Liverpool City Region
Local Enterprise Partnership

MEETING OF LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP BOARD

AGENDA

DATE: Thursday, 21st July, 2016

TIME: **8.30 am**

VENUE: LEP Boardroom 12 Princes Parade Liverpool L3 1BG

LIVERPOOL CITY REGION
LOCAL ENTERPRISE PARTNERSHIP
BOARD

AGENDA

1. DECLARATIONS OF INTEREST

Board members to declare any interests in items under consideration.

2. MINUTES OF THE LAST MEETING

To consider the minutes of the last meeting held on 9th June 2016.

(Pages 1 - 8)

3. CHAIRMAN'S VERBAL REPORT AND UPDATES FROM LEP BOARD REPRESENTATIVES ON EXTERNAL BODIES

a. Atlantic Gateway

(Pages 9 - 12)

4. EU REFERENDUM

Discussion of the implications of an exit and specifically on the status of LCR's ESIF allocation and identification of any actions.

5. SINGLE GROWTH STRATEGY

Discussions on next steps

6. LOCAL GROWTH FUND ROUND 3 SUBMISSION

Presentation

7. SOUNDING BOARD UPDATE

Verbal

8. SINGLE INVESTMENT FUND (SIF) ASSURANCE FRAMEWORK

(Pages 13 - 64)

9. LOCAL GROWTH FUND IMPLEMENTATION

(Pages 65 - 66)

(a) **SKILLS CAPITAL INVESTMENT FUND INVESTMENT RECOMMENDATIONS**

(Pages 67 - 76)

(b) **SKILLS FOR GROWTH DELIVERY MODEL FOR 2016/17 AND 2017/18**

(Pages 77 - 84)

(c) **TRANSPORT - ALSTOM TRANSPORT TECHNOLOGY CENTRE**

(Pages 85 - 96)

(d) **LGF PERFORMANCE - 2015-16**

(Pages 97 - 108)

10. SKILLS FOR GROWTH AGREEMENT: HEALTH AND CARE

(Pages 109 - 134)

11. ACCESS FUND FOR SUSTAINABLE TRAVEL

(Pages 135 - 138)

12. ANY OTHER BUSINESS

The next meeting of the Board is to be held on 15th September 2016 at 8.30am.

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LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

At an inquorate meeting of the Liverpool City Region Local Enterprise Partnership held in the LEP Boardroom 12 Princes Parade Liverpool L3 1BG on Thursday, 9th June, 2016 at 8.30am the following Members were

PRESENT:

Robert Hough CBE (Chairman)
Mayor Joe Anderson OBE
Councillor Phil Davies
Asif Hamid
Councillor Andy Moorhead
Neil Sturmey

APOLOGIES:

Chris Bliss
Kath Boullen MBE
Richard Else
Councillor Barrie Grunewald
Amanda Lyne
Councillor Ian Maher
Councillor Rob Polhill
Professor Nigel Weatherill

IN ATTENDANCE:

Ged Fitzgerald	Liverpool City Council
Mark Basnett	Liverpool City Region LEP
Tony Wade	Liverpool City Region LEP
Kate Willard	Liverpool City Region LEP
Simon Reid	Liverpool City Region LEP (for minute 219)
Huw Jenkins	Merseytravel (for minute 217)
Andrew Bilsborrow	Knowsley MBC

212. DECLARATIONS OF INTEREST

No situational conflicts were declared by Board members.

213. MINUTES OF THE LAST MEETING

Subject to the following amendments, the minutes of the meeting of the LEP Board held on 21st April 2016 were received as a correct record and signed by the Chairman:-

Minute 205 (i)(a) – fifth line the replacement of the word ‘representing’ with ‘from’; and

Minute 205 (i)(c) – the addition of '(Chairman)' after Asif Hamid in the membership of the Sounding Board.

214. CHAIRMAN'S VERBAL UPDATE AND UPDATES FROM LEP BOARD REPRESENTATIVES ON EXTERNAL BODIES

The Board considered:-

(i) the following verbal updates that were given by the Chairman at the meeting:-

(a) he reported that, with regard to the current two vacancies on the Board's membership, Mike Houghton had signed his acceptance of office documentation and his term of office would commence on 1st September 2016. In addition, the VS6 Group had put forward for consideration the nomination of Angela White, who is Chief Executive of Sefton Council for Voluntary Services;

(b) he reported that the Sounding Board had met on 6th June and invited Asif Hamid, its Chairman, to give an update. In this respect, Asif Hamid reported that the Board supported and endorsed the underpinning principles in relation to the division between strategy and delivery with regard to the proposed integration programme for the LEP and Combined Authority, and the progress achieved to date. Further, the Board supported the strengthening of the private sector representation on the LEP main Board and the proposal for the Sounding Board to provide private sector led strategic guidance and input to the Combined Authority. The Board also supported the emerging plans for the LEP company to continue to provide the Combined Authority with services in relation to the economic growth agenda, in particular with reference to the priority sectors;

(c) he indicated that the Advisory Council had met on 7th June. The meeting was well attended and the discussions on the Single Growth Strategy, the Growth Hub and the Northern Powerhouse/HS2/HS3 were well received;

(d) he pointed out that this was his last meeting of the Board and indicated that the Special Chair Appointments Committee would be considering the succession process for the appointment of Chairperson. Asif Hamid, Chairman of the Special Chair Appointments Committee, gave an update on the progress to date. In addition, the Inquorate Board meeting agreed that Asif Hamid be appointed Interim Chairman of the LEP Board with effect from 1st July 2016;

(e) he referenced the International Festival of Business 2016, that was to start on 13th June 2016, and highlighted the exceptional Festival programme, in particular, the distinctive role 'The Edge' would play. Following clarification over the invitation list for the official opening dinner, it was confirmed that those Board members who had been originally omitted would receive their invitations later in the day;

(f) he reported that the Local Growth Hub had been launched and had been well received; and

(g) he touched upon the potential for significant job opportunities in Widnes should Alstom UK be successful in its bid to win the £7.5bn contract to build the new HS2 rolling stock.

(ii) an written update on the activities of the Atlantic Gateway (AG) up to April 2016 was considered. With regard to connectivity improvements, Mayor Joe Anderson OBE referred to a recent meeting with Patrick McGloughlin, Secretary of State for Transport, and David Prout, Director General HS2. He highlighted the key role Atlantic Gateway could play in driving forward the region's HS3 aspirations.

It was **agreed** that:-

(i) the content of the Chairman's update report , and the AG update be noted; and

(ii) the inquorate Board meeting recommend that, through written procedures, Asif Hamid be appointed Interim Chairman of the LEP Board with effect from 1st July 2016.

215. POLICY UPDATE

The inquorate Board meeting considered a report, and presentation, that provided an update on recent policy developments across the UK, the North and the City Region with particular reference to devolution, the Northern Powerhouse, the LEP Network, future policy and growth and productivity.

It was **agreed –** that the report be noted.

216. SINGLE GROWTH STRATEGY

The inquorate Board meeting considered a report that sought approval of the focus and themes for the Single Growth Strategy for the Liverpool City Region.

The report indicated that the Single Growth Strategy had been drawn up in order for the City Region to realise its ambitions for economic growth over the next 25 years. In this respect, the document which encompassed the entire City Region, acknowledged the unique strengths and assets of each of the region's local authority areas and communities and recognised that the City Region is stronger together.

Mayor Joe Anderson OBE referred to the establishment of a Skills Commission that was to be considered at the Annual Meeting of the Combined Authority. He explained that aim of the Skills Commission would be to draw up a detailed, technical evidence based audit of the region's skills deficit. In view of the partnership approach between the Combined Authority and the LEP, he felt that this should be clearly referenced in the Single Growth Strategy documentation.

It was **agreed** that the inquorate Board meeting recommend that, through written procedures, and subject to the inclusion of the appropriate wording relating to the Skills Commission, the broad themes of the Single Growth Strategy be approved and the Chairman and Vice-Chairman of the Board be authorised to formally sign off the Strategy.

217. LEP SUB-BOARD UPDATES

(a) Advanced Manufacturing

The inquorate Board meeting considered a presentation by Simon Reid, the LEP Sector Manager – Advanced Manufacturing, that set out the progress made by the Advanced Manufacturing Sector in terms of:-

Importance
- Capacity
- Productivity and Output
- Growth
- Innovation
- National Significance

Achievements
- Investment
- Industrial Collaboration
- Academic Expertise

The Challenge for Industry
- Costs and Competition Continue to Rise
- Competitor Investment – Germany invests 6.6 times more in automation than the UK

LCR 4.0

- Direction of travel – play to strengths whilst addressing weaknesses
- Ultimate goal to increase productivity by introducing smarter products, processes and supply chains.

It was **agreed** – that the presentation be submitted to a future meeting of the Board to include a section on what the LEP Board can do to help the Advanced Manufacturing Sector to reach its goals.

(b) LCR Digital and Creative Interim Board and Sector Development Briefing

The inquorate meeting of the Board considered a report that provided an update on the progress made by the interim LCR Digital and Creative Sector Growth Board. In this respect, the report also set out a number of proposed next steps for consideration by the Board

It was **agreed** that the Inquorate Board meeting recommend, through written procedures:-

(i) that the formal establishment of the LCR Digital & Creative Sector Board, with a membership to include those already involved in the interim body, be approved;

(ii) that the draft Terms of Reference of the Sector Board, as set out in Appendix 3 to the report, be approved;

(iii) that an open process be undertaken for the recruitment of a private sector Chair plus additional Board members;

(iv) that the other LCR growth sector boards be consulted to ascertain the wider digital infrastructure requirements;

(v) that the need for a dedicated LCR Digital & Creative Sector Manager be endorsed;

(vi) that work continue to actively shape and support the development of the single, consortium-based ESIF digital innovation bid, that will offer the potential to establish a dedicated new Digital & Creative Sector Manager role;

(vii) that a framework action plan be developed, based on the 5 agreed strands highlighted in the report;

(viii) that work be undertaken with Liverpool John Moores University to draft a tender brief for the intended foresighting study.

(ix) that, in line with BIS encouragement to do so, a refined version of the LCR+ SIA bid be re-submitted in the full round in June/July, with “digital” at its core.

218. LOCAL GROWTH FUND 3

The inquorate Board meeting considered a report that provided background information on an invitation to submit a proposal to seek the award of Local Growth Funds in Round 3 with particular regard to:-

- The particular context of the Liverpool City Region as a LEP area with a Combined Authority and Devolution Deal in place and how this impacts on the process; and
- An overview of the process and the timeline involved.

It was **agreed** – that the Inquorate Board meeting recommend, through written procedures:-

(i) that the opportunity presented by, and the change in approach to, LG1 be noted;

(ii) that the proposed approach being taken, as set out in section 3.3 of the report, and the timeline and next steps set out in section 3.4 of the report, be endorsed; and

(iii) that Asif Hamid be nominated to attend the Challenge Sessions as set out in section 3.3.7 of the report, with the supporting Board Member and Executive team arrangements to be determined.

219. LOCAL GROWTH DEAL IMPLEMENTATION - MAJOR TRANSPORT SCHEMES

The inquorate Board meeting considered a report that provided an update on the progress made on the development of the shortlisted Liverpool City Region Transport Schemes and sought approval of the Full Business Cases for the following two schemes to commence delivery in the financial year 2016/17:-

- M58 Junction1 Improvements Scheme being promoted by Sefton MBC; and
- A570 Linkway Improvements being promoted by St Helens MBC.

It was **agreed** that the Inquorate Board meeting recommend that, through written procedures:-

(i) that the progress on the development of 14 Full Business Cases which address the most urgent transport and highway issues in

the Liverpool City Region, as set out in Appendix i to the report, be noted;

(ii) that the Full Business Case for the M58 Junction 1 Improvements Scheme, be approved; and

(iii) that the Full Business Case for the A570 Linkway Improvements Scheme, be approved.

220. ROBERT HOUGH CBE

Asif Hamid reported that Robert Hough CBE was attending his last meeting in his capacity as Chairman of the Board and took the opportunity to pay tribute to his work, over the last 4 years, during his term of office which had made a significant contribution to the LEP's successes during that period.

Mayor Joe Anderson OBE highlighted the exceptional collaborative approach adopted by Robert during his chairmanship and pointed out that the LCR LEP's high standing, at a national level, was testimony to Robert's hard work and his passion for, and commitment to, the City Region.

Board members extended their best wishes to him for the future.

Reference was also made to Robert's farewell event, that was now to be held on Monday 11th July, that would provide an opportunity to recognise his achievements.

In response, Robert thanked his Board colleagues for their kind words and expressed his appreciation to the Board, and the LEP Officers, for the help, advice and support they had provided to him during his time as Chairman of the LEP.

Minutes 212 to 220 received as a correct record the 21st day of July 2016

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Interim Chairman of the Board

(The meeting closed at 10.15am)

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Agenda Item 3a

Atlantic Gateway
Update: LCR LEP
July 2016

1. Overview

1.1 AG consultee programme

The AG Board agreed that the development of the 2016 AG business plan and the consultee programme should be put on hold and instead replaced with the development of an AG brochure/review document which focuses on providing confidence to markets during this period of uncertainty following the EU referendum.

It was agreed that the document would be developed following a series of meetings with key stakeholders from across AG to ensure that there is a consistency of message with partners and alignment of message with key recent publications including NPIER and LCR Single Growth Strategy.

The main focus of the document is to communicate:

- the area is "open for business";
- recent investment in globally leading infrastructure;
- forthcoming opportunities and priorities; and
- international trade opportunities and market opportunities.

The key audiences for this document are Government, international investors and national/regional press who have requested press statements from AG on the impact of EU and the economic future for the area. No formal press statement has been provided by AG.

It is anticipated that meetings will take place in July / August and that an output will be developed in September/October. All of the area's LEPs and Combined Authorities will be engaged as normal via the AG Board, AG Executives Group (which includes LEPs) and series of advance meetings with Combined Authorities, LEPs, TfN and private sector representatives.

The consultee programme on the future role of AG will be reviewed by the Board in October and will be undertaken as agreed in conjunction with LEPs/Combined Authorities.

1.2 Science and innovation (S&I) report

A cross -working group from each CA/LEP area and AG agreed a number of changes to the draft S&I report. The report has now been finalised with SQW and includes a number of changes including:

- development of a separate Executive Summary;
- a streamlined number of recommendations;
- separate report for stakeholder feedback;
- additional analytical data from across AG;

- more clearly defined actions;
- prioritisation of actions; and
- other changes as agreed at the previous AG Board.

The final report has been issued to the Steering Group which included representatives from across the AG area including LEPs. Key next steps include:

- executive Summary to be issued to each LEP Board and/or Innovation Group (as relevant);
- executive Summary to be issued to consultees as part of the business planning work to identify priorities, AG role and added value;
- AG S&I Task and Finish Group to agree on work programme based upon the recommendations and taking into account the S&I audits, resources and anticipated impact;
- analytical data and recommendations to be incorporated into the AG business plan; and
- SQW to broker a number of meetings with key leaders across AG to discuss the findings and key recommendations. To be done in conjunction with the Task and Finish group.

The report was finalised before the announcement of the EU referendum which is likely to impact upon investment decisions, funding and skills. The timetable for undertaking some of the above actions will be subject to agreement with LEPs and following the development of the AG document discussed above.

1.3 Infrastructure priorities

As reported at the previous AG Board, AG's infrastructure priorities had been agreed by the AG Board and the majority of its key partners. Since the last Board, the GM Combined Authority and LEP have also formally approved the priorities. Next steps include:

- incorporate the priorities into the new AG business plan;
- AG executive group to agree AG-wide barriers, issues and opportunities in relation to these priorities; and
- one-to-one session with priority leads to discuss AG value, role and activities.

Priorities included as Appendix 1.

1.4 Other key activities/developments

- Continued focus on social media with 10% increase in followers month-on-month. In the region of 20,000 impressions per month.
- Twitter feed move to front page of website to provide increased visibility of news and commentary.
- Media coverage – regional and national commentary on infrastructure and EU referendum.
- Wider website improvements are limited due to the platform used as previously reported to the Board.

- Ongoing bi-monthly meeting with BIS/DfT on regional developments, national priorities and developments, priorities, emerging NP activities.
- SuperPort – response to the draft strategy and action plan for logistics, maritime sector and transport.
- Presentation to the Sci-Tech Daresbury Board on wider opportunities and synergies across AG.
- Range of IFB2016/The Edge events.
- AG Executive Group meeting with LEPs – priorities, business planning, relevant devolution developments, future role and added value.
- Meetings with partners to discuss relevant emerging issues and opportunities for AG – Northern Logistics Academy, Northern Transport Academy, MAG, Peel.
- Continued communications including twitter and interviews.

ATLANTIC GATEWAY

Appendix 1 - AG Infrastructure Priorities and Projects

AG infrastructure priorities	AG potential projects
1 Connectivity improvements Focused on the Transport for the North proposals to improve freight and passenger connectivity and local connectivity improvements which may constrain growth	The strategic business case and investment plan for TfN are currently being developed. This includes the gathering of new evidence for passenger and freight connectivity. AG will not try to second guess the conclusions of the various studies and final Plan but will continue to feed into the development of the F&L study and will review the key outputs from TfN to determine specific priorities moving forward
2 Development of the freight and logistics sector Focused on the development of key strategic sites and enabling infrastructure to promote the growth of the sector including essential connectivity improvements associated with port access and key logistics sites across the transport nodes	For example: Port Salford, Port Warrington and wider use of the MSC, Carrington, L2 – Port of Liverpool, Parkside, 3MG
3 Development of the science and innovation sector locations Focused on the development of key strategic sites and enabling infrastructure to promote the growth of the sector	For example: Liverpool's Knowledge Quarter, Corridor Manchester Cheshire Science Corridor including Thornton, Birchwood, Daresbury, Alderley Park
4 Development of key strategic sites across AG Focused on delivering key enabling infrastructure to support the development of AG's key strategic sites	For example: Manchester Airport City, Mersey Waters
5 Creation of a more resilient and adaptive environment for business Focused on the development of a range of infrastructure measures to promote sustainable long term economic growth, including for example water management, flood management, enhancing green and blue spaces and low carbon energy generation, storage and distribution	For example: Flood and water management – supporting the development of business critical infrastructure improvements in conjunction with the EA and UU Realising the potential of the River Mersey and its catchment – for example, improving the environment quality and recreational use of the River and exploring the potential for sustainable energy generation including Mersey Tidal

Liverpool City Region
Local Enterprise Partnership

Single Investment Fund (SIF) Assurance

LEP Board Meeting 21 July 2016

Author (Covering report):
Tony Wade
LCR LEP

1. Executive Summary

1.1 Attached to this covering paper is a paper presented to the Combined Authority at its meeting on 15 July. The meeting of the CA takes place after the circulation of LEP Board papers but before the LEP Board meets. As such the decisions of the Combined Authority are taken in advance of receiving a LEP endorsement but is nevertheless still required as the LEP is an integral part of the Assurance Framework and its endorsement will be later relied upon by the CA.

1.2 The SIF Assurance Framework (AF) will subsume and replace the LCR LEP Assurance Framework that was introduced to provide reassurance to Government of proper and appropriate management of Local Growth Funds (LGF). The SIF AF will provide the same assurances that compliant governance and processes will be used to manage a 'Single Pot' of national and City Region funds including previously allocated funds such as LGF.

1.3 However, an AF is not only to prove compliance with Government requirements but allows the City Region to ensure Single Pot funds are used in a robust, evidence based and transparent way. This will ensure that prioritised investments will achieve best value for money whilst delivering maximum impact. The AF explains how this will be achieved by describing how investment opportunities will be appraised, monitored and evaluated to allow those investment decisions to be assessed.

1.4 The key components of the AF are;

(a) Governance and decision making

(b) Project lifecycle appraisal process

(c) Monitoring and evaluation

1.5 The proposed AF is appended and in section 2 the LEP Board is shown clearly in the Governance structure chart in figure 2.1 and the LEP's role and responsibilities are described at 2.2.2.

1.6 Section 2.3 deals with the management and administrative arrangements to be used by the CA. It describes the portfolio structure adopted by the constituent LA Leaders and how these are supported by thematic boards for Transport, Employment and Skills and Housing and Spatial Planning. The overall responsibilities of the thematic boards are further explained in section 3.6, SIF investment management but these will be executed alongside the portfolio leads and the supporting officers. Those responsibilities are;

(a) Steering policy

(b) Commissioning interventions

(c) Monitoring performance of;

(i) The work programme

(ii) Contracted delivery bodies

(iii) Commissioned interventions

In addition to the thematic boards identified at 2.3.2 the LEP Board is also included and its continued responsibilities in the changed context are re-stated.

1.7 Section 2.3. introduces a dedicated role of Chief Investment Officer to manage the SIF and allocate it to projects in line with the objectives of the Growth Strategy. In addition to this senior executive resource an Investment Committee will be formed to oversee the approval process. The role and responsibilities of the Investment Committee alongside an Investment Panel and Investment Team and the LCR Mayor and CA are described in section 2.4.1 that together explain the decision making process. This is amplified in section 3.5, see below in 1.9 and 1.10.

1.8 In section 3, which describes the project lifecycle, the purpose and relevance of the LCR Growth Strategy, developed by the LEP, is made clear in informing and providing the basis of a 3 year SIF prospectus to be used to guide investment through the SIF. The prospectus will lead to investment in projects falling into 5 categories, namely;

(a) Business Growth and Sector Development

(b) Research and Development and Innovation

(c) Skills

(d) Transport

(e) Regeneration, Development and Culture

(f) Housing

1.9 The Growth Strategy is further referenced in this section in being used to guide prioritisation, inform the design of commissions and calls for projects and the process of appraisal in providing strategic objectives.

1.10 The section provides a description of the 3 phases of business case development (section 3.4) as well as a template of the components of the Outline and Full Business case. Section 3.5 then deals with the approval process and figure 3.1 graphically describes the process of moving form initial proposal through to Full Business Case and final approval by the City Region Mayor and/or CA and with timescales.

1.11 The approval process graphic includes the three groups named in section 2.3.3 who undertake roles in the journey of a project up to formal approval, those groups are;

(a) Investment Committee

(b) Investment Panel

(c) Investment Team

1.12 The senior role of Chief Investment Officer, to be recruited by the CA, will manage the SIF investment process and report on performance to the Accounting Officer in DCLG working with and alongside the groups above. This post will also work with the thematic boards and ensure strategic linkages between portfolios who will also have a Chief Officer employed by the CA and supported by project managers.

1.13 The AF will be reviewed annually, as a minimum, to ensure it remains fit for purpose and up to date. Section 5 summarises the key assurance requirements of Government and the LEP is clearly identified as having responsibility for delivery and management of the Growth Strategy and Strategic Economic Plan. However, accountability to Government is through the CA and the LCR Mayor/CA will have oversight of this responsibility.

1.14 The final point of note is that the performance of the LCR will be subject to a five yearly Gateway Review that will assess the impact of investments. Section 4.4 deals with this and explains that this will be performed by an independent panel agreed with Government and commissioned as an external assessment.

2. Recommendations

2.1 To consider the proposed AF and whether it accurately explains the role of the LEP as perceived by the LEP Board.

2.4 Subject to 2.1 and any required amendments endorse the AF for submission to Government.

Appended: LCR CA Paper 15 July 2016 and appendices

LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Chair and Members of the Combined Authority

Meeting: 15 July 2016

Authority/Authorities Affected: ALL

EXEMPT/CONFIDENTIAL ITEM: No

REPORT OF THE TREASURER AND HEAD OF PAID SERVICE

SINGLE INVESTMENT FUND ASSESSMENT FRAMEWORK

1. PURPOSE OF REPORT

1.1 The purpose of the report is to approve the Liverpool City Region Combined Authority Assurance Framework, delegating to the Treasurer any final amendments in response to Government feedback.

2. RECOMMENDATIONS

2.1 It is recommended that the Liverpool City Region Combined Authority (LCRCA):

a) approves the LCRCA Assurance Framework as set out in Appendix One; and
b) delegates to the Treasurer the authority to make any final amendments in response to Government feedback.

3. BACKGROUND AND RATIONALE

3.1 The devolution deal between Liverpool City Region (LCR) and HM Government was agreed on 17 November 2015. An expansion to the deal was set out in the March 2016 Budget and this has added further momentum for devolution to the City Region.

3.2 A key element of the initial devolution agreement was the commitment to the establishment of a Single Investment Fund (SIF) aligning national and City Region funding in order to give the LCR Mayoral Combined Authority greater flexibility over local investment. This would include Government's contribution to the Single Investment Fund for the City Region as a "Single Pot" and is intended to give long term funding certainty and the flexibility to make investment decisions locally.

3.3 Government have now written to the City Region outlining what the Single Pot is made up of and their expectations for how it is to be managed in form of an Assurance Framework (Appendix Two). The Single Pot for LCR provides £458

million of flexible section 31 grant funding, committed over at least the next five years (see Table 1).

Table 1: Liverpool City Region's Single Pot 2016/17-2020/21

LCR Single Pot (£m)	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Total	**127.7**	**93.3**	**83.8**	**76.7**	**76.7**	**458.2**
Investment Fund	30.0	30.0	30.0	30.0	30.0	**150.0**
Local Growth Fund	71.2	36.8	27.3	20.1	20.1	**175.6**
Transport	26.5	26.5	26.5	26.5	26.5	**132.6**

3.4 Initially, the Single Pot will be made up of three funding lines: the Investment Fund (or "gainshare" funding), the devolved transport grant, and existing Local Growth Funds (LGF). The intention is that these will be joined by the Adult Education Budget in 2018/19. The Single Pot can be augmented with local revenue streams, such as the future mayoral business rates supplement, local recycled funding such as Growing Places fund and any funding devolved by HM Government as a result of future devolution agreements or rounds of Local Growth Funding.

4. LIVERPOOL CITY REGION ASSURANCE FRAMEWORK

4.1 In order to fully devolve the Single Pot funding, LCR need to develop an Assurance Framework which will explain how the CA will appraise projects, monitor and evaluate schemes and assess investment decisions. A well designed framework helps ensure that selected investments are those that deliver maximum impact and the best value for money, giving confidence they have been subject to suitable scrutiny and challenge. HM Government are asking all places in receipt of Single Pot funding to write a local Assurance Framework which Department for Communities and Local Government (DCLG) will sign off before 2016-2017 funding allocations and subsequent allocations are paid.

4.2 The required framework should build on existing strong assurance processes in place in the City Region in respect of LGF1 and also local government accountability more broadly. Once in place, it will supersede the existing LCR LEP assurance framework and cover all the Single Investment Fund and in particular the Single Pot spending. Once approved an LCR Assurance Framework will mean that the Combined Authority then has the freedom, discretion and flexibility to appraise and implement its programme, independent of central government, as long as it follows the Assurance Framework.

4.3 Despite being a requirement from Government, it is also good practice locally to set up a local Assurance Framework to ensure that local public funds are spent in a robust, evidence based and transparent way. The City Region is well versed in operating in this manner and has received positive feedback on our existing assurance processes.

4.4 However with greater devolution of funding, there are new requirements for the CA to consider and take account of. The draft Framework attached at Appendix Once has been developed in a collaborative and iterative way, aided by specialist input from CA Officers and supported by external advice.

4.5 The key features of the LCR Assurance Framework are summarised as follows:

i. Governance and Decision making

- The Assurance Framework builds upon the current City Region governance structures, building in the governance arrangements agreed through the Devolution Deal;
- The Single Growth Strategy prepared by the LEP and subject to stakeholder engagement, will provide the basis for guiding investment decisions made by the LCRCA;
- LCRCA will be the Accountable Body for the SIF and will be responsible for overseeing policy, the prioritisation of funding, ensuring value for money, evaluating performance and managing risk;
- There will be an Investment Committee of the LCRCA which will consider, endorse, return for further work, or reject every outline and full business case application;
- The LCRCA/Mayor will make all final project decisions;
- There will be a clear separation of functions within the LCRCA structures for commissioning/pipeline development, appraisal, contract management and compliance; and
- The role of the thematic boards of the CA will be to take overall responsibility for steering policy, commissioning interventions, monitoring the performance of the work programme and the performance of the bodies contracted to deliver projects and interventions commissioned by it.

ii. Project lifecycle appraisal process

- The SIF will be guided by a 3 year prospectus to be approved by the LCRCA and LCR LEP;
- All projects will be prioritised on the basis of a single appraisal approach which will be transparent and equitable;
- The appraisal process for the SIF will be consistent with HM Treasury's Green Book and Business Case Appraisal process;
- The application and appraisal process will apply the principle of proportionality; and
- The Combined Authority Executive function currently being established will have responsibility for investment management, risk management, contract management and project closure.

iii. Monitoring and Evaluation

- The LCRCA will develop a comprehensive performance management system and evaluation framework both at the corporate and individual project level;
- All projects funded by the SIF regardless of size will be required to have an effective and compliant monitoring and evaluation plan in place;

- The evaluation framework will need to complement the 5 year gateway assessment which is a requirement of the devolution agreement in respect of the gainshare funding; and
- The SIF Assurance Framework will be subject to annual review (at a minimum) to ensure it remains fit for purpose and up to date.

4.6 Each locality's local assurance framework is a core requirement of devolution agreements, and will need to be agreed by the relevant Accounting Officers in HM Government in advance of funding disbursement.

4.7 Due to the anticipated lifetime, value and significance of certain elements within devolution deal agreements, local assurance frameworks will need to be formally signed off by the Investment Sub-Committee at DCLG. This will assure the Accounting Officer that a local assurance framework and appraisal process is agreed, being implemented and meets the standards set out in this guidance. It is expected to take approximately 12 weeks for is approval processes to complete.

4.8 Although funding streams such as Chrysalis and ESIF 2014-2020 are not subject to this Assurance Framework, reference is made to them to ensure synergy and complementarity is achieved when making investment decisions.

5. RESOURCE IMPLICATIONS

5.1 Financial

The Assurance Framework once approved will govern the funding decisions of the CA in respect of the £458m Single Pot resources currently devolved to the CA and any future devolved funding such as LGF3. It is therefore crucial that the CA has an appropriate framework in place to ensure the CA can move quickly to determining projects for approval under the Single Investment Fund.

5.2 Human Resources

There are no Human Resources implications associated with the implementation of the recommendations in this report.

5.3 Physical Assets

There are no Physical Assets implications associated with the implementation of the recommendations in this report.

5.4 Information Technology

There are no Information Technology implications associated with the implementation of the recommendations in this report.

6. RISK AND MITIGATION

6.1 Without an approved Assurance Framework in place, the CA will have a significant risk of challenge to its decisions on funding and investment.

6.2 Building on the existing assurance processes which have operated over the last 2 years and following government guidance, the risk to the CA is substantially mitigated.

7. COMMUNICATIONS ISSUES

7.1 There are no specific communications issues arising from this report. The Assurance Framework will be placed on the CA website so that stakeholders and the public are aware of the processes and governance systems in place in respect of devolved funding.

8. EQUALITY AND DIVERSITY IMPLICATIONS

8.1 There are no specific equality and diversity implications arising from this report. However all individual project funding decisions made by the CA under this Assurance Framework will need to be assessed in relation to their equality and diversity implications.

9. CONCLUSION

9.1 Government guidance requires LCR CA as an area in receipt of Single Pot funding to have in place a robust framework for governing funds that will pass from central government to the Combined Authority as part of the devolution agreement. These funds amount to £458 million at present in the case of the Liverpool City Region.

9.2 The purpose of the Assurance Framework is to provide the evidence to the Departmental Accounting Office and to Parliament that devolved and other funds are being managed using robust systems, and so that they are spent with regularity, propriety, and value for money.

9.3 In response, this report sets out a draft Assurance Framework, which is commended to members of the Combined Authority as the basis of a robust approach to the management of the Government's devolved funds.

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Appendices:-
Appendix One – Single Investment Fund Assurance Framework
Appendix Two – Letter from Government regarding Assurance Frameworks

LIVERPOOL CITY REGION
COMBINED AUTHORITY

Liverpool City Region Combined Authority

Single Investment Fund (SIF) Assurance Framework

July 2016

Contents

1 Purpose of the document

1.1 Context

The 'Single Pot' approach to funding is a significant fiscal agreement in devolution deals which consolidates funding lines and reduces ring-fences. It will initially comprise allocations of:

- the Local Growth Fund (LGF);
- consolidated, multi-year transport settlements; and
- additional allocations of grant-based investment funds (sometimes called 'Earn Back' and 'Gain Share'), which will be subject to a five-yearly Gateway Review by Government.

Localities in receipt of a 'single pot' as part of their devolution agreement with Government are required to have an assurance framework that explains how they will:

- appraise projects and allocate funding; and
- monitor and evaluate projects to ensure that they achieve value for money and projected outcomes.

As set out in the National Guidance for Single Pot Assurance Frameworks issued in April 2016 by the Department for Communities and Local Government (DCLG), the Strategic Economic Plan (Growth Strategy) for the area prepared by the Local Enterprise Partnership (LEP), will provide the basis for investment decisions alongside the delivery of statutory requirements, conditions of funding, and other local transport objectives.

The Liverpool City Region (LCR) Devolution Deal sets out details of the powers and functions devolved to the Liverpool City Region Combined Authority (LCRCA or Authority) and the new directly elected LCR Mayor from central government. The powers, funding lines and functions of the LCRCA and the LCR Mayor will be confirmed in the LCR Order.

1.2 Scope of the assurance framework

LCRCA has established a Single Investment Fund (SIF) through which it will administer LCR's single pot allocation of funding from DCLG alongside other local and national funding sources. Although European Strategic Investment Funding (ESIF) and Chrysalis funding[1] are not components of the SIF, the assessment of 'strategic fit' will be used to ensure that there is an integrated approach across the LCR.

This assurance framework is for the LCR SIF which includes:

- £30 million per annum (p.a.) gain share funding (part of the devolved single pot allocation), which in line with the Devolution Deal is in the control of the LCRCA, working with the LCR Mayor;

[1] This funding has been allocated from the North West's share of the European Regional Development Fund as part of the Joint European Support for Sustainable Investment in City Areas (JESSICA) initiative, which was introduced into the UK by the European Investment Bank and is now overseen by the Homes and Communities Agency (HCA)

- approved Local Growth Fund (part of the devolved single pot allocation);
- £26 million p.a. Single Transport Pot (part of the devolved single pot allocation). For 2016/17, the LCRCA has allocated this funding to transport activities on a formulaic basis and partners will receive this funding without the need for further prioritisation. The process for allocating the consolidated transport funding from 2017/18 will be subject to review by the LCR Mayor in line with their responsibilities outlined in the Devolution Deal (summarised in Section 2.2);
- recycled funding from Growing Places Fund (GPF);
- recycled Business Rates, Council Tax and New Homes Bonus associated with specific SIF investment projects (recycled to the Fund where appropriate on a pro-rata basis reflecting public sector investment); and
- Mersey Tunnels toll income after all costs of operation are deducted (with the ability to use Tunnel toll income as security for borrowings), this funding is currently ring fenced by the County of Merseyside Act 1981 as amended.

The SIF will provide the opportunity to combine funding, from the range of sources highlighted above, to maximise economic impacts. All projects funded through the SIF will be subject to a single prioritisation, appraisal, and monitoring and evaluation procedure, with value for money assessments carried out as part of the appraisal process tailored to the nature, scale and source of funding for the proposed investment project.

The following sources may also form part of the SIF, dependent upon the future funding bids, changes in legislation, the specific nature of projects and future LCR CA/Mayor decisions:

- Local Growth Fund 3;
- re-directed funding such as that sought in relation to Regional Growth Fund (RGF);
- the value of local authority land assets identified for projects and as part of the project funding package;
- capital receipts and income from investment assets at a LCRCA level;
- any additional supplement on Business rates to fund infrastructure;
- other funding sources, including project specific match funding;
- prudential borrowing either at a City Region or local level (currently only for transport projects). The SIF will have access to local prudential borrowing where this is relevant to the scheme(s) that are funded through the SIF, but the SIF will not be making local prudential borrowing decisions on behalf of districts; and
- Adult Education Budget from 2018/19- subject to readiness conditions.

Other funding sources will be aligned with the SIF to ensure that an integrated, comprehensive and strategic approach is adopted to promoting growth within the City Region. However, this funding will not be governed by this assurance framework. These sources include the ESIF which includes both European Regional Development Funding and European Social Funding with total

funding of €221.9m over the period 2014-2020 and £38m of Chrysalis[2] funding, which will be available from 2017-2021. ESIF policy, project approval and monitoring requirements will continue to be governed by the respective managing authorities – DCLG and Department for Work and Pensions (DWP), although the LCRCA does have 'intermediate body' status which provides a more formal role in determining which projects are funded.

1.3 What is an assurance framework and who it is for?

This assurance framework is required to explain 'how localities will appraise, monitor and evaluate projects to achieve value for money'. It will provide the Departmental Accounting Officer (at DCLG) and Parliament with the assurance that the LCRCA, as the accountable decision-making authority, is effectively managing the risks associated with the allocation of devolved funding and that robust systems are in place to ensure resources are spent with regularity, propriety, and value for money, whilst at the same time achieving projected outcomes.

The assurance framework also outlines clear and transparent procedures for all stakeholders in the LCR area (including the constituent Local Authorities, Merseytravel (as the Passenger Transport Executive and Executive Body for the LCRCA), the LCR LEP, other key partner agencies, businesses and residents) regarding the delivery and spending associated with the SIF. The assurance framework and the SIF will be managed in accordance with the usual local authority checks and balances, including for example those set out in the Local Government Fiscal Framework and the Local Government Accountability System Statement

1.4 Status and structure of the framework

The 2016/17 devolved transport fund (part of the Single Pot) has already been committed and a number of LGF (Round 1) projects are currently in the process of being appraised and will continue to use the existing LCR LEP LGF assurance framework procedures. This SIF assurance framework will apply to all other SIF projects.

In May 2017, the LCR Mayor will be elected and other constitutional changes arising from the current review of governance structures and procedures will have been formalised. The assurance framework will therefore need to be reviewed at this point (and annually thereafter) to ensure that it remains fit for purpose and fully reflects changes made. Where significant changes are made, for example as a result of additional powers or funding, adjustments made to the assurance framework will be agreed with DCLG.

The remainder of this document is set out in the following sections:

- Section 2: describes the governance and decision-making structures and outlines the transparency that will apply to all decision making;
- Section 3: sets out the procedures for prioritising projects, appraising projects and developing appropriate business case documentation to satisfy the value for money assessment;

- Section 4: outlines the procedures required for monitoring and evaluating projects and the overall SIF; and
- Section 5: provides a summary of the key assurances required by DCLG and how they will be met by the LCRCA.

2 Governance and decision making

2.1 Liverpool City Region Combined Authority Governance

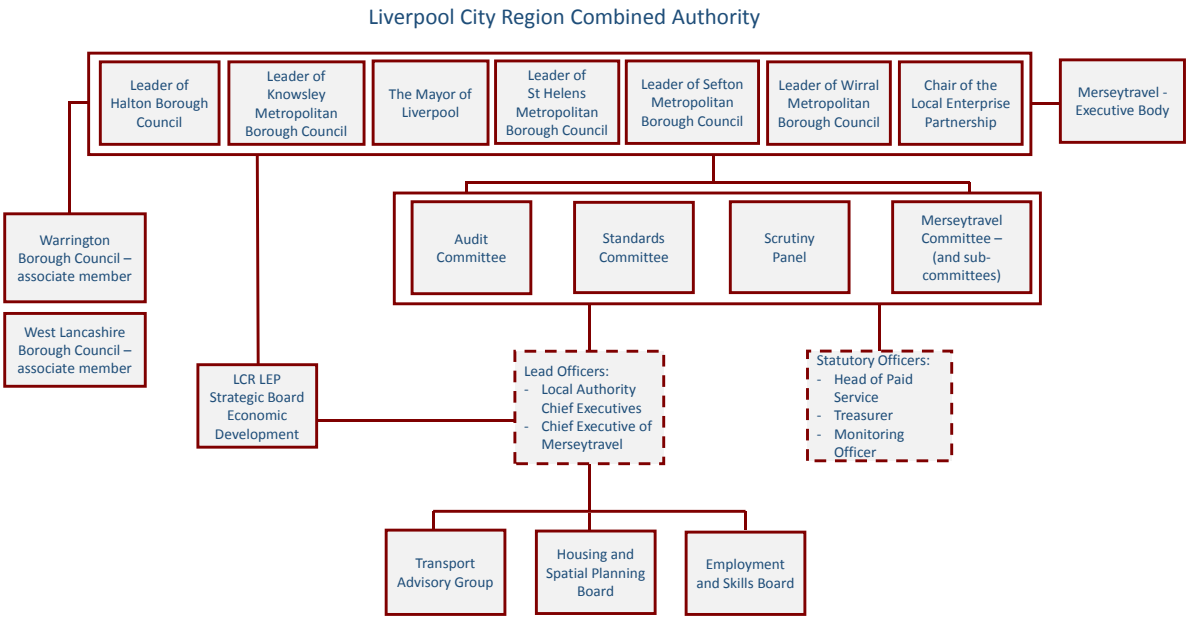
The LCRCA was established on 1st April 2014 to be the administrative body for the LCR with responsibility for strategic decision making in respect of transport and economic development and regeneration. It aims to improve:

- the exercise of statutory functions relating to transport in the Combined Area[3];
- the effectiveness and efficiency of transport in the Combined Area;
- the exercise of statutory functions relating to economic development and regeneration in the Combined Area; and
- economic conditions in the Combined Area.

The geographical area covered by the LCRCA includes the local authority areas of Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral. The neighbouring authorities of West Lancashire Borough Council and Warrington Borough Council are associate members of the LCRCA.

The current governance structure of the LCRCA is shown in Figure 2.1. This provides details of the members of the Authority, the Committee structure and the existing arrangements for supporting the thematic functions of the LCRCA.

Figure 2.1: LCRCA Governance Structure (as at June 2016)



3 'Combined Area' – comprises the local authorities of Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral.

The detailed structure and functioning of the LCRCA is outlined in the constitution[4]. An Operating Agreement and series of protocols have been drawn up for Economic Development, Transport Strategy, Employment and Skills, Housing Strategy, European Programmes and the Accountable Body to define their functions and set out the respective roles of the LCRCA, the LEP and the constituent councils in discharging these functions. The LCRCA is currently chaired by the Mayor of Liverpool, and has lead officers responsible for designated areas of work. The lead officers include Chief Executives from each of the constituent councils and Merseytravel and the statutory officers which include the Head of Paid Service, the Treasurer, and the Monitoring Officer. Merseytravel, is an Executive Body and an officer of the LCRCA and as such, as and when directed by the LCRCA or its statutory officers in such capacity, contracts with third parties on behalf of the LCRCA and/or discharges the Accountable Body functions.

The LCRCA has delegated various functions to four Committees, described below:

- ***Merseytravel Committee*** – this Committee make determinations in respect of a range of transport functions that have been delegated by the LCRCA and makes recommendations to the Authority on matters referred to them for consideration – including approval or modification of plans/strategies, setting tunnel tolls, and funding for the capital programme. The Committee currently has two sub-committees:
  - general purposes sub-committee; and
  - performance and review sub-committee;
- ***Audit Committee*** – the LCRCA has delegated a number of roles to this Committee which include: receiving the LCRCA accounts and advising the Authority on their approval; internal and external audit; risk management; performance management; overseeing and reviewing the Authority's relevant strategies, policies and codes; ensuring effective scrutiny of the Treasury Management Strategy and Policies; and considering and advising the Authority on its Code of Corporate Governance;
- ***Standards Committee*** – the LCRCA has delegated powers to deal with matters of conduct and ethical standards to this Committee; and
- ***Scrutiny Panel*** – to achieve greater public accountability over decisions made and services delivered within LCR. The Panel is responsible for undertaking scrutiny reviews into areas of strategic importance for the people of the LCR; provides a 'critical friend' role in helping to shape policy and strategy development; and monitors the delivery of the Authority's strategic plan.

2.2 Devolution agreement – roles and responsibilities

The LCR local authorities signed the Devolution Agreement with Government in November 2015 and as part of the agreement, a number of powers were devolved to the LCRCA and, from May

[4] Constitution (June 2015) available through the publication scheme link at http://www.knowsley.gov.uk/your-council/decision-making-and-governance/lcr-combined-authority/lcr-ca-publication-scheme.aspx

2017, the LCR Mayor as described in the summary of the deal shown below. The role of the LCR LEP is also outlined, given its importance in providing private sector leadership and in developing and maintaining the Growth Strategy for the LCR which will provide the basis for SIF investment decisions.

2.2.1 Summary of the devolution deal

The summary outlined below has been extracted from the Devolution Deal Agreement, signed by the Government and the LCRCA:

A new, directly elected Liverpool City Region Mayor will act as Chair to the Liverpool City Region Combined Authority and will exercise the following powers and functions devolved from central government:

- Responsibility for a devolved and consolidated local transport budget, with a multiyear settlement to be agreed at the Spending Review.
- Responsibility for franchised bus services, which will support the Combined Authority's delivery of smart and integrated ticketing across the Combined Authority.
- Powers over strategic planning, including the responsibility to create a Single Statutory City Region Framework, a Mayoral Development Corporation and to develop with government a Land Commission and a Joint Assets Board for economic assets.

The Liverpool City Region Mayor will be required to consult Combined Authority Members on his/her strategies and spending plans, which the Combined Authority may reject if two-thirds of the constituent council members agree to do so.

The Liverpool City Region Combined Authority, working with the Liverpool City Region Mayor, will receive the following powers:

- Control of a £30 million a year funding allocation over 30 years, to be invested in the Liverpool City Region Single Investment Fund, to unlock the economic potential of the River Mersey and Superport as well as maximise the opportunities from HS2.
- Responsibility for chairing an area-based review of 16+ skills provision, the outcomes of which will be taken forward in line with the principles of the devolved arrangements, and devolved 19+ adult skills funding from 2018/19.
- Joint responsibility with the government to co-design employment support for the harder-to-help claimants.
- More effective joint working with UKTI to boost trade and investment, and responsibility to work with the government to develop and implement a devolved approach to the delivery of national business support programmes from 2017.
- Building on the success of International Festival for Business (IFB) 2014 and the proposals for IFB 2016, Liverpool City Region and the government, and in particular UKTI and the GREAT Britain campaign, will continue engagement to establish IFB Liverpool as a vital feature of the international business calendar in 2018 and 2020.

In addition:

- To support the development of the Liverpool City Region, the government will offer Liverpool City Region expert advice and support to ensure they are able to put forward a City Region led proposal to undertake a Science and Innovation audit.

- The Liverpool City Region will engage with the government to explore options around a sustainable and viable business model for National Museums Liverpool.
- The government will work with the Liverpool City Region Combined Authority to agree specific funding flexibilities after the Spending Review. Further powers may be agreed over time and included in future legislation.

2.2.2 LCR Local Enterprise Partnership (LEP) – roles and responsibilities

The LCR LEP is the primary body for determining and promoting economic development across the City Region and its Chair is a member of the LCR CA. It is a private sector led partnership bringing together the private and public sectors plus others including both Higher Education and the not for profit sectors. It is led by a main partnership Board which is itself informed by advice and expert opinion from a series of sector and thematic specific sub-boards. These sub-boards comprise expert members from a variety of backgrounds and sectors who work to a common purpose and specific focus either on sectors of the LCR economy that have identified growth potential or enabling themes such as Enterprise and Innovation.

The LEP Board and its sub-boards are supported and provided with executive capacity through a membership organisation that provides financial support to match UK Government and EU funding to undertake core activities and direct interventions to stimulate growth. The organisation manages the delivery of agreed policy through a range of activities and projects including sector development, business support and the Growth Hub, development of financial instruments for business, inward investment, skills brokerage and promoting enterprise in schools and colleges. It also plays a key role in the development of applications for funding through national competitions including Local Growth Funds. These processes and associated project pipeline development are each informed and guided by extensive sector knowledge and expertise and informed private sector leadership.

Following the devolution agreement, the LEP Board will continue to have a key interface role with Government (ministers and senior civil servants) in progressing interventions and supporting the development of the overall Growth Strategy for LCR. This strategy will provide the evidence base for making investment decisions and allocating the SIF, in addition to local transport objectives and existing statutory requirements. The LEP Board will work closely with the LCRCA to support growth, and will act as the lead stakeholder group for the private sector. The LEP's networks and activities will provide a key platform for the delivery of LCR economic development projects. The interventions and overall portfolio that are additional to the development of economic strategy and policy will continue to be delivered by the membership organisation on behalf of the LEP and LCRCA. This entity, which has its own Company Board of Directors (who are a sub-set of the LEP Board), will continue to provide ongoing support for the sector/theme groupings and the members who provide the primary financial support to sustain this structure.

2.3 Combined Authority – management and administrative arrangements

2.3.1 LCRCA working arrangements

The LCRCA provides transparent and accountable strategic decision making for economic development, transport, strategic housing and employment and skills functions. It is currently focused on strategic governance to facilitate economic growth.

In order to focus activity and capacity on the delivery of the Devolution Agreement and its new wider powers, the LCRCA has reviewed its executive operations and developed new portfolio based arrangements at both political and officer levels. The revised portfolios are led by suitably qualified individuals (drawn from the Leaders of the constituent local authorities) and have supporting lead officers, which include Chief Executive officers of the local authorities, and the Chief Executive of Merseytravel. The portfolios are:

- Economic Development and Energy
- Housing and Spatial Planning
- Transport and Connectivity
- Employment and Skills
- Policy and Resources
- Health, Wellbeing and Social Care

The core role and key responsibilities of a portfolio holder are:

- effective implementation of LCR's Devolution Agreement and wider strategic priorities/powers;
- providing strategic direction for the portfolio area of responsibility and the development of a portfolio work programme to drive forward delivery;
- sharing and communicating a clear understanding of portfolio priorities across LCR;
- oversight of performance and delivery of the portfolio including priorities set out in the Devolution Agreement;
- to develop effective collaboration at the LCR level where there is case to do so; and
- promoting the work of the LCRCA and the area, locally and nationally.

Alongside the new portfolio working arrangements, the executive capacity of the LCRCA is currently being reviewed and will be enhanced to meet the needs of the evolving strategic agenda and delivery of growth in a manner that will satisfy the five-year gateway review in assessing the impact of the SIF.

Within the future executive team, a clear distinction will be drawn between staff involved in pipeline project development/project commissioning, appraisal of applications for SIF funding

and the subsequent management and monitoring of contracts for the period involved in the project's lifecycle.

An implementation team, comprising secondments from existing stakeholders and reporting to the Head of Paid Service, will be responsible for delivery until the full team is in place and operational from May 2017. A key post will include the appointment of a Chief Investment Officer and Investment Team to oversee and manage the allocation of SIF funding in line with the procedures set out later in this document (Section 3).

2.3.2 Thematic Boards

The Portfolio leads have overall responsibility for providing strategic direction and the development of a portfolio work programme to drive forward delivery. Two portfolios are currently supported by thematic boards that were established to facilitate joint working across the LCR, these include:

- Employment and Skills Board; and
- Housing and Spatial Planning Board.

In the case of Transport, this portfolio is supported by a formal Committee (of members) with delegated powers from the LCRCA and a Transport Advisory Group which is officer led.

In addition to these boards, the LEP board also plays a key role in supporting the LCRCA, by acting as the primary interface with Government (ministers and senior civil servants) in progressing interventions and developing the overall Growth Strategy for the LCR. The LCR LEP's strategy board also acts as a key stakeholder group providing the voice of the private sector. The LEP's networks and activities will continue to provide a key platform for the management of LCR economic development projects in the future.

As the new portfolio arrangements evolve, the remit and reporting arrangements of these boards will be reviewed to ensure that thematic stakeholder groups are in place for all portfolios, with standard terms of reference and procedures for reporting and ensuring operations are transparent. In the interim, the existing boards (and Committee) will advise the Portfolio Leads and Lead Officers on strategic commissioning and the development of pipeline projects for the SIF, in line with the priorities set out in the Growth Strategy and other relevant statutory plans.

2.3.3 The Investment Committee

In order to manage the effective allocation of the LCR SIF in line with the Growth Strategy, a Chief Investment Officer will be appointed to the Executive Management Team. An Investment Committee will be established (reporting to the LCR CA/Mayor) to consider and endorse, return for further work, or reject all business cases, both outline and full, submitted for SIF funding.

It is proposed that the Investment Committee will include 3-4 members drawn from the LCRCA and include the relevant Portfolio Lead when decisions are being made relating to their area of work and policy agenda. The Investment Committee will be supported by an Investment Panel which will include a number of key experts procured by the LCRCA to provide specialist advice. The Investment Panel will be responsible for scrutinising the technical review work and project

appraisal, which will be carried out by the investment team, led by the Chief Investment Officer. The Panel will then submit a report to the Investment Committee for consideration. The LCR CA/Mayor will make all final project investment decisions, and will in particular, be responsible for approving projects over £3m and ratifying the decisions of the Investment Committee for projects under this threshold.

2.4 Accountable body role and financial management

2.4.1 Decision making process and roles and responsibilities

The LCRCA will be the Accountable Body for the SIF, which includes the single pot funding devolved to the Authority.

The Order that established the LCRCA in 2014 states that the functions of the constituent councils in relation to economic development and regeneration are exercisable in reliance on the general power of competence as set out in Section 1 of the Localism Act 2011. It is under this general power that the Authority discharges its functions as an Accountable Body. The Authority adopted a formal "Accountable Body Protocol" at its inaugural meeting on 1st April 2014.

Accountable bodies are responsible for the proper administration and financial probity of external funds received. They are legally constituted bodies with a statutory role. The Accountable body must ensure the effective use of public money and have responsibility for the proper administration of funding received and its expenditure.

Pursuant to the Order, Merseytravel was appointed as the Executive body of the Authority for the purposes of Part 5 of the Local Transport Act 2008 and Part 6 of the Local Democracy, Economic Development and Construction Act 2009 (LDEDCA 2009). The Authority entrusts to Merseytravel, as the Executive Body and an officer of the Authority, the task of ensuring that appropriate governance and accountability arrangements are established and followed to meet the responsibilities of the Authority in respect of its Accountable Body role for the proper administration and use of external funding.

As the Accountable Body, the LCRCA will be responsible for overseeing policy, the prioritisation of funding, ensuring value for money, evaluating performance and managing risk. The LCRCA will:

- hold the Investment Funds and make payments in accordance with the decisions of the LCR CA/Mayor;
- ensure that SIF funding is approved and allocated in a manner that is lawful, transparent, evidence-based, consistent and proportionate;
- ensure that the decisions and activities of the LCR CA/Mayor and Investment Committee conform to the legal requirements with regard to equality and diversity, environmental, EU issues and other relevant legislation and guidance;

- ensure through its Section 73 Officer that the SIF funds are being used appropriately[5], prudently and in accordance with decisions made, and relevant guidance/legislation for the intended purpose;
- record and maintain the official record of proceedings relating to decisions made on all investment projects.

The SIF funds will be accounted for in such a way that they will be separately identifiable, with individual cost centres. The Chief Investment Officer will prepare quarterly financial statements for the LCR CA/Mayor in relation to the overall fund, costs of the investment projects, and profiling of spend.

The specific roles and responsibilities related to the management and administration of the SIF and decision making will be as follows:

- **LCR CA/Mayor** – the LCR CA/Mayor will make all final project investment decisions in relation to the SIF. They will be responsible for approving projects above £3 million and endorsing decisions for projects approved by the Investment Committee for under £3 million. They will be informed by a report and recommendation from the Investment Committee.
- **Investment Committee** (acting as a Committee of the LCRCA) – will consider and endorse, return for further work or reject every Outline Business Case (OBC) and Full Business Case (FBC). It will be informed by a report and recommendation from the Investment Panel. The Committee will also receive monitoring, evaluation and review reports regarding the SIF from the Investment Panel.
- **Investment Panel** – the Investment Panel will scrutinise the technical review work and project appraisal. It will consist of a number of key experts procured by the LCRCA for this purpose. The specific responsibilities of the Panel will be to:
    - ensure that value for money is achieved;
    - consider all new funding applications using an open, objective, transparent and equitable process;
    - make recommendations on individual scheme approvals, investment decision making, due diligence on each project and releasing funding; and
    - monitor, evaluate and review the performance of projects in the fund in respect of delivery, expenditure and outputs/outcomes.
- **Investment Team** – the team will carry out the appraisal work and provide administrative support for the SIF and, in particular, the Investment Panel. The Chief Investment Officer will have overall responsibility for the day to day management of the SIF and will sit on the Executive Management Team of the LCRCA, reporting directly to the Chief Executive/Head of Paid Service. The Chief Investment Officer will have ultimate responsibility for ensuring that investment projects and the SIF provide value for money, supported by the Investment

[5] In accordance with the usual local authority checks and balances – for example the Local Government Fiscal Framework and the Local Government Accountability System Statement

Panel and team of technical experts. A member of the Investment Team will take the lead on individual cases and be responsible for scrutiny and recommendations on each business case.

All projects approved, but not yet formally committed to, prior to the appointment of the LCR Mayor, will be advised that SIF decisions may be reviewed once the LCR Mayor is in post.

2.4.2 Delegated Authority

The Investment Committee will have delegated authority to approve projects/programmes requesting funding up to £3 million although the decisions taken by the Investment Panel will still be reported to the LCR CA/Mayor for endorsement. Projects and programmes above this level will be considered fully by the LCR CA/Mayor who will make the final investment decision. This delegated authority will also include the ability to conflate the OBC with the FBC.

2.4.3 Risk

A key role of the assurance framework is to ensure that risk is identified, monitored and managed appropriately, both at a corporate level for the LCRCA and at a programme and project level. The risks associated with individual SIF projects are discussed at Section 3.7 and will require consideration as part of the business case development. The risks associated with the overall SIF fund are being identified, in conjunction with plans to mitigate these risks, and these will be added to the LCRCA Corporate Risk Register. The Corporate Risk Register will be monitored by the Chief Investment Officer and the Head of Internal Audit in line with the LCRCA Code of Corporate Governance and Risk Management Strategy, and reported to the Audit Committee.

2.4.4 Audit

The devolved funding from DCLG will be held and managed by LCRCA. In doing so the funds will be subject to established financial management arrangements and subject to Internal Audit in accordance with the Accounts and Audit Regulations (2015) and in compliance with the mandatory Public Sector Internal Audit Standards. This will provide independent and objective assurance regarding the effectiveness of the LCRCA's risk management, control and governance processes.

The Section 73 Officer will be responsible for reporting on the financial management and assurance of the SIF to the LCRCA Audit Committee through the delivery and outturn of the annual Internal Audit plan and published accounts. The Committee has an overall remit to:

- review and scrutinise the authority's financial management – including all funding awarded through devolution;
- review and assess the authority's risk management, internal control and corporate governance arrangements; and
- report and make recommendations to the LCR CA/Mayor in relation to these issues.

All SIF funding decisions taken by the LCR CA/Mayor will also be subject to review through the LCR CA annual external audit, which will undertake cost benefit analysis and assess the extent to which resources have been used economically, efficiently and effectively in delivering its services and activities.

2.4.5 Scrutiny

The member-led Scrutiny Panel within the LCR CA's structure was established to achieve greater public accountability over decisions made and services delivered within LCR. The Scrutiny Panel will, in particular, intervene if there are concerns about evidence of poor performance and the LCRCA's response to it. The Scrutiny Panel is responsible for:

- undertaking scrutiny reviews into areas of strategic importance for the people of the LCR;
- providing a 'critical friend' role in helping to shape policy and strategy development; and
- monitoring the delivery of the Authority's strategic plan.

In line with the Devolution Act 2016, from May 2017, the Scrutiny Panel will also have the power to:

- review or scrutinise decisions made, or other action taken, in connection with the discharge of general functions by the Mayor;
- make reports or recommendations to the Mayor with respect to the discharge of any general functions;
- make reports or recommendations to the Mayor on matters that affect the Authority's area or the inhabitants of the area;
- direct that a decision is not implemented while under its review; and
- recommend that a decision be reconsidered.

2.4.6 LCRCA policies

To facilitate effective administration and management processes, the following policies and procedures are currently under development:

- confidential reporting (whistleblowing)
- complaints
- gifts and hospitality
- code of conduct for Officers and Members
- Freedom of Information
- Data Protection
- declaration of interests

2.5 Transparency

LCRCA is committed to being open, transparent and accountable and has a publication scheme providing information about the Authority's finances, performance and decision-making[6]. Knowsley Metropolitan Borough Council currently facilitate access to this via their website, as a bespoke LCRCA website is currently under development. The scheme provides information in relation to:

- who the LCRCA is and what they do
- LCRCA spending
- priorities and performance
- how the LCRCA makes decisions
- LCRCA policies and procedures
- lists and registers
- the services offered by the LCRCA

The SIF will be operated according to the following key principles, which will assist the LCRCA as the Accountable Body to ensure that decision making and recording is transparent:

- investment will be guided by a three year LCR SIF prospectus – outlining the types of investments that will be supported to achieve the overall aims and objectives within the Growth Strategy, and the criteria that will be used to appraise and approve projects;
- all investment projects will be subject to a single appraisal and approval approach and appraisal criteria. Scrutiny will be built into the appraisal process through the appropriate use of external specialists procured by the LCRCA to assess aspects of the business cases brought forward;
- investments can be made in any appropriate capital or revenue project (subject to available resources) and will be available for eligible applicants and organisations;
- clear governance and reporting arrangements will be established – that include a separation of the functions for project commissioning/pipeline development, appraisal and contract monitoring and compliance. The Investment Team will be responsible for appraising applications for SIF funding and will report to an Investment Panel that will make recommendations to the LCR CA/Mayor for consideration and approval; and
- OBC's for transport projects above £5m will be published (and publicised) on line through the LCRCA publication scheme and the dedicated SIF webpage before a funding approval decision is made, in line with Department for Transport (DfT) guidance and the requirements set out in Appendix B of the Single Pot Assurance Framework National Guidance. This is to enable the public and other external stakeholders to comment, prior to consideration by the Investment Committee and the LCR CA/Mayor;

[6] http://www.knowsley.gov.uk/your-council/decision-making-and-governance/liverpool-city-region-combined-authority/liverpool-city-region-combined-authority-publicati

- details of all SIF investment decisions and funding allocated will be published online, through the SIF webpage once established, in line with the LCR CA's publication scheme and the Local Government Transparency Code. Exemptions will only be permitted where these relate to established issues of confidentiality, such as staffing or commercially sensitive aspects.

The criteria that will be used to prioritise projects forms part of the SIF prospectus as outlined in section 3.1. Strategic projects will be commissioned by the LCR CA/Mayor. A periodic open call will be issued for projects, via the SIF webpage, which will provide applicants with up to date information regarding the application and approval process, and a timetable of meetings scheduled for the Investment Panel, Investment Committee and the LCR CA/Mayor to consider investment cases. The SIF webpage will also provide the mechanism for publishing performance monitoring reports and the results of evaluation exercises to ensure that best practice is shared with potential applicants and other projects.

2.6 Stakeholder engagement

The Growth Strategy prepared by the LEP will provide the basis for guiding investment decisions made by for the LCRCA. The Growth Strategy has been informed by consultations with key stakeholders and partner agencies from across the LCR.

The SIF will provide a mechanism for administering funding to potential investment projects and will be underpinned by a three-year prospectus (aligned with the Growth Strategy) – to provide information to guide potential applicants. A dedicated webpage is being established to ensure that projects have up to date information about the commissioning and calls processes. Other mechanisms that will be used to promote the support available from the SIF include the constituent member local authorities (and their respective websites/project officers), the thematic boards and other key stakeholders for example the LEP, which provides the key platform for engaging with the private sector.

3 Project Lifecycle

3.1 SIF Prospectus

Investment through the SIF will be guided by a three year LCR SIF Prospectus, which will be based on the LCR Growth Strategy, prepared by the LEP.

The prospectus will set the strategy, objectives and targets of the LCR CA/Mayor, as well as the role that the SIF is expected to play in realising these and, in particular, what type of investments will be supported. It will also identify the criteria that will be used to appraise projects, along with an indicative allocation of funding by project type. Projects will be grouped as follows:

<u>Business Growth and Sector Development</u>

- Business support and development
- Inward investment

- Sector development

Research and Development and Innovation (R&D&I)

- Research and development (including Centres of Excellence)
- Innovation support

Skills

- Skills capital investments
- Skills development projects/programmes

Transport

- Transport infrastructure (road, rail, bus, freight, seaport, airport, cycling, etc)
- Transport operations

Regeneration, Development and Culture

- Property development (including realising the potential of the One Public Sector Estate)
- Regeneration projects (including place making investment in strategic locations identified in the Growth Strategy)
- Cultural developments and events

Housing

- Investment in housing will be eligible for support where it contributes to or removes constraints on economic growth.

The use of the SIF in a strategic way – rather than basing it on an open, unstructured bidding process – will ensure a comprehensive, balanced programme that is evidence based and targeted to deliver the Growth Strategy and other relevant plans and policies. It will ensure that the overall progamme of investments work together to maximise the economic impacts and wider benefits for the LCR.

3.2 Prioritisation

3.2.1 Prioritisation

The emerging Growth Strategy identifies the requirement for a broad range of interventions based on local conditions and opportunities. Consequently, there is a need to maintain a balanced programme of investments with linkages between projects or packages of projects. An initial indicative allocation of funding (outputs and impacts) in relation to each project grouping outlined above has been developed for the first five-year Gateway. This has been developed from:

- a review of the emerging Growth Strategy and growth barriers/opportunities;

- a review of the project pipeline; and
- Gain Share economic impact analysis.

Within these broad indicative funding allocations for Business Growth and Sector Development; R&D&I; Skills; Transport; Housing; and Regeneration, investments will be prioritised on the basis of a single appraisal approach. An Investment Panel, with external technical advisors, will be responsible for making recommendations on each business case following the appraisal process, to ensure impartiality. The Investment Team and the Investment Panel, will be independent from the individual portfolios to ensure that the project development process and appraisal functions are separated.

The consolidated, multiyear transport settlements have, at this stage, been ring-fenced for transport. While the 2016/17 funding has already been approved on a formulaic basis, future funding will be allocated to transport interventions based on the following criteria: contribution to economic growth, strategic transport priorities and wider benefits.

3.2.2 Commissioning and Calls

The SIF funding will be allocated through commissioning and open calls for projects. The Portfolio Lead Officers and their teams will be responsible for identifying key strategic projects and programmes required to meet the objectives set out in the Growth Strategy and other relevant statutory plans (for example the Local Transport Plan) and commissioning these projects accordingly. In addition, a periodic open call will be issued for projects and programmes.

All project applications, regardless of whether they have been commissioned or come forward through the open call, will be required to follow the same appraisal process outlined below, which includes an initial proposal, followed by an OBC and FBC – although the business cases may be conflated depending on the nature and scale of the project as proportionality will be built into the appraisal process from the outset. A dedicated Investment Team will be established to review all investment proposals.

3.2.3 Supporting Project Development

Commissioned projects will be eligible to submit for pre-feasibility and feasibility funding support from the SIF. This will be based on the submission of a pre-feasibility and feasibility funding application form. Submissions will be appraised by the Investment Team and approved/recommended to the LCR CA/Mayor by the Investment Panel and the Investment Committee.

3.3 Appraisal

A key objective of the assurance framework is to support the LCR CA/Mayor in assessing whether potential investments offer good value for money (VfM) and have the capacity to generate and deliver the growth objectives set out in the Growth Strategy. The appraisal process for the SIF will be consistent with HM Treasury's Green Book and Business Case Appraisal process, including supplementary and departmental guidance, such as the Department for Transport's (DfT)

WebTAG appraisal guidance and DCLG's Appraisal Guide. This will be based on the five cases model:

- the strategic case – which provides a compelling case for change and explains how the project provides fit with the objectives of the organisation and wider public sector agendas;
- the economic case – which describes how the project/preferred option represents best public value;
- the commercial case – which demonstrates that the deal is attractive to the market, can be procured and is commercially viable;
- the financial case – which confirms that the proposed spend is affordable; and
- the management case – which confirms that what is required from all parties is achievable.

3.3.1 Appraisal criteria

A single appraisal approach will be applied to all projects, which will be transparent and equitable. The project appraisal criteria will include:

- fit with the Growth Strategy, SIF objectives and other relevant strategies – including strategic linkages with other thematic projects;
- clear evidence of the rationale and need (or demand) for the project and application of best practice;
- the additional GVA and employment impacts, as well as the wider benefits, at the LCR level;
- clearly defined inputs, activities, outputs, and anticipated outcomes and an assessment of additionality (including displacement and deadweight);
- clear detail of the financial costs of the proposal and evidence of the need for SIF support and availability of match funding;
- confirmation that the investment represents value for money (the degree to which benefits exceed costs assessed using Benefit Cost Ratios and Net Present Public Value) and is the preferred option;
- that the project has robust risk management, delivery, and monitoring and evaluation arrangements; and
- that the project complies with necessary regulations and requirements, including legal due diligence requirements and state aid.

Preference will be given to support in the form of loans or investments that generate a return, along with additional business rates and/or Council Tax generated being recycled to the Fund on a pro-rata basis reflecting public sector investment. In addition, private and other public sector leverage will be maximised.

Projects will be appraised against these criteria and should also meet minimum thresholds and requirements (for example, a Benefit Cost Ratio that is at least acceptable and meets the established guidance for that project type[7]).

3.3.2 Assessing value for money

Good VfM, as defined by the National Audit Office (NAO) is the optimal use of resources to achieve the intended outcomes. 'Optimal' being 'the most desirable possible given expressed or implied restrictions or constraints'. VfM is not just about achieving the lowest initial price, it is defined as the optimum combination of whole life costs and quality, with due regard to propriety and regularity.

The NAO uses three criteria to assess the VfM of government spending i.e. the optimal use of resources to achieve the intended outcomes:

- economy - minimising the cost of resources used or required (inputs) – spending less;
- efficiency **-** the relationship between the output from goods or services and the resources to produce them – spending well; and
- effectiveness **-** the relationship between the intended and actual results of public spending (outcomes) – spending wisely.

With regard to the SIF, as projects may include a package of funding drawn from the Single Pot and other local funding, the focus of the appraisal will be on projects that deliver growth, provide VfM and meet the wider strategic objectives set out in the Growth Strategy.

As set out in the National Guidance, the methodology used to assess VfM for the Single Pot funding will also need to be in line with the established guidance prescribed by the relevant government department, described below:

- Transport – projects with a capital cost in excess of £5m[8] will be subject to the minimum requirements on VFM assessment, assurance and evaluation of transport projects set out in Appendix B of the Single Pot Assurance Framework National Guidance. They are based on the requirements for Local Transport Bodies and the Local Growth Fund. The modelling and appraisal of transport schemes, defined as any scheme that significantly changes the transport network infrastructure, must be developed in accordance with the guidance published in WebTAG[9], and assessment of the business case will also need to be based on forecasts which are consistent with NTEM[10]. A VfM statement and a monitoring and evaluation plan will be required for all transport projects in line with DfT advice on assessing VfM[11] and monitoring and evaluation[12];

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[7] For transport projects for example – the majority of local major schemes funded in recent years were assessed by the Department as offering at least 'high' value for money, based on DfT VfM assessment criteria.

[8] The threshold for projects requiring WebTAG applied to date (i.e. for 2016/17 projects) has been £3m in line with LCR's existing Transport Assurance Framework developed in 2012. The higher threshold of £5m will apply to all transport projects from 2017/18 onwards and transport projects coming forward in 2016/17 that do not have a pre-existing commitment.

[9] DfT's appraisal guidance

[10] DfT's planning dataset

[11] http://www.gov.uk/government/publications/value-for-money-advice-for-local-transport-decision-makers

[12] http://www.dft.gov.uk/publications/evaluation-local-major-schemes

- Housing – Homes and Communities Agency good practice, advice and guidance will need to be adhered to, alongside DCLG's appraisal guide for residential and non-residential development;
- Skills Capital – Skills Funding Agency good practice, advice and guidance will provide a reference for skills capital projects;
- Enterprise, innovation and business support – these projects will need to demonstrate ability to deliver VfM through evidence-based business cases aligned with HM Treasury Green Book guidance, with a commitment to publishing results to add to the evidence base on what works and contribution to local and national policy goals on productivity and growth; and
- Regeneration – projects will need to be in line with the National Planning Policy Framework and the Planning Practice Guidance. Projects beyond housing and transport interventions, for example enabling works, land assembly, utilities and/or public realm projects, the DCLG appraisal guide will be useful in helping to appraise the costs and benefits of these types of interventions.

The Investment Panel will include technical experts that will specifically review key aspects of the business case, including VfM. In addition, external advice will be commissioned where required.

3.4 Business case development

3.4.1 Business case stages and proportionality

The application and appraisal process will apply the principle of proportionality – with more detailed information being required for large, complex or contentious projects. The application and appraisal process for SIF will involve three stages, as follows:

(i) Initial proposal (Strategic Outline Case) – will provide the underlying justification for the project, which will be appraised against the SIF Prospectus and published criteria. Successful applicants will be asked to complete an OBC;

(ii) OBC – this will identify the preferred option for delivery from a shortlist of options, and will include a detailed Business Case for the project which is developed to a level where it is capable of being given approval in principle. If the OBC is endorsed the applicant will be requested to submit a FBC; and

(iii) FBC – adds details of contractual and delivery arrangements, along with confirmation of costs and benefits to the OBC.

Each Business Case submission will build upon and augment the previous stage. This will avoid duplication and unnecessary effort. For smaller projects (less than £3m) the OBC and FBC stages may be combined depending on the level and quality of information provided and in keeping with the principle of proportionality.

3.4.2 Initial proposal – Strategic Outline Case (SOC)

The initial proposal will be particularly important, as this will focus on establishing the case for the proposal. Before a project can progress to OBC, the application will need to demonstrate that it meets a set of core and hurdle criteria:

Core selection criteria

- Fit with SIF Prospectus/Growth Strategy (effectiveness)
  - the proposed intervention contributes to the objectives set out in the Growth Strategy/SIF Prospectus and other relevant strategies
  - the proposed intervention demonstrates strategic linkages with other thematic projects
- GVA, jobs and wider benefits
  - Clear case that the investment will deliver relevant activities and outputs that lead to GVA and jobs and other outcomes
  - additionality of the project – clear case that the intervention would not otherwise take place, would be smaller, happen later or be of a lower quality
  - VfM in relation to:
    - Efficiency – the rate/unit costs at which the intervention converts inputs to jobs, the Benefit Cost Ratio in terms GVA, as well as wider benefits, and the Net Present Public Value
    - Economy – the extent to which the intervention will ensure inputs are at a minimum costs commensurate with the required quality

Hurdle selection criteria

- need/demand for project
- need for support - clear evidence that the project requires support from the SIF for example due to a funding gap
- availability of match funding - appropriate arrangements are in place to secure the required level of match funding
- management and delivery arrangements - appropriate expertise, capacity, capability and systems to deliver the intervention successfully
- capability to meet the financial requirements and liabilities that flow from receipt of SIF support
- the intervention is deliverable having regard to risks and dependencies

- compliance with necessary regulations and requirements, including - State aid, Procurement, Planning, and other consents such as legal due diligence requirements

The Investment Team will be responsible for assessing the initial proposals. If successful at this stage, the project applicant will be invited to submit an outline business case for consideration by the Investment Panel.

3.4.3 Outline Business Case and Full Business Case

The next two stages of the appraisal process will require applicants to submit:

- an OBC – this will be the first substantive business case document and will in particular need to demonstrate the case for the project, through a thorough options appraisal to justify the preferred option. The assessment of VfM will, in particular, underpin the economic case and the decision to move forward to the next stage of the appraisal process. As outlined earlier, this will in particular need to take account of project specific appraisal guidance published by the relevant government department[13]; and
- a FBC – this stage of the investment proposal will build on the information provided in the OBC and confirm that the project has the necessary contractual/procurement and delivery arrangements in place for the project to proceed.

The information that will be required for the OBC and the FBC is set out in Table 3.1. As described earlier, each business case submission will build upon and augment the previous stage. For smaller projects (e.g. up to £3m), the OBC and FBC stages may be combined depending on the level and quality of information provided and the complexity of the scheme.

[13] For example DfT's WebTAG for transport interventions

Table 3.1: Outline Business Case/Full Business Case Template	
Introduction and background to the projects	• Applicant details • Project description and objectives • Outputs and outcomes • Status and progress to date
Strategic Case	• Context and existing arrangements • Demand, need and additionality • SIF Prospectus Growth Strategy objectives contributed to • Fit with other policies • Linkages with other projects • Stakeholder engagement • Rationale for investment • Strategic risks preventing successful delivery • Strategic dependencies
Economic Case – options	• Options considered and short-listed options selected • Costs, benefits and value for money • Risks and optimism bias • Justification for preferred option
Commercial Case	• Commercial structure and delivery arrangements • Procurement arrangements • State aid considerations
Financial Case	• Cost and funding profile • Funding strategy and status of match • Cost overruns and slippage • Cashflow
Management Case	• Project plan • Key milestones • Project governance and management (including track record) • Monitoring arrangements • Benefits realisation
Appendices	• Plans • Consents • Financial details • Contractual documents • Risk Register • State aid opinion (where necessary)

Following approval of the initial proposal (SOC), an indicative timeline for submission of the business cases and the start of the project will be as follows:

- OBC - within 12 months of SOC approval;
- FBC – within 6 months of OBC approval;
- Project commencement – within 3 months of the offer letter.

3.4.4 Due diligence

The LCRCA is committed to undertaking due diligence activities that support effective decision-making and project appraisal. In relation to the SIF applications, the nature and timing of due diligence will depend on the individual project or scheme, the cost of the scheme and the potential impact of the project. The Investment Team will be responsible for determining when the due diligence is carried out and by whom. A level of due diligence will be carried out by the Investment Team, but external agencies will also be commissioned by the Investment Team/Panel to carry out this function as appropriate

3.4.5 Existing LGF Commitments

LGF is currently overseen by the LEP (as the applicant for funding) and administered by LCRCA as the Accountable Body. Until DCLG has approved this assurance framework, the existing LCR LEP Growth Deal Funding assurance framework (April 2016) will continue to apply, and the LCRCA will remain the Accountable Body for the LEP. This will also be the case for Local Major Transport Schemes governed by the Transport Assurance Framework. For projects that have in principle been allocated funding from LGF1, the previous assurance frameworks will continue to be used. LGF funding that has not been allocated to specific projects will form part of the SIF funding pot.

Other programmes and projects that do not have a pre-existing commitment will be subject to the appraisal process and VfM assessment described in this document to ensure that the funding contributed by LCRCA is appropriate and delivers VfM. The level of appraisal will be determined by the cost of the project, in line with LCRCA's approach to proportionality.

3.5 Approval process

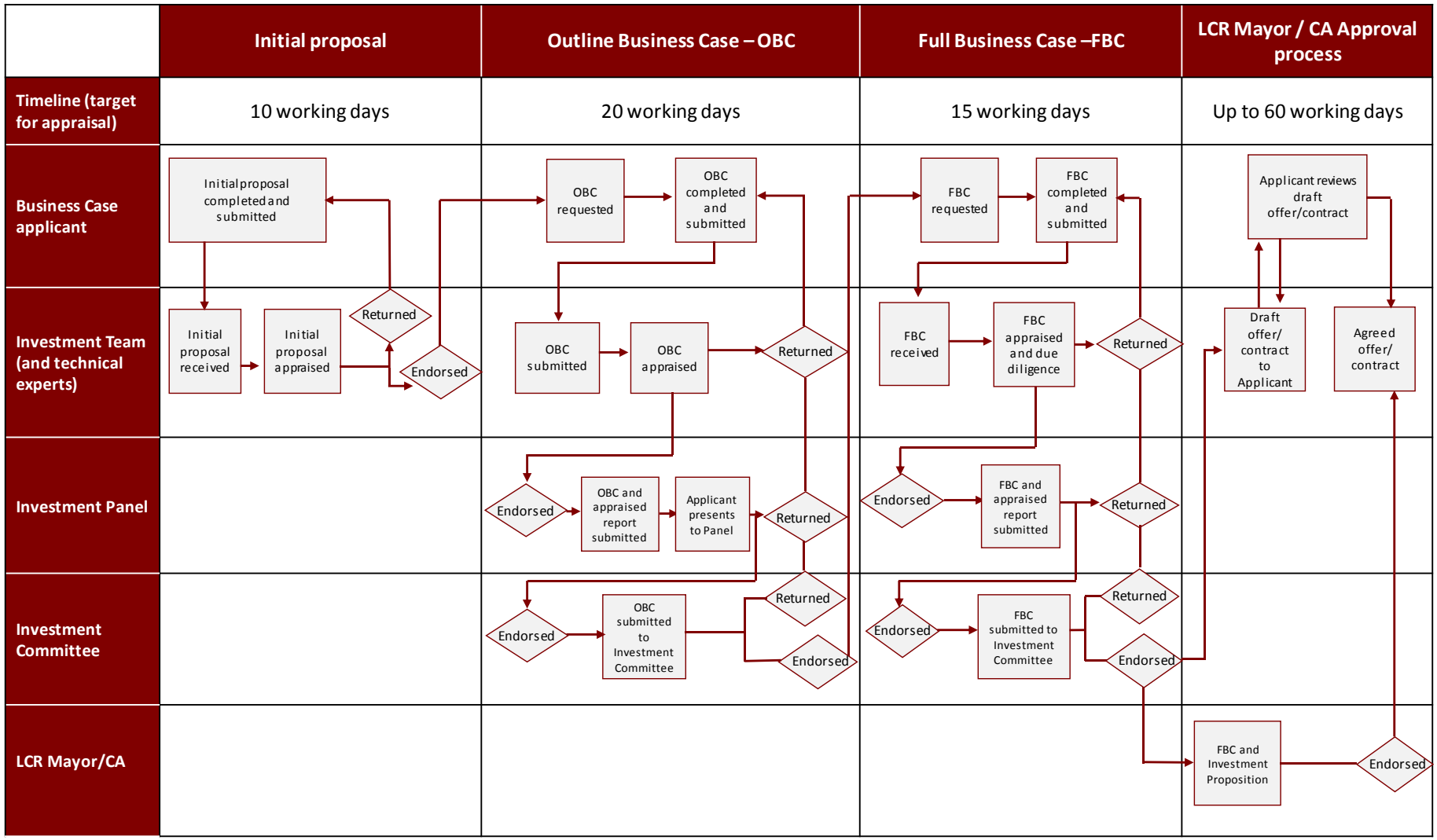
3.5.1 Approval process and timeline

There are a number of mechanisms in place to that ensure that the SIF is managed strategically. These are discussed in the next section in greater detail but include for example the appointment of a Chief Investment Officer who will be responsible for the overall management of the SIF and ensuring strategic linkages within portfolio of projects seeking investment. The steps outlined below, highlight the SIF appraisal and approval process for individual projects, which are shown in greater detail with a timeline in Figure 3.1.

The timeline target for the appraisal of projects by the Investment Team is indicative at this stage and provided as a guide for the appraisal process only. The time taken to assess projects will depend on the nature and complexity of the proposal, as the OBC may be combined with the FBC, particularly with investments under £3m. Furthermore, the OBC for transport projects above £5m will need to be publicised externally prior to any approvals being made. The stages for submission broadly relate to:

1. Initial Proposals will be submitted in response to commissioning or an open call request based on the SIF Prospectus;
2. Initial proposals will be appraised by the Investment Team, who will - in conjunction with the Investment Panel and the technical experts as appropriate - then either return the application or endorse it and request submission of an OBC;
3. The OBC or the OBC/FBC combined will then be appraised by the Investment Team and the Investment Panel;
4. Investment Panel submits a report and recommendation to the Investment Committee;
5. For projects below £3m, the Investment Committee will have delegated authority to approve projects or programmes although decisions taken by the Committee will still be reported to the LCR CA/Mayor for endorsement;
6. For projects above £3m, the Investment Committee will be responsible for deciding which projects are invited to go through to the next stage and submission of a FBC;
7. Following submission of the FBC to the Investment Committee, recommendations will be made to the LCR CA/Mayor for final approval and endorsement; and
8. The Investment Team, in conjunction with Procurement/Legal services, will prepare an offer letter/contract for agreement by the applicant.

Figure 3.1: Timeline for the appraisal and approval of SIF projects



3.6 SIF investment management

There are a number of mechanisms that will ensure effective management of the SIF to maximise the economic impact within the LCR. These include:

- appointment of an Investment Lead within the LCR CA with overall responsibility for management and reporting on the performance of the SIF to the Departmental Accounting Officer within DCLG (and Parliament);
- establishment of an Investment Committee, Investment Panel and Investment Team to oversee the allocation of SIF funding and programme management;
- the assignment of contract managers from the finance team to monitor, evaluate and review the performance of projects in the Fund in respect of delivery, expenditure and outputs/outcomes;
- thematic boards taking overall responsibility for steering policy, commissioning interventions, monitoring the performance of the work programme and the performance of bodies contracted to deliver projects and interventions commissioned by it; and
- implementation of a new corporate performance management system within the LCRCA.

A monitoring system will be established for the SIF to record financial expenditure and claims, business rates and other income and the achievement of outputs and outcomes. Quarterly financial reports will be submitted to the LCR CA/Mayor alongside the achievement of key performance indicators (KPIs) – that will capture outputs and outcomes achieved in pursuing the overall growth objectives for the City Region. The monitoring plan will also be used to identify projects that are underperforming. Projects that fail to deliver against key milestones, may have funding withdrawn, in line with the clauses set out in the offer letter with the LCR CA. These decisions will be reported to the LCR CA/Mayor as part of the quarterly reporting process.

3.7 Risk management

A risk register is being established for the overall SIF fund and will be maintained as part of the Corporate Risk Register. It will be monitored by the Chief Investment Officer (alongside the performance monitoring procedures) and the Head of Internal Audit and reported to the Audit Committee in line with the LCR CA Code of Corporate Governance and Risk Management strategy. This will require ongoing liaison with the Portfolio leads and the Head of Performance and Programme management to understand the extent to which the overall SIF is meeting the strategic objectives outlined in the Growth Strategy and risks associated with delivering them.

Individual risk logs will be established and managed for each project supported by the SIF. Risks will be identified and managed through appropriate mitigation measures agreed with the project applicant prior to full approval of the scheme. Contract/account managers will be responsible for ensuring that these risks are being managed appropriately.

Overall risk management for the fund, will have regard to the ongoing monitoring of achieved investment performance against projected growth. Appropriate measures will be adopted to

ensure that the monitoring of investments provides an informed basis for future investment decisions.

3.8 Contract management

Following approval of the project, the responsibility for overseeing the successful implementation and delivery of projects will rest with the relevant Portfolio Chief Officer, who will be supported by individual project managers.

Within the finance team, an account/contract manager will be assigned to each project and be responsible for monitoring the financial and output performance of the project on an ongoing basis, in line with the offer letter agreed with the LCR CA. The offer letter will, in particular, set out the following which will be monitored by the account/contract manager:

- a financial profile – including monthly income and expenditure;
- a profile of outputs and outcomes to be achieved – with key milestones for delivery;
- projected impacts – and a timetable for their achievement; and
- a risk management log – detailing potential risks to the successful delivery of the project and how they will be managed.

A monthly/quarterly schedule for returning monitoring information to the account/contract manager will also be specified in the contract. Within the LCRCA, a performance management system will be used to collate, record and report on the progress of individual projects, programmes, themes, and the SIF overall. Where projects do not achieve their milestones for delivery, projects will need to provide evidence to demonstrate that they will be able to get back on track. Projects that consistently fail to meet projected performance (financial and outputs) may have funding withdrawn. Projects 'at risk' will be referred back to the Investment Committee, prior to the withdrawal of funding.

3.9 Project closure

All projects will be required to produce a project closure report at the end of the project, which demonstrates that:

- all activities have been delivered in accordance with the offer letter;
- all funding has been spent appropriately in line with the projected financial profile for the project;
- there are no outstanding risks or action that need to be taken to sign the project off (by the account/contract manager); and
- all relevant outputs and key milestones have been achieved.

Following the delivery of the project closure report, all applicants that have received SIF funding will be required to complete a benefits realisation report (within 3 months of completion) to measure the impact of the investment and identify lessons learnt for future projects.

4 Monitoring and evaluation

4.1 Overview

LCRCA is developing a comprehensive performance management system and an evaluation framework that will operate at both the corporate level and at the individual programme/project level. This will enable the Authority to:

- assess the effectiveness and efficiency of operations;
- review the continuing relevance of activities;
- monitor impacts and progress towards organisational goals, and to understand whether projects are on track to deliver projected outputs and outcomes;
- assess the additionality of activities (and impacts) and to assess whether a project or programme has achieved VfM;
- identify the sustainability of impacts, and the equity implications of activities;
- maintain scrutiny and accountability;
- inform future investment prioritisation and resource allocation; and
- identify what works (and what does not), and in what circumstances, to inform future activities and delivery and the sharing of best practice.

A set of KPIs are being developed for LCRCA, and a red, amber, green dashboard will be used to monitor progress on a monthly/quarterly basis in line with the contract management process.

4.2 Performance monitoring

All projects funded by the SIF, regardless of the size, will be required to have an effective monitoring and evaluation plan in place which will form a key part of the business case, to assess the effectiveness and impact of investing public funds and to identify best practice and lessons learnt that can inform decisions about future delivery. The monitoring plan will guide the collection of data from individual projects and will be designed to ensure that it captures information required by LCRCA and all government departments. As the SIF assurance framework will supersede the LGF assurance framework (and transport assurance framework which is part of it) it will need to ensure that the performance monitoring and management systems are aligned accordingly. Individual monitoring and evaluation plans will need to be proportionate, in line with procedures for appraisal, and depending on the type of project, they will also need to ensure that they are in line with the latest government department guidance where relevant[14].

[14] For example, DfT issue guidance for the monitoring and evaluation of transport projects as set out at http://www.dft.gov.uk/publications/evaluation-local-major-schemes

Monthly performance monitoring returns will be used to capture progress against milestones set out in the agreed contract. This will include information related to:

- delivery;
- income and expenditure; and
- outputs and outcomes.

The individual project monitoring information will feed into an overall monitoring plan for the SIF, which will be reported to the LCR CA/Mayor, including the extent to which projects are contributing to the overall objectives of the LCRCA. The achievement of wider impacts will be gathered as part of the evaluation work. All monitoring reports will also be made available through the LCRCA publication scheme.

4.3 Evaluation and benefits realisation

The evaluation component of individual projects' monitoring and evaluation plans will need to complement the five-year Single Pot investment fund Gateway Review described later in the document. This government evaluation, will focus on identifying the impact of investments made using the Gain Share funding.

All projects will be required to produce a benefits realisation plan as part of their business case, which identifies the outcomes (benefits) they are planning to deliver, how outcomes will be measured, a baseline assessment, and how they intend to implement, monitor and assess the project to identify whether the benefits have been realised.

Projects will be requested to produce the benefits realisation report as part of a wider evaluation report (within 3 months of project completion), which will incorporate a standard set of key evaluation questions (exemplified in table 4.1 below). The report will also require applicants to identify lessons learnt to inform the future delivery of projects through the SIF.

Table 4.1: Examples of key evaluation questions

Evaluation criteria	Key evaluation questions:
Relevance	• Were the objectives of the project relevant to needs and gov't policy objectives? • Were the activities relevant to the LCRCA organisation's priorities and objectives?
Additionality	• Have the activities delivered benefits that would otherwise not occur? • Would the project have taken place anyway?
Effectiveness	• Has the project delivered target outcomes? • Has the project structures and processes assisted delivery of activities?
Efficiency	• Were outcomes delivered at reasonable cost? • Were activities delivered in a cost-effective manner?

Sustainability	• Will the benefits arising from the project persist? • Will the supported activities continue after SIF involvement ceases?
Equity	• Have project activities benefited target communities? • Have project activities been delivered in an equitable manner?

4.4 Five-year gateway review

Combined Authorities in receipt of investment funds (Gain Share) from Central Government will be subject to five-yearly Gateway Reviews to assess investment impact. At this stage, the Government has suggested that the Gateway Review will focus on evaluating the performance of the investment fund with economic growth becoming the primary measure for assessing impact.

An independent panel, as agreed with HM Government, is to be commissioned to undertake the Review and this external assessment provides a further incentive to encourage appropriate project appraisal, assurance and VfM processes.

4.5 Annual assurance framework review

The SIF assurance framework will be subject to an annual review (at a minimum) to ensure that it remains fit for purpose and up to date. There are a number of new structures, procedures and strategies being introduced as a result of the Devolution Agreement that will take time to establish and become fully operational. Similarly, as the devolution process continues, new funding streams will be brought into the SIF and with them a requirement to provide assurance that this funding is being spent appropriately. Where significant changes are made, for example as a result of additional powers or funding, adjustments made to the assurance framework will be agreed with DCLG.

The prioritisation, appraisal and approval processes underpinning the SIF will also be reviewed on an ongoing basis to ensure that they remain proportionate and provide the sufficient assurances regarding VfM and the best use of scarce public sector resources.

5 Summary of key assurance requirements

A summary of the key assurances that the Government will require in relation to the LCR SIF are out in Table 5.1. This includes key responsibilities for management and delivery and oversight. The LCR CA/Mayor will have overall accountability for the assurance framework.

Table 5.1: Summary of assurance functions and reporting arrangements		
Function	**Responsibility for delivery/management:**	**Oversight:**
Overall SIF fund		
Growth Strategy/SEP	LCR LEP	Economic Development Portfolio LCR CA/Mayor
SIF prospectus and prioritisation of funding	Officer Lead for Economic Development and Growth	CA Chief Executive LCR CA/Mayor
Commissioning/calls for projects	LCRCA Growth Portfolios	Procurement lead
Marketing/promotion of the SIF	LCRCA Growth Portfolios	Communications lead
Appraisal of SIF applications (inc VfM)	Investment Team	Investment Panel
Due Diligence	Investment Team External agencies - commissioned	Investment Panel
Approval of SIF applications	Recommendations by Investment Panel	Under £3m: Investment Panel Over £3m: LCR CA/Mayor
Financial management of SIF	Section 73 Officer	CA Chief Executive Audit committee
Performance management	Investment Lead Performance and Programme Management Lead	Portfolio Leads LCR CA/Mayor
Risk management	Investment Lead/Head of Internal Audit	Audit Committee
Scrutiny	Monitoring officer	Scrutiny Committee
Compliance with Devolution Agreement	Investment Lead Section 73 Officer	Audit Committee LCR CA/Mayor
Assurance	Head of Internal Audit	Audit Committee
Contract management - SIF project performance, monitoring and closure	Account/Contract managers (in Finance Team)	Performance and Programme Management Lead Director of Finance and HR
Benefits realisation and evaluation	Account/Contract managers Investment Lead	Performance and Programme Management Lead LCR CA/Mayor

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Department for
Communities and
Local Government

March 2016

Ged Fitzgerald
Head of Paid Service
Liverpool City Region Combined Authority
Municipal Buildings
Dale Street
Liverpool
L2 2DH

Dear Ged
cc Tony Wade (Liverpool City Region LEP), Angela Sanderson, John Fogarty

The devolution deal agreed on 17 November 2015 between partners in Liverpool City Region and HM Government was a historic moment in the shift of power from central government to the city region. I was delighted to meet you and your colleagues across the Combined Authority in December to discuss implementation of the deal and know that good progress continues to be made in putting the commitments in to action. I am equally pleased at the expansion to your deal agreed at Budget, which adds further momentum to devolution to the city region.

The original deal agreed was wide-ranging and unique to your local priorities, including on culture, transport, energy and innovation. A key part of the deal was the commitment to an investment fund and a multi-year consolidated, devolved transport settlement. This bespoke agreement will lead to a new settlement giving the LCR Mayoral Combined Authority greater flexibility over a wider investment fund than ever before. We recognise that to deliver long-term local growth, you need to have long-term funding certainty. To help you manage your pipeline of local investments cost-effectively, you also need flexibility to make your own investment decisions. To that end we have been working with you over recent weeks to better understand what your settlement, or Single Pot, looks like.

The Single Pot for LCR provides a single assurance framework for £458 million of flexible section 31 grant funding, committed over at least the next five years. We are keen to give you greater ability to generate local growth. As part of this, HM Government commits in principle to include the Adult Education Budget in 2018/19, subject to the readiness conditions of this element set out in your deal.

Beyond and outside of this Single Pot, your devolution agreement also included a commitment from HM Government to provide long-term certainty for the Special Grant for

the Merseyrail network. This increased certainty will allow Merseytravel to progress the locally-funded procurement of new trains for the network.

Committed, flexible grant funding

In terms of funding mechanisms, your Single Pot funding will be paid in section 31 grant with an initial committed five-year profile, following your consent for HM Government to lay the Mayoral Statutory Instrument. This will give LCR the power and flexibility to evaluate projects and choose the direction of investments in line with your local assurance framework.

A Single Pot Assurance Framework

To fully devolve investment funding while still ensuring accounting officer and parliamentary accountability, you will need to develop locally-owned Single Pot Assurance Framework. This will build on your existing strong bespoke investment assurance processes and local government accountability more broadly. Once in place, it will supersede the existing LCR LEP assurance framework, and cover all Single Pot spending. We have developed Single Pot Assurance Framework guidelines that outline HM Government's expectations for governance, decision-making, project appraisal, value for money and assurance. We will work with you to co-design a local assurance framework before the summer that will be signed off by DCLG.

Once your local Assurance Framework has been signed off, it will provide relevant accounting officers throughout Whitehall with assurance that you will be accountable for spending your Single Pot in a way that is consistent with Parliamentary scrutiny. LCR will then have the freedom, discretion and flexibility to appraise and implement its programme of investments with LCR LEP, independent of central government.

Moving toward a single monitoring and evaluation process

Recognising the ambition for a coherent programme of investments without boundaries between constituent element which is at the heart of your deal, HM Government will work with you to streamline monitoring and evaluation processes, including for the devolved transport grant and Local Growth Fund components. In the meantime, existing evaluation and monitoring will remain in place as defined in your local assurance framework.

As part of your deal HM Government committed to a £30 million Investment Fund allocation over 30 years. As part of that deal we agreed there would be five-yearly gateway reviews undertaken by a national evaluation panel. Procurement for the panel is now underway, with input from HM Government. The gateway reviews will measure how investments made by LCR and LCRLEP have contributed to economic growth. This evaluation will also provide context for understanding the impact of wider Single Pot investments.

Funding lines in your Single Pot

Initially, your Single Pot will be made up of three funding lines: the Investment Fund, the devolved transport grant, and the Local Growth Fund. We intend that these will be joined by the Adult Education Budget in 2018/19, as described above. These can be augmented with local revenue streams such as the future mayoral business rates supplement and funding devolved by HM government as a result of future devolution agreements.

2016/17-2020/21 – Liverpool City Region's Single Pot

Liverpool City Region Single Pot (£ mil.)	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Total	127.7	93.3	83.8	76.7	76.7	458.2
Investment Fund	30.0	30.0	30.0	30.0	30.0	150.0
Local Growth Fund	71.2	36.8	27.3	20.1	20.1	175.6
Transport	26.5	26.5	26.5	26.5	26.5	132.6

1. Investment Fund

The Investment Fund provides section 31 grant funding of £30 million a year (with a 75:25 capital/revenue profile) for 30 years, subject to five-yearly gateway reviews that measure how investments have contributed to economic growth in the Liverpool city region.

Commencement of this fund will be contingent on meeting certain preconditions in line with the devolution deal agreement. As a result, disbursement should begin in Q2 of 2016/17, following your consent for HM Government to lay the Mayoral Statutory Instrument. Future payments will have the same start-of-year schedule as other Single Pot components.

These assurances and preconditions are:

1. The deal is ratified in all five constituent local authorities, which was completed across the Combined Authority in November.
2. Completion of agreed implementation, monitoring and evaluation plans.
3. Completion of a local assurance framework, to agree accountability between local and national bodies over the initial Investment Fund allocation.
4. Consent to the legislative steps required to establish the elected mayor, to ensure that the fund will be disbursed to the 'Liverpool City Region Combined Authority, working with the Liverpool City Region Mayor'.

Ministers will make decisions about the future level of Investment Fund at each five-yearly gateway review. The evaluation panel will help to inform discussions between HM Government and LCR, as well as fair and proportionate decision-making by ministers.

2. Devolved transport grant

Your devolution deal also included an agreement that HM Government would devolve a consolidated local transport budget and provide a multi-year transport funding settlement. This will also be included as part of your Single Pot.

The devolved transport element of the pot will be made up of the following funding streams and paid to the Combined Authority, with a firm funding commitment for the period until 2020/21:

- Integrated Transport Block
- Highways Maintenance Block (not including PFI)
- Highways Maintenance incentive funding

The maintenance incentive funding has been included at the top band for all your authorities. This is a significant move that reflects our commitment to reward places that are reforming their local governance arrangements through devolution deals. HM Government expects places to be fully committed to making good progress to meeting the criteria of a high performing (Band 3) highway authority as described in the incentive fund guidance[1] and is committed to working with you to establish best practice.

From April 2017, the devolved transport grant will include the Bus Service Operators Grant (BSOG) funding that has already been devolved to local authorities. Department for Transport will agree the funding to be transferred to the Combined Authority, ahead of the 2017/18 financial year, which will be set for the period until 2019/20.

In addition, where the Mayor chooses to implement franchising, commercial BSOG will be devolved through the transport grant and set for the period until 2019/20. BSOG for all services within the franchising area would then be paid to the Combined Authority, rather than operators. Operators whose services crossed the boundary of the franchising area would be entitled to claim commercial BSOG from the franchising authority under the national scheme rules.

This funding agreement protects essential investment in Liverpool City Region's transport and its role in supporting economic development in your area. But it does not represent the totality of Government funding support to transport in your area which, as well as LGF, also includes (but is not limited to):

- Significant financial support being provided for the construction of the Mersey Gateway Bridge in the City Region.
- A long term Special Rail Grant (as agreed in the devolution agreement) which will allow Merseytravel to progress the locally funded procurement of new trains for the Merseyrail Network, in return for Merseytravel accepting a reduction in the SRG equivalent to 2% p.a. in cash terms, compounded to 2028.

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1 https://www.gov.uk/government/uloads/system/uploads/attachment_data/file/487481/guidance-and-self-assessment-questionnaire.pdf

- Sub-national Transport Body related funding e.g. £50 million TfN funding to support the organisation and enable it to advance its work programme and a further £150 million for Smart Ticketing.
- Strategic funding now in place for the North of England Infrastructure Programme, which includes the Northern Hub, North West Electrification and North Transpennine Upgrade. In addition, funding is in place through the Roads Investment Strategy to support the A5036 Princess Way scheme to improve access to the Port of Liverpool.
- LGF funding for DfT tail majors and portfolio schemes.

In addition to this, you will remain eligible to bid for transport funding associated with any future DfT competitions, subject to the terms of those competitions. This will include bidding for part of the £475 million allocated to the large local majors programme, the Pothole Action Fund and the highways maintenance Challenge Fund.

3. Local Growth Fund allocations

The Single Pot also includes the 2016/17 Local Growth Fund allocation as confirmed by Tom Walker's letter of 4 March 2016. It is our ambition to include future LGF in the Single Pot in line with the principles described above.

This means that we expect LCR to continue to work collaboratively with LCRLEP, such as through combined responsibility for the Local Growth Fund delivery. We recognise that there is not a single correct way of working in partnership. However, we envisage that the Strategic Economic Plan will be a guide for all Single Pot investments to ensure that the local business perspective is provided on all investment focussed on driving local economic growth.

Mayoral areas will be able to bring forward programme-level proposals for future Local Growth Fund allocations and, once agreed with HM Government, this funding will be part of your Single Pot.

Next steps

HM Government is committed to continuing its work with LCR on the devolution of further powers and funding. The following actions will represent significant strides toward implementing your deal.

1. Involvement and consent of the Liverpool City Region LEP is essential for the Single Pot to function as a strategic fund for investments in the local area. Please confirm LCRLEP is content with the Single Pot as described above, particularly aspects related to the Local Growth Fund.
2. Payment of the Investment Fund is dependent on conditions outlined above. Your Relationship Manager, Sam Evans (Cities and Local Growth Unit) will be happy to discuss these further, continue to assist you with the Liverpool City Region implementation plan, and answer queries regarding the assurance framework.

Yours sincerely,

Simon Ridley
Director General, Decentralisation and Local Growth

Liverpool City Region
Local Enterprise Partnership

Local Growth Fund Implementation

LEP Board Meeting 21 July 2016

1. Executive Summary

1.1 Attached to this covering paper are a number of papers to be presented to the Combined Authority at its meeting on 15 July. The meeting of the CA takes place after the circulation of LEP Board papers but before the LEP Board meets. As such the decisions of the Combined Authority are taken in advance of receiving a LEP endorsement but is nevertheless still required under the Assurance Framework and will be later relied upon by the CA.

1.2 This is not to suggest that endorsement should be given solely to satisfy process but is required to demonstrate that the LEP does or doesn't agree with the process and conclusions reached in the use of Local Growth Funds in the way proposed.

1.3 It is intended that these items will not be subject to discussion at the meeting but LEP Board Members are requested to consider the papers in advance and raise any issues in advance of the meeting with the LEP executive team. Should no issues or concerns be raised the items will be confirmed on the day of the meeting and where they are either addressed in advance or if not subject to a short discussion.

2. Recommendations

2.1 The recommendations required are included in each of the papers but where approval is sought from the CA this is endorsement in the case of the LEP Board.

2.2 Papers (a) to (c) are about the investment of Local Growth Funds whereas paper (d) provides an update on the progress of LGF 1 in 2015-16, although it includes a specific resource ask of the CA. As the latter is a budgetary decision of the CA the LEP has no remit to endorse this recommendation.

3. Papers included

(a) Skills Capital Investment

(b) Skills for Growth delivery model for 2016/17 and 2017/18

(c) Transport – Alstom Transport Technology Centre

(d) Local Growth Fund Performance – 2015/16

Liverpool City Region
Local Enterprise Partnership

Skills Capital Investment Fund Investment Recommendations

LEP Board Meeting 21 July 2016

Sue Jarvis
Knowsley Council

1. PURPOSE OF REPORT

1.1 The report provides an update on progress in implementing the Skills Capital Investment Fund and presents for approval the Skills Capital Investment Panel's recommended investment package to support 2 Full Applications (following their successful Expressions of Interest) as received under the latest round of the Skills Capital Investment Fund.

2. RECOMMENDATIONS

2.1 The Local Enterprise Partnership (LEP) Strategic Board is recommended to:-

a) Note the progress made to date on the skills capital projects approved for funding as set out in Section 3 and at Appendix One;
b) Endorse the recommendations made by the Skills Capital Investment Panel set out at Section 5, paragraphs 5.4 and 5.5; and
c) Note the grant commitments at Section 6 and next steps at Section 7.

3. BACKGROUND AND PROJECTS UPDATE

3.1 The Skills Capital Investment Fund (£41.1m of Local Growth Fund monies) is indicatively split across 4 key strands of activity as set out in Table A.

Table A – Skills Capital Allocation

Investment Strand	**2015/16**	**2016/17**	**Total**
1. Sites and Premises	£8.6m	£15m	£23.6m
2. Improved Facilities	£2m	£2m	£4m
3. Equipment	£1m	£6m	£7m
4. Low Carbon Fund	£1.5	£5m	£6.5m
Total	**£13.1m**	**£28m**	**£41.1m***

*NB this headline figure may change subject to future skills capital need / call for projects.

3.2 To date, the City Region has committed £15.125m of skills capital funding for 30 projects (this figure excludes the projects being considered at today's meeting). A summary of all the approved projects is provided at Appendix One and we are pleased to report that two of the larger Strand 1 (Sites and Premise) projects have now completed:-

- A specialised Port Academy to support logistics at Hugh Baird College, which was officially opened on 23 June 2016; and

- A STEM Centre for Wirral Metropolitan College to deliver a mix of classroom and workshop based vocational provision, including for advanced manufacturing and digital skills. This project has achieved completion on site and an official opening will be held later in 2016.

3.3 To help manage any potential conflicts of interest, the Skills Capital Investment Panel provides detailed oversight to the appraisal process of new applications. The Panel review the projects in detail and ensure the application and appraisal process is robust, consistent, fair and transparently applied (in line with the Growth Deal Assurance Framework). The Employment and Skills Board acts as an Advisory Body for this funding with the Combined Authority responsible for funding decisions and the Local Enterprise Partnership (LEP) Strategic Board responsible for approving the strategic economic fit of projects.

4. ROUND 2 APPLICATIONS RECEIVED

4.1 Under Round 2 of the Sites and Premises strand, 3 Full Applications were received (having been approved as Expressions of Interest at the 4 February 2016 LEP Strategic Board meeting).

4.2 The 3 Full Applications have a total project value of £11,215,908 with grant funding requested of £6,376,747 (and an overall grant intervention rate of circa 57%). All 3 applicants are requesting a grant in excess of the 33% benchmark set out in the guidance note (NB for comparison purposes, the average intervention rate for approved skills capital Strand 1 projects to date has been 64%). Headline details of the applications are set out at Table B.

Table B – Sites and Premises Round 2 Full Applications

Project	Description	Total Project Value	Grant Sought	Intervention Rate
Myerscough College Croxteth Campus Redevelopment	Creation of specialist new build facilities for equine and animal studies courses	£2,996,500	£1,997,000	66%
Wirral Met College Wirral Waters University Health Campus	New build University Health Campus at Wirral Waters Enterprise Zone to provide flexible learning space focused on healthcare pathways from Further Education to Higher Education	£5,655,000	£2,200,000	39%
City of Liverpool College Digital Academy	Project to re-purpose learning provision in the School of ICT, Computer Sciences and digital provision and consolidate delivery on one site	£2,564,408	£2,179,747	85%
Total Funding		**11,215,908**	**£6,376,747**	**57%**

NB individual percentage figures have been rounded by applicants in some cases.

5. APPRAISAL PROCESS AND PANEL RECOMMENDATIONS

5.1 The Liverpool City Region Employment and Skills team and Skills Funding Agency (SFA) have undertaken an appraisal of the full applications in line with the process previously outlined to the LEP Strategic Board. This includes an initial gateway test, followed by main appraisal against four key criteria – economic, educational, financial and technical, alongside an internal moderation and peer review to ensure a consistency of approach in the appraisal and scoring process.

5.2 The primary purpose of the Full Application appraisal process is to test the additional project level information supplied from a deliverability viewpoint (with regard to economic, educational, technical and legal issues).

5.3 The Investment Panel meeting of 31 May 2016 considered in detail the appraisal scores and any key deliverability issues for the Full Applications. In summary:-

- **City of Liverpool College** – the project costings include a very high contingency figure (c.25% compared to the usual 10%) and this is assumed to relate to the lack of detailed design work (to RIBA Stage 2) provided for the project. Therefore, more detailed design information and costings needs to be provided by the applicant to meet the City Region's requirements.

- **Myerscough College** – planning consent is required for this new build development in Croxteth and professional planning advice has been obtained by the applicant to support this process.

- **Wirral Metropolitan College** – to safeguard the Local Growth Fund investment (if approved), any grant offer should be made on condition of the City Region having right of veto over the development agreement for the project in order to safeguard any City Region investment from a learner benefit viewpoint.

5.4 Based on the information provided and the subsequent Panel discussion it was resolved to defer the City of Liverpool College application for consideration at a future LEP Strategic Board meeting. This is to enable the City Region team and Merseytravel to explore further the deliverability issues with the new project. The Panel has agreed to re-consider the Digital Academy application once e matters are resolved to their satisfaction (possibly late Summer 2016).

5.5 For the remaining two applications, the Panel recommended:-

- Myerscough application – **Recommendation: to approve the application subject to due diligence**; and

- Wirral Metropolitan College – **Recommendation: to approve the application subject to due diligence**, (with the right of veto over the development agreement for the project to ensure safeguarding of learner benefits).

6. INVESTMENT PACKAGE

Financial Summary

6.1 If the 2 Full Applications recommended for approval by the Panel (subject to due diligence) are approved by the Combined Authority and the LEP Strategic Board, the grant commitment will be £6,376,747 for these projects (and an overall grant intervention rate of circa 57%).

6.2 Table C below shows the commitments to date from Round 1 and the commitment for Round 2 of the Sites and Premises strand if the 2 Full Applications for consideration within this paper are approved.

Table C – Potential Fund Financial Commitment

Sites and Premises	Total Project Value	Grant Sought	Intervention Rate
Round 1 Project Funding Committed to date	£16,866,343	£10,750,596	64%
Round 2 Window 1&2 Project - Funding call	£8,651,500	£4,197,000*	49%
Overall Total Funding	**£25,517,843**	**£14,947,596**	**59%**

*NB This is for the 2 Full Applications recommended for approval in this paper only.

6.3 If the assurance issues for Liverpool City College Digital Academy project are satisfactorily resolved and the project is subsequently approved for investment the overall commitment total for the sites and premises strand has the potential to rise to £21.505m.

7. NEXT STEPS

7.1 To ensure accurate project timescales for the build itself, applicants have been advised that the Combined Authority would aim to move the 2 successful projects to funding agreement in August 2016, for works to commence from September 2016 onwards. This will enable projects to start in a timely manner and support programme level spend of the Growth Deal monies. It will require tail funding to be offered in the financial year 2017/18 and it has been agreed this will be managed within the 'single pot' arrangements by Merseytravel as financial accountable body.

7.2 The Panel recommendations are being taken to the Combined Authority on the 15 July 2016 and the outcome of this will be reported verbally under this agenda item at the LEP Strategic Board meeting, prior to formally notifying applicants of the decision on their application at the end of July 2016.

8. RISKS AND MITIGATION

8.1 There are key risks and issues for skills capital as follows:-

Table D – Risk Log

Risk Issue	Mitigation
Need for a dedicated Combined Authority project management resource for the post-commissioning function of Skills Capital, this role has been temporarily undertaken by the City Region Employment and Skills Team working with Merseytravel's Programme Management Office.	This issue is being addressed as part of the wider capacity arrangements for the Combined Authority to ensure effective management of programme spend and scheduling.
Ensuring the award of Skills Capital Investments is open and transparent and that conflicts of interest are effectively managed whilst at the same time ensuring the approval and decision making process is agile and fit for purpose by way of managing	The operation of the fund has been managed through a clear and transparent process, including the publication of the Assurance Framework, scheme paperwork and establishment and role of the Investment Panel and LEP Strategic Board

Risk Issue	Mitigation
risk and maximising spend.	and Combined Authority.
Project spend on approved projects within Round 2 will be incurred beyond the current financial year (2016/17).	Project commitments are effectively programme managed within the overall Growth Deal and at a project level applicants are made aware of the importance of accurate project scheduling and making timely financial claims in line with agreed profiles.
Awarding the funding to successful applicants is only the start of the process for Skills Capital Investments. The Accountable Body (via Merseytravel) has an on-going programme/project and risk management role to ensure effective deployment of the grant.	The City Region Employment and Skills Team and Merseytravel have developed a close working relationship to commission projects to funding agreement stage. To ensure accurate reporting of project scheduling and spend post-commissioning, the newly formed Programme Management Office within Merseytravel is supporting monitoring of the larger skills capital projects.
The post 16 Area Based Review (ABR) may impact on the deliverability of approved Skills Capital schemes.	The Combined Authority has ensured safeguarding of existing Skills Capital Investment Fund commitments (and those being considered under Round 2) is a priority outcome for the ABR and this has been set out in the Skills Conclusion paper tabled at the first meeting of the Area Based Review Steering Group.

9. CONCLUSION AND NEXT STEPS

9.1 This paper has provided an update on the progress of the Skills Capital projects and the outcome of the appraisal process and recommendations for investment as a result of the latest round of Sites and Premises applications. The Board is asked to note and approve the Panel's recommendations for investment in relation to the sites and premises projects and note that the skills capital programme is now paused pending the outcome of the Area Based Review of post 16 provision.

Contact Officers:
Sue Jarvis, Knowsley Council (0151 443 3559)

Appendices:
Appendix One – Skills Capital Progress Summary
Appendix Two – Latest Appraisal Outcomes

APPENDIX ONE

SKILLS CAPITAL PROGRESS SUMMARY

The current position of the approved Strand 1 skills capital projects and summary information for the other strands (2-4) is as below:

Strand 1 - Sites and Premises

- £1.980m towards a specialised Port Academy to support logistics at Hugh Baird College, which was officially opened on 23 June 2016;

- £2.000m granted towards a STEM Centre for Wirral Metropolitan College to deliver a mix of classroom and workshop based vocational provision, including for advanced manufacturing and digital skills. This project has achieved completion on site and an official opening will be held later in 2016;

- £0.243m towards a general refurbishment project at Maritime and Engineering College North West to provide improved facilities for maritime engineering apprentices, including those employed by Cammell Laird shipbuilders. Much of the work has already been completed, with the construction of the mezzanine floor to create additional classroom space now due to take place Summer 2016 to avoid disruption to students;

- £0.407m contribution to the refurbishment of Southport College's Tony Leigh Building – the 1st phase of the works was completed summer 2015 including the provision of new kitchen facilities for catering students. Phase 2 works will be undertaken Summer 2016 and include the creation of an extended manufacturing / engineering workshop area;

- £3.011m grant to support re-configuration of part of the City of Liverpool College's Clarence Street site to deliver STEM learning, including for laboratory and pharmacy higher level apprenticeships and HNC/HND provision. Work has now commenced on site and a new project timeline has been submitted by the College re-scheduling the projects practical completion for September 2016;

- £1.509m contribution towards Riverside College's STEM Centre at their Cronton site. This will provide new pathways into advanced manufacturing, life sciences and digital careers including for those on academic pathways by offering vocational training on the current 6th Form College site. Facilities include 2 new laboratories within the existing building (now completed and in use) and a new build advanced manufacturing centre. Planning permission for the new build element has been approved and groundworks have started on site with final completion by March 2017;

- £1.380m towards a joint project submitted by Knowsley Community College (KCC) and St Helens College to create a Northern Logistics Academy co-located in Kirkby and St Helens. NB the planning application for the new build element of the KCC part of the project has only recently been re-submitted for consideration, with the St Helens element of the scheme of works well underway already. A revised project schedule will be requested for the project to reflect the new planning application timelines for the KCC element; and

- £0.218m towards North Liverpool Regeneration Company's refurbishment of their St Anne St premises to provide construction training for young adults. The project includes construction of new workshop bays and a mezzanine floor to create new classroom space for learners and is due to substantively complete September 2016, with final completion including snagging period early 2017.

Strand 2 – Improved Facilities

- Each package of works within this Strand has varied by applicant, but typical items have included: roof replacement/repair, new windows and doors, fencing, boiler replacement, classroom re-design and electrical works. All schemes of works are either well underway (with September 2016 completion dates) or have already been completed and claims submitted.

Strand 3 - Equipment

- Projects have included grants towards new training kitchen facilities (City of Liverpool College and Wirral Metropolitan College), engineering equipment (Maritime and Engineering College NW and Knowsley Community College), a TV and music studio (St Helens College) and accessibility improvements/aids (Blackburne House). All schemes of works are either well underway (with September 2016 completion dates) or have already been completed and claims submitted.

Strand 4- Low Carbon

- Has delivered efficiencies to the carbon footprint of the FE Estate including reductions to energy bills by installation of new LED lighting, improved insulation, general energy management measures and boiler replacement works. With the exception of 1 project (Hugh Baird College) all projects are now completed and claims submitted and / or paid out, with 2 projects having submitted project variations to agreed timescales as part of this.

APPENDIX TWO
SITES AND PREMISES - LATEST APPRAISAL OUTCOMES

Applicant	Overall Assessment Score (out of 52)	Project Description & Learner Outcomes	Total Project Value (£)	Grant Value (£)	Intervention Rate (%)	Clarification Issues outstanding
Myerscough College – Croxteth Campus Re-development Phase 1	**43**	Description Creation of specialist new build facilities for equine and animal studies courses. Learner Outcomes • 59 new apprenticeships; • 10 Adult Skills classroom based learners (19 year old+); and • 36 new Traineeships	£2,996,500	£1,997,000	66%	• Full planning permission for the development.
Wirral Met College - Wirral Waters University Health Campus	**41**	Description New build University Health Campus project at Wirral Waters Enterprise Zone to provide a flexible learning space focused on healthcare pathways from Further Education to Higher Education. Learner Outcomes • An additional 105 new Apprenticeships; • An additional 137 new Adult Skills classroom based learners; and • No additional Traineeships.	£5,655,000	£2,200,000	39%	• Provision to be made in the development agreement to safeguard the investment in learning at the site.

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Liverpool City Region
Local Enterprise Partnership

Skills for Growth Delivery Model for 2016/17 and 2017/18

LEP Board Meeting 21 July 2016

Sue Jarvis
Knowsley Council

1. PURPOSE OF REPORT

The report outlines proposals for the implementation of an impartial skills and apprenticeship brokerage service (working within the landscape of existing provision) to deliver the Skills for Growth programme in 2016/17 and 2017/18.

2. RECOMMENDATIONS

2.1 It is recommended that the Local Enterprise Partnership (LEP) Strategic Board:-

(a) Endorse Model A as the operating model to establish the Liverpool City Region impartial skills and apprenticeship brokerage service aligned with the Local Growth Hub; and

(b) Note that the Combined Authority Lead Officer: Employment and Skills will progress this work in conjunction with the Local Growth Hub.

3. BACKGROUND

3.1 The Liverpool City Region secured £4.6m via the Local Growth Fund (over the period 2015/16 - 2017/18) to help businesses access the specialist skills they need for growth. This Skills for Growth funding flows through to the Combined Authority from the Skills Funding Agency rather than via the Local Growth Fund block grant. The agreed expenditure profile is as follows:-

Table 1 – Skills for Growth Expenditure Profile

	Phase 1	Phase 2		Total
	2015/16	2016/17	2017/18	
£m	1.550	1.550	1.500	4.600

3.2 The Phase 1 (2015/16) delivery model was designed to build on the work of the Liverpool City Region Apprenticeship Hub and World Host training alongside utilising an existing provider consortia to ensure that the challenging spend targets for 2015/16 had a chance of being achieved. Development work with the Local Growth Hub was also included to help prepare for the introduction of an independent professional skills and apprenticeship brokerage service to be implemented from 2016/17 (Phase 2).

3.3 The introduction of an independent skills and apprenticeship brokerage service is keenly supported by the Skills Funding Agency with the view to using the brokerage service to stimulate progression to and the promotion of Apprenticeships with employers as part of a blended learning package to support the Government's commitment to deliver 3 million Apprenticeships by 2020.

3.4 From April 2017, all Apprenticeship funding (including the new Apprenticeship levy) will be accessed through a new Digital Apprenticeship Service. Other complementary Apprenticeship reforms include the development of new Standards to replace the existing Apprenticeship frameworks and a requirement for all employers to contribute financially to all new Standards delivery.

3.5 Liverpool City Region Combined Authority will also assume responsibility for the Apprenticeship Age Grant from August 2016 as part of the Devolution Agreement.

3.6 Given the scale and complexity of these changes it will be important that employers have access to impartial, professional advice on skills and Apprenticeships to enable the Liverpool City Region's ambitions for growth to be realised. This is especially true as employers will be expected to negotiate with training providers on the price for training as a result of the

Apprenticeship reforms. Support on this aspect is a key feature of the Phase 2 programme design.

4. PHASE 2 – DEVELOPMENT OF AN IMPARTIAL BROKERAGE SERVICE

Funding Conditions

4.1 Phase 2 of the Skills for Growth programme is to establish a strategic skills and apprenticeship brokerage function. The funding conditions include providing access for employers to specialist expert skills brokers who can pull together blended packages of learning (including Apprenticeships) as well as facilitate access to the Skills for Growth training grant offer with the aim of levering in employer co-investment and additional Apprenticeship opportunities (where appropriate).

4.2 The Skills Funding Agency are clear that the impartial brokerage service must deliver added value and additional resources to existing business and skills support services within the Liverpool City Region.

4.3 Table 2 provides a summary of the agreed funding profile. This will be reconciled quarterly against an agreed set of milestones with full reconciliation by the Skills Funding Agency at the end of March each year.

Table 2 – Funding profile

	2016/17 £m	2017/18 £m	Total £m
Brokerage Service	0.300	0.300	0.600
Programme, Development, Management and Evaluation	0.100	0.100	0.200
Skills for Growth Training Delivery Grants	1.150	1.100	2.250
TOTAL	1.550	1.500	3.050

4.4 The majority of funding is for training grants for SME's to facilitate business growth. To access this funding, businesses will be required to complete an Organisational Needs Analysis and put in place an Individual Training Plan. The grant funding must flow to a chosen training provider (and not the employer) and the training intervention must be tracked using the national Individual Learner Records system.

4.5 The overall programme must generate employer co-investment at 20% (assumed contribution) of the funding agreement level with an aspiration towards 30% contribution. In addition there is an average value for money expectation of less than £2,000 per training intervention.

4.6 Within the funding agreement a maximum of £0.800m is available to fund non training activity. This includes specialist brokers, project development/management costs, further development of the web interface, and the design of a simplified quality tool to inform employer choice of training providers and programme evaluation.

Liverpool City Region Requirements of the Service

4.7 A recent independent evaluation (May 2015) reported the '*value of an independent brokerage model for employers working to design and tailor skills requirements to individual needs as part of a demand led funding system'*. This reinforced the findings of the Campaign for Learning's evaluation of Train to Gain, which showed that employers valued:-

- Ability to identify potential funding to support training activities;
- Expertise and knowledge of the broker;

- Brokers knowledge of training solutions;
- Brokers ability to translate company needs into an action plan; and
- Brokers understanding of training and development needs.

4.8 It is essential that the Liverpool City Region makes the most effective use of our collective resources working together. The operational set up of Phase 2 of the programme must ensure a strategic approach to the deployment of the funds so that the skills and apprenticeship brokerage service not only provides employers access to the training grants (including AGE) but helps the City Region make the step change required in response to Apprenticeship reforms and devolution.

4.9 As well as working with referrals from business advisors through the Local Growth Hub, the specialist service will accept referrals from other sources, including the City Region's Apprenticeship Hub and Trade Unions: there are increased links with Unionlearn in particular which can be enhanced. This will ensure that the right support is provided to the right business when it is required.

5. OPERATIONAL DELIVERY MODELS

5.1 There are two operational models that will suit the delivery of the service offer set out in Appendix One. These are:-

Model A – Liverpool City Region Centrally Operated Function

5.2 This model proposes a single centrally located skills and apprenticeship brokerage service within the City Region aligned with the Local Growth Hub. This would work closely with other organisations operating in the City Region (for example, Apprenticeship Hub and Trade Unions) for the purposes of generating leads and responding to business needs.

The strengths of this approach are:-

- Resources can be deployed strategically and used flexibly;
- Offers the opportunity for consistency of messaging and advice and guidance for employers across the City Region;
- Efficient administration and management of the training grant element which will ensure due diligence, administration and performance management functions are in a single place;
- Would allow for some sector specialist brokers to be recruited; and
- Will allow for City Region wide strategic targeting of employers on geography, size and sector footprint.

Model B – Fully Commissioned Operating Function

5.3 A fully commissioned function with the successful applicant taking on responsibility for the skills and apprenticeship brokerage service functions and management and administration of the grant alongside the due diligence process. The service provider would need to be able to fully comply with the service offer set out at Appendix One. The benefits of this approach are:-

- City Region role will be to performance manage the contract rather than the operational delivery of the service;
- Buys additional skills expertise working at the direction of the City Region;
- Offers the opportunity for consistency of messaging and advice and guidance for employers across the City Region via a single point of contact;
- The contract will provide a central function for the due diligence, administration and management of the training grant element;
- Option to specify sector specialist broker requirements;

- Specification will set City Region wide strategic targeting of employers on geography, size and sector footprint; and
- Commissioned service will be expected to work closely with the Growth Hub (feeding into the CRM system) and other intermediaries.

5.4 Both models have similar benefits, although Model B offers less benefit from a strategic perspective and the impartiality of the service may be a constraint as it is likely that potential applicants will have some form of connection to training delivery. Model A is recommended as the preferred operational delivery model as it is more likely to facilitate collaboration across organisations and will enable the alignment of resources to deliver against the City Region's Single Growth Strategy and Skills for Growth priorities.

6. RISKS AND MITIGATION

6.1 There is a risk that the opportunities afforded by the programme to advance the strategic work on Apprenticeship reform will be missed. This will be mitigated by ensuring the chosen model can deliver this aspect of the service requirements.

6.2 There is a risk that the programme funds training that would have been otherwise supported by other programmes. This will be mitigated by putting in place an impartial Skills Brokerage Service with expert advice that offers holistic access to employer skills programmes from a range of funding sources.

6.3 There is a risk that the programme may support training with little wider economic value. This will be mitigated by having a clear scheme that utilises Organisational Needs Analysis and by the use of Skills Brokerage advice to ensure training is that most needed by the beneficiary business.

6.4 There is a risk that the programme overspends its allocation or is unable to spend the full allocation within the next two years. This will be mitigated by tight and regular performance monitoring and the facility to flex and evolve the programme to respond to other employer related skills programmes and policy changes as they emerge.

6.5 There is a risk that the programme implements a sub optimal model skills brokerage model. This will be mitigated by recommending a strategic model which adds value and works alongside existing support.

7. CONCLUSION

7.1 This report has outlined potential operating models for the establishment of the Liverpool City Region impartial skills and apprenticeship brokerage service aligned with the Local Growth Hub. It recommends that the Local Enterprise Partnership (LEP) Strategic Board endorses Model A as the preferred operating approach and that the Combined Authority Lead Officer: Employment and Skills progresses the work required to implement this model in conjunction with the Local Growth Hub.

MIKE HARDEN
Lead Officer: Employment and Skills

Contact Officers:-
Sue Jarvis, Knowsley Council (0151 443 3559)
Appendices:-
Appendix One – Impartial Skills and Apprenticeship Brokerage Service
Background Documents:-
None

APPENDIX ONE

IMPARTIAL SKILLS AND APPRENTICESHIP BROKERAGE SERVICE

1. Overview of Service

To provide a strategic service offer across the Liverpool City Region, with specialist skills expertise and resources available to help support the Apprenticeship agenda, especially in relation to the introduction of the levy within the public and private sector and implementation of the wider Apprenticeship reforms.

The direct face to face service offer to employers will include:-

- Tailored specialist skills brokerage and advice to employers;
- Help for employers with the identification and sourcing of the skills they need to enable their business to grow;
- Support to local Colleges and training providers to articulate their skills offer in a way employers understand;
- Enabling employers to understand and work with skills reforms including the Apprenticeship levy and changes to Apprenticeship Standards and practices as assessments are separated out from the training delivery;
- Supporting businesses to access the Digital Apprenticeship Service, that details their levy contributions;
- Empower employers to make informed choices when choosing Colleges and providers including negotiating price; and
- Helping employers to access public funds for wider skills training as appropriate and maximising the use of their own training budgets.

2. Impact Measures

The skills and apprenticeship brokerage service must deliver the following benefits:-

- Compliance with the Skills Funding Agency funding conditions;
- Strategic alignment with City Region skills ambitions and the devolution agenda;
- Alignment with existing provision and single branded point of contact for employers thus hiding the wiring;
- Collaboration on Apprenticeship levy opportunities around pooling and supply chain access;
- Better curriculum alignment with economic growth and employer demand, building on the Skills for Growth Agreements and Annual Reports;
- Provide a service package to Liverpool City Region businesses. Predominantly to SME's but also larger employers in response to inward investment or to accelerate growth opportunities, supporting eligibility assessment/registration, facilitating employer provider selection, negotiating price and training content and then buying it, rather than being supplier driven;
- Providing advice and guidance on future dual provider requirements e.g. training and independent assessment as two separate providers and employers accessing a wider workforce development package;
- More innovative training projects and increased employer investment in wider workforce training; and
- Simplified Web-interface and quality tool, aligned to existing services/offers.

3. Sustainability of the Service

As part of the development and implementation of the service it will be important to factor in sustainability options e.g. how can the service be designed so that ultimately it may be something that employers will pay for? This aspect could be linked to savings made through price negotiation or the quality and value of the service itself. The Skills Funding Agency expects the development of sustainability options as part of the conditions for funding.

4. Service Deliverables as detailed in the Skills Funding Agency Contract

- 300 Employers will be informed of the business benefits of Higher and Degree Apprenticeships;
- 400 Employers will be advised on the differences between Apprenticeship frameworks and standards and the relative benefits of either route for their business during the period of dual running;
- 400 Businesses will be informed of the impact of the Apprenticeship Levy and the business benefits of including Apprenticeship delivery within workforce development planning;
- 107 Workforce development plans and skills succession plans developed and implemented;
- 100 Employers will be actively encouraged to offer work experience as part of traineeship delivery or links to school education business link partnerships and the Careers Development Company;
- 50 Employers will offer an Apprenticeship via the new standards across the project lifetime;
- 240 Employers engaged;
- 80 New Employers engaged through brokerage and 1:1 intervention;
- 80 Apprenticeship Referrals;
- Integrated Brokerage Service in place;
- 140 Organisational Needs Analysis Completed and Training Plans agreed;
- Twice yearly Customer Satisfaction surveys completed; and
- Final Impact Assessment and Evaluation by July 2018.

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Liverpool City Region
Local Enterprise Partnership

Transport – Alstom Transport Technology Centre

LEP Board Meeting 21 July 2016

LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Chair and Members of the Combined Authority

Meeting: 15 July 2016

Authority/Authorities Affected: ALL

EXEMPT/CONFIDENTIAL ITEM: No

REPORT OF THE LEAD OFFICER: ECONOMIC DEVELOPMENT

LIVERPOOL CITY REGION GROWTH DEAL SCHEME – ALSTOM TRANSPORT TECHNOLOGY CENTRE

1. PURPOSE OF REPORT

1.1 The purpose of this report is to request approval of the outline business case for the Alstom Transport Technology Centre proposal and allocate £5m to the project subject to the satisfactory appraisal of a Full Business Case.

2. RECOMMENDATIONS

2.1 Liverpool City Region Combined Authority are recommended to:-

a) Invite Alstom to come forward with a Full Business Case application in respect of the Alstom Transport Technology Centre for a £5m allocation of Local Growth Funds, in accordance with the Assurance Framework process agreed by the Combined Authority and shared with Government. The Outline Business Case has been independently appraised on behalf of the City Region and demonstrates very good value for money;

b) Make £5m of Local Growth Fund available to the project subject to a satisfactory Full Business Case being independently appraised by the Combined Authority and the S73 Officer and to the project applicant being informed of this so they can further develop the project; and

c) Agree to consider the Full Business Case by written procedure to allow an urgent approval if necessary and in line with scheme requirements.

3. BACKGROUND AND RATIONALE

3.1 The City Region was allocated £15.6m of Local Growth Fund resources at the end of 2014 in respect of £15.6m capital funding in order to support land and property schemes where public investment was required to bring them forward.

3.2 The capital fund allocation of £15.6m was approved in full by Government and was part of an Local Growth Fund 2 funding settlement.

3.3 A provisional allocation of £5m has been discussed and set aside for the project subject to a satisfactory Business Case including due diligence, value for money and state aid requirements being satisfactorily appraised.

4. ALSTOM OUTLINE BUSINESS Combined AuthoritySE

4.1 The Business Case put forward by Alstom Transport UK Ltd (Alstom) is to create a major new rail facility for the UK (referred to by Alstom as Project Chambertin). If all three phases of the project are taken forward, it could involve approximately 450,000 sq ft (42,000 sq m) being constructed on the HBC Field site at 3MG Widnes, employing some 600 people and providing a new North West Rail Skills Academy. The Outline Business Case has now been submitted and has been assessed independently by Amion Consulting.

4.2 The Outline Business Case is broadly consistent with HM Treasury's Green Book and Business Case Appraisal process and met the conditions requested by the combined authority in January 2016 subject to further due diligence, as outlined in the Outline Business Case appraisal.

4.3 The Executive Summary of the Outline Business Case appraisal is attached to this report as Appendix One. The full appraisal can be made available to Members of the Combined Authority on request but has not been circulated as it includes commercially sensitive information.

4.4 The appraisal has made a series of recommendations for the Combined Authority to consider when making a grant funding agreement and these will be considered by the Combined Authority and negotiated with the project sponsor as part of the development of the Full Business Case.

4.5 It is worth noting that the appraisal of the Alstom Transport Technology Centre is broadly consistent with the approach being proposed in the Single Investment Fund Assurance Framework under consideration elsewhere on this agenda and complies with HM Treasury's Green Book and Business Case Appraisal process.

4.6 A Full Business Case will be requested from Alstom and it is expected that this will come forward for approval to the Combined Authority quickly as there are significant timing imperatives for the scheme to start on site and be state aid compliant.

5. RESOURCE IMPLICATIONS

5.1 Financial Implications

5.1.1 The approval of the outline business case for Alstom's Transport Technology Centre will commit £5m out of the £15.6m of Local Growth Fund 2 resource available for capital funding.

5.1.2 In line with established assurance framework processes that govern Local Growth Funds, the Outline Business Case has been independently scrutinised by an independent party on behalf of the Treasurer of the Combined Authority.

5.1.3 This independent review considers the methodology that has been applied to calculate employment and GVA impacts to be, on the whole, reasonable and robust, demonstrating that the project represents good value for money when compared with benchmarks. The annual Benefit to Cost (BCR) ratio has been estimated by the independent assessor to stand at 6.9:1, with a cumulative BCR of 19.9:1, which constitutes good value for money.

5.1.4 The financial case for public sector funding appears to be valid and a requirement for £5 million of public sector grant funding is identified in order to meet the approval thresholds applied by Alstom HQ to large scale capital projects. However, there is a need for the costs and approval thresholds to be independently appraised and verified at the Full Business Case stage.

5.2 **Human Resources**

5.2.1 There are no Human Resources implications associated with the implementation of the recommendations in this report.

5.3 **Physical Assets**

5.3.1 There are no Physical Assets implications associated with the implementation of the recommendations in this report.

5.4 **Information Technology**

5.4.1 There are no Information Technology implications associated with the implementation of the recommendations in this report.

6. RISK AND MITIGATION

6.1 Any risks in relation to the delivery of the project are borne by the developer Alstom Transport UK. The grant funding agreement between the Combined Authority and the developer will include all relevant grant conditions to protect the position of the Combined Authority as outlined in the appraisal report.

6.2 Specifically, mechanisms will be put in place to safeguard their funding position in the event of abandonment, asset disposal and the treatment and management of risk, specifically in relation to potential cost overruns and delivery against key milestones.

6.3 Suitable clawback arrangements will also be established to allow for repayment of part or all of the grant if the overall rate of return ends up being in excess of the target rate.

7. COMMUNICATIONS ISSUES

7.1 A communications plan and protocol for the Local Growth Fund has been developed by the Local Enterprise Partnership and Combined Authority to ensure that the City Region maximises the profile of schemes which it has supported.

8. EQUALITY AND DIVERSITY IMPLICATIONS

8.1 As part of developing an Outline Business Case, scheme promotors must give due consideration to the equality and diversity implications of their scheme and what mitigation measures if any will be required.

8.2 No concerns were raised in the assessment of this Outline Business Case.

9 CONCLUSION

9.1 Based on the outcome of the independent appraisal of the Outline Business Case for the Alstom Transport Technology Centre, this report seeks approval of the Combined Authority to proceed to FBC and to issue a conditional offer letter for a total of £5m to the scheme.

GED FITZGERALD
Lead Officer: Economic Development

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Appendices:-
Appendix One – Executive Summary of Independent Appraisal of Outline Business Case

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Executive summary

Overview of the project

AMION consulting was commissioned by Merseytravel on behalf of the Liverpool City Region Combined Authority (LCR CA) in June 2016 to appraise the Business Case put forward by Alstom Transport UK Ltd (Alstom) to create a major new rail facility for the UK (referred to by Alstom as Project Chambertin). If all three phases of the project are taken forward, it could involve approximately 450,000 sq ft (42,000 sq m) being constructed on the HBC Field site at 3MG Widnes, employing some 600 people and providing a new North West Rail Skills Academy.

Based on recent tendered performance, with contracts for the Great Western line, East Coast Main line, Thameslink and Crossrail going to Hitachi, Siemens and Bombardier respectively, Alstom UK management believes that there is a necessity to have a manufacturing plant in the UK to secure future orders. However, Alstom HQ, based in France, would rather wait for a contract win before investing in a new manufacturing facility.

The UK Alstom management has established a plan to invest in an interim solution, which would meet short-term strategic need while also allowing for expansion into a longer term solution on site. This solution involves Phase 1 of the project proposals and would enable essential maintenance work (the PENDOLINO mid-life paint and refit) to be undertaken in house and, it is argued, make the subsequent investment in a new train manufacturing facility more likely.

The Grant Funding Business Plan prepared by UK Alstom's management team states that without further funding the Phase 1 proposals do not pass the capital approval thresholds of the Group and is therefore not able to be progressed for Board approval. Alstom are requesting £5 million of funding support to allow the investment case for Phase 1 to pass the Groups' capital approval thresholds, enabling the project to proceed.

Strategic Case

There is a clear business need for the project in terms of the short and longer term requirements of the company, relating to the PENDOLINO mid-life upgrade and the desire to secure future major contracts, thus expanding Alstom's footprint in the UK. The strategic rationale for intervention is also strong, with a large programme of planned activity coming forward, including in relation to HS2 and national electrification work, coupled with recognised skills shortages within the UK rail industry.

The benefits expected to be generated by the proposed development align closely with the identified priorities for the Liverpool City Region, particularly in terms of supporting the provision of more sustainable employment and high value jobs. The development of the HBC Field site will also help to generate momentum in bringing forward other investment within the wider 3MG area and aligns with the recognised strategic importance of investing in advanced manufacturing.

Economic Case

The Business Plan estimates that Phase 1 of the project will create 476 net additional jobs at the City Region level, providing an overall GVA per annum impact of £43 million. The methodology applied within the Business Plan to calculate the employment and GVA impacts is considered to be, on the whole, reasonable and robust, demonstrating that the project represents good value for money when compared with benchmarks.

As part of the review of the business case, a number of more cautious adjustments have been applied. On the basis of this approach, the project would be expected to create 302 net additional jobs at the City Region level and generate an overall GVA per annum impact of £35 million. This still represents good value for money against a public sector cost of £5 million.

Appraisal summary table		
	Alstom Business Plan	**Business Plan review**
Public sector financial cost	£5 million	£5 million
Discounted public sector cost	£4.9 million	£4.9 million
Net additional jobs	476	302
Net additional GVA, discounted (annual)	£41.6 million	£33.8 million
Net additional GVA, discounted (cumulative, 3 years)	£120.5 million	£98.1 million
Significant non-monetised impacts	Creation of a new North West Rail Skills Academy, providing 15,000 training days per annum Subsequent investment and the creation of 400 further jobs, dependent on securing additional manufacturing contracts Agglomeration benefits associated with bringing forward a site within a key strategic area	Creation of a new North West Rail Skills Academy, providing 15,000 training days per annum Subsequent investment and the creation of 400 further jobs, dependent on securing additional manufacturing contracts Agglomeration benefits associated with bringing forward a site within a key strategic area
Discounted public sector cost per job	£10,300	£16,300
BCR (annual GVA)	8.5 : 1	6.9 : 1
BCR (cumulative GVA)	24.5 : 1	19.9 : 1
Value for money category	Good	Good

Commercial Case

The commercial structure is considered to be clear and straightforward. Subject to obtaining funding approval and in turn internal Board approval, Alstom will take full responsibility for the development of the site and operation of the new facility. There is no requirement for public sector intervention beyond initial funding support. The project also seems to be well developed and in a position to proceed quickly, with few dependencies and constraints beyond securing planning consent and funding approval

Financial Case

The financial case for public sector funding appears to be valid, subject to an independent review of the costs, with a detailed financial model prepared by Alstom informed by land purchase negotiations and a construction procurement exercise. A requirement for £5 million of public

sector grant funding is identified in order to meet the approval thresholds applied by Alstom HQ to large scale capital projects. The approval thresholds are:

- net cash out to be no more than £10 million per year in 2016/17 and 2017/18;
- IRR to be at 14%; and
- payback to be 7 years.

It is considered that the financial model has been informed by a robust, evidence based process. However, there is a need for the costs and approval thresholds to be independently appraised and verified at the Full Business Case stage. Suitable clawback arrangements will also need to be established to allow for repayment of part or all of the grant if the overall IRR of Phase 1 ends up being in excess of the target rate.

Management Case

The Business Plan sets out the overall structure of the UK management and how the project is to be managed by a special project team established for the development. Alstom has recent experience of delivering similar projects elsewhere in the UK and a strong and successful track record within the rail industry, including large contracts associated with Crossrail and the National Electrification programme.

The Business Plan incorporates a relatively detailed risk register, with controls set out in relation to each main risk area. However, despite active management by Alstom, there remains the risk that construction costs will continue to increase and/or timescales slip such that Alstom is not able to undertake the PENDOLINO paint contract in-house. Both such instances could lead to the project being abandoned. It will therefore be important that the Combined Authority put in place mechanisms to safeguard their funding position in the event of abandonment.

Recommendations

Overall, it is considered that on the basis of the Business Plan prepared by Alstom, and the supporting information, a reasonable case exists to provide grant funding of £5 million in support of the proposed project. There are, however, a number of recommendations that the Combined Authority should consider in determining whether to approve the provision of grant funding. These include the following:

- the Combined Authority needs to be satisfied that £5 million is the minimum public sector grant necessary for the project to proceed. In developing the Full Business Case, an independent appraisal should therefore be sought of the project costs;
- linked to the above, confirmation should be sought from the Group HQ that the project would not proceed without public sector funding due to a failure to meet the hurdle criteria identified within the Business Plan;
- clawback arrangements should be agreed, incorporating an ex-post assessment of the Group's hurdle criteria, to enable repayment of part or all of the grant if the overall IRR of Phase 1 ends up being in excess of the target rate;
- consideration should be given to recycling part of the uplift in business rates resulting from the project to the Combined Authority in line with the principles agreed in the Single Investment Fund; and

- any grant funding agreement should fully reflect the issues raised in this review, including clawback arrangements, asset disposal and the treatment and management of risk, specifically in relation to potential cost overruns and delivery against key milestones.

Liverpool City Region
Local Enterprise Partnership

Local Growth Fund Performance 2015-16

LEP Board Meeting 21 July 2016

LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Chair and Members of the Combined Authority

Meeting: 15 July 2016

Authorities Affected: All

EXEMPT/CONFIDENTIAL ITEM: No

REPORT OF THE TREASURER

LOCAL GROWTH FUND PERFORMANCE 2015/16

1. PURPOSE OF THE REPORT

1.1 The purpose of this report is to advise members of the Combined Authority of the financial outturn of various schemes within the 2015/16 Local Growth Fund allocation (Local Growth Fund 1) and to seek approval for measures to ensure delivery of the Local Growth Fund Programme in 2016/17 and beyond.

2. RECOMMENDATIONS

2.1 Liverpool City Region Combined Authority are recommended to:-

a) Note the contents of the report and its various appendices;
b) Approve the creation of a post of Project Manager to provide dedicated resources to the Employment and Skills Capital programme; and
c) Seek regular updates from the Treasurer on progress against Local Growth Fund 1 targets in 2016/17 and beyond.

3. BACKGROUND

3.1 Local Growth Fund 1 Financial Overview 2015/16

3.1.1 The Liverpool City Region Combined Authority is managing a programme of major schemes that take advantage of its allocation of Local Growth Fund monies in the first round of this process.

3.1.2 Table 1 summarises the Local Growth Fund 1 Programme which will be delivered across 14 schemes between 2015/16 and 2018/19.

Table 1: Local Growth Fund 1 Programme Summary

Local Growth Fund 1	Total £m
Transport Schemes	
Access and Connectivity Improvements to KIP	**5.60**
A5300 Knowsley Expressway	**3.97**
Newton-le-Willows Interchange	**14.40**
Halton Curve	**16.07**
Maghull North	**6.20**
North Liverpool Key Corridors	**13.30**
M58 Junction Improvements	**5.50**
City Centre Strand Corridor	**5.40**
Total Transport	**70.44**
STEP	**41.40**
IFB 2016	**5.00**
Total STEP & IFB	**46.40**
Skills capital and low carbon	
Strand 1 - Specific building projects fund	**23.57**
Strand 2 - Conditions Improvement Fund	**4.04**
Strand 3 - Capital Equipment Fund	**6.96**
Strand 4 - Low Carbon Fund	**6.50**
Total Skills & Low Carbon	**41.07**
Devolved Majors	
A570 Linkway	**4.27**
Silver Jubilee Bridge	**3.64**
Windle Island	**3.85**
Devolved Majors - unallocated	**12.10**
Total Devolved Majors	**23.86**
Total Local Growth Fund 1	**181.77**

3.1.3 A detailed breakdown by year is attached in Appendix 1.

3.1.4 Table 2 shows the financial performance in 2015/16 against the original profile of spend.

Table 2: Local Growth Fund Spend against Programme 2015/16

Local Growth Fund 1 Outturn 2015/16	2015/16 Allocation £m	Total Spend £m	Variance to budget £m
Transport Schemes			
Access and Connectivity Improvements to Knowsley Industrial Park	5.60	3.00	-2.60
A5300 Knowsley Expressway	3.50	2.10	-1.40
Newton-le-Willows Interchange	4.40	2.04	-2.36
STEP	6.90	6.18	-0.72
Skills capital and low carbon			
Strand 1 - Specific building projects fund	8.60	4.20	-4.40
Strand 2 - Conditions Improvement Fund	2.00	0.86	-1.14
Strand 3 - Capital Equipment Fund	1.00	0.17	-0.83
Strand 4 - *Low Carbon Fund - see below	1.50	1.43	-0.07
IFB 2016	0.00	3.00	3.00
CA Allocation	**33.50**	**22.98**	**-10.52**
Actual Funding Provided	**32.00**		**-9.02**
Outside of Local Growth Fund monies			
Growth Hub	**0.55**	**0.55**	0.00
Skills for Growth**	**1.55**	**0.95**	-0.60

*** - residual activity under this project can continue until 31 July 2016; for this reason the full expenditure position on this project will not be known until August 2016*

3.1.5 Table 2 shows an underspend against the Local Growth Fund funding provided profile of £9.02m. This underspend occurred largely as a result of procurement delays at the implementation stage of large highways projects within the scheme and a decision to pause the allocation process for the Employment and Skills element as a result of the Area Based Review.

3.2 **<u>Local Growth Fund 1 Programme Overview 2015/16: Transport Schemes</u>**

3.2.1 Appendix 1 shows the detailed progress and rating of each of the Local Growth Fund 1 schemes that commenced in 2015/16. This appendix also shows the progress and rating of schemes due to commence in 2016/17 and 2017/18.

3.2.2 This shows that the Combined Authority continues to make very strong progress in delivering its key Local Growth Fund 1 programme and also shows that delays at the implementation stage of certain projects are not anticipated to have an impact on the ultimate delivery timescales associated with these projects.

3.2.3 A major exception to this is the rail element within the Programme, where the City Region is highly dependent on Network Rail. Merseytravel continues to work very

closely with Network Rail and significant progress has been made at Newton-le-Willows and in respect of Halton Curve.

3.2.4 A report will be taken to the Combined Authority in respect of Maghull North in 2016/17 once the full business case has been completed however we acknowledge that there have been delays with progressing to business case stage arising from our dependency on Network Rail to provide accurate cost estimates.

3.3 **Local Growth Fund 1 Programme Overview 2015/16: Employment and Skills**

3.3.1 The report also shows overall performance and progress in respect of the Employment and Skills Capital allocation.

3.3.2 By financial year end 2015/16, the City Region had committed £15.125m of Skills Capital funding across 30 approved projects. The categories of spend were:

Table 3: Skills Capital Allocation by Category

Strand	Number of Projects	Eligibility
1. Sites and Premises	8	• Opened to the 7 General Further Education Colleges and Other Approved Training Providers locally • 8 projects approved all via competitive calls
2. Improved Facilities	9	• Opened to the 7 General Further Education Colleges only • 7 projects approved as allocations, plus 2 approved by competitive call
3. Equipment	6	• Opened to the 7 General Further Education Colleges and Other Approved Training Providers locally • All 6 projects approved on a competitive basis
4. Low Carbon Fund	7	• Opened to the 7 General Further Education Colleges only (all 7 approved as allocations and programme managed by the LEP Low Carbon team)
Total	**30**	

3.3.3 £6.661m of the skills capital funding had been allocated in-year to grant recipients across all the approved projects, with £2.425m of forecast spend slipping into financial year 2016/17. Reasons for this include changes to planned programmes of work by the colleges to avoid disruption to learners and the pausing of the programme due to the devolution of responsibility for the conduct of the Area Based Review as part of the City Region's devolution deal.

3.3.4 In addition to those monies already allocated, a further 3 projects are pending approval, which would bring the total potential Skills Capital Investment Fund commitment figure to £21.505m.

3.3.5 Appendix 2 shows the allocations made by the Combined Authority to date.

3.4 **Financial Risks**

3.4.1 It is a requirement of Central Government that progress against the outcomes associated with this allocation is monitored closely and reported to government at least annually as a part of the grant conditions associated with this funding.

3.4.2 Ultimately, government will determine future funding based on the economic outcomes associated with our use of Local Growth Fund 1 monies, however in the early years there is an acknowledgement that determining economic outcomes will not be possible.

3.4.3 As a result, the grant conditions compel the City Region to report the progress of various schemes and to assure government that all spend is on capital.

3.4.4 Central Government accounting rules differ from Local Government in that funding is unable to be carried forwards or deferred between financial years. The implications of this are that there is a very real risk that monies allocated for a particular financial year will be lost if the City Region is unable to spend them in that year.

3.4.5 This lack of flexibility creates significant risks and problems for the City Region in profiling the spend of major schemes that span a number of financial years and as part of the devolution negotiation the City Region sought a relaxation of this requirement that was not forthcoming.

3.4.6 Government did, however recognise the difficulties caused by this and have allowed us the flexibility to divert unused Local Growth Fund funding into other areas of capital spend in a given financial year.

3.4.7 This facility has allowed us to mitigate the impact of an underspend in 2015/16 by diverting resources to existing City Region capital schemes. The resources that would otherwise have been employed to finance these schemes will then be used to finance the Local Growth Fund programme in 2016/17 to ensure that the overall programme is not disadvantaged.

3.5 **Programme Management**

3.5.1 Addressing this risk has been possible in 2015/16 as the extent of the underspend was able to be accommodated within the Combined Authority's other capital activity, however as the spend profile of Local Growth Fund 1 accelerates in 2016/17 and beyond, this device may no longer be possible and the risk of claw-back will become significant.

3.5.2 Because of this, the requirement for properly resourced, professional Programme Management capacity is paramount. Merseytravel have invested significantly in this area in 2015/16 in order to manage the transport schemes within the Local Growth Fund 1 allocation on behalf of the Combined Authority and the Combined Authority budget for 2016/17 provides for further investment in this area.

3.5.3 Combined Authority long term Programme Management arrangements form part of the on-going capacity building work approved by the Combined Authority at its meeting of 17 June 2016 and will be included in the report of the transition team.

3.5.4 There is a need for a resource over and above what is being provided by Merseytravel in the Employment and Skills Programme to ensure that the capital projects are delivered by applicants. There have also been capacity issues within the Further Education sector in managing the anticipated programme of work within the timescales available.

3.5.5 The scale and extent of the programme (with 30 projects now under way) mans that further capacity is required to support colleges with the project delivery oversight of this complicated programme of works.

3.5.6 As such, it is recommended that a post of Project Manager is created within the Merseytravel Programme Management Office to provide a dedicated resource to support the project delivery (once bids have been approved) of the Local Growth Fund 1 Programme in respect of Employment and Skills.

4. RESOURCE IMPLICATIONS

4.1 Financial Implications

4.1.1 The direct financial implications of this report are associated with the creation of a post of Project Manager in Merseytravel to oversee the delivery of the Employment and Skills Capital programme within Local Growth Fund 1.

4.1.2 The cost of this post, including pension and national insurance contributions is anticipated to be around £0.055m per year.

4.1.3 This has been provided for within the Combined Authority budget for its running costs in 2016/17 so there are no additional costs arising from this decision.

4.2 Human Resources

4.2.1 It is proposed that the additional post of Project Manager for Employment and Skills be employed by Merseytravel within its Programme Management Office on behalf of Combined Authority and that the postholder be subject to Merseytravel terms and conditions of employment.

4.2.2 It is proposed that this is a permanent post and that on delivery of the Employment and Skills element of Local Growth Fund 1 this resource will be available to provide project management in respect of other projects associated with the devolution agenda and within Merseytravel.

4.3 Physical Assets

None directly

4.4 **Information Technology**

None directly

5. RISKS AND MITIGATION

5.1 There is a very real risk that the Combined Authority does not achieve its desire outcomes from the Local Growth Fund 1 programme if schemes within the programme are not delivered.

5.2 This risk is exacerbated by the requirement to spend Local Growth Fund allocations in line with a profiled spend that was determined prior to scheme commencement.

5.3 The long-term impact of not achieving the desired outcomes will be under-performance of the regional economy, however there will be a more immediate risk of claw back and of difficulties in securing other government income streams. Demonstrating delivery success will build confidence in our capability and favourably position Combined Authority.

5.4 Effective financial and programme management is key to mitigating these risks and the recommendation in respect of Employment and Skills capacity addresses this.

6. EQUALITY AND DIVERSITY IMPLICATIONS

6.1 There are no specific equality and diversity issues arising from this report however equality analyses are undertaken as projects within Local Growth Fund 1 progress through the business case process.

7. COMMUNICATIONS ISSUES

7.1 A communications plan and protocol for the Local Growth Fund 1 programme has been developed with the Local Enterprise Partnership with support from Merseytravel, City Region authorities and central government.

8. CONCLUSION

8.1 Significant progress has been made in 2015/16 in respect of the Local Growth Fund 1 programme. Work has commenced on a number of major schemes while formal business cases have now been approved for other schemes within the programme.

8.2 The Combined Authority continues to encounter issues as a result of its reliance on third parties for a number of key schemes, however close working with Network Rail at the business case and delivery stage has enabled much progress within the rail element of the programme.

8.3 Progress within the Employment and Skills element of the programme has been strong, however the Area Based Review has resulted in a change to the profile of

spend that could have implications for deliverability within the spending profile agreed with BIS.

8.4 As a result, additional project management capacity is required to ensure that the City Region, and particularly the Further Education sector, can deliver this diverse and complex programme of works. It also underscores the importance of Programme Management more generally and this issue is within the scope of the Combined Authority Capacity paper approved by the Combined Authority on Friday 17 June 2016.

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Appendices
Appendix One: Local Growth Fund Allocations by year
Appendix Two: Skills Capital Allocations

SUMMARY OF LOCAL GROWTH FUND 1 SCHEMES

LOCAL GROWTH FUND 1	2015/16 Allocation £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m	Current Approval Status	Original BCR*
Transport Schemes									
Access and Connectivity Improvements to KIP	*5.60*		-	-	-	-	**5.60**	In delivery	2.90
A5300 Knowsley Expressway	*3.50*	0.47	-	-	-	-	**3.97**	In delivery	6.90
Newton-le-Willows Interchange	*4.40*	5.80	4.20	-	-	-	**14.40**	In delivery	3.37
Halton Curve		1.78	12.85	1.44	-	-	**16.07**	Full Business Case	2.10
Maghull North		2.30	3.90	-	-	-	**6.20**	Outline Business Case	1.42
North Liverpool Key Corridors		5.95	6.85	0.50	-	-	**13.30**	Full Business Case	4.36
M58 Junction Improvements		0.61	2.17	2.72	-	-	**5.50**	Outline Business Case	9.39
City Centre Strand Corridor		-	-	5.40	-	-	**5.40**	-	-
Total Transport	***13.50***	***16.91***	***29.97***	***10.06***	***0.00***	***0.00***	***70.44***		
Sustainable Transport Enhancements Programme (STEP)	*6.90*	6.90	6.90	6.90	6.90	6.90	**41.40**	In delivery	-
International Festival for Business (IFB) 2016	*0.00*	5.00	-	-	-	-	**5.00**	In delivery	-
Total STEP & IFB	***6.90***	***11.90***	***6.90***	***6.90***	***6.90***	***6.90***	***46.40***		
Skills capital and low carbon									
Strand 1 - Specific building projects fund	*8.60*	14.97	-	-	-	-	**23.57**	In delivery	-
Strand 2 - Conditions Improvement Fund	*2.00*	2.04	-	-	-	-	**4.04**	In delivery	-
Strand 3 - Capital Equipment Fund	*1.00*	5.96	-	-	-	-	**6.96**	In delivery	-
Strand 4 - Low Carbon Fund	*1.50*	5.00	-	-	-	-	**6.50**	In delivery	-
Total Skills & Low Carbon	***13.10***	***27.97***	***-***	***-***	***-***	***-***	***41.07***		
Devolved Majors									
A570 Linkway		0.90	3.37	-	-	-	**4.27**	Outline Business Case	2.91
Silver Jubilee Bridge		1.07	1.15	1.42	-	-	**3.64**	Full Business Case	1.60
Windle Island		3.08	0.77	-	-	-	**3.85**	Full Business Case	6.24
Devolved Majors - unallocated		-	-	-	2.70	9.40	**12.10**		
Total Devolved Majors	***0.00***	***5.05***	***5.29***	***1.42***	***2.70***	***9.40***	***23.86***		
Total Local Growth Fund 1	**33.5**	**61.83**	**42.16**	**18.38**	**9.60**	**16.30**	**181.77**		

***BCR = Benefit to Costs Ratio**

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Liverpool City Region
Local Enterprise Partnership

Skills for Growth Agreement: Health & Care

LEP Board Meeting 21 July 2016

Author:
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Knowsley Council

PURPOSE

1.1 The purpose of this report is to table the final draft of the Skills for Growth Agreement: Health and Care for consideration by the Local Enterprise Partnership.

2. RECOMMENDATIONS

2.1 Liverpool City Region Local Enterprise Partnership Board are recommended to:-

a) Endorse the Skills for Growth Agreement: Health and Care attached as Appendix One; and
b) Request that the implementation of this is monitored by the Health and Life Sciences Board.

3. BACKGROUND

3.1 Over recent years, the Employment and Skills Board has produced a suite of Skills for Growth documents. The purpose of this is work to clearly communicate the current and future skills needs of businesses to schools, colleges, training providers and universities to inform curriculum planning, new training provision and the design of employment and skills policy and programmes.

3.2 The Skills for Growth documents have taken three sets of information as their basis:-

- National and local statistics, to give a quantitative view on the trends and movements in the labour market;
- Insight from local employers, to give a qualitative view of current trends (this has been focused around the agreed Growth Sectors using the Local Enterprise Partnership (LEP) Panels and Boards to provide input); and
- Understanding of the imminent and longer term opportunities and developments in the City Region and beyond e.g. impact of opening of Liverpool 2 container terminal.

3.3 To date, 7 sector based documents have been produced which outline the current and future skills needs for that specific sector e.g. SuperPort, Life Science, Digital and Creative. These are complemented by an annual baseline review which looks to draw out the key labour market trends across the City Region as a whole and produce clear skills priorities for that particular year. This takes into account any changes in national policy, which this year includes the introduction of an Apprenticeship levy and the announcement of Area Based Reviews for post 16 providers.

3.4 These documents provide a useful planning tool for colleges, learning providers and universities and formed the basis of the Jobs for Tomorrow careers materials, which were developed to aid careers education and information, advice and guidance. They also provide an important evidence base to inform commissioning activity in the City Region, such as Skills Capital and European funding.

4. SKILLS FOR GROWTH AGREEMENT: HEALTH AND CARE

4.1 The latest document in the Skills for Growth Agreement series has been drafted to focus on the Health and Care sectors. This has received input from colleges, universities, training providers, social care and health employers and Councils and has been shared extensively through LEP networks.

4.2 The health and care sectors cover 17% of all employment in the City Region, employing over 106,000 people: this increased by 4.5% between 2009 and 2014. It is expected that the demand for employment will grow over the medium term notwithstanding the pressures that employers in both health and care face at the moment.

4.3 For care employers, they tend to have difficulties retaining entry level care workers, who are employed on minimum wage rates. There is continuing pressure to reduce costs from care commissioners whilst improving quality and the continuity of service.

4.4 Within health, the pressures come from a need to implement modernisation and change whilst improving the quality of care to patients and improving efficiency and value for money. Health remains a high priority nationally, and there is a regular clear steer from Ministers and Senior officials on the direction of travel. There are a multitude of occupational roles available and these are often very specialist and can prove difficult to recruit to. The balance also needs to be gained between the health support provided in primary care (which is most of it) and that in secondary care.

4.5 There is a clear need to focus support away from treatment towards prevention: this is a role for policy and commissioning, but there is a responsibility for all staff to have this perspective. Providers of training need to ensure that this is being built into provision from the very start of development. This training also needs to have more of a generic focus, given the clear overlap between health support and social care support.

4.6 The focus on apprenticeships through the introduction of the Apprenticeship Levy for employers from 2017 provides an opportunity for both health and care to consider new ways of meeting skills needs. This can be entry level or for technical occupations, through higher level apprenticeships: the recent announcement of the nurse apprenticeship is an example of this. There is more joint work that could be done with the Levy, and this will need to link to the implementation of the Apprenticeships commitments in the Devolution Agreement.

4.6 There is a thriving provider market for both health and care locally, with lots of good quality provision in place in both Further and Higher Education. This needs to continue to evolve to reflect new demands (particularly around technology) rather than delivering what has always been delivered. There is more work that can be done to align the offers from different providers to make it easier for employers to access provision.

4.7 There is more work that can be done on a City Region level as opposed to a regional and national level in terms of education. Significant activity and funds are delivered at a national and regional level (e.g. Sector Skills Councils, Health Education England) that could be undertaken at a City Region level. This will be taken forward as part of the on-going devolution discussions with Government.

4.8 The revised actions at section 4 of the Agreement are tighter and stronger, but there is still a gap in terms of case studies and good practice. The Board is asked to approve this version as the final version of the text, subject to the addition of no more than 5 case studies and examples of good practice.

5. NEXT STEPS

5.1 The LEP are in the process of establishing a Health and Life Sciences Board, which will bring together employers, commissioners and training providers in this sector; the implementation of this Agreement will be overseen by that Board once it is operational, which is expected in Autumn 2016.

5.2 The priorities identified within this Agreement will form part of the labour market information that the Combined Authority will use to inform its commissioning of skills funding. From 2017/18, this will include the ability to vary Adult Education Budgets for local colleges, to

ensure that they are meeting the skills needs of employers.

6. CONCLUSION

6.1 This report has tabled the Skills for Growth Agreement: Health and Care for endorsement by the LEP Board.

Appendices

Appendix One – Skills for Growth Agreement: Health and Care

LIVERPOOL CITY REGION

Appendix 1

Skills for Growth Agreement: Health and Care

Final – July 2016

1. POLICY CONTEXT

1.1. Scope of the sector

1.1.1. Health and Social Care forms a single SIC Code section; *'Human Health and Social Work activities'.* This SIC section is the largest sector by employment, representing 12.7 per cent of total employment in England and 14.4 per cent of employment in the North West in the year up to September 2014[1]. The sector is particularly important to the LCR economy where it represents 17.6 per cent of total employment.

1.1.2. This sector is divided into three main sub-sectors:

- **Human health activities:** This comprises the delivery of healthcare in primary, secondary and tertiary settings, by a range of healthcare professionals and support staff treating a wide variety of medical conditions.
- **Residential care activities:** This comprises the provision of residential care, which is combined with nursing, supervisory or other types of care as required by residents. The provision of residential facilities is a significant aspect of this subsector; and any healthcare provided is largely nursing (as opposed to medical).
- **Social work activities without accommodation**: This includes the provision of a range of social assistance services directly to clients (excluding any permanent residential services).

1.2. Human health activities

1.2.1. NHS provision comprises 77 per cent of the human health sub-sector, the remaining proportion comprising private provision (15 per cent) and sub-contracted provision (8 per cent)[2].

1.2.2. In its October 2014 Five Year Forward View[3] NHS England estimated that, with no action, meeting rising demand and cost pressures would require an extra £30bn above inflation for its budget by 2020/21. It is planning to make substantial efficiency savings of £22bn by 2020/21, but even if it is able to achieve that it will require annual increases to its budget rising to £8bn to bridge the funding gap. This would see the NHS England budget rise from £101.1bn in 2015/16 to £120.5bn in 2020/21, and at least £115.8bn in 2019/20[4]

1.2.3. A key driver of higher costs across the NHS has been a rising agency pay bill. In 2014/15 NHS providers spent £47.8bn on staff, up from £46.6bn in 2013/14, a 2.4% annual increase in real terms. This is partly due to a sharp rise in the number of full–

[1] BRES (2014) http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Employment+by+Industry+Sector#tab-data-tables
[2] ONS (2014) Human Heath Activities Industry Review – 2014
[3] NHS (2014) Five Year Forward View. Online at https://www.england.nhs.uk/wp-content/uploads/2014/10/5yfv-web.pdf
[4] http://www.health.org.uk/sites/default/files/HealthFoundationRepresentationTo2015CSR.pdf

time equivalent permanent nurses employed following the Francis Inquiry into poor care standards at Mid Staffordshire NHS Foundation Trust. The number of nurses rose from 307,800 in 2011/12 to 310,200 in 2013/14.14 But while permanent staff numbers increased there was a much larger increase in temporary staffing. In 2014/15 the NHS spent £3.8bn on temporary staff, a 25% increase in one year alone from £3.1bn in 2013/14. An increased reliance on agency staff and temporary staff is one of the key underlying causes of the rising operating costs in recent years.

1.2.4. The poor financial position of the NHS is mirrored in reduced growth in efficiency and productivity. At the start of the last parliament the NHS was tasked with increasing its efficiency by 4% a year. Research by Deloitte for Monitor suggests that between 2008/09 and 2012/13 efficiency increased by 1.2% a year. Updating this analysis to take account of performance in 2013/14, the rate of efficiency growth across NHS acute providers falls to an average of 0.4% a year between 2010/11 and 2013/14[5].

1.2.5. Service design and skills are a crucial factor in improving efficiency to help meet this funding gap. The introduction of the National Living Wage in April 2016 and the European Court Ruling on paying for travel time to the first client for peripatetic workers will add to the strain on services at a time there are increasing calls to secure high quality services (CQC and No Voice Unheard Green Paper).

1.2.6. The government is currently reforming the funding system for health students by replacing grants with student loans and abolishing the cap on the number of student places for nursing, midwifery and allied health subjects, enabling the provision of up to 10,000 additional nursing and health professional training places this Parliament. This aims to reduce the current reliance on agency staff. The move to loans will allow access to 25% more financial support for health students during their studies.

1.2.7. Other significant policy impacts affecting the sector include the forthcoming introduction of new statutory targets for public sector bodies to employ their fair share of apprentices. *English Apprenticeships: Our 2020 Vision*[6] identifies that the targets will apply to public bodies with 250 or more people working for them in England. The document comments that in December 2015 HM Government will publish a consultation which will give the rationale behind a minimum target of 2.3% and list the bodies proposed to be in scope. Following this and subject to Parliamentary approval, HM Government will put these targets in place in 2016. Public bodies will then be required to report annually on progress. The document identifies that the NHS has committed to delivering over 17,000 apprenticeship starts during 2015/16, reaching more than 100,000 in 2020. Key milestones for the Apprenticeship 2020 Vision comprise:

- February 2016: Publication of Funding Guidance 2016/17
- April 2016: End of NI contributions for apprentices under 25
- Spring 2016: Funding arrangements under the Levy.
- Autumn 2016 and annually: report on apprenticeship targets
- April 2017: Apprenticeship levy starts

[5] Health Foundation (2015) Health Foundation Representation to the 2015 Comprehensive Spending Review. Online at http://www.health.org.uk/sites/default/files/HealthFoundationRepresentationTo2015CSR.pdf

[6] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/482754/BIS-15-604-english-apprenticeships-our-2020-vision.pdf

- From April 2017: manage through Digital Apprenticeship Service
- April 2017: Institute for Apprenticeships established, new independent body led by employers, to regulate the quality of apprenticeships.

1.3. Residential care activities

1.3.1. The sustainability of the care market is reliant on cross-subsidy between different types of funding: NHS residents, local authorities and self-funders. The gap between council fees and provider costs has widened due to pressure on health and social care budgets, threatening the sustainability of the care market. Adass[7] reports that the funding for adult social care has fallen by £4.6bn in cash terms between 2010/11 to 2015/16, equivalent to 31% of real-terms net budgets. It reports that the percentage of savings secured through efficiency has fallen from 80% in 2014/15 to 75% in 2015/16. Over the same period, savings from income have increased from 4% to 6%, and from service reductions from 16% to 18%. Therefore fewer savings are proportionately being made from efficiencies and more from charges and reducing front-line services.

1.3.2. The number of people receiving local authority-funded care has fallen by 25% between 2009/10 and 2013/14 (-6.9% on average a year). Within this the reduction in access has been particularly great for those with a physical disability, falling by 7.9% a year since 2009/10 compared to 3.4% for those with mental health issues. This does not reflect reduced demand, but reduced supply due to inability to provide services within current budgets.

1.3.3. Going forward several policy changes will have a significant impact on the care sector:

- **The introduction of the National Living Wage** will have a considerable impact on 50-60% of front-line social care workers (700,000 to 1m workers). This is not just a significant number of people, but also has a significant estimated gross public cost of £2.3bn in 2020 (and a gross total cost of £3.8bn), in 2015/16 prices.[8] This cost largely falls on providers. There are considerable concerns about the extent to which the provider sector can absorb these additional wage costs. In response to budgetary pressures local authorities have been reducing the rates they pay both domiciliary and residential care providers for social care. Between 2010/11 and 2013/14 the rate per week for residential and nursing care fell from £673 to £611 in 2015/16 prices.
- **Travelling time -** The European Court of Justice has ruled that workers without a fixed office should count travelling to and from home to attend their first and last appointments of the day as working time. To do otherwise may be in breach of EU working time regulations. Several categories of worker will be affected by this ruling, not least care workers whose travelling to, and between, appointments is already subject to scrutiny in a case brought against MidHomeCare for breaching minimum wage legislation. Although this ECJ ruling does not apply directly to UK law, there is likely to be pressure from several quarters, including the unions, for the UK government to adopt it.

[7] Association of Directors of Adult Social Care. ADASS Budget Survey 2015.; 2015:1-30

[8] Gardiner L. Budgeting for the National Living Wage in the social care sector. 2015. http://www.resolutionfoundation.org/media/blog/budgeting-for-the-national-living-wage-in-thesocial-care-sector/.

1.3.4. There is evidence that, even at the current minimum wage, the care sector has minimum wage non-compliance problems, with around 160,000 care workers (out of 1.4m) being paid less than the minimum wage when all working time is considered. Pay is also falling behind low-skilled jobs in other sectors. The workforce is projected to increase by up to 1m additional jobs by 2025, based solely on expected changes in demand. Alternative projections by Skills for Care, based on a range of funding and provision scenarios, forecast increases in the number of social care jobs in England of 15-55% (up to 825,000 additional jobs) between 2013 and 2025[9].

1.4. Social work activities

1.4.1. The childcare sector is also characterised by significant funding issues. The 2015 NDNA Annual Survey[10] concluded that funding for free 15 hour per week nursery places falls short of costs by £800 per child per year for every three and four-year-old place and £700 for every two-year old place. However the Spending Review has pledged an additional £300m for early years care and education and the sector is now looking carefully at the details to establish whether the increase is sufficient to support the Government's ambitious promise of 30 hours' free childcare to working parents.

1.4.2. In addition the introduction of the National Living Wage has put nurseries and other caring sectors in the spotlight. Local authorities are looking at their own Living Wage policies and in some cases exploring extending this to their commissioned services, including providers of nursery places. Most nurseries are only able to pay the National Living Wage to some of their staff, with less qualified staff often paid at lower levels. Nurseries estimate that being required to pay the National Living Wage would push up fees by 13%[11].

1.5. Common issues

1.5.1. Both health and social care sectors are experiencing significant operational difficulties at the current time whilst undergoing service reform and change. The drive towards early intervention is strong whilst prevention and increased self-resilience are seen as key in ensuring that residents and communities are better able to look after themselves and need less input from formal services. This is something that is easier to write than to deliver, particularly at a time of operational challenge. There is a need to see this delivered, and ensure that staff have the skills required to deliver this change.

[9] Skills for Care. The Size and Structure of the Adult Social Care Sector and Workforce in England, 2014.

[10] Online at http://www.ndna.org.uk/AsiCommon/Controls/BSA/Downloader.aspx?iDocumentStorageKey=4ceabacd-471f-4c9d-8226-50006e1077a0&iFileTypeCode=PDF&iFileName=NDNA%20National%20Nursery%20Survey%20-%20England

[11] ibid

2. SECTORAL OVERVIEW

2.1. Scale of the sector

2.1.1. Almost three fifths of total sectoral employment is in the human health sub sector and over a third in relation to hospital activities (Table 2.1). Residential care activities comprise a fifth of total sector employment and social work activities just under a quarter of total employment. The profile of employment is similar at the LCR level with a slightly higher proportion of employment in hospital activities.

Table 2.1: Employment in health and social care, 2014, England and LCR

	England		LCR	
	Count	%	Count	%
Human Health activities	**1,811,390**	**57%**	**59,608**	**56%**
Hospital activities	1,131,201	35%	39,012	37%
Medical nursing home activities	52,661	2%	2,675	3%
General medical practice activities	218,064	7%	5,772	5%
Specialist medical practice activities	20,882	1%	397	0%
Dental practice activities	87,347	3%	2,413	2%
Other human health activities	301,235	9%	9,339	9%
Residential care activities	**622,945**	**20%**	**19,039**	**18%**
Residential nursing care activities	172,976	5%	5,430	5%
Residential care activities for learning disabilities, mental health and substance abuse	37,009	1%	1,110	1%
Residential care activities for the elderly and disabled	206,065	6%	5,008	5%
Other residential care activities	206,895	6%	7,491	7%
Social work activities without accommodation	**757,096**	**24%**	**27,855**	**26%**
Social work activities without accommodation for the elderly and disabled	240,133	8%	11,158	10%
Child day-care activities	157,117	5%	4,382	4%
Other social work activities without accommodation	359,846	11%	12,315	12%
Total health and social care employment	**3,191,431**	**100%**	**106,502**	**100%**

Source: BRES (2014)
http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Employment+by+Industry+Sector#tab-data-tables

2.1.2 The sector has a particularly strong presence in Wirral, Knowsley and Sefton where is comprises 22.9%, 21.0% and 18.4% of employment respectively (figure 2.1).

Figure: 2.1: Health and care sub-sectors as % of total employment, 2014

Source: BRES (2014)
http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Employment+by+Industry+Sector#tab-data-tables

2.1.3 Over the last 6 years employment in the sector has grown by 9.2% in England and 4.5% in LCR, in both cases above the level of overall employment growth (table 2.2) A number of sub-sectors have shown exceptionally strong employment growth: social work activities without accommodation for the elderly and disabled (81% growth in LCR); dental practice activities (41% growth in LCR) childcare (33% growth in LCR); residential nursing care (30% growth in LCR; and general medical practice activities (30% growth in LCR). A smaller number of sub-sectors have experienced contractions in employment: Residential care activities for learning disabilities, mental health and substance abuse (-29% in LCR); Other social work activities (-19% in LCR); Other residential care activities (-17% in LCR) and Specialist medical practice activities (-17% in LCR).

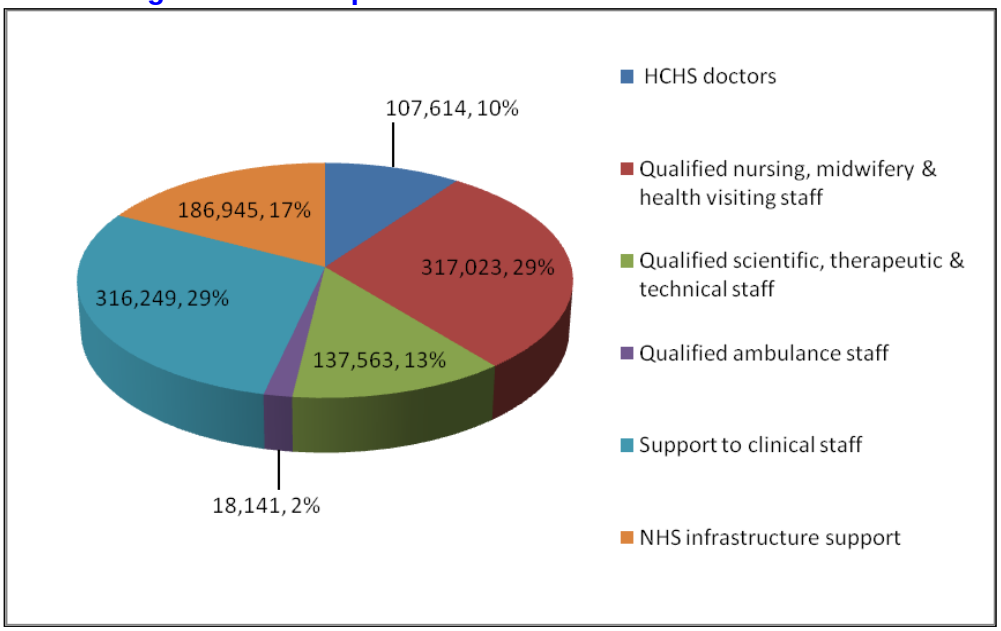
Table 2.2: Change in employment in health and social care, 2009-2014, England and LCR

	England			LCR		
	2009	2014	% change	2009	2014	% change
Human Health activities						
Hospital activities	1,028,879	1,131,201	9.9%	40,440	39,012	-3.5%
Medical nursing home activities	80,718	52,661	-34.8%	3,082	2,675	-13.2%
General medical practice activities	193,617	218,064	12.6%	4,455	5,772	29.6%
Specialist medical practice activities	12,290	20,882	69.9%	477	397	-16.8%
Dental practice activities	68,392	87,347	27.7%	1,718	2,413	40.5%
Other human health activities	288,207	301,235	4.5%	10,268	9,339	-9.0%
Residential care activities						
Residential nursing care activities	128,021	172,976	35.1%	4,186	5,430	29.7%
Residential care activities for learning disabilities, mental health and substance abuse	39,674	37,009	-6.7%	1,564	1,110	-29.0%
Residential care activities for the elderly and disabled	168,938	206,065	22.0%	3,931	5,008	27.4%
Other residential care activities	188,779	206,895	9.6%	9,022	7,491	-17.0%
Social work activities without accommodation						
Social work activities without accommodation for the elderly and disabled	169,227	240,133	41.9%	6,159	11,158	81.2%
Child day-care activities	141,670	157,117	10.9%	3,290	4,382	33.2%
Other social work activities without accommodation	413,624	359,846	-13.0%	15,282	12,315	-19.4%
Total health and social care employment	**2,922,036**	**3,191,431**	**9.2%**	**103,875**	**108,516**	**4.5%**
All employment	**24,068,097**	**25,151,245**	**4.5%**	**600,114**	**605,223**	**0.9%**

Source: BRES (2014)
http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Employment+by+Industry+Sector#tab-data-tables

2.1.4 A number of other activities which are vital to employers operating this sector are not be included within this SIC section. For example NHS data for England (figure 2.2) shows that 17% of FTE jobs were infrastructural support roles, including property and estates, central functions and management.

Figure 2.2: Occupational breakdown of NHS workforce



Source: NHS workforce statistics, September 2015.
Online at http://www.hscic.gov.uk/article/2021/Website-Search?productid=19760&q=nhs+workforce+statistics&sort=Relevance&size=10&page=1&area=both#top

2.2. Profile of the workforce

2.2.1. The health and social care workforce is predominantly female, with male workers currently representing just over 20 per cent of the sector. This ratio has remained stable over the past five years. It compares to a gender profile of males accounting for 53 per cent of the workforce in the economy as a whole[12].

2.2.2. There are fewer young employees (16-19, 20-24 and 25-39 year olds) in the health and social care sector, and proportionally more workers aged 50-64 than in the economy as a whole. This has implications for future skills retention and places something of an onus on employers to develop strategies for the replacement of retiring staff (table 2.3).

Table 2.3: Age profile of Human health and social work sector, England, 2011

	All sectors		Human health and social work	
16 to 19	917,657	4%	59,058	2%
20 to 24	2,276,743	9%	236,368	8%
25 to 39	8,496,804	34%	1,003,493	32%
40 to 49	6,356,725	25%	833,421	27%
50 to 64	6,377,704	25%	900,184	29%
65+	883,255	3%	104,513	3%
Total	**25,308,888**	**100%**	**3,137,037**	**100%**

Source: 2011 Census, Industry by sex

[12] UKCES Sector insights: skills and performance challenges in the health and social care sector. Evidence Report 91, May 2015 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/430137/Skills_and_Performance_Challenges_in_Health_and_Social_Care.pdf

2.2.3. The age profile of the sector in LCR mirrors that in England with small variations at the local authority level (table 2.4).

Table 2.4: Age profile of Human health and social work sector, LCR, 2011

	Halton	Knowsley	Liverpool	Sefton	St. Helens	Wirral	LCR	England
16 to 19	2%	2%	2%	2%	2%	2%	2%	2%
20 to 24	8%	8%	9%	7%	7%	7%	8%	8%
25 to 39	31%	30%	37%	27%	30%	30%	32%	32%
40 to 49	26%	29%	25%	28%	28%	27%	27%	27%
50 to 64	30%	29%	26%	32%	30%	30%	29%	29%
65+	3%	2%	2%	4%	3%	3%	3%	3%
Total	**6,904**	**10,108**	**32,926**	**19,012**	**12,305**	**22,978**	**104,233**	**3,137,037**

Source: 2011 Census, Industry by sex

2.2.4. Skills for Care (2011) report that 17% of the adult social care workforce is non-British. The proportions are particularly high within private sector providers and nursing home providers. These workers tend to be younger and are more likely to have flexible working arrangements. Census data identifies that 0.4 per cent of those working in the health and social work sector cannot speak English very well. This is lower than the 1.2 per cent who cannot speak English very well across all industries. In LCR Census data shows that 0.2 per cent of the health and social work sector cannot speak English very well.

2.3. Future projections

2.3.1. The Health and Social Care sector is increasingly being affected by the changing nature of demand for health and social care services due to the increasing size and age of the UK population. The Department of Health predicts that the number of people experiencing multiple long-term conditions will increase from around 1.9 million in 2008 to 2.9 million by 2018[13]. *Size and Structure of the Adult Social Care Sector and Workforce in England 2014* estimates that the number of paid adult social care jobs in 2025 could increase from the current 1.52 million to between 1.82 and 2.34 million; this is an increase of between 20% and 54% in a relatively short time period.

[13] Department of Health (2013), NHS Outcomes framework 2014 to 2015. Department of Health, London

3.1. Incidence of training

3.1.1. The incidence of training in the Health and Social Work sector is high and in 2013 80 per cent of staff received some form of training in the previous 12 months.[14] Health and Social Work employers that trained were the most likely to have trained any staff to a qualification (65 per cent), and trained the highest proportion of their workforce to nationally recognised qualifications (24 per cent, compared to the UK average of 13 per cent)[15]. On average employees in the sector received 5.3 days of training in 2013 compared to 4.2 days across all sectors. Expenditure per employee on training however was lower than in other sectors at £1,420 per employee compared to an average of £1,590. Expenditure on training was more heavily focussed on off-the-job provision.

Table 3.1: Training expenditure, 2013

	Health and social care	All sectors
Average days of training per employee	5.3	4.2
Average expenditure per employee on training	£1,420	£1,590
% spent on off the job training	58%	50%
% spent on		
Labour costs of trainees	51%	50%
Wages of trainers	15%	18%
Fees to external providers	6%	8%
Other (training centres, management)	28%	24%

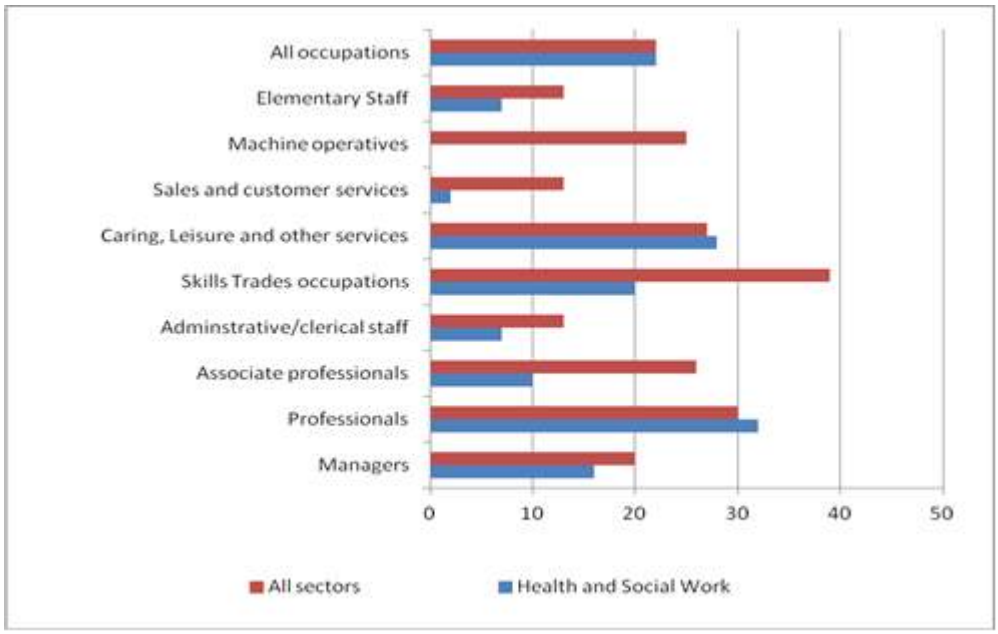
Source: UKCES Employer Skills Survey, table A.4.11

3.2. Skills challenges

3.2.1. Five per cent of establishments in the Health and Social Care sector had a **skills shortage vacancy**, compared to 4 per cent across all establishments. The density of skills shortage vacancies is highest among professionals (figure 3.1). The introduction of new working practices is a more common cause of skills gaps in health and social care than elsewhere reflecting the substantial change in health and social care work organisation, including re-structuring of services.

[14] UKCES Employer Skills Survey, 2013, table A.4.6.
[15] UKCES Employer Skills Survey, 2013, table A.4.9.

Figure 3.1: Percentage of vacancies which are skills shortage vacancies, UK 2013



Source: UKCES Employer Skills Survey, table A.2.5

3.2.2. For the Health and Social Work sector as a whole 30 per cent of vacancies in 2013 were classified as **hard to fill.** This is marginally higher than the 29 per cent across all sectors[16]. Hard to fill vacancies are a particular issue in the social care sector which is typically characterised by low pay, unpredictable hours, and poor career progression and job security.

3.2.3. **Skills utilisation** is also an issue for the sector, in 2013 53 per cent of establishments in the sector reported skills underuse (compared to 48 per cent across all sectors). Nineteen per cent of staff were reported as being over-qualified and over skills (compared to 16 per cent across all sectors)[17].

3.2.4. There is an ongoing need to **help staff to respond to technological advancements,** for example the increased use of assistive technologies in the home, the need to develop multi-skilled staff to support more care in the community to support re-ablement (and release expensive NHS beds) and prevention of entry into higher support care.

3.3. Use of Apprenticeships

3.3.1. Apprenticeships are a key means of attracting new recruits and supporting retention through the development of career pathways and higher level provision.

3.3.2. At the national level Frameworks in the Health and Care sector made up 23% of total Apprenticeship starts in 2014/15 with almost three quarters of starts on the

[16] UKCES Employer Skills Survey, table A.2.10
[17] UKCES Employer Skills Survey, table A.3.7

health and social care framework[18]. Starts in the sector constituted 3.7 per cent of total sector employment in 2014/15.

Table 3.2: Apprenticeship starts by framework and standard, 2014/15, England

Sector Framework/ Standard	Level(s)	Starts	% of health
Health and Social Care	2, 3	85,360	71.7%
Children's Care Learning and Development	2, 3	21,900	18.4%
Care Leadership and Management	5	8,520	7.1%
Dental nursing	3	2,930	2.5%
Health (Assistant Practitioner)	5	230	0.2%
Health (Informatics)	2, 4	40	0%
Total starts		**118,980**	**100%**
Starts as % sectoral employment			**3.73%**

Source: FE data library

3.3.3. Data for LCR provides more detail on the constituents of the health and social care framework (table 3.3). Starts in the sector constitute 3.5 per cent of total sectoral employment in 2014/15. Apprenticeships were particularly important to the childcare sector constituting 19.3 per cent of total employment. In the dental sector they constitutes 5.2% of employment.

Table 3.3: Apprenticeship starts by framework and standard, 2014/15, LCR

	Level(s)	Starts	% of health
Total Health and Social Care	**2, 3**	**2,795**	**74.0%**
Health and Social Care	2, 3	2,565	
Health Allied Health Profession Support	2, 3	5	
Health Clinical Healthcare Support	2, 3	115	
Health Emergency Care	2, 3	0	
Health Healthcare Support Services	2, 3	70	
Health Maternity and Paediatric Support	2, 3	0	
Health Optical Retail	2, 3	10	
Health Pathology Support	2, 3	0	
Health Perioperative Support	2, 3	10	
Health Pharmacy Services	2, 3	20	
Children and Young People's Workforce	**2, 3**	**845**	**22.4%**
Care Leadership and Management	5		?
Dental Nursing	**3**	**125**	**3.3%**
Assistant Practitioner	5		?
Health (Informatics)	**2, 4**	**15**	**0.4%**
Total starts		**3,775**	**100%**
Starts as % sectoral employment			**3.54%**

3.3.4. Data from the 2010 UKCES Employer Skills Survey shows that around 10% of employers in the sector offer Apprenticeships. Employer engagement is key to the

[18] Some Sector Frameworks were renamed or combined in 2012/13. Data for Health and Social Care includes the following frameworks: Health and Social Care; Health Allied Health Profession Support; Health Clinical Healthcare Support; Health Emergency Care; Health Healthcare Support Services; Health Maternity and Paediatric Support; Health Optical Retail; Health Pathology Support; Health Perioperative Support; and Health Pharmacy Services

development of a successful apprenticeship system. But whilst social care employers recognise skills shortages the low number currently engaging in the apprenticeship system suggests that many are either not aware of or do not currently see this form of training and investment as a viable or attractive way to address these gaps.

3.3.5. The **Health and Social Care Apprenticeship Framework** which is available at levels 2 and 3 constitutes nearly three quarters of all health sector apprenticeship starts. Its take-up has grown substantially over the last 6 years from 17,880 starts in 2009/10 to 85,360 starts in 2014/15. The framework offers two separate pathways: an adult social care pathway for those working with the disabled, elderly or people with learning disabilities and a health care pathway for those working in hospitals, in the community or private clinics as a support worker or a health care assistant.

3.3.6. The framework is not typically used as a routeway into the sector, a survey by ekosgen[19] found that nearly all apprentices were already working for their employer prior to starting the apprenticeship (93%). Linked to the above only attract a relatively small proportion of school leavers. In 2012/13 just 6% of these starts were aged 16-18, 27% were aged 19-24 and the remaining 67% were 25+. One issue is the change in funding for older workers on Apprenticeships and there is an increasing need to use the apprenticeship to attract new young people into the sector. The UKCES Skills Survey identified that a lack of work experience was particularly likely to be given as a reason for failing to employ young people by employers in the Health and Social Work sectors with 71 per cent citing this as a reason.

3.3.7. Another challenge is ensuring that both on-and off the job training is received. The 2012 BIS Apprenticeship Pay survey reported that only 34 per cent of health and social care apprentices receive both on- and off- the job training, with one fifth report receiving neither. Recent developments including the inclusion of Adult Social Care in the phase 2 Trailblazers should help to strengthen the education and training content.

3.3.8. The level 5 **Care Leadership and Management Framework** was introduced in 2012/13 and starts have climbed from 2,970 to 8,250 in 2014/15. The qualification only applies to jobs in adult social care, and has two pathways; a general pathway and a specialist pathway. It is for those in a managerial or business development role in adult social care, or for those who require a high level of knowledge or specific specialism. The Apprenticeship provides an opportunity to access Higher Education through credit transfer.

3.3.9. With the shift towards the personalisation of adult social care the sector is experiencing a significant growth in the number of direct payment recipients and the number of personal assistants. This poses a challenge for the provision of Apprenticeships although a **Personal Assistant (PA) Pilot Project** has been developed[20]. The policy context further complicates this issue with the move to place government funding in the hands of employers rather than paying it directly to

[19] http://www.skillsforcare.org.uk/Document-library/NMDS-SC,-workforce-intelligence-and-innovation/Research/Evaluation-Reports/Evaluation-of-Skills-for-Cares-Apprenticeship-Programme---final-report.pdf

[20] See http://www.skillsforcare.org.uk/Funding/Individual-employer-funding/Individual-employer-funding.aspx

training providers and the move to pay for the training upfront and recover the cost through the PAYE system.

3.3.10. The level 5 **Assistant Practitioner framework** was introduced in 2013/14 and starts increased from 40 in the first year to 230 in 2014/15. The Assistant Practitioner role has been promoted as a means of an supporting employers in areas of skill shortages or where there are recruitment difficulties. It can provide a career pathway for more junior members of staff or as a route to registered professional roles

3.3.11. The **Children's Care Learning and Development Framework** constitutes nearly one fifth of all health sector apprenticeship starts. This framework is available at levels 2 and 3 and is aimed those working in playgroups, children's centres, nurseries, registered childminders and nannies. Take-up has remained relatively stable over the past 6 years with an increase in starts from 20,110 in 2009/10 to 26,300 in 2012/13 before falling back to 21,900 in 2014/15.

3.3.12. The **level 3 Dental Nursing Framework** constitutes just over 2 per cent of all health sector apprenticeship starts. As the framework includes the City & Guilds Level 3 Diploma in Dental Nursing and the Cache Level 3 Diploma in the Principles and Practice of Dental Nursing, it provides a competence based training route to qualifying as a Dental Nurse, supporting patient care and delivery of dental care. Take-up has increased over the past 6 years with an increase in starts from 1,460 in 2009/10 to 2,930 in 2014/15.

4. INITIAL FINDINGS

4.1. Social Care

4.1.1 Employers are facing a number of issues with the situation being much worse for domiciliary care than care homes:

- Increasing total cost of employment:
  - National living wage will have a major impact
  - Cost of EU ruling on travel to first call and travel home from last call already
  - Workplace pensions will have a similar cost to EU ruling.
- Recruitment and retention and training already problematic:
  - Value-based recruitment of candidates with few or no formal qualifications
  - Better candidates prefer NHS due to better pay and conditions
  - Alternative jobs often involve less stress and responsibility (e.g. retail sector etc) and are not reliant upon employee having own transport/driving licence
  - No headroom in contracts to provide gradual introduction of new recruits – do undertake induction training but very limited scope for shadowing and 50% drop-out rate
  - VQ 2 and 3 outside of the work practice already largely undertaken on own time (not a requirement of CQC). Delivery of learning a major issue given the nature of their work – access to peoples' homes to provide assessment etc.
  - Employers value the Health and Social Care qualifications (at level 2/3) and some used to pay a small increment to secure key bolt-on modules e.g. dementia care, health and safety and end of life care etc that require funding – something that is possible within Apprenticeship framework but largely unfunded (by the public sector) in adult training.
- The Apprenticeship levy may impact on the largest social care employers but none of those interviewed were expecting it to fall on them. Less apparent would be the reaction to the higher (cash) costs involved in a shift to the new pricing framework for TrailBlazer Standards. This may have a low profile among care employers given other more pressing concerns.
  - VQ5 Care management is a requirement and so current numbers will tail off as management staff qualify (much lower turnover rates among care managers).

4.1.3 In comparison, care homes are in a slightly better position but only because their staff are co-located and so easier to deliver training cost-effectively. Some employers feel that the business model is shifting towards privately funded care but LCR has proportionately fewer people who have the resources to pay for this. As a result care homes may be (relatively) over-reliant on much lower rates available from LAs.

4.1.4 There is the need for greater flexibility and 'depth' in frontline social care skills is accepted by employers but question where resources to provide these skills are going to be found. Apprenticeship training in social care more likely to fall than

increase - in current circumstances any costs that can be cut will need to be cut. There is a need to consider alternative methods to attract social workers and to support their professional development.

4.1.5 There is some evidence from attempts at combining health and social care training have had mixed success (e.g. Edgehill pilot in L4 Healthcare support worker for Care Home staff where 10 of 20 completed had issues with the capacity of staff to take on the additional skills). Some employers highlight a lack of understanding on how domiciliary care works among NHS colleagues. Greater use of placements in social care settings will have two benefits

- NHS staff will gain a much better insight into the service and take this into their future work roles and
- even if it is for a relatively short period (3-6 mths) social care will have the benefit of better qualified staff.

4.1.6 Social care providers exist within a competitive market yet it is within all of their interests to work together in promoting social care as a career route. There is more that can be done in joint workforce development which will improve the development of staff and the provision of skills.

4.2 Health Care

4.2.1 In community health there are significant workforce planning issues with reported high levels of retirement among GPs and community practice nurses at a time when community services are coming under increasing pressure to keep people out of hospital. Recruitment is an issue as terms and conditions are generally worse than hospital settings.

4.2.2 Health Education England North West (HEENW) ran a pilot practice nurse course but this did not work as candidates were required to give up a job in NHS to undertake a one year placement. Edgehill are currently running a programme for health professionals, GPs, Pharmacists and nurses in Warrington aiming to solve issues in service delivery. In hospital settings the main workforce shortages are for specialist doctors and nurses – the latter in response to the Mid Staffs report requiring an increase in nurse numbers over a relatively short timeframe.

4.2.3 Given requirements for nurse training to undertake a degree course there is little workforce training can do here. Assistant practitioner-type roles have been discussed but these would not solve lack of qualified nurse issue. Therefore development of new workforce routes for TB Standards (Nursing Associates) helpful but alone would not solve core problem (a question of the speed of introduction and need for graduate nurses). The new Assistant Practitioner apprenticeship standard will provide a vocational routeway to degree qualification as a qualified nurse. That said, awareness of the range of Apprenticeships now available across health roles is patchy – still a presumption that they best fit with Bands 1-4 and mostly in roles that are not patient centred (customer care, maintenance, catering etc).

4.2.4 How can Apprenticeships help NHS overcome wider issue of accessing and developing staff has had less attention paid to it. Recruitment and retention across

a wide range of roles has become more difficult as pay and conditions in the NHS have deteriorated in comparison to the private sector. Some specific areas identified:

- scope for introducing apprenticeships at Band 4 which will help to alleviate some of the skills shortages for Band 5 nursing
- recruitment for finance and HR (L4 CIPD)
- In the laboratory sector there is a shortage of biomedical scientists at band 6 – they tend to recruit at band 5 and train up.
- specialist roles e.g. radiographers and pharmacy.
- Management is another area that has struggled to attract sufficient candidates and Higher Apprenticeships may provide the basis to develop their own staff.

4.2.5 These higher-level issues are balanced by a growing recognition of an ageing workforce that is not successful in engaging with younger workers. There is an increasing use of cadet schemes, with Skills for Health Academy NW and Alt Valley running pilot programmes with NHS with young people 16-19 across a range of roles. These train to L1-2 but, depending on area, can struggle to recruit suitable candidates.

4.2.6 Providers make good use of Sector Based Work Academies to train up social care staff to respond to specific business development needs/expansion opportunities. Value-based recruitment has demonstrated some success in engaging young people in the sector often from deprived areas with limited qualifications but NHS struggled to accept lack of qualifications – e.g. once scheme saved by social care employer stepping in to provide placements

4.2.7 Progression onto Apprenticeships for some but others have secured employment but often on the 'Bank'. Local programmes have been initiated by Trusts who then struggle to adjust their practices to fit with young people so these schemes have high overhead costs for providers who need to supplement that limited capacity within NHS to manage process and overcome barriers.

4.2.8 This lack of capacity within NHS to understand and adjust current practice is a major barrier and there will be a requirement to provide a clear progression route for any programme. Temporary work opportunities not sufficient to attract candidates (and may well fall foul of increasing policy attention being given to producing 'quality' apprenticeships).

4.2.9 Many health managers are concerned not to have an additional 'burden' on staff in busy healthcare settings of mentoring learners and having untrained staff in care services settings. However, there is evidence that where placements are being carried out in the workplace, this helps service delivery – the potential contribution in coping with service workloads from having apprentices working at a relatively early stage in their learning is perhaps something that should be highlighted to health employers more explicitly.

4.2.10 These issues are not so relevant to other occupational areas especially those away from care settings. Business admin, management, finance, support services, HR, IT/digital, etc are all occupational areas where employers in other sectors report significant contributions from apprentices from an early stage. Health employers

often report that they are simply too busy to take on the extra responsibility of an apprentice and this concern that an apprentices is a burden rather than an opportunity needs to be addressed.

4.2.11 The introduction of the Public Sector Apprenticeship Target and impending Apprenticeship Levy provide a major opportunity to gain greater traction with busy NHS employers. However, the potential to upgrade the skills and career progression opportunities of staff with appropriate values into higher skilled, better paid jobs and careers is the real potential for increasing the take up of apprenticeships.

4.3 Key LCR SfGA Health Actions

4.3.1 There is clear potential for apprentices across a wide range of roles within health settings but NHS staff alone may not be best-placed to spot and exploit these opportunities. Well-resourced partnerships are going to be essential to build practice in this area. These will need to be supported by greater practice sharing.

4.3.2 Skills for Health NW Academy have established effective working relations with Trusts working as an Apprenticeship Training Agency (ATA) model to alleviate the development stage away from health employers. An option is to develop this platform to establish a form of training broker focusing on apprenticeship roles that have some volume particularly at Level 3.

4.3.3 There is a need to improve awareness and understanding of available courses among health employers as much at operational level as at senior management. The Academy is currently funded through Health Education England NW who would need to be engaged in a partnership to ensure that health employers are aware of the full range of potential apprenticeships and how these might address some long-term issues that face the sector (e.g. replacement of an ageing workforce, etc). Progression and career development are central to recruiting the most appropriate candidates.

4.3.4 This needs to be matched at an operational level to increase starts and help identify new learning/career pathways especially using higher level and potentially degree apprenticeships. The potential here is to open up progression routes to a wider range of recruits and for existing staff to upgrade their qualifications, including from technician to professional grades.

4.3.5 Higher level apprenticeships have a lower volume and will call for much greater collaboration across health employers. Individual providers will be more central to developing this provision and more needs to be done to progress this agenda. This could be taken forward by key HR directors.

4.3.6 Improve communication and joint working with Higher education Institutions (HEIs) in LCR to avoid issues associated with in-year changes to entry requirements etc and generally smooth transition between FE and HE for learners.

4.3.7 There is a need to draw on all health occupations – public health employment and local GP practices and community nurses. A concern is how all these groups can

be served effectively without significant support (perhaps from Health Education England and their local employment and training boards)

4.3.8 LCR could assist the NHS in ensuring its procured supply chain is promoting Apprenticeships (as per Government policy) and lobbying Government as a City Region for NHS Trusts locally to have the option of using some of their Levy monies to assist funding of training places in the social care sector where the need is arguably even greater and there may be more willingness to provide placements as a result. Another option is to pool levy contributions from individual NHS Trusts into an ATA type model or alternative, and this should be actively explored, alongside the Combined Authority's commitments in the Devolution Agreement. This may enable and facilitate the wider pooling of resources in relation to raining and development.

4.3.9 LCR to consider in more detail how the newly devolved Adult Education Budget can be used to benefit 19-24 year old training needs in the Health and Social Care sector e.g. second chance to learn, basic skills in the community etc.

4.3.10 There is potential for funds that are held at a national or regional level (such as within Health Education England) to be devolved to a more local level to ensure that commissioning decisions are made closer to those who can then benefit from them. The potential creation of a careers education hub locally is a start but must be extended.

4.3.11 There are also new and emerging job roles with specific skills requirements (e.g. health informatics) which need wider training programmes to be developed for. This requires agility and responsiveness in the provider base, which is not always present.

4.4 Underpinning actions across health and social care

4.4.1 There are a significant degree of commonalities in the essential caring skills required across both health and social care: it is noted that there is a degree of specialisation in how these are deployed. This can be thought of as being at the operational caring level, but this common core of skills and aptitudes runs through all levels of health and social care.

4.4.2 The common training undertaken in some areas must be extended across a broader range of occupational areas and specific training. The advent of technology makes it possible for tasks to be undertaken by the most accessible person providing care, rather than specific named individual. This would also have the benefit of sharing perspectives and understanding across a broader range of individuals and professions, thus helping to break down barriers between silos and organisations.

4.4.3 There is a need to consider a more joined up approach to recruitment and development of staff across both health and care sectors, rather than seeking to 'poach' staff from the other sector. This will widen the potential number of people who could be attracted to work in the sectors.

4.4.4 Prevention and early intervention is a key element within both sectors, and there is a need to move the balance from treatment to prevention. Whilst this is often thought of as solely being a policy and commissioning issues, there is a need to ensure that the staff who will be delivering services are able to support this work.

4.4.5 There is a job of work to do in promoting health and care sectors as positive potential career choices, rather than being sectors of last resort. There is consistent anecdotal feedback from employers in both sectors that individuals are choosing not to join them and go into alternative entry level roles (such as retail) instead which are deemed to offer similar pay whilst being 'easier'. There is a responsibility for all employers and staff to positively promote the benefits of these sectors.

4.4.6 There are a lot of providers operating in these sectors, which can cause problems for employers in knowing who to utilise for particular training. The pressures that employers are facing are well rehearsed, which means that they often do not have the time and energy to fully engage with all providers to assess which might be the most appropriate for them. There is a need for providers, within a competitive marketplace, to offer a more coherent and joined up offer to employers in terms of provision.

4.4.7 It has been said on many occasions that there are two types of employers when it comes to training their staff: those who see this as a cost and those who see this as an investment. The challenge is to move employers from those who see it as a cost to those who see it as an investment. This is particularly difficult when employers are experiencing such operational issues. It is incumbent on employers who benefit from training their staff to more clearly and regularly communicate this to their peers.

4.4.8 There is public funding available to support employers in training but all too often this is held remotely and allocated without any reference to a local impact. Devolving this funding to a local level allows better informed decisions to be made and communicated, to the benefit of employers, staff, residents and training providers.

Liverpool City Region
Local Enterprise Partnership

Access Fund for Sustainable Travel

LEP Board Meeting 21 July 2016

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1. Executive Summary

1.1 This paper is provided as early notification of a potential funding opportunity that Merseytravel on behalf of the LCR wish to exploit.

1.2 It will also be seen that the success of such a bid is not just enhanced by the inclusion of sustainable transport projects in the current LGF 3 bid but is a requirement. The LGF3 bid is covered elsewhere in the agenda.

1.3 It can be seen that the submission date, should the application be taken forward, is before the LEP Board next meets on 15 September.

2. Recommendations

2.1 To consider whether the proposed bid supports the delivery of the LCR Growth Strategy recently launched by the LEP and in particular under transport connectivity within the Place growth pillar.

2.2 Subject to 2.1 above, to give an in principle endorsement of the development of the bid.

2.3 To delegate authority to the LEP Chair to provide endorsement of the final bid for submission on 9 September 2016.

3. Access Fund for Sustainable Travel

The Government recognises the important role of smarter travel in building the kinds of places people want to work and live. The Department for Transport is therefore committed to supporting sustainable travel initiatives which support the local economy by improving sustainable access to new and existing employment, education and training.

In his 2015 Autumn Statement, the Chancellor announced £580 million (£80 million revenue and £500 million capital) for sustainable travel. £20 million of the revenue funding supported the Sustainable Travel Transition Year competition in 2016/17. The remaining £60 million will become the Access Fund from 2017/18 through 2019/20.

Local Transport Authorities are now invited to bid for a share of this £60 million pot for 2017/18 through 2019/20. Schemes receiving DfT funding may run for a single year or multiple years. The Access Fund is a significant contributor to the financial resources available for the Cycling and Walking Investment Strategy (CWIS), and all schemes must therefore demonstrate strong or very strong support for cycling and walking.

This competition is for **revenue funding only**. The capital funding for the sustainable transport is embedded in the Local Growth Fund (LGF) and is subject to a separate competitive process (known as 'Growth Deals'). The Growth Deals competition was announced in March 2016 and a presentation on the LCR bid appears elsewhere on this agenda. The £500m capital funding announced for sustainable transport is part of the Department for Transport's overall funding contribution to the LGF. **However, any bid for Access Fund must be related to proposals for sustainable transport in the LCR's LGF3 application. If sustainable transport is not included in the LGF3 bid then the Access Fund application will be unsuccessful.**

The Access Fund will operate as a competition between English Local Transport Authorities, excluding London. To be considered for funding, bids should articulate a strategic narrative around how their scheme will contribute to economic growth; should demonstrate support for boosting the numbers of people cycling and walking; and should articulate how the scheme will improve access to jobs, skills, education and training. Bids that receive the highest scores against defined assessment criteria will be awarded funding.

The Department will prioritise bids that support cycling and walking in the context of the target and objectives of the Cycling and Walking Investment Strategy: to double cycling, where cycling activity is measured as the estimated total number of bicycle stages made each year, from 0.8 billion stages in 2013 to 1.6 billion stages in 2025; reverse the decline in walking activity, measured as the total number of walking stages per person per year; reduce the rate of cyclists killed or seriously injured on England's roads, measured as the number of fatalities and serious injuries per billion miles cycled, each year and increase the percentage of children aged 5 to 10 that usually walk to school; Sustainable transport which supports access to work, skills, education or training.

For the purposes of this competition, Combined Authorities, as the Local Transport Authority for a number of local authorities in their area, will be able to submit their bid up to a maximum of £7.5million. Combined Authorities can also be part of joint bids with other Local Transport Authorities.

Local Transport Authorities should also continue to work closely with a range of delivery partners, in particular Local Enterprise Partnerships (LEPs), to ensure that sustainable transport proposals are given due consideration in the development of their Growth Deal bids. Where a bid is reliant on Local Growth Fund capital and will be unable to progress without it, it is necessary to make that clear in the application form.

The closing date for submission of bids to the DfT is 6.00pm on the 9th September 2016.

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