

Local Growth Fund

Application Guidance for Capital Investment in Skills Projects

(Specialist Equipment and Capital Development)

1.0 Introduction

- 1.1 The effective delivery of skills requires a learning environment which is fit for purpose and equipped with up-to-date equipment and machinery similar to that used in modern workplaces.
- 1.2 In line with the [FE Capital Investment Strategy](#) and the Strategic Economic Plan for Worcestershire, Worcestershire Local Enterprise Partnership (WLEP) is working to drive improvements in skills infrastructure by making capital funding available to a wide range of skills delivery partners. The resultant projects will enhance and enable investment in facilities and equipment, thereby enabling skills acquisition, development and economic growth. The approach will also encourage vocational rigour, innovation and excellence.
- 1.3 This document sets out arrangements for the application and assessment processes of the Local Growth Fund as it relates to investment in skills capital.

2.0 Eligibility of Projects

- 2.1 The aim of the Local Growth Fund in respect of skills capital is to promote excellence and support employer-focused delivery, thereby enhancing skills acquisition and economic growth.
- 2.2 WLEP recognises that accessibility to modern, state-of-the-art equipment and fit-for-purpose learning and training environments, equal to those used in the workplace, is crucial to the delivery of effective learning and training.
- 2.3 Eligible applicants will generally be organisations on the Register of Training Organisations and hold a direct contract with the Skills Funding Agency to deliver education and training. For example, this may include Further Education colleges, National Skills Academies (NSAs), Group Training Associations (GTAs) and other bodies that can satisfy the above eligibility requirements designed to safeguard the public funding provided over the longer term.
- 2.4 Joint projects are permitted between combinations of partners (for example NSAs, GTAs and training organisations such as FE colleges), but a key element of eligibility for all applicants is as set out above in paragraph 2.3. Where there are more than two parties involved, the LEP requires a “lead partner” to enter into the funding agreement, be responsible for complying with the terms of the funding agreement and ensure the funding is used for the purposes for which it was provided.

3.0 Project Eligibility Criteria

- 3.1 The Local Growth Fund is currently the subject of annual bids from WLEP with approved projects being implemented within a fixed financial year. However, there is an expectation that as LEPs in general build a track record of delivery, further financial flexibilities will be devolved with funding being made available over a longer period, for say, 2 - 3 years.
- 3.2 The minimum project value for the acquisition of high-cost specialist equipment (defined as any item that an eligible applicant is able to “capitalise” in its year-end accounts) is a **unit price of £50,000 excluding VAT** and is normally **£500,000** for development projects (new build, refurbishment and remodelling). There is no upper limit on project value and where there is a strong business case WLEP may consider projects for grant support that are outside of the above thresholds.
- 3.3 The normal maximum rate of grant support for any project or funded items is a third of the eligible costs (2:1 match). However, where organisations can make a compelling case in terms of need, value for money and benefits, we may consider an enhanced level of funding (up to 50%). The balance of funding provided as the ‘match’ for grant support must come from non-public sources.
- 3.4 Applications can include:
- the purchase of high-cost specialist equipment. Where the project relates solely to the acquisition of high-cost specialist equipment, the minimum permitted value is normally £50,000 excluding VAT per item. Where the project includes elements of capital development works (new build, refurbishment and remodelling), associated equipment with a value of up to 25% of the total project cost is normally permitted as part of eligible project costs. If applicants have any doubts regarding the split of costs, they should discuss this with the LEP;
 - work to improve delivery and efficiency through digital technologies, including steps to improve technological infrastructure and service resilience. (For clarity, projects in this category should relate to elements such as infrastructure improvements, as opposed to the purchase of computers, electronic tablets and so on.);
 - building and enhancing (refurbishment or remodelling) specialist facilities – especially Science Technology Engineering and Mathematics (STEM) and facilities that relate directly to the WLEP priority sectors of Agri-tech, Advanced Manufacturing and Cyber/Security.

- 3.5 All capital development projects will need to be developed up to the stage where it is possible to identify and cost their extent properly, for example to the Royal Institute of British Architects (RIBA) stage C (work stage 2) or equivalent, with supporting sketch plans and cost plans. Applicants must be able to commit to a firm budget and demonstrate relevant certainty and ability to deliver the project to timescale. We also expect capital development projects to achieve high levels of environmental performance and to achieve a Building Research Establishment Environmental Assessment Model (BREEAM) 'excellent' rating for new build and 'very good' for refurbishments.
- 3.6 Applicants are reminded that the LEP will not normally provide increased capital grant should project costs exceed the approved amount.
- 3.7 In all cases, applicants must procure consultants and contractors and purchase equipment in accordance with European Commission (EC) Procurement Directives.
- 3.8 All purchased equipment which receives LEP grant support is to be used solely or mainly for the delivery of publicly funded education and training.
- 3.9 All applicants need to take steps to satisfy themselves that any grant support funding does not amount to unlawful State Aid. Before applicants receive any grant they will need to provide the LEP with a formal written State Aid opinion from a solicitor, regulated in England and Wales who specialises in the EU State Aid rules, confirming in detail how the project complies with the EU State Aid rules, or a declaration to show that the grant is compatible State Aid as it is to be provided as 'de minimis' aid in compliance with the De Minimis Regulations.

4.0 Application Process

- 4.1 The Local Growth Fund is available on a competitive basis. Eligible applicants must submit an application on the Local Growth Fund Application Form.
- 4.2 The LEP recognises that some applicants may have more than one project that meets the criteria. In recognition of this, each eligible applicant may submit more than one application. Applicants submitting more than one application need to prioritise the applications clearly. In the first instance the LEP will consider applications that each applicant gives the highest priority, and we will then move on to assess applications given a lower priority, if the budget allocation allows.
- 4.3 The application comprises two forms:
 - i. **Form A** relates to projects which comprise solely the acquisition of specialist high-value equipment (paragraph 3.2 refers).
 - ii. **Form B** relates to projects which comprise capital development works (new build, refurbishment and remodelling) and can contain equipment with a total value of up to 25% of the total project cost.

5.0 Local Growth Fund Application Requirements

- 5.1 The Local Growth Fund application requirements comprise completion and submission of the following items:

- **Application form** – guidance on how to complete the application form is included with the form itself, with applicants required to over-write and delete application guidance information. Incorporate all information into the application form, with the exception of the information requested below. Taking into account the limited time available to carry out assessments and approvals of the applications, applicants are required to keep answers brief and to the point – the application form contains guidance for length of responses (word limits apply to help keep the process manageable).
- **Planned Expenditure profile** – for the period of the project.
- **Programme** – planned completion date of the project.
- **Building cost breakdown analysis form [For capital development projects only]** – the application will need to include one form for the overall project but applicants should provide separate forms to support this where more than one set of building works is proposed. Where projects are in excess of the Agency's cost benchmark, ([see Agency's cost model on the Agency's Capital Funding Page](#)) applicants 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 the LGF to projects which are more than 5% in excess of the Agency's cost benchmark, unless applicants provide adequate justification of the additional costs.
- **Financial Plan/Forecast - for projects over £1 million or requesting grant in excess of 33%**
 - FE colleges – colleges should submit a financial plan using the latest college version which is available to download from the [Capital Funding page on the Agency's website](#). The financial plan should be for at least two years after project completion and use the same format as used by colleges for their annual returns to the Agency.
 - Non-FE colleges – non-college providers should submit a financial plan using the 'Financial Plan Template' (for completion by those providers applying for capital grant support and that do not submit a financial plan annually), which is available to download from the [Agency's website](#). The financial plan should be for at least two years after project completion.
- **Investment appraisal template – for projects over £1 million** – the application will need to include investment appraisals in respect of both the base case (do minimum) and preferred option using the [Agency's latest template](#), which is available to download from the website.
- **For projects including “in kind” grant contributions** – applicants should have early discussions with the LEP regarding the use of “in kind” contributions:
 - Donations of specialist equipment – applicants should provide appropriate auditable evidence to confirm the value of the specialist items before the project starts.

- Waiver of rent –applicants must clearly identify and substantiate the tangible “in kind” contribution. The LEP’s stance will be to allow the capitalisation and use of no more than five years of rent as an “in kind” contribution. Applicants cannot include any rent-free periods that would constitute a normal market concession as part of the contribution. Applicants must submit robust supporting evidence, including written confirmation of the contribution and an independent market valuation which identifies the normal incentives (such as rent-free periods) that the market offers, an open-market rental value and the average annual market rent, net of incentives.

We will assess applications only on the information submitted in the required format. We cannot guarantee that we will consider any additional information that applicants provide at the assessment stage.

5.2 To be eligible for the SCF, applicants must meet the following submission requirements:

- Applicants must return **one** electronic copy of the signed and completed Expression of Interest form and the required supporting information submitted to Ian Edwards at Worcestershire Local Enterprise Partnership (ian.edwards@wlep.co.uk) and ensure that it is received within the agreed deadline. (Please compress files to less than 5Mb or send several emails. If you have any difficulties sending the email(s) please call Ian (01905 672700) **and**
- In addition applicants must also ensure that the LEP receives **one** hard copy of the signed and completed application form and the required supplementary information at the following address **by the agreed deadline:**

Worcestershire Local Enterprise Partnership
5 The Triangle
Wildwood Drive
Worcester
WR5 2QX

5.3 Without exception, we will **not** consider as eligible for the LGF any applicants that fail to submit both an electronic copy and hard copy of a signed and completed application form together with supplementary information in accordance with the submission requirements set out in this guidance document. Applicants must submit applications and supplementary financial information using the correct application forms and templates downloaded from the LEP’s website.

6.0 Assessment Criteria

6.1 Applicants must provide a statement and evidence of need supported by a robust finance and benefits case. This provides the justification for making public funding available. We will assess each application against the following core criteria:

- **Eligibility of the applicant** – paragraphs 3.1 to 3.9 refer.
- **Strategic drivers** – the proposed project/activity should meet the needs of the organisation’s business/strategic plan and demonstrate support for key government priorities and related strategies. Proposals from GTAs and NSAs will need to meet core values and criteria, including for NSAs – national reach, operating for all employers in the sector and, where applicable, their supply chain, working with the current provider network and be led and supported by employers; and GTAs – sector reach, operating for a significant number of employers in the sector and, where applicable, their small- to medium-sized enterprise supply chain, working with the current provider network and be led and supported by employers. Projects supporting training for Higher Level Apprenticeships are particularly welcome.
- **Specialisation and innovation** – the application must demonstrate how the proposal would address skills shortages and meet the skills needs of the specific sector or group of employers.
- **Quality improvement and statutory requirements** – proposals should support raising standards in industry and fulfilling its skills development needs.
- **Economic and social impact** – proposals should identify the impact of the project on other economic and social benefits, with particular reference to how the investment will have a positive impact on increasing Apprenticeship numbers and progression to higher skill levels, tackling unemployment, including those not in education, employment or training (NEETs), and addressing priorities identified by key partners including Local Enterprise Partnerships (LEPs).
- **Employer Investment in Skills** – proposals based upon employer-led approaches must include an element of employer investment to match the requested government investment. We will use the level of non-LEP funding as a proxy for the degree of employer/sector support. Co-funding can be by way of financial contributions, donation of specialist equipment and/or the provision of freehold land from an employer at a discounted price for the delivery of education and training. Applicants will be expected to get revenue income in the form of employer investment resulting in more employees through the system. Where match-funding takes on the form of in-kind membership funding, or levy, the applicant will need to justify in the context of the particular proposal.
- **Project readiness** – readiness to procure (for high-value specialist equipment only) and start on-site (for capital development projects) will be used as proxies to determine the likelihood of the project incurring sufficient spend in the programme period.

- **Eligibility of proposed capital works** – the project should meet the usual Agency criteria, for example, exclude revenue items and meet the LEP’s requirements regarding tenure, including any proposed leasehold arrangements. These include a minimum lease period of normally 20 years with no break clause and the permitted capitalisation of normally 10 years’ rent (excluding revenue items such as business rates, service charges and insurance). Applicants should discuss the eligibility of proposed costs with the LEP before submitting funding applications.
 - **Protection of the capital investment** – the application needs to state the proposed ownership of the asset that the LEP investment will fund and the extent/duration to which the applicant proposes to ensure the continued use of the asset for the purposes intended. The LEP requires the extent/duration to be normally 20 years in respect of development (new build, remodelling and refurbishment) projects; for assets other than land and buildings this will be for a minimum of five years or, if longer, the time until the net book value is below 15% of the historic cost.
 - **Value for money** – for development projects we will assess this against the Agency’s cost benchmarks. For projects in excess of £1 million investment, appraisals will be required for both the proposed project and a base case, which must demonstrate a better new present value (NPV) for the project than the base case. For capital build and refurbishment proposals, the project is expected to be self-sustaining, with running costs recouped through charges for services/provision provided.
- 6.2 The LEP will use the above criteria to carry out a needs-based prioritisation process to determine which projects will be funded.

7.0 Prioritisation of Projects

- 7.1 All applicants will need to pass an estate gateway relating to minimum project size, deliverability and project/applicant eligibility.
- 7.2 In the event that applications exceed the value of the funds available, in the first instance the LEP will consider applications that each applicant gives the highest priority, and we will then move on to assess applications given a lower priority, if the budget allocation allows.
- 7.3 If additional prioritisation is necessary, we will rank/prioritise all projects passing the estate gateway according to the overall number of points scored following the assessment of applications.

8.0 Grant Support Contractual Obligations

- 8.1 Applicants with projects approved for the LGF will receive a letter from the LEP confirming the funding in relation to the project and setting out the conditions of the grant.
- 8.2 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.

8.3 The LEP will reserve the right to recover funds by claw-back from applicant allocations in the event that project costs (including VAT savings) are less than originally approved, or have not been used for the agreed purposes.

9.0 Post-Project Evaluations

9.1 The LEP is required to account for public investment made in the skills estate and the impact it has made. Therefore, for projects over £0.5 million, the LEP usually requires, as a condition of capital grant a post-project evaluation. We expect applicants to provide post-project evaluations within 12 months of completion of the projects.

10.0 State Aid

10.1 The applicant must provide the information in Section A7 and/or Section B8 of the Application Form(s) to enable the LEP to make an assessment as to whether capital funding payable under this scheme could amount to unlawful State Aid. Should the European Commission decide that funding amounts to State Aid, which is incompatible with the common market, and decides that the funding is to be recovered, a condition of grant will be that the applicant is required to repay the SICF funding to the LEP without set-off or deduction (plus interest). All successful non-FE colleges will be required to complete and return a State Aid Deed to the LEP.