

**BIRMINGHAM CITY COUNCIL  
PUBLIC REPORT**

<b>Report to:</b>	<b>CABINET</b>
<b>Report of:</b>	<b>Corporate Director, Economy</b>
<b>Date of Decision:</b>	<b>31 July 2018</b>
<b>SUBJECT:</b>	<b>ESF 2.2 SKILLS FOR GROWTH HUB PROJECT – FULL BUSINESS CASE</b>
<b>Key Decision:</b> Yes	<b>Relevant Forward Plan Ref: 005098/2018</b>
<b>If not in the Forward Plan:</b> <b>(please "X" box)</b>	<b>Chief Executive approved</b> <input type="checkbox"/>
	<b>O&amp;S Chair approved</b> <input type="checkbox"/>
<b>Relevant Cabinet Member(s) or Relevant Executive Member:</b>	<b>Councillor Jayne Francis, Cabinet Member for Education, Skills and Culture</b>
<b>Relevant O&amp;S Chair:</b>	<b>Councillor Tahir Ali, Economy and Skills</b>
<b>Wards affected:</b>	<b>All</b>

**1. Purpose of report:**

- 1.1 To seek approval to the Full Business Case (FBC) to develop and deliver a European Social Fund (ESF) project Skills for Growth Hub under Priority 2.2 Improving the Labour Market Relevance of Education and Training Systems, at a total estimated gross value of up to £2.28m (from 1 July 2018 to 30 June 2021) in line with the arrangements detailed in this report.
- 1.2 To seek approval to accept grant funding from the Department for Work and Pensions (DWP) and to act as Accountable Body for this project subject to confirmation of offer from DWP and Accountable Body obligations being acceptable to the Council.

**2. Decision(s) recommended:**

That Cabinet:

- 2.1 Approves the Full Business Case, attached as Appendix A to this report, at a total estimated cost of up to £2.28m, which includes the Birmingham City Council (the Council) match funding commitment of up to £0.13m, delivery partners match funding commitment of up to £1.01m and the ESF Grant draw down of up to £1.14m. This is subject to final project values being within these estimates.
- 2.2 Authorises the Council to act as the Accountable Body in respect of the Skills For Growth Hub project and to hold and manage ESF grant funding, subject to approval by the DWP as detailed in this report and Accountable Body obligations being acceptable to the Council.
- 2.3 Authorises the Corporate Director, Economy acting on behalf of the Council as the Accountable Body, to accept the grant resources from the DWP of up to £1.14m to fund the proposed Skills for Growth Hub project subject to confirmation of offer from DWP.
- 2.4 Delegates the approval of the procurement activity for this project to the Corporate Director, Economy with project oversight and responsibility through the Head of European and International Affairs/Interim Head of Employment.

- 2.5 Authorises the Corporate Director, Economy to enter into grant funding arrangements with DWP and the project's delivery partners in a manner compliant with EU funding regulations and the national guidance.
- 2.6 Authorises the City Solicitor to negotiate, execute and complete all relevant legal documents necessary to give effect to the project and the recommendations contained in this report.

**Lead Contact Officer(s):** Kam Hundal – Employment Manager, Economy  
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### **3. Consultation**

#### **3.1 Internal**

- 3.1.1 Since the project proposal was set out in a report outlining ESF funding opportunities on 6 March the then Cabinet Member for Jobs and Skills was briefed on the development of the project proposal and fully supported the submission for funding.
- 3.1.2 The new Cabinet Member for Education, Skills and Culture has been briefed on the project and is fully supportive.
- 3.1.3 Lead Officers from GBSLEP, Birmingham Adult Education Service and the Business, Enterprise and Innovation Service have also been involved in the development of the project and have agreed proposed delivery model.
- 3.1.4 Officers in Legal and Governance, Procurement and City Finance continue to be involved and have input to the preparation of this report.

#### **3.2 External**

The project has been developed with input and support from Strategic and Delivery partners and all are supportive including:

##### Delivery Partners:

Birmingham Metropolitan College (BMet)  
UNITE the Union  
Birmingham and Solihull Mental Health Foundation Trust (BSMHFT)  
GBSLEP (Greater Birmingham & Solihull Local Enterprise Partnership)  
Engineering Employers Federation (EEF)  
Solihull Metropolitan Borough Council (SMBC)  
Kidderminster College

##### Strategic Partners:

South and City College Birmingham (SCCB)  
Birmingham City University (BCU)  
Solihull College & University Centre  
Birmingham and Solihull Chambers of Commerce  
Worcestershire Apprenticeships

#### 4. Compliance Issues:

##### 4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?

- 4.1.1 The project supports the Council Plan and Budget 2018+ vision and priorities, particularly in respect of Jobs and Skills –“A great city to succeed in.” Project delivery will contribute to addressing enduring and structural issues related to unemployment and no/low skill levels and enables participation in the labour market. With the City Council as the lead applicant we will ensure that the project is synchronised with the jobs and skills priorities using the investment where it will have the most impact.

##### 4.2 Financial Implications (How will decisions be carried out within existing finances and Resources?)

- 4.2.1 The total cost of the project is up to £2.28m. At an ESF intervention rate of 50% this requires match funding of up to £1.14m. Details of funding are set out below:

##### **ESF 2.2 Skills for Growth Hub**

**Start date:** 1 Jul 2018 Project Mobilisation with formal launch in September following completion of DWP appraisal process which has taken longer than anticipated

**End date:** 31 June 2021

Total project budget up to **£2.28m**

**BCC** match funding commitment up to **£0.13m**

**Delivery Partner** match funding commitment up to **£1.01m**

made up as follows:

£0.15m	Solihull Metropolitan Borough Council
£0.33m	GBSLEP (includes £260k grant payment to BCC – see 4.2.4)
£0.14m	BMet
£0.14m	EEF
£0.15m	Unite
£0.034m	BSMHFT
£0.061m	Kidderminster College

**ESF** Grant draw down of up to **£1.14m**

It should be noted however that as the full application progresses and develops the project value and associated match funding commitment may change. The project will be closely monitored and managed by the Employment Service so that should there be any changes, delivery will be reduced accordingly to ensure that no liabilities fall to the Council.

- 4.2.2 All Council match funding resources (£0.13m) required for delivery of the project are identified from existing approved Council budgets. Delivery Partners have identified match funding contribution of up to £1.01m and these offers have been confirmed in writing. All project funding will need to be defrayed by project end date of 31 June 2021.

- 4.2.3 Up to £0.88m of the gross value of the project will be commissioned through external providers via a procurement process compliant with the Public Contracts Regulations 2015 (PCR 2015) with up to £0.064m to commission demand led sector specific training through the programme for those with low/no level skills, and up to £0.024m allocated to undertake an evaluation of the project to ensure that lessons learnt and good practice developed can be disseminated for future projects and inform related activity.

The FBC (Appendix A) summarises the budget by financial year with a more detailed project budget set out in Appendix I including salary and direct costs against the Council and delivery partners staff and activity. Other Direct Costs include training, marketing,

promotion and evaluation related costs and are also set out within Appendix I for the Council and delivery partners respectively and budget headings summarised in the following tables set out below:

<b>Total Project Expenditure - See Appendix I for detail</b>	
	<b><i>Totals £k</i></b>
<b>Total Revenue Costs:</b>	
Salaries	1,849
Overheads	277
Other Direct Costs	153
<b>Totals</b>	<b>2,279</b>
<b>Funded By:</b>	
<b>Match:</b>	
BMET	140
Engineering Employers Fed	143
Kidderminster College	60
UNITE	154
BSMHFT	33
GBSLEP	67
GBSLEP Grant	260
Solihull MBC	150
<b>BCC</b> (breakdown in table below)	<b>132</b>
<b>ESF:</b>	<b>1,140</b>
<b>Totals</b>	<b>2,279</b>

<b>Breakdown of BCC Revenue Expenditure and Project Funding (included in Summary table above)</b>	
	<b><i>Totals £k</i></b>
<b>Total Revenue Costs:</b>	
Salaries	755
Overheads	113
Consultancy	64
Training Expenses	22
Website Development	14
Marketing and Promotions	28
Evaluation	24
<b>Totals</b>	<b>1020</b>
<b>Funded By:</b>	
<b>Match:</b>	
<b>GBSLEP Grant</b>	<b>260</b>
Employment Salaries	90
Planning Policy Salaries	25
Overheads @ 15%	17
<b>BCC Match Total</b>	<b>132</b>
<b>ESF</b>	<b>*628</b>
<b>Totals</b>	<b>1020</b>

\* Please note that ESF match funding is not evenly attributed across Delivery Partners. Please refer to Appendix I for further information on the expenditure and funding by Delivery Partner..

4.2.4 As a delivery partner GBSLEP Growth Hub has identified staff salary match as well as a grant payment of £0.26m to BCC. The funding will be subject to a Grant Agreement which is in the process of being agreed as part of the full application process.

4.2.5 The Council will be the Lead Applicant and the Accountable Body and this will include:

- Responsibility for overall project development, management and delivery.
- Agreeing and implementing a contractual framework to govern the Council's relationship with the delivery partners to ensure that roles and responsibilities are clearly set out. A robust partnership framework is already in place for instance with SMBC as a result of joint project delivery on several EU funded projects over the past years.
- Ensure compliance with DWP and GBSLEP grant conditions and seek to mitigate these through appropriate contractual agreements with the delivery partner and service providers through the Council's approved processes.
- Allocate experienced officers from within the Economy Directorate to monitor and manage the project.
- Closely monitor and manage project performance both in terms of outputs and expenditure on a monthly basis to ensure that any risk to achievability is identified and actions put in place to mitigate impact.
- Ensure all delivery arrangements are subject to monitoring and performance checks to ensure compliance and eligibility of activity.
- Undertake where appropriate project compliance visits.
- Address any issues arising around ability to deliver against required project outputs in a timely manner through appropriate dialogue and consultation with DWP to ensure that activity is scaled down as required and claw back is managed. The SLA and any contracts with commissioned providers will contain clauses to ensure that any responsibility for claw back implications can be passed on and enforced with the delivery partner and/or contractors.

There are no further on-going revenue implications as a consequence of accepting this grant funding other than the persisting risk of audit and claw back on the basis of under-performance against outputs, eligibility issues or poor document/data management.

4.2.6 A project Risk Register has been developed and will be reviewed and monitored throughout the project lifecycle and updated accordingly. All identified and potential risks will have assigned leads and a probability/impact score resulting in risk rating and respective mitigation actions identified to enable effective risk management. The Council has extensive experience of managing European projects and resources. In addition to successful delivery as the Lead Accountable Body for ESF Innovation, Trans-nationality and Mainstreaming Projects, the Council has vast experience of being a Co-Financing organisation and managing a complex network of delivery partners. The Council has experience of assisting and co-ordinating project partners to ensure that they are able to learn from the development, capacity building, compliance, eligibility, feasibility work that the Council will undertake. This level of experience and skills will enable the project to operate at minimum risk. Further details are set out within the Risk Register at Appendix H including risks specifically related to finance.

#### 4.2.7 Procurement

The Council has a published procurements procedures manual. All procurement opportunities to be advertised through the "Find it in Birmingham" web portal in the first instance. Any contracts which exceed the relevant threshold (currently £181,302) shall be advertised in the Official Journal of the European Union (OJEU) and be procured in accordance with PCR 2015. Further details of procurement activity are set out within

## Appendix E.

### 4.3 Legal Implications

- 4.3.1 The Council has the power to enter into this activity by the general power of competence secured by Section 1 of the Localism Act 2011. The activity is within the boundaries and limits on the general power set out in Section 2 and 4 of the Localism Act 2011 respectively.
- 4.3.2 The EU Grant and GBSLEP grant will be delivered within the requisite funding conditions (with experienced officers monitoring and managing the project to minimise risk of clawback), and the contractual framework to be put in place will ensure any conditions or requirements placed on the Council in relation to ESF and GBSLEP grant are also discharged by the respective delivery partners.

### 4.4 Public Sector Equality Duty (see separate guidance note)

- 4.4.1 In accordance with the Public Sector Equality Duty, an Equality Analysis (EA002812) screening has been carried out as part of the Full Business Case process for this project (see Appendix J).

## 5. **Relevant background/chronology of key events:**

- 5.1 European Structural and Investment Funds (ESIF) are administered by managing authorities, the Department for Communities & Local Government and the DWP. ESF 2.2 Skills for Growth Hub project responds to the ESIF call announced April 2017 under Investment Priority Axis 2.2 Improving the Labour Market Relevance of Education and Training Systems across the GBSLEP area.

**ESF 2.2 Skills For Growth Hub** project has been developed in conjunction with strategic and delivery partners and application progressed in line with relevant submission timescales and with support from the then Cabinet Member for Jobs & Skills. Following successful submission of an outline application on 5 October 2017, the Council was asked on 23 November 2017 to submit a second stage (full) application by the 31 January 2018. Due to commence delivery in July 2018, it will provide a single point of contact and access to organisational and skills diagnostic provision, signposting businesses to a range of skills provision. The project will support 140 small and medium sized enterprises (SMEs) to develop the skills of their workforce offering impartial advice and brokerage of appropriate training and development solutions. This project builds on the Step Forward campaign launched in March 2017 and asks businesses to “step forward” in their commitment to support workforce development activity.

- 5.2 This project is being progressed following approval to proceed with projects presented within the report to 6 March meeting entitled *External European Social Fund (ESF) Full Applications*. The full project application is currently being appraised and we are awaiting formal communication from DWP in this respect. This report is being taken to July Cabinet to allow for a rapid start once DWP funding approval has been received. The first 2 months of the project will be focussed on project mobilisation developing required documentation and processes that will be implemented following launch of project in September 2018. There is scope for retrospective spend from the contract start date of 1 July 2018 and this will be limited to existing staff time during project mobilisation phase.
- 5.3 The project delivers a network of Skills Advisers from Delivery Partners such as the Further Education sector, BSMHFT, Unite and the EEF to an integrated virtual Skills Hub (hub and spoke model) with a minimum of 4 Skills Advisers co-located within the GBSLEP Growth Hub to work alongside existing Growth Hub Business Advisers ensuring a collaborative

approach. This will provide SMEs with a single point of access to skills, workforce planning and broader business support services underpinned by an effective referral and signposting process into appropriate support.

- 5.4 Co-location of Growth Hub and Skills for Growth Hub Advisors will foster good working relationships between the teams, a broader understanding of available sources of business support and skills provision and the opportunity to align project management and governance arrangements.

**6. Evaluation of alternative option(s)**

- 6.1 Examine alternative options: The project has been shaped based on previous experience and in line with requirements of the call and GBSLEP with full involvement from the delivery partners. Having looked at various delivery options, project lead partners and approaches, and through consultation with partners, the Council and delivery partners have decided to adopt the proposed model of delivery as the most effective in delivering the required interventions in an integrated manner which will bring forward a positive impact in supporting SMEs and the development of skills across the GBSLEP geography.
- 6.2 If the Council or another partner went forward as a single applicant to deliver the service this would lead to further fragmentation, confusion and duplication in communicating skills development support to the business community.
- 6.2 Do Nothing: If we did not develop and submit the proposal the Council and the GBSLEP would miss the opportunity to obtain significant external funding to deliver focussed activity to promote local skills development and the opportunity to support the growth and productivity agenda.

**7. Reasons for Decision(s):**

- 7.1 To enable the Skills for Growth Hub project to be progressed and delivered on a timely and successful basis in accordance with relevant DWP timescales.

**Signatures**

**Date**

Councillor Jayne Francis  
Cabinet Member for Education, Skills and Culture

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Waheed Nazir  
Corporate Director, Economy

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**List of Background Documents used to compile this Report:**

DWP Full Funding Application: ESF 2.2 Skills for Growth Hub  
Cabinet Report 6 March: External European Social Fund (ESF) Full Applications

**List of Appendices accompanying this Report (if any):**

- |     |                          |            |
|-----|--------------------------|------------|
| 1.  | Full Business Case       | Appendix A |
| 2.  | Stakeholder Analysis     | Appendix B |
| 3.  | Timeline & Milestones    | Appendix C |
| 4.  | Project Organogram       | Appendix D |
| 5.  | Procurement of Contracts | Appendix E |
| 6.  | Delivery Model           | Appendix F |
| 7.  | Outputs & Results        | Appendix G |
| 8.  | Risk Register            | Appendix H |
| 9.  | Detailed Budget          | Appendix I |
| 10. | Equality Analysis        | Appendix J |