

Item No. 13.	Classification: Open	Date: 21 March 2017	Meeting Name: Cabinet
Report title:		Passmore Centre Investment Plan	
Ward(s) or groups affected:		All wards	
Cabinet Member:		Councillor Peter John, Leader of the Council	

FOREWORD - COUNCILLOR PETER JOHN, LEADER OF THE COUNCIL

I am passionate about the opportunities that an improved skills offer can bring to our residents. In September 2016 the council made a commitment to do all we can to support a high quality further education (FE) and skills offer in Southwark. This is partly because for too long the local FE offer has fallen below what residents want and what employers say they need. Nationally too the standards of quality of FE is much too variable, in part reflecting a lack of investment in recent years. The national area review of skills takes us forward in building financial sustainability. It also highlights centres of learning that are excelling in London, something we should rightly celebrate and learn from.

Making our commitment to drive a better FE and skills offer locally is an important part of that London and nationwide process. Of course a commitment is also only worth something if action follows. The Southwark Construction Skills Centre at Elephant Park, now well into its first year, shows how the council is tackling the skills shortage in construction head on and creating opportunities for Southwark residents. But it's about more than addressing immediate skills shortages. We also need to equip our residents to have the best chance to succeed in an uncertain world with Brexit, and the new economic opportunities we need to grasp in London as a global centre of business.

In November last year we made a commitment as part of the council's capital programme to invest £5million in the creation of Passmore Centre. In partnership with LSBU we will create a centre that, together with the wider offer from the university, will provide a gateway for learners into higher professional and technical education. Our investment creates the opportunity for at least 1,000 Southwark residents to achieve a high quality apprenticeship. This will help equip Southwark residents with the skills required to take up the jobs demanded of the future. There'll be wider benefits too to schools, employers, employees, including our own staff, in having a centre that meets a shortfall in professional and technical learning right here on our doorstep. This report sets out an investment plan for the Passmore which crucially takes us another step forward to make good on our commitment to improving skills and with it help deliver a fairer future for all. "

RECOMMENDATIONS

1. That the cabinet notes the final proposals for the Passmore Centre detailed in the London South Bank University Business Plan (Appendix 1) and the outcomes contained therein.
2. That the cabinet delegates authority for future decisions concerning the implementation of the Passmore Centre to the strategic director for children's

and adults' services in consultation with the strategic director of finance and governance.

3. That the cabinet notes that the investment in the Passmore Centre forms a key part of an overall longer term skills strategy aligned to the Council Plan and focused on outcomes that we would wish to achieve as a result.

BACKGROUND INFORMATION

4. The Council's Capital Programme Refresh for 2016-17 to 2023-24 was approved by the Cabinet in November 2016 which included a £5m capital grant for the creation of the Passmore Centre in partnership with London South Bank University (LSBU). This report provides the Cabinet with details of the finalised proposals for the Passmore Centre.
5. LSBU's proposal and plan principally arose out of the findings of two reports, listed below, which served to highlight the fact that locally offered professional and technical courses did not meet learner expectations or employer needs:
 - a. "South London Tri Boroughs skills provision and job matching" (The Centre for Economic and Social Inclusion, 2015)
 - b. "Raising standards and developing skills in further education in Southwark" – a prospectus for change" (Southwark Council, 2015)
6. LSBU sought a capital funding contribution of £5m from the London Borough of Southwark ("the Council") for the creation of the Passmore Centre as the hub of their new Institute for Professional and Technical Education (IPTE). In return, LSBU will assist in delivering commitments made in the Council Plan 2014-18, and our Fairer Future promises around education, employment and training, namely:
 - Promise 8: We will guarantee education, employment or training for every school leaver, support 5,000 more local people into jobs and create 2,000 new apprenticeships.
7. The refurbishment of the Passmore Building as the new Passmore Centre also brings a Grade II Listed building back into use, which supports the Council's plans for Revitalised Neighbourhoods:
 - Promise 9: We will revitalise our neighbourhoods to make them places in which we can all be proud to live and work, transforming Elephant and Castle, the Aylesbury and starting regeneration of the Old Kent Road.

KEY ISSUES FOR CONSIDERATION

8. Market research undertaken by the council in its report listed at 4b indicates that there is rising demand from local employers for a more highly educated and skilled workforce. In particular there is employer demand in Construction, Manufacturing and Engineering, Health, Public Services and Care, Hospitality and Retail which is not being met. As a result, learners' needs are not being served locally, with many of them studying out of borough or not at all.
9. The Passmore Centre proposals set out a clear plan to tackle the evidential shortfall in the local provision of high quality professional and technical courses

on offer. The Passmore Centre hub, together with the wider University, will provide a gateway for learners into higher professional and technical education. It will also create the infrastructure and technical facilities required to support a substantial growth in Higher and Degree Apprenticeships offered by the LSBU, particularly at educational Levels 3-6.

10. Initially, the focus of the Centre will be on STEM (primarily construction and engineering) and health related careers, but the aim is to broaden to other professional areas where there are significant local career opportunities, for example in hospitality and management. Further, in keeping with Southwark's Modernisation Strategy agreed in November 2016 and the refreshed Council Plan 2014-18, the Passmore Centre will also create an unique local opportunity for Southwark staff to access higher level learning and development.
11. In July 2016 a report was issued by the Independent Panel on Technical Education, chaired by Lord Sainsbury, recommending reforms in technical education so that it better ensures individuals can develop the technical knowledge and skills that industry needs through their education and training. The Council's investment in the Passmore Centre closely aligns to these wider sector changes with the Centre's plans to develop a coherent technical education option as a viable alternative to the traditional academic route. This vocational suite of qualifications will develop the technical knowledge and skills required to enter skilled employment, which leads from levels 2/3 to levels 4/5 and beyond, and which is highly valued because it works in the marketplace.
12. One of the fundamental principles of government reforms in the area of Apprenticeships is 'putting employers in the lead' (Post-16 Skills Plan – July 2016). This means that for technical education options employers, supported by education experts, should set the standards required.
13. Importantly, employer engagement will be at the heart of the IPTE and the LSBU has a strong track record of working with employers with over 37% of their students sponsored by business and government in key areas of local demand, the highest proportion of any UK university. The IPTE team, together with its further education partners, will work closely with employers, including hosting employer workshops to design apprenticeship academic content and delivery, which is congruent with government reforms.
14. LSBU deliver the skills to degree level standard and beyond. Many students will start their studies at high levels and may exit at Level 4 or Level 5, but the crucial offer from LSBU is to afford learners a seamless opportunity where they can exit at higher levels. The research and applied studies ensure that LSBU's facilities and lecturers are able to deliver education material at the forefront of the discipline, responding to most recent advances in technology and knowledge. 93% of LSBU students are in employment 6 months after graduation and 76% are in graduate level employment.
15. After careful exploration of options, LSBU was considered the strongest choice over other FE and adult education options in Southwark because it offered the strongest track record in successful outcomes and quality provision.

Outcomes

16. There are a number of outcomes associated with the Passmore Centre project which have direct links to the Council Plan objectives around creating a 'Strong local economy'. The following are considered to be key:
- By 2019/20 LSBU expects 2,000 students to be taking courses through the IPTE with intake of 500 or more per annum engaged on Higher and Degree Apprenticeship qualifications or equivalent.
 - By 2023 1000 Southwark residents will have graduated from high quality apprenticeship programmes.
 - The IPTE will meet the local shortfall in professional and technical skills, especially through apprenticeships, and address concerns about low educational engagement in the area.
 - The Passmore Centre will serve the local community by being a central point for Independent Careers Advice and Guidance for those considering access to professional and technical programmes (Levels 3-6) including school and FE pupils, Southwark staff and the wider community.
 - For employers, the Passmore Centre will provide a one stop shop providing information, recruitment support and relationship management.

Specific educational outcomes will include:

- Clear, simple and practical pathways for academic progression at Level 3 and above are well established.
 - Learners will have access to leading edge technologies and expertise in gaining vocational qualifications from Level 4 onwards.
 - Stronger links between secondary schools and LSBU so that learners are aware of provision available locally so that they might continue to pursue their studies in a suitable and specialized environment.
 - Established pathways and specialist 'gateway' qualifications focusing on Level 3 and Level 3/4 combinations in professional and technical education in collaboration with schools and employers.
17. The impact of the project will be measured primarily on the number of learners on professional and technical pathways making the transition to Levels 4, 5 and 6. It will also be measured by the effect on employers and their ability to recruit suitable staff and to train their own staff in the areas they need.
18. The IPTE will increase the range of options open to employers and learners by increasing the range of apprenticeships on offer and providing learners with a more diverse range of study options.

Key Performance Indicators

19. The council will have a funding agreement in place with the LSBU concerning the Passmore Centre project. This will establish a number of annual key performance indicators (KPIs) for the Centre aligned to in particular the outcomes set out above. These will include the number Southwark residents trained, the number of apprentices or similar learners trained, the course completion rate, the number of Southwark residents who received training in the Centre who start employment and the number who sustain this employment for at least six months. The KPIs will be finalised through the capital grant agreement between the Council and LSBU. Performance will be monitored and reported through the council's performance mechanism, as per the Council Plan.

Value for Money

20. The Passmore Building is situated on Borough Road, at the northern end of LSBU's campus. It will provide a base for the IPTE, some educational facilities, and a gateway for engagement with employers and with the local community. The LSBU proposals indicate that the refurbishment of the Passmore Building, which is being partly funded by the Council's £5m capital grant, represents a uniquely cost-effective approach as it takes best advantage of existing specialist facilities. It is estimated that a new build 'apprenticeship centre' would require in the region of £20m.
21. In addition to the grant from Southwark Council and direct funding from LSBU, grants of £3.25m have been secured from the Higher Education Funding Council for England (HEFCE) for the Passmore Centre project, which is part of a wider University project to expand provision for professional and technical education at Levels 3-6. This makes up the total sum required to establish the Passmore Centre. Once established, the Passmore Centre will be self-financing through teaching fees.
22. The funding agreement between the LSBU and Southwark Council will be geared to ensuring a return on investment, principally measured through the outcomes achieved from an improved learning offer for local residents. As stated in paragraph 22, progress measures will be monitored through a series of key performance indicators including improved educational, training and employment outcomes.

Timeline

23. LSBU provisionally estimates that the Passmore Centre project will take 18 months to deliver, with completion scheduled for June/July 2018.
24. The IPTE model has been designed to be flexible so that it can adapt to any changes which arise in the local education landscape, for example, as a result of the current Local Area Reviews of Further Education. This model can also be delivered quickly and provides an immediate and cost effective answer to local apprenticeship needs.

Policy implications

25. As noted, the Passmore Centre project aligns strategically with the Council Plan objectives and in particular the Fairer Future Promises concerning:

- Education, Employment and Training
 - Revitalised neighbourhoods.
26. The project outcomes will help the Council to support local people into jobs and create new apprenticeships. The Passmore Centre will be the hub for apprenticeship development and delivery – a physical gateway through which learners and employers access apprenticeship programmes and support. It will also serve learners by helping to smoothing the route into high quality professional and technical education.
 27. A refurbished Passmore Building, which is a listed building, will revitalise that part of the LSBU's estate and serve as a hub for engagement with employers and with the local community.
 28. In line with the refreshed Economic and Wellbeing Strategy 2017-22, the project is also congruent to the Council's commitments in respect of employment and skills, specifically:
 - Support a high-quality and accessible Further Education and skills offer in the borough, with a broad curriculum that is responsive to employer needs and provides a route to a rewarding career.
 - Provide effective pathways for our young people from education to training and employment, supporting effective links between employers and education providers, providing quality advice and guidance, and offering additional support for those who need it.
 29. In terms of wider government reforms for Apprenticeships, the Passmore Centre project fits well with the government skills strategy outlined in the following:
 - English Apprenticeships: Our 2020 Vision (December 2015)
 - Report of the Independent Panel on Technical Education (July 2016)
 - Post-16 Skills Plan (July 2016)
 30. In summary, the government has pledged to increase the quality and quantity of apprenticeships in England, reaching three million starts in 2020. A step-change in technical education is advocated and improving higher-level technical skills (levels 4 and above) is seen to be critical. A particular need to improve higher level STEM skills is also recognised. An Apprenticeship levy will be introduced in April 2017 to encourage employers to invest in training, and apprenticeships specifically, on a long term sustainable basis.

Community impact statement

31. LSBU has one of the UK's most diverse bodies of students. Nearly 15% of students have a disability – the highest of any London university. Nearly 25% of LSBU students are from families eligible for free school meals – the highest in the UK. They have one of the most diverse groups of students by age with over 80% being mature students aged 21 years or over. Over 50% of students are BAME. LSBU take students from a wide range of educational backgrounds and work hard with local schools and other organisations to provide pathways for those from less advantageous educational backgrounds but with the ability to succeed in higher education. They have a very substantial Widening

Participation programme which starts as early as Year 9. In addition to complying with all equality and diversity legislation, LSBU has strong record in supporting diverse student and staff bodies.

Impact assessment and equality and diversity

32. The LSBU have a strong record of supporting and driving equality of opportunity. An initial EIA screening of this project has confirmed the following:
- a. Access – physical: In terms of adapting the building to make it as inclusive and accessible as possible, LSBU will follow as a minimum the building regulations to ensure compliance with current disability environmental standards. Initial aligned consultations via GenderNet (their gender network) has indicated that they will go further than existing regulations and ensure that there is inclusive signage, thus taking into account trans students and staff.
 - b. Access – teaching: in terms of teaching, LSBU will ensure that their teaching is accessible and inclusive. With a university student BAME population of 55%, a female student cohort of 51%, student satisfaction amongst BAME students running at 87.8% and a Student Life Centre that recently achieved a Service Marker Accreditation from the Institute of Customer Service (ICS), they are well placed to ensure that their teaching is as inclusive as possible. This includes the use of suitable images and references that reflect the background, education and lifestyles.

Resource implications

33. Council staff support will be provided in line with the Governance procedures of the project, including council representation on the Project Advisory Board. Council officers will also attend monthly Project Delivery meetings where deemed appropriate.

Legal implications

34. See paragraph 42 for the legal concurrent.
35. The report explains that the council's funding will be protected to some extent by the terms of the funding agreement which is currently being negotiated. Whilst this agreement will contain safeguards, the report considers that the funding should be further protected by requiring a legal charge which will be registered with the Land Registry. This may lead to a discussion as to the priority between any mortgages and there will need to be sufficient equity in the value of the site to ensure as far as possible that this will be sufficient to cover the council's investment."

Financial implications

36. The Passmore project requires a capped capital grant award of £5m, which will be used to refurbish the Passmore Building. Budget provision for £5m has been made for this project within the revised capital programme as approved by Cabinet in November 2016. This is part of a wider LSBU capital project to create a hub for their new Institute for Professional and Technical Education (IPTE). The maximum funding allocation of £5m includes allowance for any listed building considerations and the costs of fit out. All costs in excess of £5m would be

LSBU's capital funding risk and there would be no further financial implications for the council.

37. A funding agreement between the council and LSBU is being developed and will include details of impact measures achieved through investing in the centre.
38. The agreement will ensure that sufficient safeguards and controls are built into this arrangement in line with good practice on governance. This includes a requirement for LSBU to undertake a competitive procurement for both the professional team and the constructor, in full consultation with the Head of Regeneration (Capital Works and Development), representing the council. He in turn will scrutinise both the brief and specification and ensure that the procurement is being carried out in accordance with the council's requirements to ensure that value for money is obtained in terms of cost and quality. The council will expect to see a full tender report with recommendations from the LSBU's consultants and will reserve the right to carry out its own assessments as required.
39. As services and works are delivered, payment will be made by a series of pre agreed milestones which will be signed off by the council on satisfactory completion. Importantly, the funding agreement will be developed to ensure that the council's position is protected. Provisions in a funding agreement of this nature would include the ability for the council to withdraw from the agreement should there be a change of policy for example with regard to the delivery of HE services.
40. As noted within the report there are no ongoing revenue implications flowing from this either with regard to the building or directly with regard to the students who will use the provision.

Consultation

41. LSBU's extensive interactions with over 1000 businesses has repeatedly identified the need for higher level apprenticeships, and the importance of a one-stop-shop facility to help establish the partnerships. The excellent attendance and feedback by local employers at our apprenticeship events run over the past 9 months has confirmed the value of the dedicated facility that the Passmore Centre will provide. Consultation with local FE and adult education providers has further highlighted the challenge of FE-to-HE transition, which the Passmore Centre will also address.
42. As noted above in paragraphs 4 and 7 there has been extensive research into the needs of both learners and employers that has informed this proposal.
43. In addition to engagement with learners paragraph 12 notes that employer engagement will be at the heart of the IPTE and the LSBU has a strong track record of working with employers and this will continue including hosting employer workshops to design apprenticeship academic content and delivery, which is in line with government reforms.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

44. This report seeks the cabinet's approval to give a capital funding of up to £5 million to the LSBU by way of a grant for the refurbishment of the Passmore

Centre as the hub of the new IPTE. In return for the funding, LSBU will assist in delivering some of the commitments made in the Council's Plan for 2014-18, as particularly described in paragraphs 5 and 6 of this report.

45. The cabinet's attention is drawn to the Public Sector Equality Duty (PSED) under the Equality Act 2010, and when making decisions to have regard to the need to eliminate discrimination, harassment, victimisation or other prohibited conduct, and to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The relevant characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion, religion or belief, sex and sexual orientation. The duty also applies to marriage and civil partnership but only in relation to the elimination of discrimination. The cabinet is specifically referred to the community impact statement at paragraph 31 of the report. Paragraph 32 of the report advises that an initial equality impact analysis has been carried as part of the requirement to have due regard to the PSED in the recommendations. Cabinet must read the documented equality analysis and should satisfy itself that the PSED has been complied with when considering the recommendations.
46. The cabinet is also referred to paragraphs 38 to 40 of this report which set out the consultation that has taken place. The cabinet should take into account the outcome of consultation when taking a decision on the recommendation in this report.
47. When considering grant funding, cabinet must have regard to the issue of state aid. State aid is any advantage granted by public authorities through state resources on a selective basis to any organisations that could potentially distort competition and trade in the European Union. There is a very strong argument that the proposed grant is for the development of infrastructure that will be used for a non-economic, public education purpose and so does not constitute State aid and that even if this argument is wrong, the proposed grant would not constitute State aid because of its local impact and, consequently, negligible effect on trade between Member States.
48. State aid risk mitigations could include:
 - (a) entering a restriction on the title to the Centre at the Land Registry in respect of LSBU's commitment not to change the use of the building for a specified number of years without the consent of the Council, as set out in paragraph 16 of this report; and
 - (b) ensuring as far as possible that access to the Passmore Centre and its facilities by employers and other organisations is arranged on as even handed and transparent a way as possible to avoid the possibility of state aid having been seen to "flow down" to selectively favoured employers or other organisations with regard to use of the refurbished/redeveloped building.
49. Legal services in the process of negotiating the terms of funding agreement to ensure that the council's interests are protected.

Strategic Director of Finance and Governance

50. The strategic director of finance and governance notes the recommendations in this report and confirms that the council's agreed capital programme includes a

sum of up to £5m as a capital grant for the creation of the Passmore Centre in partnership with London South Bank University.

51. The business plan submitted as an appendix to the report states that a plan of indicative work on the Passmore Centre has been prepared and shared with Southwark Council. Once the project is approved, LSBU will invest in a more detailed plan which will be shared and agreed with Southwark Council.
52. The appendix also confirms a number of risks, including the failure to deliver the building within the capital budget, will be held by LSBU.
53. The final agreement, before the grant is made, should include that there will be no disposal of the Passmore Building within 5 years without the consent of the council, and address how the grant would be repaid in these circumstances, and how the council will have suitable oversight of the appropriate use of its investment.
54. LSBU are seeking to receive all funding as soon as possible, with at least 20% of the funding to cover professional fees in order to initiate the project and further funds shortly thereafter to meet contractor requirements, with all funds received by 31 July 2017. The grant is therefore anticipated to be incurred in the financial year 2017-18.
55. The council's capital programme is significantly over-committed in 2017-18 with over £144m financing yet to be identified. Accurate forecasting and monitoring of expenditure is therefore paramount.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Month 5 Capital Monitoring for 2016-17 and Capital Programme Refresh for 2016-17 to 2023-24	Finance and Governance Tooley St - Second Floor, Hub 2, 160 Tooley Street	Fay Hammond 020 7525 0614
Link: (copy and paste into browser): http://moderngov.southwark.gov.uk/documents/s64605/Report%20Month%205%20Capital%20Monitoring%20for%202016-17%20and%20Capital%20Programme%20Refresh%20for%202016-17%20to%202023-24.pdf		
Raising standards and developing skills in further education in Southwark – a prospectus for change	160 Tooley Street London SE1 2QH	Nina Dohel 020 7525 3252
Link: Raising standards and developing skills in further education in Southwark – a prospectus for change		
Council Plan 2014-18	Chief Executive's Department, Chief Executive's Office. 160 Tooley Street	Nazmin Yeahia 0207 525 4474
Link: http://www.southwark.gov.uk/downloads/download/4181/council_plan_2014-18		

APPENDICES

No.	Title
Appendix 1	LSBU Passmore Centre Business Plan (circulated separately)

AUDIT TRAIL

Cabinet Member	Councillor Peter John, Leader of the Council		
Lead Officer	David Quirke-Thornton, Strategic Director of Children’s and Adults’ Services		
Report Author	Nina Dohel, Director of Education		
Version	Final		
Dated	8 March 2017		
Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments Included	
Director of Law and Democracy	Yes	Yes	
Strategic Director of Finance and Governance	Yes	Yes	
Cabinet Member	Yes	Yes	
Date final report sent to Constitutional Team		9 March 2017	