

City Deal and Growth Deal Programme Board

Business Case Proforma

1. Project title and proposing organisation(s)

Project Title: Skills Equipment Fund (SEF)
Lead Organisation: Staffordshire County Council,
Contact: Tony Baines, County Commissioner Skills & Employability, SCC

2. Decision date

27th June 2017

3. Decision summary: Recommendation etc.

The Executive Group of the LEP is asked to release £1.76m growth deal 3 capital funds over three years for the launch of a skills equipment fund. (2017/18 - £500k, 2018/19 - £630k, 2019/20 - £630k). The fund will receive £1.76m private match to provide a total investment pot of £3.52m. This fund will provide for equipment to improve training facilities that supports growth in LEP priority economic sectors during the life of the Growth Deal. Based upon the forecast outputs of the Advanced Manufacturing & Engineering Hub project, the skills equipment fund will support over 3,500 learners over 3 years.

4. Is the decision exempt from being publically reported by the LEP (if so please specify the reasons why)

The decision is not exempt from being publically reported by the LEP

5. Options appraisal

The LEP funding will be used to create a £3.5m skills equipment fund (SEF) to allow local employers and training institutions to submit bids to secure funding to purchase state of the art equipment and fund minor adaptations to accommodate the equipment, to enable the delivery of high quality and high level training programmes to support the growth in Stoke-on-Trent and Staffordshire's priority economic sectors.

The investment will enable local employers and training institutions to more readily respond to local training needs that support the need for equipment to up skill and reskill people in the LEP priority sectors. This will enable the delivery of the following key activities:

- The expansion of a work based talent pool of skills across the priority sectors by facilitating increased demand in apprenticeships and traineeship opportunities following the introduction of the Apprenticeship Levy.
- Support the upskilling of the existing workforce particularly at levels 3 & 4.
- Upskilling and retraining the unemployed and NEET young people to meet current opportunities in the priority sectors.

- Responsive provision by developing a network of local providers and employers so that they are able to respond to employer training needs through the use of specialist industry standard equipment.

Options	Describe	Grounds for rejection
Do nothing	Minimum update to specialist skills equipment	A long term approach to update and replace equipment provides better learner benefits
Do minimum	Only essential specialist equipment would be replaced	Specialist equipment needs to be updated to reflect current industry specifications.
Do Something	Long term programme of renewal and replacement of specialist skills equipment	The favoured option

5.1. Strategic case

The government has put skills at the heart of its industrial strategy. Poor performance in basic and technical skills is seen to be key in the UK's persistently lower levels of productivity compared with other advanced economies. Apprenticeship aside, technical education for those not pursuing the academic path has fallen behind. Raising skill levels is an important way to drive higher income levels over the long term.

The development of education and skills amongst all age groups will be crucial for the successful future economic prosperity and competitiveness of Stoke-on-Trent & Staffordshire. Good links between institutions and employers is important as a skilled workforce is one of the main drivers of economic growth. This is particularly important in terms of the ambition to develop certain industrial sectors within the area for two main reasons:

- Without an appropriately skilled local workforce, potential inward investors will not move into the area.
- Business start-ups within desired sectors will only occur if the local product on offer matches the need of the sector, one key aspect of this being the skills of local residents.

The SEF will support local employers and training institutions in the Stoke-on-Trent & Staffordshire LEP's priority sectors. The LEP's focus is on advanced manufacturing & engineering and the priority sectors include:

- Energy Generation: building on the long standing presence of Alstom in Stafford, ABB, Siemens Wind Power, GE Power Conversion and the sustainable energy programme centred around Stoke-on-Trent and beyond, to meet growing local and international demand by diversifying into geothermal, anaerobic digestion, biomass and energy-from-waste.
- Auto-Aero: capitalising on the supply-chain opportunities emerging from global businesses such as JCB, Michelin, Jaguar Land Rover, Moog, and Zytex in our patch.
- Medical Technologies: in which Keele University and its Science Park are internationally recognised leaders.
- Agri-Tech: drawing on our agricultural back-drop and Harper Adams University on our border to capitalise on an increased global focus on food security and the agri-plant capacity at JCB.

- Applied Materials: building upon our recognised heritage in metals and ceramics in both Stoke-on-Trent and Staffordshire to exploit opportunities in polymers, ceramics, glasses and composites.

These sectors are complimented by the LEP's priority to strengthen the following sectors:

- Tourism: national attractions such as Alton Towers and Drayton Manor book-end a series of offers which can draw in day visitors and help retain families living locally such as Cannock Chase, the National Forest, and the Peak District.
- Business/Professional Services: the growth ambitions for our urban centres, and in Stoke-on-Trent in particular (including by creating a new central business district with a strong professional services offer), will draw in a growing base of professionals looking to support our indigenous businesses and capitalise on our excellent connectivity North to Liverpool & Manchester and South to Birmingham & London.
- Digital & Creative: there have recently been a number of success stories within this sector, with local companies growing significantly and quickly. This is largely being driven by young, local talent being taught at our local universities, and our close proximity to the new BBC centre at Salford and the wider MediaCityUK development.

Increasing the proportion of the local population with high level skills will undoubtedly be important in increasing the productivity of the local economy through developing a greater number of high value-added industries.

The SEF project will directly contribute to the following LEP priorities:

- Sector growth - The specialist skills equipment purchased through the fund would equip employers with state of the art equipment to enable expansion across the LEP priority sectors.
- Skilled workforce – The provision of specialist equipment will enable employers and institutions to train and develop a skilled workforce to support economic growth in the LEP's priority sectors.

The SEF will also directly contribute towards the outcomes of the Education Trust i.e.

- Absolute increase in the number of people in employment, particularly in the priority growth sectors.
- Growth in productivity as people and businesses have the right skills and the opportunities to use them in work.

The fund will also contribute towards the achievement of the Education Trust's priorities for high quality Apprenticeships and the creation of a world class skills system.

5.2. Economic case

The UKCES Employer Skills Survey 2015 states that "Manufacturing remains one of the sectors most likely to report that their vacancies are hard to fill for skill related reasons, despite declining employment levels; Skilled Trades is the occupation in which employers are most likely to report skill- shortage vacancies." It also reports that "A third of vacancies for Machine Operatives were hard-to-fill for skills reasons, up from a quarter in 2013."

Stoke-on-Trent and Staffordshire fall well behind the national average for both NVQ Level 3+ and 4+ qualifications. In Staffordshire half (49.5%) of the working age population are

qualified to NVQ Level 3+ equivalent and above, whereas Stoke-on-Trent it is 40.2%, both well below the national average of 55.1%. The situation is similar for NVQ Level4+ with just over a quarter (27.1%) of the working age population in Staffordshire qualified to degree level or above and less than a fifth (18.9%) in Stoke-on-Trent, again both well below the national average of 33.4%.

The SEF will support local employers and training institutions to provide high level, high quality provision to promote sector growth in LEP priority sectors through the provision of the latest industry standard facilities and equipment. It will create better links and integration between education/training providers and employers leading to further progression pathways and continuous professional development routes. It will support the delivery of the Education Trust's STEM Strategy by developing the right infrastructure locally to support specialist delivery in STEM subjects.

The introduction of the Apprenticeship Levy has placed the control of funding in the hands of employers and it will ultimately drive up demand for Apprenticeships. In order to meet the expected growth in apprenticeships, AME employers in particular will need to invest in the latest state of the art technology to fully deliver the demanding engineering framework.

The investment will enable local employers and training institutions to more readily respond to local training needs that support the need for specialist facilities or equipment to up skill and reskill people in the LEP priority sectors.

The project output is 255 learners assisted in courses leading to full qualifications.

5.3. Commercial case

Staffordshire County Council's Skills & Employability team has a strong track record of delivering similar projects including the £3m City Deal Advanced manufacturing & Engineering Hub phase 1 project and the £10m Growth Deal phase 2 project.

A suite of application documents for the SEF have been prepared and include an application form, guidance document & appendices and review form. The applicant will need to provide details of its 'strategic fit' to LEP priority sectors; details of the equipment to be purchased; the private match and projected outcomes to be achieved from the capital investment. The minimum grant value considered for eligible organisations will be £50,000 and the maximum grant considered will be £500,000 and providers are requested to provide 50% match funding.

The LEP has previously sought outline project applications to compile a project pipeline. All applicants that feature in the pipeline will be asked to submit a full application when the programme is launched.

Application & Guidance Documents and Assessment Process

The applications will be assessed on the basis of the information that the organisations provide on the application form. Organisations should not assume that the assessor will have any specific knowledge of the applicant and its locality. Staffordshire County Council (The Council) acting as the Accountable Body of the LEP will review and moderate all assessments at a Skills Capital Board to ensure the consistent application of the assessment process.

Applications will need to pass a gateway relating to eligibility, project value threshold, eligibility of project components, value for money and if applicable a financial plan and investment appraisal.

Should the application pass the gateway the final decision will be based on its scores in the scored sections:

- Responding to skills shortages and gaps in the LEP’s priority economic sectors.
- Upskill and retrain the unemployed and NEET young people in order to gain employment in the LEP’s priority economic sectors.
- Provide growth in the number of Apprenticeships.
- Increase employer engagement.
- Provide specialist facilities and training to meet employer needs.
- Improving the quality of teaching and learner success.
- Contribution to other growth measures.

New projects that clearly demonstrate added value and increased economic impact will receive higher scores.

To score strongly, we would also expect applications to contain

- A succinct outline of the issue, identified where appropriate by employers and stakeholders, including the LEP, and clear baseline data.
- An explanation of how the project will address the issue, including clear and quantified targets/benefits/measures as appropriate. These should be realistic and achievable. Increases in delivery should be made clear by including current baseline and projected numbers after the project.
- How the organisation will work to achieve these targets/benefits, with clear references to how the project will support this.

We will rank/prioritise projects according to the overall number of points scored against the assessment criteria.

5.4. Financial case

Project	17/18 qtr.1	17/18 qtr.2	17/18 qtr.3	17/18 qtr.4	18/19	19/20	Total
Growth Deal Grant	-	-	-	£500k	£630k	£630k	£1.76m
Match	-	-	-	£500k	£630k	£630k	£1.76m
Total	-	-	-	£1m	£1.26m	£1.26m	£3.52m

5.5. Management case

The senior responsible owner is Tony Baines, Commissioner for Skills & Employability.

The delivery of the project will be managed by the skills capital board and the board will report to the respective council and LEP governance boards. The skills capital board is in place to manage the delivery of the Advanced Manufacturing & Engineering Hub projects and will extend its remit to cover the skills equipment fund project. The board is chaired by Tony Baines and includes council officers from skills, finance, property, legal and communications.

The skills capital board will review the applications for the SCEF and will make recommendations for funding.

5.6. Resource and VFM analysis

A cost benefit analysis has been completed using the New Economy Manchester Cost Benefit Analysis tool, to determine the economic and fiscal value of the collective additional learner qualifications gained as an output of the £3.5m skills equipment fund. The table below shows the economic and fiscal value of the project over a 15 year period.

Project value	LEP Funding & Public/Private Match	Economic Value per year	Economic Value per 15 years	Fiscal Value per year	Fiscal value per 15 years
Skills Capital Equipment Fund	£3.5m	£2,566,252	£38,493,780	£538,580	£8,078,700

Note

Source: New Economy Manchester Cost Benefit Analysis tool <http://neweconomymanchester.com/our-work/research-evaluation-cost-benefit-analysis/cost-benefit-analysis/cost-benefit-analysis-guidance-and-model>

Economic value-The net increase in earnings or growth in the local economy

Fiscal value-The costs or savings to the public sector i.e. reduced health service, benefits etc.

A management fee of up to 10% of the project value is necessary to fund functions including: project management, finance review, property review and legal support.

6. Consultation process

The SEF featured in the LEP growth deal 3 application to government. The LEP has previously sought outline project applications to compile a project pipeline. All applicants that feature in the pipeline will be notified to submit a full application when the programme is launched.

7. Location of proposal

The SEF will extend to eligible employers and institutions operating in the Stoke-on-Trent & Staffordshire LEP geographical boundaries.

8. Risk analysis

Risk	Risk level	Mitigation
No skills equipment fund applications received as organisations were not aware of the fund.	medium	To fully utilise the LEP's marketing channels to promote the fund to a wide range of organisations
No skills equipment fund applications received as organisations could not supply the private match	medium	The council to take a broader view of the match and consider it against the whole project thus making provision for some providers to exceed expected match and some providers to fall below the expected match.
Successful applicants do not retain a suitable evidence audit trail against spend	Low	The bidding documents and the capital grant agreement to clearly detail the grant recipient's requirements in the retention of the evidence audit trail.

9. Legal analysis

A representative from the council's legal team will attend the skills capital board and provide legal advice as appropriate.

10. Delivery

Staffordshire County Council's Skills & Employability team has a strong track record of delivering similar projects including the £3m City Deal Advanced manufacturing & Engineering Hub phase 1 project and the £10m Growth Deal phase 2 project.

The delivery of the project will be managed by the skills capital board and the board will report to the respective council and LEP governance boards. The skills capital board is currently in place to manage the delivery of the Advanced Manufacturing & Engineering Hub projects and will extend its remit to cover the SCEF project. The board is chaired by Tony Baines and includes council officers from skills, finance, property, legal and communications.

11. Timetable

2017/2018

Timescale	Milestone
Early August 2017	Launch the fund
Mid-September	Applications returned
Mid October	Applications reviewed, recommendations for funding approved.
End of October	Issue grants to successful applicants.

2018/19

Timescale	Milestone
Early April	Launch the fund
Mid June	Applications returned
Mid July	Applications reviewed, recommendations for funding approved.
End of July	Issue grants to successful applicants.

2019/20

Timescale	Milestone
Early April	Launch the fund
Mid June	Applications returned
Mid July	Applications reviewed, recommendations for funding approved.
End of July	Issue grants to successful applicants.

12. Author

David Poole
Skills & Employability Manager
Staffordshire County Council
Tel. 01785 854058
E mail – david.poole1@staffordshire.gov.uk

13. Decision details

For official use only