

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Executive Member for Policy and Resources
<b>Date of Decision:</b>	12 December 2014
<b>Decision Title:</b>	Training and Skills Accommodation
<b>Decision Reference:</b>	6314
<b>Report From:</b>	Director of Children's Services and Director of Corporate Resources – Corporate Services

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#### 1. Executive Summary

- 1.1 The purpose of this paper is to consider the current landscape in respect of the development of training and skills centres by the Further Education (FE) sector and to explore the practical, policy and financial issues that surround this.
- 1.2 The County Council has a good relationship with the FE sector and is keen to support new training and skills centres where these are consistent with our own objectives of tackling NEETs, improving skills relevant to the local area and generating local economic development activity. This paper sets out a potential framework for supporting the work of the FE sector in developing new training and skills accommodation, subject to further discussions with the FE Sector and LEPs.
- 1.3 The report also considers a request for various funding streams from Andover College in respect of a new Technology and Skills Centre, which have raised a number of key issues in respect of the support that is able to be given to the FE Sector. A range of funding streams are recommended for approval in this report on an exceptional basis given the timing, the position and progress of the scheme.

#### 2. Introduction and Background

- 2.1 The County Council has a good relationship with the FE Sector and indeed has certain responsibilities for the strategic commissioning of post 16 education and training.
- 2.2 The County Council has already recognised this relationship by setting aside funding of £100,000 as part of the Capital Programme Review over the Summer to support, to a small extent, new training and skills accommodation at colleges, but this was on the basis that the majority of funding would be provided by the LEPs and other agencies. However the level of LEP funding is lower than anticipated and this has

prompted in the case of Andover College a request from funding from both Test Valley District Council and the County Council.

- 2.3 The request includes a proposed contribution to the scheme from the Children's Services Capital Programme, which draws in other issues that the County Council will need to consider for this and other potential bids, both in the context of capital funding and the wider relationship and direction of further education and skills training within the County. These are explored in more detail in the following sections.

### **3. Capital Pressures**

- 3.1 The Children's Services capital programme is largely funded by government grant and developer contributions. The government grant comes in two main allocations, Basic Need for new school places and Capital Maintenance.
- 3.2 In keeping with the national picture, Hampshire has had and continues to experience a significant rise in births. This, together with housing development and in-migration in several parts of the county, continues to put a pressure on primary school places that will eventually move to a secondary school places pressure. Whilst the provision of new school places is a DfE capital issue, capital grants are limited and do not cover the full cost of permanent buildings. The Capital Maintenance position is similar with building liability far out stripping grant levels.
- 3.3 A further pressure is currently being experienced with building inflation as the national economy emerges from recession. The construction industry's limited capacity to meet increases in demand for new work will lead to inflationary pressure as national infrastructure and building projects increase in volume.
- 3.4 Whilst, Children's Services fully support in principle the development of training and skills centres by the FE sector, the capital programme cannot support on an ongoing basis such projects due to the pressures referred to in paragraphs 3.1 to 3.3.
- 3.5 As an exception, following previous discussions with Andover College and Test Valley Borough Council and as a result of the successful bid for LEP funding, a one off capital contribution is proposed from the Children's Services capital programme to support the Technology and Skills Centre project at Andover College. The scheme will provide enhanced technical training facilities for young people, pre and post 16, and the wider community linked to the skills needs of local employers. A £250,000 contribution is recommended to support this scheme from the 2014/15 programme.

### **4. Post 16 Strategic Commissioning Priorities**

- 4.1 The County Council is the strategic commissioner for post-16 education and training, and has responsibility for young people's participation and outcomes to aged 19 (24 for those with a learning disability and/or difficulty).
- 4.2 The County Council also has specific statutory duties relating to supporting young people's participation, 16-18/19 (to 24 for those with a learning disability and/or difficulty), and for ensuring there are sufficient post-16 education places (which are of the right type, accessible and high quality) available to support full participation. These sit alongside our duty for economic development.

- 4.3 In part to support the above duties, in 2013 the County Council’s Cabinet agreed the ‘Hampshire Youth Investment Programme’ (HYIP). The headline commitment was to create 1,000 youth employment opportunities by 2018, including 850 Apprenticeships. The HYIP also contains a commitment to explore with the FE Sector the development of a network of ‘Future Skills Centres’ to enhance skills training capacity in sectors of economic importance to the Hampshire economy.
- 4.4 Hampshire has a strong and diverse post-16 sector. However, participation rates vary between districts, and overall performance for the proportion of 16/17 year olds participating has declined and is now below both regional and national averages (June 2014). This is particularly the case for the proportion of young people participating in Apprenticeships, which is only 3% in Hampshire compared to a national average of 6%. Our performance in supporting young people’s participation is published quarterly.
- 4.5 Positive participation, post-16, and the acquisition of higher level skills are predeterminants of future sustainable employment, individual prosperity, and economic wellbeing. Our aim is to achieve full participation by young people, 16-18, in provision that will support progression to sustained employment, either directly or via higher education.
- 4.6 Any funding support from the County Council to develop skills capital projects would need to support our strategic commission priorities, these being:
- To achieve full participation by young people, 16-18, across Hampshire, all districts
  - To ensure that young people have access to high quality provision across all pathways, and that their choice is informed by high quality, independent and impartial careers information, advice and guidance
  - To enhance post-16 skills pathways – Technical, Vocational and Apprenticeship provision – particularly in priority sectors for the Hampshire economy (detailed below) so that more young people undertake programmes that will support their progression to sustainable employment in support of themselves and the wider economy.
  - To increase levels of attainment so that they are above national and regional averages, including to ensure more young people achieve Level 2 (minimum) English and maths by age 19, particularly those from financially disadvantaged backgrounds, or vulnerable circumstances.
  - To support more young people to progress and achieve higher level qualifications, both through higher education and higher Apprenticeship routes
  - To ensure that all young people are afforded as part of their post-16 programme an opportunity to develop their work-place experience, employability and enterprise skills
- 4.7 The economic priority sectors for Hampshire are –
- Marine and Maritime

- Aerospace and Defence Technology
- Engineering and Advanced Manufacturing
- Construction and the Built Environment
- Business and Financial Services
- Health and Social Care
- Environmental Management and Technologies

4.8 In addition to the above, the County Council has as a priority the development of an entrepreneurial culture to foster future enterprise growth, including young people.

## 5. LEP Funding

- 5.1 Investment in skills capital is now routed through LEPs as an element of their awarded Local Growth Deal funding. In the majority of cases, funds awarded to FE Colleges/others require match-funding to be in place. It should be noted, that Sixth Form College capital funds are provided and administered by the EFA, and are out of scope of LEPs.
- 5.2 The County Council has already made some provision through the 'Invest in Hampshire' programme to support FE College capital proposals, setting aside £100,000 to support professional fees associated with the development of detailed scheme proposals (RIBA Stage C). This fund will support Brockenhurst College's STEM Centre project and the HCC/HCA Bordon Future Skills Centre project (both Enterprise M3 LEP), as well as the first stage development of the proposed HCC-led Havant Construction Centre, known as COBE, and the Solent Excellence Centre (both Solent LEP). The outcome of all four proposals is expected in December 2014.
- 5.3 At the present time, there are a number of potential schemes that have been put forward by colleges within the County as part of funding bids to the Solent and Enterprise M3 LEPs.
- 5.4 Bids submitted by Andover College and Brockenhurst College were both successful in the initial round and a number of other colleges are due to resubmit bids for future Growth Deal funding.
- 5.5 Following these announcements, the County Council has latterly received a request from Sparsholt College for funding support to towards their skills capital scheme – The Andover Technology and Skills Centre - which received provisional support from the Enterprise M3 LEP (2015/16 Local growth Deal). The College is unable to generate the level of match-funding required to draw down the LEP funding award, and the scheme is at risk if funds are not secured as part of the detailed application.
- 5.6 Given the timing and the progress in respect of the Andover College skills centre, this report recommends a number of funding streams that will be used to finance the project. However, contributions at this level are not sustainable given the County Council's overall level of capital funding and investment demands, not least in the area of school places as detailed in Section 3.
- 5.7 Further consideration also needs to be given to the role that the Skills Funding Agency (SFA) play in encouraging and financially supporting training and skills

accommodation across the Country and ensuring that this is properly aligned with local ambitions and priorities.

- 5.8 A wider discussion is therefore required with the FE Sector, the SFA and the LEPs themselves about the future viability and funding arrangements for skills centres and how this might be best supported by the County Council on a sustainable basis, which is partly explored in the next section.

## 6. Funding Options

- 6.1 Colleges (or other lead applicants) are required to secure funds to match those requested from the local growth fund. Guidance varies between LEP areas, and is flexed depending on the circumstance of individual schemes, but proposals are usually required to secure match funding on a 4:1 ratio, with the LEP effectively acting as a gap-funder. Sources of match funding include college-sourced funds (reserves, sale of assets, or commercial loans), private-sector employer contributions (cash or in-kind), and partner contribution, e.g. HE or private-sector training provider partner.
- 6.2 Recent bids and the levels of alternative funding that have been secured within them would seem to indicate that there are bigger gaps in capital funding than anticipated. This potentially places colleges in the position of seeking commercial loans on the basis that they will earn additional income from increased student numbers. Banks will obviously risk assess such proposals and charge interest rates accordingly given that these are only ever based on likely income projections.
- 6.3 One possible solution would therefore be for the County Council to provide what in effect would be bridging loans to the colleges on a short-term basis that will enable them to build a facility, get additional students in, and starts to earn additional revenue as a result. This would then enable them to attract more preferential loans from the commercial sector since the revenue stream will already be in place.
- 6.4 This would have the added advantage that any loan funding from the County Council would be short term and could be recycled back into a central pot in order to support future schemes. Consideration of such an arrangement could be considered at a later stage once further discussions have been held with LEPs and the FE Sector on the future viability of the schemes that are currently in existence.

## 7. Consideration of Funding Requests

- 7.1 Irrespective of the type of arrangement that might be put in place, the County Council needs to be clear that any investment (including that proposed in this report to Andover College) meets minimum criteria to support our post-16 strategic commissioning priorities, including:
- Participation - achieve an increase in the proportion of young people, aged 16-18, participating in education and training at a district level, and a reduction in youth unemployment, 19-24. Priority will be given to schemes located within areas of low participation compared to the Hampshire average, and which target young people from financially disadvantaged households and/or with vulnerable characteristics.

- Progression - fully engage with local schools to support careers guidance programmes, increasing progression to sector-specific post-16, programmes. This should include (where there is demand) delivery of the new 14-16 Level 2 Tech Award qualifications (funded by schools /other). Priority will be given to schemes in areas where KS4 attainment is lower than the County average, and which target young people from financially disadvantaged households and/or with vulnerable characteristics
- Provision - an increase in Level 2 and 3 Technical, Vocational and Apprenticeships programme opportunities, complementing existing FE provision, and leading to more young people following these programmes, including English and maths are the appropriate level (supporting an increase in Level 2 attainment at 19).
- Higher Skills - through direct delivery, or collaboration, support progression to Level 4 plus programme, including Higher Apprenticeships
- Employability and Enterprise - to support progression to sustainable employment, study programmes to include enhanced opportunities for young people to undertake work-place experiences, and to develop their employability and enterprise skills. Priority will be given to scheme that demonstrate high levels of employer engagement.
- Priority Sectors - scheme must relate to one or more priority sector for Hampshire

7.2 Other factors relating to eligibility for funding could also form part of any scheme criteria and could include the following :

- Where not the County Council, the lead applicants will be a Hampshire-based General FE College. Sixth Form Colleges, Schools (all designation), and Independent Training Providers are not eligible as lead applicants. Applicants will hold EFA and SFA funding agreements.
- The lead applicants should usually be graded as 'good' or better by OFSTED, both overall and within the specific subject sector, with published success rates at or above the national average. For collaborative proposals, all partner providers should also be graded by OFSTED as 'good' or better.
- Lead applicants who are subject to a Notice to Improve (Nti) from the funding body (curriculum or financial) are generally not eligible to apply until such time that the Nti is lifted.
- Applications will only be considered for scheme to be located in Hampshire, and which primarily are to serve the Hampshire community
- Any granted funds will normally be for a maximum of 25% of the total inclusive scheme costs, including all land and professional fees, and VAT. Award above this level are at the discretion of the Lead Member.
- Applicants will be required to demonstrate that they have secured the balance of funds to deliver the full scheme before the County Council releases any approved funds, grant or loan and have explored all available funding sources.

- All applications for funds will be subject to a financial assessment by the County Council's Corporate Resources Department, including an assessment of the ability to repay any awarded bridging loan funds. Lead applicants whose financial health is assessed as inadequate will not be eligible.
- The County Council's Property Services Team will have a technical advisory role (minimum) to all supported schemes in order to safeguard the County's investment. The lead applicant will be required to fund this role at a rate proportionate to the total project value.

## 8. **Andover College – Investing in Hampshire Bid**

- 8.1 As explained earlier in the report, a range of funding requests have been received in respect of the Technology and Skills Centre at Andover College. These requests have helped to inform the debate around the potential support to the FE Sector in the future but given the progress of the Andover College scheme and the fact that it has already secured LEP funding, it is recommended that a range of funding be agreed on an exceptional basis to support the scheme.
- 8.2 The criteria for considering awards against the Investing in Hampshire funding stream were agreed by the Executive Member for Policy and Resources on 26 September, but this reflected an understanding that the particular circumstances of each case need to be considered against the overall context of the schemes for which support is requested. This ensures that the wider benefits to Hampshire and its residents can be taken into account in considering requests for financial assistance.
- 8.3 A request for an award of £250,000 has been received from Test Valley Borough Council in partnership with Andover College to support the Technology and Skills Centre. Details of the request are contained in Appendix 1 to this report.
- 8.4 In addition to the request for £250,000 from the Investing in Hampshire Fund, it is also proposed to allocate on a one off basis, a further £250,000 from the current Children's Services Capital Programme and also to provide a repayable grant to Test Valley Borough Council of £500,000 to support the scheme.
- 8.5 The Director of Children' Services has already allocated the capital funding within the Children's Services capital programme for the purposes of this scheme and it is proposed to set up a repayable grant of £500,000 with TVBC. The loan is expected to be for 10 years, with the first three years being interest free. It is proposed that from the start of year four, interest will be charged at the official HMRC variable loan rate (currently 3.25%). The loan to be repaid by equal annual instalments on the anniversary of the loan date.
- 8.6 This range of funding options is being proposed on an exceptional basis taking into account the timing, status and progress of this particular scheme.

## 9. **Recommendations:**

- 9.1 That the potential future arrangements for support to the Further Education Sector as set out in this report be considered.

- 9.2 That this document forms the basis for a wider discussion with the FE Sector, the SFA and the LEPs about the future viability and funding arrangements for skills centres
- 9.3 That the request for direct funding of £250,000 from the Investing in Hampshire Fund for the new Technology and Skills Centre as set out in Appendix 1 be approved.
- 9.4 That the £250,000 allocation within the Children's Services Capital Programme be approved for use on this project.
- 9.5 That a £500,000 repayable grant to Test Valley Borough Council for a period of ten years be approved on the terms set out in paragraph 8.5.
- 9.6 That delegated authority be granted to the Director of Corporate Resources and the Director of Children's Services to finalise the arrangements and formal documentation in respect of these awards.

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	Yes
<b>Maximising well-being:</b>	Yes
<b>Enhancing our quality of place:</b>	Yes

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
None		
<b>Direct links to specific legislation or Government Directives</b>		
<u>Title</u>	<u>Date</u>	
None		

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

**IMPACT ASSESSMENTS:****Equality Duty**

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard has been given to these requirements in considering the policy position in respect of training and skills accommodation.

**2. Impact on Crime and Disorder:**

The County Council has an obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all decisions it makes on the prevention of crime.

Supporting training, skills and employment opportunities for young people is expected to have a positive impact on the reduction of crime and disorder.

**3. Climate Change:**

3.1. How does what is being proposed impact on our carbon footprint / energy consumption?

3.2. How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Although the County Council will not be responsible for procuring and constructing the new facilities, it will use its influence to ensure that energy consumption, carbon footprint and climate change will be taken into account in the design and build of the facilities.

## Investing in Hampshire – request from Test Valley Borough Council / Andover College

Applicant	Test Valley Borough Council and Andover College		
Name / Location of Facility	Andover College – New Technology and Skills Centre		
Summary of Project / Bid	<p>The project provides for the creation of new facilities in sectors where the local economy has significant skills gaps and to support vocational employability measures that will help achieve education, learning and skills potential in Andover.</p> <p>The new Technology and Skills Centre will provide 1,800m<sup>2</sup> of new accommodation incorporating new employability and vocational provision that will offer:</p> <ul style="list-style-type: none"> <li>• Levels 3 and 4 Engineering including CAD/CAM facilities</li> <li>• Purpose designed workshops for all Construction Crafts</li> <li>• High quality facilities for Electrical Installation</li> <li>• An Employer led Apprenticeship facility and micro-learning Centre</li> </ul> <p>There are a number of key priorities, which are central to this overall project and are consistent with the Strategic Economic Plan objectives for the area namely :</p> <ul style="list-style-type: none"> <li>• Improved employability for young persons</li> <li>• Apprenticeship / employment growth</li> <li>• Quality improvement.</li> </ul> <p>Research with businesses has demonstrated significant levels of unmet need for high quality vocational learning. The college will increase its offer by delivering skills most required by local employers.</p> <p>The Andover Vision Consortium and Stannah Group have already provided research resources and all will continue to give time and expertise in designing the proposition.</p>		
Funding Requested	£250,000 award Plus other funding (see below)	Financial Year	TBD

<p>Funding Arrangements (including matched funding)</p>	<p>The total value of the project including revenue and other in kind support is £6.45m.</p> <p>The capital build including the land values amounts to £4.88m and the proposed funding sources are as follows :</p> <table data-bbox="502 353 1212 772"> <tr> <td>Sparsholt College (land value)</td> <td>£1,000,000</td> </tr> <tr> <td>Test Valley Borough Council loan</td> <td>£240,000</td> </tr> <tr> <td>Investing in Hampshire Fund</td> <td>£250,000</td> </tr> <tr> <td>Children's Services Capital Programme</td> <td>£250,000</td> </tr> <tr> <td>Local Growth Fund</td> <td>£2,640,000</td> </tr> <tr> <td>Loan to TVBC</td> <td>£500,000</td> </tr> <tr> <td><b>Total</b></td> <td><b>£4,880,000</b></td> </tr> </table>	Sparsholt College (land value)	£1,000,000	Test Valley Borough Council loan	£240,000	Investing in Hampshire Fund	£250,000	Children's Services Capital Programme	£250,000	Local Growth Fund	£2,640,000	Loan to TVBC	£500,000	<b>Total</b>	<b>£4,880,000</b>
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<b>Total</b>	<b>£4,880,000</b>														
<p>What are the benefits for Hampshire Residents?</p>	<p>There are a range of benefits to Hampshire residents although the greatest impact will clearly be within the wider region around Andover. Benefits of the project and the opportunities created are set out below:</p> <p><b>Benefits of the Project</b></p> <ul data-bbox="603 1014 1439 1653" style="list-style-type: none"> <li>• Young people (particularly) and adults becoming employable in sectors where employers have an employment/skills need</li> <li>• Individuals to become more socially productive within their community thereby supporting social cohesion (152 NEETS and 300 JSA claimants in Andover).</li> <li>• Improved and flexible learning and specialist facilities which meet industry standards</li> <li>• a comprehensive workforce development offer prompting local employers to address the skills needs of their workforce</li> <li>• Increased capacity for areas of provision where there is demand</li> <li>• Access for learners with mobility issues will be improved</li> </ul> <p><b>Opportunities</b></p> <ul data-bbox="603 1749 1439 2020" style="list-style-type: none"> <li>• 115 additional Apprenticeships each year (particularly in SMEs through college brokerage) and 96 job-related training opportunities each year. The College worked with 1,315 apprentices in 2012/13</li> <li>• Modules of study for 14-16 learners on the ASTEC programmes and also level 2 vocational learning programmes to this cohort.</li> </ul>														

	<ul style="list-style-type: none"> <li>• An increase of 200 college leavers each year with skills within the construction and engineering sectors.</li> <li>• 36 new jobs each year resulting from new apprenticeships building on the 243 new apprenticeship jobs facilitated in 2012/13</li> <li>• 30 of 47 identified skills needs from the Andover Vision research.</li> <li>• A comprehensive workforce development offer delivered in Andover for Andover</li> <li>• A reduction in NEETs in Andover to 1% less than the County Average (4.7%).</li> <li>• 8 new apprenticeship qualifications (in addition to the 38 Frameworks that the College currently delivers)</li> </ul>
<p>What are the complementary benefits for HCC?</p>	<p>In recent years Andover College has more than doubled its student numbers to over 1,200 learners in 2014. In consequence all available space is now being used and the college has resorted to the use of temporary facilities to serve the needs of the current student body. This project will increase the learning and skills capacity for the area and provide a range of opportunities that support the County Council's objectives of reducing the number of NEETs.</p> <p>The College is also working with employers including Stannah Group, MRT Castings, Lynx Engineering, R&amp;B Industrial and J&amp;J Carter to develop and deliver new apprenticeship pathways from this project, facilitating greater employer engagement and the opportunity to recruit locally and up-skill staff.</p> <p>The wider benefits to Hampshire in terms of increased employment and economic growth are some of the wider, longer term benefits of this project.</p>
<p>Any other relevant factors?</p>	