

Report to Accountability Board	Forward Plan reference number: FP/AB/013
Date of Accountability Board Meeting: 8 April 2016	
Title of report: Skills Equipment Fund Approval round 3, and Skills Capital Process	
Report by: Mike Rayner. Skills Lead	
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1. Purpose of report

- 1.1 The purpose of this paper is to present recommendations regarding the recent Skills Equipment bidding round to inform the board's decisions about whether or not to accept the applications for funding, to consider a variation to Colchester Institute's project and approve a new process for distributing the remaining Skills Capital Funding.

2. Recommendations

The Board is asked to:

- 2.1 **Approve** the recommendations from the Assessment Group for the allocation of £235,062.89 from the Skills Equipment Fund to MidKent College, Health Science Laboratory, Medway. This money will support delivery of courses in the emerging growth sector of life sciences for the area.
- 2.2 **Approve** the recommendations from the Assessment Group for the allocation of £1,360,000 from the Skills Equipment Fund to East Kent College, Extension to construction centre and related equipment.
- 2.3 **Decline**, on the recommendation of the Assessment Group, MidKent College, Swale Skills Centre equipment bid of £198,500 following their resubmission for consideration.
- 2.4 **Approve** the variation to the project from Colchester Institute which reduces the LEP grant from £4m to £3.640m.
- 2.5 **Approve** a new process for distributing the remaining skills capital funds that devolves significant responsibility to the Employment and Skills Boards, as set out in Appendix B.

3 Background

- 3.1 The South East Local Enterprise Partnership (SELEP) was awarded £22m for skills capital projects in 2015. This was divided into two separate funding options, £18m for capital building projects and £4m for equipment, and to date £17.646m of the building capital fund has already been allocated and approved and £702,364 was allocated in the first equipment round.
- 3.3 The SELEP initiated the third bidding process for the capital equipment grant in October 2015. Organisations eligible to bid for the grant were defined as further education colleges and approved training organisations within the SELEP area that are on the Register of Training Organisations and hold a direct contract with the Skills Funding Agency to deliver education and training.
- 3.4 Bidders were expected to provide 50% match funding of the total cost of the equipment. Where bidders were only able to provide a lower level of match funding, bids were required to be assessed as compelling (i.e. score greater than 85 out of 96 in the evaluation) in order to be put forward for funding.
- 3.5 Grant sizes were to be normally in the range of £50,000 to £500,000 unless a compelling case could be made (Score 85/96 or higher). Bids in excess of £150,000 required an additional financial assessment by the Skills Funding Agency to provide assurance with regard to their financial plan.
- 3.6 Following approval by the Accountability Board on 12 February 2016 Midkent was invited to resubmit two bids relating to Swale Skills Centre and Health Science Laboratory. In addition the Accountability Board also sought further evidence support East Kent College's application before approval of their allocation.
- 3.7 Most bids for round 3 Skills capital were approved at the last Accountability Board. Those being presented this time require further consideration from the Board before the allocation is approved. The Scoring of the bids is set out in Appendix A.
- 3.8 Midkent college originally submitted their bids using the wrong paperwork and were unable to re-write their bids satisfactorily in time for the previous round. However, the Accountability Board approved their resubmission on 12 February 2016. Accordingly the bids were submitted and have been assessed by representatives from the Employment and Skills Boards (ESBs). The outcomes were:
 - 3.8.1 MidKent College, Health Science Laboratory, Medway Scored 48/96, the minimum acceptable score to approve an allocation. This was not a unanimous decision. . The panel decided on a majority vote to recommend the funding allocation. Those in favour felt that the bid had met the minimum score required and would benefit a growth sector in Kent. The dissenting voter felt that overall the project was not strong enough to proceed.
 - 3.8.2 MidKent College, Swale Skills Centre equipment scored 46/96, below the minimum acceptable score for allocating funds.

- 3.9 East Kent College applied for £1,360,000, 92% of their project costs. The Accountability Board considered the recommendations of the Skills Funding Agency on 12th February, and required the college to provide clarification that it is unable to increase its contribution of match funding from the 8 percent currently offered, by providing proof from their bank that they would be unwilling to lend money on this project before the allocation was ratified. The bank has provided an email to this effect, and therefore the decision has been returned for the allocation to be approved. Where colleges applied for amounts outside the criteria they had to demonstrate a compelling case. The case was judged to be compelling against the criteria set out in the Skills Capital Guidance. They particularly demonstrated the economic need, increased student numbers as a result of the project and how it would meet additional skills needs of local businesses. This clarification represents the final due diligence recommended by the Skills Funding Agency.
- 3.10 Colchester Institute was allocated £4m for a STEM centre at their Braintree Campus in round 1 by the Strategic Board on 20 March 2015. Planning permission has since been denied for the project. As a result they have submitted a revised proposal to deliver to the same objectives. The revised version of the project requests £3.64m from the SELEP, maintains the same ratio of match funding and delivers slightly increased outputs. It has been re-assessed by the Skills Funding Agency as acceptable. It is recommended that this variation is accepted without the college having to go through a new bidding round, and therefore their funding allocation should be reduced from £4m originally approved.
- 3.11 A total of £2.032m remains for a further round assuming that the recommendations in this report are approved. Rather than use the same process, the Skills Advisory Group has recommended that responsibility for prioritising of bids be devolved to the ESBs as they have requested an increasing role in the process. It was felt that SELEP had developed the skills and expertise to do this and the ESBs were in a good place to carry out this work. The Skills Funding Agency, who support the process is content with this. The final decision making remains with the Accountability Board and recommendations will be made by a panel of representatives from each ESB as happened in the previous rounds. Full guidance is set out in Appendix B, A Summary of the process is as follows:
- ESBs promote the fund and set local priorities/criteria.
 - ESBs do a paper sift of bids using a subgroup of members who do not have a conflict of interest.
 - ESBs run a presentation/discussion session with bidders using a subgroup of members who do not have a conflict of interest.
 - ESBs forward applications on to the LEP for independent evaluation as has been done before. All investment decisions will be agreed by the Accountability Board.
 - ESBs to ensure that match requirement is met or that there is a locally compelling case to allow bidders to request funds outside the stated guidelines.

Indicative allocation by ESB (based on population)

- Kent - £894,080
- Essex - £873,760
- East Sussex - £264,160

3.12 In considering this proposal, the Skills Funding Agency has worked with all ESBs, who have agreed the process set out within the guidance.

3.13 A timeline will be determined to ensure that the funds are spent by the end of March 2017.

3.14 It is recommended that the Accountability Board to approve this process.

4. Financial Implications

4.1 SELEP has received a £11m allocation in 2015/16 of Skills Funding as part of the Local Growth Fund (LGF) and a further £11m is being allocated in 2016/17. Of this total overall amount, £18.733m has been previously allocated and accepted by colleges; the recommendations in this report, if approved, will amend this as follows:

Funding for East Kent College	£1.360
Funding for Mid Kent College	£0.235
Reduction in Funding for Colchester Institute	<u>(£0.360)</u>

Total Unallocated Funding	£2.032
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4.2 To meet the Government's expectation of defrayal of LGF monies in the year it has been allocated, it is advised that there is a clear timetable for the proposed new approach to ensure that funding bids can be made and approved in a timely manner to ensure that the remaining unallocated funding can be defrayed by 31st March 2017.

The funding awarded to Colchester Institute for their STEM centre was approved on the basis that match funding would be provided; for grant to be transferred to the college under a grant agreement with the Accountable Body, confirmation of the match still being in place for the revised project will be required.

5 Legal Implications

5.1 All approved allocations will be required to enter into a Grant Agreement with the Accountable Body, which contains the obligations for monitoring and reporting, which will allow for updates to be received going forward.

6 Staffing and other resource implications

- 6.1 Resources will be required to monitor the spend and the targets to be achieved as agreed with the bidders. This will be delivered within individuals current workloads.

7 Equality and Diversity implications

- 7.1 None

8 List of Appendices

- 8.1 Appendix A - Skills Equipment bids collated with recommendations
8.2 Appendix B - ESB Guidance

(available at www.essex.gov.uk if not circulated with this report)

9 List of Background Papers

- 9.1 Full bid documents can be made available to board members confidentially and on request to the author.
9.2 Copy of SFA assessment on revised Colchester project
9.3 Copy of email evidence for East Kent College
9.4 Copy of Skills Capital guidance

(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)

Role	Date
Accountable Body sign off Suzanne Bennett On behalf of Margaret Lee	 31 st March 2016

