GFirst Local Enterprise Partnership

Board Paper – 14th February 2017

1.   **Agenda Item 6.** Cyber Skills Project – expenditure adjustment

2.   **What is this item for:**

   a. To inform the Board of the reasons for, and detail of, expenditure adjustments proposed to the Cyber skills project
   b. To ask the Board to consider these changes, and if satisfied, to formally approve these adjustments

3.   **Background:**

   The Cyber skills project has been granted a funding agreement, and is progressing well. As the project has progressed there has been some change in the planned project expenditure as the project planning has developed. In particular there are a number of higher costs identified related to the building infrastructure and refurbishment. The reasons for these are a combination of actual versus estimated costs, extra costs of mechanical and electrical services, and the need for a higher specification for the building finish to meet user expectations. As well as these increased costs, there have been substantial savings. The majority of this is as a result of a decision to secure the high performance computer facility required by the project through a leasing arrangement with a third party which hosts a high performance Cray computer. The revised capital expenditure will be used to purchase the necessary connection infrastructure. The rationale for this decision is to deliver future proofing, negating the need for regular and costly upgrades as technology rapidly progresses and enabling rapid scalability as new users come on stream.

   The net impact on the project is that there is no change to the total funding, nor any change to the committed outputs.

   The extra capital costs required to refurbish and remediate the building will have a positive impact on the revenue needed to run the project, as the annual services charge to SGS commercial (the landlord) will be considerably reduced.

   The increased costs on the fit out of the building have arisen due to considerable engagement with Businesses, and will result in improvements that will be valued, and will support the marketing activity to engage with high growth companies.

4.   **Risks / Issues:**

   The accountable body is working with the University of Gloucestershire to ensure that all the revised expenditure related to the leasing arrangement for the access to the Cray computer is capital. Although the majority has been agreed as capital, it is possible that there may be some costs that are considered a revenue cost. Where this is the case, the University would be required to commit to these as part of their operating costs.

5.   **Recommendations:**

> The Board is asked to:
>> 1. to acknowledge the changes to the project budget from those originally estimated within the funding agreement.
>> 2. to approve the changes

6.   **Further information:**

For further information points raised in this Board paper, please contact Mally Findlater
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Supporting paper:

Cyber Skills Project – expenditure adjustment
Rob Knight, Strategic Projects Manager, University of Gloucestershire.

1. Summary and purpose
1.1. The Cyber Security Project previously approved by the LEP Board and awarded £3m Growth Deal capital grant is progressing.
1.2. One of the main components of the project, the Cyber Security and Conferencing Centre (CSCS), at Berkeley Green, is due to open later in 2017.
1.3. As the project has progressed there has been some change in the planned project expenditure from that set out in the original funding agreement.
1.4. The significant changes are twofold:
  1.4.1. increased refurbishment costs of the first floor C11 building at Berkeley Green which will house the new CSCC;
  1.4.2. savings in procurement of computing equipment, notably the high performance computing facility.
1.5. The changes in project expenditure are supported by user feedback, notably via the project Advisory Group, made up of a number of key industry stakeholders.
1.6. The Board is asked to approve these changes to enable the project to progress through to issuing of supply contracts.

2. Changes in project expenditure
2.1. The table below provides a summary of the key changes in the project expenditure estimates from the original funding agreement to current estimates
2.2. The overall project budget remains unchanged at £3m and the project outputs remain unchanged.

Major budget item	Funding agreement estimate (£000's)	Current estimate (£000's)	Variance (£000's)
Lease premium C11 building*	936	936	0
ICT kit and high performance computing**	1,083	445	(638)
Refurbishment works (Park campus* and first floor C11**)	426	921	+495
Technical advice	126	75	(51)

(including accreditation)*			
Other including professional fees*	9	79	+70
Contingency**	0	149	+149
Non recoverable VAT	421	395	(25)
TOTAL	3,000	3,000	
*committed expenditure **pre-tender estimates			

3. Reasons for changes

3.1. Estimates provided at the time of the funding agreement were based on the initial concept design for the CSCC.

3.2. Since this time the concept has progressed into a detailed design. This has been developed based on technical advice from Frazer Nash and extensive user feedback.

3.3. The detailed design has necessitated a higher level of investment in refurbishment than envisaged from the original concept. Notably:

3.3.1. higher specification of building finish e.g. new ceiling and floor finish throughout in order to meet user expectations for the facility;

3.3.2. additional internal structures to create the zoned areas and high specification doors to meet accreditation standards;

3.3.3. upgrade to the heating and ventilation system to ensure the appropriate levels of comfort;

3.3.4. upgrade to a number of services including fire alarm, security system and lift for disability access.

3.4. The estimate for providing a high performance computer in the original funding agreement was based on an assumption that this could only be provided by purchasing hardware. Since this time the University has identified a more cost effective solution to provide this service.

3.5. The proposal is to create infrastructure and three way secure connection between Cheltenham, Berkeley Green and a third party host high performance Cray computer. This negates the need for outright purchase of a super computer with the project only providing the necessary connection infrastructure. Computer time can be leased on a 'pay per use' basis.

3.6. The proposed solution for the high performance computer facility offers a number of advantages:

3.6.1. future proofing and negating the need for regular and costly upgrades as technology rapidly progresses;

3.6.2. rapid scalability as new users come on stream.

3.7. The contingency held within the current budget reflects the fact that costs for both refurbishment and computing equipment are pre-tendered estimates and are not yet fixed.

4. Recommendation

4.1. The LEP Board is asked to acknowledge the changes to the project budget from those originally estimated within the funding agreement.

4.2. The LEP Board is asked to approve the changes to avoid any delays in the implementation of the project.