

Item No. 4

GM LOCAL ENTERPRISE PARTNERSHIP BOARD

SUBJECT: Local Growth Fund applications

DATE: 17th July 2017

FROM: Simon Nokes, Executive Director of Strategy & Policy, GMCA

PURPOSE OF REPORT

This report provides details of business cases for four schemes which are seeking funding from Growth Deal 3.

RECOMMENDATIONS

The GM LEP is asked to:

-) Approve the Skills Capital Strategic Outline Business Case (gateway 1) and agree that the applications process should be launched in August 2017.
-) Approve the Digital Skills Outline Business Case (gateway 2) as a portfolio scheme and that Gateway 3 sign-off for individual elements is delegated to the GM Portfolio Chief Executive for Skills & Employment and the GMCA Treasurer in consultation with the Portfolio Lead Member for Skills & Employment.
-) Approve the International Screen School Manchester Full Business Case (gateway 3) and agree that a grant should be offered subject to the following conditions being met prior to drawdown of funds:
 - o Finalisation of detailed scheme costings
 - o MMU Board approval of the Business Case and confirmed commitment to the capital sums required to deliver the scheme.
 - o Appointment of the construction contractor
 - o Sign off that the project is State Aid compliant
-) Approve the Cyber Innovation Hub business case (Gateway 3) and agree that a grant agreement should be issued to Manchester City Council.
-) Note that a full business case for the Productivity Programme is being developed and will be brought to the September LEP meeting.

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1 Introduction

- 1.1 On 23rd January 2017, Government confirmed GM's third Local Growth Deal allocation would be £130m, the highest allocation in the North.
- 1.2 On 10th February 2017, the GM Local Enterprise Partnership (GMLEP) agreed the priorities for this Growth Deal funding. This was made up of:
 -) £40m for transport.
 -) £50m for skills capital.
 -) £20m for two priority science projects (International Screen School Manchester and The Pankhurst Centre).
 -) £5m for Cyber security.
 -) £15m for the Productivity Programme.
- 1.3 It was noted on the 10th February that further work was underway in defining the details around the specific projects and that each project would be presented to the LEP and GMCA over the coming months for approval.
- 1.4 This report updates members on progress in developing business cases for four projects (skill capital, digital skills, International Screen School and Cyber security) and seeks gateway approvals for these.
- 1.5 Further to the strategic outline business case presented in February a full business case is also being developed for the Productivity Programme, which will be brought to the September LEP meeting.

2 Gateway approval process

- 2.1 Growth Deal funding forms part of the GM Single Pot¹, which was contained within the March 2016 Devolution Deal. GM has agreed with DCLG an Assurance Framework, which sets out how decisions on spending the Single Pot will be made.
- 2.2 At the centre of GM's Assurance Framework is a commitment that projects will follow the same overarching business case process. While the specific appraisal methodologies will differ for different types of schemes, all schemes will need to develop HMT Green Book compliant business cases and projects will go through up to three approval gateways, namely:
 -) **Gateway 1: Strategic Outline Business Case (SOC).** The purpose of the SOC is to confirm the strategic context of the proposal; to make a robust case for change; and to provide stakeholders and customers with an early indication of the proposed way forward, having identified and undertaken an analysis of the strengths, weaknesses, opportunities and

¹ In the March 2016 Devolution Deal it was agreed that the Single Pot would exist from FY16/17 to FY20/21 and would include money from the following funding streams: Earn Back/Gain Share; the Growth Deal / Local Growth Fund; and various Transport budgets. GM's Adult Education Budget may also be added to the Single Pot subject to forthcoming legislation and there is also the potential for other local funding streams to be added to the Single Pot in the future. GM will have the ability to move money across policy themes and projects in order to best meet the needs of the GM economy.

threats on a wide range of available options, together with indicative costs.

) **Gateway 2: Outline Business Case (OBC).** The purpose of the OBC is to revisit the SOC in more detail and to identify a preferred option which demonstrably optimises Value for Money. It also sets out the likely deal; demonstrates its affordability; and details the supporting procurement strategy, together with management arrangements for the successful rollout of the scheme.

) **Gateway 3: Full Business Case (FBC).** This takes place within the procurement phase of the project, following detailed negotiations with potential service providers/suppliers prior to the formal signing of contracts and the procurement of goods and services. The purpose of the FBC is to revisit the OBC and record the findings of the subsequent procurement activities; together with the recommendation for an affordable solution which continues to optimise value for money, and detailed arrangements for the successful delivery of required goods and implementation of services from the recommended supplier/s.

2.3 Depending upon the development stage of particular schemes, Gateway 2 and 3 maybe be undertaken jointly as a single stage.

2.4 The GM LEP is empowered to make recommendations on how the Local Growth Fund element of the Single Pot is invested and the GMCA is the accountable body for the decision the LEP takes. In general the GMLEP is responsible for making recommendations at Gateways 1 and 2, although in some circumstances a Gateway 3 recommendation may be required.

2.5 Prior to seeking approval from the GMLEP and the GMCA, all projects are subject to technical appraisal by a group of GMCA officers (drawing on specialist expertise where required) and approval at the GM Chief Executives Investment Group (CXIG) and the GM Wider Leadership Team (GM WLT).

3 Skills Capital Gateway 1 proposal

3.1 Skills Capital was a key element of the negotiations with Government around the Single Pot. Due to the £21m of Growth Deal 2 funding being paused pending the outcome of the Area Based Review process there is now £71m earmarked under this element of the overall programme. Note that it is proposed that £2m is allocated from the Skills Capital funding to the Digital Skills programme (see below).

3.2 The proposed Skills Capital programme will be made up of 3 strands of capital investment.

) **Strand 1: Large Redevelopment of Further Education (approx. £30m).** This strand focuses on the need to enhance, improve or extend FE College facilities particularly estate re-configuration or new build arising from the Area Based Review, strategic need or merger/collaboration proposals. Total project size will be at least £1m

with an intervention rate of 33-50%. This can be modified in exceptional circumstances

) **Strand 2: Priority Sectors (approx. £35m).** This strand is designed to provide new or upgraded facilities to support Greater Manchester's priority sectors including growth and high employment sectors. It will, in general, focus on Level 3 and above but will also support technical pathways as per the National Skills Plan from 2019, have significant employer investment and contribute to providing centres of excellence across the city. Total project size will be a minimum of £1m with an intervention rate of 33-50%. This can be modified in exceptional circumstances

) **Strand 3: Smaller Investment Projects (approx. £3m).** This strand will support small capital investment projects up to a maximum total project value of £1m with a proposed intervention rate for this strand of between 33%-50%. This will include:

- **Up to date industry standard equipment**, recognising the importance of ensuring that the further education sector needs to have industry standard up to date equipment and specialist machinery if it is to deliver its technical and vocational training successfully. This is particularly important to provide 'live' working environments for learners.
- **Pilot Projects and Refurbishment**, recognising that from time to time there will be requirements for smaller refurbishment projects to ensure that further education facilities continue to be fit for purpose, efficient and provide a safe environment for learners.

3.3 Note that the figures allocated to each strand are approximate and, depending on bids received, funding may be reallocated between the strands to support strategic fit. In addition it is proposed to set aside £3m for contingency which will also include costs for ongoing project management, monitoring and evaluation.

3.4 A gateway 1 approval is being sought from the GMLEP and GMCA to start a two-stage application process (expressions of interest followed by full applications) for skills capital funding from Further Education Colleges or other approved training organisations. The technical assessment by GMCA officers has found that all criteria have been met for this gateway.

3.5 It is intended that the GM Skills Capital programme will be launched in August 2017 with the first round of decisions made by November/December 2017 for delivery from January 2018. Where necessary, and appropriate, a flexibility will be built into the process to react to changing events and move more quickly where the situation demands.

3.6 The process will be led by the Lead Chief Executive for Skills, Employment and Worklessness supported by the Assistant Director Skills Policy, Strategy and Delivery. Final recommendations will be made to the GMLEP and GMCA who will give final approval of skills capital funding

within GM (as part of a gateway 2 assessment), before announcements are made to applicants.

4 Digital skills Gateway 2 proposal

4.1 At its 10th February 2017 meeting the LEP approved the strategic outline case (gateway 1) for a digital skills programme. This will be a £2m programme to improve digital skills across the whole population of Greater Manchester.

4.2 Although it is outside the scope of the appraisal it should be noted that this project requires revenue and not capital funding. As previously agreed by the Combined Authority therefore, the award of funding would have to be subject to the GMCA Treasurer being able to identify suitable revenue funds to substitute for the identified LGF skills capital funding.

4.3 A strategic outline business case has been developed which sets out the elements of the programme. It should also be noted that the programme will take into account outcomes from the recent Mayor's Digital Summit to ensure further industry knowledge is developed. The strands are:

) GM Digital Talent Pipeline:

- A number of road shows would be delivered to schools and colleges engaging young people, parents and teachers. Employers would explain their jobs and share their experiences of working in digital. Learning opportunities e.g. code clubs, hackathons would be promoted under a common GM banner.
- Supplemented by a range of materials that offer information on careers in digital to young people, teachers & parents.
- 'Women in Tech' Network. Harnessing the energy of women employed in digital/tech roles to promote careers in the industry to girls whilst at school and college.
- A social media campaign would underpin activity, reinforcing key messages.

) GM Tech Pathways:

- 'GM Digital Certificate' taking learners through the core digital competencies required to be productive in the workplace. It would be co-designed with employers articulating the competencies they are looking for. New models of co-delivery would be piloted. Companies would be supported to identify relevant training and funding.
- Complementing existing digital learning with opportunities outside the formal curriculum (e.g. Hive Manchester, Hackathons, Code Clubs). Scaling up and co-ordinating existing local activity into a coherent offer.
- CPD package for teachers and lecturers upskilling teaching workforce to teach computer science and embed digital skills across the wider curriculum.

) GM Digital Apprenticeships Academy:

- o Extended bootcamp programme preparing people for digital careers and supporting employers to access talent. Participants will achieve a level 2 qualification and gain meaningful work experience with employers who are looking to take on a digital apprentice. On completion of the programme participants would have the opportunity to progress onto a full time level 3 digital apprenticeship. (Providing pathways into higher and degree apprenticeships in FE/HE).

) Get Digital Greater Manchester:

- o 'Get Digital' GM will deliver a series of innovative initiatives encouraging all of our residents to get online and improve their confidence and basic digital skills. Get Digital GM will bring together a range of organisations including businesses, health, community groups, voluntary sector, housing providers. It will proactively target those parts of GM where our citizens are at high risk of digital exclusion.
- o Digital literacy will be prioritised in all publically funded provision as a core requirement alongside English and maths (within the GM Work & Skills Outcomes Framework).
- o In line with the newly announced statutory duty GM will use its AEB to offer (some) training in basic digital skills for adults lacking in relevant qualifications.

4.4 It is understood that the LEP is setting up a Task & Finish Group on Digital Skills and this group will help in the final shaping of the individual elements of the scheme as well as forming part of the appraisal panel. Also following the Mayor's Digital Summit it is likely that Digital Skills will also form part of the next steps in terms of outcomes; it will be the responsibility of the GMCA Assistant Director for Skills to ensure alignment with any further expert groups so that the £2m skills fund is adaptive and meets the needs of learners & business.

4.5 A cost benefit analysis has been undertaken based on the assumed outputs of the programme and an estimate of 20% leverage of private funds is expected. The net job creation figure for the preferred option is 108 FTEs and the net GVA impact of £4.97 per £1 of public investment is felt to represent good value for money.

4.6 A gateway 2 proposal as a portfolio project is being sought. Individual projects will be commissioned via a competitive process, through a series of targeted calls against the four strategic priorities identified above. A two stage (expression of interest followed by full application) process will be followed. The GM Portfolio Lead Chief Executive for Skills & Employment (in consultation with GM Work & Skills Executive) will have delegated authority to appraise projects at EoI stage.

4.7 Final sign off for full applications will be the responsibility of the GM Portfolio Lead Member for Skills & Employment, in conjunction with the

GM Portfolio Chief Executive for Skills & Employment and the GMCA Treasurer.

- 4.8 Consultation and alignment will also be sought via the Portfolio Lead Member for Digital.
- 4.9 The indicative timetable for the project is that procurement would start in October 2017 and delivery would start in January 2018.

5 International Screen School Manchester gateway 3 proposal

- 5.1 In October 2016 MMU developed a business case for the ISSM project. The LEP approved the gateway 1 (strategic business case) for the ISSM project at its meeting on 10th February which in turn was endorsed by the GMCA at its meeting on 24th February 2017.
- 5.2 The International Screen School Manchester project proposes the building of a new ~£35m facility on the Manchester Metropolitan University Oxford Road campus to be operational by mid-2021. MMU will be the lead partner on the project.
- 5.3 The 4,700m² facility will incorporate:
 -) A body of specialist and flexible production studios and labs, focused around Motion Capture, VR, Animation and Special Effects, and an Experience Design Innovation Lab
 -) Presentation Facilities, Edit Suites and a range of fixed interactive learning labs
 -) Dedicated teaching space, seminar and meeting rooms
 -) A preview cinema, which will be open to the public at set times
 -) A dedicated business incubation hub, incorporating Business and Entrepreneurship programmes and collaborative spaces for work with industry partners
 -) Staff offices and all other relevant support services
- 5.4 MMU is seeking £14.9m of Single Pot investment alongside which they will invest ~£20m. The net job creation figure for the preferred option of 153 FTEs and a net GVA impact of £9.18 per £1 of public investment is felt to represent good value for money.
- 5.5 Due to the level of detail within the business case, CXIG is content to merge the Gateway 2 (Outline Business Case) and Gateway 3 (Full Business Case) assessments of the project. All the criteria for both Gateways have been passed, subject to the following conditions being met prior to drawdown of funds:
 -) Finalisation of detailed scheme costings.
 -) MMU Board approval of the Business Case and confirmed commitment to the capital sums required to deliver the scheme.
 -) Appointment of the construction contractor.
 -) Sign off that the project is State Aid compliant

6 Cyber Innovation Hub Gateway 3 proposal

- 6.1 Following agreement at the July meetings of the GMLEP and GMCA to invest £5m in Cyber, KPMG were commissioned by GMCA and Manchester City Council to undertake a report into developing a cyber strategy which highlighted the need to significantly improve the region's resilience to cyber attacks, whilst maximising the opportunities for the local economy. The work suggests that the development of a Cyber Hub would meet those objectives. The Hub is a vehicle which would help to leverage the maximum impact in terms of: jobs created; underpinning a wider regeneration strategy through the new companies that are being attracted to operate nearby; supporting a growing number of university graduates with cyber security skills; and to support the ancillary services that would be developed on the back of such a facility.
- 6.2 The Cyber Innovation Hub proposal has emerged from on-going discussions with Government on GM's role in support of the £1.9bn National Cyber Security Strategy. GM is well positioned to support Government with the delivery of this strategy, which has the potential to attract substantial public and private investment into the wider city-region. The Cyber Innovation Hub Project has a wider significance in support of this objective.
- 6.3 The Hub would facilitate a number of activities:
-) A secure place for public sector partners to network, share ideas, identify issues / threats and responses around cyber security with a view to collaborating with those who implement responses to limit such threats.
 -) A 'safe area' or sandbox to test out such solutions in a simulated scenario.
 -) A base for SMEs which is optimised for collaboration (i.e. to maximise the advantages generated from the clustering effect).
 -) A secure accelerator hub including the ability to host / support events and conferences covering prevailing sector trends and topical issues as well as the potential for follow-on space, where ideas and activities around cyber security can be developed/matured.
- 6.4 In addition, the Hub needs to be a platform for national agencies currently located in London and the South East to be able to use and strengthen their penetration in the North West
- 6.5 It is proposed that the Cyber Hub be based at Heron House, on Albert Square. In total, the Hub will provide 12,000 sq. ft. of workspace to be split across the activities described above. MCC will be the delivery partner on the project, working with a partner who would run and manage the new facility on a day-to-day basis.
- 6.6 MCC is seeking £5m of Single Pot investment for the project to cover the cost of fitting out the hub and purchasing the necessary IT equipment.

The Hub would generate income from its tenants, from sponsorship and from associated activities (e.g. hosting conferences and events).

- 6.7 Due to the level of detail within the business case, CXIG is content that the strategic and economic case for the Cyber Hub have been proven. The financial, management and commercial cases (which are closely linked) for the investment need to be considered in light of the project being a start-up vehicle for a nascent sector. The proposal draws upon the evidence currently available and provides reassurance that the delivery of the project will remain under close scrutiny, as such CXIG is also content that these cases have also been made. It is proposed that Gateway 2 and 3 should be merged and the funding approved, subject to GMCA officers regularly monitoring progress with the project.

7 Recommendations

- 7.1 Recommendations appear at the front of this report.