submission encountered unforeseeable funding and governance issues that caused them to withdraw from the process.
- 1.6 The evaluation process has three distinct stages: validation, appraisal and moderation.
- 1.7 **Validation** provided an initial check that all applicants had provided all requested information to allow detailed assessment to take place.

- 1.8 **Appraisal** focused on the detail of proposals and by reference to the published criteria, interrogated whether applicants will deliver high-quality projects and outcomes, and what sort of contribution they make to the strategic themes of empowering people, making better places and growing prosperity.
- 1.9 Input from teams across the GLA was sought to add to the understanding of specific sectors and to ensure that they would maximise delivery on the full range of Mayoral priorities.
- 1.10 The Programme Team also reviewed all applications to provide a sense check on the material provided, and to check grant readiness and co-ordinated data requests to allow GLA Finance to perform targeted due diligence checks on non-borough applicants. In addition to this, senior members from the Finance team undertook financial deliverability checks on all applications to enable them to raise any issues that need to be addressed before entering into a grant agreement.
- 1.11 Officers made one of the following recommendations for each project:
- Proceed to Grant Agreement (Appendix B)
 - Reserve (Appendix C)
 - Development Funding (Appendix D)
 - Encourage to Reapply in a Future Round
 - Unsuccessful
- 1.12 **Moderation** provided a further level of scrutiny and introduced a programme-wide view and assessment process. The aim of this was to check consistency of assessment, to consider whether the mix of projects met the aim of achieving a balanced programme, and to scrutinise investment readiness.
- 1.13 All initial scores were subject to moderation in order to ensure that the appraisal was conducted consistently with the published criteria within the Area Based Regeneration Management team, with the Deputy Mayor for Planning, Regeneration and Skills, Jules Pipe. This was followed by a London-wide overview and area-focussed engagement session with three LEAP Investment Committee members.
- 1.14 This process generated a series of recommended lists:
- Proceed to Grant Agreement: 35 projects are currently recommended for full approval with an overall GGF ask of £32,933,323 comprising capital grant (£31,288,323), revenue grant (£1,332,500), repayable loan (£0) and an ESF ask of £312,500 (Appendix B). This includes the allocation of £5,000,000 from the Strategic Investment Fund (SIF) approved in MD2325 towards the capital costs of £5,050,226 and £551,200 revenue costs of five of these projects (Appendix B1).
 - Reserve: 5 projects with a total GGF ask of £5,283,379, comprising capital grant (£5,188,379), revenue grant (£95,000), repayable loan (£0) and an ESF ask of £0 (Appendix C).
 - Development Funding: 4 projects will be awarded a total of £220,000 in development funding (Appendix D).
 - Encourage to Reapply in a Future Round: 12 projects with a total GGF ask of £7,316,087 will be added to the project pipeline
 - Unsuccessful: 3 projects with a total GGF ask of £719,257.
- 1.15 As part of Moderation discussions, several projects receiving development funding across Rounds 1 and 2, were identified as having potential to become fully scoped and deliverable proposals between Rounds 2 and 3.

- 1.16 Given that the GGF programme seeks to be flexible, while maintaining rigorous assessment processes, it is proposed that projects that have received development funding would have the opportunity to bring forward full bids between Rounds.
- 1.17 Applicants would need to demonstrate a genuine benefit for early consideration or a missed opportunity. The applications would be assessed against the full bid criteria and benchmarked against previous Rounds. If successful they would join the list of reserve projects.

2. Objectives and expected outcomes

- 2.1 The Good Growth Fund aims to deliver a balanced programme – by proactively supporting under represented themes, actions, places or communities.
- 2.2 **QUALITY AND CAPACITY:** It was noted that the quality of submissions is improving across rounds and stages. Early indications are that both Reserve and Development Funded projects are performing well:
- All 4 Reserve projects from Round 1 are now either funded or proposed to be funded
 - 3 of 6 Development Funded projects from Round 1 are recommended for funding in this round.
- 2.3 This is an important indicator that GGF evaluation processes are sound and that ongoing work with applicants between rounds and stages is having a positive impact and building capacity.
- 2.4 **SCALE AND COMPLEXITY** of submissions received helps address Round 1 concerns about the relative dominance of singular interventions, and a desire to see more place-based projects that deal with multiple issues, to maximise the impact of GLA funding. This appears to have been driven by interest in the ‘intensify local economies’ action in Round 2 and underpins the ongoing role of local authorities in the fund (see Appendix F).
- 2.5 **RANGE OF PARTNERS:** While the public sector continues to play a significant role – particularly in the delivery of complex multifaceted projects, charities have become a fixture of the GGF in contrast with previous GLA regeneration programmes (see Appendix F).
- 2.6 Ongoing engagement by officers is helping to ensure that rich and productive partnerships are established to underpin the more complex projects and that singular projects engage with the place specific issues and opportunities and improving impact of mayoral investments.

3. Equality comments

- 3.1 Under section 149 of the Equality Act 2010 (the “Equality Act”), as public authority, the Mayor and the GLA must have due regard to the need to eliminate unlawful discrimination, harassment and victimisation, and to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. Protected characteristics under the Equality Act comprise age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status (the duty in respect of this last characteristic is to eliminate unlawful discrimination only).
- 3.2 Through the Good Growth Fund programme and the selection of project proposals and development of these, the GLA will require applicants to evaluate the potential impacts regarding protected characteristic groups. Any project must minimise disadvantages to all protected characteristic groups within society. Specifically in the stage 2 application form, applicants were asked to outline the impact their projects will have on the proposed beneficiaries, and how, if applicable, they propose to minimise disadvantages suffered by people due to their protected characteristics and take steps to meet the needs of people from protected group where these are different from the needs of other

people. These responses will be further developed with officers in the Regeneration and Economic Development Unit and then captured in individual grant agreements as part of an agreed Equalities, Diversity and Inclusion approach for each individual project.

- 3.3. In the Stage 2 application form, applicants were also asked to demonstrate how they would encourage people from protected groups to participate in their projects and how project activities would be designed to accommodate and reflect the needs of the existing community and those that will live, work and visit an area. This includes the design for those with physical disabilities and mental health problems and older persons. As a minimum, projects receiving ESF funding are required to monitor and report on the age, disability, sex, and race of beneficiaries, as well as employment status and the following additional background factors that may result in barriers to employment or progression in work: homeless, lone parent, ex-offender, carer, drug or alcohol dependency, low qualifications or basic skills needs.
- 3.4. As a condition of funding agreements, projects awarded funding will be required to meet the Public Sector Equality Duty and demonstrate this through regular reporting of progress.
- 3.5. This decision is not expected to have any negative impact on persons with a protected characteristic under the Equality Act.

4. Other considerations

Key risks and issues

- a) Programme – There is pressure with regards to forecast spend accurately and ensure projects deliver to that forecast. The appraisal process has already included a deliverability assessment by the Regen Programme Team and GLA Finance. Following the public announcement of successful applications, GLA Officers will engage further with applicants to ensure that project milestones and delivery programmes are realistic. Once grant agreements have been signed careful programming and project monitoring is in place to ensure spend is achievable.
- b) Project failure – experience of working with a wide-ranging programme of complex capital projects suggests it is likely that some projects will fail to deliver. The approval of a reserve list enables projects to come forward relatively quickly to pick up and surplus budget.
- c) Underachievement against targets and outcomes – the two-stage application process, and applicants' engagement with GLA Officers prior to submission, is designed to minimise any potential discrepancies between outputs listed in applicants, grant agreements, and eventually delivered outcomes. An Output and Evaluation handbook has been shared with applicants to ensure that outputs are properly baselined and that definitions are shared at an early stage. GLA Officers will continue to monitor projects during delivery to ensure that agreed outputs are delivered.

Links to Mayoral strategies and priorities

- 4.1 The investment supports the priorities set out in a *City for All Londoners* and the Mayor's subsequent statutory and non-statutory strategies based on the principles of 'good growth' and investment in London's future. This includes further developing London's strengths in innovation by encouraging collaboration across sectors, promoting more productive links between business and academia, providing support for innovation activities, fostering entrepreneurial skills and helping access funding and supporting culture ensuring London continues to thrive as a cultural capital. The recommended development funding allocation will specifically target fairness and equality by proactively supporting under represented themes, actions, places or communities as part of developing a balanced programme of exemplary projects. The Good Growth Fund provides a significant foundation and support for regeneration activities to ensure that all Londoners feel they have a stake in the future design and regeneration of the city.

Impact assessments and consultations

- 4.2 The Good Growth Fund prospectus was developed following consultation with LEAP. The assessment process, drew on input from teams across the GLA including Culture, Community and Social Policy, Economic and Business Policy Unit, Education and Youth, Food, Health, Housing and Land, Team London and Transport, to optimise alignment with Mayoral priorities across policy areas, and to add to the understanding of specific sectors. Feedback from other teams was used to suggest targeted rescoping of a small number of projects to ensure that they would maximise delivery on the full range of Mayoral priorities. The process generated a recommendation for each project – which was endorsed by LEAP Investment Committee on 30 November.

5. Financial comments

- 5.1 The total recommended project expenditure in this decision is up to £33,153,323 which includes £31,288,323 of capital expenditure and £1,865,000 of revenue expenditure. The revenue expenditure has an ESF element of £312,500 and £220,000 for development support projects. Funding for these projects is as follows:

Strategic Investment Fund - £5,000,000

ESF - £312,500

Government Growth Deal grant - £27,840,823

- 5.2 The projected spend profile of these bids is shown in Appendix A together with the allocations approved for Round 1 projects that are now in grant agreement. Actual spend is likely to vary and projects will need to be managed within the total budget approval in MD2163, including the additional £5 million of funding from the Strategic Investment Fund (SIF) to support the delivery of round 2 projects and £1.16 million allocated to two round 1 projects approved in MD2325. Projects requesting grant funding of £5.6 million have been earmarked against the £5 million from SIF so any potential shortfall in the total £6.16 million available from SIF for Good Growth projects will be funded from Government Growth Deal grant.
- 5.3 The financial review of projects highlighted issues and clarifications that need to be addressed before grant agreements are entered into for some of the projects that have been recommended for approval, in particular that all match funding is secured. The current operations of some of the organisations recommended for funding are also relatively small in scale in relation to the size of the grant being sought and total project costs they need to fund. This means that there is some delivery risk which will need to be mitigated by close on-going monitoring.
- 5.4 The proposed grants will be governed by the GLA's standard grant agreement with each provider and will set out the conditions for use of the grant including the indicative project completion date for spending the funding awarded and the phasing of the proposed grants and match funding. In addition, the Government imposes a condition on the use of Growth Deal funding for capital expenditure only. The Good Growth Fund budget has an element of revenue funding created by the swap of a revenue reserve and the capital/revenue project allocations will need to be re-checked for funding agreements and projects managed within the available split of capital and revenue resources.

6. Legal comments

- 6.1 The foregoing sections of this report indicate that:

- 6.1.1 the decisions requested of the director fall within the general statutory powers of the GLA, to do anything which is considered to promote or facilitative of or conducive or incidental to the promotion of economic development and wealth creation in Greater London; and
- 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 improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
 - (c) Consult with appropriate bodies.
- 6.2 In taking the decisions requested, the director 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 and foster good relations 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 (section 149 of the Equality Act 2010). To this end, the director should have particular regard to section 3 (above) of this report.
- 6.3 Officers have indicated that report that the contribution of funding to the proposed recipients will amount to an investment by way of the provision of funding and not a payment for services to be provided and must ensure that the proposed funding is disbursed in a fair and transparent manner in accordance with the GLA's Contracts and Funding Code and a funding agreement is put in place between and executed by the GLA and proposed before any commitment to the funding is made.
- 6.4 To the extent the expenditure proposed:
- 6.4.1 Relates to projects extending beyond the current mayoral term, officers must also observe the principle that an incumbent administration should not unreasonably fetter the discretion of any future administration. Officers should ensure that the project is managed in a manner, including (without limitation) the inclusion in related agreements of break clauses, which enable the GLA to terminate this project (or elements thereof) at any point for convenience and milestones/outputs and payments should be structured so as to minimise the impact of the exercise of such termination rights; and
- 6.4.2 Is to be funded using ESF funding, officers must ensure, liaising with the European Programmes Management Unit, that all ESF funding rules and requirements are observed and the funding agreements used contain provisions to enable this.

7. Planned delivery approach and next steps

Activity	Timeline
Project delivery (from)	April 2019
Launch third bidding round at 12-month interval	2019
Interim programme evaluation	Sept 2019
Programme closure	Mar 2022
Final programme evaluation	Sept 2022

Appendices and supporting papers:

Appendix A - Funding Profile

Appendix B - 'Proceed to Grant Agreement'

Appendix B1 - 'Recommended successful SIF projects'

Appendix C - 'Reserve'

Appendix D - 'Development Funding'

Appendix E - 'Proceed to Grant -Reserve- Development Funding' project descriptions

Appendix F - Analysis: applications by actions and applicant type

Background Documents

MD 2163 Good Growth Fund

MD 2325 Business Rates Retention Pilot

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? YES

If YES, for what reason: Appendices A-D contain details of shortlisted projects. There is a planned press announcement on the 14/12/2018 which will publicly reveal the list of shortlisted bidders. Deferring the publication of this approval will keep this information confidential until then.

Until what date: 14/12/2018

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:

Pooja Agrawal has drafted this report in accordance with GLA procedures and confirms the following:

✓

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.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on the 10 December 2018.

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

10.12.18

