

<b>Report to Accountability Board</b>	<b>Forward Plan reference number:</b> FP/AB/105
<b>Date of Accountability Board Meeting:</b>	<b>22<sup>nd</sup> September 2017</b>
<b>Date of report:</b>	<b>4<sup>th</sup> September 2017</b>
<b>Title of report: Kent and Medway Engineering, Design, Growth and Enterprise (EDGE) Hub</b>	
<b>Report by:</b>	<b>Louise Aitken</b>
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## **1. Purpose of report**

- 1.1 The purpose of this report is to seek SELEP Accountability Board (the Board) approval for the award of £6.12m of Local Growth Fund (LGF) to be devolved to Kent County Council (KCC) for delivery of the Kent and Medway Engineering, Design, Growth and Enterprise (EDGE) Hub (the Project).

## **2. Recommendations**

- 2.1 The Board is asked to:

- 2.1.1 **Approve** the award of £6.12m LGF to the Kent and Medway Engineering, Design, Growth and Enterprise (EDGE) Hub as set out in the Business Case which has been assessed as presenting high value for money with medium certainty of achieving this. This award is subject to receipt from Kent County Council confirming that all additional funding required for this project has been secured.

## **3. Background**

- 3.1 This report brings forward this LGF Round 3 Project for the allocation of £6.12m LGF, in line with the Business Case which has been prepared for the Project and which has completed the ITE process, as a condition of the SELEP Assurance Framework.
- 3.2 The total funding for this Project is £21m, primarily made up of an LGF allocation of £6.12m alongside £9.08m investment from Canterbury Christ Church University, of which £6.2m is through borrowing and subject to final confirmation, and £5m by the Higher Education Funding Council for England (HEFCE), already secured. The £6.12m LGF is required for the construction and equipment costs of the EDGE Hub and will enable the development to be taken to another level in terms of speed, scale and quality.

- 3.3 The Project has completed the planning stage and approval is now sought from the Board for the funding required to complete the delivery phase of the Project.
- 3.4 The Project is being promoted and delivered by Canterbury Christ Church University and has the support of KCC who are lead applicant on behalf of Canterbury Christ Church University.

#### **4. EDGE Hub – The Project**

- 4.1 Kent and Medway has a large number of engineering and manufacturing companies requiring improved and increased skilled labour in order to unlock business growth in these and related sectors. This is coupled with a need to improve employment prospects and earnings for local residents, including young people where progression into higher level engineering and technology courses is below the national average.
- 4.2 In response, Canterbury Christ Church University is already planning to grow organically its existing science offer with new, related subject offerings and to increase student numbers, with departments co-located in a new signature facility at, and adjacent to, the old Canterbury Prison site. LGF will enable this development to be taken to another level. Overall, the development will provide 3,588 square meters of floor space and bringing significant additionality in terms of speed, scale and quality.
- 4.3 This will include new subject teaching capabilities (Chemical, Mechanical and General Engineering, Product Design and Technology), development of new services in innovative partnerships with local companies and a new short course / Continuing Professional Development (CPD) offer to business. It will establish satellite teaching and research facilities distributed around Kent and Medway, supported by the main Canterbury hub. (See Appendix two for a visual overview of the model). Alongside Canterbury, facilities will be located at:
- Ashford (Advanced Manufacturing Industry Liaison Lab)
  - North Kent (Advanced Manufacturing Industry Liaison Lab)
  - Discovery Park, Dover (Life Sciences Industry Liaison Lab)
  - Swale (Advanced Manufacturing Industry Liaison Lab)
  - Medway Institute of Medical Sciences (Biomedical Engineering Hub)
- 4.4 The sectors to be supported include Engineering, Advanced Manufacturing, Life Sciences, Healthcare, Information & Communication Technology (ICT). There will be a whole new suite of Technical and Professional Education opportunities including Higher and Degree Apprenticeships, Foundation Degrees, Undergraduate Degrees, Masters and Doctoral programmes with an additional 1250 learners by 2024. The building would be completed by 1<sup>st</sup> August 2020, with planning permissions already granted.
- 4.5 There will also be a new Engineering and Technology Innovation Service that will work with small businesses, larger companies, inventors and

entrepreneurs to take innovations from prototype to commercialisation and companies will be supported through business –focused PhD, Masters, Undergraduate and commercial research projects using state of the art facilities. There will also be the introduction of business focused short courses and CPD opportunities.

- 4.6 This will be a highly significant development in terms of growth and investment for Kent and Medway engineering and technology companies which Canterbury Christ Church has an established relationship with and which are being held back by skills shortages and a lack of infrastructure to support innovation and research. The Hub will raise the profile of engineering and technology in Kent and Medway, establishing it as a good place to invest and where engineering and technology companies can grow and flourish. Furthermore, the truly innovative approach to industry led collaborative teaching and research will have SELEP wide, national and international application in responding to well documented Science, Technology, Engineering and Mathematics (STEM), technical and higher level skills shortages.
- 4.7 The centre will be partnership based, industry-led and will respond to Kent, Medway, SELEP and national priorities for growth. A Strategic Industry Advisory Board, led by a leading industrialist and involving other company members of Kent and Medway Economic Partnership's (KMEP) Advanced Manufacturing, Life Sciences and Healthcare Guilds will advise on the Hub's strategy. Reflecting the partnership approach, the proposal has received letters of support from Canterbury City Council, Swale Borough Council, Locate in Kent, Wire Belt Company Ltd, Discovery Park, Thanet Earth, Deeson Group Ltd, Sunray, MJ Allen Group of Companies, Cammegh Ltd, RAP Interiors, East Kent College and the Thames Gateway Kent Partnership.
- 4.8 The centre hubs will also overcome the co-ordination challenge of meeting the needs of a local predominantly SME engineering and technology business base which is characterised by relatively isolated companies geographically spread over a large area, without any beneficial clustering or agglomeration effects. Across Kent and Medway, over 46,000 work in manufacturing alone, one of the highest numbers nationally.
- 4.9 The broader benefits and vision of this Project should be noted, primarily that the former prison site in Canterbury will be restored and transformed, celebrating the site's historical past and providing facilities for the local community to enjoy (the prison was built in 1806-1808 by George Byfield and includes Grade II listed areas). The university is situated in a UNESCO World Heritage site and ensuring due regard to these historic surroundings, the project will also enable the restoration of the former Pilgrim's Trail from St Martin's Church through the campus to Canterbury Cathedral. The university campus lies along the route thought to have been taken by Queen Bertha when worshipping at St Martin's Church in the 6<sup>th</sup> century. Re-establishing access along this route has driven the design of buildings. This therefore undoubtedly brings broader historical, cultural, and community benefits with a national and international significance.

#### 4.10 The expected impacts of the Project include:

##### Positive Impacts

- 67 Direct FTE Jobs
- 76 Indirect FTE jobs
- 3,588m2 of commercial floor space developed
- 3,376 learning years
- 1250 additional student enrolments on Apprenticeship and Degree programmes (275 Degree Apprenticeships)
- 420 undergraduate and graduate research projects with Kent and Medway companies
- 375 staff in Kent and Medway companies completing a short course / CPD offering
- Approximately 390 additional STEM graduates working within the Kent and Medway economy by 2023/24
- 12,900 visits by young people to innovative and experiential science and technology events
- Restoration of the former Pilgrim's trail – increased tourism and visitors

##### Negative Impacts

- Higher volumes of traffic due to higher student numbers
- Further pressure on local housing stock due to increased student numbers
- Displacement of students from other Canterbury Christ Church University courses and those of other local universities
- Extra pressure on local health services due to increased student numbers

The involvement of local partners and authorities will help to mitigate these impacts and enable planning in response

## 5. Project cost and funding contributions

5.1 The total Project cost is £21m.

5.2 In addition to the LGF allocation to the Project, there are also funding contributions from the Higher Education Funding Council for England (HEFCE), Canterbury Christ Church University and local business as set out in Table 1 below. In addition the University will be funding the £10.863m revenue costs associated with the project.

Table 1 Project Funding Sources

Source	Total	Description
LGF	£6,120,000	LGF sought to complete project
HEFCE Catalyst Fund	£5,000,000	Secured as match funding
Canterbury Christ Church University contribution	£2,880,000	Committed funding by applicant
Canterbury Christ Church University borrowing	£6,200,000	Applicant borrowing for scheme – to be confirmed
Equipment in kind from businesses	£800,000	Contribution from local companies
	<b>£21,000,000</b>	

(£m)	16/17	17/18	18/19	19/20	20/21	Total
LGF		1.12	2.5	2.5		<b>6.12</b>
HEFCE Funding			2.5	2.5		<b>5</b>
Applicant contribution	0.8	1.38	0.2	0.2	0.3	<b>2.88</b>
Equipment in kind from businesses	0.1	0.2	0.2	0.2	0.1	<b>0.8</b>
Borrowing			4.7	0.5	1	<b>6.2</b>
<b>Total</b>	<b>0.9</b>	<b>2.58</b>	<b>10.1</b>	<b>5.9</b>	<b>1.4</b>	<b>21</b>

## 6. SELEP ITE Gate 2 Review

- 6.1 The SELEP Assurance Framework sets out the requirements for an Independent Technical Evaluation (ITE) review of the Business Cases for schemes seeking LGF funding.
- 6.2 The ITE review of the Project Business Case confirms that the assessment is thorough, complete and demonstrates at least a high value for money case for the Project with a medium certainty of achieving this.
- 6.3 The ITE has advised that a sensible and proportionate method has been applied to the assessment for a Project of this type. The evaluator has noted that there is no explicit Green Book compliant treatment of Economy,

Efficiency, Effectiveness, which would have been best practice. However the review confirms that the economic assessment has been completed in line with appropriate Government Guidelines.

- 6.4 The economic appraisal sets out the high value for money case for the Project, with a Benefit Cost Ratio (BCR) of 2.28:1 including 'other quantified benefits (1.14:1 excluding 'other quantified benefits'). This VfM estimate is, therefore, treated as an adequate response given the LEP approach to VfM, but with the caveat that this definition does not align fully with Green Book guidance'.
- 6.5 The ITE review of this Business Case has recommended approval for this project and notes that *'a compelling case for the intervention is made, based on addressing specific local challenges. This case is based on stated industrial requirements and is plausible.'* The ITE report notes that overall, the strategic and economic case for the scheme is rated as 'high'.
- 6.6 For the full ITE Accountability report, see Appendix 1 of Agenda Item 6.

## **7. Compliance with SELEP Assurance Framework**

- 7.1 Table 2 below considers the SELEP Secretariat assessment of the Business Case against the requirements of the SELEP Assurance Framework.
- 7.2 The assessment confirms the compliance of the Project with SELEP's Assurance Framework.

*Table 2 SELEP Secretariat assessment of the Business Case against the requirements of the SELEP Assurance Framework*

<b>Requirement of the Assurance Framework to approve the project</b>	<b>Compliance</b>	<b>Evidence in the Business Case</b>
A clear rationale for the interventions linked with the strategic objectives identified in the Strategic Economic Plan		The ITE review notes that a compelling case for the intervention is made, based on addressing specific local challenges and based on stated industrial requirements which are plausible. It will also respond to a need for increased technical, higher level skills generating more productivity locally as identified in the emerging LEP Skills Strategy
Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been		The Business Case sets out the intended outputs and outcomes of the Project, as stated in Section 4.10 above. The ITE review notes that whilst the proposed intervention would have 'modest impact' on direct jobs, the

taken into account		<p>strongest potential impacts would 'arise from generalised knowledge and capacity building contributions of EDGE and as such are significant benefits for local industrial beneficiaries.</p> <p>The impact of leakage and displacement has been taken into account as part of the economic appraisal. Leakage is most likely to graduates who move outside the county and to non-local expenditure. This is mitigated through the local focus of the project and connection with local employers meaning graduates are more likely to be retained.</p>
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)		<p>The ITE review states that the options considered and the risks assessed are defined adequately and demonstrate a serious and effective response to critical feedback provided at the G1 stage. The adaptive and responsive stance reflects well on the project proponents and can reasonably be treated as an effective management culture being put in place for the proposed project. A Director of Outreach is due to be recruited imminently to ensure success.</p>
A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions		<p>The BCR, taking into consideration optimism bias and discounted factors is 1.14:1 (excluding 'other quantified benefits') and 2.28:1 (including 'other quantified benefits'). The BCR value of 2.28:1 confirms the high value for money for LGF investment. This risk will be monitored.</p>

## 8. Financial Implications (Accountable Body Comments)

- 8.1 The current forecast spend for 2017/18 as set out in the Capital Programme Management report (agenda item 12), anticipates slippage of LGF of £7.890m (excluding retained schemes) and as such, there is sufficient LGF available in the current year to meet the planned spend requirement for the project in 2017/18.
- 8.2 The Government has previously stated that failure to spend LGF in the year allocated, may impact on future year funding allocations; the slippage in the current year identified in the Capital Programme Management report therefore represents a risk to future allocations for all projects. This position is being

actively monitored by the SELEP Capital Programme Manager to address this risk (see Capital Programme Management report for further information).

- 8.3 It should be noted, however, that whilst future year grant payments from Government haven't been confirmed, funding for this project is included in the current indicative LGF allocations provided by Government. There is a risk, however, that the profiling of the indicative allocations of LGF is out of alignment with the current planned spend across the whole programme - this creates a forecast funding gap of £9.2m in 2018/19 and £17.3m in 2019/20 respectively. The funding gaps present a delivery risk to all projects that require LGF in those years. The Capital Programme Report sets out how that risk is to be managed. The funding gaps in both years are offset by an excess of funding in 2020/21 and the indicative programme funding is sufficient to meet the costs of all currently programmed projects and allocated projects over the life of the programme.
- 8.4 There are SLAs in place with the sponsoring authority which makes clear that future year funding can only be made available when the Government has transferred LGF to the Accountable Body.

**9. Legal Implications (Accountable Body Comments)**

- 9.1 There are no legal implications arising out of this decision. All funding will be transferred to the sponsoring authority under the provisions of the SLA's currently in place.

**10. Staffing and other resource implications (Accountable Body Comments)**

- 10.1 None at present.

**11. Equality and Diversity implications (Accountable Body Comments)**

- 11.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 11.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 11.3 In the course of the development of the project business case, the delivery of the project and their ongoing commitment to equality and diversity, the



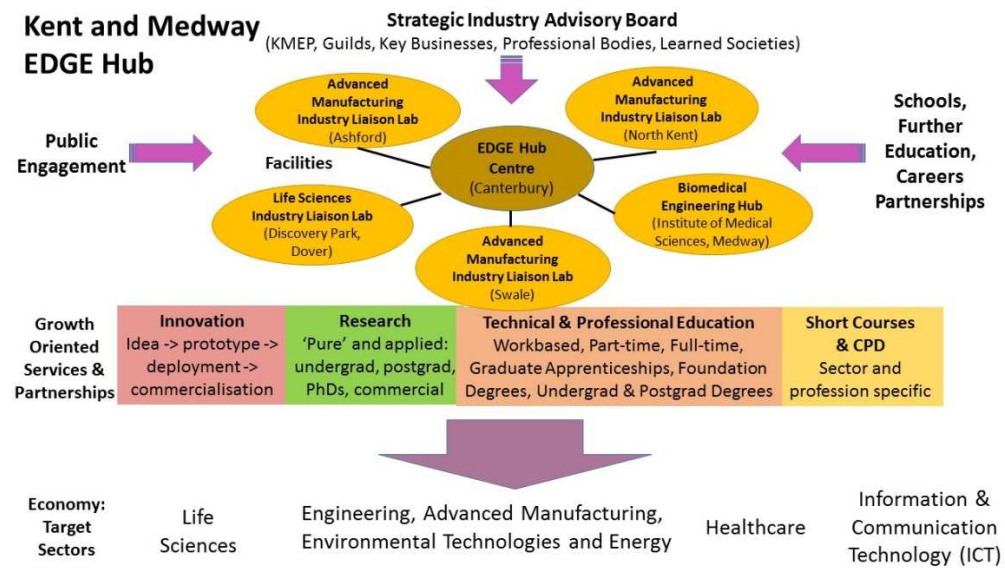
promoting local authority will ensure that any equality implications are considered as part of their decision making process and were possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

## **12. List of Appendices**

- 12.1 Appendix 1 - Report of the Independent Technical Evaluator (see Agenda Item 5).  
Appendix 2 – Diagrammatic overview of EDGE Hub model  
Appendix 3 – Artists impression of facilities

<b>Role</b>	<b>Date</b>
<b>Accountable Body sign off</b>  Lorna Norris  (On behalf of Margaret Lee)	  14.09.2017

## Appendix 2



## Appendix 3

