

Committee(s):	Date(s):
Policy and Resources Committee	10 th October 2013
Subject: Sponsorship of London Works - a social enterprise temporary recruitment agency	Public
Report of: Director of Economic Development	For Decision
<p>Summary</p> <ol style="list-style-type: none"> 1. London Works is a social enterprise temporary recruitment agency set up by the East London Business Alliance, with the aim of placing over 3,300 local young people into temporary/contract roles within the City and Canary Wharf in its first five years. 2. London Works requires a total of £600,000 in seed grant funding to start trading at the level envisaged in its business plan. £100,000 has been secured from Barclays (with a further £200,000 contingent on receipt of match funding), £100,000 from the London Enterprise Panel and £90,000 from London & Quadrant Housing Association. 3. It is proposed that your Committee approve a contribution of £100,000 to London Works on the condition that it accept candidates based in each of the City's seven neighbouring and that it work closely with other initiatives supported by the City Corporation, specifically the Brokerage Citylink, which delivers the City Business Traineeship on our behalf. 4. By providing significant support to London Works at such an early stage in its development, the City Corporation would project a positive message about its commitment to employment and to communities in wider London. 5. It is proposed that your Deputy Chairman, Deputy Catherine McGuinness represent the City Corporation on the Board of London Works. <p>Recommendation(s)</p> <p>Members are asked to:</p> <ul style="list-style-type: none"> • Approve a contribution of £100,000 to London Works, split into two annual contributions of £50,000 over the 2013/14 and 2014/15 financial years, to be met from your Committee's Policy Initiatives Fund for the respective years, categorised under 'Communities' and charged to City's Cash. • Note that the proposed contribution would be subject to London Works accepting referrals from each of the City's seven neighbouring boroughs and working closely with the Brokerage Citylink. • Appoint your Deputy Chairman, Deputy Catherine McGuinness, as the City Corporation's representative on the board of London Works. 	

Main Report

Background

1. 'London Works' is a nascent social enterprise temporary recruitment agency set up as a trading subsidiary of the East London Business Alliance (ELBA). ELBA is a charity facilitating corporate community involvement among its 100+ business members, most of which are based in the City and Canary Wharf. The City Corporation is a long-standing member of ELBA. London Works would channel any surplus generated from its activities back to ELBA to meet its charitable objectives of promoting regeneration in areas of social and economic deprivation.
2. ELBA has for some years helped jobseekers in East London and latterly Islington move into employment, often within its member businesses. The development of 'London Works' builds on this by integrating the business goal of mainstream temporary and permanent staffing agencies - connecting employers and would-be workers - with the social mission of helping talented people from low-income, disadvantaged backgrounds find and maintain jobs using their graduate or A-level leaver skills.
3. In ELBA's experience - corroborated by the City Corporation's own work with City businesses in this area – temporary/contract work offers a good, but largely untapped, route into work for those facing social disadvantage. Whilst London Works will operate on a commercial basis, it will also provide its candidates with intensive pre- and post-placement support 'behind the scenes'.

Current Position

4. ELBA has developed a robust and fully-costed business plan for London Works, refined with pro bono advice from the ex-MD of Manpower plc and recruitment divisions of their member businesses, and from KPMG on honing the financial model. It estimates that, in the most likely scenario, around 3,300 young people could be placed into work in its first five years rising from just 65 in the first six months to 370 in the first full year and peaking at 1,000 per annum in later years.
5. These assumptions appear thoroughly researched and are based to a great extent on existing commitments from ELBA's member companies to use the service. The business plan anticipates moving into surplus after its third year

in operation. London Works is committed to paying any recruits London Living Wage as a minimum (currently £8.55 p.h.) over a typical contract period of 40 weeks (in line with the industry pattern).

6. In order to launch the initiative and for it to become a sustainable, surplus-generating social enterprise, ELBA is seeking a total of £600,000 in seed funding, as grants, with a view to London Works launching in early 2014. £300,000 of this has been secured from Barclays (£100,000 up front, the remainder conditional on receipt of match-funding) and a further £100,000 is likely to be agreed in early October by the London Enterprise Panel (LEP), which sees London Works as a pilot initiative for London, with a view to rolling it out further afield than East London if it proves successful. London & Quadrant Housing Association has pledged a further £90,000.
7. The final £100,000, sought from the City Corporation, would enable the initiative to establish itself and operate at the scale envisaged in its business plan in the first three years, generating a surplus in its third year of operation and becoming self-sustaining.
8. This report proposes that your Committee approve a financial contribution to London Works and provide a representative to sit on the board of London Works, both detailed further below.

Proposals

9. The proposal is for the City Corporation to provide the final £100,000 of seed-funding required for London Works to launch at the scale envisaged in its business plan. This would allow the City Corporation to become a significant supporter of an initiative with the potential to help thousands of young people from the City's neighbouring boroughs into employment, going some way to address the specific issue of 'underemployment' among graduates in these areas i.e. graduates working in occupations for which they are over-qualified or experienced, or part-time when their preference is for full-time work.
10. City Corporation support for such an initiative in its early stages would send a positive message about our broader interest in employment issues across London. It would also complement our longstanding work in this area in neighbouring boroughs and recent major new initiatives such as the £3.2m 'Youth Offer' programme of grants to London boroughs to support 'NEETs' through City Bridge Trust and the £2m Central London Employability initiative through Central London Forward.

11. The total seed funding would contribute to covering a range of costs detailed in Appendix 1. Notably, it would help to address a substantial requirement for working capital; ELBA estimates that 100 candidates out on assignment at a rate of £400 per week would require around £50K to be funded every week. The proposed contribution from the City Corporation would make that possible.
9. A contribution of £100,000 from the City Corporation, which would fill an identified 20% shortfall in the required seed funding, would be substantial enough to position the City Corporation as one of the four central founding supporters of London Works with some level of parity with the other three supporters: Barclays, the London Enterprise Panel and London & Quadrant Housing Association. For this reason an option to provide a smaller contribution is not proposed.
10. A suggested condition of the proposed City Corporation support for London Works would be to ensure that the initiative benefited **all** of our immediately neighbouring boroughs, a slightly wider area than currently envisaged, so as to complement other City Corporation work in this area such as the City Business Traineeship scheme – our long-running programme of paid internships in the City for local school-leavers - and our broader work to engage City businesses in local recruitment and to raise aspirations among young people.
11. It is also proposed that conditions would be attached to any financial contribution from the City Corporation to ensure clear joint-working with other initiatives active in this field, especially those supported by the City Corporation, specifically the Brokerage Citylink, which delivers the City Business Traineeship on the City Corporation's behalf and has built a considerable alumni network from that and other programmes which could be an ideal referral source to London Works. It is anticipated that the Brokerage could provide between 20 and 50 candidate referrals per year in exchange for a modest fee from 'London Works', currently the subject of discussions.
12. In addition to seeking the financial contribution, ELBA is also keen for a senior City Corporation representative to sit on the board of London Works. Representing the City Corporation on this board would sit well with the responsibilities of your Deputy Chairman, Deputy Catherine McGuinness, and it is proposed that your Committee nominate her to this role.

Corporate & Strategic Implications

10. Support for London Works would contribute to the following themes of the City Together Strategy:
 - ...is competitive and promotes opportunities
 - ...supports our communities
11. It would also meet Key Policy Priority 4 of the Corporate Plan (Maximising the opportunities and benefits afforded by our role in supporting London's communities).
12. An Equalities Impact Assessment has been carried out. The project will have a positive impact on equalities by seeking to promote City careers to disadvantaged communities in the City's neighbouring boroughs.

Implications

13. It is proposed that funding of £100,000 to London Works, split into two contributions of £50,000 in 2013/14 and 2014/15, is drawn from the Policy Initiatives Fund for the respective years, categorised under 'Communities' and charged to City's Cash. The current uncommitted balance available within your Committee's Policy Initiatives Fund amounts to some £342,000 for 2013/14 and some £512,000 for 2014/15, prior to any allowance being made for any other proposals on today's agenda.

Conclusion

13. Support for London Works at an early stage in its development is wholly in line with the City Corporation's longstanding support of its neighbouring communities. By aligning ourselves with an initiative with the potential to help thousands of local young people into employment, it also provides an opportunity for the City Corporation to demonstrate its commitment to communities in wider London at a time when securing employment for young people remains particularly challenging.

Appendices

- Appendix 1 – London Works key financials and cash flow forecast
- Appendix 2 – Board members of London Works

David Pack

Economic Development Office

T: 020 7332 1268

E: david.pack@cityoflondon.gov.uk

Appendix 1

London Works key financials and cash flow forecast

	Financial year 2013/14	Financial year 2014/15	Financial year 2015/16
Revenue	396,453	2,691,216	5,591,283
Contractor payroll	(332,316)	(2,255,839)	(4,686,742)
Gross cashflow	64,137	435,377	905,541
Staff salaries and bonus	(129,284)	(362,225)	(471,753)
Other staff costs	(78,531)	(10,800)	(14,040)
Operating cashflow	(143,678)	62,352	418,748
Overheads	(55,350)	(97,200)	(113,700)
Net cash flow	(199,028)	(34,848)	305,048
Opening cash balance	-	340,972	356,124
Grants – Barclays	300,000	-	-
Grants – London Enterprise Panel	100,000	-	-
Grants – London & Quadrant Housing Association	90,000	-	-
Grants – City of London Corporation	50,000	50,000	-
Closing cash balance	340,972	356,124	661,172
Gross margin	16.18%	16.18%	16.2%
Operating margin	(36.24%)	2.32%	7.49%
Net margin	(50.20%)	(1.29%)	5.46%

Appendix 2

Board members of London Works

Current board members include:

Sir Stephen O'Brien	Former CEO of Business in the Community and London First, Chairman of Bart's and Royal London NHS Trust
Neale Coleman	Mayoral Adviser on Olympic and Paralympic Legacy.
Mark Heyes	Chief Operations Officer (HR), Deutsche Bank.
Dermot O'Brien	Director, Adab Trust (charity working to increase employment outcomes for black, Asian and minority ethnic graduates).
Terry Waldron	European Head of Facilities Management, Barclays.
Anna Purchas	Director, KPMG.
TBA	Senior representative from London & Quadrant Housing Association.

Discussions are also underway with senior representatives from Canary Wharf Group, Marks & Spencer and an existing Trustee of ELBA.