

## Growing Places Fund reinvestment approach

### 1. Background and Introduction

- 1.1 The Growing Places Fund (GPF) was established by the Department for Communities and Local Government (DCLG) and the Department for Transport (DfT) in 2011 to unlock economic growth, create jobs and build houses in England. The fund works as a recycled loan scheme regenerating funds based on the repayment schedules agreed for the projects already financed.
- 1.2 Projects that are financed through the GPF allow Local Enterprise Partnerships (LEPs) and Local Authorities (LAs) to support development in its early stages, especially for 'shovel ready' projects that need to surmount infrastructure and site constraints or 'kick-start' development at stalled sites.
- 1.3 The latest DCLG report on the performance of the GPF allocation across the country shows that 46% of the schemes supported through the fund would not have progressed otherwise, 42% would have gone ahead but at a slower pace, while 12% would have gone ahead at a reduced scale.
- 1.4 In the case of SELEP a total of £49.2m GPF has been made available, of which £48.7m GPF has been invested through previous rounds of GPF loans. Repayments are now being made on previous loans which creates the opportunity to make further GPF loan investments.
- 1.5 Based on the expected GPF repayment schedule agreed within credit agreements for the existing loan investments, the amount of GPF to be made available for reinvestment is set out below.
- 1.6 **The GPF will only be available to draw down for reinvestment if existing GPF projects meet their repayment schedule.**

*Table 1 Amount of GPF available for reinvestment - £000's*

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
GPF available	2,673	3,190	3,454	9,317

- 1.7 Through GPF Round 2, SELEP seeks to invest up to £9.317m (amount of GPF available over the next three years), in projects which require capital loan investment.

### 2. Process for the award and allocation of GPF

- 2.1 The prioritisation and award process will take place in three stages as follows:
  - Stage 1 – Expression of interest
  - Stage 2 – Scheme prioritisation
  - Stage 3 – SELEP Accountability Board funding decision
- 2.2 This process is designed to identify, prioritise and allocate funding in a transparent manner whilst ensuring that the priorities of Federated Areas are clearly identified and reflected through the prioritisation process.

- 2.3 A key component of the process is the consideration of local funding contributions, the alignment of expenditure and delivery with the availability of funds and an appropriate consideration of risks, particularly associated with repayment.

### 3. Stage 1 – Expressions of Interest Sifting

- 3.1 Led by Federated Areas, the first proposed stage in the process will be to identify potential projects through the completion of an Expression of Interest (EoI) template.
- 3.2 Expressions of Interest (EoI) should be submitted to the appropriate lead officer for each Federated Board area, as stated in covering email.
- 3.3 The Federated Areas will sift EoIs using the eligibility criteria set out in Table 2 below.

**Table 2 Eligibility Criteria for GPF investment**

<b>Projects put forward for GPF must:</b>	
<b>Align with SELEP's objective to support economic growth</b>	Considered in paragraph 3.3 below.
<b>Require capital loan funding investment</b>	GPF can only be used for capital investment and cannot be used as revenue*
<b>Identify benefits which are expected to exceed the project costs</b>	An assessment of project benefits relative to the amount of GPF sought and total project cost, with consideration for the total GPF available for investment across SELEP. See paragraph 3.8 below.
<b>Demonstrate an ability to deliver the project following the legal requirements for investment of public funds</b>	This will include consideration for the requirement to follow public procurement regulations to the extent which is applicable and demonstrate that the investment does not constitute as State Aid.
<b>Only support projects which can demonstrate an ability to repay the GPF loan by 31st March 2022.</b>	The re-payment mechanism will be assured through the appropriate financial checks at the local level (by the Partner Authority) in advance of the project being considered by SELEP Accountability Board.
<b>Have a local funding contribution of at least 30%</b>	<p>The availability and certainty of this local funding contribution should be considered and where possible, this funding contribution should be provided through private sector funding.</p> <p>This should only take account of local funding contributions which will be available and spent by March 2022.</p> <p>Assets, such as land, can be counted as part of the 30% leverage toward a project, but should not be the only local funding source contribution towards the delivery of the project.</p>

- 3.4 In advance of the SEP being prepared, it is proposed that the GPF investments should be aligned with the four themes identified in the Local Growth Fund Round 3 prioritisation (excluding the place based Thames Estuary theme) and the themes for SELEP's sector groups, as listed below:



- Employment and Skills
  - Job Creation and Enterprise Zones
  - Homes, Communities and Culture
  - Strategic Connectivity
  - SELEP sector group activities (which include Transport & Strategic Infrastructure, Coastal Communities, Creative, Growth Hub, Housing, Rural, Skills (FE&HE) and Tourism).
- 3.5 The GPF ask per project should be between £250,000 and £2,000,000 in value. Projects outside this threshold may be considered by exception where there is an overwhelming strategic case.
- 3.6 To ensure a proportionate approach to the scale of funding available, no Federated Area should nominate projects or programmes (see Section 6) to SELEP for Stage 2 which, in total, exceed the amount of GPF available (£9.3m in the next three years) by more than 50%.
- 3.7 For a project/programme to progress to Stage 2 it must be nominated by a Federated Board.
- 3.8 SELEP Secretariat and SELEP Independent Technical Evaluator (ITE) support will be available to support the Federated areas in sifting of projects against the key criteria.
- 3.9 At the stage of completing the EoI or Strategic Outline Business Case (Stage 2, see Section 4 below) it is not expected that a quantified Value for Money assessment will have been completed. However, a value for money assessment will be required as part of Stage 3 (see Section 5 below).
- 3.10 Where the total value of the GPF ask for projects which pass the initial sift exceeds £4.65m (50% of the GFP available), Federated Areas should give consideration to the assessment approach to be applied in Stage 2 to further refine the list of proposed GPF projects.
- 3.11 Specifically, the Federated Areas should give consideration to the projects which perform well, based on the expected benefits, deliverability and contribution to the establishment of a revolving fund. Detail of how these considerations will be assessed is provided in Table 4 below.

#### **4. Stage 2 Scheme prioritisation**

- 4.1 For the projects nominated by Federated Board to SELEP and which meet the eligibility criteria set out in Table 1 above, scheme promoters will be invited to develop a Strategic Outline Business Case for the project.
- 4.2 The Strategic Outline Business Case must be signed off by the appropriate County Council or Unitary Authority S151 officer. Whilst businesses and third party organisations are encouraged to come forward with investment proposals, the SELEP Accountable Body is only able to enter into Credit Agreements with the upper tier County Council/ Unitary Authorities.
- 4.3 This Strategic Outline Business Case will be assessed by SELEP Independent Technical Evaluator (ITE) to develop, at the SELEP level, a prioritised list of projects based on those nominated by Federated Areas through Stage 1. This prioritisation will be used to support and inform decision making by the Investment Panel.
- 4.4 The approach to be applied by the ITE to assess potential GPF projects is set out in Table 3 below and identifies 10 sections of the Business Case which will be used as a basis for scheme prioritisation by the ITE.
- 4.5 The quality of the evidence provided in support of each of these 10 sections will be assessed on a three-point scale as follows:
- Red = unsatisfactory/poor quality evidence provided;
  - Amber = somewhat satisfactory/moderate quality evidence provided; and





- Green = satisfactory/high quality evidence provided.
- 4.6 Following the independent technical evaluation of each submission, the SELEP ITE will develop an initial prioritised list. Greater weighting will be placed on those schemes which are defined in Table 3 below as of highest importance. Schemes will first be ranked by their performance under sections:
- Expected benefits;
  - Deliverability; and
  - Contribution to the establishment of a revolving fund.
- 4.7 If the prioritised schemes exceed the limit of the available funds for the funding cycle, the ITE will further differentiate between the various projects based on their performance under the remaining sections of the Strategic Outline Business Case particularly the strategic fit, viability, and amount of GPF sought.
- 4.8 Table 4 below provides further clarification as to how the sections of 'high importance', as identified in Table 3, will be considered.

**Table 3 Assessment of the Business Case**

No	Section Name	Evidence	RAG rating	Importance
1	<b>Scheme Summary</b>	This section should include a brief description of the proposed scheme, the total cost, the capital funding sought through the GPF, the % of the total project cost represented by the GPF funding and scheme promoter.	Red/Amber/Green	
2	<b>Strategic Fit</b>	This section should clearly outline the need for intervention with reference to the market failure that the funding will address. This section should also include evidence on why SELEP funds are required for this scheme and that other sources of funding have been exhausted. The strategic fit is also required to show how the project fits with the LEP Vision and objectives as well as the policy and strategic context, including local policies, strategies and investment plan.	Red/Amber/Green	<b>High</b>
3	<b>Infrastructure requirements</b>	Where funding is sought for infrastructure development the applicant should provide evidence and supporting information in the form of location, layout and site plans.	Red/Amber/Green	
4	<b>Viability</b>	This section should justify the total cost of the project including any assumptions made, the GPF required, the additional sources of funding and how secure they are.  An initial, high level, financial appraisal will be required highlighting the underlying assumptions and expected viability of the investment.	Red/Amber/Green	<b>High</b>

No	Section Name	Evidence	RAG rating	Importance
5	<b>Deliverability</b>	This section should provide evidence of the planning status and any additional approvals required, the property ownership and any legal requirements that might delay the programme of implementation/development.	Red/Amber/Green	<b>High</b>
6	<b>Expected Benefits</b>	This section should show the impacts that the project is likely to have and the timescales over which these benefits will be achieved. Scheme promoters should provide robust evidence of the estimated number of jobs and homes that the scheme is going to support, safeguarded jobs and/or skills benefits.	Red/Amber/Green	<b>High</b>
7	<b>Contribution to the establishment of a revolving fund</b>	Promoters will need to provide evidence of how they intend to repay the loan together with an anticipated timetable for repayment by 31st March 2022.	Red/Amber/Green	<b>High</b>
8	<b>Risks</b>	Promoters will be required to fill in a risk register identifying the risks, likelihood, impacts and mitigations.  In addition, this section will need to consider the implementation risks associated with the project such as dependency on one large source of funding.	Red/Amber/Green	<b>Medium</b>
9	<b>State Aid</b>	Provide confirmation that by supporting this project the GPF will not be providing State Aid.	Pass/ Fail	
10	<b>Amount of GPF sought</b>	It is recommended that projects should seek GPF of between £250,000 and £2,000,000.	Red/Amber/Green	

**Table 4 Detail of the RAG rating for sections of 'high' importance**

Section	RAG rating	Scoring Guide
<b>Strategic Fit</b>	Green	Awarded to business cases which: <ul style="list-style-type: none"> <li>- clearly demonstrate the need for intervention;</li> <li>- show that the investment will have a direct impact in creating new jobs and/or homes through enabling a specific named development (which has been identified as part of local development policies, plans or investment strategies), safeguarding jobs and/or will deliver skills benefits; and</li> <li>- demonstrates a close fit with SELEP objectives.</li> </ul>



Section	RAG rating	Scoring Guide
	Amber	Awarded to business cases which: <ul style="list-style-type: none"> <li>- clearly demonstrate the need for intervention;</li> <li>- show that the investment will have indirect economic benefits by supporting the delivery of new homes and/or jobs, safeguarding jobs and/or skills benefits; and</li> <li>- demonstrate some alignment with SELEP objectives</li> </ul>
	Red	Awarded to business cases which: <ul style="list-style-type: none"> <li>- do not clearly demonstrate the need for intervention; and</li> <li>- do not fit with SELEP objectives</li> </ul>
<b>Viability</b>	Green	Awarded to business cases which: <ul style="list-style-type: none"> <li>- justify the costs of the project including any assumptions made;</li> <li>- identify the GPF required;</li> <li>- identify the additional sources of funding; and</li> <li>- demonstrate how secure the additional sources of funding are and that the local funding contribution can be made alongside the GPF investment</li> </ul>
	Amber	Awarded to business cases which: <ul style="list-style-type: none"> <li>- justify the costs of the project including any assumptions made;</li> <li>- identify the GPF required;</li> <li>- identify the additional sources of funding;</li> <li>- omit the risks associated with the additional sources of funding; and</li> <li>- uncertainly as to whether the spend of local funding sources will coincide with spend of GPF investment</li> </ul>
	Red	Awarded to business cases which: <ul style="list-style-type: none"> <li>- present the costs of the project including any assumptions made;</li> <li>- identify the GPF required; and</li> <li>- do not have any other sources of funding.</li> </ul>
<b>Deliverability</b>	Green	Awarded to business cases where: <ul style="list-style-type: none"> <li>- evidence is provided that potential delivery constraints and project dependencies (including, but not limited to, land and property acquisition, planning approval and environmental constraints) present a low risk to the project cost and the project delivery timescales</li> </ul>
	Amber	Awarded to business cases where: <ul style="list-style-type: none"> <li>- evidence is provided that potential delivery constraints and project dependencies (including, but not limited to, land and property acquisition, planning approval and environmental constraints) present a low to medium risk to the project cost and the project delivery timescales</li> </ul>
	Red	Awarded to business cases where: <ul style="list-style-type: none"> <li>- evidence is provided that potential delivery constraints and project dependencies (including, but not limited to, land and property acquisition, planning approval and environmental constraints) present a medium to high risk to the project cost and the project delivery timescales</li> </ul>



Section	RAG rating	Scoring Guide
<b>Expected Benefits</b>	Green	Awarded to business cases which: <ul style="list-style-type: none"> <li>- demonstrate project outcomes, including delivery of new jobs/homes, safeguarded jobs and skills benefits which are expected to outweigh total project costs</li> <li>- provide robust, well-evidenced analysis of the estimated number of jobs and homes that the scheme is going to support, jobs safeguard or skills benefits delivered</li> </ul>
	Amber	Awarded to business cases which: <ul style="list-style-type: none"> <li>- demonstrate project outcomes, including delivery of new jobs/homes, safeguarded jobs and skills benefits which are expected to outweigh total project costs</li> <li>- provide some evidence of the estimated number of jobs and homes that the scheme is going to support, jobs safeguarded or benefits to skills levels, but the analysis is insufficiently transparent</li> </ul>
	Red	Awarded to business cases which: <ul style="list-style-type: none"> <li>- demonstrate project outcomes, including delivery of new jobs/homes, safeguarded jobs and skills benefits, but which are not expected to outweigh total project cost</li> <li>- do not provide sufficient evidence of how the number of jobs and homes that the scheme is going to support or skills benefits have been estimated, and there is insufficient evidence to justify assumptions</li> </ul>
<b>Contribution to the establishment of a revolving fund</b>	Green	Awarded to business cases which: <ul style="list-style-type: none"> <li>- Commit to a 3 year loan repayment schedule</li> </ul>
	Amber	Awarded to business cases which: <ul style="list-style-type: none"> <li>- Commit to a 5 year loan repayment schedule</li> </ul>
	Red	Awarded to business cases which: <ul style="list-style-type: none"> <li>- Cannot commit to repay the loan by 31st March 2022.</li> </ul>

- 4.9 The outcome of the ITE assessment of Business Cases and SELEP wide prioritisation will be presented to an Investment Panel to support the panel's decision making.
- 4.10 The Investment Panel will be asked to agree the allocation of up to £9.3m GPF available between 2017/18 and 2019/20, but with flexibility to provisionally allocate funding to future years pending this funding being available. Projects will be prioritised to align with the availability of GPF, based on the scheduled repayments.
- 4.11 Where a project is placed on the waiting list, these projects will be considered by the Investment Panel should additional GPF is made available above the £9.3m over the next three years.

## **5. Stage 3 – SELEP Accountability Board funding decision**

- 5.1 Once the prioritisation of schemes has been agreed by the Investment Panel, the shortlisted projects will be required to submit an Outline Business Case. The submissions will be considered through the already established Gate 1 and Gate 2 ITE review process and recommendations will be presented to the SELEP Accountability Board.

- 5.2 The approach to the Outline Business Case development and review will be proportionate to the amount of GPF sought for the project/programme.
- 5.3 The final funding decision to award GPF will be taken by SELEP Accountability Board, as a requirement of the SELEP Assurance Framework, based on the projects prioritised by the Investment Panel.

## **6. Programmes of GPF investment**

- 6.1 To enable a quicker turn-around of funding decisions once private sector businesses are involved in the process and to support local funding decision making, Federated Areas may wish to promote programmes of investment for GPF.
- 6.2 A defined programme of investment may be put forward through Stages 1, 2 and 3, as per the process set out above and will be considered as one bid throughout the process. This must include demonstrating compliance with the GPF eligibility criteria. SELEP Accountability Board (Stage 3) approval for a programme of investment will enable decisions to be taken at the local level by Investment Panels for the award of GPF to support smaller scale capital infrastructure investment projects.
- 6.3 Programmes of investment nominated by Federated Areas will count towards the 'up to £4.65m' value of GPF bids, which each Federated Area can put forward to Stage 2.

## **7. Pan LEP projects**

- 7.1 Pan LEP projects may also be considered, such as where they align with the activities of SELEP's sector groups.
- 7.2 For Pan LEP projects to be brought forward, they should seek endorsement from a Federated Board and County Council/ Unitary Authority, to act as the promoting authority. For Pan LEP projects, the promoting County Council/ Unitary Authority will be required to provide officer sign off to the Expression of Interest and provided S151 officer sign-off of the SOBC to be submitted to SELEP.
- 7.3 Where a County Council/Unitary Authority is identified as the promoting authority for a Pan LEP project, this will not count towards the authorities investment request (i.e. the total value of the projects/ programmes nominated by a County Council/Unitary Authority may exceed £4.65m where this occurs do to the inclusion of a Pan LEP project).
- 7.4 Pan LEP projects will also be considered though Stages 1, 2 and 3, where it meets the eligibility criteria, prior to consideration by the Investment Panel. This must include approval from the Federated Board of the lead County Council/Unitary Authority. Endorsement by the Federated Boards of the other areas of SELEP involved in the Pan LEP project is also strongly encouraged, to ensure support as the project progresses to consideration by the Investment Panel.

## **8. Charging of Interest**

- 8.1 Interest will be charged on the loan at two percent below the PWLB Fixed Loan Maturity Rate

(Option B), or zero percentage interest - whichever is higher. Based on PWLB interest rates (June 2017), there would be zero percent interest charged on GPF loan investment. However, the rate of interest will be fixed at the point of the credit agreement being signed.

- 8.2 The credit agreement will set out the agreed loan repayment schedule for the project. If the project fails to meet the agreed repayment schedule, interest will be charged at market interest rate from the point of default on the loan repayment.

## 9. Timescales for GPF re-investment

- 9.1 Table 5 below sets out the proposed timescale for the GPF re-investment prioritisation.
- 9.2 To meet the timescales for the SELEP Accountability Board in December 2017, scheme promoters will be required to develop an outline business case 'at risk' of the project not being allocated funding by the Investment Panel. Alternatively scheme promoters may choose for the funding decision to be taken at a future Accountability Board, as the GPF is required and available to draw down.
- 9.3 It is proposed that the Investment Panel should allocate the full £9.3m during the meeting on the 17<sup>th</sup> November. However, should additional GPF become available through early repayment or projects failing to draw down their allocation within a 12 month period from when investment is expected to take place, the Panel will be convened to consider further allocations.

**Table 5 GPF reinvestment timescale**

Stage 1	EoI development	June/ July*
	<b>Review of EoI</b> SELEP ITE support available	August*
	<b>Federated Board decision</b> on schemes to be nominated to SELEP for SOBC development	8 <sup>th</sup> September **
Stage 2	Development of SOBC	4 <sup>th</sup> – 28 <sup>th</sup> September
	<b>SOBC submission</b> to SELEP	29 <sup>th</sup> September
	<b>SELEP ITE review</b> (allowing time for clarification questions to scheme promoters)	2 <sup>nd</sup> - 27 <sup>th</sup> October
	<b>Investment Panel meeting</b> to agree GPF pipeline	17 <sup>th</sup> November
Stage 3	<b>Accountability Board</b> meeting to sign off Outline Business Case and take final funding decision.	15 <sup>th</sup> December onwards (extra Accountability Board meeting)

Author: Rhiannon Mort  
 Position: Capital Programme Manager, SELEP  
 Contact details: [rhiannon.mort@essex.gov.uk](mailto:rhiannon.mort@essex.gov.uk) , 07917 650933

Stage 1 – Expressions of Interest (Eol) (Led by Federated Area)	Stage 2 - Scheme prioritisation (Led by SELEP)	Stage 3 – GPF project funding award
<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;">June – July*</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;"><b>Eol completed</b> by scheme promoters</div> <div style="text-align: center; color: red;">↓</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;">August*</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p><b>Federated Areas sift</b> of projects based on Eol, against eligibility criteria (Table 1).</p> <p>Where the total value of projects which pass sift exceeds £4.65m, a further sift should be completed based on expected benefits, deliverability and contribution to the establishment of a revolving fund.</p> </div> <div style="text-align: center; color: red;">↓</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;">No later than 8th September*</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;"><b>Federated Board agree projects</b> to be nominated to SELEP</div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;">Deadline for submission - 29<sup>th</sup> Sept</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;"><b>Development of Strategic Outline Business Case</b></div> <div style="text-align: center; color: red;">↓</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;">2<sup>nd</sup> - 27<sup>th</sup> October</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p><b>SELEP ITE review of Strategic Outline Business Case</b>, based on sections as set out in Table 2.</p> <p>Prioritised list of projects to be developed based on expected benefits, deliverability and contribution to establishing a revolving fund. Where further refinement is required, projects will be further prioritised based on strategic fit, viability and the amount of GPF sought.</p> </div> <div style="text-align: center; color: red;">↓</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;">17<sup>th</sup> November</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;"><b>Investment Panel meet</b> to agree prioritised list and GPF allocations</div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;">Development of Outline Business Case and ITE Gate 1 and 2 review of the Business Case</div> <div style="text-align: center; color: red;">↓</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center; background-color: #90EE90;"> <b>SELEP Accountability Board funding award</b> </div>
Points to Note		
<p>*Federated Areas to agree the exact timescales</p> <p>Only projects which meet the eligibility criteria and have been agreed by Federated Boards can progress to Stage 2.</p>		

