

Agenda Item 5.2

Report to Accountability Board	Forward Plan reference number: N/A
Date of Accountability Board Meeting: 13 th November, 2015 Date of report: 5 th November, 2015	
Title of report: Local Growth Fund Skills Capital	
Report by: Mike Rayner	
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1. Purpose of report

1.1. The purpose of this paper is to:

- Update the Accountability Board on the £22m Skills Capital funding through the Local Growth Fund
- Agree changes to the Skills Capital programme as proposed
- Note the further funding round launched to Further Education providers for Skills Capital and Skills Equipment

2. Recommendations

2.1. The Board is asked to:

- Note progress on successful Skills Capital projects
- Pending further information from Harlow College, agree to amend the LGF funding profiles for each of the colleges across the financial years 2015/16 and 2016/17, to mitigate potential underspending within the skills capital programme in 2015/16. This re-profiling will not result in a change to the amount of funding allocated in total to each college.
- Agree that funding released as a result of the withdrawal of the successful East Kent College scheme is made available for new capital and equipment bids in the current Skills Capital and Skills Equipment funding round

3. Supporting Papers

3.1. In support of this paper, appendices contain:

- Skills Capital Dashboard: Spend v Full Year Allocation and Proposed Re-Profiling
- Skills Capital Allocations

4. Background

- 4.1. The SE LEP Skills Capital fund agreed through our Growth Deal with Government totals £22m for a two year programme.
- 4.2. This funding has been made available competitively to providers across the LEP to support jobs and growth through 3 funding rounds for skills capital and skills equipment. Projects are assessed against clearly set and agreed criteria that prioritise economic impact.
- 4.3. Two successful funding rounds have been completed, with the third launched in October for decision in January.

Skills Capital Programme Management

- 4.4. Funding for successful skills projects flows directly to the FE College through a Grant Agreement with the Accountable Body, Essex County Council.
- 4.5. In the course of ongoing capital management, negotiations have taken place with scheme promoters and new profiles have been agreed with Hadlow College, Colchester Institute and Harlow College, while discussions with East Kent College have confirmed the withdrawal of their successful application.

Harlow College

- 4.6. As reported in the Skills Capital Dashboard, Harlow College has experienced cost inflation at the tender phase and has proposed the following mitigations to reduce the costs of the scheme:
 - 4.6.1. As part of the build, the College now wishes to reduce the BREEAM environmental standard to manage costs. It is confirmed that this would not significantly affect the estate need business case and nor is the BREEAM standard a requirement of the project. As such, this change has been accepted with a request made for more detailed information confirming the rationale for a reduced BREEAM standard, highlighting and explaining the additional costs that would be incurred over those originally projected at the time the project was approved.
 - 4.6.2. Also, to reduce costs, the College wishes to reduce the size of its build from 2,000 square metres to 1,700 square metres could be accommodated without reducing student numbers or the technology that will still be placed within the centre.
- 4.7. Essex County Council is also contributing to the costs of the scheme and will also need to be consulted to agree the proposed changes.

Hadlow/Ashford College

- 4.8. The Hadlow/Ashford College project remains on profile and advises it has the capacity to spend up to its full £9.8m allocation in 2015/16, by prioritising LGF spend over other funding sources This provides an opportunity to re-profile LGF spend between the colleges to maximise spend and delivery across the 2 year programme.
- 4.9. Once the updated planned expenditure profile is confirmed for all colleges, it is proposed to revise the relevant Grant Agreements between the colleges and the Accountable Body to ensure the LGF is defrayed as fully as possible in the current financial year.

East Kent College

- 4.10. Following a decision by the East Kent College Board, the project has been withdrawn and the funding allocated for it retained within the LEP for skills capital and equipment.
- 4.11. There are no changes to the funding for Sussex Downs College which is allocated for 2016/17.
- 4.12. Skills equipment funding was only agreed at the last Accountability Board with agreements currently being made with recipients for the release of funding.
- 4.13. In future, as part of the Local Growth Fund, the Skills Capital programme will be reported within an overall capital management report.

Release of further Skills Capital Funding

- 4.14. On 22nd October, a new £3.5m round of Skills Capital and Skills Equipment funding was launched to FE Colleges and providers for up to £3.5m to support skills and training across the South East with a particular focus on science, technology, engineering and mathematics (STEM) in our growth sectors.

5. Financial Implications

- 5.1. The cost of scheme delivery will continue to be monitored with each of the colleges to ensure costs are contained within the funding available. As the schemes have had delayed implementations, there is still a risk to ensuring the £11m of Local Growth Fund allocated for Skills in the current financial year will be defrayed in full; this will continue to be monitored as part of the monitoring of the whole Local Growth Fund programme. The re-profiling of the LGF across the colleges proposed by this report will assist in achieving this aim.

6. Legal Implications

6.1. None at present.

7. Staffing and other resource implications

7.1. None

8. Equality and Diversity implications

8.1. None

9. List of Appendices

9.1. Appendix 1: Skills Capital Dashboard

9.2. Appendix 2: Skills Capital Allocations

(available at www.essex.gov.uk if not circulated with this report)

10. List of Background Papers

10.1. None

(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)

Role	Date
Accountable Body sign off	
Lorna Norris	5 th November
On behalf of Margaret Lee	2015

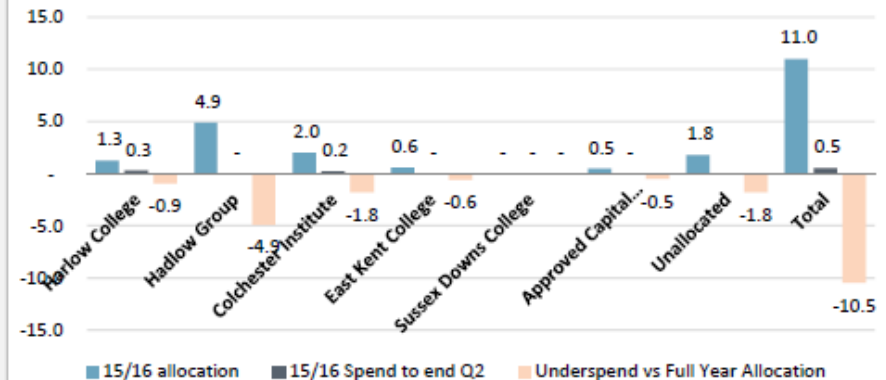
Skills Capital - Q2 2015/ 16 Spend vs. Full Year Allocation

	15/16 allocation	15/16 Spend to end Q2	Underspend vs Full Year Allocation	Percentage underspend
Harlow College	1.3	0.3	-0.9	-75.0%
Hadlow Group	4.9	-	4.9	0.0%
Colchester Institute	2.0	0.2	-1.8	-88.8%
East Kent College	0.6	-	0.6	0.0%
Sussex Downs College	-	-	-	0.0%
Approved Capital Equipment Schemes (Round 1)	0.5	-	0.5	0.0%
Unallocated	1.8	-	1.8	0.0%
Total	11.0	0.5	-10.5	-95.1%

Commentary and Risk

This set of figures was based on the assumption that Skills Capital would be a two year programme. There was the usual risk attached to capital programmes of building delays, cost escalations etc. The Sussex Downs money was allocated to 16/17 and thus does not feature in this year's allocation.

Skills Capital - Spend by Recipient end Q2 vs. Full Year Allocation (£m)



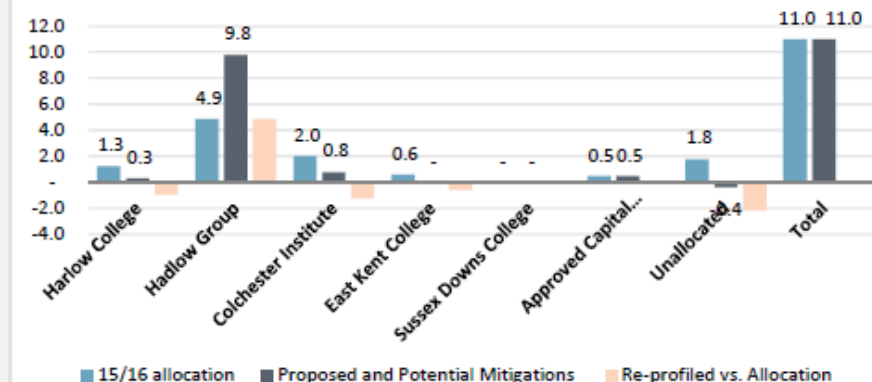
Skills Capital - Proposed Re-Profiling

	15/16 allocation	Proposed and Potential Mitigations	Re-profiled vs. Allocation	Mitigation vs Forecast underspend
Harlow College	1.3	0.3	-0.9	-75.0%
Hadlow Group	4.9	9.8	4.9	100.0%
Colchester Institute	2.0	0.8	-1.2	-61.3%
East Kent College	0.6	-	-0.6	0.0%
Sussex Downs College	-	-	0.0	0.0%
Approved Capital Equipment Schemes (Round 1)	0.5	0.5	0.0	0.0%
Unallocated	1.8	0.4	-2.1	-120.9%
Total	11.0	11.0	-	0.0%

Commentary and Risk

Negotiations have taken place with grant recipients and new profiles have been agreed with Hadlow college, Colchester Institute and Harlow College. Harlow College has experienced cost inflation at the tender phase and will be presenting mitigation proposals to bring the costs back on target. East Kent College has withdrawn from the programme so their funds will be made available in the next round.

Skills Capital - Proposed Reprofiting (£m)



Appendix 2
Skills Capital Allocations
Approvals as at September 2015

Local Growth Schemes		Approved Planned Allocations			Actual Allocations to Date			Reprofiling Options		
Local Growth Fund Confirmed Amounts from 2015/16 Letter		Transferring to								
		2015/16	2016/17	Total	2015/16	2016/17	Total	2015/16	2016/17	Total
		£	£	£	£	£	£	£	£	£
Confirmed LGF Amounts		11,000,000	11,000,000	22,000,000	11,000,000	11,000,000	22,000,000	11,000,000	11,000,000	22,000,000
Approved Capital Development Schemes										
Harlow advanced manufacturing and engineering centre of	Harlow College	1,250,000	1,250,000	2,500,000	312,500		312,500	312,500		312,500
Hadlow College Group - Ashford College, Kent	Hadlow Group	4,900,000	4,900,000	9,800,000			-	9,800,000		9,800,000
STEM training at Braintree College, Essex	Colchester Institute	2,000,000	2,000,000	4,000,000	224,000		224,000	775,000	3,225,000	4,000,000
Engineering, logistics and service industry training, East Kent	East Kent College	593,375	593,375	1,186,750			-	-		-
Refurbished science facilities - Sussex Downs College, East Sussex	Sussex Downs College		159,440	159,440			-		159,440	159,440
Total		8,743,375	8,902,815	17,646,190	536,500	0	536,500	10,887,500	3,384,440	14,271,940
Approved Capital Equipment Schemes (Round 1)										
Science Hub	Writtle College	73,910		73,910			-	73,910		73,910
AMEC - Equipment	Harlow College	194,464	152,108	346,572			-	194,464	152,108	346,572
Centres for Excellence for Advanced Industrial Technologies and Engineering Manufacture	South Essex College	73,475		73,475			-	73,475		73,475
STEM Skills Training Equipment	Colchester Institute	141,960	19,727	161,687			-	141,960	19,727	161,687
Specialist Equipment for College STEM Centre	Sussex Downs College		46,720	46,720			-		46,720	46,720
Total		483,809	218,555	702,364	0	0	0	483,809	218,555	702,364
Total allocated		9,227,184	9,121,370	18,348,554	536,500	0	536,500	11,371,309	3,602,995	14,974,304
Total outstanding to be allocated		1,772,816	1,878,630	3,651,446	10,463,500	11,000,000	21,463,500	-371,309	7,397,005	7,025,696

