

<b>Report to Accountability Board</b>	<b>Forward Plan reference number:</b> FP/AB/149
<b>Date of Accountability Board Meeting:</b>	<b>27<sup>th</sup> April 2018</b>
<b>Date of report:</b>	<b>11<sup>th</sup> April 2018</b>
<b>Title of report: Harlow Advanced Manufacturing and Engineering Centre (HAMEC) skills capital round one underspend utilisation</b>	
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## **1. Purpose of report**

- 1.1 The purpose of this report is to seek Accountability Board (the Board) approval for the award of £234,815 of Local Growth Fund (LGF) Capital Grant to Harlow College to purchase specialist equipment supporting the Harlow Advanced Manufacturing and Engineering Centre (HAMEC) (the Project)

## **2. Recommendations**

- 2.1 The Board is asked to:

- 2.1.1 **Approve** the award of £234,815 LGF to Harlow College for specialist equipment which has been assessed as providing high value for money with high certainty. This is subject to confirmation that match funding has been provided by Essex County Council.

## **3. Background**

- 3.1 This report brings forward the Project for the award of £234,815 LGF to support the purchase of specialist equipment at Harlow College HAMEC.
- 3.2 In February 2018, the Board agreed that Harlow College would be given the opportunity to bring forward a business case to utilise their proportion of the underspend arising from a VAT rebate received by the College from the original HAMEC project, totalling £234,815.
- 3.3 Harlow College originally received £2.5m of LGF through the first round of skills capital funding for the HAMEC project. This facility is now up and running and exceeding targets. It provides over 2,000m<sup>2</sup> of new engineering facilities including robotics, product design, fabrication maintenance, fibre optic and metrology lab. The centre is experiencing growing employer demand and an increase in fulltime students and apprentices following a manufacturing route.



- 3.4 The underspend arising from a VAT rebate enables investment in areas of HAMEC that were value engineered out of the original project, including sliding head technology with scale bar feeds that will add another dimension to the computer numerical control skills being learnt by students. Harlow College's ambition and intention is for the centre to keep pace with new and emerging technologies to respond to employer need. This will align to current industry practices and add significant value to the centre, leading to more highly skilled, industry ready engineers.

#### **4. Specialist equipment for HAMEC - the Project**

- 4.1 Science, Technology, Engineering and Mathematics (STEM) based industries have been identified as having significant skills shortages in both the SELEP and Essex Employment and Skills Board Evidence Base. Sectors including construction, engineering, digital, IT, health, logistics care and finance are lacking the skills required for growth. The need for engineering is particularly acute with growing numbers of local employers struggling to recruit and with an ageing workforce. Local and regional advanced manufacturing employers must recruit 13,500 more engineers to fill emerging roles and those vacated by an imminently retiring workforce. Harlow's proposal is supported by the Essex Employment and Skills Board and responds to the skills shortages identified through their skills evidence base.
- 4.2 This investment will enable the purchase of specialist equipment to add to the inspirational, industry relevant facilities already on offer. Developed through close partnership with employers such as Truck-Lite, BTL Precision, Stansted Airport and e2v Teledyne, this offer is the result of close employer collaboration.
- 4.3 As outlined in 6.4, the LGF element of the VAT rebate can only be used for capital expenditure. This investment will enable the purchase of more specialist equipment:
- DMG Mori CNC sliding head machine with full sized bar feed
  - Edgecam Site Licence software
  - Full sized bar feed to feed the DMG Mori 450 eco-turn
  - Industrial 3D Printer
  - Water Jet Cutting Machine
  - F1 Project / School engagement workshop
  - Mobile Devices for workshops
- 4.4 The purchase of this additional equipment will enable Harlow College students, adult learners and partner schools to work on leading edge technology to learn innovative engineering concepts with equipment that will replicate the workplace. It will enable the expansion of the apprenticeship offer. Learners will develop skills to set, programme and operate the technology to be better able to respond to employer needs and priorities. Specifically through the equipment described above learners will:



- Learn alternative machine languages and methods for small piece production
- Work on real prototype developments for employers
- Develop and practice the skills required for the use of industrial machines
- Through the F1 workshops, the college will become a manufacturing centre for schools and the only manufacturing test centre in the region
- F1 workshops will explore a range of elements including air trace visualisation, race track flight case, quick change tool holders and F1 model pack.
- Equipping the HAMEC workshops with mobile devices (iPads) will give learners the ability to access and store production engineering data as well as online maintenance manuals aligning processes to that of standard industry practice
- Additionally, HAMEC will offer new opportunities to learners at level 1 and learners with learning difficulties and disabilities

#### 4.5 The expected impacts of the schemes include:

##### **Positive Impacts**

- Increased numbers of apprentices
- Enhanced learning for current students
- Further out-reach with 10 schools, promoting engineering as a career choice and inspiring 100 young engineers of the future
- Establish a dedicated project based workshop from September 2018 to assist in the delivery of engineering design
- Establish a Young Engineers Academy for Years 7-11
- Increasing the number of females entering the sector
- Support for young people who are NEET (not in education, employment or training)
- Support for those with learning difficulties and disabilities
- Special return to work programmes to tackle low skills and improve employability
- Supporting employers with recruitment and training in close consultation with the HAMEC Industry Advisory Panel
- Assisting unemployed people to upskill and retrain
- Increased provision for learners at level 1
- Increase work placements by 30% annually
- Increasing the already expanding growing (27% in year one) of learners and maintaining the excellent retention rate (96%)
- Addressing the local skills shortage and growth requirements as captured in the LEP Skills Strategy and evidence base



## 5. Project cost and funding contributions

- 5.1. The total cost of the equipment outlined above is £485,230 and with Harlow College seeking £234,815 in LGF as the table below illustrates. As part funders of the original project, Essex County Council (ECC) is also entitled to a proportion of the VAT rebate of £187,852. The Council have been approached to consider using their proportion of the rebate to provide match funding to this Project, but are not currently able to confirm approval for this.
- 5.2. Should the match funding not be available from Essex County Council, Harlow College have confirmed that they do not have alternative match funding as it has been necessary to divert their own proportion of the VAT rebate to address cost pressures in another LGF funded project, the Stansted Airport College project. They have however contributed £62,563 in cash reserves as match. In the event that the Essex County Council funding is not available, Harlow College have confirmed that a scaled down version of the Project would be possible. This would be presented to the Board for approval.
- 5.3 In the event that the funding is not approved for the Project or the match funding is not received from Essex County Council, Harlow College will be requested by the Accountable Body to return the funding under the terms of their Grant Agreement, as previously agreed by the Board on the 23 February 2018.

**Table 1 – Project funding breakdown (2018/19)**

<b>Project funding/financing</b>	<b>Capital cost (£)</b>	<b>Percentage of total project costs (%)</b>
Requested reallocation of LGF funds	£234,815	48
Applicant contribution (cash reserves)	£62,563 <sup>1</sup>	13
Loan finance (if applicable)	N/A	
Third party contribution	N/A	
Other public sector grants (Please specify source in table below)	£187,852 (ECC – Subject to agreement)	39
<b>Total</b>	<b>£485,230</b>	<b>100</b>

Note that all funding will be spent in financial year 2018/19. However, the academic year runs from 1<sup>st</sup> August to 31<sup>st</sup> July so some funding will be spent in the 2017/18 academic year before 31<sup>st</sup> July.

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<sup>1</sup> £600,000 VAT refunded on Harlow College's contribution to the construction of HAMEC will be transferred to spend on the Stansted Airport College project



## 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 economic appraisal has been carried out and indicated that there will be annual economic benefits of £251,334 as a result of the purchase of the additional specialist equipment. While multi-year scheme appraisal was not carried out, this annual benefits quantum provides assurance that the benefit cost ratio of this additional scheme element would be greater than 2:1.
- 6.3 The ITE review of this Business Case has recommended approval for this Project. The ITE report notes that Harlow College is using its proportion of the VAT rebate (£600,000) for the Stansted Airport College Project. The review recommends therefore that in the monitoring and evaluation of the Stansted Airport project, this should be noted.
- 6.4 The ITE review also notes that the LGF element of the VAT rebate can only be used for capital expenditure and it must be providing additional benefits to the HAMEC and cannot be used on any other schemes.
- 6.5 For the full ITE report, see Appendix 1 of Agenda Item 5.

## 7. Compliance with SELEP Assurance Framework

Requirement of the Assurance Framework to approve the project	Compliance	Evidence in the Business Case
A clear rationale for the interventions linked with the strategic objectives identified in the Strategic Economic Plan		The business case clearly articulates the need for increased engineers and STEM based skills as set out in the Strategic Economic Plan and the contribution this Project will make
Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account		<p>The business case sets out clear outputs and outcomes, showing additionality achieved through this Project. This includes out-reach work with schools and disadvantaged groups.</p> <p>The ITE notes that Harlow College is using its proportion of the VAT rebate (£600,000) for the Stansted Airport College Project. The review recommends therefore that in the monitoring and</p>



		evaluation of the Stansted Airport project, this should be noted.
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)		The Business case sets out how the Project has been determined and the high level of employer engagement meaning that there is low risk of the equipment not being utilised or relevant.
A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions		The ITE report notes that while multi-year scheme appraisal was not carried out, the expected annual benefits quantum provides assurance that the benefit cost ratio of this additional scheme element would be greater than 2:1.

## 8. Financial Implications (Accountable Body Comments)

8.1 The funding requested for this Project is currently being held by Harlow College as it forms part of the VAT rebate received by the College in relation to the £2.5m of LGF originally allocated to Harlow College for the development of the HAMEC.

8.2 It is noted that the full match funding for this Project has yet to be confirmed; if this is not available, the college has indicated that alternative match funding is not available. In this circumstance, they would prepare a scaled down Project within the reduced funding envelope; this option, however, would represent a much reduced match contribution in the event that no additional funding can be identified.

8.3 Should the Project be unsuccessful in securing the LGF funding requested, the Accountable Body will request that the funding is returned by the College in line with the Grant Agreement; this funding will then be added to uncommitted LGF funding for reallocation through the agreed prioritisation approach.

## 9. Legal Implications (Accountable Body Comments)

9.1 Approval for Harlow College to retain the LGF Grant will be supported by a separate Grant Agreement with the Accountable Body.

9.2 Should approval not be given for this Project or match funding is not received from Essex County Council, Harlow College will be requested by the Accountable Body to return the funding under the terms of their Grant Agreement, as previously agreed by the Board on the 23 February 2018.



## **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 College will ensure that any equality implications are considered as part of their decision making process and where 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 (As attached to Agenda Item 5).

## **13. List of Background Papers**

- 13.1 HAMEC specialist equipment Business Case

**(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)**

<b>Role</b>	<b>Date</b>
<b>Accountable Body sign off</b>	
Stephanie Mitchener (On behalf of Margaret Lee)	19/04/18