

SELEP Pipeline

Development Guidance Note

South East Local Enterprise Partnership (SELEP)

Version: agreed 12^h July 2018

1. Context

- 1.1 The South East Local Enterprise Partnership (SELEP) has secured a total of £570m LGF from Central Government through the three rounds of LGF to date. This funding was allocated to SELEP through a six year Growth Deal with Government (from 1st April 2015 to the 31st March 2021).
- 1.2 This guidance note sets out an intended approach to review our investment priorities, to ensure they remain up to date, are aligned with work which is underway in developing the new SELEP Strategic Economic Plan and aligned with SELEP's strategic objectives to ensure we are able to maximise investment opportunities through the current Growth Deal programme to 31st March 2021.
- 1.3 To maximise SELEPs investment potential to the end of the Growth Deal period SELEP has agreed to establish and maintain a single pipeline of priority projects which will be used to identify the projects which utilise underspends in the event that it becomes available.
- 1.4 In the first instance, the development of a new SELEP pipeline is intended to identify short-term priorities for any unallocated LGF or LGF underspends which may become available – by considering SELEPs short term priorities to 31st March 2021. This call for projects will be referred to as LGF 3B.
- 1.5 The longer term aspiration will be to apply the prioritisation approach to develop a medium- long term pipeline of projects which will serve as a basis to inform priorities for future funding sources. The development of this medium to longer term pipeline will follow the development of the SELEP Strategic Economic Plan (SEP).

2. Investment to date

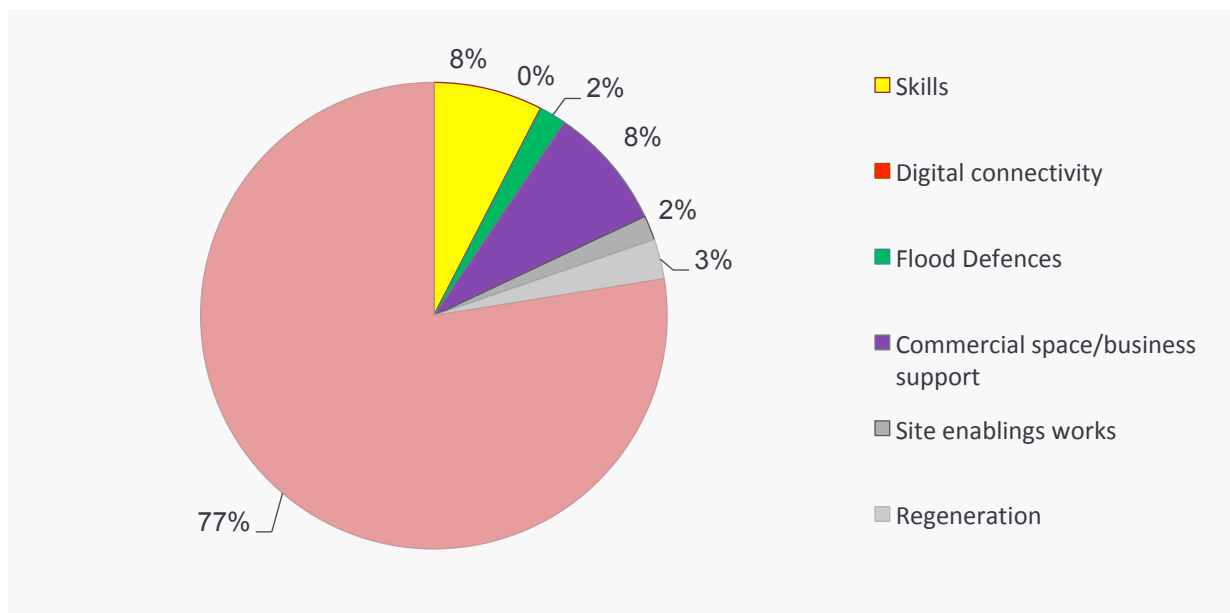
- 2.1 The first three years of the programme has seen spend of £228.733m LGF, including retained and non-retained schemes (*subject to confirmation through end of year 2017/18 reporting*).
- 2.2 The total amount of funding provisionally allocated to SELEP by Central Government totals £570m. Of this amount £561.6m has been allocated to a total of 97 LGF projects, with **£8.3m LGF remaining unallocated**.
- 2.3 LGF investment to date has focused predominantly on transport interventions, with the LGF programme currently including the allocation/award of £435.2m LGF to transport projects across SELEP; representing 77% of the LGF programme.

Table 1 LGF investment by theme (£m)

| Theme | Skills | Digital connectivity | Flood Defence | Commercial space/business support | Site enabling works | Regeneration* | Transport | Total |
|-----------------|--------|----------------------|---------------|-----------------------------------|---------------------|---------------|-----------|-------|
| LGF (£m) | 42.6 | 0.2 | 10.4 | 48.1 | 9.6 | 15.5 | 435.2 | 561.6 |

*Eg. Coastal community and visitor economy projects

Figure 1 LGF Investment by theme (proportion of £561.6m allocated LGF)



3. LGF available

- 3.1 There are three potential sources of LGF available to support the delivery of projects identified through this short term pipeline development:
- 3.1.1 Source 1: £8.3m unallocated LGF
 - 3.1.2 Source 2: LGF which is currently allocated to projects, but which are unable to come forward within the timescales of LGF owing to project issues/delays; and
 - 3.1.3 Source 3: LGF underspends which are identified from projects which have been delivered to date.

Source 1

- 3.2 The LGF allocation for the 97 projects identified in the LGF programme totals £561.662m, whilst the allocation from the Ministry for Housing Communities and Local Government (MHCLG) and Department for Transport (DfT) currently totals £569.992m. As such, there is £8.330m LGF available for investment in 2020/21, as set out in Table 2 below. The difference is due to changes in projects since the original outline submission of projects in 2014.
- 3.3 There is currently forecast to be a slippage of £24.284m from 2018/19 to 2019/20, this is required to help mitigate the difference between the LGF available in 2019/20 and the forecast LGF spend in 2019/20. Should additional slippage be identified from 2019/20 to 2020/21 then there may be some flexibility to accelerate projects identified through LGF Round 3B. However, at this stage **projects are sought which are able to spend the LGF allocation in 2020/21.**

Table 2 LGF allocation relative to LGF actual/forecast spend (£m)

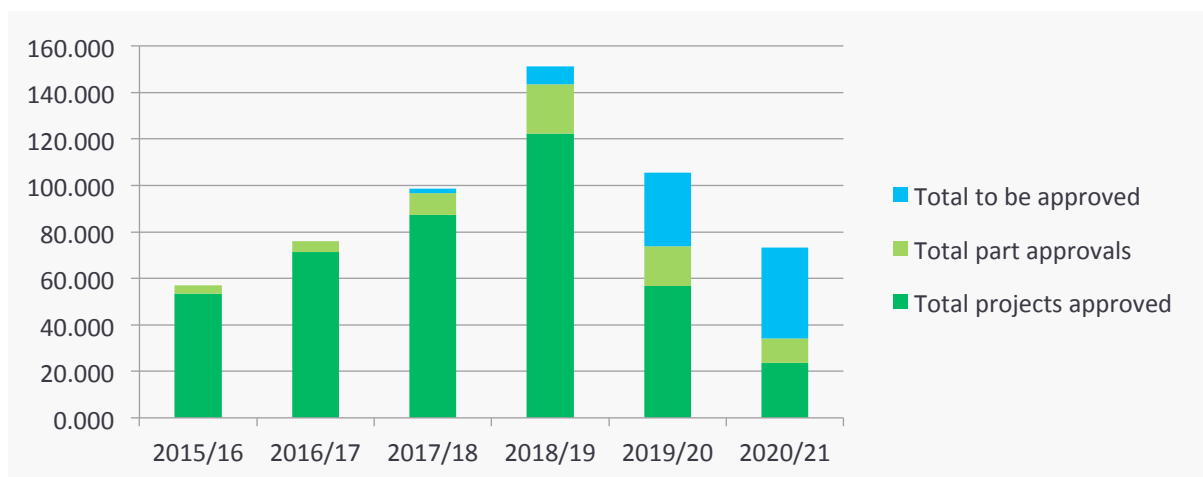
| Current Forecast Position - Forecast spend v LGF available | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|
| £m | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | Total |
| Actual spend or current forecast | 55.562 | 69.730 | 80.732 | 105.272 | 90.808 | 57.900 | 460.005 |
| LGF Allocation as per CLG | 69.450 | 82.270 | 92.088 | 91.739 | 54.915 | 77.873 | 468.335 |
| LGF Allocation b/fwd from earlier years | | 13.888 | 26.428 | 37.784 | 24.250 | -11.642 | |
| Total grant funding in year | 69.450 | 96.158 | 118.516 | 129.523 | 79.165 | 66.231 | |
| Over/ (under) allocation | | 26.428 | 37.784 | 24.250 | -11.642 | 8.330 | |

Source 2

- 3.4 SELEP's Growth Deal programme comprises 97 projects. Many of these projects have come forward for a full funding award by the Accountability Board or are due to be approved by the end of the current financial year, but there are some projects which have not yet been approved due to project issues. There may be some projects which are unable to demonstrate an ability to spend the LGF contribution by 31st March 2021 due to project funding gaps or other causes of project delays.

- 3.5 The Strategic Board agreed the Principles set out in Appendix 1 for the management of projects which have not yet been approved by the Accountability Board.
- 3.6 The amount of LGF which is currently allocated to projects which have not yet come forward for a final funding award by the SELEP Accountability Board currently totals £64.4m, as shown in Figure 2 below. However, funding which is allocated to Department for Transport retained projects, such as A127 The Bell and A127 Fairglen Interchanges junction improvements and link road¹, is unlikely to be made available to SELEP for investment elsewhere in its capital programme. As such, **the maximum value of LGF which could be made available through Source 2 totals £38.9m.**
- 3.7 The £38.9m does not include projects which have received part funding to date or those more complex projects which have received a funding award by the Accountability Board in part, but where a full Business Case is being developed to secure the remaining funding allocation.

Figure 2 LGF spend approved to date



Source 3

- 3.8 To date, project underspends have been identified through project costs being lower than expected and efficiency measures being achieved through project delivery. It is Governments recommendation following the SELEP deep dive that *“SELEP should take steps to satisfy themselves that any underspend at a federated level is reallocated to the most promising and best value for money projects”*.
- 3.9 As such, it is expected that the pipeline of projects will be used as a basis to inform prioritisation by the Investment Panel about the use of any underspends which become available through LGF programme delivery.

¹ Fairglen Interchange Link Road is not technically a Department for Transport (DfT) retained projects, but the intervention will be considered by the DfT as one overall Business Case for the Fairglen Interchange Junction Improvements and Link Road Project.



- 3.10 Going forward, it is expected that LGF underspends will be reallocated to projects which are included within the SELEP LGF pipeline. Other emerging priorities may still be considered by the Accountability Board but local partners will need to justify why recommendations are being made to direct funding towards any project which is not included on SELEPs pipeline.

4. Development of SELEPs Pipeline - Call for projects

- 4.1 The development of a new SELEP pipeline of high quality and deliverable projects which will have a tangible impact on our economy is a sizable challenge. As such, it is recommended to the Board that the call for projects should first focus on short term priorities for capital grant funding which are deliverable by 31st March 2021.
- 4.2 A further call for projects will take place to identify medium – long term investment priorities, aligned with the new Strategic Economic Plan and any funding criteria identified by Government. The proposed approach in this report will act as a pilot for the development of a medium – long term pipeline of projects during 2019/20.
- 4.3 It is proposed that a three stage process should be implemented, following a similar approach to the recent Growing Places Fund (GPF) prioritisation exercise, as follows:

Stage 1 – Expressions of Interest

Stage 2 – Scheme prioritisation

Stage 3 – SELEP Accountability Board funding decision

5. Stage 1 – Expressions of Interest

- 5.1 The first proposed stage in the process will be to identify potential projects through an open call for projects publicised by SELEP, local authority and Federated Board. The opportunity will be publicised on the SELEP website, social media and through media releases with any bids received by SELEP directly being shared with to the relevant Federated Area. Likewise, the funding opportunity will also be publicised by Local Authorities and Federated Boards.
- 5.2 For all projects identified, the scheme promoter is required to complete an LGF Expression of Interest (EoI) template which will be made available on the SELEP website. The Federated Areas will then sift EoIs using the eligibility criteria set out in Table 3 below, to consider the projects suitability for LGF funding. Projects which fail to meet the key criteria should be discarded by Federated Boards.
- 5.3 Those projects which pass the initial sift against the eligibility criteria should then be considered and assessed based on the criteria set out in Table 4 below.
- 5.4 It should be noted that there is some overlap between the eligibility criteria set out in Table 3 and the assessment criteria set out in Table 4. This is to reflect the fact that eligibility criteria are binary (yes/no) but, for eligible schemes, there may be variation in their performance against these criteria. For example, while two schemes may both be able to spend LGF prior to 31st March 2021 (eligibility criteria), one scheme may have a greater certainty of doing so in advance of this date (assessment criteria).



- 5.5 In order to assist with Stage 1, the Independent Technical Evaluator (Steer Davies Gleave) will prepare a flexible assessment template based upon the criteria in Table 3 and Table 4 that Federated Areas must use to inform their own sifting exercise. In parallel, the ITE will undertake their own assessment using the same template, to inform a discussion with each Federated Area regarding the relative merits of each potential project, ahead of submission of their sifted proposals (and assessment by the Federated Area) to be taken forward into Stage 2.
- 5.6 At the stage of completing an EoI 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. Any available evidence regarding the potential Value for Money of proposals may also be used to inform the Stage 2 prioritisation exercise.
- 5.7 LGF 3B will operate as an Open Call for Projects. Federated Boards may wish to review previously unsuccessful LGF Round 3 bids and unsuccessful GPF bids. However, there is no intention for greater weight to be placed on previously submitted bids through the prioritisation process.
- 5.8 It is expected that funding requests per project should be between £250,000 and £8,000,000 in value. However, smaller or larger scale projects may be considered if there is an overwhelming strategic case and no substantial delivery risks.
- 5.9 To ensure a proportionate approach to the scale of funding available, no Federated Area should put forward projects to SELEP for Stage 2 which, in total, exceed the maximum potential amount of LGF available (**£47.2m**). For projects to progress to Stage 2 they must be nominated by a Federated Board and have support from the relevant Upper Tier Authority.

Table 3 Project eligibility criteria

| Criteria | Evidence Sought | Scoring Guide |
|---|---|---------------|
| Align with SELEP's objectives to support economic growth | Evidence provided that the scheme contributes to SELEP's economic growth objectives. | Pass/fail |
| Requires capital investment | LGF can only be used for capital investment and cannot be used as revenue | Pass/fail |
| Demonstrate an ability to deliver the project following the legal requirements for investment of public funds | This includes 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. | Pass/fail |
| Must be able to spend the LGF by 31 st March 2021 | The LGF will predominately be available in 2020/21. However, there may be the potential to accelerate the LGF spend in 2018/19 and 2019/20. Evidence is to be provided to demonstrate that LGF will be spent by 31 st March 2021 | Pass/fail |

6. PAN LEP projects

- 6.1 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 Strategic Outline Business Case (SOBC) to be submitted to SELEP.
- 6.2 Endorsement for the project 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. As a minimum, the lead officer from the other Federated Areas should be made aware of the bid proposal.

7. Projects with existing LGF allocations

- 7.1 Projects with an existing LGF allocation, but with a funding gap which is currently preventing the delivery of the project may be put forward for an additional LGF allocation through LGF Round 3b. These projects will be assessed alongside the emerging priorities for investment and will require Federated Board endorsement, as set out in Stage 1.
- 7.2 Where a Business Case has already been developed for such a project, then the Business Case should be submitted alongside the EoI.

8. Stage 2 projects

- 8.1 For projects which are identified as meeting the eligibility criteria, listed in Table 3 above, and which are endorsed by the relevant Federated Board, scheme promoters will be asked to prepare Strategic Outline Business Cases (SOBCs) that will be prioritised by SELEP Investment Panel.
- 8.2 An ITE assessment of the SOBC's will be completed for all projects promoted by the Federated Boards, to help inform decision making by Investment Panel. This assessment will be completed based on the proposed assessment approach, as set out in Table 4 and 5 below.
- 8.3 Once SOBCs have been submitted the SELEP ITE will undertake an initial sifting exercise to check that each promoter has submitted all evidence required to demonstrate compliance with the eligibility criteria. Following this, the SELEP ITE will proceed to assess the remaining applications for the technical quality of the SOBC.
- 8.4 The quality of the evidence provided under each section of the SOBC will be assessed on a three-point scale as follows:
 - 8.4.1 Red = unsatisfactory/poor quality evidence provided;
 - 8.4.2 Amber = somewhat satisfactory/moderate quality evidence provided; and
 - 8.4.3 Green = satisfactory/high quality evidence provided.
- 8.5 Table 5 sets out how the RAG rating will be applied against each of the assessment criteria.
- 8.6 Following the evaluation of each submission, the SELEP ITE will develop an initial prioritised list. Schemes will be ranked by their performance under sections:
 - 8.6.1 Strategic fit;
 - 8.6.2 Deliverability and benefit realisation;
 - 8.6.3 Evidence of stakeholder support; and
 - 8.6.4 Potential value for money.
- 8.7 Consideration will also be given to the remaining sections of the SOBC, listed in Table 4, especially where there are a large number of projects which score well based on the four criteria listed above.

Table 4 – Assessment Criteria

| Assessment Criteria | Evidence Sought | Scoring Guide |
|---|--|----------------------|
| Support from relevant Federated Board | The Project must be supported by the relevant Federated Board. This should be evidenced through Federated Board meeting minutes. | Pass/fail |
| Support from the relevant Upper Tier Authority | Each funding bid must secure sign off from the S151 officer of the relevant Upper Tier Authority. | Pass/fail |
| Strategic fit | Evidence of a strategic fit with SELEP objectives to deliver economic growth, and evidence that the benefits will be delivered within the SELEP area. | Red/Amber/Green |
| Option generation and sifting (including evidence of stakeholder support) | Evidence that a broad option generation and sifting has been undertaken with evidence of stakeholder involvement and/or wider public consultation/support | Red/Amber/Green |
| Rationale for funding request | Clear articulation of the rationale for requesting LGF funding including evidence that funding through the LGF is the most suitable available alternative. | Red/Amber Green |
| Deliverability and benefit realisation | Evidence regarding the projects deliverability and its readiness to move to delivery and benefit realisation stage within the timescales of the funding stream (including consideration of project design stage, planning consents, land acquisitions, relevant powers). | Red/Amber /Green |
| Value for money | Evidence of the value for money potential and project benefits relative to the amount of LGF sought. | Red/Amber/Green |
| Additional funding sources | Evidence of secured/committed additional funding from outside sources preferably from private contributions rather than public. | Red/Amber/Green |
| Programme and risk management | Clear delivery schedule including evidence there is a comprehensive risk register and risk management plan in place. | Red/Amber /Green |

Table 5 – Assessment Criteria

| Section | RAG Rating | Scoring Guide |
|---|------------|---|
| Strategic Fit | Green | Awarded to business cases which: <ul style="list-style-type: none"> clearly demonstrate the need for intervention; and demonstrate a close fit with SELEP objectives. |
| | Amber | Awarded to business cases which: <ul style="list-style-type: none"> clearly demonstrate the need for intervention; and demonstrate some alignment with SELEP objectives |
| | Red | Awarded to business cases which: <ul style="list-style-type: none"> do not clearly demonstrate the need for intervention do not fit with SELEP objectives |
| Deliverability and benefit realisation | Green | Awarded to business cases which: <ul style="list-style-type: none"> provide evidence that the planning status of the intervention is well advanced; describe the timescales associated with securing any additional approvals required; confirm that all land and property required to proceed has been acquired; provide a detailed programme for delivery; and describe any legal requirements that might delay the programme of delivery/development. |
| | Amber | Awarded to business cases which: <ul style="list-style-type: none"> provide evidence that the planning status of the intervention is well advanced; describe the timescales associated with securing any additional approvals required; but omit considerations regarding land ownership or any additional legal requirements that might have an impact on deliverability or which do not provide a detailed programme for delivery. |
| | Red | Awarded to business cases which: <ul style="list-style-type: none"> provide evidence that the planning status of the intervention is well advanced; but omit evidence regarding the additional approvals required, considerations regarding land ownership or any additional legal requirements that might have an impact on deliverability, or do not provide a detailed programme for delivery. |
| Evidence of public support | Green | Awarded to business cases which: <ul style="list-style-type: none"> Demonstrate that a broad option generation and sifting has been undertaken; and |



| | | |
|----------------------------------|-------|---|
| | | <ul style="list-style-type: none"> • Provide detailed evidence of stakeholder involvement and/or wider public consultation/support. |
| | Amber | <p>Awarded to business cases which:</p> <ul style="list-style-type: none"> • Demonstrate that a broad option generation and sifting has been undertaken; and • Provide some evidence of stakeholder involvement and/or wider public consultation/support. |
| | Red | <p>Awarded to business cases which:</p> <ul style="list-style-type: none"> • Cannot demonstrate that a broad option generation and sifting has been undertaken; or • Do not provide evidence of stakeholder involvement and/or wider public consultation/support. |
| Potential value for money | Green | <p>Awarded to business cases which:</p> <ul style="list-style-type: none"> • provide robust, well-evidenced analysis of the outputs, outcomes and impacts of the intervention; and • can demonstrate benefit to cost ratio greater than 2:1. |
| | Amber | <p>Awarded to business cases which:</p> <ul style="list-style-type: none"> • provide some evidence of the outputs, outcomes and impacts of the intervention; and • can demonstrate benefit to cost ratio greater than 2:1. |
| | Red | <p>Awarded to business cases which:</p> <ul style="list-style-type: none"> • do not provide sufficient evidence of the outputs, outcomes and impacts of the intervention; or • cannot demonstrate benefit to cost ratio greater than 2:1. |

9. Investment Panel

- 9.1 The prioritisation of projects for investment is currently a responsibility of the SELEP Strategic Board. However, as stated in the Annual Conversation letter and reiterated in the recommendations following the SELEP Deep Dive, Government has voiced support for the establishment of a SELEP Investment Panel (the Panel). The Panel will operate as a subcommittee of the Strategic Board.
- 9.2 The proposed Terms of Reference are set out under Agenda Item 9..

10. Engagement

- 10.1 It is expected that engagement will take place at a local level with the following stakeholders as a minimum in developing a local list of Federated Board priorities. These organisations should be contacted through the open call for projects process to understand their priorities for investment and to consider any emerging project proposals. These organisations include:
- Business Advisory Board
 - Network Rail
 - Train Operating Company
 - Highways England
 - Skills Advisory Group and SELEP working groups
 - Business Advisory Board

11. Federated Area submission tick list

- 11.1 At the point of Business Case submission to SELEP (Stage 2) each Federated Area must confirm that the following processes have been followed.
- 11.2 Each individual project bid must:
- 11.2.1 receive S151 officer sign off from the upper tier authority; and
 - 11.2.2 have a letter of support from the relevant district authority, where applicable
- 11.3 Each overall Federated Area submission must:
- 11.3.1 Have endorsement for the relevant Federated Board, with the report and meeting minutes of the meeting being publically available;
 - 11.3.2 Have engaged with a range of stakeholders, including those relevant stakeholders mentioned in section 11 as a minimum;
 - 11.3.3 Have held an Open Call for Projects as promoted through the SELEP and Federated Area websites and ;
 - 11.3.4 Provide a commitment that sufficient revenue resource will be made available to support project delivery and the ongoing monitoring and evaluation of the project.

12. Timescales

- 12.1 Table 6 sets out the timescale for each milestone in the development of the SELEP pipeline.

Table 6 – Proposed Timescales

| Milestones | Timescales |
|---|--|
| Approach agreed by the Strategic Board | 29 th June 2018 |
| Open Call for Projects (Completion of EoI)* | 31 st August 2018 |
| Assessment and consideration of EoI by Federated Board* | End of September 2018 |
| Submission of SOBC to SELEP | 26 th October 2018 |
| ITE assessment of SOBC complete | 16 th November 2018 |
| Investment Panel | 7 th December 2018 (Same day as Strategic Board). |

*Exact timescales to be agreed locally

Appendix 1 - Principles agreed by the SELEP Strategic Board for the management of LGF underspend

At the Board meeting on the 16th March 2018 the Board agreed the following three principles.

Principle 1 - All projects identified in the LGF programme which have not been approved by the Accountability Board to date must come forward with a business case which can demonstrate deliverability, for a funding decision by the Accountability Board by the end of 2018/19 financial year. The final meeting for these projects to be considered is the Accountability Board meeting on the 15th February 2019.

Exemption to Principle 1 should only be made where:

- A project comprises of a package of measures which have been brought forward to the Accountability Board to date on a phased basis; or
- The project is a Department for Transport (DfT) funded project or where the business case will be considered by the DfT directly; or
- Where an outline business case has been developed and the Accountability Board have approved an initial funding award to the project, but a full business case is due to be submitted for the remaining funding allocation.

Principle 2 - If projects are unable to come forward for the award of funding by the end of 2019/20, then recommendations will be made to the Strategic Board for the re-allocation of funding.

Principle 3 - The Board will be asked to endorse the prioritisation of the LGF underspend following the approach to be agreed by the Board at its meeting on the 29th June 2018. The promoting authority will have the opportunity to make the case to the Board (or the Investment Panel, for the re-allocation of funding to alternative project(s) prioritised by the Federated Boards which can demonstrate delivery by the end of the Growth Deal period.