

# Cherwell District Council

## Executive

3 July 2017

<p><b>New Homes Bonus: Construction Apprenticeships and Skills</b></p>
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### Report of Head of Strategic Planning and the Economy

This report is public

#### Purpose of report

To seek £100,000 of New Homes Bonus grant to be made available to *The Apprenticeship & Training Company Ltd.* in order to fund the delivery of a number of construction apprenticeships and skills related objectives primarily during the 2017/2018 financial year. These objectives are being included within CDC's Economic Growth Strategy (2017-2020).

#### 1.0 Recommendations

The meeting is recommended:

- 1.1 To approve the grant of £100,000 New Homes Bonus to *The Apprenticeship & Training Company Ltd* (the 'Company'). This will be subject to the satisfactory completion of a funding agreement between the Council and the Company to include a right for the Council to nominate a representative to the Company's Board.

#### 2.1 Background

- 2.1 Over the past 2-3 years, the Bicester Delivery Team has been working with partners to progress a scheme which will allow a sustained programme of construction apprenticeships to be delivered, taking advantage of the scale of growth that is planned for the District. The scheme's initial focus was to bring forward apprenticeships through the construction of NW Bicester, however this has necessarily broadened over time.

The scheme has two main components:

- i) Securing a target number of apprenticeships

A planning policy approach has been devised to secure construction apprenticeships through S106 agreements attached to outline planning applications over a certain size. The approach and application thresholds are

contained in CDC's Developer Contributions SPD (Consultation Draft 2016) and it is also intended that a policy aimed at securing apprenticeships more generally will be included in the Local Plan Part II.

ii) **Setting up an Apprenticeship Training Agency (ATA)**

A key element in the successful delivery of the programme has involved the setting up of a local ATA. In essence the Council's role has been to find a way to secure construction apprenticeships through development and then provide developers with a straightforward means of delivery. The ATA will smooth the process for developers as it will generally employ apprentices rather than the developer needing to. It will provide the necessary insurances and health and safety training as well as accessing suitable local candidates, liaise with local training providers to secure the appropriate college training and support, and with developers to agree the nature of the apprenticeship and on-site placement timescale.

2.2 It has always been the intention to develop a model and to implement it in the Cherwell District initially, and in time to roll out to the South Northants District. Ultimately the intention is that this approach could be used Oxfordshire wide and beyond. Discussions are currently underway with South Northamptonshire Council and Oxfordshire County Council Economic Development officers in this regard.

2.3 The scheme was the subject of a successful bid for grant funding from OxLEP in December 2014. Cherwell District Council received £50,000 specifically to set up the ATA and to cover its early operation/set up costs by a third party. A report went before the Executive in April 2015 which outlined the scheme. The Executive noted the report and approved the Council taking on the role of the accountable body as recipient of the grant. The Company was then incorporated on 12 October 2015 as an entirely independent company with the primary objective of delivering the scheme. In April 2016 the Executive approved informal planning policy guidance to secure the approach (since incorporated in the Council's Developer Contributions SPD, Consultation Draft 2016), and also delegated to the Leader the appointment of a Cherwell District Council representative on the Company's Board. In April 2017 the Executive noted an update report on the initiative.

### **3.0 The Company**

3.1 As described above, the Company was incorporated on 12 October 2015 as a company limited by guarantee, operating on a not-for-profit basis. It has been approved by the Skills Funding Agency (SFA) to deliver the apprenticeship and training service, via its 'Recognition' process. The SFA closely regulates and monitors who can deliver this service. A Company Director is in place to manage the company. The Company is neither operated nor owned by the Council but is an entirely arms-length and independent company, albeit that the Council secured a right to nominate one non-executive director to the Company's Board as a condition of passing on the grant funding received from OxLEP.

3.2 The Company started trading in April 2017 and is focussing on gaining contracts to manage apprenticeships for developers and contractors. To protect its position as accountable body for the OxLEP grant, the Council has appointed Cllr John Donaldson as its representative to sit on the Board. Cllr Barry Wood also sits on the

Board in a private capacity and has been formally approved to do so by CDC through a Lead Member decision. The other Board members between them have PR / Communications, Recruitment Agency / ATA backgrounds and is expected that a representative from a local firm of solicitors will also join shortly.

- 3.3 The Company has taken up office premises in Banbury and the official appointment of non-executive directors and company insurances are ready for submission to Companies House. The Council's Legal Team and Assistant Director – Transformational Governance have had on-going involvement to ensure due diligence, in respect of the transfer of the OxLEP grant fund monies to the Company and also as regards the status of the Council nominee to the Board.
- 3.4 At the moment the Company has 3 contracts in the early stages of negotiation to provide services to major building contractors and developers and another contract which it has recently secured.

#### **4.0 Funding Position**

- 4.1 The OxLEP funding will be exhausted in the next month or so, and has been spent to the satisfaction of OxLEP, who have been monitoring progress on a quarterly basis.
- 4.2 In order to continue to trading effectively, the Company needs another tranche of pump-priming in order to cover a combination of one-off start-up costs, normal yearly costs and salaries. The first year's costs are always particularly onerous for a start-up as financial outlay is incurred without the necessary income to support it and the Company is no different in this respect.
- 4.3 Every effort has been made by the Company to find the most cost effective approach - e.g. the office accommodation yearly rental includes business rates, all services and office furniture. Detailed information on anticipated costs for the year 2017/18 has been presented to the Head of Strategic Planning and the Economy and the Senior Economic Growth Officer for scrutiny. The total sum of New Homes Bonus being requested by the Company as grant funding is £100,000 to support the first year trading of the Company.

#### **5.0 Key Deliverables within the financial year 2017/2018**

- 5.1 Should members approve the grant funding, the Council's legal officers will draw up a funding agreement which will enable the Company to:
- Secure contract(s) for construction apprenticeships within the Council's District with the Company desiring to create at least ten new positions;
  - Attend school careers & industry events offered to secondary schools in the Council's District;
  - Arrange a construction-themed 'Community Day' to be held in Bicester to promote construction apprenticeships and careers to pupils, parents and the general public with the Company aiming to time these events to coincide with other public events in the town (such as the "Bicester Big Lunch" etc);

- Explore opportunities for the employment of local armed services veterans as construction apprentices;
- Produce a locally-focussed, free 'Apprenticeship Toolkit' for construction firms including information on Apprenticeship Levy, funding, grants etc;
- Implement a careers survey to ascertain what young people know about construction career options, and based on the survey results provide information / correct misconceptions, gauge interest and promote opportunities etc.;
- Pilot a primary schools engagement programme hoping to engage with 3 schools in the Council's District; and
- Recruit a team of 'Industry Ambassadors' from the Council's District to be positive role models for the construction industry.

A condition of the grant funding will be to oblige the Company to look for opportunities when conducting the above activities to publicise the Council's sponsorship of the scheme.

## 5.2 Grant Principles

The Company intends that, in delivering the above activities, it will achieve the following:

- Raised awareness of the importance of the construction industry to the local economy among schools, students and parents;
- Improved stakeholder and community relations;
- Improved understanding of the knowledge and interest of young people, and the impact of the Company's activities through longitudinal survey;
- Establishment of a recognised and responsive service to help developers and contractors maximise training and apprenticeship opportunities; and
- Maximised community benefit from large scale development in respect of employment and skills investment.

5.3 In addition to the ambitions set out above, the Council's aim in providing the seed funding is to enable the Company to become established to deliver long term benefit to the Council's district, both in respect of its residents and employers through delivering local apprenticeships and skills.

5.4 The funding agreement will secure the drawdown of the funding in tranches subject to regular monitoring meetings with the Council's officers where good progress towards achieving the aims above will need to be demonstrated in order for the Council to release the next tranche of funding. The funding agreement will also contain various clauses to minimise other risks to the Council, including confirming that the Council shall retain nomination rights to appoint a representative to the Company's Board during the term of the funding agreement.

## 6.0 Conclusion and Reasons for Recommendations

6.1 Increasing the number of new apprenticeships in England is a high profile Government objective. The Council supports this aspiration. The amount of new development taking place in the Council's district over the next 20 years or so, coupled with the evidenced shortage of construction skills provides both an

incentive and opportunity to secure the provision of new construction related apprenticeships.

- 6.2 The Cherwell District Council Local Plan Part 1 as well as the Council's Economic Strategy contain strategic aspirations relating to the need to support an increase in skills and training within the Council's district. It is intended that the activities set out in section 5 of this report will be reflected within CDC's Economic Growth Strategy (2017-2020).
- 6.3 The signals from informal discussions with developers to date are that they generally support the approach CDC is promoting, as a helpful initiative designed both to increase the number of local skilled construction operatives available to support the building industry, as well as promoting the construction trades generally as a valuable future career path for young people.
- 6.4 The setting up and operating of *The Apprenticeship and Training Company Ltd* to manage apprenticeships on behalf of developers and their contractors is a key element of delivering the apprenticeships and skills this area needs. However in order to be able to trade confidently over the first year of operation, the Company needs some financial support. It is in the Council's interest to provide such financial support given the long term outcomes that will arise from the Company's activities which will benefit the local economy and thus accord with the Council's economic objectives.

## **7.0 Consultation**

- 7.1 Internal discussions on the principle and detail of the New Homes Bonus grant to the Company have been had with the Head of Strategic Planning and the Economy, Cherwell and South Northants and the Senior Economic Growth Officer, CDC.
- 7.2 On-going discussions have been had with Solicitor, Cherwell and South Northants Shared Legal Service, Assistant Director – Transformational Governance, in relation to the content of funding agreements between the Council and the Company, with the purpose of ensuring due diligence will be carried out and any associated risks to CDC identified and mitigated.

## **8.0 Implications**

### **Financial and Resource Implications**

- 8.1 The main issue to cover here is whether there are any State Aid implications arising from the grant funding of £100,000 to the Company.
- 8.2 The provision of funding in this manner has the potential to technically constitute State Aid. It is therefore essential to consider whether the arrangement would sit outside the State Aid rules or whether there are any relevant exemptions which can be applied to the grant funding to ensure that the arrangement is State Aid compliant.

- 8.3 Given the previous investment in the Company, and the long term strategic objectives of ensuring that the Company is a success, the further funding provision of £100,000 will be outside the State Aid rules under the Market Economy Investor Principle (MEIP). This rule essentially provides that activity which would otherwise constitute unlawful State Aid will not be considered to be State Aid if the activity is that which any other commercially prudent investor would take to protect earlier investments. Given the level of funding already provided and the economic benefits which will accrue to the Council by protecting and promoting the local construction industry (thereby securing additional New Homes Bonus funding and additional revenue from continued new housing developments by way of Council Tax) the Council can consider that it would be acting as any other prudent commercial investor would in this circumstance in seeking to ensure the timely revenue returns. The Council will therefore look to rely on the MEIP rule and provide the funding outside of the State Aid rules.
- 8.4 However, in the event that it is considered that the MEIP rule does not apply in this regard, the Council can fall back on the *de minimis rule* which provides an exemption from State Aid in the event that the funding can be considered to be *de minimis*. The *de minimis* State Aid limit on financial support to a private enterprise is currently €200,000 over a 3 year period. This is £176,000 at current exchange rate values. The grant of £100,000 of New Homes Bonus being sought, together with the £50,000 OxLEP funding previously granted falls well within the above limit. This therefore provides a further assurance that this grant funding agreement will not offend the State Aid rules.
- 8.5 The other main issue is one of resourcing the monitoring of the Company's expenditure and project oversight. Both of these activities can be resourced through existing staff within the Council's Economic Development and Bicester Delivery Teams.
- 8.6 There is sufficient unallocated New Homes Bonus to accommodate this grant.

Comments checked by:

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### **Legal Implications**

- 8.7 The State Aid implications which arise from this arrangement are dealt with in detail in paragraphs 8.3 and 8.4 above and are therefore not expanded here.
- 8.8 The other main legal implication arising from this report is the need for a funding agreement to be prepared to govern the provision of the grant funding monies from the Council to the Company. Given the nature of grant funding, it is not possible to place strict obligations on the recipient of such funding (in this case the Company), rather the Council is only able to set general objectives and parameters around the manner in which the grant funding is used. In this case the aims and objectives that the Company intends to use the funding for as detailed in paragraph 5 of this report above are such that the funding arrangement will constitute a grant funding. In the event that the Council wished to set more strict requirements on the Company then it would be necessary to do so via a services arrangement which would be within the scope of the Public Contracts Regulations 2015 and would therefore require a procurement process to be followed. Given that the Council is able to place

sufficient conditions on the grant funding, such as the nomination rights described in paragraph 5.4 above, to effectively monitor the Company's use of the grant funding, it is considered that grant funding is the most appropriate means of meeting the Council's strategic objectives.

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## 9.0 Decision Information

### Key Decision

**Financial Threshold Met:** Yes

**Community Impact Threshold Met:** No

### Wards Affected

All

### Links to Corporate Plan and Policy Framework

This report directly links to the following corporate priority and objective set out in the Cherwell District Council Business Plan 2017-2018:

Cherwell: A District of Opportunity

### Lead Councillor

Councillor Pratt

### Document Information

<b>Appendix</b>	
None	
<b>Background Papers</b>	
None	
<b>Reference Sources</b>	
Apprenticeships Policy, England 2015 House of Commons Library Draft Developer Contributions SPD (November 2016) The Apprenticeship & Training Company Ltd. website: <a href="http://www.apprenticeshiptrainingcompany.org.uk">www.apprenticeshiptrainingcompany.org.uk</a>	
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