



Solent Local Enterprise Partnership

Detailed Application Guidance for Skills Capital Build Projects

1.0 Introduction

1.1 The need for Skills Capital projects has been identified in the Solent Local Enterprise Partnership's (LEP's) Strategic Economic Plan (SEP) and bids for Local Growth Funding (LGF). This reflects the importance placed on developing a strong pipeline of the right skills required to support growth in the Solent economy, as set out in the SEP.

1.3 Solent LEP is now requesting the submission of detailed businesses cases for shortlisted projects. Assessment of the business cases will enable the LEP to make final allocations of Skills Capital funding once it receives formal confirmation from government of its overall LGF allocation.

1.4 To receive grant support, applicants need to have submitted an Expression of Interest or Outline Business Case and be one of the priority projects identified separately by the LEP and also be successful with the full business case application.

1.5 This document provides guidance on the submission of full business cases.

2.0 Key Principles of the LEP Funding

2.1 Applicants should note the following information:

- Funding available - £4.8million of grant in the period from 2016/17 to 2020/21.
- Investment Criteria - projects must meet the key underpinning investment criteria identified in the SEP.
- college financial contributions - colleges will be expected to maximise their financial contribution to projects through, for example, asset disposals, even if these occur after the project is complete. Colleges will normally be expected to provide a minimum funding contribution equivalent to two-thirds of project value. That is, for every £1 from the LEP funding, there should normally be an additional £2 invested¹. Where colleges are unable to provide the required match funding, this should have been identified at the Expression of Interest stage. Colleges applying for grant funding in excess of the 1:2 match will need to

¹ Colleges can request, on affordability grounds, that they contribute less than the expected minimum two-thirds of match funding.

demonstrate to the LEP that all avenues of securing additional funding (for example, land disposals, borrowing and financing from other sources) have been explored and opportunities maximised. While colleges will not be permitted to use capital funding from other government bodies as part of its college funding contribution, colleges are encouraged to explore all possible sources of funding. We will determine the level of grant support following an affordability assessment.

- project completion requirements - projects must be complete and operational by March 31st 2021. Sectional completion of parts of larger projects due to be completed beyond this timescale will **not** normally be considered eligible unless they are stand-alone subprojects that will be fully operational in the required timescale.
- procurement of consultants and contractors - in all cases procurement must be in accordance with European Commission (EC) Procurement Directives.

3.0 Detailed Application Requirements

3.1 Unless identified at the Expressions of Interest stage, applicants are required to submit a detailed business case application in respect of the whole project (as opposed to parts/phases of the project) which formed the basis of the Expressions of Interest application.

3.2 The LEP reserves the right **not** to assess detailed applications for capital projects which have been subject to material change(s) since the Expressions of Interest / Outline Business Case stage.

3.3 Examples of material changes include, but are not limited to:

- an increase in total grant requested of more than 5 per cent; and
- significant changes in the nature and/or scope of the project, for example its location, the extent of capital works being undertaken and a change in the key project deliverables such as the provision benefiting from the investment.

3.4 If applicants are unsure whether any changes are material they should discuss this with the LEP at an early stage.

3.5 The LEP reserves the right to delay assessment of application(s) where it is aware of any issues that could impact on the delivery/potential outputs of the capital project for example, but not limited to, where a college may subject to or be undertaking a Structure and Prospects Appraisal with a view to possible dissolution and/or merger with another provider.

4.0 Detailed Application Information

4.1 Before submitting a detailed application, colleges will need to develop proposals up to the stage where they can identify and cost their extent properly. As a minimum, this should be to Royal Institute of British Architects (RIBA) Work Stage 2 (stage C) or equivalent with supporting sketch plans and cost plans. Colleges must be able to commit to a firm budget and demonstrate relevant certainty and ability to deliver the project to timescale; colleges may therefore decide to develop projects beyond RIBA Work Stage 2 (stage C) before submitting a detailed application to reduce project cost and deliverability risks. Colleges are reminded that the LEP will not in any circumstance provide increased capital grant should project costs exceed the approved amount or fall outside the specified LEP financial year.

4.2 Projects are expected to achieve high levels of environmental performance. Proposals will be expected to achieve a Building Research Establishment Environmental Assessment Method (BREEAM) 'excellent' rating for new build and 'very good' for refurbishments.

4.3 Projects put forward for funding are expected to demonstrate a high standard of design and learning environment.

4.4 Detailed applications must pass the value for money 'gateway' that is, they must provide adequate responses in respect of all three value-for-money assessment criteria (project cost, net present value and efficiency savings) to be eligible for grant support.

4.5 The detailed application requirements comprise completion and submission of the following:

- **Application form** – detailed guidance on how to complete the application form is included within the form itself, with applicants required to overwrite application information. All information is to be incorporated into the application form with the exception of the information requested below. Colleges are required to keep answers brief and to the point – guidance is given in the application form for length of responses (word limits).
- **Building cost breakdown analysis form** - the application will need to include one form for the overall project but colleges are requested to provide separate forms to support this where more than one set of building works is proposed. Where projects are in excess of the Skills Funding Agency's (the Agency's) cost benchmarks, colleges must provide a detailed explanation to justify the additional costs and to demonstrate that the project still represents value for money. The LEP will **not** provide funding to projects which are more than 5 per cent in excess of the SFA's cost benchmark unless adequate justification of the additional costs is provided.
- **Investment appraisal template** – the application will need to include comprehensive investment appraisals, including assumptions (using the Agency's latest template) in respect

of both the base case (do the minimum) and preferred options. The LEP will **only** provide funding to projects:

- with a Net Present Value (NPV) better than the base case NPV
 - which contribute to lower premises costs (£/m²) for the college over an investment period of 20 years unless adequate justification is provided of why this is not possible, for example the college proposes to build additional space to accommodate new provision.
- **Planned Expenditure profile** - for the period from the commencement of the project to the planned completion date of the project. This form must be completed in government financial years, April to March. The expenditure profile submitted will be the profile that the applicant will be held to if the project is approved;
 - **Financial Plan template** - a financial plan that includes the proposed project (using the Agency's latest 2014 Financial Plan template and handbook and supporting commentary and is consistent with the investment appraisal for the preferred option. The financial plan should be continued for at least two years after project completion. The signature included in the application form will be taken as endorsing all supplementary documentation, including the Financial Plan; and
 - **A risk management plan** is also required for projects over £10 million, or where the college's financial health is Inadequate, to demonstrate that risks will be adequately managed.

4.6 In addition to completion of the above forms, colleges must provide:

- sketch plans and elevations (to the equivalent of at least RIBA Work Stage 2 or Stage C)
- a detailed flow chart (for example a Gantt chart) setting out the project programme
- minutes confirming governing body approval for the project
- latest estate strategy
- other information as applicable to support and verify all project and financing/funding costs, for example independent valuations for land sales and acquisitions, heads of terms, supporting information for third party project funding and contributions.

Application information should be kept as brief as possible. Applicants **must** adhere to the word limit; we will not consider information provided over and above the word limit. Applicants are advised to provide focused and succinct responses, supported by robust, quantifiable and achievable information (particularly in the strategic fit/alignment, rational for investment and project outputs sections).

4.7 **Assessment of applications will be based only on the information submitted in the required format; however it may be validated against financial and estates related information already held by the Skills Funding Agency. The LEP cannot guarantee that it will consider at the assessment stage any information provided which is in addition to that listed above.**

4.8 To be eligible for the funding, colleges must meet the submission requirements set out below:

To be eligible for the funding, colleges must meet the following submission requirements:

- Colleges must return **one** electronic copy of the relevant SFA templates as set out in Transforming Solent: Advice to Scheme Promoters on the Development of Full Business Case.

5.0 **Application Process and Timescales for Full Business Case submission**

Assessment Criteria

5.2 This is provided in section 11 of Transforming Solent: Advice to Scheme Promoters on the Development of Full Business Case.

5.3 The LEP will be using the Skills Funding Agency's officers to assist with the assessment process. Applicants should not assume that the assessor will have any specific knowledge of the applicant and its locality. The LEP may carry out peer group reviews of assessments and may review all assessments at an internal moderation meeting to ensure the consistent application of the assessment process.

5.4 The LEP will judge the relative strengths of each proposed project against the criteria outlined above.

5.5 The applications should pay due regard to the Public Sector Equality Duty. Among other requirements, the Duty requires you to take positive steps to ensure that disabled students can fully participate in the education and other benefits, facilities and services provided. In particular, when completing the capital application, you should take account of how you will take all reasonable steps to avoid any disadvantages which a disabled learner may experience because of their disability.

5.6 If the demand for the budget outstrips supply, applications will be prioritised on the basis of the highest scores.

5.7 Should a number of applicants score the same number of points and the

LEP has insufficient funds to support all projects, we will use a range of factors such as delivery of LEP priorities, the amount of historic investment and amount of space in condition category C/D being addressed to prioritise projects.

6.0 Grant Payments and Project Monitoring

6.1 Applicants with projects approved for funding will receive a funding agreement from the LEP confirming the funding in relation to the project and setting out the conditions of the grant.

6.2 Applicants will be required to indicate acceptance of the terms by signing and returning a copy of the funding letter within two weeks of receipt. Offer letters will only be sent out once a copy of the minutes confirming governing body approval for the project have been received.

6.3 Arrangements for payment of the grant and evidence requirements will be confirmed on award of grant.

6.4 The LEP will require successful applicants to comply with such funding conditions as it may impose and will undertake random site visits to ensure all conditions are followed.

6.5 The LEP will reserve the right to recover funds in the event that project costs (including VAT savings) are less than originally approved, or have not been used for the agreed purposes.

6.6 We expect applicants to provide bi-monthly updates on progress to the LEP or their nominated representatives and also expect them to report against the programme approved as identified in the detailed application documentation.

7.0 Post-Occupancy Evaluations

7.1 The LEP is required to account for public investment made in the FE estate and the impact it has made and therefore usually requires, as a condition of capital grant, a project post-occupancy evaluation. We expect colleges to provide post-occupancy evaluations within 12 months of completion of the, to highlight lessons learned and disseminate these to the FE sector.

7.2 As part of the application, colleges are required to identify a minimum of three specific, measurable, achievable, realistic and time framed (SMART) objectives/outputs for the proposed capital project. At least one objective/output should relate to the college's estate and one should relate to benefits to learners, employers and the local community. We expect colleges to assess the extent to which the identified SMART objectives/outputs have been achieved when completing the LEP's required post-occupancy evaluation analysis.

8.0 State Aid

8.1 Using taxpayer-funded resources to provide assistance to one or more organisations in a way that gives an advantage over others may be state aid. Giving assistance as state aid will nearly always be more time consuming and difficult than designing assistance in a way that avoids doing so. Some state aid is illegal under EU rules because it distorts competition in a way that is harmful to citizens and companies in the EU.

8.2 Training usually has positive externalities for society as a whole since it increases the pool of skilled workers from which other firms may draw, improves the competitiveness of Community industry and plays an important role in the Community employment strategy. Training, including e-learning, is also essential for the constitution, the acquisition and the diffusion of knowledge, a public good of primary importance. In view of the fact that undertakings in the Community generally under-invest in the training of their workers, especially when this training is general in nature and does not lead to an immediate and concrete advantage for the undertaking concerned, State aid can help to correct this market failure. Therefore such aid should be exempt, under certain conditions, from prior notification.

8.3 All schemes approved under the Solent Growth Deal will need to demonstrate that they are state aid compliant and therefore it is important to think about the implications of state aid at an early stage. Doing so allows assistance to be designed and given more quickly and effectively and avoids potential problems later. Further information state aid can be found on the Government website at <https://www.gov.uk/state-aid>

Supplementary Assessment Criteria: Additional Summary Guidance.

Please ensure you read the main guidance text in this document as well as the guidance provided in the application form itself.

Condition of estate - Estate need

- Urgent health and safety work and/or the need to carry out works to comply with statutory regulations. For example Equality Act access/compliance works. In the case of proposals dealing with urgent health and safety works and other aspects of statutory compliance, colleges must provide compelling and rational evidence confirming that work is required, that it is urgent, and that the proposed works will address all issues identified.
- Improving the condition of the college estate through redevelopment, refurbishment and/or rationalisation - bringing inoperable estate back into effective use, percentage of college area improved as a result of the project (area of college moved out of eMandate condition C/D), rationalisation of the college estate.
- Sustainability – strategic engagement with Sustainability and Carbon Reduction agenda, linking the project to these targets. Links to formally recognised initiatives such as ISO14001 and other environmental management and carbon reduction programmes.
- BREEAM rating – new build expected to be ‘Excellent’, refurbishment ‘Very Good’. Supporting work (such as pre-assessments) to support achievement of these ratings.
- Relevance of proposal to college property strategy – the project should be part of a clear adopted property strategy for the institution and a copy of the latest strategy must be provided with the application.

Value for money

- Cost per square metre compared with cost benchmarks – refer to cost model information in the Capital section of the Agency’s website. Costs should be within five per cent of benchmark rates. If above this, a robust case must be made for any abnormal cost levels; the LEP will **not** provide funding to projects which are more than five per cent in excess of the Agency’s cost benchmark unless adequate justification of the additional costs is provided.
- Premises savings - in terms of premises savings compared with premises costs over a 20-year period in the investment appraisal information for the preferred and base case options. If these costs exceed the savings by more than five per cent of the total project cost then adequate justification must be provided in terms of how the project will enable the college to reduce its overall premises costs per square metre over the investment period;

or in exceptional cases, why the project is unable to contribute to lower premises costs (£/m²), for example the college proposes to build additional space to accommodate new provision.

- Return on investment, in terms of the investment appraisal (NPV) for the proposed project compared with the base case (do the minimum) option.

Benefits to learners/Supporting Economic Growth

Evidence of how the project addresses the [Solent Skills Strategy](#) and the Growth Strategy as set out in the [Strategic Economic Plan](#), including evidence how the project addresses the following:

Responding to current and future skills demands

- Meets the current and future skills needs and supports the key growth industries and sectors as identified in the SEP.
- Aligns to the [Solent Enterprise Zone Skills Plan](#).
- Makes measurable contributions to specific local priorities, issues and challenges.

Tackling NEETs and unemployment

- Has a positive and measurable impact on tackling 16-24 and Adult unemployment, NEETs and skills shortages.

Expanding and growing Apprenticeships and employer engagement

- Has a positive and measurable impact on increasing and expanding 16-18 and 19-24 Apprenticeships and provides enhanced progression routes to higher level training, including higher level Apprenticeships.
- Supports the business and skills requirements of employers, particularly small and medium sized enterprises (SMEs).

Providing benefits to classroom-based learners

- Has a positive and measurable impact on 16-18 and adult learners.
- Provides flexible resource base and industry standard equipment and environments.

Improving the quality of teaching, learning and learner success

- Supports measurable improvements in the quality of teaching and learning, learner success and, if relevant, how any inadequate curriculum areas will be addressed.

Other growth measures

- Contributes to other growth measures including more opportunities for LLDD and more flexible routes and opportunities to higher education (HE).
- Positive impact on areas of high deprivation

Additional financial considerations:

- Investment appraisal – applications will **not** be approved where no base case investment appraisal is submitted in the application
- Affordability – where a college states that it cannot afford the normal 1:2 match funding, the Agency's Provider Finance team will carry out a review of the financial plan and associated information to determine the appropriate level of match funding
- A copy of the 2014 financial plan template can be obtained from the [Financial Planning Documents page](#) on the Agency's website
- Where a college states that it cannot afford the normal 1:2 match funding or the total project cost is in excess of £10 million, the capital affordability schedules (schedules 7a, b and c) within the financial plan should be completed.