

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD1452

Title: FE Capital Investment Fund increase in preliminary costs.

Executive Summary:

MD1420 delegated approval of allocations of FE Capital grant, on the advice of the London Enterprise Panel, to the Executive Director of Development, Enterprise and Environment and DD1368 subsequently approved a grant allocation of £16,335,000 to Richmond upon Thames College. This decision seeks approval for an increase in grant of £2,536,800 due to an increased preliminary allowance and for VAT as recommended by specialist technical advice and the consequent formation of a funding agreement, for one Round 1 project.

Decision:

That the Executive Director approves additional capital grant funding of £2,536,800 for the Richmond Upon Thames College project to allow for an increase in preliminary allowances (including VAT), through delegated authority provided under the provisions contained in MD1420, and subsequent to DD1368.

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: 20.1.2016

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 for capital investment in further education colleges and providers. This paper seeks a decision on an uplift in funding for one application previously approved in DD1368.
- 1.2 In November 2014, IPB approved the proposed approach to allocation of funding through bidding rounds. Following this in January 2015, 16 full applications were received and evaluated by an internal officer panel. At its March meeting, the London Enterprise Panel provided in principle approval for 16 Round 1 projects. Approval was subject to finalisation of specialist due diligence.
- 1.3 The outcome of this work was reported to the FE Capital Steering Group in May 2015 and the recommendation that 15 projects are endorsed for funding was agreed.
- 1.4 At the June 2015 IPB, the stage 1 and 2 were approved.
- 1.5 14 Round 1 projects, including the proposal from Richmond upon Thames College which is the subject of this decision, were approved by the Executive Director in DD 1368 through their delegated authority provided under the provisions contained in MD 1420.
- 1.6 Round 1 projects have been discussed with BIS as will all future projects through reporting and monitoring. These discussions highlighted that the college's financial health was assessed as 'inadequate' by the Skills Funding Agency and the FE Commissioner consulted with the college. As a result of this visit, the FE Commissioner deemed that the positive outputs of the project will significantly outweigh any negative implications. See Part 2 (reserved from publication) for further details.
- 1.7 DD 1368 included provision for an increase in project cost where this is recommended by FE Capital Specialist consultants, and for the increase to be funded by FE Capital grant as opposed to funded by the applicant. This is due to the budgetary pressures experienced by the sector and the fact that project costs may have increased as a result of inflation, due to the delay in the funding decision. This notion that project funding allocations are subject to small increases, up to funding available for commitment (£55m), was approved by the Executive Director in DD 1368.
- 1.8 In January 2016, IPB recommended that Richmond upon Thames College's Round 1 application should receive £2,536,800 additional FE Capital Investment Funding as a grant. The increase in funding will allow for a 5% increase in preliminary allowances (£2,114,000) in line with industry forecast, and a consequent increase in VAT (£422,800), as recommended by FE Capital specialist consultants. Although the increase represents just 4% of the project cost, this decision was brought to IPB because of the size of the increase in absolute terms.
- 1.9 Approval is sought by way of this Director's Decision for an increase in funding of £2,536,800 to be allocated to Richmond upon Thames College, bringing the total project value to £51,541,800, of which £18,871,800 is FE Capital Investment Funding, in line with the reasoning set out in paragraph 1.8 above.

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 Part 2(reserved from publication). Table 1 quantifies the outputs in the five financial years following completion of the project.

Table 1

Output/Outcome	Total
No. of learners supported 16-18	13,726
No. of learners supported Adult classroom	4,085
Cost savings (£) K	1,500
No. of students progress to Jobs in new skills	5,624
No. of Apprenticeship starts	2,077
No of 16-14 NEET engaged	303
No. of LLDDs supported	423
No. of new SME's supported	284

3. Equality comments

- 3.1 This project 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 Projects have been required to submit the institution's equal opportunities policy as part of the Detailed Application process.
- 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 m²)
 - 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 Funding required to deliver preferred project 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 project 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.
- 4.2 Project is 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 project and a resolution or mitigation has been provided. In addition, the procured 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 the project is able to drawdown funds.
- 4.3 Proposed project does not deliver outputs. The 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

- 4.4 Officers have assessed the application on the alignment to the Mayor's Smart London Plan, Economic Development Strategy and links to the London Plan. In addition, the application has 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.
- Evaluators comments can be found in part two (reserved from publication).

c) Impact assessments and consultations.

- 4.5 A Memorandum of Understanding (MOU) between the GLA and SFA is in place which provides an extra level of assurance by verifying financial statements and providing information that the GLA may not otherwise receive.

5. Financial comments

- 5.1 There is unallocated headroom available in the £53.5 million FE Capital programme budget to meet the additional cost of £2,536,800 arising from this decision and bringing total project grant funding of up to £18,871,800. The revised cost includes additional provision for preliminaries and the consequential increase in VAT. Funding for the project will be governed by a funding agreement and will require grant claims to be independently verified. The additional funding would therefore only be drawn down if required.
- 5.2 When grant funding for the college of £16,335,000 was approved in DD1368 the Skills Funding Agency assessment of the financial health of the college was 'low satisfactory,' but this was subsequently updated to 'inadequate.' However, the college is undertaking a financial recovery programme which is built into its five year financial projections and the building project itself is anticipated to result in savings in running costs of the estate. The financial recovery will be overseen by the SFA and involve the FE Commissioner.
- 5.3 Given the current weakness in the financial position of the college there is still a financial risk arising from the scale of the project even with the provision for extra costs in this decision, for example, should there be a shortfall in match funding which is dependent on land disposal or from any additional cost pressures. The college will have to manage these risks within the revised total grant funding resulting from this decision. Most funding will be drawn down in 2016-17 and 2017-18 and updated estimates will be included within the funding agreement.

6. Legal comments

- 6.1 The foregoing sections of this report indicate that:
- 6.1.1 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;
- 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 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.

6.3 Officers shall ensure that they liaise with legal Services in the preparation and execution of documentation to vary the original funding agreement.

7. Planned delivery approach and next steps

7.1 The GLA will enter into a grant agreement for this project with Richmond upon Thames College. They 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
Enter into Funding agreement	January 2016
Announcement	January 2016
Delivery	January 2016 – March 2018

Appendices and supporting papers:

Supporting Paper 1: MD1420

Supporting Paper 2: DD1368

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? YES**

If YES, for what reason:

Until the FE Commissioner's report (as mentioned in the above commentary and Part 2) is made publically available on www.gov.uk

Until what date: to be reviewed on 31 March 2016

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/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. D. Hille

Date

18.1.16

