

**REQUEST FOR DIRECTOR DECISION – DD1156**

**Title:** Growing Places Fund – London Works

**Executive Summary:**

Further to the endorsement from the London Enterprise Panel (LEP), this DD seeks formal approval for the GLA to enter into a Grant Agreement with East London Business Alliance to provide £100,000 of revenue from the Growing Places Fund GPF) in 2013/14 (£50k) and 2014/15 (£50k) to deliver the London Works project.

The investment will support the set up and delivery of the London Works recruitment agency whose purpose is to support talented low-income, disadvantaged people to find and maintain jobs using their graduate or A-level leaver skills through mainstream temporary and contract work. This activity is relevant to the priorities set out by the Mayor and the London Enterprise Panel.

**Decision:**

That the Director approves expenditure of up to £100,000 (revenue) from the Growing Places Fund by way of award of grant funding to the East London Business Alliance as a contribution to the costs of its London Works project.

**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 & Environment

**Signature:**

**Date:**

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

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

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

1.1 In July 2013, bids were received in response to the second round of the Growing Places Fund which sought proposals that delivered LEP Jobs and Growth Plan objectives. At the LEP meeting on 24<sup>th</sup> July the results of the GLA evaluation were reported, and the LEP endorsed the continued development of selected proposals. At the LEP meeting on 2<sup>nd</sup> October the LEP provided in principle approval for 4 projects to be shortlisted for GLA approval including the London Works project.

1.2 This report seeks approval for the allocation of £100,000 from the GPF to the East London Business Alliance (ELBA) as a contribution to the costs of delivering its London Works project which will support the set up and management of a commercial recruitment agency whose purpose is to support talented low-income, disadvantaged people to find and maintain jobs using their graduate or A-level leaver skills through mainstream temporary and contract work.

1.3 London Works will operate in east London with the aim of integrating the business goal of mainstream temporary and permanent staffing agencies with the social mission of helping talented low-income, disadvantaged people find and maintain jobs using their graduate or A-level leaver skills. It will operate as a trading subsidiary of the ELBA charity. ELBA's experience in the local skills and employment arena has led them to the conclusion that temporary/contract work offers a very good, but yet largely untapped, route into work for those facing social disadvantages. Typical barriers faced by this group include being the first family member to attend University, limited or no social capital, under 300 UCAS points as well as the classic deprivation problems of over-crowding, low household incomes and little or no soft skills training in advance of applying for jobs.

1.4 London Works will directly contribute to the Mayor's commitment to create jobs and growth in the capital and the London Enterprise Panel's priorities for skills and employment.

1.5 This proposal was endorsed by the Investment and Performance Board (IPB) on 16 January 2014.

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

The strategic aim of London Works is to deliver and demonstrate a new way to tackle graduate unemployment and underemployment in East London by connecting would-be workers, from disadvantaged communities, and corporate employers through mainstream and contract work. The project will deliver direct and measurable long-term economic growth through increased access to private sector employment for disadvantaged communities.

Objective: To support low income, disadvantaged people to access employment appropriate to their graduate or A-level skill level.

##### Target Outcomes

- 1200 adult Londoners receiving support which helps them to find or progress in employment (support/training of at least 14 hours) (KPI)
- 800 adult Londoners starting or progressing in employment ( 'adult Londoners starting or progressing in employment' is aligned to the corporate definition apart from that jobs will not last for 26 weeks at the point of being offered, as the nature of the project is that disadvantaged people are supported to find work through temporary assignments)
- At least London Living Wage paid by the Agency to contractors.

- Improved awareness of temping as a career option – supporting the reduction of unemployment and skills underutilisation.

### 3. Other considerations

#### a) Key Risks and Issues

	Risk description	Mitigation / Risk response	Current probability (1-4)	Current impact (1-4)	RAG
1	<b>ELBA inexperience in setting up and running a new recruitment business leads to poor performance or failure</b>	ELBA receiving mentoring and guidance from KPMG	2	3	A
2	<b>Low take up by employers/clients (possibly due to ties with other agencies)</b>	Sales strategy in place, monitor competitor activities, regular reviews of business plan	2	3	A
3	<b>Low take up by candidates</b>	Effective marketing and press strategy in place, exceed candidate expectations to encourage work of mouth recommendation	1	2	G
4	<b>Candidates do not work out their placements</b>	Ensure good matching of candidate to role, offer London Living Wage	2	2	G

#### b) Links to Mayoral Strategies and Priorities

This project supports a number of Mayoral priorities. The activity supports the Mayor’s manifesto commitment of creating 200,000 jobs in London over the course of this Mayoral term.

The project supports the Mayor’s efforts in championing the London Living Wage as at least the LLW will be paid to all temporary and permanent appointments.

Finally the project supports the objectives set out in the Mayor’s 2020 vision and the Mayor’s Economic Development Strategy to promote greater convergence of social and economic chances in East London with the rest of the capital by addressing in particular the target of convergence in median earnings in supporting young residents of these boroughs find better paid jobs and greater potential for career progression than they would otherwise be able to access.

#### c) Impact assessments and consultations

London Works will be required to undertake a self-evaluation towards the end of the delivery period. The effectiveness of the project will be measured by the number of previously unemployed or previously underemployed Londoners supported to find employment or progress in employment and sustain work for a period of 26 weeks. London Works will obtain specific information about each candidate upon registration to confirm their status as a disadvantaged previously unemployed or underemployed person and will then track the candidate through placements to 26 weeks of employment.

In order to assess the impact of this activity, London Works are involved in the Journey to Employment: Inspiring Impact programme (supported by the Cabinet Office, City of London, Big Lottery Fund and others)

which aims to change the way the UK voluntary sector thinks about impact and make high-quality impact measurement the norm for charities and social enterprises by 2022. The programme seeks to understand how best to tackle youth unemployment and will be used by London Works to help think through how their work contributes to young people's employability, and plan approaches to evaluation.

London Works will be invited to deliver a presentation to the LEP Skills and Employment at a future date.

#### Equalities

ELBA will ensure equality of opportunity through delivery of this project and the organisation has an existing Equalities Policy in place. The London Works project specifically addresses the inequalities of the traditional commercial recruitment agency route to employment, where ethnic minority groups are less likely to be offered a job than white applicants despite being as well or better qualified (Race for Opportunity, Feb 2012). London Works aims to target support at those groups who face greater challenges to accessing employment.

As part of the monitoring for London Works, all participants are asked to provide information about equalities groups to ensure the services are both inclusive and meet the needs of all members of the target community. Equalities information will be reported to the GLA on a quarterly basis.

#### **4. Financial comments**

4.1 Approval is being sought to grant fund up to £100,000 to East London Business Alliance (ELBA) for the London Works project (to be governed by funding agreement).

4.2 The revenue cost of up to £100,000 will be funded from the Growing Places Fund (GPF) programme, for which the GLA is the Accountable Body.

4.3 The use of GPF programme funds has been approved by the Local Enterprise Partnership (LEP) at its meeting of 2 October 2013.

4.4 The revenue spend is expected to span two financial years as follows :

- 2013/14            £50,000
- 2014/15            £50,000

4.5 The proposed investment of £100,000 over two years is expected to secure a minimum of £492,000 match funding from the private and public sector.

4.6 The grant agreement will include a clause that sets out the requirements for repayment of the funding from 2015/16 over a two year period.

4.7 All requisite budget adjustments will be made.

4.8 As the proposed funding above is to be governed via a funding agreement, officers are reminded to ensure that they liaise with both the Legal and Finance Teams in the preparation and execution of the funding agreements. In addition, the monitoring of the funding and associated payments must be line with the Authority's Funding Agreement Toolkit.

Officers will be responsible for assessing ELBA's grant claims against the funding agreement and taking any remedial action should output and costs vary from the agreement. The funding agreements should clearly state milestones to be met in order to claim funding.

Officers should also ensure that the requirements relating to the Authority's Contracts and Funding Code are met.

- 4.9 Any changes to this proposal must be subject to further approval via the Authority's decision-making process.
- 4.10 The Regeneration Team within the Development, Enterprise & Environment Directorate will be responsible for managing this project and associated funding agreement.

## **5. Legal comments**

5.1 Sections 1 to 3 of this report indicate that:

5.1.1 the decisions requested of the director fall within the statutory powers of the Authority to do such things as may be considered facilitative of or conducive or incidental to the promotion of economic development and wealth creation in Greater London; and

5.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the Authority'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.

5.2 Officers have indicated in sections 1 to 4 of this report that:

5.2.1 the contribution of funding to ELBA will amount to the provision of funding and not a payment for services rendered;

5.2.2 a process was followed to identify the proposed recipients of funding fairly, transparently, and which are considered to afford value for money.

5.3 Given that the amount of proposed funding is relatively small and because of the nature and status of ELBA it is considered unlikely that it might be considered to constitute incompatible state aid. However, officers must nonetheless ensure that:

5.3.1 Authority funding is not used for any activities or overheads incurred in respect of activities for which ELBA charge and a clear operational limit is placed on their use of funds for the administration of the project in this regard;

5.3.2 ELBA are required to have a separate account for the receipt and use of Authority funding, or if this is not possible, that they show the funding and related expenditure as a restricted fund in their accounts under a clear identifier, e.g. "Growing Places Funding"; and

5.3.3 any award by ELBA of funding to sub-recipients (if permitted) under the funded projects is made in accordance with EU "de minimis" principles.

5.4 Officers must ensure that funding agreements are put in place and executed by ELBA and the Authority before any commitment is made to the grant of funding.

## 6. Planned delivery approach and next steps

6.1 The project seeks £100,000 to support the set up and early stage running costs of the agency before sufficient revenue is generated to achieve a sustainable business. This will be matched by a minimum of £492,000 sourced from the private and public sector. Recruitment agencies require funds to support cash flow for candidate payroll, for example payroll for just 100 candidates out on placement will be £39,000 per week and average payment period for employers is six weeks from the date of invoice. Support from the Mayor of London will also significantly improve the profile of the project and encourage engagement from employers.

6.2 London Works will attract unemployed and underemployed candidates, provide them with support and training appropriate to the opportunities and then place them in short term assignment with employers. London Works will then provide candidates with support to remain in assignments and move to new ones as others are completed and will be tracked for a minimum of 26 weeks.

6.3 London Works will be operated as a trading subsidiary of the East London Business Alliance (ELBA) charity which has many years of experience in the local skills and employment arena. The project will be contract managed by the Growing Places Fund Programme Officer in the Regeneration team. Existing budget is in place to fund this post. The officer will be responsible for liaising with the London Enterprise Panel and ensuring appropriate reporting and governance arrangements are in place and performance is reported appropriately through GLA Dashboards. London Works will report progress on a monthly and quarterly basis.

6.4 London Works is intended as a sustainable business that will continue to support disadvantaged people into work indefinitely (with a long-term view to expanding the offer across London), therefore it has been agreed that the most appropriate point at which to end reporting of delivery of outputs is the point at which the project begins to repay funds to the GLA (October 2015).

6.5 The intervention is proposed to be structured as a grant made to ELBA. The profile of expenditure is £50k in 2013/14 and £50k in 2014/15. The grant agreement will include a clause that sets out the requirements for repayment of the funding from 2015/16 over a two year period. As funding is paid towards the beginning of the project to support set up and working capital costs the agreement will provide for funding to be clawed back should delivery of outcomes be lower than those set out. The proposed structure takes account of advice from the finance team and TfL Legal and reflects the principles of the Growing Places Fund whilst using an existing form of agreement appropriate for the relatively low value of funding (as opposed to, for example, the use of a bespoke loan instrument).

6.6 It is proposed that the grant agreement sets out a key milestone in March 2015 at which to review the funding repayment requirement. At this milestone date a decision may be sought to waive the repayment requirement should satisfactory justification for this be provided by the delivery partner (funding provided to ELBA is below the de minimis threshold). In their original proposal, ELBA proposed an option to recycle funds to support the planned expansion of the project to Haringey and Croydon and this will be discussed in more detail in March 2015.

	<b>Milestones, deliverables and promotional activity</b>	<b>Planned date</b>
<b>1</b>	Obtain Director Decision	<b>January 2014</b>
<b>2</b>	Completion of Grant Agreement	<b>January 2014</b>
<b>3</b>	Project Delivery Commences- candidates recruited, trained and placed in work	<b>January 2014</b>
<b>4</b>	Quarterly reporting of outcomes	<b>January 2014 – September</b>

		<b>2015</b>
<b>5</b>	Project Review Milestone – decision taken to instigate or waive repayment	<b>March 2015</b>
<b>6</b>	Final evaluation (self)	<b>July 2015</b>
<b>7</b>	Delivery End Date	<b>30 September 2015</b>
<b>9</b>	Project closed	<b>31 March 2017</b>

**Appendices and supporting papers:** None

**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:**

Laura Dubeck 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**

**Date**