

6

Value For Money and Resource Requirements



6.1 All the proposals in our final Strategic Economic Plan submitted in March 2014 will focus on the specific investment opportunities identified in each of SE LEP's areas. They will demonstrate that they will generate significant economic outputs and impacts, will offer good value for money, and will leverage significant levels of private and other public sector investment. This evidence must underpin our proposed requirements for the Local Growth Fund between 2015/16 and 2020/21, as required by the government Growth Deal guidance⁵⁰.

Value for Money Appraisals

6.2 We have designed a SE LEP wide, robust, transparent appraisal framework to assess value for money for projects supported by the Local Growth Fund when this comes forward in April 2015. We will operate this on both a SE LEP wide and devolved area basis, as appropriate and it will be adapted for different types of projects. We will ensure that there is appropriate transparency and accountability in the direction of public funds, whilst also encouraging the active involvement of business. We will create arrangements that are suitably streamlined to enable prompt, yet well informed, decisions to be taken

6.3 Our general approach will include the use of 'light touch' established appraisal methodologies with a core set of output and impact indicators and standard mechanisms for forecasting performance. These appraisals will provide sound evidence for our Accountable Body to be confident that the project will offer value for money.

6.4 Our general approach to project appraisal will be based on three tests: an economic test, an efficiency test, and an effectiveness test. Our output and impact estimates and value for money assessments for individual projects will use methodologies and benchmarks, that are proportionate to the size of the project. We will also draw on other respected impact assessment research, including from the newly established 'What

Works Centre for Local Economic Growth' when this is available. For projects that are also using EU Structural & Investment Fund Strategy, we will follow guidance issued by the EU Commission, including taking account of the new set of output definitions now being prepared for ERDF and ESF.

6.5 The general principles for undertaking project appraisals, business cases and value for money assessments have been signed up to by all SE LEP partners and the key elements are summarised in Appendix 3. The extent to which these elements are part of the appraisal of a particular project will be determined by the size and type of the project. Our principles for business case appraisal will examine:

- Strategic Case – covering strategic fit, rationale and objectives
- Economic Case – covering options, value for money, sensitivity and optimism bias
- Financial Case – covering financial assessment, exit and legacy and sustainability
- Commercial Case – covering legal, state aid and procurement
- Management Case – covering beneficiaries, sustainable development, risk management and delivery activities

Transport schemes

6.6 The South East Local Transport Board (LTB) has now been decommissioned and the SE LEP Board will take responsibility for transport funding through the local Growth Deal and Local Growth Funding. The SE LEP Board has adopted the former LTB's assurance framework, since this has already been endorsed by the Department for Transport (DfT). The agreed assurance framework covers prioritisation, programme management and investment, cost control and approval and programme/risk management. We see this as an important aspect of providing Government with the assurance it needs about how public funds for transport schemes will be managed going forward. As a result, Essex County Council is going through due process to endorse the assurance framework in its capacity as the Accountable Body for the SE LEP.

6.7 Based on the processes identified in its assurance framework, SE LEP will approve budgets and decide tolerances for any responsibilities through the Transport Advisory Group which will have responsibility for overseeing the programme of transport schemes on behalf of the SE LEP Board utilising the governance and delivery capabilities of the constituent Transport Authorities and authorised to make amendments to the programme within tolerances set by the LEP Board.

6.8 Appraisals for transport schemes will be undertaken by project promoters. The promoters of transport schemes will undertake the project appraisal based on criteria that will include:

- Value for Money – based on BCR and wider Economic Benefits.
- Environmental and Community Impact – Potential benefits and adverse impacts.
- Contribution to Objectives – LTP, SE LEP and SELTB Objectives.
- Deliverability – affordability, Practicality, key risks, stakeholder and public support

6.9 Scheme Promoters will also develop the transport Business Case that will include a Value for Money (VfM) statement in accordance with DfT guidance, but with appropriate proportionality. Each business case shall set out a statement of objectives and the specific outcomes that the scheme is intended to achieve and will be signed-off by the promoting local transport authority (LTA) and its S151 Officer. As necessary, the economic cases shall be reviewed and updated to reflect changes in scheme scope and cost.

6.10 The Transport Advisory Group, on behalf of the SE LEP Board will appoint an Independent Technical Evaluator (ITE) who will provide guidance to promoters preparing business cases, will independently assess the business cases and make recommendations on individual schemes as they come forward to the SE LEP Transport Advisory Group. The ITE will ensure that the approach taken by promoters is technically robust, consistent with technical guidance and able to withstand scrutiny from government. In so doing, the ITE will collaborate with promoters to minimise the time and cost associated with preparing business cases, by adopting practices which are proportionate to the specifics of each scheme. The ITE shall assess all evidence provided by the Promoters, including VfM, to ensure that this is robust and relevant, and will report back to promoters any inconsistencies that need to be addressed for the scheme to go forward for consideration for funding.

6.11 Schemes with less than high VfM may still be considered for funding if they perform well in meeting the SE LEP priorities for economic growth. This shall be a consideration of the SE LEP Transport subgroup when such schemes are presented. The economic cases and VfM statements, following scrutiny by the ITE, shall be reported and published at each stage of approval. This input together with the business case shall be presented to the SE LEP Transport subgroup for consideration as part of the overall decision for investment/funding. Successful schemes will progress to delivery via the Promoter.

6.12 The Accountable Body will ensure that the businesses cases are published on the SE LEP web site to enable input from the public, businesses, environmental groups and other interested parties. This input together with the business case shall be presented to the SE LEP Transport subgroup for consideration as part of the overall decision for investment/funding. Successful schemes will progress to delivery via the Promoter.

6.13 A standard business case proforma has been prepared and will be completed by the appropriate stage for each transport

⁵⁰ HMG, July 2013, Growth Deals Initial Guidance for Local Enterprise Partnerships

scheme proposed for Local Growth Fund contributions. Part 1 of the business case proforma, which outlines the strategic case (project description, strategic fit and reasons why the project is needed, options and constraints), financial case and economic case (expected positive and negative impacts, mitigation measures and the benefit cost ratio – the value for money assessment) has been completed for all transport schemes proposed for Growth Funds. These will be made available for scrutiny should this be required.

6.14

In addition, a project timetable has been produced for each transport scheme proposed for Local Growth Funds which sets out the timescale and dates for achieving key project milestones. This information will also be available for government to review.

Local Growth Fund Requirement

6.15

In preparing our SEP, we have carefully considered the scale of Local Growth Fund investment that we will require to deliver our ambition. SE LEP is home to 7.9% of England's businesses, so we could suggest that SE LEP would be allocated at least a comparable share of the Local Growth Fund (circa £160m per annum; or £960m over the six years from 2015/16 onwards) – or more. As a powerhouse for the UK economy, we aim to demonstrate that we can deliver better returns and value for money and would therefore look to secure more than this share – a minimum of £1.24bn over 6 years. We understand that Local Growth Fund will be allocated on a competitive basis and the strength of our Growth Deal and Strategic Economic Plan will be key.

6.16

Working across the areas of the LEP we started the process of building our investment requirements by first identifying the 13 **primary growth corridors**. We provide an overview of these locations in Chapter 2. We then describe the overall scale of investment required in transport in our Transport Growth Deal. Then we outline the transport requirements in more detail in each part of the SE LEP area in Chapter 4. A significant proportion of the costs of the transport

schemes will be funded by local authorities and private investors; the remainder will be funded from the Local Growth Fund. We show the balance of investment on a scheme by scheme basis.

6.17

We then turn to the scale of investment required to unlock the barriers to deliver a wide range of different types of **property projects** that developers are unable to bring forward. We draw on our experience with applications for Growing Places Fund, our experience with other economic development projects (including Seachange, in Hastings, one of the most successful economic regeneration projects in the UK) and a wide range of existing plans to identify potential projects across the SE LEP area. Our proposals for the **South East Fund (SEFUND)** to accelerate the delivery of property projects across the SE LEP area are summarised in Chapter 3.

6.18

In Chapter 4, for each project in each growth corridor, we provide very high level estimates of the private investment and local authority investments in these schemes. We then provide estimates of the Local Growth Fund investment that would be required via SEFUND to unlock this private and local authority investment.

6.19

Finally, we look at funding requirements for **productivity, housing** in our coastal communities and **skills capital**. Again, we adopted the same approach in that we looked at the scale of other investment that would be unlocked by Local Growth Fund investment. As noted earlier, our investments in productivity are mainly SEFUND investments, but for clarity, we have set them out separately. Investments with our universities are an important element of this. Similarly, our housing in coastal communities are set out separately but will be mainly.

6.20

In summary, our planned profile of Local Growth Fund investment for the six years commencing 2015/16 is set out below in Table 7.1. This shows that the investment required for our transport schemes will total £1,399.6m. Of this, £615m will be private or local authority investment; this

will be unlocked with £784.5m of Local Growth Fund investment. The total value of our SEFUND investments will be £5.2bn. Some £4.8bn of private and local authority investment will be unlocked with £331.5m of Local Growth Fund investment in SEFUND. We envisage some £188.8m of investment in skills capital projects. Of this £125.4m will be from other sources leveraged by £63.4m of Local Growth Fund. The total Local Growth Fund investment required is £1.240bn over the six years.

6.21

We have also estimated the number of jobs and homes which could be "enabled" with this investment. These summary figures should be treated with some caution as they include jobs "safeguarded," particularly by transport investments and show potential job capacity, not actual jobs created and housing capacity. We have sought to avoid double counting between transport and property schemes. These impact figures are robust at a project level.

6.22

Table 6.2 analyses this summary information by SE LEP's economic geography. It also includes the housing in coastal communities as a separate line and one SEFUND scheme with Brighton University not included elsewhere.

Table 6.1 –Local Growth Fund Proposed Investment for SE LEP as a Whole, by Theme

SE LEP	Full cost (£m)	LGF funding requirement (£m)	Match Funding (£m)	Jobs enabled	Homes enabled
Transport Total	1,399.63	784.53	615.10	310,132	250,499
<i>SEFUND devolved areas</i>	4,994.92	242.52	4,752.45	44,978	27,555
<i>SEFUND Productivity (not in devolved areas)</i>	120.00	14.00	106.00	790	0
<i>SEFUND housing ask 8</i>	92.40	75.00	17.40	1,108	1,500
SEFUND Total	5,207.32	331.52	4,875.85	46,876	29,055
Productivity Total	147.95	51.95	96.00	52,354	48
Skills Total*	188.83	63.37	125.44	3,863	210
Total	6,943.73	1,231.37	5,712.39	413,225	279,812

*This include indicative projects developed in our local areas which will be considered as part of a competitive process

Table 6.2 –Local Growth Fund Proposed Investment for SE LEP as a Whole, by Federal Area

SE LEP	Full cost (£m)	LGF funding requirement (£m)	Match Funding (£m)	Jobs enabled	Homes enabled
East Sussex	599.56	148.21	451.33	27,547	32,913
Kent & Medway	3,514.01	501.54	3,012.47	165,393	128,584
TGSE	1,893.43	195.64	1,697.79	108,057	48,533
Essex	724.33	296.98	427.40	110,330	68,282
Productivity (Brighton University)	120.00	14.00	106.00	790	0
Housing (housing ask 8 - coastal communities)	92.40	75.00	17.40	1,108	1,500
Total	6,943.73	1,231.37	5,712.39	413,225	279,812

6.23

In accordance with the request from government, we have considered how Local Growth Fund requirements would be “scaleable” and we set these out for the six years in our Transport Annex. The figures presented above show an average of just over £206.5mn per annum. In the Annex we show the impact (in terms of lost jobs enabled and houses enabled) of reducing this spend by 20%, 40% and 60%. These provide a very clear indication of our transport investment priorities on a SE LEP wide basis.

Investment Plans in Each SE LEP area

6.24

We have built our investment plans – project by project – in each SE LEP area. This has required ruthless, and difficult, prioritisation. The summary of our overall investment plans in each area, and the scale of private and other public investment unlocked by Local Growth Fund investment is set out in Chapter 4. These are summarised in the tables below.

Table 6.3 – East Sussex Summary

East Sussex	Full cost (£m)	LGF funding requirement (£m)	Match Funding (£m)	Jobs enabled	Homes enabled
Transport	102.24	81.00	21.24	19,665	30,800
SEFUND	429.19	45.64	383.55	7,478	2,065
Productivity	29.75	8.75	21.00	404	48
Skills	38.38	12.82	25.54	0	0
Total	599.56	148.21	451.33	27,547	32,913

Table 6.4 – Essex Summary

Essex	Full cost (£m)	LGF funding requirement (£m)	Match Funding (£m)	Jobs enabled	Homes enabled
Transport	399.40	206.80	192.60	57,511	61,373
SEFUND	274.98	71.38	203.65	8,960	6,699
Productivity	5.00	5.00	0.00	41,696	0
Skills	44.95	13.80	31.15	2,163	210
Total	724.33	296.98	427.40	110,330	68,282

Table 6.5 – Kent & Medway Summary

Kent & Medway	Full cost (£m)	LGF funding requirement (£m)	Match Funding (£m)	Jobs enabled	Homes enabled
Transport	709.51	359.59	349.92	140,419	114,584
SEFUND	2,628.50	74.20	2,554.30	15,720	14,000
Productivity	89.00	34.00	55.00	9,254	0
Skills	87.00	33.75	53.25	0	0
Total	3,514.01	501.54	3,012.47	165,393	128,584

Table 6.6 – TGSE Summary

TGSE	Full cost (£m)	LGF funding requirement (£m)	Match Funding (£m)	Jobs enabled	Homes enabled
Transport	188.48	137.14	51.34	92,537	43,742
SEFUND	1,662.25	51.30	1,610.95	12,820	4,791
Productivity	24.20	4.20	20.00	1,000	0
Skills	18.50	3.00	15.50	1,700	0
Total	1,893.43	195.64	1,697.79	108,057	48,533

6.25

The impacts of reductions in transport investment by 20%, 40% and 60% are set out in the Transport Annex.

Estimates of Leverage Private Investment and Other Public Sector Investment

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6.26

All of SE LEP's public and private sector partners recognise that high levels of Local Growth Investment will only be won if Growth Fund investments leverage significant levels of private investment and leverage/are aligned with other public sector investment from domestic and European sources.

6.27

As we work up our proposals for transport projects in more detail, and for SEFUND projects, we will be carefully assessing the scale of investments that local authority partners, the European Investment Bank, private institutional investors will be prepared to make. SEFUND will be structured to maximise these investments. For each of our productivity and skills proposals, we will consider the scale of private and other public sector investment that will result from Local Growth Fund investment. Our final EU Strategic Investment Framework strategy shows how EU monies available to SE LEP will be used to support the delivery of SE LEP's Strategic Economic Plan.

6.28

Our approach to preparing the SEP starts with the ambition that all Local Growth Fund investment will leverage private and other public sector investment. We are confident that an investment of over £200m per annum (£1.23bn over six years) of Local Growth Fund investment in the SE LEP area will contribute to securing, as a minimum £5.71bn over six years from private investors and local authorities in the projects specified in this plan. In addition, it is necessary to take account of the value of the investment by house purchasers (and their mortgage providers), investors in private rented housing, and registered social landlords developing additional homes and the investments made by entrepreneurs and companies creating additional jobs unlocked by the Local Growth Fund. The Local Growth Fund investment of over £1.2bn will unlock at least £10bn of private and other public investment over the six years.