

National Skills Academy Capital Fund: Application Guidance

August 2012

Of interest to Providers

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1.0 Introduction

1.1 Further to the announcement of up to £10 million of capital funding available for investment in new capital projects for National Skills Academies (NSAs), this document sets out the information detailing how eligible applicants can apply to the Skills Funding Agency (the Agency) for this funding.

1.2 Key elements of the scheme include:

- only one application for each NSA is permitted; an application comprising multiple projects is not permitted
- capital grant support is only available for costs incurred from 1 August 2012 to 31 March 2013; any costs incurred after this date will not be eligible for grant support (although these costs can count towards the required match funding)
- maximum Agency grant support for each project is £2 million; the maximum amount of grant support (and total government capital investment) for each project is 50 per cent.

1.3 The application process comprises two elements:

- i. **Intention to Bid** – All applicants who intend to submit an NSA capital fund application must return the “Intention to Bid” form to the Agency by **10 September 2012**. Information to be provided on the form includes name and address of the applicant(s) and a brief summary of the

proposed project. The Agency will confirm receipt of the Intention to Bid form by 17 September 2012.

- ii. **Detailed Application Form** – Only those applicants who submit an Intention to Bid form to the Agency by 10 September 2012 will be eligible to submit a detailed application form. The closing date for submission of the detailed application form is **12 October 2012**. Applicants will be required to provide a robust education, property and finance case to support the project. Further information regarding completion of the detailed application form is set out below.

2.0 Eligibility to Bid

- 2.1 All current NSAs are eligible to submit an intention to bid followed by a detailed application form, irrespective of whether they have a current contractual relationship with the Chief Executive of Skills Funding (the Chief Executive). Joint applications between the NSAs and providers such as further education (FE) colleges are permitted, but a key element of eligibility for all applicants is that the organisation is undertaking one of the activities set out in s100(1) of the Apprenticeships, Skills, Children and Learning Act 2009 (for example providing or proposing to provide education and training within the Chief Executive's remit, providing or proposing to provide goods or services in connection with the provision by others of such education and training, and providing or proposing to provide services relating to finding Apprenticeship places, or Information, Advice and Guidance (IAG) services).

3.0 Project Eligibility and Qualification Criteria

- 3.1 Projects must be complete and operational by September 2013. Sectional completion of parts of larger projects due to be completed beyond this timescale will **not** normally be considered eligible, unless they refer to standalone sub-projects that will be fully operational in the required timescale. Capital costs incurred after 1 August 2012 can be included within the total project costs of the proposed project as long as they are related directly to the proposed project (typical acceptable costs could include professional fees related to the design and procurement of the proposed project and the cost of submitting planning applications).

- 3.2 The minimum project value is normally **£1 million**, although in exceptional cases, where there is a strong business case, the Agency may consider projects for approval with total costs less than £1 million. There is no upper limit on project value, only on a maximum Agency grant of **£2 million**. The maximum normal rate of grant support for any project is half of the eligible costs (with a cap on grant of £2 million) and where additional funding has been obtained from other government bodies/Departments, the maximum contribution of Agency/government funding payable is 50 per cent of the total project costs.
- 3.3 Projects can include the purchase of specialist equipment and capital works such as new build, refurbishment or remodelling. The acquisition of freehold land for the creation of a new facility is permitted. The acquisition of leasehold interests will not normally be permitted unless the outstanding lease term is a minimum of 20 years, with no break clauses. If applicants have any doubts regarding the potential eligibility of a project, they should discuss this with the Agency's Capital Team (initial contact should be made through the Agency's Delivery Team). The Agency will hold advice clinics where each NSA will have the opportunity to book an appointment to discuss its project proposals ahead of full application submissions. The clinics will be held on 18-19 of September and an appointment can be booked by contacting Nationalskillsacademies@skillsfundingagency.bis.gov.uk.
- 3.4 Proposals will need to be developed up to the stage where their extent can be properly identified and costed – for example to Royal Institute of British Architects (RIBA) stage C 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. Applicants are reminded that the Agency will not in any circumstance provide increased capital grant should project costs exceed the approved amount and no grant will be paid for any costs incurred after 31 March 2013.

- 3.5 Proposals are expected to achieve high levels of environmental performance. Proposals will normally be expected to achieve a Building Research Establishment Environmental Assessment Model (BREEAM) ‘excellent’ rating for new build and ‘very good’ for refurbishments.
- 3.6 Procurement of consultants and contractors must in all cases be in accordance with European Commission (EC) Procurement Directives.
- 3.7 Applicants must provide adequate responses in respect of the Agency’s value for money assessment criteria to be eligible for NSA capital grant.

4.0 Application Process and Timescales for Allocation of the NSA Capital Fund

- 4.1 The table overleaf summarises the timescales for the application, submission, assessment and approval processes:

Date	Action
7 August 2012	Announcement of launch of fund.
10 September 2012	Closing date for completed Intention to Bid forms to be submitted to the Skills Funding Agency.
12 October 2012	Deadline for submission of detailed applications to the NSA Capital Fund.
13 October to 26 October 2012	Assessment and moderation process.
5 November 2012	Target date for confirmation and announcement of projects approved for NSA capital funding.

- 4.2 Application information has been kept as brief as possible. Application documents and information will be available in electronic format during the week commencing 20 August at the link set out below:

4.3 The NSA capital fund application requirements comprise completion of the following:

- **Application form** – detailed guidance on how to complete the application form is included with the form itself, with applicants required to over-write application information. All information is to be incorporated 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 – guidance is given in the application form for length of responses (word limits).
- **Building cost breakdown analysis form** – the application will need to include one form for the overall project but applicants may wish to provide separate forms to support this where more than one set of building works is proposed.
- **Investment appraisal template** – to be completed in respect of both the preferred option and an alternative option. The alternative option should reflect what the applicant would do if no Agency NSA capital grant was forthcoming.
- **Planned Expenditure profile** – for the period from 1 August 2012 to the planned completion date of the project.
- **Financial Plan/Forecast** – a financial plan/forecast that includes the proposed project and is consistent with the investment appraisal for the preferred option. The financial plan should be for at least two years after project completion and include as a minimum:
 - profit and loss account
 - balance sheet
 - cash flow

- supporting commentary.

In addition to the above, applicants must provide:

- sketch plans and elevations
- a detailed flow chart (for example a Gantt chart) setting out the project programme.

4.4 Assessment of applications will be based only on the information submitted in the required format. The Skills Funding Agency cannot guarantee that any additional information provided by applicants will be considered at the assessment stage.

4.5 Two copies of the completed application form and required supporting information must be received by the Skills Funding Agency Delivery Team by **10.00 on Friday, 12 October 2012**, along with an electronic version in the required format.

4.6 Applications must be submitted to:

Gemma Rolls
Delivery Division
Skills Funding Agency
Cheylesmore House
Quinton Road
Coventry
CV1 2WT

4.7 Applicants will need to supply a **copy in electronic format** emailed to:
Nationalskillsacademies@skillsfundingagency.bis.gov.uk.

5.0 Assessment Criteria

5.1 Applicants will be required to provide a robust education, property and finance case to support the project. Each application will be assessed against the following NSA and project-specific criteria:

NSA core criteria

- **Eligibility of the applicant** – joint applications between NSAs and providers are permitted providing the eligibility criteria stated in paragraph 2.1 are met. Joint applicants will be required to demonstrate a robust and sustainable link to an NSA.
- **Strategic drivers** – the proposed project should meet the needs of the NSA's business/strategic plan. All projects will need to meet the NSA core values and criteria, including 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.
- **Specialisation and innovation** – the application must demonstrate how the project would address skills shortages and meet the skills needs of the specific sector.
- **Quality improvement and statutory requirements** – projects should support rising standards in industry and fulfil the skills development needs, as set out in the NSA business plan.
- **Economic and social impact** – applications 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 tackling unemployment, those not in education, employment or training, supporting the growth and refocusing of Apprenticeships and address other key issues such as regeneration.
- **Employer Investment in Skills** – the NSA must as a minimum match-fund government investment in the proposal with employer investment. The Agency expects each NSA to demonstrate it will 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 NSA will need to justify in the context of the particular proposal.

NSA project specific criteria

- **Co-funding** – the level of non-Agency funding will be used as a proxy for the degree of employer/sector support. Co-funding can be by way of financial contributions, donation of specialist equipment, the sale of freehold land at a discounted price and so on.
- **Project readiness** – readiness to start on-site will be used as a proxy to determine the likelihood of the project incurring sufficient spend in 2012-13.
- **Eligibility of proposed capital works** – the project should meet the usual Agency criteria, for example exclude revenue items and meet the Agency's requirements regarding tenure.
- **Protection of the capital investment** – the application needs to state the proposed ownership of the asset to be funded by Agency investment and the extent/duration to which the applicant proposes to ensure the continued use of the asset.
- **Value for money** – this will be assessed against the Agency's cost benchmarks and demonstrate a Net Present Value in excess of an appropriate alternative option or base case. The capital project is expected to be self-sustaining, with running costs recouped through charges for services/provision provided.

5.2 In the event that applications exceed the value of the funds available, the Agency will use the above criteria to carry out a needs-based prioritisation process to determine which projects will be funded.

6.0 Grant Payments and Project Monitoring

6.1 Applicants with projects approved for NSA capital funding will receive a letter from the Chief Executive confirming the funding in relation to the project and setting out the conditions of the grant. Annex A includes examples of the conditions which will be attached to NSA capital grant. These conditions include:

- The need for the buildings and equipment procured to be used by the applicant only for the purposes of operating an NSA for the provision set out in the agreed education case and capital funding application. This condition will remain in force for 20 years and is subject to claw-back arrangements,
- The provider is not permitted to assign, sublet or dispose of the training facility without the consent of the Chief Executive (not to be unreasonably withheld). In the event that such a transaction is permitted within 20 years of the date of the conditions of grant letter, the Chief Executive will, at his/her discretion, require repayment of the full or partial amount of the NSA capital grant funding.
- The Chief Executive reserves the right to register a legal charge against the premises and equipment in respect of which the capital funding is provided; this condition will apply to all successful applicants and is key to safeguarding the public investment, particularly in those applicants who have no current contractual relationship with the Agency.

6.2 Applicants will be required to indicate acceptance of the terms by signing and returning a copy of the funding letter within two weeks of receipt.

Claim Form

6.3 To receive payment of the grant support, applicants should complete an NSA capital grant support form available for download on the Agency's capital website. Grant support claim forms need to be accompanied by invoices and other relevant supporting documentation, such as receipts, certificate of practical completion and architect's or equivalent certificate of expenditure incurred.

- 6.4 The Agency's payment system operates on the basis that if claims are received by the Property Services team by the first day of one month, the payments will be made on or around the 20th day of the following month. For example, if a complete claim without any queries is received by the Property Services team on 1 August, this would be paid on or around 20 September. However if the claim was received by the Property Services team on 10 August, this would be paid on or around 20 October.
- 6.5 The Chief Executive will reserve the right to recover funds by claw-back from applicant revenue allocations (where applicable) in the event that project costs (including VAT savings) are less than originally approved, or have not been used for the agreed purposes.

Applicants will be expected to provide monthly updates on progress to the relevant Agency Senior Property Manager and will be expected to report against programme approved as part of original proposal.

7.0 Post-Occupancy Evaluations

- 7.1 The Agency is required to account for public investment in capital assets and the impact this investment has made and therefore usually requires, as a condition of capital grant, a project post-occupancy evaluation to be undertaken. Applicants will be expected to provide post-occupancy evaluations within 12 months of completion of the projects and by no later than 1 October 2014, to highlight lessons learned and to be disseminated to the FE and skills community.

8.0 State Aid

- 8.1. The applicant must provide the information in section 7 of the Application Form to enable the Agency 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 the 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 NSA capital funding to the Chief Executive without set-off or deduction (plus interest). Paragraph 7 of Annex A contains the full wording of this condition and Annex B contains the State Aid Deed, which all successful applicants will be required to complete and return to the Agency.

Annex A
NSA Capital Fund – Examples of typical conditions of grant which will be applied by the Agency to all capital funding

Typical conditions of grant will include, but are not limited to:

1. The works will be competitively tendered or negotiated in compliance with best purchasing practice as appropriate and the applicant must demonstrate that this expenditure will provide proper and appropriate value for money for the expenditure of public funds.
2. Capital grant support will be payable only in the year ending 31 March 2013 against the applicant's claims for payments, supported by architects' or contract administrators' certificates, receipts and such other evidence of expenditure the Chief Executive may require as appropriate.
3. The timing of grant payments will normally be such that the amount of grant can never exceed the project expenditure by the applicant at the time the grant is paid.
4. Upon completion of the project, the buildings and equipment procured will be used by the applicant only for the purposes of operating an NSA for the provision set out in the agreed education case and capital funding application. This provision will comprise post-16 education and training under sections 83, 86, 87 and 91 of the Apprenticeships, Skills, Children and Learning Act 2009 (the Act), some of which (as defined in the business plan) may be the subject of revenue funding arrangements to be agreed between the NSA, its partners, agents and subcontractors, as appropriate, and the Chief Executive. This condition will remain in force for 20 years subject to the claw-back arrangements set out in paragraph 5 below.
5. The applicant is not permitted to assign, sublet or dispose of the training facility without the consent of the Chief Executive (not to be unreasonably withheld). In the event that such a transaction is permitted within 20 years of the date of the conditions of grant letter, the Chief Executive will, at his/her discretion, require repayment of the full or partial amount of the funding provided by the Chief Executive under this agreement.

6. The Chief Executive reserves the right to register a legal charge against the premises and equipment in respect of which the capital funding is provided. The applicant agrees to co-operate with the Chief Executive in relation to the registration of a charge.
7. In the event that the European Commission decides that the funding amounts to or contains State Aid that is incompatible with the common market (“negative decision”), and further decides that the United Kingdom shall take all necessary measures to recover the funding, the applicant shall repay the funding provided under this agreement to the Chief Executive without set-off or deduction plus interest at the applicable recovery rate for the period in question, as published from time to time by the European Commission, within 28 days of receipt of a written demand for payment from the Chief Executive, or within such longer period as may be specified in the demand. The applicant waives any right it may have against the Chief Executive in the event of any action by any third party against the applicant, whether or not successful, in relation to any or all loss suffered or allegedly suffered by that third party as a result of the repayment of funding under this paragraph.
8. In the event of a breach of any of the terms and conditions contained in the conditions of grant letter, the Chief Executive may exercise all or any of the following rights:
 - a. to require the repayment, in whole or in part, of sums paid by the Chief Executive hereunder; and/or
 - b. to require the payment of interest in respect of any period during which a sum due to the Chief Executive hereunder remains unpaid; and/or
 - c. to withhold either in whole or in part funding that would otherwise have been payable by the Chief Executive under the conditions of grant letter.

Annex B

NSA Capital Fund – Deed of Undertaking for Recovery of State Aid

Date

Deed of Undertaking for Recovery of State Aid

THIS DEED OF UNDERTAKING is made this day of 2012

BY:

[NAME AS PER AGREEMENT] (Company Registration No.) whose registered office is at
[] (“ the Recipient”)

BACKGROUND

(A) Pursuant to a funding agreement (“the Agreement”) dated [] between [*the Chief Executive of Skills Funding*] (“the Chief Executive”) and the Recipient, the Chief Executive agreed to make certain payments to the Recipient in consideration of the performance by Recipient of its obligations under the Agreement.

UNDERTAKING

If the European Commission decides that in fact the Payment amounts to or contains state aid that is incompatible with the common market (“negative decision”) and further decides pursuant to Article 14(1) of that Regulation that the United Kingdom shall take all necessary measures to recover the aid from the beneficiary (“recovery decision”) :

The Recipient shall, to the extent required by the recovery decision, forthwith repay the Payment to the Chief Executive without set-off or deduction plus interest calculated as set out below.

Interest shall be calculated from the date on which the Payment was received [in cleared funds in the Recipient’s account] to [the date of repayment to the Chief Executive] at the applicable recovery rate for the period in question as published from time to time by the European Commission.

The Recipient shall make payment pursuant to this Undertaking within [14] days of receipt of a written demand for payment from the Chief Executive or within such longer period as may be specified in the demand (“the Relevant Period”). If the Recipient fails to make payment within the Relevant Period, the Chief Executive will be entitled to enforce this Undertaking against the Recipient as a debt.

The Recipient waives any right that it may have against the Chief Executive in the event of any action by any third party against the Recipient, whether or not successful, in relation to any or all loss suffered or allegedly suffered by that third party as a result of the Payment.

EXECUTED as a deed by the Recipient or its duly authorised representatives the day and year first above written.

SIGNED as a deed by the said [*NAME AS PER AGREEMENT*] LIMITED/PLC acting by a Director and the Secretary/two Directors:

..... Director

..... Director/Secretary

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