

Public Report

Birmingham City Council

Report to Cabinet

Date: 13th November 2018



Subject: ESF GBSLEP SKILLS FUND- FULL BUSINESS CASE
Report of: CORPORATE DIRECTOR; ECONOMY
Relevant Cabinet Member: Councillor Jayne Francis; Education, Skills & Culture
Relevant O &S Chair: Councillor Tahir Ali; Economy & Skills
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|--------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------------|
| Are specific wards affected? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No – All wards affected |
| If yes, name(s) of ward(s): | | |
| Is this a key decision? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| If relevant, add Forward Plan Reference: 005002/2018 | | |
| 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 |
| If relevant, provide exempt information paragraph number or reason if confidential : | | |

1 Executive Summary

- 1.1 To accept an offer of European Social Fund (ESF) grant of up to £6m to deliver the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) Skills Fund and for Birmingham City Council to act as the Accountable Body on behalf of the GBSLEP.
- 1.2 To note that the GBSLEP Skills Fund will offer training grants to up to 1,000 existing Small/Medium Enterprises (SMEs) in the GBSLEP area to upskill up to 7,030 new and existing employees, leading to full qualifications, unit(s) of qualification at basic, Non

Vocational Qualification (NVQ) level 2 and below and at level 3+, including Degree and Masters level management and leadership skills.

2 Recommendations

- 2.1 Subject to confirmation of funding from the Department for Works and Pensions, approves the Full Business Case (FBC) (attached at Appendix 1) for the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) Skills Fund European Social Fund (ESF) project, which will provide training grants to Small/ Medium Enterprises (SMEs) across the GBSLEP area for the period from 1st December 2018 to 31st March 2022.
- 2.2 Subject to confirmation of funding from the Department for Works and Pensions, approves the City Council acting as the Accountable Body for the GBSLEP Skills Fund and delegates to Cabinet Member, Chief Finance Officer and the Corporate Director; Economy authority to accept the final offer of ESF revenue grant of up to £6m.
- 2.3 Subject to confirmation of funding from the Department for Works and Pensions, delegates the award of specific training support of between £500 and £18,000 per SME up to the total of £5.642m, to the Head of Business Enterprise and Innovation subject to compliance with the process set out in paragraph 3.5 and Appendix 3.
- 2.4 Authorises the City Solicitor to negotiate, execute and complete all necessary documents to give effect to the above recommendations.

3 Background

- 3.1 In response to DWP call (Greater Birmingham and Solihull Skills for Growth Hub – Skills Training Response Fund – OC12S17P0799) on 10th August 2017 and at the request of GBSLEP, the City Council submitted an Outline application, which was submitted on the 5th October 2017. Due to the tight timescales to compile a project outline, a briefing paper was produced to the Cabinet Member for Employment and Skills to inform them of the bid proposal. The City Council was invited to submit a Full Application on 31st January 2018.
- 3.2 The GBSLEP Skills Fund will operate from 1st November 2018 to 31st March 2022. It will offer training grants to SMEs of between £500 to a maximum of £18,000 per SME to upskill new and existing employees, leading to full qualifications, units or a unit of qualification at basic, level 2 Non Vocational Qualification (NVQ) and below and at level 3+, including higher level management and leadership skills. The training will be funded 50% by the SMEs and 50% by the ESF grant. The fund will respond directly to the skills and training needs identified by the employers for their employees by working with the GBSLEP Skills Hub; thereby offering SME employers what they want, at the time that they need it, to implement their skills and growth plans.

- 3.3 GBSLEP Skills Fund is fully aligned to the aims of the Call under Priority Axis 2.1 by stimulating skills growth by delivering a range of activities addressing market failure and identified skills gap:
- Transforming management expertise, workforce capability and capacity, embedding tools to sustain SMEs supply chain performance, productivity and competitiveness
 - Providing demand-led pragmatic skills packages at basic, level 2 and below and level 3+
 - Developing a 'ladder of skills progression' for employees
 - Increasing skills levels of employed women to encourage progression in employment and address gender employment and wage gap.
- 3.4 GBSLEP Skills Fund will ensure greater alignment between employers, education and training providers. Moreover, it will be aligned to existing national and regional programmes to avoid duplication and overlap.
- 3.5 The process for applying for Skills Fund grant is set out below and shown at Appendix 3:
- Applicant (SME) is referred to BDI by GBSLEP Skills Hub following an assessment of their training needs and eligibility for Skills Fund grant assistance
 - SME is pre-screened by BDI to verify eligibility and whether the scheme is relevant to their needs
 - BDI liaises with SME to talk through the application process and guide on how to select their training provider i.e. OfQual approved trainers or quotation process
 - Once SME has selected their training provider and has the costs agreed with them the SME submits their application to BDI along with evidence of how they selected their training provider
 - SME application is appraised by BDI and due diligence checks are made on the applicant and the training provider
 - Application is presented to a panel of BCC officers for a funding decision to the value of a maximum of 50% of the stated cost of the training package (net of VAT)

If approved:

- Funding Agreement is issued to and accepted by SME
- The approved training package is delivered to the SME
- SME pays invoice from training provider – including VAT
- SME submits claim to BDI for the net value of the trainer's invoice(s) along with evidence of payment of the invoice(s)
- BDI officer verifies that the training is as approved in the offer, and checks the invoice/bank statement for evidence of defrayal and supporting evidence as required
- If all evidence is supplied and verified and the SME has met all the conditions of the Funding Agreement, the BDI Team approves payment to the SME of 50% of the net value of the invoice(s) up to a maximum of the approved grant amount.

3.6 GBSLEP Skills Fund will be managed by the BDI within the Economy Directorate, who have a successful track record for the development, securing external funding and delivery of significant business development programmes both in Birmingham and on a wider regional basis (£33m Business Growth Programme, £8m Property Improvement Programme, £75m Regional Growth Fund/ERDF funded Green Bridge Supply Chain Programme, £8m Business Development Programme, £9m Business Innovation Programme and £10m Business Support for Creative Industries Programme).

3.7 The City Council will manage the GBSLEP Skills Fund and monitor related outputs, to ensure businesses implement their skills plans. Assistance will only be provided to those that meet the GBSLEP Skills Fund programme criteria as set out in the FBC.

4 Options considered and Recommended Proposal

4.1 To do nothing – Would lose the opportunity to secure ESF grant to support SMEs across GBSLEP to improve the skills of their staff and generate economic growth. In addition, to decline the offer would damage the City Council's reputation as the lead partner, Accountable Body and undermine trust and relationships with key regional partners.

4.2 Recommended proposal – to accept the offer of up to £6m ESF grant to deliver a comprehensive skills fund which will provide grants to up to 1,000 existing SMEs in the GBSLEP area and upskill up to 7,030 new and existing employees.

5 Consultation

- 5.1 The Leader of the Council and Cabinet Member for Education, Skills and Culture have been briefed and are supportive of this report proceeding to an executive decision. The consultation summary is attached at Appendix 2.
- 5.2 Finance and Governance have been involved in preparation of this report.
- 5.3 Briefings have been given to GBSLEP partners in the development of the proposed programme structure and the role of the Accountable Body and are supportive of the project.
- 5.4 The GBSLEP Skills Fund research, design and development has been carried out in consultation with the GBSLEP, Skills Bank in Sheffield, Coventry and Warwickshire Skills Hub, JLR, Rolls Royce, KPMG, Warwick Manufacturing Group, Engineering Employers Federations, Universities and Colleges, High Speed Rail College, SMEs, Training providers and Birmingham Chamber of Commerce group.

6 Risk Management

- 6.1 A risk register is attached at Annex 1 of Appendix 1.

7 Compliance Issues:

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

- 7.1.1 The objectives of the project are consistent with the Birmingham City Council Plan: 2018 -2022 Priority 1: We will create opportunities for local people to develop skills and make the best of economic growth. Evidence from a variety of national sources* shows that under-developed leadership and management skills, a widespread failure to adopt management best practices, inability to recruit skilled staff and upskilling of existing employees are constraining the performance and growth of a significant number of SMEs. All of which contribute to a widening skills gap. GBSLEP Skills Fund will contribute to the Jobs and Skills priorities by increasing skill levels within the city, improving productivity and competitiveness (increased turnover and profitability) of SMEs.
- 7.1.2 The project is aligned to the European Structural and Investment Fund (ESIF) and Strategic Economic Plan (SEP) of GBSLEP. A key objective of the SEP is to increase business and workforce productivity and competitiveness by raising skills levels and stimulating demand-led innovation. GBSLEP Skills Fund will directly contribute to this objective by raising skills levels enabling businesses and supply chains responding to major opportunities including HS2 to upskill, retain, attract and enable workforce progression. GBSLEP Skills Fund will also support GBSLEP's delivery of the national industrial strategy by improving productivity through workforce development. The benefits of the Birmingham Charter for Social Responsibility and Living Wage will be promoted, but cannot be applied as the

SMEs will be free to choose training providers from the national Government regulated procurement framework Ofqual or obtain three quotations from other industry and professional accredited bodies which are acceptable to the ESF grant conditions.

* Sources Department for Business Innovation and Skills (BIS Research Paper 24)

<http://www.freshbusinessstinking.com/lack-of-leadership-and-management-skills-harming-businesses/>

7.2 Legal Implications

7.2.1 The GBSLEP Skills Fund is being delivered under the Council's general power of competence under section 1 Localism Act 2011, to help businesses to improve their competitiveness and productivity through upskilling new and existing staff. Grants of £500 to a maximum of £18,000 will be provided in compliance with State Aid De-minimis rules.

7.3 Financial Implications

7.3.1 Total GBSLEP Skills Fund project expenditure is anticipated to be up to £12m, comprising £6m ESF revenue grant and an equivalent amount of public and private sector match funding. The ESF grant will fund revenue grant payments to SMEs of £5.642m at 50% intervention and programme delivery costs for the City Council and GBSLEP, which are estimated at £0.351m and £0.007m respectively.

7.3.2 The Council's match funding is derived from existing revenue staffing budgets in the Business Development and Innovation (BDI) team and the Graduate Hub of the Economy Directorate. As part of the financial governance process a full reconciliation of the City Council's match-funding commitment has been undertaken for the service and will be monitored throughout the project.

7.3.3 The table below shows the estimated allocation of funding with required private sector contributions and confirmed public match-funding and is subject to confirmation in the offer letter from DWP.

7.3.4 No expenditure will be incurred until confirmation of grant funding is received from DWP.

| Category of Programme costs: | ESF Grant | Private Sector Contribution | Public Sector Match | Total Public and Private Sector Funding |
|---------------------------------------------|------------------|------------------------------------|----------------------------|------------------------------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| <u>Revenue Grants:</u> | | | | |
| Training grants | 5,642 | 5,642 | 0 | 11,284 |
| Total Grants/Match Funding | 5,642 | 5,642 | 0 | 11,284 |
| Other Revenue costs: | | | | |
| City Council Delivery Costs/Salary match | 351 | 0 | 351 | 702 |
| GBSLEP Partner | 7 | | 7 | 14 |
| Total GBSLEP Skills Fund Expenditure | 6,000 | 5,642 | 358 | 12,000 |

7.3.5 The City Council will be the Accountable Body for the ESF grant, which needs to be defrayed by 31st December 2021. In order to minimise the risk of grant clawback, all grant conditions will be enforced through Conditions of Grant Aid (COGA) agreements with delivery partners and with SMEs enabling the City Council to recover funds in the event of a breach of these terms. Applications from SMEs seeking funding will be submitted to the City Council, which subject to eligibility and due diligence will be signed off by the Head of Business Enterprise and Innovation before training is undertaken. The grant will be paid retrospectively, based upon evidence of defrayal. Grants will be paid exclusive of VAT i.e. the SMEs are liable for the VAT on training expenditure.

7.3.6 The City Council will claim ESF grant from DWP quarterly in arrears based upon actual grant payments to SMEs. Given the time limit of the ESF grant, the conditions of grant will specify that applicant training projects need to be completed by 31st December 2021 or no grant will be paid. The project closure date is 31st March 2022. There will be no ongoing revenue implications for the City Council as a consequence of this project.

7.4 Human Resources Implications

7.4.1 The project will be supported by existing staff resources in the Business Development and Innovation team in the Economy Directorate supplemented by Graduates and Interns funded from the Graduate Hub and supported by City Finance.

7.5 Public Sector Equality Duty

7.5.1 The programme is open to all SMEs within the GBSLEP area. An initial Equalities Analysis has been carried out in line with statutory protocol, which is attached at Appendix 4 (Reference EA000077). This has not identified any issues of concern in relation to the Equality Act 2010. The proposed activity will not have any adverse impact upon the Council's protected categories.

8 Background Documents

8.1 Department for Business Innovation & Skills BIS Research Paper Number 24 – Leadership and Management Skills in SMEs

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

- 1. Full Business Case
- 2. Consultation summary
- 3. Customer Journey
- 4. Equalities Analysis Ref EA000077