

ITEM: 12

REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY

DATE: 28 SEPTEMBER 2018

REPORT TITLE: INVESTMENT FUND

**AUTHOR: TIM RICHENS, INTERIM DIRECTOR OF INVESTMENT
AND CORPORATE SERVICES**

Purpose of Report

- 1 To seek approval for Investment Fund Feasibility and Development Funding proposals and change requests for schemes within the current approved programme.

Background

- 2 The West of England Devolution Deal secured £900m for the creation of an Investment Fund forming part of a wider investment programme for the region. Aligned to regional strategies, the objective for this investment programme is to boost and strengthen economic growth in the West of England Combined Authority area through delivering:
 - Effective, resilient infrastructure;
 - World class skills for employment; and
 - Businesses that succeed
- 3 The Committee have previously approved for a number of feasibility studies and business cases for strategically important infrastructure, business and skills related projects, together with an allocation to support a funding bid for the MetroWest rail programme. Further investment proposals for business and skills, together with a revised proposal in respect of the MetroWest rail funding, are set out in this report.

Current Investment Fund Programme

- 4 The current approved Investment Fund programme is shown in Appendix 1. A set of delegations were agreed at the WECA Committee in June 2018 to enable lower level scheme changes to be approved by the WECA Chief Executive in consultation with the Directors Board, being the Directors of WECA and the constituent authorities. This process has now been enacted and the changes which have been approved are shown in Appendix 2 for information. One change related to the Joint Spatial Plan (JSP) Mitigation Outline Business Cases, which is summarised below, is outside of the tolerances for delegation and requires WECA Committee approval.

ITEM 12 – Investment Fund

Change: Slippage of milestones for finalising Option Assessment Reports and completion of Outline Business Cases of 4 months (both to September) with project completion delayed by 3 months to December 2018 with completion of public consultation on transport options.

Stated Reason for Change: Study milestones have been amended to reflect the new, proposed programme to the Examination in Public scheduled for May 2019, as well as supporting consultation on new material following JSP Team review

- 5 At the WECA Committee in June approval was given for the allocation of £100,000 to support a Greater Bristol Area Rail Services Feasibility Study with the details to be agreed by the Chief Executive in consultation with the WECA Mayor. The Feasibility and Development Application Form recommended for approval is shown in Appendix 3 for information.

Business and Skills – Talent Institutes

- 6 WECA are giving consideration to the establishment of three Talent Institutes across the region (possibly one located in each Local Authority area). These Institutes would be nationally recognised centres of excellence targeted at maximising our strengths and addressing key economic growth and skills challenges in the WECA area.
- 7 The Institutes will be physical places, Innovation Assets, instantly recognised when the Government radar is activated, such as any future science and innovation audit. They will be state of the art, physical facilities (refurbished or new build) where businesses, skills/education providers and learners co-house and work together to deliver and achieve the objectives outlined below.
- 8 The aim is to address a combination of historically separate, but closely related objectives, in one physical location:
 - a. The delivery of smart and inclusive economic growth through technical and market innovation in the West of England Combined Authority area.
 - b. Delivering skills offerings that enable progression of our residents to meaningful employment, across a range of skill level, i.e. medium to higher level skills (4+).
 - c. Enabling WECA to maximise the reach and impact of our financial resources using an investor (as opposed to a grant) funding model.
 - d. The Local Industrial Strategy hypothesis is built upon the concept of “creative collisions”. Talent Institutes will deliver the evidence required to state with confidence where the areas of industrial strength are in the region.
 - e. The Employment & Skills Plan for the region will, in a similar way to the Local Industrial Strategy, develop as part of an iterative process, capturing best practice and the evidence base that shows where to deploy interventions like Talent Institutes.
- 9 To further explore the feasibility of the Talent Institutes concept, further work is required to understand the following:
 - a. In continuing close collaboration with constituent Local Authorities to document the specific benefits of such an intervention including how it would meet regional needs as well as specific needs within Local Authorities.
 - b. The optimal business model: the hypothesis is that WECA can procure “suppliers” (Research & Innovation Organisations¹ (RIOs) to form a NewCo with WECA that provides surplus generating services to residents and businesses. Surpluses to be reinvested in the NewCo and returned to the WECA Investment Fund over the longer

ITEM 12 – Investment Fund

term. WECA and other partners may wish to introduce constraints, such as sector/theme or skills based interventions, all of which will have an impact on the business model.

- c. Suppliers and users: there needs to be further engagement with both groups, to understand the needs and again to test a business model.
- d. Legal, procurement and financial: the solution needs to be legal, not least with State aid, procured correctly and financially sustainable. Professional advice will be procured to assist.
- e. Timescales of the feasibility will dependent on the options generated, considered and chosen.

- 10 Up to £100K has been estimated to cover the work in 9 above, and it is proposed to release this funding from the Investment Fund (revenue) to cover an initial feasibility study. A Funding Application this has been developed to support this proposal and is attached at Appendix 4.

Skills Innovation Fund

- 11 A provisional allocation, subject to a Full Business Case to come forward to the November WECA Committee for approval, is sought for up to £4.5M of Investment Fund to create the Skills Innovation Fund. The provisional allocation is sought now in order to make progress with an external bid for £4m of European Social Fund resource to create an overall £8.5m fund.
- 12 The Skills innovation Fund will support SMEs to improve their skills and workforce planning processes and to enable quality engagement between businesses and skills providers. SMEs will be encouraged to work with providers to improve the design of courses and curriculum and to engage more meaningfully with learners to provide information to them around current and future job needs. SMEs will also be helped to increase their own investment into training their own workforce and to take on Apprentices.
- 13 WECA would be lead partner for the Fund using a consortium of partners, that could include Local Authorities, from across sectors, to deliver the support. If ESF funding is secured the Fund will engage with around 400 SMEs, with at least 300 of them undertaking a measurable change in behaviour, through for example, taking on Apprentices for the first time, forming partnerships with FE Colleges or developing and implementing their own skills investment plan.
- 14 An Executive Summary of the Business Case for the Skills Innovation Fund is attached at Appendix 5

MetroWest Phase 1 Funding

- 15 On 7th December 2017, the WECA Committee agreed the provision of up to £6M of funding from the Investment Fund to support the NSC Submission to the DFT as part of a Large Local Majors Bid to address the significant funding gap for the MetroWest Phase 1b (Portishead Line). The LLM bid was subsequently unsuccessful and the status of this funding commitment needs to be considered
- 16 The West of England Joint Committee will separately be considering an update report on the MetroWest Phase 1 programme which proposes to defer the gateway decision until November 2018 to provide additional time to explore alternative funding options. It is therefore proposed that this WECA funding of up to £6M continues to be made available

ITEM 12 – Investment Fund

from the Investment Fund to support alternative funding options, subject to this revised gateway decision making timetable being approved.

Consultation:

- 17 Engagement has taken place with officers in the West of England Combined Authority Constituent Unitary Authorities.

Risk Management/Assessment:

- 18 Specific risk assessments will be carried out as part of any feasibility studies for projects in development. All projects underway will maintain a specific risk register as part of the project management and monitoring arrangements.

Public Sector Equality Duties:

- 19 For projects seeking funding through the Investment Fund scheme promoters are required to include as part of their Full Business Case, an equality and diversity assessment and plan. These assessments are published on the WECA website.

Economic Impact Assessment:

- 20 No additional economic impacts arise from these proposals. The economic impacts of schemes within the programme will be developed as part of business case preparation.

Finance Implications:

- 21 The financial implications for each proposal are set out in the body of the report and the Investment Fund allocations can be accommodated within the available resource funding.
- 22 In order to bring effect to the recommendations, it is proposed that that the WECA Chief Executive, in consultation with the WECA Mayor, be delegated authority to finalise the detailed allocation of the feasibility funding, together with sign off for the final Skills Innovation Fund Bid.

Legal Implications:

- 23 The WECA Order 2017 included appropriate legal powers for WECA to undertake and deliver the functions set out in the Devolution Agreement.

Recommendations:

That the WECA Committee approves:

- 1 The change request for the JSP Mitigation Outline Business Cases set out in paragraph 4.
- 2 The allocation of £100K from the Investment Fund revenue to support the development of a feasibility study to progress the Talent Institutes.

ITEM 12 – Investment Fund

- 3 The provisional allocation of £4.5M from the Investment Fund to support a bid to the European Social Fund to establish a skills innovation fund, and subject to a future Full Business Case proposal should the bid be successful.
- 4 The continued allocation of up to £6M to support a funding solution for the MetroWest Phase 1(b) funding gap, subject to a revised gateway decision for the project in November 2018.
- 5 The WECA Chief Executive, in consultation with the WECA Mayor, be delegated authority to finalise the detailed allocation of the Talent Institutes feasibility funding and the sign-off for the final Skills Innovation Fund Bid.

Report Author: Tim Richens, Interim Director of Investments and Corporate Services

West of England Combined Authority Contact:

Any person seeking background information relating to this item should contact the WECA office by telephoning Tim Milgate on 0117 426210; writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk