

## **LIVERPOOL CITY REGION COMBINED AUTHORITY**

To: The Chair and Members of the Combined Authority

Meeting: 18 August 2017

Authority/Authorities Affected: All

EXEMPT/CONFIDENTIAL ITEM: No

Non-Key Decision

Key Decision only in relation to Theme B SIF0116

### **REPORT OF THE INTERIM HEAD OF PAID SERVICE**

#### **LIVERPOOL CITY REGION SINGLE INVESTMENT FUND SKILLS CAPITAL**

#### **FULL BUSINESS CASE DECISIONS**

#### **1. PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to seek Combined Authority decisions on Skills Capital Full Business Cases submitted for Single Investment Fund (SIF) funding.

#### **2. RECOMMENDATIONS**

- 2.1 Liverpool City Region Combined Authority is recommended to:-
- a) Approve SIF Skills Capital Prospectus Theme B Full Business Cases that have passed the SIF hurdle criteria and met a scoring threshold of 75% or above as detailed in Appendix 1 (with a maximum grant funding allocation of £4,766,740);
  - b) Approve SIF Skills Capital Prospectus Theme C Full Business Cases that have passed the SIF hurdle criteria and met a scoring threshold of 75% or above as detailed in Appendix 1 (with a maximum grant funding allocation of £4,204,111);
  - c) Grant authority to the Interim Head of Paid Service to negotiate detailed terms and conditions of the respective grant agreements in consultation with the Combined Authority Interim Monitoring Officer and Combined Authority Treasurer. Any material variations to the project(s) as detailed in this report to be referred back to the Combined Authority for consideration; and
  - d) In line with previous practice, delegate authority to the Interim Head of Paid Service in consultation with the Metro Mayor to approve the progression of those projects from Outline Business Case stage through to Full Business Case submission as detailed in section 4.8.

### 3. BACKGROUND

- 3.1 In line with the Liverpool City Region's Single Investment Fund Assurance Framework and SIF Round 1a Skills Capital Prospectus, all projects are required to submit a Full Business Case for appraisal.
- 3.2 The SIF Prospectus was published in September 2016 and within this the Combined Authority indicated that a separate call for Skills Capital investment projects (with an indicative amount of £15-£20m of SIF funding) would feature within a future call.
- 3.3 This was to allow for the outcomes of the Liverpool City Region Area Based Review of post-16 provision, to be reflected within the development of the new SIF Skills Capital Prospectus. SIF Skills Capital Round 1a (Skills Capital) was formally launched on 14 December 2016 to an audience of provider, employer and stakeholder representatives.
- 3.4 The SIF Skills Capital Prospectus specified a call for projects across three themes aligned with the City Region's Skills for Growth priorities and the outcomes of the Area Based Review. The themes are summarised as follows:-
  - **Sub-theme A: Technical Skills Capabilities:** For new build/major refurbishment to deliver Level 3 and above technical skills capabilities (roughly A-Level equivalent and higher) including: manufacturing and maintenance technology; catapult centre models; construction; and an aviation college.
  - **Sub-theme B: Priority Sector Related Provision:** For STEM, priority and high volume employment sectors, to support: specialist high cost equipment; learning environments to improve progression opportunities and employment including degree apprenticeships; new low carbon technologies - improvements to building energy management; and priority sectors with real workshop environments.
  - **Sub-theme C: Diversity and Life Chances:** To support diversity and life chances (premises adaptation and/or equipment purchase) for specific groups of learners e.g. those not in education, employment or training, black and minority ethnic groups, learners with learning difficulties and disabilities and those with special educational needs and disabilities; English, Maths and Digital Upgrades; and facilities to widen accessibility and quality of employment provision.
- 3.5 A total of 25 project Strategic Outline Cases were received, 12 of which were invited to submit Outline Business Cases (OBCs) or Full Business Cases (FBCs).

### 4. APPRAISAL OF BUSINESS CASES

- 4.1. The appraisal criteria for SIF was agreed and published as part of the Combined Authority's SIF Assurance Framework. The arrangements for the appraisal, prioritisation and packaging of SIF Skills Capital Round 1a projects follows the same approach as previous SIF rounds. In determining and agreeing the prioritisation principles, the SIF Investment Panel has been mindful of commitments detailed in the SIF Prospectus and Assurance Framework.
- 4.2 The appraisal utilises the agreed SIF appraisal criteria, which is compliant with the HMT Green Book Guidance. Each appraisal considered all aspects of the business case as follows: Strategic Case; Economic Case; Finance Case; Commercial Case and Management Case.

- 4.3 SIF Skills Capital Full Business Case projects have been ranked by overall score and split by those projects scoring 75% and more on the core criteria (15 points or more excluding gain share) and those scoring below that threshold.
- 4.4 All of the applications detailed in Appendix 1 and 2 scored the maximum points available for strategic fit with the SIF Skills Capital Prospectus through independent appraisal. It should be noted that only 1 Full Business Case had a score higher than 0 (zero) for gain share (SIF0093 Digital Starting Point) in respect of the flexibility to take part of the SIF ask as a loan.
- 4.5 The projects summarised in Appendix 1 and 2 were considered at Strategic Outline Case by the Combined Authority on 17 March 2017 and were requested to submit a Full Business Case to support their funding request. The Full Business Cases have been independently appraised and reviewed by the SIF Investment Panel on 31 July 2017.
- 4.6 SIF Skills Capital Round 1a Full Business Case appraisals are summarised for consideration by the Combined Authority in Appendix 1 and 2 are split by theme.

Appendix 1 – Theme B:-

- Theme B SIF0115 - Weld Tech Futures (Riverside College)
- Theme B SIF0116 - Health Engagement & Training Hub (Hugh Baird College) – (N.B. SIF 0116 Is a Key Decision – LCR 10 – SIF Skills Capital – Health Engagement Training Hub – Applicant Hugh Baird College)
- Theme B SIF0094 - Extreme Low Energy Project (Wirral Met College)

Appendix 2 – Theme C:-

- Theme C SIF0112 - Everton Learning & Skills Centre (Liverpool City Council)
  - Theme C SIF0104 - Greenbank Skills for Growth (The Greenbank Project)
  - Theme C SIF0108 - Liverpool South Work & Well Being - (STEC)
  - Theme C SIF0093 - Digital Starting Point (St Helens Chamber)
  - Theme C SIF0102 - Enterprising Futures 2 (Women's Technology Training Ltd)
- 4.7 Consideration of one (Theme B) project is to be deferred at this time, as the appraiser has requested further information in order to fully assess the bid following an unforeseen change to the project consortia.
- Theme B SIF0099 - Advanced Manufacturing Training Centre (North West Training Council)
- 4.8 Three Theme A projects have submitted Outline Business Cases (OBCs) and consideration of their progression through to FBC will (in line with agreed principles) be via delegated decision following consideration by the Interim Head of Paid Service in consultation with the Mayor:-
- Theme A SIF0101 - Sci-Tech Daresbury Skills Factory (Halton Borough Council);
  - Theme A SIF0114 - Liverpool Aviation Academy (Liverpool Airport);
  - Theme A SIF0117 - Skills Factory - Wirral Waters (The Manufacturing Centre).

- 4.9 The total potential SIF investment required to support these 3 OBC projects is £7,540,600 should they be agreed following assessment at Full Business Case. The total SIF potential grant commitment is within the £15-£20 million detailed as the Skills Capital Funding envelope within the Skills Capital Round 1a Prospectus. There may be an opportunity for one of these projects to be considered as an Institute of Technology (IoT) which could attract a proportion of a £170m national capital fund. The City Region can only endorse one IoT proposal, Government expects to release a prospectus in the Autumn.

## **5. RESOURCE IMPLICATIONS**

### **5.1 Financial Implications**

- 5.1.1 The Combined Authority Treasurer has confirmed that the proposed funding support can be accommodated as part of the overall Single Investment Fund funding allocation dedicated to SIF Skills Capital Round 1a.
- 5.1.2 If the Combined Authority approves the 8 Skills Capital SIF Round 1a Full Business Cases a maximum of £8,970,851 will be grant funded.
- 5.1.3 The grant funding agreement will be between the Combined Authority and the applicants detailed in Appendix 1 and 2 who will complete all appropriate financial claims and monitoring.
- 5.1.4 The Combined Authority will monitor the programme within the funding envelope agreed for SIF Skills Capital Round 1a.

### **5.2 Human Resources**

- 5.2.1 There are no human resource implications to the approval of this project for the Combined Authority. Contracting will be managed by the Combined Authority legal team whilst the PMO will contract manage these projects to completion.

### **5.3 Physical Assets**

- 5.3.1 There are no physical asset implications of this project for the Combined Authority.

### **5.4 Information Technology**

- 5.4.1 There are no Information Technology implications.

## **6. RISK AND MITIGATION**

- 6.1 There are risks associated with any funding stream, in the event that funds are misused or not fully committed, which can lead to a risk of funding being clawed back, legal proceedings and/or reputational damage.
- 6.2 The offer letter between the Combined Authority and applicants detailed in Section 4 will reduce the risk to the Combined Authority that these funds are not used in an appropriate and effective manner.

6.3 In particular, the Combined Authority will take an active approach to programme management and will engage with the applicant to ensure compliance and appropriate capacity and resource for evaluation. Expenditure will be on a defrayed basis and is anticipated to be incurred within the period detailed in the SIF Skills Capital Prospectus. The draw down and intervention rate will be agreed as part of the grant funding agreement.

## **7. COMMUNICATIONS ISSUES**

7.1 Successful applicants will be subject to the publicity requirements placed upon them by the Combined Authority as part of a Grant Funding Agreement. In addition, the Combined Authority will through its adopted communication protocols publicise the award of this funding and its associated envisaged outcomes. All individual awards through the fund will be required to acknowledge Combined Authority support.

## **8. EQUALITY AND DIVERSITY IMPLICATIONS**

8.1 Equality and Diversity Implications were considered as part of the development of the SIF Skills Capital Prospectus and throughout the appraisal process and were appropriately addressed by applicants.

## **9. CONCLUSION**

9.1 This report outlines to the Combined Authority the outcome of the appraisal of the conflated Full Business Cases received as a result of the SIF Skills Capital Round 1a committing £8,970,851 of Single Investment Fund funding (capital) in total.

FRANK ROGERS  
Interim Head of Paid Service

### Contact Officers:-

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### Appendices:-

Appendix 1 – Round 1a Skills Capital Appraisal Outcome - Theme B  
Appendix 2 – Round 1a Skills Capital Appraisal Outcome - Theme C

Appendix 1 – Round 1a Skills Capital Appraisal Outcome - Theme B FBCs over 75% threshold (all hurdle criteria passed)

SIF Ref No	Organisation lead	Project Title	Project Description	SIF Funding	Appraiser's overall comments, key outcomes and outputs
<b>Theme B</b>					
SIF0115	Riverside College	Weld Tech Futures	Refurbishment of welding workshop at Widnes Campus. Mixed equipment / refurbishment project to deliver welding (MIG/TIG/MMA) and non-destructive testing apprenticeship standards and provide an end point assessment centre for the City Region.	£332,284	<p>The project will deliver a very considerable increase in learner numbers, for a modest outlay in costs to refurbish and equip the new Welding workshop.</p> <p><u>600 classroom learners; 100 apprentices; 20% increased student progression into manufacturing, low carbon and superport.</u></p> <p>Benefit Cost Ratio – 41:1 - Above benchmark</p>
SIF0116	Hugh Baird College	Health Engagement & Training Hub	Conversion of a former Church to deliver level 1-6 health and social care skills pathways including Apprenticeships. Holistic support for education, training, and mental health of Hugh Baird College.	£3,992,658	<p>The project will deliver a very considerable increase in learner numbers each year in a critical area of skills shortage, namely in health and social care.</p> <p><u>200 Level 3+ learners; 70 apprentices; 340 Level 2 learners and below</u></p> <p>Benefit Cost Ratio – 29:1 - Above benchmark</p>
SIF0094	Wirral Metropolitan College	Extreme Low Energy Project	Provision of new low carbon infrastructure to improve efficiency and for use as a teaching resource for plumbing students to learn how to install and service Combined Heat and Power plants and battery storage technologies.	£441,798	<p>The project has the potential to lead to some good outcomes in terms of carbon reduction and demonstration of low carbon technologies and resultant learning. Through cost savings it will also undertake activity to introduce additional pastoral care to reduce NEET.</p> <p><u>50% of the energy cost savings are invested in NEET engagement - 20 new learners/year.</u></p> <p>Benefit Cost Ratio – Year 0 = 1:1.23, SIF Period 1:6.92 - Above benchmark</p>
<b>Total Theme B</b>				<b>£4,766,740</b>	

Appendix 2 – Round 1a Skills Capital Appraisal Outcome - Theme C FBCs over 75% threshold (all hurdle criteria passed)

SIF Ref No	Organisation lead	Project Title	Project Description	SIF Funding	Appraiser's overall comments, key outcomes and outputs
<b>Theme C</b>					
SIF0112	Liverpool City Council	Everton Learning & Skills Centre	Adaption and refurbishment of former Children's Centre into a Learning & Skills Centre to progress North Liverpool residents into employment.	£692,000	A strong strategic fit and rationale, competent, experienced and well regarded team. There is limited good stakeholder and business support. <u>798 learners, 136 into employment, 240 into further learning</u> Benefit Cost Ratio – 1:29.96 - Above benchmark
SIF0104	The Greenbank Project	Greenbank Skills for Growth	New building and refurbishment of existing to create additional space for learners with Educational Health Plans to support specialist groups of LLDD and SEN learners into employment..	£321,549	Proven deliverer to target groups, and businesses. Good track record of skills delivery to those with disability and need for special support. <u>14 FTE jobs &amp; 8 construction jobs, 180 people into employment, 6 Apprentices.</u> Benefit Cost Ratio – 1:21.07 - Above benchmark
SIF0108	Speke Training & Education Centre Ltd	Liverpool South Work & Well Being	Upgrade facilities to create additional access for entry route learners in South Liverpool for Customer & Social Care skills	£750,000	Considered to be a strong project, will also lead to a large number of outputs in terms of the numbers into employment & further learning. <u>955 into employment, 3,554 learning places over length of project</u> Benefit Cost Ratio – 1:17.48 - Above benchmark or 1:84.16 over SIF period.
SIF0093	St Helens Chamber	Digital Starting Point	Re-furbish existing Learning floor space St Helens Chamber to provide digital pre-employment training in economic growth sectors - Refurbish 212m2 of existing learning floor space.	£442,586	Well-designed strong project with high strategic fit. Partners involved are competent, experienced, with a good track record. There is good support from St Helens Council and local employers. <u>Unemployed IAG beneficiaries 6,300, New Apprentices 1,916, People supported into employment 661</u> Benefit Cost Ratio – 1:80.25 - Above benchmark
SIF0102	Women's Technology Training Ltd	Enterprising Futures 2	Mixed refurbishment / internal fit out project to provide Apprenticeship and other employment related provision for specialist groups of learners (asylum seekers, BAME etc) - Refurbishment of floor space at Blackburne House Education, Faulkner Street.	£1,997,976	Strong project supporting under represented target groups with good strategic fit, competent, experienced, well regarded and a good track record in the social sector with support from stakeholders, community & business evidenced. <u>New Apprentices 51, Traineeships 13, Other learners 151</u> Benefit Cost Ratio – 1:39.44 - Above benchmark
<b>Total Theme C</b>				<b>£4,204,111</b>	
<b>Grand Total for Theme B and C</b>				<b>£8,970,851</b>	