

Coast to Capital Board 24 2 July 2015	Ref No. 24.11.3
Report Title: Skills Capital 2015/16: NESCOL	
Report by: Heather Binning	
Presented by: Clive Behagg	

Recommendation

1. The Board is requested to approve the Skills Investment Panel recommendation that this project be approved, subject to:
 - a. agreement that the revised 50% match funding provided for this 2015/16 project – against a potential but uncertain 66% match for 2016/17 spend - is acceptable; and
 - b. evidence of cost/value of equipment prior to their purchase.

1. Background

NESCOT's first stage application for the 2016/17 funding round was approved by the Board on 16 March 2015 as part of the general call for applications. They were then invited to submit a full proposal. Subsequently the College was asked whether they might be able to bring forward their project in order to utilise the 2015/16 budget underspend. They then submitted their (final) Detailed Application for on 17 April 2015. The Skills Capital Investment Panel met on 14 May to consider the application and its assessment and recommended follow-up on some issues before recommending to the Board. The Panel is now satisfied that the issues of clarification have been resolved and can now recommend this project to the Board for approval.

2. Project Description

Project Title: College Vocational Skills Refurbishment Project: Automotive Engineering Skills Apprenticeship Centre and Hospitality and Catering Training Facilities

Project cost: £2,494,750

Grant requested: £1,247,375 (50%)

The project will establish:

- a fully-equipped automotive engineering workshop for the provision training for full time 16-18 students, apprentices and trainees;
- a commercial-standard training restaurant with adjoining kitchen and service area and separate training kitchen equipped to industry standards.

It will achieve this by:

- Refurbishing parts of the College estate that is in poor condition and under-utilised
- Strengthen existing local employer partnerships to improve and expand industry-standard specialist facilities
- Respond to demonstrable demand for skills courses in these areas
- Provide additional provision that will be attractive to NEET students in the College's catchment area.

Nescot enjoys a high reputation with employers (Framework for Excellence score Working with Employers 8.8 and 9.2 for Recommending College to another employer, including Apprenticeships). Currently though, Nescot does not have the level of high quality accommodation in catering and motor vehicle engineering needed to attract certain new employers, many of whom deliver large contracts internationally and/or significant to the local economy.

By creating up to date facilities and industry standard resources, Nescot will show that it places employability at the top of the agenda; critical in gaining credibility with employers and in training students in relevant skills.

This Project will enable:

- The provision of facilities which will replicate those in the workplace.
- The use of commercial activities and partnerships to stimulate and engage students and promote entrepreneurial and employability skills (Coast to Capital LEP priority). This will include working with REED (strategic response to the problem of unemployment, reflecting Nescot's commitment to the community).
- Improved progression of students into apprenticeships, the REED Centre for Employment and Apprenticeships will work with students, delivering training on behaviours for success in the changing global economy that requires transferable skills and adaptability.
- Expansion of Apprenticeships in Catering and Motor Vehicle Engineering (as a direct result of investment in real working environments):

Automotive Engineering Skills Apprenticeship Centre

NESCOT has a major new partnership with a local employer – Shelly Motors Group – to increase the number of young people entering apprenticeships in the motor skills and automotive engineering sector. Shelly Motors have recently opened a multi-million pound motor vehicles maintenance and repair workshop in the Longmead Estate which is 1.2 miles from the College campus.

Catering and Hospitality Facilities

The catering and hospitality project will establish a major new curriculum area at the College. It will provide a commercial training restaurant and kitchens that will be part of the new Le Raj Academy commercial training outlet at the College.

3. If any Director wishes to read more about the project, the full documentation (17 documents) seen by the Skills Moderation Panel can be seen at the Dropbox reference below. **PLEASE NOTE – these documents have been provided in confidence to Coast to Capital and contain commercially sensitive information. They must not be shared beyond the Board.**

4. Outcomes

The outcomes for this type of Skills Capital project are measured in terms of additional learners per year.

	Learner numbers before project [1]	Learner numbers after project [2]	Change in learner numbers = [2-1]
14 - 16	-		
16-19 EFA	1684	2184	500
Adult Skills Classroom-Based	3443	3100	-348
16-18 Apprenticeships	292	392	100
Adult (19+) Apprenticeships	942	1142	200
Adult Skills Workplace	48	70	22
Total	6407	6888	474

The project will also deliver

- 300 new apprenticeships starts over a 5 year period providing high quality, high skill value jobs in the local area
- 100 new trainee starts

4. Assessment

In accordance with Coast to Capital procedures, application assessment was carried out with support from the SFA Capital Projects team and Regional Delivery Team, and consists of three parts: Benefits to Learners and Supporting Economic Growth; Property and Finance; and Deliverability.

The table attached at Annex B summarises the SFA's assessment, College and Moderating Panel response, and recent updates.

5. Match Funding Issue

This application was originally for the 2016/17 Financial Year, and was approved at First Stage Application. Subsequently the LEP asked the College whether it might be able to bring forward the project to the 2015/16 Financial Year. To help maximize our spend in 2015/16.

The College Corporation of Governors agreed to bring forward the works. However the College advised that they would not be able to match the project at the original 33%, but could only bring it forward at 50% match.

Given the current financial position of Colleges generally, and a recent change to learner funding, it is not necessarily guaranteed that the College could return to its 33% match, should the project be put back to 2016/17.

On 24 June, the College submitted the following statement:

'The Governing Body approved the LEP application on the basis that we would receive grant funding equivalent to 50% of the cost in 2015/16 and this has been provisionally factored into our financial and curriculum plans. Pushing the grant back to 16/17 with only a 33% contribution given what we now know about FE funding going forward may mean that match funding of 66% will be much more difficult to find and the Governing Body would need to be consulted again before agreeing to proceed if the grant were delayed.'

The Moderating Panel agreed that, should the application be approved in other respects and a recommendation made to the Board, the Board would be asked to decide whether early delivery attracting 50% match was preferred to 2016/17 delivery potentially attracting 66% match.

6. Recommendation

The Moderating Panel recommends Board approval of this project subject to their agreement that the 50% match funding provided for this 2015/16 – against a potential but uncertain 66% match for 2016/17 spend is acceptable.

Heather Binning
June 2015

Annex A: Strategic Fit to Coast to Capital Objectives

The project aligns to four priorities in Coast to Capital's Strategic Economic Plan and Skills Strategy:

- Food Manufacturing
- Tourism
- Advanced Engineering
- Environmental Technologies

All of the above areas are identified as areas of strength and growth in the regional economy. The project is high value, low cost and returns a positive NPV. The project has the support of Surrey County Council. This project aligns with local strategic priorities for supporting the transition of NEET students into appropriate and attractive education and training opportunities. It complements and augments the College's £30m Campus Master Plan that has been supported by capital grants from the EFA, SFA and the local authority. The NESOT Campus Master Plan will be completed by September 2016

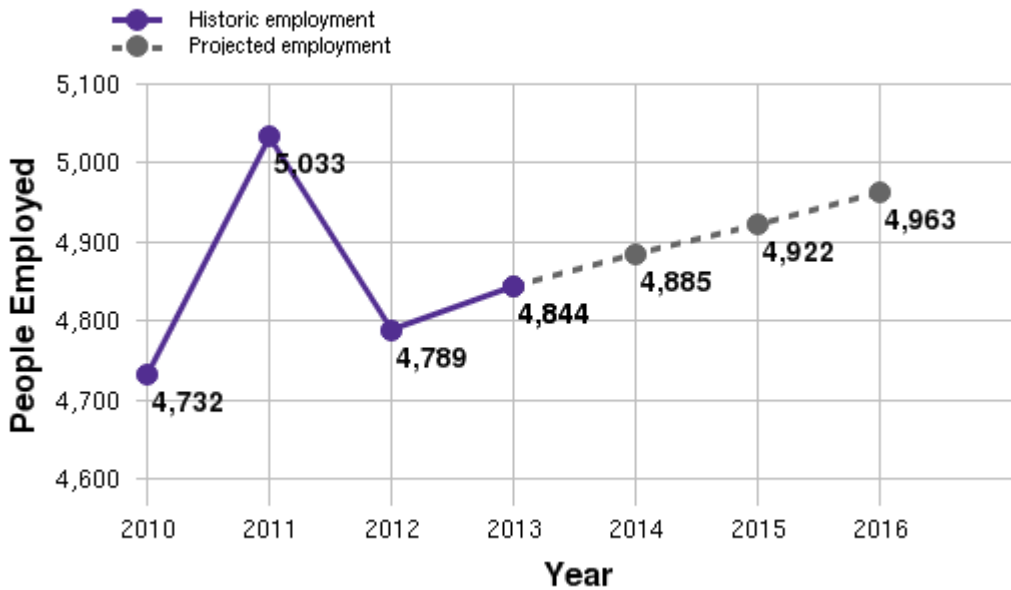
Catering and Hospitality Facilities

The catering and hospitality project will establish a major new curriculum area at the College. It will provide a commercial training restaurant and kitchens that will be part of the new Le Raj Academy commercial training outlet at the College. The partnership with Le Raj and the establishment of the new training facilities will deliver the following objectives: -

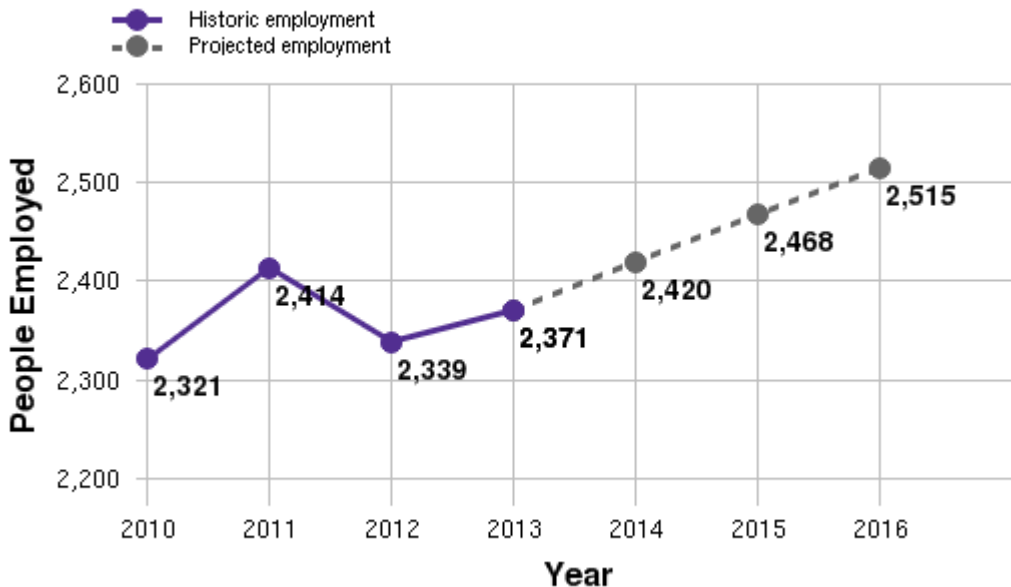
- Provide high-quality vocational education and training in hospitality and catering in partnership with a prestigious local employer
- Create apprenticeship and traineeship opportunities in a new curriculum area that are attractive to young people
- Support growth in priority economic sectors that Coast to Capital have identified as having the potential to support high quality skilled employment
- Refurbish College facilities that are no longer meet industry standards
- Strengthen the College's engagement with local SMEs and support the education/SME interface

The following charts demonstrate the increasing local demand for food production professionals, managers and entrepreneurs in the Surrey area.

**Food Production Labour Market Demand in Surrey
(Source: EMSI)**



Restaurant/Catering Establish Manager and Owners Labour Market Demand in Surrey (Source: EMSI)



Automotive Engineering Skills Apprenticeship Centre

NESCOT has a major new partnership with a local employer – Shelly Motors Group – to increase the number of young people entering apprenticeships in the motor skills and automotive engineering sector. Shelly Motors have recently opened a multi-million pound motor vehicles maintenance and repair workshop in the Longmead Estate which is 1.2 miles from the College campus.

The sector is changing fast in response to technological change in automotive

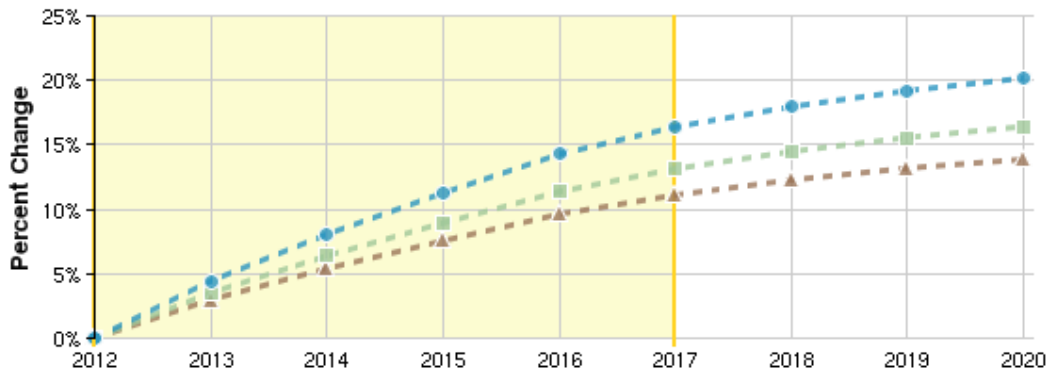
engineering and production and young people entering the industry are required to have higher level skills particularly in the areas of computer-aided diagnostics, automotive maintenance systems including those related to the latest low carbon **technologies**. The sector offers excellent opportunities for employment and also business start-ups.

The project will deliver the following objectives: -

- Create a modern skills centre for the training of young people and apprentices in the sector in the local area
- Re-model and refurbish ageing and redundant brickwork course training facilities. The College is constrained from expanding provision because of a lack of modern technology-supported automotive engineering facilities at its campus.
- Increase the pipeline of highly skilled engineers who will raise standards in the traditional motor vehicle engineering sector
- Deliver skills development and employment growth in a Coast to Capital priority sector that can deliver high quality, skilled jobs for local people
- Respond to demonstrable local demand from young people to enter an increasingly technologically-based industry. 25 students are currently undertaking apprenticeships in automotive skills engineering. The College has 30 additional applications for courses in this area from young people in the NESOT catchment area
- Provide opportunities that will be attractive to NEET students
- Invest in the maintenance infrastructure to support low carbon technologies used in the automotive engineering sector
- Ensure that people working in the industry have training that meets the latest regulatory standards e.g. Mobile Air Conditioning (MAC) technicians must have achieved, as a minimum requirement, a refrigerant handling qualification which meets EC Regulation 307-2008
- Support the growth of SMEs and new business start-ups

The following chart and tables show growing labour market demand in the motor vehicles and automotive engineering repair and maintenance sector in the South East and Surrey area.

Regional Labour Market Trends – Motor Vehicles/Automotive Engineering Repair and Maintenance in the South East (Source: EMSI)



Region	2012 Jobs	2017 Jobs	% Change
Surrey	6,124	7,128	16.4%
South East	43,472	49,183	13.1%
Country	191,147	212,366	11.1%

- outcomes and priorities set out within these plans and priorities;

ANNEX B: SUMMARY OF SFA ASSESSMENT AND LEP/PANEL RESPONSE

CRITERIA AND ASSESSMENT	COLLEGE/LEP MODERATING PANEL RESPONSE	RECENT UPDATE
Project Deliverability		
<p>This is rated as 'Amber'. Whilst the scale of the project indicates that the overall programme for completion is achievable with minimal risk, the college has not provided any information about whether planning consents will be needed for this work. The LEP is advised to request the college to confirm this. The project will achieve adequate spend on the first phase to carry out the hospitality/catering refurbishments. However, the LEP should not that any slippage in this first phase will increase significantly the risk of not achieving adequate spend in 2015-16 to secure payment of grant. The LEP will need to consider, with the Accountable Body, how this risk can be managed.</p>	<p>The College confirmed by email that planning consent would not be required, however the Panel requested that they be asked to evidence this by confirming that it has been agreed with the relevant planning authority.</p> <p>The risk identified here is that the majority of the works are planned for the summer break. The Panel requested that the College confirm that work could still go ahead during the curriculum term, and provide an indication the latest start date that could still ensure completion the spend in 2015/16.</p>	<p>The College have now confirmed that all of the building work will be taking place inside existing buildings so only Building Control and not planning permission will be required.</p> <p>The College have now confirmed that the buildings where the work will be carried out are not currently used by students so a delay will not impact on any students – therefore work can be carried out during curriculum term. They have advised that the latest possible start date that would still ensure completion of 2015/16 spend is 30 July 2015.</p>
Amount of Grant Requested		
<p>The amount of grant requested has increased from £0.83million at the expression of interest stage. The grant value has risen from 33% to 50%. The change is above the threshold which would normally constitute a</p>	<p>This application was originally for the 2016/17 Financial Year, and was approved at First Stage Application. At that point the LEP asked the College whether it might be able to bring forward the project to the 2015/16 Financial</p>	

CRITERIA AND ASSESSMENT	COLLEGE/LEP MODERATING PANEL RESPONSE	RECENT UPDATE
<p>material change. The college has not modelled its finances on alternative levels of grant, only presenting information on the basis of 50% grant support. The LEP is advised to request a modelling of college finances based on alternative rates, including the 33% originally set in the Expression of Interest. Also, the college has not completed the financial plan beyond July 2016. However, a review of the financial information provided indicates that the college match is affordable from existing reserves, based on 50%.</p> <p>This view is conditional on confirmation being</p>	<p>Year (to allow for slippage of expenditure already allocated to City College Brighton & Hove and Chichester College, into the following financial year).</p> <p>The College Corporation of Governors agreed to bring forward the works. However the College advised that they would not be able to match the project at the original 66%, but could only bring it forward at 50% match.</p> <p>Given the current financial position of Colleges generally, and a recent change to learner funding, it is not necessarily guaranteed that the College could return to its 66% match, should the project be put back to 2016/17.</p> <p>The Moderating Panel agreed that, should the application be approved in other respects and a recommendation made to the Board, the Board would be asked to decide whether early delivery attracting 50% match was preferred to 2016/17 delivery potentially attracting 66% match.</p> <p>The Panel requested that further information relating to the College site disposals be sought.</p>	

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<p>received in respect of receipts from two site disposals. These were planned for disposal in early/mid 2015. If these have not been realised, the college should be requested to submit an updated financial plan incorporating planned receipts.</p> <p>The LEP should also ensure that the college has taken full account of the impact of Adult Skills Budget allocations for 2015-16 before confirming any grant allocation to the college.</p>	<p>Prior to the Moderating Panel meeting, the College had confirmed by email that implications of the SFA funding allocation for 2015/16 had already been taken into account. The Panel was satisfied with this response.</p>	<p>The College have responded as follows: <i>We have disposed of our animal care site and relocated provision to the main site. The site was split into 2 sections and we have secured buyers for both. We received funds for the larger part of the site in January 2015 and this will cover the match funding. The completion date for the other part of the site is September 2015.</i></p>
Estates Review		
<p>The project scores 5 out of a possible 15 marks on estate need based on the information provided in the application form. As the project is presented as a refurbishment with no consequential rationalisation, it is not likely to be able to score against the rationalisation criteria.</p> <p>Its scale also limits its ability to score more than '1' for improvement and modernisation.</p>	<p>The missing estate need section had been pursued with the College who responded that this section had been omitted in error. It had subsequently been submitted and forwarded to the SFA for comment.</p> <p>The SFA officer attending the meeting explained that their original criteria had been developed to assess large scale new build projects and were less flexible to assess smaller projects (such as this) particularly where they addressed refurbishment projects.</p>	<p>Subsequent to the meeting, the SFA responded to the resubmitted estate section: <i>This does not add much, there is no clear evidence of a strategy being in place, other than to improve space that is currently in poor condition and this would not normally be a justification to target the facility in such space to address this issue. However, it does provide a little more context so I would be able to moderate the score against the relevant assessment criterion from '0' to '1'.</i></p>

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<p>The college has not completed the Estate Need section of the application and has not provided any supporting information to indicate how the project aligns to its wider estates strategy. It is recommended that the LEP seek assurance of this from the college before confirming funding.</p>	<p>The Moderating Panel requested that the College be asked to provide its wider estate strategy.</p>	<p>The College have submitted their Property Strategy which is dated 2012-16. They have stated that they are in the process of updating this as part of their current Strategic Planning process so it has not yet been revised to reflect the most up to date position. The strategy identifies the areas in need of refurbishment although their purpose has changed – addressing the requirements of the LEP strategy.)</p>
Financial; Review including value for money		
<p>The project scores 1 mark out of a possible 9 marks failing to score against the costs and premises savings criteria. In respect of build costs and their relevance to the cost benchmarks, the college has not presented a full breakdown of costs for the project, only including information for the hospitality/catering refurbishment.</p> <p>There are high levels of equipment costs without any supporting justification or evidence of value, other than what was included in the original Expression of Interest. In respect of the efficiency savings criterion, the college has indicated that any savings for</p>	<p>The SFA attendee reiterated the difficulties using the SFA existing assessment methods on smaller refurbishment-type projects.</p> <p>Prior to the meeting the College had been requested to provide the costs associated with the vehicle workshop – which again had been omitted in error. These had been received and forwarded to the SFA for comment.</p> <p>The Moderating Panel agreed that any grant offer should be conditional upon evidence of cost/value of equipment prior to their purchase.</p>	<p>Subsequent to the meeting, the SFA responded to the vehicle costs submission: <i>This has the same issue as that reported for the catering/ hospitality in that whilst there is an un-costed list of equipment items provided in the EoI, there is no further information provided in the detailed application to confirm equipment values. The impact of the high level of equipment cost is to take the refurbishment costs above the sector benchmark costs. However, provision of the</i></p>

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<p>preferred case are less than the proposed costs.</p> <p>The college should be asked to review its investment appraisals to ensure that all costs and savings have been fully identified.</p>		<p><i>form does at least make this issue clear. The score against this criterion can be increased from '0' to '1'. Having said this, the LEP should seek evidence of cost/value of these items when available - it may be possible to work this in to any conditions of grant.</i></p>
Benefits to learners and supporting economic growth		
<p>The application scores 12 points out of an available 18 for this part of the assessment. It scores the maximum available points against 3 of the 6 criteria as well as scoring on each of the remaining criteria representing a good case for investment, subject to the points raised above</p>	<p>The Moderating Panel accepted this assessment.</p>	