

Birmingham City Council

Report to Cabinet

23 April 2024



Subject: Higher Level Skills Match Plus Pilot Full Business Case
Report of: Strategic Director of Place, Prosperity and Sustainability
Relevant Cabinet Member: Councillor Sharon Thompson – Deputy Leader of the Council
Relevant O & S Chair(s): Councillor Katherine Iroh, Economy and Skills
Councillor Jack Deakin, Finance and Resources
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Are specific wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s): Bordesley & Highgate, Ladywood, Soho & Jewellery Quarter and Nechells		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 012048/2024		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

1 Executive Summary

- 1.1 The Birmingham City Centre Enterprise Zone (EZ) is made up of 39 sites across the city in seven clusters and is focused on the Business, Professional and Financial Services; Financial Technology; and Creative and Digital Industries economic sectors:
- 1.2 The EZ programme has the potential to create 40,000 new jobs, add £2billion a year to the economy and make available 1.3million sqm of floorspace over the lifetime of the programme. The programme will unlock the major growth opportunities by removing barriers to development, creating a supportive environment for investment, job creation and growing the city and regional economy. Alongside strategic site investment and infrastructure, the other key area

for investment is supporting business. The EZ will be the focus for significant business investment and activity over the coming decades. Central to the success will be the ability to retain and attract businesses, encourage investment and to position the EZ as a premier business location.

- 1.3 The EZ Investment Plan emphasises that the EZ will drive economic growth and ensure residents and businesses share in the benefits generated. One of the key delivery themes in the Enterprise Zone Investment Plan is to drive opportunity through programme investments to develop training opportunities, set up gateways to the right skills and workforce to ensure that the City has a pipeline of young talented graduates. As well as the infrastructure to grow, the EZ aims to support the City as the location of choice for business growth.
- 1.4 This pilot project, '**Plus**', will support unlocking the opportunity for job creation and a key area for investment by providing business support. This will be done by deploying proven business Account Management and skills interventions that offer existing and new inward investing companies a unique, single point of access to the graduate talent pools of 4 Higher Education Institutes (HEIs), and to the higher level skills essential for business growth. This takes place by assessing a company's skills needs, identifying skills gaps and then upskilling local unemployed / underemployed graduates to help fill those gaps. The **Plus** pilot will therefore help to deliver the EZ vision and plan for creating jobs and, in turn, growing the economy. At the end of the pilot, BCU will evaluate its success and develop a lessons learnt report to propose how this project could be scaled up in the future.
- 1.5 The **Plus** pilot will support the EZ Investment Plan's objective to retain and attract businesses and for the EZ to be seen as a premier business location. It will help to attract investor occupiers, grow existing businesses, and accelerate the scale up of high growth start-ups across all 39 EZ sites, by helping to meet the demand for specific higher level skills and attracting highly qualified job applicants. By doing so, this pilot will help to deliver important social and economic benefits for the Birmingham and Solihull area, by increasing job opportunities for local people.
- 1.6 In addition to supporting the EZ, the **Plus** pilot will extend its offer to support Birmingham City Council (BCC) in finding solutions to its own graduate recruitment challenges. The pilot will provide an Account Manager to work with the Talent and Early Careers Directorate to coordinate skills needs assessments with the various departments within BCC.

2 **Recommendations**

That Cabinet:

- 2.1 Notes the Full Business Case for the Higher Level Skills Match Plus Pilot project (attached at Appendix 1), approved by the EZ Partnership Board on 20 March 2024.

- 2.2 In its role as Accountable Body for the Enterprise Zone (EZ), approves EZ revenue funding to Birmingham City University of **£0.95m** to facilitate the delivery of **Plus** pilot project formalised through a Grant Funding Agreement.
- 2.3 Authorises the City Solicitor & Monitoring Officer to negotiate, execute, seal and complete all necessary documents in connection with the above recommendations.

3 Background

- 3.1 In 2019 the Enterprise Zone Investment plan (EZIP 2019) set out a £1.023bn programme of infrastructure investment up to 2045/46. EZIP 2019 was approved by Cabinet on 30th July 2019. The plan set out the intentions to accelerate development across the EZ, to unlock the major growth opportunities by removing barriers to development, creating a supportive environment for investment, job creation and growing the city and regional economy.
- 3.2 The EZ was established to accelerate economic growth by unlocking development sites and attracting private sector investment. However, in the decade leading up to the pandemic, investors in the Birmingham Urban Area saw a lower rate of return than those in any other major UK city region.¹
- 3.3 Birmingham City University submitted a Full Business Case requesting EZ revenue funding of £949,615 towards a project cost of £1,252,000 to deliver a Higher Level Skills match Plus pilot project.
- 3.4 A unique consortium made up of Aston University, Birmingham City University (Project Lead), University College Birmingham and the University of Birmingham will deliver the **Plus** pilot. They project will benefit from the considerable expertise consortium partners have developed over the last seven years in delivering major European Social Fund (ESF) projects, such as Higher Level Skills Match (HLSM), STEM-Up & Early Years Career Progression Pathways (EYCPP), as well as Office for Students (OfS) funded projects such as Graduate Re-Tune (GR). HLSM has delivered skills solutions for 707 local businesses, and GR has placed 892 unemployed graduates into work.²
- 3.5 By 2035 more than 11 million extra graduates (in addition to the 15.3 million graduates currently in the UK workforce) will be needed to fill jobs in industries such as computing and engineering, teaching and education, health and digital, and 88% of new jobs will be at graduate level.³
- 3.6 In the West Midlands alone it is estimated that there will be a need for 841,275 *additional* graduates, and that *82% of all new jobs will be at graduate level*. However, graduate premium is low in the Birmingham Urban Area, indicating that action is needed to drive up both the demand for and supply of graduates. The city region is not able to make effective use of the graduates it has.⁴

¹ A tale of two cities (part 1), page 9

² HLSM and GR performance outputs as of 30/10/2023

³ UK Universities Report: Jobs of the Future (August 2023)

⁴ A tale of two cities (part 1), page 10

- 3.7 In addition to that, in the Birmingham Urban Area the productivity levels (output per job) are 14 per cent, and employment rates a full 5 percentage points, below the national average.⁵ Yet, currently there are circa 540 unemployed graduates in the Birmingham and Solihull Area.
- 3.8 This intervention will sit as part of a range of complementary activities that will bring together graduates, apprenticeships and other vocational routes as part of an integrated and comprehensive approach to try to meet the overall matrix of diverse workforce requirements in the future.
- 3.9 Using a 'hub and spoke' model, Birmingham City University are seeking EZ revenue grant funding to:
- Provide a single point of access, to over 38,000 final year undergraduates, recent graduates, masters and postgraduate students, and the circa 540 graduates currently claiming benefits in Birmingham and Solihull - a latent talent pool constituting a serious waste of human capital.
 - Offer a proven Account Management service to large companies, new inward-investors and Small and Medium Enterprises (SMEs) within the EZ.
 - Deliver a unique skills 'offer' co-designed **with** and **for** local businesses, by:
 - Enhancing their graduate recruitment and retention processes;
 - Deploy the proven employability and skills wrap-around support developed for BCU's Kickstart Scheme **Graduate Opportunities Gateway**;
 - Focussing on the soft, technical, and analytical skills companies expect their graduate hires to have;⁶
 - Complementing other EZ-focused skills provision;
 - Providing signposting to other business skills support available locally.
- 3.10 Through a unique collaboration and delivery partnership between the four Higher Education Institutes (HEI), with endorsement from Delivery Partners within the Department for Work and Pensions (DWP) Birmingham and Solihull Jobcentre **Plus** District, the pilot has been designed to deploy an innovative pilot to offer wrap around, upskilling and job preparation to all local unemployed graduates irrespective of the University they attended, which will:
- Increase graduate retention in Birmingham and Solihull and significantly reduce graduate un-employment;
 - Boost productivity in Birmingham by moving more graduates from unemployment into employment, and freeing up entry and intermediate level roles by moving underemployed graduates in to graduate level roles;
 - Support Birmingham to become more attractive to invest in as employers will have more access to more graduates to support their skills needs; and
 - Address the challenge presented by the ever-increasing business demand for higher/graduate level skills (NVQ Levels 5 to 9).
- 3.11 The **Plus** pilot will extend its offer to operate the same model for Birmingham City Council as it does for the EZ businesses. The pilot will provide an Account Manager

⁵ A tale of two cities (part 1), page 6

⁶ Including for example, Personal Resilience, Business Communications, Data Analytics, Digital Marketing, Introduction to AI, Analytical and Problem-solving Skills, Planning for Growth, STEM skills and STEAM Thinking.

to work with the Talent and Early Careers Directorate to coordinate skills needs assessments with the various departments within BCC and undertake a skills needs assessment with them to help them understand their higher level skills needs and gaps.

- 3.12 During the 2-year delivery period of the **Plus** pilot, the HEI Consortium will work alongside BCC Departments who are looking to recruit to host exclusive careers events. The BCC Account Manager will work alongside BCC colleagues to ensure these events are fully maximised and provide value. This will provide the Graduate Talent Pool of circa 38,000 undergraduates the opportunity to speak directly to hiring managers in various departments at BCC to understand how they can start and grow their career with BCC. This will initially be focussed on those who have completed a degree with a focus on Professional Services, but also include those who have applicable transferable skills.
- 3.13 The **Plus** pilot will undertake research on behalf of BCC, throughout its delivery phase, on the challenges which BC faces with graduate recruitment and identify any barriers which graduates may have when accessing and applying for jobs at BCC. This will form part of the end of project evaluation.
- 3.14 Timescales identified in the FBC are dependent on approval of funding. Once funding has been approved, a Service Level Agreement containing a GDPR-compliant Data Sharing Agreement, and a Financial, Operational and Performance Management Framework (FOPMF) will be signed by all delivery partners. Market research and business consultation will take place, and this will be followed by formal launch events and the main delivery phase is expected to commence in Spring 2024 for a period of approximately two years. An end of project evaluation will be completed and shared with BCC after the project activities have finished.
- 3.15 The outputs proposed in the FBC for the Enterprise Zone shown in Table 1 below are drawn on the evidence base developed over the seven years of delivering the Higher Level Skills Match project. The Benefit Cost Ratio (BCR) in the project is calculated as **2.02** which represents high value for money.

Table 1: Proposed EZ outputs as shown in the FBC

Output Description	Output Quantity
EZ Companies engaged by the Plus programme	250
EZ Companies completing a Business Skills Needs Assessment (BSNA)	188
EZ Companies completing a BSNA that sign up to the Plus Graduate Talent Charter	179
EZ Companies signing the Plus Graduate Talent Charter and recruiting at least 1 graduate over the 2 years	170
Minimum number of local Graduates (including Unemployed Graduates, those with a First, Masters or Postgraduate Degree) securing graduate level jobs	170

Minimum number of local Graduates recruited via Plus to be retained following a formal probationary period, or after 6 months, where a probationary period does not apply	128
Minimum number of local graduates securing graduate level jobs who are from disadvantaged backgrounds (BME, Persons with Disabilities (PWDs), Single Waged Household etc.)	119
Minimum number of local graduates securing jobs who were previously unemployed or underemployed	111
Minimum number of local graduates recruited via Plus progressing in work within 12 months	60

4. Options Considered and Recommended Proposal

- 4.1 Option 1 Business as Usual (Do Nothing / No grant) – under this option, it is assumed that there would be no Plus Pilot run and that the HLSM project will cease, with no further development of the success of HLSM and GR. This option is not considered appropriate and has been discounted from further analysis.
- 4.2 Option 2 Alternative Service Delivery Model – This option would require the reconfiguration and relaunch of Graduate Advantage (GA). GA promoted graduates to businesses throughout the West Midlands region, by offering free recruitment support for paid internships, lasting between 4 weeks and 12 months, and voluntary internships, for up to 30 hours per week and a maximum of 4 months duration. It was initially supported by all West Midlands Universities and therefore provided SMEs with access to final year students and graduates from a wide range of degree disciplines, and helped SMEs develop their internship vacancies, advertise and promote them, identify suitable candidates, and create a suitable shortlist. Many of the placements would be unpaid. The skills gaps would continue to go unresolved, and businesses would continue to struggle to find graduates with the appropriate skills to meet their needs. Graduates would be less likely to find paid sustainable employment and the required reduction in unemployment and underemployment of local graduates would not be realised.
- 4.3 Option 3 ‘Go Small’ – this would be a downscaled version of the preferred **Plus** Pilot. It would see the Plus Consortium reduced again to BCU and AU only. It would **only** achieve reduced outputs, compared to the preferred option, due to the reduced capacity that a lower award of EZ funding would provide. A downscaled **Plus** would aim to achieve around 40% to 50% of the anticipated benefits that would be generated by the full Pilot. Whilst this option would likely be successful, the full benefits of option 4 would not be attained. The loss of staff resources, as UCB and UoB would be unable to participate, would reduce capacity and result in far fewer graduates and EZ businesses being targeted. This would reduce potential gains from finding sustainable employment for graduates and closing higher level skills gaps for EZ businesses.
- 4.4 Option 4 **Plus** Pilot (Preferred Option) – The pilot would create the opportunity for 2 new Higher Education (HE) partners to be brought into the consortium and build on the success of projects which BCU together with Delivery Partners have already run. It would allow the Pilot to draw on lessons learnt from these projects and improve the effectiveness of Account Management and skills matching. Through

market research and evaluation of the pilot, it would allow the consortium to develop a robust and tested model for delivery from 2026 in anticipation of the economic benefits of HS2 starting to flow into the City.

- 4.5 Option 5 Launch of full scale Plus Programme (Do maximum) – This would be a launch of a full scale **Plus** programme in 2024, with a commensurate increase in Grant Revenue Funding, at an estimated annual cost of between 2 and 2.5 times the annual cost of the **Plus** Pilot. Whilst this would enable benefits to be realised over a longer period of time, with higher level of employment achieved, alongside a higher level of businesses approached and skills matched, the effectiveness of the full scale programme would likely be reduced without the evaluation of the pilot and any lessons learnt being incorporated into the full scale programme. The pilot would also enable the proposed ‘hub and spoke’ delivery model to be fine-tuned to maximise benefits and understand the resource and expertise requirements to effectively match skills needs demand and supply.
- 4.6 Based on the analysis of the options in the FBC, option 4 is the preferred option and the detailed cost benefit analysis has shown that the **Plus** pilot represents high value for money. Alternate funding streams have been explored to fund this including HE ‘core’ revenues, UK Shared Prosperity Fund (UKSPF) and the WMCA Adult Education Budget and Higher Level Skills devolved funding. There is no HE funding available. The allocation of UKSPF to separate the demand side (Business Support) and supply side (People and Skills) runs counter to this project and the timelines for allocating would severely constrain this project even if it were successful. The understanding is that the WMCA higher level skills strategy is still in development and currently the emphasis appears to be on funding provision up to NVQ levels 3 and 4 and to extend the reach of Boot Camps which would not align with this project.

5 Consultation

- 5.1 Members of the EZ Partnership Board support the recommendations of this report and provided approval to the EZ grant at its meeting on 21 February 2024.
- 5.2 **Plus** skills provision will look to respond to the skills needs of small, medium and large companies located within the EZ, including those operating in the Business, Professional and Financial Service sector and the Creative and Digital sector, to address skills gaps identified during the Pilot’s employer consultation phase, and to encourage more unemployed, recently qualified and recently hired graduates to develop these skills. However, it will also be a ‘universal service’ that can be accessed by any EZ- based company operating in any sector.

6 Risk Management

- 6.1 An extensive risk register was included within the FBC which highlights the scheme’s key risks, which are set out in Table 2 below.

Table 2: Key Project Risks

Risk	Mitigation
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Unable to engage with the required number of businesses.	Utilise monthly Operation Management Group (OMG) meetings to monitor the level of business engagement, BSNA's completed, and Talent Charters signed. Work closely with the BCU Marketing team to ensure that the project is visible and accessible for all EZ businesses.
Unable to engage with the required number of suitable graduates.	Utilise monthly OMG meetings to monitor the level of graduate engagement, number of Personal Skills Needs Analysis (PSNA) completed and programme registration. The Project Manager will engage with local Jobcentres on a regular basis to assess the monthly throughput of DWP Work Coach referrals and work closely with BCU's Marketing team to ensure that the project is visible and accessible for all unemployed graduates.
Inability to attract businesses to be a part of the 'EZ Sounding Board'.	Host a launch event in April 2024, with all EZ businesses invited, promote the opportunity to join the Plus Sounding Board, and present clear benefits of onboarding. Ensure Account Managers invite companies that sign the Plus Talent Charter are appraised of the opportunity to join the Sounding Board.
Inability to match vacancies to skills of unemployed graduates.	The Hub and Spoke Model in place will enable an agile response to any challenges that this presents. Delivery Partners will work flexibly to ensure (a) their graduate talent pipelines are assessed against business requirements and (b) companies signing up to the Plus Talent Charter have an opportunity to shape the content of job preparation workshops which address vacancy requirements.

7 Compliance Issues:

7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

7.1.1 The proposals set out in this report will support a number of the City Council's key priorities as set out in the City Council Corporate Plan 2022 – 2026:

- *Support inclusive economic growth.*
- *Tackle unemployment*
- *Attract inward investment in infrastructure.*
- *Tackle poverty and inequality*
- *Promote and champion diversity, civic pride and culture.*
- *Support and enable all children and young people to thrive.*
- *Tackle healthy inequalities.*
- *Make the city safer.*

7.1.2 **Our Future City Framework 2040 (OFC)** – The project will help to deliver upon the aspirations set out within the OFC to 'build inclusive growth principles into the very foundation of all plans to ensure that every citizen in Birmingham benefits from development'. This pilot aims to be an enabler of the City Plan 'Principle' of creating an 'Equitable City' where no first-generation scholar from a disadvantaged background or

community, and no unemployed graduate is left behind. The offer to businesses will also support the realisation of a number of City Plan Themes primarily: 'A City of Growth for all', A City of Connections' and A City of Knowledge and Innovation'.

7.1.3 **Birmingham Business Charter for Social Responsibility (BBC4SR)**

BCU is an accredited signatory to the BBC4SR and has produced an action plan with commitments proportionate to the value of the grant. These commitments will be monitored and managed during the period of the grant.

7.1.4 **Environment and Sustainability**

An environment and sustainability assessment (Appendix 4) has been completed and approved by the ESA team. The report's overall conclusion is that whilst the project will not have any specific direct environmental or sustainability impacts. However, the Project Board does aim to have a Project-specific Sustainable Development Plan which will highlight actions to take place through the delivery of the project including:

- Promoting the use of sustainable travel;
- Encourage meetings and interventions to take place remotely/online where appropriate;
- Encourage use of public transport hubs and local bus services to attend sites whenever possible;
- Promote the importance of environmental sustainability through project activities;
- Encourage the use of digital equipment rather than paper by project staff members, partners and participants; and
- Build on best practice developments in projects.

7.2 **Legal Implications**

7.2.1 The Local Government Finance Act 2012 supports the development of Enterprise Zones by enabling Local Authorities to borrow for capital schemes against projected growth in business rates income. The Act allows the City Council to retain 100% of business rates income from within the Enterprise Zone.

7.2.2 Section 1 Localism Act 2010 confers a general power of competence on the Council which permits the grant funding proposed in this report.

7.2.3 Section 12 of the Subsidy Control Act 2022 requires the Council to consider the Principles in the Act before deciding to give a subsidy, and not to give the subsidy unless it is of the view that the subsidy is consistent with the Principles. On considering the project and the supporting information provided by BCU, the grant funding is considered a lawful subsidy scheme. Attached to this report is an assessment of the subsidy scheme being considered against the principles (Appendix 5). If the Council is minded to approve the grant, then it must consider the

assessment carefully and only decide to approve the grant if it considers that the subsidy scheme involved is consistent with the Principles. In particular, it must conclude that the benefits of the subsidy scheme outweigh any negative effects.

- 7.2.4 As well as complying with the requirements of the Act the Council, in taking its view as to whether the subsidy is consistent with the Act must comply with its public law duties. So, the decision, for example, must be within the Council's powers and must not be irrational, biased or otherwise unlawful on any other general public law ground. The Council must be particularly careful to ensure that its decision is not so unreasonable that no reasonable authority would take the same view.
- 7.2.5 The Council's external legal advisers consider (based on the information that they have seen) that a decision to award a subsidy, on the basis that this would be consistent with the Principles, would be a reasonable decision.
- 7.2.6 Under the Subsidy Control Act 2022's (the Act) transparency requirements, details of the subsidy scheme must be registered on a central subsidy database within 3 months of the decision to award the subsidy. There is a one month window for interested parties to request information about the subsidy scheme. If there are no requests within that period, there can be no challenge. If information is requested within that period, then the challenge period is one month from the date the information is provided.

7.3 Financial Implications

- 7.3.1 In its Accountable Body role, the City Council can fund the EZ grant from existing EZ revenue resources and there is no borrowing cost associated with this project.
- 7.3.2 S151 approval to award and defray the EZ grant was obtained on 24 January 2024.
- 7.3.3 Table 3 below summarises the potential revenue cost of the EZ grant as presented in the FBC and revised in line with the clarification question responses and project approval timescales.

Table 3: Project Revenue Cost

Year	2024/25	2025/26	TOTAL
	£m	£m	£m
EZ Revenue Expenditure Sought	0.473	0.477	0.950
Match Funding	0.150	0.152	0.302
Total Project Revenue Cost	0.623	0.629	1.252

- 7.3.4 There is no direct additional Business Rates generated as a result of the delivery of this project.

7.4 Procurement Implications

7.4.1 There are no procurement implications with the recommendations of this report. The responsibility for the procurement and award of any contract required as part of the grant is with BCU under their governance arrangements. The Conditions of Grant Aid agreement will include the requirement to demonstrate to the Council value for money and compliance to any legislation including the Public Contracts Regulations 2015 (PCR2015) from the issue of the payment.

7.5 Human Resources Implications

7.5.1 All activity identified within this report will be managed by existing Council employees. The scheme's Project Management sits within the EZ delivery team and is resourced through the project.

7.6 Public Sector Equality Duty

7.6.1 Due regard and consideration have been given to this EIA for the report recommendations. In overall terms the delivery of the Higher Level Skills Match Plus pilot has been assessed as leading to a positive effect on the equality through the provision of jobs for graduates, aligned to the higher level skills needs of businesses in the EZ, better paid jobs, and increased Gross Value Added (GVA) resulting in positive impact on people's quality of life and health.

8 Appendices

Appendix 1 – Full Business Case

Appendix 2 – EZ Offer Letter

Appendix 3 – Equality Impact Assessment EIA000158

Appendix 4 – Environment and Sustainability Assessment

Appendix 5 – Subsidy Control Assessment

9. Background Documents

Enterprise Zone Investment Plan 2019

Enterprise Zone Investment Plan 2022 Update