

Kent and Medway Economic Partnership

KENT AND MEDWAY ECONOMIC PARTNERSHIP BOARD

10 November 2014

ITEM 4

Subject: Skills Capital Fund: Process and strategic priorities for Kent and Medway

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Summary

As part of the Growth Deal, the South East LEP has been awarded £22 million to create a Skills Capital Fund in 2015/16 and 2016/17.

The LEP, on the advice of the Skills Funding Agency has developed a process to manage this allocation of funding. This proposes that the funding is allocated according to open competition, involving initial expressions of interest, followed by full applications. The LEP is seeking endorsement and comments from KMED and the other federated boards, so that a call for formal expressions of interest can be launched later this month

This paper sets out:

- a) The proposed application process;
- b) A suggested KMED response. This broadly endorses the proposed process. However, it suggests that projects should be enabled to move directly to full application, in order to speed up the process.

KMED Board is recommended to consider this paper and to agree a response to the Skills Capital Fund allocation process.

5. Background

- 5.1. As part of the Local Growth Fund, the Government has devolved the management of some of the Skills Funding Agency's responsibilities for providing capital funding to further education colleges and other skills providers. Following this decision, the South East LEP has been awarded £22 million as a Skills Capital Fund, to be spend in 2015/16 and 2016/17.

- 5.2. Within the Strategic Economic Plan, the LEP put forward a number of potential projects for funding. For Kent and Medway, these included the development of the new campus at Ashford, and (in future years) a further indicative allocation for provision at Sittingbourne.
- 5.3. However, the Growth Deal commits the LEP to running an open and competitive process for the Skills Capital Fund, with the Skills Funding Agency acting in an advisory capacity. At its meeting on 8 September, KMEP Board noted this commitment, endorsed the Kent and Medway priorities proposed in the Strategic Economic Plan and agreed to receive a further report on the proposed process.

6. The proposed funding allocation process

- 6.1. The Skills Group of the South East LEP (which includes representation from Kent and Medway) has worked with the Skills Funding Agency to design an allocation process and criteria.

General principles

- 6.2. It is proposed that:
- a) The process will make use of **standard SFA processes** (with which most likely applicants will be familiar), adapted to local requirements;
 - b) The core criteria will be based on supporting **learners**, supporting **employers** and supporting **economic growth**;
 - c) The Skills Capital Fund will contain two elements:
 - Funding for **major capital projects** (notionally allocated £18 million); and
 - Funding for specialist equipment to deliver industry skills (notionally allocated £4 million).
 - d) The major capital projects element will **only be open to further education colleges** (although the specialist equipment element will be open to all providers). This is because for major projects, the SFA is only able to support the LEP in the financial assessment of FE college providers.
 - e) Each element will be restricted to **one application per institution**, reflecting the limited size of the funds available.

Application process

- 6.3. It is proposed that the allocation of funding will be subject to a **two-stage process**, involving an initial expression of interest followed by a full application.
- 6.4. The proposed timetable is as follows:

19 December 2014

Deadline for expressions of interest

30 January 2015	Announcement of outcomes of expression of interest round Launch of process for detailed applications
3 April 2015	Deadline for submission of detailed applications
22 May 2015	Announcement of outcomes of detailed applications

6.5. It is proposed that major capital applications are considered against a scoring matrix with the following criteria:

- Benefits to learners and employers (22.5% weighting)
- Supporting economic growth (22.5% weighting)
- Financial value for money and affordability (27% weighting)
- Estate need (18% weighting)
- Delivery against LEP priorities (10% weighting)

6.6. To provide a guide to LEP priorities, the LEP has prepared a draft **Skills Strategy**, attached as Annex 1. This is largely taken from the skills chapter of the Strategic Economic Plan. However, it could be revised at a later date and is without prejudice to future strategies that may be adopted for Kent and Medway.

6.7. It is expected by the SFA that the LEP will be required to approve successful bids at expression of interest and full application stage. **As the LEP has no delegated authority, it is not clear how this will work**, and further clarification will need to be sought from the accountable body (Essex County Council in this case).

7. Issues for Kent and Medway and potential KMEP response

7.1. Generally, the proposed application process and criteria are consistent with those that have been historically followed by the SFA. They also provide for increased weighting to support for economic growth and employers, reflecting the priorities set out by KMEP in the Kent and Medway growth strategy.

7.2. However, **the length of time taken by the proposed two stage process is likely to be problematic for some potential applicants**. In particular, a delay in funding approval to May will be very challenging for Hadlow College in respect of the College's application for work at the Ashford campus, given the contingency of SFA funding in this financial year on commitment to funding in 2015/16. **It is therefore suggested that the process is amended to permit full applications to come forward immediately**, where they are ready to do so.

8. Alternative options

8.1. In September, KMEP Board considered alternative options for the management of the Skills Capital Fund, including the potential for devolving the funding consistent with the rest of the Local Growth Fund. However, the Growth Deal and the advice of the SFA commits the LEP to running a single, competitive programme and we have been given a strong steer from

Government that the competition process must start very quickly to give assurance of spend from April 2015.

- 8.2. There are therefore no practical alternatives at this stage to the broad process as outlined. However, future funding allocations will obviously be subject to future decisions on the governance and geography of the LEP. It would also be helpful if guidance could be placed within the call for projects stating that a broad proportionate distribution across the federated areas of the LEP will be adhered to, in order to provide certainty of available funding.

9. Recommendations

9.1. KMEP Board is recommended to:

- a) Consider this report;
- b) Endorse the broad process as proposed so that a call for projects can be initiated as soon as possible;
- c) Agree that the process should be modified so that full applications for major capital projects can be received immediately, in order that the first full project approvals can be made in January.

Documents attached:

Annex 1: Draft South East LEP Skills Strategy