

EM3 Programme Management Group

12 September 2019

Aerospace Research and Innovation Centre – Item 6a

Programme Management Group members are asked to:

AGREE that the LEP entering into a legal agreement Farnborough College of Technology to deliver the Aerospace Research and Innovation Centre and allocate £2,517,000 from the Local Growth Fund for this project.

1 Summary

- 1.1 The LEP has established a process whereby promoters of schemes that have been provisionally allocated Local Growth Fund (LGF) should submit completed full business cases to the Programme Management Group (PMG) for further consideration. For schemes seeking less than £3m LGF, PMG has delegated authority to approve the allocation of this funding directly to projects.
- 1.2 Farnborough College of Technology (FCoT) submitted a business case for the Aerospace Research and Innovation Centre scheme in June 2019. The total cost of the scheme was £5,534,000, with Enterprise M3 funding of up to £2,517,000 (45%) sought.
- 1.3 The Aerospace Research and Innovation Centre will deliver dedicated aerospace education space at FCoT. Working with the Aerospace Industry it will provide up to date educational opportunities for both apprentices and current employees within local businesses and support smaller companies to research and innovate through the use of the new facility to achieve greater competitiveness and long-term sustainability.
- 1.4 A Business Case has been submitted to Enterprise M3 which has been reviewed by the Enterprise M3 team and independent due diligence has been undertaken. This paper summarises the findings from this work.

2 Aerospace Research and Innovation Centre

- 2.1 This project is focussed on developing skills in one of our key sectors – aerospace. FCoT have undertaken research within the locality which is one with a high density of aerospace companies both large and small. The resulting project has focussed on the findings of this research reflecting both employers demands and the supporting of productivity and competitiveness within this sector. There is a need to support the next generation of aircraft through industry led qualifications and resource.
- 2.2 The above consultation has shown that what businesses want are training opportunities for new apprentices, upskilling opportunities for existing employees and the opportunity to undertake research with students that focusses on the development of new products, patents and the development of new systems. This consultation has also illustrated a strong business partnership within Farnborough with the College. The key businesses within Farnborough have formed a strategic partnership group along with the EM3 LEP, Hampshire County Council and FCoT. This will enable the project to be monitored and ensure that it continues to meet need. Overall, the key stakeholders have the following key objectives:
 - To radically expand and improve capacity and capability to meet medium- and long-term industry education and skills demand;

- Deliver high quality training and research facilities to fully meet employers/ business demands. There is a vocational and educational need from employers, for academic studies alongside 'hands-on' training – e.g. fault finding in-situ within an airframe;
- Provide Industry-Relevant Infrastructure that support the ambitions of the LEP and national government;
- Provide a high-quality research facility that supports the aerospace sector to innovate and develop new manufacturing structures such as lightweight compositions;
- Encourage and support inter-industry and inter-College/university collaboration to innovate with shared expertise and resources
- Act as a regional, collaborative technical hub for leading aircraft research and manufacturing as well as delivery.

2.3 There is opportunity here to develop a local centre of excellence and to meet the individual needs of local companies and therefore contribute to economic growth. The curriculum can be broadened to incorporate support roles e.g. Apprenticeships in Customer Service and Business Development. A study by the National Composite Centre has identified aerospace as one of the key areas that will have high training needs coupled with growth potential. This will support the engagement with schools and fits well with the work of the EM3 Careers and Enterprise Company.

2.4 Enterprise M3's funding will support the physical development of this centre which will deliver approximately 1,980sqm of dedicated aerospace education, training and innovation space. This includes the refurbishment of existing college estate so that it can be utilised for this purpose and 800sqm of new build space. FCOT are proposing to match Enterprise M3's contribution on a 50/50 basis and also secure an additional £500k from private sector industry partners. The proposed facilities will give opportunity to provide accredited training to young people and to local employers including higher level qualifications. The college has good links with the local community particularly with military families where these courses will hold resonance and engages well with other colleges and higher education institutions across the region. This college is growing its specialist capability. It was awarded Local Growth Fund money this year to develop an Emerging Technologies Centre and it has ambitious plans to sit within the global ranking for aerospace schools by 2023.

2.5 The full business case submitted for this scheme is available to Board members on request.

3 Aerospace Research and Innovation Centre – Scrutiny

3.1 AECOM reviewed the business case and raised comments and questions with the scheme promoter who responded to these, both in writing and through meetings with the project team at FCoT.

3.2 As part of this work AECOM has reviewed the build programme and associated cost elements in detail and have concluded that these are viable and recommend that Enterprise M3 proceed in their support for the scheme. In order to further protect Enterprise M3's position they made recommendations to Enterprise M3 on how the project can be strengthened and Enterprise M3's risk reduced.

3.3 Given the level of partner involvement in this project and the links to delivering the skills needs of the aerospace sector, AECOM have suggested that Enterprise M3 have sight of the letters of support prior to releasing the funding. These have been requested and we have already seen very supportive letters of support from Airbus Defence and Space Ltd, Farnborough Aerospace Consortium, Rushmoor Borough Council and Farnborough Aerospace Museum who have gifted an aircraft for students to work on.

3.4 In order to ensure that there is adequate funding to deliver the project, AECOM have recommended that we seek confirmation from the College that their match-funding remains available and that they would cover any shortfall in funding if contributions from the wider

partnership were not forthcoming. FCoT have confirmed this and this will be reflected in the legal agreement for the project.

- 3.5 The final point raised by AECOM in relation to this project is around the outputs/outcomes from this project. Enterprise M3's funding will see the improved condition of 1,180sqm of college estate as well as the completion of 800sqm of new learning floorspace. FCoT estimate that this project will support 62 apprenticeships annually whilst also supporting the wider Foreign Direct Investment 'offer' of the Enterprise M3 area and beyond. AECOM advise that these figures could be aspirational and consequently risk that they may not be achieved. PMG need to be satisfied that this is an acceptable risk, however we are aware that FCoT received 250 applications for 15 similar apprenticeships spaces this financial year. The Scheme Promoter has stated that the market trend shows that increases to date and future growth are being driven by the implementation of the apprenticeship levy. Furthermore, employer demand for STEM subjects has grown year on year and more learners are choosing apprenticeships as their preferred option from L2 upwards and FCoT have provided evidence to support this. In light of this evidence, the team is of the view that whilst there is an element of risk associated with the apprenticeship figures, there is evidence to support the underpinning assumptions. In order to closely monitor this project and its progress once the building has opened, Enterprise M3 will sit on the strategic partnership group for the project.

4 Funding

- 4.1 The total cost of the scheme identified in the business case is £5,534,000 with LGF of up to £2,517,000 being sought; £1,258,500 in 2019/20 and £1,258,500 in 2020/21. The remaining £500,000 would come from the Strategic Partnership Group. Phase 1 of this project is scheduled for completion in 2019 and the new build is due for completion in March 2021,
- 4.2 The table below summarises the funding package required to deliver the project.

£m	2019-20	2020-21	Total
Funded Scheme			
EM3 LEP Funding	1,258,500	1,258,500	2,517,000
FCoT Match Funding	1,258,500	1,258,500	2,517,000
Strategic Partner contributions		500,000	500,000
Total	2,517,000	3,017,000	5,534,000

5 Conclusion and Recommendations

- 5.1 The previous scrutiny concluded that the business case was well presented with key economic benefits of the scheme being identified. A good strategic case was provided and there was clarity about what the scheme will deliver.
- 5.2 The table below summarises how the scheme performs against key criteria.

Criteria	Assessment	Comments
Strategic Fit	Good	Farnborough is the birthplace of aviation and home to internationally significant defence and aerospace clusters including TAG, BAE Systems, QinetiQ and Gulfstream. Identified as a high value sector and in an EM3 growth town the Aerospace Research and Innovation Centre builds on a historic foundation of innovation with the aim of attaining a worldwide reputation for aerospace education, training and innovative developments.
Low Carbon	Very good	A sustainability, low and zero carbon technology project review will be undertaken as part of the RIBA

		Stage 2 design development processes to ensure that the energy use and carbon emissions are reduced to a low level commensurate with a modern, BREEAM Excellent standard teaching facility. The building will also have a high efficiency external envelope to ensure good thermal properties and further reduce solar gain, maximising the use of natural ventilation systems and night cooling to help offset summertime peak temperatures. The project also involves the demolition of a 1950's inefficient life expired accommodation with poor thermal performance and ageing boiler plant. By replacing the inefficient systems, considerable energy and carbon savings will be achieved.
Digital	Acceptable	The facility will be equipped with a range of specialist digital equipment to facilitate the curriculum delivery and address employer skills requirements, including access to flight simulators utilising VR technology. The facility will also have connectivity upgrades, new website functionalities, online booking system, interactive apps for visitors, digital signage, contactless payments, improved mobile coverage, cyber security improvements, high tech training facilities etc.
Impact of the Scheme	Good	The project will deliver a dedicated aerospace education, training and innovation facility that reflects employer demands. It will develop skills that are required to ensure businesses remain productive and innovative in competitive markets by providing development for current and future aerospace engineers and support entrepreneurial spin out companies and established businesses; helping research and innovate for greater competitiveness and long-term sustainability
Percentage of Match Funding	Very good	Match funding exceeds the 50% usually sought for projects of this nature.
Past Performance of Scheme Promoter	Very good	FCoT has extensive experience in delivering schemes of this nature and a strong track record of delivering Enterprise M3 projects.

5.3 The Programme Management Group is asked to **AGREE** that the LEP entering into a legal agreement with Farnborough College of Technology to deliver the Aerospace Research and Innovation Centre and allocate £2,517,000 from the Local Growth Fund for this project.

Jeannie Satchell, Head of Skills
3 September 2019