


Cabinet – Grants Determination Sub-Committee 6 November 2019	 TOWER HAMLETS
Report of: Ann Sutcliffe, Director of Place	Classification: Unrestricted
BUILDING LEGACIES MATCH FUNDING	

Lead Member	Councillor Uz-Zaman, Cabinet Member for Work and Economic Growth
Originating Officer(s)	Huw Morgan-Thomas, Senior Manager Enterprise Support
Wards affected	All wards
Key Decision?	No
Forward Plan Notice Published	8 October 2019
Reason for Key Decision	n/a
Community Plan Theme	Good jobs and employment

Executive Summary

“Building Legacies” is a programme under which local SMEs are supported in enhancing their capacity to supply to larger organisations, including those in the public sector, through formal procurement processes. The programme is partly resourced through the European Regional Development Fund (ERDF) and partly from local authority match funding. It will run from 2019 to 2022, and the delivery agent is the East London Business Place (ELBP). It covers all of London, but concentrates on East London boroughs.

This report seeks approval of LB Tower Hamlets match funding for the Building Legacies programme in the sum of £75,000, to be paid in annual instalments of £25,000 in each of the years 2019/20, 2020/21 and 2021/22.

Recommendations:

That the Grants Determination Sub-Committee is recommended to:

1. approve the provision of match funding support for the Building Legacies project in the sum of £75,000 over the period 2019/20 – 2021/22, in annual instalments of £25,000 (the first such instalment to be allocated in 2019/20).
2. note the specific equalities considerations as set out in Paragraph 4.1

1. REASONS FOR THE DECISIONS

- 1.1 Building Legacies is concerned with the opportunity of local SMEs to respond to procurement requirements of large organisations, including the council itself. Through delivery of the programme, the supply capacity of SMEs is enhanced, relevant certifications achieved and 1-2-1 support given in winning contracts.
- 1.2 Although in principle any London SME can be a beneficiary of the programme, service delivery is concentrated on SMEs in boroughs in East London which participate in the programme by contributing funding to match ERDF expenditure.
- 1.3 The council has been invited to participate in the programme. The invitation would, if accepted, mean that match funding provided by the council (£75,000) would be met by an equivalent amount of ERDF funding for the benefit of the borough's SMEs. It would be an effective way of bringing external resources into the borough to support its enterprise base.

2. ALTERNATIVE OPTIONS

- 2.1 A decision not to approve could be taken. However that would not see the materialisation of the additional ERDF resources for the benefit of enterprises in the borough.

3. DETAILS OF THE REPORT

- 3.1 East London Business Place (ELBP) develops supply chains which benefit Tower Hamlets enterprises and enhances the capacity of local enterprises to make suppliers of goods and services through procurement processes. ELBP, part of the Canary Wharf Group, has provided these services in East London for some years. The programme follows on from similar ERDF initiatives which ran from July 2012 to March 2015 (under the name of "Fit for Legacy") and April 2015 to March 2019 (under the name, like the current one, of "Building Legacies").

- 3.2 The programme, which runs in the years 2019/20, 2020/21 and 2021/22, is led by a partnership of participant councils, East London Business Alliance (ELBA) and the accountable body of the programme, Newham College. Under the programme, ELBA allocates the budget and provides for ELBP to act as delivery agent.
- 3.3 Following an invitation from ELBA on 15 June 2018 for the council to participate in the programme, an indication of support in principle (subject to confirmation) was issued by the council on 10 October 2018. The terms of the council's participation were detailed in September 2019.
- 3.4 Tower Hamlets has a place on the Steering Group established to oversee the delivery of the projects and therefore has a partnership role in the implementation of the projects.
- 3.5 The following table sets out the outputs specified to be achieved in London and offered to the council as a result of participation in the project:

Output ref	Output description	Whole project (Londonwide)	Tower Hamlets
C1	Number of enterprises receiving support	350	60
C 29	Number of enterprises supported to introduce new products	85	16
C8	Employment increase in supported enterprises	52	10
C5	Number of new enterprises supported	45	9
n/a	Value of contract wins	£15m	£2.55m

4. EQUALITIES IMPLICATIONS

- 4.1 The application procedure for an ERDF project takes equalities fully into account, and this project has already been approved for ERDF purposes.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 A full participation in the Building Legacies project through the provision of match funding will result in a benefit to local businesses consisting of an economic return of a multiple of the resources invested in the project.
- 5.2 The main element of Building Legacies consists of enhancing the capacity of businesses to win contracts through formal, tendering, processes. Once any business has had its capacity enhanced in this way, it can win contracts indefinitely into the future. When aggregated, the benefit to all beneficiaries involved will therefore subsist during the course of the project itself and after the project termination in 2022. The benefits accruing after the end of the project are called “persistence benefits”.
- 5.3 In a previous project run by ELBP to support such capacity enhancement in Tower Hamlets (the Bishops Square Procurement Support Project) the multiple of aggregate economic benefit to beneficiaries, including persistence benefits, to the amount invested in the project was estimated at between 16:1 and 25:1. In other words, for every £1 allocated as match funding, a return in aggregate beneficiary benefit of between £16 and £25 could be expected. On this basis, the commitment of £75,000 by virtue of approval of the recommendation in this report would result in economic benefit gained of at least £1.2m.
- 5.4 This multiple is the default expectation of a project of this sort. In this particular case, however, ELBP have undertaken to achieve contract wins of £2.55m in Tower Hamlets alone by the end of the Building Legacies project – a multiple of 17:1 before persistence benefits are taken in to account. Achievement of this result would mean excellent value for money.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 LBTH has been invited to participate in the Building Legacies project. Should this invitation be accepted the Council will receive ERDF funding of £75k, split in equal instalments over the next three years.
- 6.2 Participation is predicated on the Council matching this funding by committing £75k of its own resources in equal instalments to the project. At present no revenue provision has been identified to fund this commitment.
- 6.3 It is proposed to fund the Council’s contribution from s106 monies but at present this funding has not been approved. This approval will need to be sought ahead of committing to participate in the project.

6.4 It is anticipated that participation in the project will yield significant financial benefits for the Borough and if in line with previous projects this will be in the range of £1.2m to £1.875m.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The recommendations seeks the approval of the Grant Determination Sub – Committee to approve the provision of match funding support for the Building Legacies project in the sum of £75,000 over the period 2019/20 – 2021/22, in annual instalments of £25,000 (the first such instalment to be allocated in 2019/20).
- 7.2 The Council has the legal power to enter into funding agreements and perform the actions recommended in this report.
- 7.4 The Council is also obliged to ensure compliance with its Best Value Duty. This means that it is required ensure that any grant is made under terms that enable the proper monitoring of outcomes. It must also demonstrate that such funded is expended in accordance with the purposes for which it is provided.
- 7.5 The Committee will therefore note that paragraph 6.3 of the report advises that the Council’s match funded contribution will be sourced from s106 agreement revenue which has not been approved at this stage. It should be noted that this approval will need to be sought ahead of the Council committing to participate in the project.
- 7.6 There are no immediate Equality Act issues arising from this report.

Linked Reports, Appendices and Background Documents

Linked Report NONE

Appendices NONE

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012 NONE

Officer contact details for documents: N/A