

**FURTHER  
EDUCATION  
CAPITAL  
INVESTMENT FUND**

Invitation to submit proposals

August 2014

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# FOREWORD

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## Chairman's Foreword by Boris Johnson

I am determined to do all I can to provide jobs and growth for Londoners.

That is why I am delighted to have secured from the Government funding for the London Enterprise Panel's plans to invest in further education and skills. This dynamic sector is vital to London's future prosperity.



By providing the skills that our businesses require, London will be best placed to take advantage of the continued economic recovery.

The Panel now has £120m to invest as part of the Growth Deal for London. This money must be used wisely. To help shape this investment, the London Enterprise Panel has identified a number of key priorities in this prospectus.

I now invite you to respond to these ideas by preparing and submitting strong investment proposals. Please help us ensure that we use this capital investment in skills to serve the needs of London's businesses, workers and communities alike.

A handwritten signature in black ink, which appears to be 'Boris Johnson', written in a cursive style.

**Boris Johnson**

Mayor of London and Chairman of the London Enterprise Panel

# INTRODUCTION AND BACKGROUND

## Overview of the Investment Fund

London has a dynamic further education (FE) system with over 37 FE colleges and over fifty registered private and work based learning institutions. The skills required by Londoners to enable them to compete for the career opportunities offered by this great city can only be delivered if FE institutions are able to operate within suitably appropriate buildings and facilities equipped with up-to-date equipment and machinery similar to that used by London's businesses.

HM Government has confirmed that up to £120m capital funding will be made available to the London Enterprise Panel (LEP) for FE in 2015/16 and 2016/17 as part of the LEP's Growth Deal settlement announced in July 2014. The Growth Deal settlement makes available £55m in 2015/16 as well as an indicative allocation of £65m in 2016/17.

This prospectus invites FE institutions (colleges and registered private providers) to submit innovative funding proposals for projects that will best meet the capital's skills needs. In particular, proposals to enable the highest levels of skills progression, job outcomes and growth in London.

This initial funding round seeks to commit expenditure for 2015/16 onwards and will be used to generate a pipeline of proposals which may be used by the LEP to secure the current indicative allocation from HM Government for 2016/17. The initial round is seeking expressions of interest to be submitted to the LEP by the end of September 2014 with further funding rounds commencing later in the year. The LEP recognises that the timescales for the initial round are challenging, however it is vital that the LEP is able to demonstrate evidence of demand in order to secure the indicative 2016/17 funding allocation. All organisations with a project idea are encouraged to submit an expression of interest in the first round for early consideration, and it is recognised that these proposals may need to be developed over a longer period and assessed as part of future rounds.

Applications can be made for capital works to estates and property or investments in technology or equipment providing that all expenditure can be accounted for as capital.

The LEP would like to facilitate partnership working and applications. Should applicants wish to be made aware of organisations interested in partnerships, or to register their own interest in partnership working, they should indicate this by emailing their contact details to [fecapital@london.gov.uk](mailto:fecapital@london.gov.uk).

## Strategic context

London FE institutions, providers and partners are invited to submit proposals for use of capital funding which contribute to the delivery of the Mayor of London's and the London Enterprise Panel's priorities which are summarised below.

The LEP's **Jobs and Growth Plan for London**<sup>1</sup> sets out the LEP's overarching objectives. The plan identifies four key priorities for the focus of investment and interventions as follows:

- **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.

**The London Plan**<sup>2</sup> is the overall strategic plan for London, and it sets out a fully integrated economic, environmental, transport and social framework for the development of the capital to 2031. It forms part of the development plan for Greater London, London boroughs' local plans need to be in general conformity with the London Plan and its policies guide decisions on planning applications by councils and the Mayor.

**The Economic Development Strategy for London**<sup>3</sup> sets out the Mayor's vision for London. In particular, for London to be the world capital of business; to have the most competitive business environment in the world; to be one of the world's leading low carbon capitals and for all Londoners to share in the capital's economic success. Achieving the Mayor's vision for London to be the best big city in the world includes investment in local places and supporting high streets, outdoor spaces and places of work to create new jobs and develop stronger businesses. All of the Mayor's investments are therefore expected to contribute to creating great local places to help retain and attract people and businesses, draw in visitors and investment and ensure every Londoner has a decent quality of life. Project proposals will therefore be expected to demonstrate their ability to support this agenda through taking an integrated approach to investment working with local authorities, local businesses, community groups to ensure that capital investment in skills is utilised to maximum advantage.

## Labour market projections

Last year the LEP commissioned the GLA's Economics Intelligence Unit to conduct a thorough **labour market projections study for London**<sup>4</sup>, looking at the region as a whole. The key findings from the report are summarised below (however it is acknowledged that within London there are local variations):

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<sup>1</sup> <https://www.london.gov.uk/priorities/business-economy/working-in-partnership/london-enterprise-panel/strategic-focus/priorities>

<sup>2</sup> <http://www.london.gov.uk/priorities/planning/london-plan>

<sup>3</sup> <http://www.london.gov.uk/priorities/business-economy/publications/economic-development-strategy>

<sup>4</sup> <https://www.london.gov.uk/mayor-assembly/mayor/publications/gla-intelligence/london-labour-market-projections>

- **specialist sectors** being finance and insurance; professional, scientific and technical activities; information and communication; real estate; and, business support services;
- **occupation categories** within these sectors being manager and administrator; professional; or, associate professional and technical occupations;
- **qualification levels** within these categories being currently filled in London with a high proportion of people holding an ordinary or higher degree;
- **demand for ordinary and higher degree level qualifications** that is projected to increase by 800,000 over this period;
- **short-term declining sector** across London being manufacturing employment;
- **long-term declining sectors** across London being manufacturing, wholesale, transportation and storage, and public administration;
- **sectors having little or no demand** being land-intensive activities such as agriculture; mining and quarrying; manufacturing; and electricity and gas;
- **jobs - annual average growth** of just over 35,000 jobs per year, resulting in over 850,000 more jobs in London by 2036; and
- **working age population increase**, with London's population aged between 16 and 64 projected to increase from 5.7 million in 2011 to over 6.6 million by 2036.

# INVESTMENT FUND OBJECTIVES

## Core priorities

There is a clear need for investment in London's FE and skills infrastructure. London is a strong global city. It is placed at or near the top of the many international league tables of cities for its overall economic climate. It enjoys inherent and historic advantages including its location, language, deep capital pools, time zone, accessibility, the education, skills and diversity of its labour force, and its access to national, European and international markets. However, London's scale as a global city means that it faces a number of positive challenges too. An exploding population, a projected increase of 850,000 new jobs by 2035 and employment growth forecast for most sectors all suggest that further and significant investment is required in London's FE infrastructure to meet these challenges. There is a shared vision by the LEP and skills sector stakeholders that facilities and equipment should at least match that of London's business and industry.

The growth in jobs and shift from traditional to new sectors will result in the need to re-engineer estates and facilities to meet the future skills needs for growth. The LEP expects FE and skills providers to play a crucial role in training the London workforce to meet the growing skills need and to support Londoners to progress onto higher level qualifications, the demand for which is set to increase.

Whilst there has been significant investment since 2001 in London's FE estate, its renewal is far from complete and more than a quarter of London's colleges remain in unacceptably poor condition.

Proposals are invited to demonstrate their ability to address one or more of the LEP's five core priorities for the Programme, which are listed below:

- 1) Renewal, rationalisation and modernisation** of the FE estate, increasing the amount of existing floor space in good condition, thereby improving classroom and workshop based learning environments, improving quality, efficiency, learner satisfaction, progression and success rates.

*A large FE college demonstrated effective rationalisation and cut its overall running costs as part of a recent investment programme by reducing floor space from 75,000sqm (one third of which was unusable) to 25,000sqm. As a result, accessibility across the site improved dramatically for learners with learning difficulties and disabilities.*

- 2) Creation of space which is versatile, fit for purpose, transformational and tolerant to change** to ensure that London's FE estate is responsive and adaptable to current and future requirements of businesses and learners, including those not in education employment and training (NEETs) and learners with learning difficulties and disabilities (LLDD).

*One west London college opened in January 2011 at a cost of £112m, recorded a substantial increase in long course success rates from 70 per cent in 2009 to 85 per cent in 2012-13 and a marked improvement in student behaviour and the social cohesion agenda.*

- 3) Proposals that help to meet the ambitions of the Mayor's Smart London Plan<sup>5</sup> or which support LEP priority areas** including investment in highly specialist equipment or technology to address proposals at the cutting edge of the economy.

*An east London college identified STEM (Science, Technology, Engineering, & Maths) education and training as an integral part of its curriculum in its bid to refurbish and modernise existing accommodation. The resulting £8.7m modernisation programme and creation of a new mezzanine level for science, digital and advanced ICT accommodation is enabling the college to respond to increased student enrolments: 180 new STEM learners within the first year from the growing number of local young people. In addition, the new facilities – open to the public six days a week – have promoted greater social cohesion and increased community engagement, by offering the library, learning resources centre, internet cafe and conference facilities as community and business resources.*

- 4) Proposals focused on progression to the highest levels of vocational study**, in particular higher level apprenticeships, or projects able to demonstrate strong progression links with higher education.

*We are aware of a potential application aiming to increase course provision to meet locally determined higher level needs in plumbing and childcare, reflecting the increased demand for learners with qualifications at these levels, as set out in London's Labour Market Projections.*

- 5) Proposals that demonstrate collaboration with schools, other education providers** and employers, in particular those seeking to create 'innovation hubs' through bringing employers directly into the institution and supporting the creation of jobs.

*One institution is exploring ways of bringing together a number of partners to deliver an integrated educational offer with employment pathways. The investment would deliver a new estate with shared facilities accessible to education institutions, employers and the wider community. The proposal would deliver a new model in education and enterprise delivery and would result in the rationalisation of the existing estate (including delivery of a footprint 61% of the size of the existing buildings) and achievement of efficiencies in terms of running and maintenance costs. The project would deliver improved educational outcomes, improved transitions between different stages of education and on to employment, and an opportunity to develop and share best practice.*

<sup>5</sup> <https://www.london.gov.uk/priorities/business-economy/vision-and-strategy/smart-london>

## Outputs and benefits

The LEP is inviting applicants to demonstrate how projects will deliver against the core outputs and benefits identified below. Applicants should quantify outputs and benefits as far as possible and should clearly indicate where delivery of these can be evidenced.

### Core outputs:

- number of learners supported;
- cost savings (in terms of maintenance and running costs);
- jobs created as a result of the investment;
- increase in the number of apprenticeship starts;
- reduction in NEETs; and
- number of LLDD supported.

### Project benefits:

Additional project benefits may include but are not limited to the following:

- improvement in teaching and learning;
- improved educational outcomes across all areas but particularly LEP priority sectors including STEM (Science, Technology, Engineering, & Maths);
- increase in the number of students in local priority training sectors;
- increased attendance;
- number of businesses supported to start –up / grow;
- new / improved commercial space / business space (m<sup>2</sup>);
- new / improved public realm (m<sup>2</sup>);
- gross and net new jobs FTE (construction);
- gross and net new jobs FTE (direct and indirect);
- increased space efficiency;
- amount of space with improved energy efficiency (m<sup>2</sup>);
- improvement in water/waste management and green infrastructure;
- reduced dependency on HM Government funding; and
- additional investment attracted.

Projects should also identify how they plan to engage and collaborate with local businesses and employers to support the creation of jobs within the local area and delivery of training to support growth sectors. This could include, but is not limited to:

- securing additional funding from an employer or business;
- working with a partner to deliver work space, shared space or shared services;
- collaboration with local employers to identify local training needs to support growth sectors; and
- establishment of business growth hubs.

### *Place making and wider regeneration benefits*

In addition to the above listed objectives, projects should also demonstrate how they will contribute to the Mayor and LEP's drive to make London a better place in which to live and work and to visit. In particular, projects should demonstrate how they will maximise wider economic, social and environmental benefits of the investment through high-quality architecture and urban design proposals and where possible, integration with other place-based regeneration projects to support the vitality and attractiveness of the area.

Applicants are strongly encouraged to consider how their projects can be better integrated within the wider urban context of their locality. Where applicable, colleges should demonstrate how the proposals for the estate contribute to the delivery of existing and agreed spatial plans, including but not limited to Opportunity Area Planning Frameworks, Area Action Plans, master plans and urban design strategies (please refer to the London Plan and other local plans). Where proposals are part of a long-term estate renewal strategy, colleges should demonstrate how these are aligned with other spatial plans that may exist for the wider area and support work to define better the potential of places to accommodate growth and to renew themselves.

Specific interventions may include but are not limited to:

- the creation of redevelopment opportunities with new uses on parts of the estate to help make good development a reality by preparing sites through site purchase and assembly; transfer of surplus land; land swaps; site remediation; and local access works;
- the release of land for, or works enabling housing development through rationalisation or relocation of the estate;
- targeted public realm improvements that make the area more desirable and usable, for example through the creation new public routes to existing local places including high streets and town centres; improved balance of road space use; resolution of parking issues; improved transport facilities as well as crossings, footways, lighting and street furniture; reduced commercial and other clutter and clean up; restored and enhanced building frontages and other structures; tree planting; provision of bicycle parking; and
- environmental proposals such as energy efficiency, low-carbon energy generation; greening; sustainable urban drainage and improved access to green space.

# PROJECT REQUIREMENTS

## Eligibility for funding

Applicants must be an FE college or approved training organisation that is on the Register of Training Organisations who expects to hold a contract with the Skills Funding Agency to deliver education and training for 2014/15 and or are expecting to hold a contract in 2015/16. When available, confirmation should be provided of funding allocations for 2015/16 onwards.

Eligible bodies and institutions might include FE Colleges, National Skills Academies (NSAs), Group Training Associations (GTAs). Joint applications are permitted, however where there is more than one party involved, a 'lead partner' should be identified to enter into the funding agreement and to act as accountable body for the project.

HM Government has awarded £55m capital expenditure for the London programme in 2015/16 with a further £65m indicatively allocated for 2016/17. Funding is currently available in the 2015/16 financial year and will be available for expenditure from 1 April 2015. Applicants should profile their expenditure for the 2015/16 financial year and the following two years, as we expect to have some ability to carry funds forwards into future years. As far as possible applicants should demonstrate their ability to spend funds as early as possible. Consideration in evaluation will be given to projects which are able to demonstrate early spend and deliverability.

The funding available to projects is capital only and therefore any revenue elements (including feasibility studies) of the project must be funded through match funding.

Applications requesting funding solely for the purchase of specialist equipment or technology are eligible. These applicants should complete the Expression of Interest form and will then undertake a separate process at detailed application stage. More guidance will be provided in due course.

Applications for funding for phased capital works are eligible, however each phase must be capable of delivery in isolation and applicants should note that where funding is awarded for one phase of the development, due to lack of funding assurance the LEP may not be in a position to award funding for future phases.

All projects will need to demonstrate that the proposal is State aid compliant. All applicants need to take steps to ensure that any grant funding requested under the London FE Capital programme does not amount to incompatible state aid. Before applicants receive any grant they will need to provide the GLA with a formal written state aid opinion from a solicitor, regulated in England and Wales who specialises in the EU state aid rules, confirming how the project complies with the EU state aid rules, or a declaration to show that the grant is compatible state aid as it is to be provided as De Minimis aid in compliance with the De Minimis Regulations.

## Minimum financial requirements

- There is no upper or lower limit on project value for capital investment in the estate or for specialist equipment or technology.
- All applicants will be required to ensure that funding requested can be capitalised in their year-end accounts.
- Applicants should demonstrate an ability to provide 2:1 match funding (meaning that for every £1 invested from the FE Capital Fund, there should be an additional £2 invested from other sources). A lower match commitment may be considered where proposals present a strong business case, align strongly to the LEP's priorities and achieve good or high scores on all criteria.
- The funding provided as 'match' for grant support must come from non-public sources and should be expended at a proportionate rate to the FE Capital funds (i.e. where match of 2:1 is provided, projects should evidence £2 match spend for every £1 LEP funding drawn).
- All funding will be paid as a grant, drawn down in arrears against achievement of milestones and/or outputs and either evidence of cost incurred or certified expenditure. Where projects will result in uplift in values or capital receipts, it may be appropriate to identify options for repayment of funding for example by way of loan funding. Applicants may wish to propose all or some of the FE Capital funding be provided by way of repayable funding for example where a project generates significant income such as a capital receipt (see the 'loan funding' section at page 18 for more information).
- Dependent on the nature and scale of project, the LEP may require the services of an independent monitoring surveyor to provide certification of expenditure and build progress, the cost of which is to be funded by the applicant. Subject to applicants being able to capitalise the costs in year-end accounts, they can be included in the amount of funding requested. Where applicable, and following Expression of Interest (EoI) stage, applicants may be invited to suggest how this could be addressed, for example where their own surveyor may provide joint liability to both the applicant and the Greater London Authority (GLA) (as the LEP's accountable body).
- Dependent on the nature and scale of the project, the LEP may require due diligence and legal costs (as incurred by the GLA on its behalf) in the preparation and execution of funding agreements to be funded by the applicant. Subject to applicants being able to capitalise the costs in year-end accounts, they can be included in the amount of funding requested. Applicants will be advised of this following EoI stage, to be accounted for in the detailed application.

In certain circumstances, for example but without limitation, where project costs are less than originally approved, or where funds have not been used for the agreed purposes, funding may be suspended, withdrawn or recovered (provisions for this will be provided for in the funding agreement).

In addition, the funding agreement will include any other requirements or restrictions yet to be specified by HM Government.

## **Loan funding**

Where there is a realistic expectation that funds will be generated as a direct result of the proposed investment, for example where the project involves land assembly and / or disposal, which results in a surplus the LEP wishes to explore with applicants options for repayment of funding. Applicants may wish to propose all or part of the funding requested from the LEP is provided by way of a loan. In these instances the LEP may consider lower match requirements.

The LEP may require loan arrangements where an application is made by an organisation whereby provision of grant funding would be incompatible state aid. State aid can occur whenever state resources are used to provide assistance that gives organisations a commercial advantage over others. In such circumstances, interest may be charged at a range of rates (see Appendix 2). The interest rate to be applied for individual projects will be determined by an assessment, carried out by the GLA, based on the financial standing of the bidding organisation and level of security offered. In such cases, repayment should be within five years of the commencement of the loan.

The GLA will discuss loan options and requirements, as appropriate with applicants following the EoI stage.

# PROJECT INFORMATION

## **The Estate**

At Eol and detailed application stage applicants should provide details of the current standard of the estate, including the total Gross Internal Area (GIA) and the current condition of the estate.

Applicants must set out very clearly the proposals for the amount of total GIA to be improved, rationalised and constructed to good condition as well as the net change to total GIA. Applicants should explain the output of the investment, the proposed use of space and the resulting improvements.

Where the application is for the purchase of specialist equipment or technology applicants should clearly specify the equipment required and cost.

Applicants may wish to indicate where the proposed capital investment is responding to recommendations made by OFSTED.

At detailed application stage, applicants will be expected to outline the impact of the changes to the Estate on running and maintenance costs and will be required to demonstrate that there are sufficient financial resources to cover existing and additional costs arising from the changes for a minimum of five years post-completion.

Applicants should clearly outline any details of planned acquisitions and disposals as well as relevant planning approvals. Where the project involves acquiring or disposing of land, valuations should be provided supporting the viability of the proposals and where appropriate relevant drawings and plans submitted alongside the application. Any third party matters that could have an impact on the proposed project should also be disclosed.

## **Costs and expenditure**

All capital development projects should be developed up to RIBA stage 2, or an equivalent stage where it is possible to identify their extent and indicative cost at Eol stage, and to cost fully prior to submission of detailed applications.

For the Eol stage projects will be expected to outline estimated total project costs for construction and fees, along with evidence supporting the cost assumptions made. Applications will also be required to specify the total match funding secured, the source of this funding and supporting evidence of match funding, and valuations if relevant.

By detailed application, projects will be expected to provide a detailed breakdown of all costs by category. As indicated below these costs will be assessed for value for money.

All costs included in the request for funding must be capital costs (or costs which will be capitalised). The applicant will be required to certify that all expenditure is capital. Therefore any revenue costs should be met from match funding, or other funding sources.

In the event that costs exceed those included in the application, no increased grant will be available.

### **Value for money, viability and affordability**

Projects must provide a full investment appraisal at detailed application stage.

At Expression of Interest stage, applicants are required to provide headlines from an initial analysis of the investment proposed including an indicative assessment of the overall capital costs, an indicative assessment of the expected changes in running and maintenance costs and any other savings and a statement of the main types of outputs and outcomes, quantified in volume terms and in terms of duration and persistence/growth/decay where possible. If a full Net Present Value calculation has been undertaken against the base case, the results should be included however where applicants are not in a position to provide this they will not be penalised.

A full and more detailed investment appraisal including sensitivity analysis will be required at the detailed application stage.

Value for money and affordability will be assessed by the LEP and GLA Finance. Applicants should set out how cost information is arrived at including any evidence, any assumptions used and how value for money is demonstrated. Where appropriate, applicants should also reference relevant cost benchmarks used. The LEP may seek independent advice on the costs set out.

At detailed application stage projects will be required to set out all costs involved in completing the project and ongoing running and maintenance costs.

Affordability will be assessed based on the business plan submitted, the college's annual accounts for the previous three years, a full year budget vs outturn for the previous three years and a five year revenue plan. This assessment will be undertaken by the GLA Finance Team and their assessment will be final. Where affordability is not clearly demonstrated in the business plan, applicants should provide a financial plan demonstrating the affordability of the proposed project over the longer term (including provision for the repayment of any other loans, maintenance, service, additional staffing costs etc.). Applicants should show that there is no negative impact or that there is a positive impact on net revenue costs.

For the avoidance of doubt, recipients of funding shall be solely liable for any cost overruns and if the costs of the project exceed the approved amount no additional funding will be available and the GLA shall not be liable for the same from the FE Capital Programme or otherwise. A reasonable amount of contingency can be included in the amount of funding requested, however funding can only be drawn down on the basis of costs incurred or expended.

## Risks and mitigation

At EoI and detailed stage, applicants will need to identify the key risks to the project and appropriate mitigation strategies.

## Delivery and governance

At both EoI and detailed application stage, applicants will need to demonstrate that they have the ability to deliver the planned programme to time, and to budget and that there are effective governance structures in place to oversee and manage delivery.

Capital development projects should achieve high levels of environmental performance and be able to achieve a Building Research Establishment Environmental Assessment Model (BREEAM) 'excellent' rating for new build and 'very good' for refurbishments.

Applications will be expected to outline their planned procurement strategy and delivery model. In all cases applicants must procure consultants and contractors in accordance with European Commission (EC) Procurement Directives.

Applicants may consider the use of the joint GLA/Transport for London (TfL) Architecture, Design and Urbanism Panel. This is a framework panel of design consultants, open to use by London boroughs, housing associations and other public sector organisations involved with the built environment. Further information can be found here: <http://www.london.gov.uk/priorities/regeneration/shaping-a-better-london/architecture-design-and-urbanism-framework>.

## Monitoring, reporting and evaluation

Funding will be paid quarterly in arrears in stages as agreed in the contract, taking account of the agreed project budget, cash flow and progress of the scheme and on submission of detailed evidence of costs incurred and goods / services received. Projects will be required to submit quarterly claims confirming the progress made to that point and evidencing expenditure. Forward funding will be considered on a case by case basis where there is evidence of a cash flow need. This will be discussed at the detailed application stage.

All projects will be required to provide monitoring information beyond the end of date of the capital expenditure, particularly with regard to the number of new learners supported. Projects will also be required to undertake a self-evaluation of the project 6 months after completion of the project and as part of the grant funding conditions will be required to undertake a longitudinal evaluation approximately 3 years after completion which should be submitted to the GLA.

# APPLICATION PROCESS

## Expressions of Interest (Eol) stage

Applications will be invited in a two stage process, with an initial Eol stage followed by a full detailed application.

All Eols must be submitted on the application form which is available at <http://www.london.gov.uk/priorities/business-economy/working-in-partnership/london-enterprise-panel/current-projects-funding/further-education-fe-capital-investment-fund>.

Applications not in this format will not be considered. Guidance on completing each section is included within the form.

Projects previously submitted to the Skills Funding Agency (SFA) for consideration can be re-submitted, however all applications should be submitted in the application form provided following the process and criteria outlined in the prospectus. All applications will be subject to a full appraisal without consideration of any previous SFA assessment or evaluation.

Applicants with more than one project that meets the funding criteria may submit more than one application. In this case, applicants should prioritise the applications clearly in a covering letter.

Joint applications will be accepted, but if a proposal includes multiple organisations the project proposal should clearly identify a lead organisation to be the accountable body for the funding.

Due to the capital accounting restrictions placed on the funding by HM Government funding will not be available for feasibility work in advance of a decision to fund (at the end of the detailed application stage).

Completed applications and supporting documentation (as set out in the Application form) should be submitted in electronic format (in both word and PDF format) by email to [fecapital@london.gov.uk](mailto:fecapital@london.gov.uk) by **5pm on 30 September 2014**.

Where possible all submissions should be included in one email only, or where multiple emails are required the email subject line should clearly state 'email x of x'.

## Detailed application stage

Following evaluation of the Eol form, shortlisted applicants will be invited to submit a full application. Applications for equipment only will undertake a separate process at detailed application stage. More guidance will be provided at a later stage.

Between Eol and detailed application stage applicants must highlight where there is a change to the proposal for example where there is an increase in total funding requested, a change in grant profile in a financial year, change to the extent of capital works being undertaken or change in deliverables. The LEP reserves the right to reject what it considers to be material changes, and as such applicants

are advised to discuss these with relevant officers at an early stage. Contact can be made via the email address [fecapital@london.gov.uk](mailto:fecapital@london.gov.uk).

Detailed applications should follow the template provided at detailed application stage ensuring that all supplementary information required is provided.

For the detailed application it is expected that the summary information / in principle proposals provided at EoI stage are developed significantly, and specified in much more detail.

Before submitting a detailed application, providers should develop proposals up to a stage where costs can be identified properly and programme plans provided with certainty. As a minimum the following should be in place:

- projects should be developed to a minimum to Stage 2 - Concept Design (RIBA Plan of Work 2013) with supporting drawings and cost plans;
- applicants should be able to confirm a firm budget and provide evidence of match funding; and
- proposals should set out a clear delivery timetable demonstrating relevant certainty.

The detailed application process will require the following:

- **Completed detailed application form** - (this will be provided to projects invited to submit a detailed application) including required supplementary documentation attached in particular design documentation including but not limited to plans and elevations (developed to a minimum to the equivalent of RIBA Stage 2), documentation of any planning consents and relevant conditions, procurement strategy for design team and contractors to ensure a high quality outcome, a detailed flow chart / Gantt chart setting out the project programme and evidence that the required corporate approvals for the project are in place.
- **Building cost breakdown analysis** - applicants should include an outline of the costs of the project in the template provided along with an explanation of how costs are arrived at and any evidence, any assumptions used and how value for money is demonstrated set out including reference to relevant cost benchmarks. The LEP may seek independent advice on the costs.
- **Investment appraisal** - the detailed application should include comprehensive investment appraisals including assumptions in respect of the base case (do minimum) and preferred option. Funding will only be provided to projects with a Net Present Value (NPV) better than the base case NPV and which demonstrate affordability through efficiencies such as lower premises costs, lower staff costs or additional revenue over an investment period of 20 years.
- **Planned expenditure profile** - for the period from the commencement of the project to completion. This profile should include the requested grant funding, as well as match funding

and other income. Profiles should also clearly separate project or programme management costs from other categories of project expenditure and should clearly identify contingency.

- **Financial plan** - a financial plan will be required which includes the costs of delivering the proposed project, ongoing maintenance, running costs and other College expenditure. This plan should be consistent with the investment appraisal for the preferred option and should cover at least five years post-completion. Supporting commentary should be provided.
- **Risk management plan** - this should identify project risks and should demonstrate clearly how these risks will be adequately managed.

## Evaluation process

Applications will be evaluated in accordance with this prospectus and the evaluation criteria set out at Appendix 1.

Applications will be evaluated by a team from the GLA, drawing on external property, legal and financial advice as appropriate. The proposals and results of the evaluation will then be provided to the London Enterprise Panel's FE Capital Steering Group for consideration.

## Oversight arrangements

The LEP and the GLA will manage the Investment Fund through the following bodies:

### *London FE Capital Steering Group*

A London FE Capital Steering Group has been established to provide oversight, advice and guidance throughout the shortlisting, assessment and delivery of the Programme. The Group will:

- support officers in providing advice and guidance to bidders;
- advise the SEWG on the shortlisting and evaluation of projects;
- oversee delivery of the capital programme;
- oversee the commissioning of any LEP funded surveys of London's FE Capital Estate; and
- work with Colleges and other partners in the FE sector to develop a long term sustainable strategy for the ongoing investment in London's FE Estate.

For details of membership please visit <http://www.london.gov.uk/priorities/business-economy/working-in-partnership/london-enterprise-panel/current-projects-funding/further-education-fe-capital-investment-fund>.

*London Enterprise Panel*

All funding decisions will be subject to agreement from the London Enterprise Panel (LEP). The LEP is the local enterprise partnership for London. Chaired by the Mayor, the LEP is the body through which the Mayorality works with London's boroughs, business and Transport for London to take a strategic view of the regeneration, employment and skills agendas for London. Whilst the LEP makes recommendations to the Mayor with regard to funding and policy decisions, it does not directly deliver services. For more information on the LEP, please visit <http://www.london.gov.uk/priorities/business-economy/working-in-partnership/london-enterprise-panel/about-lep>.

*Greater London Authority*

The Greater London Authority (GLA) will be the accountable body for the disbursement and management funding awarded, and therefore all recommendations from the LEP will be subject to formal approval from the GLA's Investment and Performance Board (IPB) and the Mayor or relevant director (as applicable). The IPB meets on a monthly basis to discuss a range of matters in relation to investment, financial and output driven performance against year-end expectations, GLA Group budget priorities, budget strategies and outcomes. For information on the Board's membership and terms of reference please refer to <http://www.london.gov.uk/mayor-assembly/mayor/investment-and-performance-board/investment-performance-board-membership-and-terms-of-reference>.

**Timeline**

Milestone		Date
Deadline for submission of Expressions of Interest (EOI)		30 September 2014
Invitation to submit full detailed application		31 October 2014
Deadline to submit full detailed application		30 January 2015
Assessment and due diligence		February to March 2015 onwards
At London Enterprise Panel's discretion	Decision to fund	March 2015 / June 2015
	Delivery start	April 2015 / July 2015 onwards
Round 2 Expressions of Interest deadline		December 2014 (date tbc)
Round 2 detailed application deadline		April 2015 (date tbc)

Milestone	Date
Future rounds	To be confirmed

# APPENDIX 1: EVALUATION CRITERIA

## Expression of Interest Stage Criteria

Expressions of Interest must meet eligibility and minimum financial requirements and achieve a minimum score of 3 against each criteria to be shortlisted.

Criteria and scoring framework			
Criteria	Description	Score	Weighting
<b>Eligibility and minimum requirements</b>	Project must demonstrate its eligibility for funding and must meet the minimum requirements (see eligibility section above)	Y/N	N/A
<b>Strategic fit with LEP priorities</b>	<b>Assessment of the strategic fit with LEP priorities as outlined in the FE Capital Funding for London prospectus and the LEP Jobs and Growth Plan</b>	<b>0-5</b>	<b>30%</b>
<b>Benefits</b>	<b>The extent to which the project will deliver tangible and measurable outputs and benefits and contribute to wider regeneration and place-making objectives</b>	<b>0-5</b>	<b>30%</b>
<b>Value for money</b>	<b>Assessment of value for money of the proposal</b>	<b>0-5</b>	<b>20%</b>
<b>Deliverability</b>	<b>Affordability and deliverability within timescales</b>	<b>0-5</b>	<b>20%</b>
<b>Key documents</b>	Projects must provide a full set of key documents required to qualify for consideration	Y/N	N/A

## Scoring

Y/N	<b>Projects will either be provided with a 'Yes' or a 'No' where information has not been provided or eligibility criteria has not been met the bid will not qualify for further assessment.</b>
0	Proposal doesn't meet requirements, insufficient or no relevant information provided
1	Unsatisfactory response, an attempt has been made to address the evaluation criteria but case insufficiently demonstrated to warrant funding
2	Unsatisfactory response, an attempt to address the evaluation criteria has been made and could be developed with considerable additional time and work
3	Satisfactory response at this stage of the application process but additional work required prior to any approval
4	Good response, the proposal meets the evaluation criteria
5	Excellent response, proposal meets evaluation criteria to a very high standard

### Detailed Application Stage Criteria

Detailed applications must meet eligibility and minimum financial requirements and achieve a minimum score of 3 against each criteria to be considered for funding. It should be noted that at this stage a much greater level of detail is expected to achieve a score of 3, relative to the Expression of Interest stage.

<b>Criteria and scoring framework</b>			
<b>Criteria</b>	<b>Description</b>	<b>Score</b>	<b>Weighting</b>
<b>Eligibility and minimum requirements</b>	Continued demonstration of eligibility for funding and must meet the minimum requirements (see eligibility section above)	Y/N	N/A
<b>Strategic fit with LEP priorities</b>	<b>Assessment of the strategic fit with LEP priorities as outlined in the FE Capital Funding for London prospectus and the LEP Jobs and Growth Plan</b>		<b>30%</b>
	Strategic fit with the LEP’s priorities for the FE Capital Programme	0-5	(50%)
	Contribution to the priorities and outcomes in the LEP Jobs and Growth Plan	0-5	(25%)
	The extent to which the project will address skills shortages and or growth industries	0-5	(25%)
<b>Benefits (outputs and outcomes), Property and Estate, Place-making and Regeneration</b>	<b>Benefits (outputs and outcomes), Property and Estate, Place-making and Regeneration</b>		<b>30%</b>
	The extent to which the project will deliver tangible and measurable outputs, outcomes and benefits including those identified core FE Capital outputs	0-5	(40%)
	Creation of space which is of good quality, versatile, fit for purpose, transformational and tolerant to change	0-5	(30%)
	Sustainability and carbon reduction (BREEAM rating)	0-5	(5%)
	Relevance to the applicant’s property strategy	0-5	(10%)
	Alignment and integration with relevant local plans	0-5	(5%)
	Project demonstrates that it will make a positive contribution to regeneration in the locality	0-5	(10%)
<b>Value for money</b>	<b>Assessment of value for money of the proposal including assessment of costs, outline net present value (NPV) of the project</b>		<b>20%</b>
	Assessment of costs (explanation and evidence to support cost estimates)	0-5	(50%)

<b>Criteria and scoring framework</b>			
<b>Criteria</b>	<b>Description</b>	<b>Score</b>	<b>Weighting</b>
	Assessment of value for money based on investment appraisal (NPV)	0-5	(50%)
<b>Deliverability of proposed programme</b>	<b>Suitability of proposed delivery and governance arrangements covering the following.</b>		<b>20%</b>
	Affordability (assessment by GLA Finance of the affordability of the proposal in relation to recent financial performance and prospective financial stability)	0-5	(30%)
	Match funding committed to the project and robustness of evidence supporting match	0-5	(40%)
	Clear governance and delivery arrangements to demonstrate deliverability of proposal (including a realistic planned programme of activity)	0-5	(30%)
<b>Risks and mitigation</b>	Provision of a clear and robust risk register and realistic mitigation strategy	Y/N	N/A
<b>Key documents</b>	Projects must provide a full set of key documents required to qualify for consideration	Y/N	N/A

### Scoring

<b>Y/N</b>	<b>Projects will either be provided with a ‘Yes’ or a ‘No’ where information has not been provided or eligibility criteria has not been met the bid will not qualify for further assessment.</b>
0	Proposal doesn’t meet requirements, insufficient or no relevant information provided
1	Unsatisfactory response, an attempt has been made to address the evaluation criteria but case insufficiently demonstrated to warrant funding
2	Unsatisfactory response, an attempt to address the evaluation criteria has been made and could be developed with considerable additional time and work
3	Satisfactory response at this stage of the application process but additional work required prior to any approval
4	Good response, the proposal meets the evaluation criteria
5	Excellent response, proposal meets evaluation criteria to a very high standard

# APPENDIX 2: APPROACH TO ESTABLISHING CREDIT WORTHINESS

## Approach to establishing credit worthiness and collateralisation

Interest rates are assessed using European Commission guidance as set out in the Communication of 19/01/81. The EC Reference rate is used as the variable base rate (1.88% from 1 January 2014) which is increased by a Margin (to reflect the credit worthiness of the borrower and the level of collateral offered), which produces the overall rates set out below:

Credit worthiness	Collateralisation		
	High	Normal	Low
Strong (AAA-A)	2.48%	2.63%	2.88%
Good (BBB)	2.63%	2.88%	4.08%
Satisfactory (BB)	2.88%	4.08%	5.88%
Weak (B)	4.08%	5.88%	8.38%
Financial Difficulties (CCC or below)	5.88%	8.38%	11.88%

Assessment of interest rates will be carried out by the GLA as part of the due diligence process and the GLA's decision will be final. Rates will vary in line with EC reference rate base rate changes.

### Credit worthiness

Where bidders have a rating from a recognised Credit Rating Agency this will be used. Where the bidder does not have an external rating, the GLA will review its credit worthiness at due diligence. This involves an assessment of the bidder's financial standing and the risks associated with lending to that business - likelihood of default (encompassing both capacity and willingness to pay) is an important factor. Considerations may include:

- Financial analysis - profitability, net asset position/balance sheet strength, gearing, etc.;
- Assessment of the trading history/development experience of a borrower – evidence of a “track-record” of delivery;
- The ability of the borrower to service the loan (interest and capital when required under the legal agreements) in the context of its existing commitments
- Accounts, credit-checks, references - leading to an overall profile of a borrower; and

- Benchmarking against peer companies.

The GLA's decision will be final.

### **Collateralisation**

This considers the security offered for the loan and the amount that the lender could expect to lose in the event of default. This will involve an assessment of the amount that could be recovered from the project, the security offered and also available from the bidder's balance sheet.

The GLA will require satisfactory demonstration of from the scheme cash flow (assessed by its advisors) and adequate security (supporting the level of proposed borrowing) to minimise its loss in a default scenario (e.g. a legal charge, parent company guarantee, performance bond, personal guarantee). Shortlisted bids which, through the due diligence process, clearly demonstrate repayment and appropriate security will be treated as having "Normal" collateralisation. Should the collateral offered justify a different categorisation, this will be taken into consideration in the rate offered.

The GLA's decision will be final.



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