

Report of: LEP Director and Head of Economic Strategy for the Combined Authority

Report to: Deputy Chief Executive Strategy and Resources

Date: 17 July 2014

Subject: Leeds City Region Enterprise Partnership (LEP) Skills Hub – Procurement Exercise

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Appendix number: Access to Information Procedure Rule Number 10.4 (3)	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Summary of main issues

1. The LEP has been awarded (in principle) £17.5m of Employer Ownership Pilot funds from BIS to establish a Skills Fund (£15m) to support SMEs training requirements. A Skills Hub will also be established to manage the interactions with business and to make applications to the Fund on a 50:50 co-financed basis.
2. The LEP led Management Board established to oversee the project agreed to procure a service provider to fulfil the functions of the Skills Hub. The Deputy Chief Executive (Strategy and Resources) took the decision to approve the undertaking of the procurement exercise to secure a suitable Skills Hub provider on 11 April 2014
3. This procurement exercise is for a contract being let for 32 months in the first instance with an approximate value of £1.7m.

Recommendations

4. It is recommended that the Deputy Chief Executive (Strategy and Resources) takes the decision to approve the awarding of a contract to Calderdale College to deliver the Leeds City Region Enterprise Partnership (LEP) Skills Hub over the next 32 months and to the placing of an order up to the maximum amount of £1,635,454.09.

1 Purpose of this report

- 1.1 To request that the Deputy Chief Executive takes the decision to award Calderdale College a contract to provide the Skills Hub service to support the operation of the LEP's Employer Ownership Pilot Skills Fund.

2 Background information

- 2.1 The LEP originally requested a flexible £15m Skills Fund to support SMEs to train and develop their staff via the City Deal negotiations. This element of the deal was not forthcoming and the LEP was encouraged to submit an application to the Employer Ownership Pilot operated by BIS and managed by the UK Commission for Employment and Skills (UKCES).
- 2.2 An outline bid was submitted in April 2013 and a full bid submitted in October 2014. The bid requested a £15m Skills Fund and £2m to establish a Skills Hub. The Skills Hub will: help source appropriate training and providers; identify co-funding to support business investment; guide SMEs through the complexities of sourcing new or existing skills provision; and ensure that sufficient numbers of businesses and individuals are engaged in line with the project targets.
- 2.3 The LEP has received notification from BIS that the bid has been accepted and we are in the process of finalising the grant offer letter. A Management Board has been established, Chaired by a LEP Board Member, to provide strategic oversight of the project. Leeds City Council, as the accountable body for the LEP, will be responsible for all financial management and compliance.
- 2.4 The Management Board recognised that the Skills Hub services needed to be provided by a specialist, experienced body and agreed to procure such services via an open, competitive OJEU compliant exercise. Leeds City Council, as the LEP's accountable body, took the decision that the Skills Hub be procured through the Council's procurement unit. This decision was subject to call-in.
- 2.5 The Council published an open tender on 14th May 2014 with a deadline for return of 25th June 2014.

3 Main issues

- 3.1 Potential providers of the Skills Hub service were invited to submit tenders to deliver the following service:

The Leeds City Region Enterprise Partnership (LEP) is seeking to procure a suitably experienced and expert service provider to establish a Skills Hub to broker relationships between Leeds City Region's SMEs and skills providers, utilising Employer Ownership Pilot (EOP) funding and under the terms of the agreement between the LEP and the Skills Funding Agency. The Skills Hub will enable businesses to make applications for investment (on a co-financed basis) from a £14m Skills Fund.

The selected service provider will be expected to play an active role, working with other service providers, the Management Board and the LEP to do this. The

service provider will also be required to contribute to the LEP's wider agenda to simplify the business support landscape and they should set out how they will do this. The service provider will therefore need to adhere to Growth Hub branding and use the LEP's shared client management system.

The core competencies of the Hub will be its ability to effectively engage SMEs to invest in skills; help source appropriate training & providers; identify appropriate co-funding to support business investment; manage SFA and ESF contractual compliance; and guide SMEs through the complexities of sourcing new or existing provision by making the process as easy as possible.

In the initial timeframe for the EOP fund the service provider will be contractually required to deliver the following key outputs (approx. subject to confirmation from BIS) :

- 3000 employers, primarily SMEs, engaged by the Hub and supported with their skills plan;
- 2500 skills diagnostics completed;
- Increase in above employers' investment in training to the net additional value of value of approx. £15m;
- 150 employers participating in established networks;
- 17,164 individuals receiving training, in the following categories:
- 508 bespoke Apprenticeship opportunities (supporting skills to progress to higher level Apprenticeships) and 1000 referrals for Apprenticeships to mainstream provision;
- 16564 Workforce Skills (a mixture of short, medium and longer-term modular, bespoke & accredited and non-accredited courses) including higher technical skills for existing employees (but not including ineligible HE provision);

The service provider will also be required to ensure:

- That the Skills Hub service is branded and promoted in line with the LEP's requirements and operates as an integrated element of the wider Business Growth Hub which the LEP is seeking to establish, making appropriate onward referrals for other business support needs of beneficiary SMEs;
- The effective spend of EOP funds and the co-investment of private sector contributions under the terms of the Skills Funding Agency contractual and audit requirements (relevant extracts from the EOP Grant Offer Letter (GOL) are available for bidders on receipt of your signed Confidentiality Agreement);
- That up to a third of the EOP Skills Fund is defrayed in compliance with ESF regulations thus making it eligible for use as match funding in the future, should the LEP wish to pursue this option;

- Effective co-operation with EOP funded service providers contracted (by the LEP) to deliver 8820 employability sessions eg schools /work experience placements to support LCR businesses better in engaging with schools and young people; and
- That the operations of the Skills Hub align with those of mainstream providers and the providers of existing SFA and ESF funded provision aimed at supporting workforce development e.g. Skills Support for the Workforce, Skills Enhancement Fund and other programmes. It is vitally important for the LEP that multiple funding streams work for the benefit of business and do not cause displacement.

The selected service provider will also be expected to work towards and report on securing the following broader outcomes arising from the Skills Hub & Fund investment:

- New Jobs Created – we expect in the region of 3,000 jobs (including Apprenticeship referrals) to be created in connection with the EOP investment. The Skills Hub will be required to measure the number of jobs that employers create and attribute to the EOP activity.
- Increases in turnover – this will be measured on an individual company basis – taking a baseline figure prior to their participation and tracking it for up to two years after, with an expectation of securing an proportionate uplift of 10% per employee up-skilled.
- Increases in skill levels – the baseline position for skills levels in the workforce at levels 2, 3 and 4 are 25%, 22% and 26% respectively. We aim to deliver a 3% increase in these in the cohort of companies we work with.
- Reduction in skill shortage vacancies – the baseline figure for this indicator is 19% we aim to reduce this by at least 4% in participating employers.
- Increase in the proportion of employers in Leeds City Region providing training - from 66% to 71%

Appraisal of Tenders

- 3.2 Three tenders were received in total. All tenders were accompanied by full PQQs from the lead bidder and partial PQQs from any consortium members. Partial PQQs were vetted by relevant colleagues in PQQ and in the LEP Secretariat Team. Full PQQs, also contained quality responses for which there was a set threshold of 70% to be achieved against 4 scored elements. These were assessed by the Evaluation Panel against the published selection criteria.
- 3.3 Two bidders achieved the PQQ threshold and an Evaluation panel meeting met on 26th June to reach a consensus score against the weighted criteria for 6 Method Statements.
- 3.4 Both these bidders were invited to attend a clarification interview with the Evaluation Panel and two Advisors / Consultees from the LEP Board. The

purpose of the interview was to elicit further information from the bidders on aspects of their written responses to the method statements in the tender response. Bidders were aware that their original scores may be amended up or down depending upon their responses in line with the published evaluation criteria.

- 3.5 The Evaluation Matrix is appended to this report giving the scores out of 600 (for quality) and 400 (for price) for both bidders. This document is considered to be commercially sensitive and has been obtained through a procurement process which is still subject to completion of the Council's due process. It is therefore considered that this element of the report should be treated as exempt under rule 10.4 (3) of the Access to Information Procedure Rules.
- 3.6 Contract award is subject to the receipt of the final, signed Grant offer Letter from the Skills Funding Agency and the outcome of the decision will not be communicated to bidders until this is received.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Widespread consultation was undertaken during the development of the bid, details of those consulted are provided below:

Management Board Members:

Mark Ridgway OBE, MD of Joseph Rhodes and LEP Board Member (Lead employer in the pilot bid)

Stephanie Burras, Chief Executive Ahead Partnership and Chair of LEP Employment and Skills Panel

Chris Jones, Principal of Calderdale College and Chair of Leeds City Region Skills Network

Don Brearley, Chief Executive of West Yorkshire Learning Providers

Neil McClean, Chair of Governors Leeds City College

Joanne Roney OBE, Chief Executive Wakefield Council

LEP Stakeholders

LEP Board

Leeds City Region Leaders Board

LEP Employment and Skills Panel

Leeds City Region Chief Executives

Leeds City Region Directors of Development

Leeds City Region Employment and Skills Officers

100+ Employers across the City Region

LEP Business Communications Group

- 4.1.2 In addition, two members of the LEP Board acted as advisors / consultees to the Evaluation Panel: Mark Ridgway OBE, MD of Joseph Rhodes and LEP Board Member (Lead employer in the pilot bid); and Stephanie Burras CBE, Chief Executive Ahead Partnership, LEP Board Member and Chair of LEP Employment and Skills Panel.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The procurement exercise examined the equality and diversity policies and practises of the bidding organisations.
- 4.2.2 An Equality, Diversity, Cohesion and Integration Screening form was completed to accompany the decision to procure the Skills Hub and is attached to this report.

4.3 Council policies and City Priorities

- 4.3.1 The Skills Hub is a key component of the delivery of Strategic Pillar 2 (Delivering a Skilled and Flexible Workforce) of the LEPs Strategic Economic Plan.

4.4 Resources and value for money

- 4.4.1 Approval to award the contract follows a competitive and open procurement exercise with a requirement for the successful organisation to contribute 20% to the cost of operating the Skills Hub.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The provider has been selected and will be appointed in accordance with the Council's Contract procedure Rules and Financial Procedure Rules and in compliance with the procurement requirements of the Official Journal of the European Union (OJEU). The decision to procure the service was notified on the Forward Plan for April to July 2014 and was subject to "call-in". Following approval, the appointment of the preferred provider and ordering of services under the Skills Hub will be undertaken in conjunction with Legal Services and will be managed on an on-going basis through the LEP Secretariat.

4.6 Risk Management

- 4.6.1 The procurement of the Skills Hub has been undertaken with the support and advice of the Council's Procurement Service and colleagues in Legal Services.
- 4.6.2 The contracted organisation will be subject to robust financial and performance management procedures in accordance with Leeds city Council regulations to ensure SFA compliance and output delivery.

5 Conclusions

- 5.1 The Leeds City Region Enterprise Partnership has been awarded (subject to final receipt of Grant Offer Letter) £17.5m of Employer Ownership Pilot funds to establish a Skills Fund and Skills Hub.

- 5.2 Following an open and competitive tender process concluded in July 2014, a consortium led by Calderdale College has been identified as the preferred provider for the Skills Hub.

6 Recommendations

- 6.1 It is recommended that the Deputy Chief Executive (Strategy and Resources) takes the decision to approve the awarding of a contract to Calderdale College to deliver the Leeds City Region Enterprise Partnership (LEP) Skills Hub over the next 32 months and to the placing of an order up to the maximum amount of £1,635,454.09.

7 Background documents¹

- 7.1 Not applicable.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.