

## READING BOROUGH COUNCIL

### REPORT BY EXECUIVE DIRECTOR ECONOMIC GROWTH AND NEIGHBOURHOODS

DATE:	12 JULY 2019		
TITLE:	THE CURIOUS LOUNGE DIGITAL SKILLS HUB		
LEAD COUNCILLOR:	CLLR ASHLEY PEARCE	PORTFOLIO:	EDUCATION
SERVICE:	NEW DIRECTIONS	WARDS:	BOROUGHWIDE
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#### 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report sets out the decision to grant spend approval of £258,544 grant funding awarded by Thames Valley Berkshire LEP (the LEP) from Reading Borough Council (as lead partner and accountable body) to Indigo Loop Limited (trading as Connect TVT), with £111,000 of the monies being paid in advance from Reading Borough Council capital reserves to enable capital works to be carried out.
- 1.2 The project partners: namely Reading Borough Council, Indigo Loop Ltd and Reading UK have been awarded a capital grant of £261,250 (the Grant) from the Thames Valley Berkshire LEP Capital Growth Fund through a joint application for the grant funding.
- 1.3 £258,544 of the Grant monies will be used to redevelop and fit-out an existing office space in Reading Town Centre and to provide IT and training equipment (the remaining £2,706 has been deducted by the LEP for independent bid assessment costs). The digital skills hub called "The Curious Lounge" will offer a high quality space for digital skills training, qualifications and apprenticeships, employability events and digital tech employer engagement.
- 1.4 Indigo Loop will procure and manage the works. The works will begin on 29<sup>th</sup> July 2019, before the Council is entitled to claim the Grant monies from the LEP. The Council cannot claim the Grant monies from the LEP in respect of the Works and the wider project until September 2019 due to Local Growth Funding being awarded in arrears which is after the works have been completed by Indigo Loop on the 6<sup>th</sup> September 2019.
- 1.5 In order to support The Curious Lounge project and meet the opening date of 9th September 2019, it will be necessary for the Council to pay Indigo Loop the sum of £111k for the cost of the works on or before 29th July 2019 to enable the works to begin on 29<sup>th</sup> July 2019. A Business Case for a Waiver to Contract Procedure Rules has been completed related to the decision to grant spend approval to Indigo Loop.

2. IT IS THE DECISION OF THE EXECUTIVE DIRECTOR OF ECONOMIC GROWTH & NEIGHBOURHOODS TO:
  - 2.1 enter into a partnership agreement with Indigo Loop (trading as Connect TVT) and Reading UK CIC to deliver The Curious Lounge digital skills hub project pursuant to the terms of the joint bid application for Grant funding.
  - 2.2 Waive the Council's Contract Procedure Rules and appoint Indigo Loop (Connect TVT) to carry out the fit out and supply of IT training equipment for the digital skills hub, on the basis that the funding was awarded to the Council with the clear expectation that the delivery partner would be Indigo Loop (Connect TVT), and it would therefore be inappropriate to run an externally advertised procurement for an external provider to carry out the role.
  - 2.3. To grant spend approval of £258,544 (funded from the grant awarded by TVB LEP) to Indigo Loop(Connect TVT) to carry out the fit out and supply of IT training equipment for the digital skills hub as specified in 2.2.
  - 2.4 Make £111,000 of capital funding available to Indigo Loop (Connect TVT) from the Council's capital reserves to be paid upfront to enable the capital works to be carried out before the receipt of the grant funding in September 2019, on the understanding that the Council would be fully reimbursed on receipt of the grant funding from the LEP.
  - 2.5 Present a future report to the Council's Adult Social Care, Children's Services and Education Committee reporting on the project, costs and outcomes.

### 3. POLICY CONTEXT AND BACKGROUND

3.1 This project is the result of a bid to external LEP Capital Growth Funding. Submission of the bid was approved by the Head of Culture as it is supporting the strategic aims of Reading Council and its Adult Learning Service, as set out in section 5.

3.2 The named partners in the bid are Reading Borough Council, Indigo Loop through its brand Connect TVT and Digital Gum and Reading UK CIC. Reading Borough Council is the lead partner and "Scheme Promotor" and will, subject to compliance with the terms of the Capital Grant Letter, receive the Grant. Reading Borough Council will pay Indigo Loop (Connect TVT) for delivery of the capital works and will claim the monies, including monies paid in advance to Indigo Loop, from the LEP through the claim proforma process. The LEP will pay the grant in arrears to Reading Council (September/October 2019) following submission of a quarter 2 claim (due 6<sup>th</sup> September 2019).

3.3 As the funding was awarded to the Council with the clear expectation that the delivery partner would be Connect TVT, it would be inappropriate to run an externally advertised procurement for an external provider to carry out the role. This is set out within a Business Case for a Waiver to Contract Procedure Rules form and authorised by the Executive Director Economic Growth and Neighbourhoods. State Aid implications on the lack of externally advertised procurement process are addressed in "Legal Implications" Section 8.3.

The decision set out in this report is to give formal spend approval of the grant.

3.4 The project timeline requires the commencement of the capital works to lay out the suite in July 2019 and ahead of the receipt of the award. It should therefore be noted that the decision to approve spend approval includes the forward funding of the scheme.

#### **4. THE PROPOSAL**

4.1 The proposal is, through delegated authority, is to grant spend approval for the full £258,544 grant.

The project is not funded from current Council revenue or capital funds. As such formal spend approval has been sought in order to complete the process to allow these funds to be allocated to Indigo Loop (Connect TVT).

4.2 Essentially Reading does not currently have a digital skills training hub which can bring a range of training providers and employers together to capitalise on skills and employment opportunities in the local digital tech sector and offer these to a wider and more diverse pool of Reading's jobseekers, young people and residents.

4.3 This proposal is to deliver The Curious Lounge project with the capital grant funding made available by the LEP. The capital funding awarded is a rare opportunity to develop space to deliver training as most training and employment funding is revenue only. Without this funding the digital skills hub will not be developed.

4.4 The decision to spend is not a key decision as the value of spend is below £500k. The alternative would be to report to a Committee for full spend approval, however the timescales to this would mean that the project would be delayed. It is recommended that a future report be submitted to the Council's Adult Social Care, Children's Services and Education Committee in the future reporting on the project, costs and outcomes.

#### **5. CONTRIBUTION TO STRATEGIC AIMS**

5.1 The funding of the project will meet the following Corporate Plan priorities:

- Securing the economic success of Reading
- Promoting good education, leisure and cultural opportunities for people in Reading

It will also have a wider impact on sustainability, community safety and health through improving prosperity, job security/career progression and wellbeing of residents that is enabled by improved skills and access to wider employment opportunities. It will also facilitate a more sustainable local economy through the encouragement of local and more diverse recruitment by digital tech employers.

5.2 This project has been funded by the LEP to deliver the following priorities in the Thames Valley Berkshire LEP's Strategic Economic Plan and Skills priority Statement:

- Objective 1 - use better those already in the workplace
- Objective 2 - Inspire the next generation and support aspirations and ambition
- Objective 5 - Strengthen networks and invest in the 'soft wiring' to use ideas better
- Supporting the Digital Tech Priority Job Family including the creation of apprenticeships

5.3 The project also supports the objectives of New Directions and its Adult Skills Education & Skills Funding Agency (ESFA) grant to deliver accredited training to Reading residents aged 19+.

## **6. COMMUNITY ENGAGEMENT AND INFORMATION**

6.1 A need for this project has been identified through consultation with local employers, learners (young people and adults), small businesses and startups (or those looking to start a business), jobseekers and those already employed and looking for career change and career progression. Consultation was conducted by all three of The Curious Lounge project partners.

6.2 Findings are supported by The TVB LEP Strategic Economic Plan, Skills Priority Statement and Thames Valley Berkshire Area Review all support the findings that there needs to be wider and more accessible opportunities for Berkshire residents (adults and young people) to access digital skills training and qualifications in order to fill local vacancies in the digital tech sector and enable it to grow. More details are set out in background information

[Thames Valley Berkshire LEP's Strategic Economic Plan](#)

## **7. EQUALITY IMPACT ASSESSMENT**

This project is intended to have a positive impact on all residents but particularly those who are under-represented in the digital tech sector or the labour market in general. It will not have a differential impact on racial groups; gender; people with disabilities; people of a particular sexual orientation; people due to their age; people due to their religious belief.

A full Equality Impact Assessment is not required for this decision.

## **8. LEGAL IMPLICATIONS**

8.1. Section 1 of the Localism Act 2011 established a power of general competence for local authorities in England, to do anything that individuals generally may do. Section 2 sets the boundaries of this general power. This replaced the former power of wellbeing under Section 2 of the Local Government Act 2000, which was cross-referred directly to the economic, environmental and social well-being of the area.

8.2 It will be necessary for the Council to enter into an agreement with its partners Indigo Loop Limited and Reading UK CIC to ensure their compliance with the Grant Conditions set out in the Capital Grant Letter Revised 29 May 2019, and to protect the Council in the event of clawback of funding by the LEP.

8.3 Specialist external State aid advice has been obtained which analysed the potential beneficiaries of the grant funding. In most cases, the advice was that it was clear either that there was no State aid or aid could be dealt with by the use of the De Minimis Regulation. Where there is potential for State aid to be received, the Partnership Agreement has been drafted so as to mitigate State aid risk by requiring that:

- 8.3.1 Connect TVT demonstrates that the building contractor procured to carry out the refurbishment of the property is being remunerated at no greater than market rates;
- 8.3.2 Connect TVT either does not generate a profit from its management of the property or (if it can be demonstrated that Connect TVT does not itself benefit

- from the grant payment to refurbish the property and acquire IT equipment) that Connect TVT will be remunerated at no greater than market rates; and
- 8.3.3 Any profits made by either Connect TVT or Reading UK from the use of the property or the IT equipment will be paid to the Council
- 8.3.4 The Council may require that any illegal State aid transferred to Connect TVT or Reading UK be repaid, together with interest at the required rate.

## 9. FINANCIAL IMPLICATIONS

9.1 This is new external funding to deliver specific activities.

9.2 Delivery of training and associated staffing costs will be funded by the delivery partners through fee income or external grants i.e. New Directions' Adult Learning ESFA grant. Apprenticeships delivery will be funded by the apprenticeships levy or other eligible apprenticeships funding. This is an opportunity for growth in funding and does not have a negative impact on resourcing.

9.3 As set out the LEP will pay the grant in arrears to Reading Council (September 2019) following submission of a quarter 2 claim (due 6<sup>th</sup> September 2019). The decision to approve spend approval would involve the forward funding of the scheme. Given the short timescales between the capital payment and receipt of the award and in light of the need for the suite to be open as soon as possible the forward funding of capital funds is not considered to cause any material financial concerns.

9.4 The financial implications arising from the proposals set out in this report are set out below:-

### 1. Revenue Implications

	2018/19 £000	2019/20 £000	2020/21 £000
Employee costs (see note1)		£68,000	
Other running costs			
Capital financings costs			
<b>Expenditure</b>		£68,000	
Income from:			
Fees and charges (see note2)		£68,000	
Grant funding (specify)		(ESFA Adult Education Grant)	
Other income			
<b>Total Income</b>		£68,000	
Net Cost(+)/saving (-)		0	

## 2. Capital Implications

Capital Programme reference from budget book: page line	2018/19 £000	2019/20 £000	2020/21 £000
Proposed Capital Expenditure		£258,544	
Funded by Grant (100%)		(TVB LEP Local Growth Fund)*	
Total Funding		£258,544	

\*Total Grant value Capital £258,544

## 3. Value for Money (VFM)

This project is new external funding so demonstrates value for money by increasing income and enabling growth. The bid was assessed with value for money as part of the criteria by the LEP assessment process.

## 4. Risk Assessment.

4.1 The risks to the Council in respect of the upfront payment for the works as detailed at paragraph 9.3 has been assessed and it has been determined that this is a relatively small and short term capital project due to be started on 22<sup>nd</sup> July 2019 and completed by 6<sup>th</sup> September 2019. Suppliers have been identified and will be paid at the market rates and will produce necessary evidence for works to be completed or goods to be supplied.

4.2 The partnership agreement to be entered into by the Council with Indigo Loop (Connect TVT) and Reading CIC will flow, so far as possible, risks and liabilities, as applicable to each partner, onto them, including in respect of the procurement, design and build of The Curious Lounge site and any profits generated from training will be ringfenced and used in respect of the Project or the recovered by the Council at the end of the term of the partnership agreement.

## 10. BACKGROUND PAPERS

[Council's Corporate Plan](#)

[Thames Valley Berkshire LEP's Strategic Economic Plan](#)

The bid documentation and financial breakdown contain commercially sensitive information and are exempt from publication in accordance with paragraph 3 of Part 1 of Schedule 12A (as amended) to the Local Government Act 1972 (as amended).