

PART A

Report to: Cabinet
Date of meeting: 12th September 2016
Report of: Head of Regeneration and Development
Title: Skillmakers – Guarantee of Herts LEP Loan

1.0 Summary

- 1.1 The Skillmakers Cabinet Report of 8th February 2016 referred to a loan from Hertfordshire Local Enterprise Partnership (LEP) to support the development and set-up costs of the Skillmakers service. A loan of £103,500 was approved by the LEP, but Watford Borough Council was asked to act as guarantor of this loan.

This report is seeking Cabinet approval of the Council's position as guarantor of the LEP's loan to Skillmakers.

2.0 Recommendations

- 2.1 To approve the Council's position as guarantor of the LEP's loan to Skillmakers.

Contact Officer:

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Report approved by: Jane Custance, Head of Regeneration and Development

3.0 Detailed Proposal

3.1 Context

The Skillmakers service is being led by West Herts College (WHC) with support from Hertfordshire LEP, Watford Borough Council (WBC), local businesses and third sector community organisations. Richard Moore has been recruited as the Skillmakers Programme Director, and is preparing the service for launch to local employers in October 2016.

This service is aligned with the Council's objectives as detailed in the Skillmaker Project

Initiation Document (PID). In summary these are:

- To support the projected job growth for the area - 7,000 core strategy jobs target, although recent evidence suggests this figure will be far higher.
- To help address the skills gap being reported by local employers.
- To retain good businesses in the town and help them grow by improving access to appropriately skilled local workforce.
- To uplift the skills held by local residents and better align them with the needs of the towns businesses.
- To improve employment opportunities for our local people to boost life chances.

The intention has always been for Skillmakers to become self-sustaining, generating income to fund its own operations. While the concept and aims remain the same, the business model underpinning Skillmakers has evolved since the Council's PID was produced in December 2015. The revised model is summarised below.

3.2 **Business Model**

Skillmakers will be the 'skills hub' for employers across Watford and the wider South West Herts sub-region. It will provide clear and simple access to all the resources businesses need to plan for and develop their future workforce.

It connects with existing skills programmes to improve signposting and provides information advice and guidance around everything from apprenticeships to workforce development to volunteering and Corporate and Social Responsibility (CSR). It is everything skills related that employers need, accessible in one place.

The Skillmakers website will be the primary point of access to information and support. This is currently being developed to offer a broad range of relevant and current information including case studies. It will be visually engaging and easy to navigate, using for example sector images to lead users through relevant content and avoiding heavy text unless referring to specific reference documents. Social media will also play a big role, using LinkedIn and twitter to communicate around hot topics, keeping users engaged with the service.

Alongside the digital offer employers will be able to get personalised advice, over the phone or face to face, and also engage with a variety of sector specific or skills topic forums, networking events and peer discussions. So the service will scale its reach digitally, whilst offering local and personalised knowledge sharing.

Skillmakers will primarily target Small and Medium Sized Enterprises (SMEs), for whom the most benefit can be delivered. Of approximately 32,000 employers in South West (SW) Herts (of which 4,640 are based in Watford) 90% are SMEs, and only about 5% of

the total are currently members of a Chamber of Commerce. Skillmakers intends to reach 10% of SW Herts employers. It will work in partnership with business networks such as the Watford Chamber of Commerce and Watford Business Improvement District (BID), effectively becoming the skills offer for these groups, as well as reaching new audiences.

Access to the Skillmakers service will be offered at no cost to employers. Chargeable membership models were considered at length, however it was concluded that this would significantly restrict Skillmakers ability to deliver impact to employers and would create a barrier to connecting with business groups and existing skills programmes. Employers will need to register to become a member of Skillmakers, but there will be no fee.

As the major investor (see 3.3 below) West Herts College will be referenced as the lead provider for training provision where they have relevant courses within their portfolio. However links with a range of complementary training providers will also be available to employers to ensure that all skills needs are catered for, across industry sectors and across skills disciplines. Partnering with a range of local training providers will also ensure that all client groups are supported, so that all members of Watford resident community can access the new jobs being created in the town.

There is no other service in the area offering employers access to support in this way, so Skillmakers is unique and meets a gap in the market for skills specific business support. Consultation feedback suggests it will be widely supported by employer groups who recognise the needs of employers, and also organisations focused on skills provision who recognise Skillmakers as a way to scale impact and outcomes.

Income will be generated in two ways:

Sponsorship

Extensive discussions with large / corporate businesses have indicated a strong appetite for sponsorship of Skillmakers. Sponsors see value in:

- Access to Skillmakers wide membership audience
- Positive Public Relations (PR) through association
- CSR activities
- Sector thought leadership
- Promotion of supply chain activities
- Access to education establishments and young people

Premium Products and Services

Skillmakers will charge members for access to some services. These are likely to include:

- Events
- Case studies

- Bespoke skills planning service

An indicative forecast of Skillmakers income and costs, drafted by the College, is detailed in Appendix 1.

3.3 **Investment and Funding Summary**

Funding support from partners is offered as investment in a service which becomes financially viable over a five year period.

Alongside the Council and the LEP, the College is investing a significant amount in the Skillmakers service, demonstrating their commitment to success of this project. Their total investment is £185k over 5 years.

The indicative financial summary drafted by WHC (Appendix 1) outlines the forecast income and costs for the service over 5 years.

The Councils proposed investment is:

£11,500 loan approved by Cabinet 8th February 2016. Repayable with interest March 2019.

£20k contribution (from Local Area Business Growth Incentive - LABGI) specifically to fund creation of the content and case studies for the Skillmakers website.

To act as guarantor for the LEP loan of £103,500. Repayment of the loan will be 25% (£25,875) in March 2020, which is during Year 4 of Skillmakers operation and 75% (£77,625) in March 2021 which is Year 5 of operation. There is no interest linked to this loan.

WHC are not planning to draw down the entire loan pot in order to allow for contingency. Of the total £115k loans they propose to draw down £89k over 3 years, (Year 0 £45k, Year 1 £36k, Year 2 £8k) as detailed in the financial summary.

The annual membership fee detailed in 8th February Cabinet paper is no longer applicable as the service is now offered to members at no cost.

3.4 **Performance and Measures**

The Key Performance Indicators (KPIs) for Skillmakers are stated as:

Macro Measures (measured by Herts LEP):

- SW Herts residents starting apprenticeships increasing from 950 to 1350 by 2021
- SW Herts residents starting traineeships increasing from 40

to 100 by 2021

- Increase pre-employment training and sector-based work academies from 10 to 20 per annum by 2021

Year 1 Service Measures (measured and reported by Skillmakers):

- £40k income from sponsors
- £15k income from chargeable products and services
- 10% of SW Herts businesses registered as members of Skillmakers
- 6 primary schools and 6 secondary schools engaged with Skillmakers employers
- 6 major companies demonstrate new skills related CSR activities

3.5 Annual Financial Review

The Council and the College have agreed to undertake an annual review of the financial viability of the service. This is clearly sound business practice, but is also intended to minimise the Council's risk as guarantor of the LEPs loan, ensuring that there is a formal process to identify any financial risk or failure.

If at any point it is concluded that the service was no longer financially viable, an assessment of the assets / value of the service would be undertaken and an agreement reached between WBC and WHC about what happens to the service at that point and the sharing of any residual liability considering its value at that time.

3.6 Governance

Skillmakers will not become a Community Interest Company until it has demonstrated financial self-sufficiency. Until this time it will remain a business unit within West Herts College, but operate independently of the College under the Skillmakers brand when engaging with employers.

The profile of the Skillmakers board will evolve in order to introduce representation from priority industry sectors, and also to bring in professional expertise in areas such as service delivery, finance and fundraising. The board will retain its representation of the four core stakeholder groups: business, community, education and local authority. This evolved board composition will provide robust guardianship of the Skillmaker aims and values, whilst ensuring that service delivery is highly effective and financial management is sound.

4.0 Implications

4.1 Financial

4.1.1 As detailed in section 3.3.

4.1.2 The Head of Finance comments that the Council has funds to make the £11,500 interest bearing loan from its Treasury reserves. If WHC were to default on the LEP loan, then Council would be liable for the full sum outstanding (up to £103,000) and this would be an unbudgeted pressure in the year the liability occurs.

4.2 Legal Issues (Monitoring Officer)

4.2.1 The Head of Democracy and Governance comments that as guarantor if Skillmakers does not generate sufficient income to repay the LEP loan it will fall to the Council to make up any shortfall.

4.3 Equalities

4.3.1 Skillmakers will seek to help people access new learning and employment opportunities across the community, regardless of age, gender, disability or any other factor. Skillmakers intends to help maximise the economic potential of all of the local working age population, enhancing career and job opportunities for residents across all groups.

4.4 Potential Risks

Potential Risk	Likelihood	Impact	Overall score
Quality of Service – if the Skillmaker product, including the website is not of sufficient quality to attract enough employer members.	1	4	4
Resource – The financial plan only provides for two staff, the manager and an administrator. The service remit will be challenging to deliver with this limited staffing, and effective partnering will be needed to deliver against all objectives.	2	3	6
Sponsorship – not enough sponsors secured to fund the service	2	4	8
Chargeable products – the ‘premium’ services do not generate sufficient income	2	4	8
Those risks scoring 9 or above are considered significant and will need specific attention in project management. They will also be added to the service’s Risk Register.			

Appendices

Appendix 1 8 July 2016 Skillmakers Board Financial Plan