

## Appendix 2 Sector Support Fund (SSF) Application Template

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|--|--|
| <b>1. Project Title</b>  |  |
| FUTURE PROOF: Accelerating Delivery of High Quality Development Across the LEP   |  |
| <b>2. Project Location</b>   |  |
| <p>The project will have pan-LEP impacts and benefits. At its core it involves live, large scale residential / mixed use development sites in public (Homes England) ownership, located in the SELEP region and work around these case study sites will be used to develop a new financial product to accelerate housing supply which in turn can be used to unlock development sites across SELEP. The project outputs will support the SELEP strategic aims of enabling and accelerating high quality housing delivery. The legacy will therefore contribute to the delivery of an additional 100,000 homes by 2021(SELEP Economic Plan).</p> <p>The project is led by The Haven Gateway Partnership based in Colchester, Essex, and delivered in partnership with Daedalus Environmental Limited based in Maidstone, Kent.</p>  |  |
| <b>3. Lead point of contact for Project</b>  |  |
| Name   | Jemma Little   |
| Organisation   | Haven Gateway Partnership, Essex County Council as Accountable Body                |
| Job Title  | Funding Manager  |
| Telephone  | 01206 713618   |
| Email  | <a href="mailto:jemma.little@haven-gateway.org">jemma.little@haven-gateway.org</a> |
| <b>4. Lead contact in County Council/ Unitary Authority (if different from above)</b>  |  |
| Name   | <b>Dominic Collins for the Essex Business Board (and Dawn Redpath)</b>             |
| Organisation   | Essex County Council   |
| Job Title  | Director of Economic Growth and Localities   |
| Telephone  | 03330 136 582 Ext 30928  |
| Email  | dominc.collins@essex.gov.uk  |
| <b>5. Description of Project (No more than 300 words)</b>  |  |
| <p>By end 2019 the project will seek to create a radically different financial product (FP) used to accelerate the delivery of housing developments which are future proofed for 2050. It will help <b>overcome</b> the following barriers to housing delivery highlighted by the Letwin Review, by taking a long term approach to development finance:</p> <p><b>The Problem</b></p> <ul style="list-style-type: none"> <li>- Lack of access to finance and opportunities for SME developers who could help increase supply</li> <li>- The traditional control of housing supply by major house builders with slow build out rates limited by the absorption rate of the way the mainstream housing market is financed</li> <li>- Suppressed demand for differentiated types and tenures which could increase build out rates</li> <li>- Poor quality or outmoded construction processes which do not stand the test of time or adopt innovative methods such as off-site</li> <li>- Lack of long term approaches to managing community assets</li> <li>- Technical / physical and financial barriers to new infrastructure e.g. utilities</li> </ul> |  |

### **The Solution**

The FP will combine public and private investment to underpin construction (developer) and purchase (homeowner/resident) functions of developments, using very long term investment funds to:

- Enable marginal sites which are mostly but not exclusively in public ownership to come forward with differentiated housing types and tenures
- Exploit newly funded infrastructure to generate income streams to reinvest into the communities
- Solely uses off-site / modern construction methods to drive speed, quality and local economic value
- Facilitate the parcelling of larger sites and the use of SME developers
- Link infrastructure, homeownership finance, site ownership and management in creative ways to drive down operational running costs for residents and create community benefit

### **Methodology**

- Base-lining of live site(s) with Homes England to establish cost / viability data, opportunities, economic and social objectives
- Establish alternative solutions (e.g. utilities, transport, off site) to be brought forward
- Working in co-operation with the public and private financial sectors, design and develop the FP
- Develop demonstrative financial case studies for the 'live' sites that explain the FP
- Work with public sector and housing provider land owners to establish preliminary demand for the FP and test with SME developers
- Determine the long term governance management / service requirements to enable the FP to prosper and route for establishment

### **Outputs**

- Live financial case studies to demonstrate the FP approach to the market
- The FP itself:
  - o a new financial offering which has been tested with the public and private sector and an action plan for further development
  - o is flexible to cope with different developments and requirements of investors
  - o widely implementable and applicable to all developments in the SELEP region
  - o platform for further dialogue with government and financial institutions to attract investment to SELEP area which will accelerate housing delivery and achieve wider social and economic outcomes

## **6. Project links to SELEP Strategic Economic Plan**

*Please identify which objectives within the current SEP that this project will assist in delivering*

The project focuses on the objective: Building More Quality Houses Quickly (as per the SELEP Strategic Plan 2.79-2.85). and has been developed with the SELEP HDG's oversight.

The project – involving live Homes England development sites in Dover (Connaught Barracks) and Thanet (Haine Road) – is focused on finding and delivering more efficient and sustainable infrastructure and alternative construction methodologies, underpinned by enhancing economic growth and job opportunities through the use and growth of the SME developer sector in the SELEP region. Furthermore, this approach will have the positive effect of building confidence in housing markets and provide replicable solutions and approaches for development that can be adopted on a pan-LEP basis.



The project directly responds to the South East LEP’s key ambition to accelerate housing delivery (Annual Report 2016 -7) by enabling the further increase in the growth rate required to meet 100,000 homes target by 2021. The Project Board will continue to work with the SELEP HDG and will also seek to fully integrate this project with existing pilots being undertaken and / or funded by SELEP and involve the proponents of major projects such as the Garden Communities and local authority Housing Companies in the work, to ensure the outputs address wider issues and barriers to development being experienced by these stakeholders.

**7. Total value (£s) of SSF sought (net of VAT)**

£110,000

**8. Total value (£s) of project (net of VAT)**

£157,425.00

**9. Total value (£) of match funding (net of VAT)**

£47,425.00

**10. Funding breakdown (£s)**

| Source  | 2017/18 | 2018/19        | 2019/20        | Total           |
|---|---------|----------------|----------------|-----------------|
| SSF   |         | £45,000        | £65,000        | £110,000        |
| <i>Other sources of funding (please list below, add additional rows if necessary)</i> |         |                |                |                 |
| Homes England   |         | £20,000        | £13,375        | £33,375         |
| Daedalus Environmental Ltd  |         | £2,000         | £4,600         | £6,600          |
| Haven Gateway Partnership   |         | £2,500         | £4,950         | £7,450          |
| <b>Total Project Cost</b>   |         | <b>£69,500</b> | <b>£87,925</b> | <b>£157,425</b> |

**11. Details of match funding**

*Insert details of match funding, including who is providing match, at what value, on what terms and what assurances are there that the match will be provided*

**Homes England - £33,375**

Homes England are represented on the Project Board and view the project as both timely and strategically important – they have been tasked with expanding the role of off-site construction and accelerating delivery of more sustainable housing, both of which this project addresses. The Homes England match funding is provided in the form of staff time and expertise on the basis that the work will focus on developments within their land ownership and influence. This project requires that the traditional management route evolves and examines alternative solutions and value and therefore requires time commitment from the development management teams which will work as match to the SSF funds. The Homes England in-kind match will therefore be used to support the baselining work and development of the FP along with project oversight. Their commitment and willingness to open up their working practices is predicated on joint support and investment in the project by SELEP and other parties below, and will be ratified concurrently with the SSF awards process. A letter of support has also been provided to accompany this application.

**Daedalus Environmental Limited and Haven Gateway Partnership - £14,050**

Each of the primary delivery partners will contribute in-kind time to the project at a total value of £14,050. This match funding will be split evenly across each of the project work streams shown in the accompanying project action plan / budget sheet. It will be evidenced through timesheets and financial sign off processes and governed by the project board but it has been calculated in the basis of actual salary costs and a contribution to overheads which is the basis of the hourly rates in our work plan.

**[UK Power Networks**

We are seeking further funding from UKPN to support the expansion of this project, specifically in relation to the innovative long term management of infrastructure and the relationship with end users / homeowners on development sites. The UKPN funding is to be secured through OFGEM's Network Innovation Allowance funding stream, and the application is being progressed in parallel with this SSF Application. They will be a key stakeholder to the SSF funding project as well.]

**12. Expected project start and completion dates**

The project will start as soon as funding is awarded and ideally by October 2018, and run for a period of 12 months, completing by the end of 2019. SSF Funds would be required from November 2018 with the delivery partner match funding having already been agreed and which will run concurrently.

**13. Key Milestones**

| Key Milestones   | Description  | Indicative Date |
|--|--|-----------------|
| Funding secured and action plan signed off                         | All committed funding agreements need to be in place to support the work.  | October 2018    |
| <b>SSF Project Period starts</b>                                   | Baseline research work mid-point review  | November 2018   |
| Site baseline work completed                                       | Baseline research work for each identified site is completed (including utilities, cost/value analysis, standard development options etc.) | March 2019      |
| Innovation and technology analysis complete                        | Alternative delivery options identified, agreed and analysed, with solutions indicatively designed and costed                              | May 2019        |
| Soft Market Testing  | Meetings and interviews with private and public sector stakeholders to develop FP  | April-June 2019 |
| Finance packages developed   | An iterative process alongside other work streams to develop a financeable packages for the three sites                                    | September 2019  |
| Final report and all funding disbursed ( <b>SSF Project Ends</b> ) | All SSF funding issued to relevant parties and project signed off by SELEP as complete   | November 2019   |

**14. Benefits created by 2021 (list benefits with number/amount and cash value if applicable)**

| Type of Benefit | Number of benefits created | Cash value of benefit (£) |
|-----------------|----------------------------|---------------------------|
|-----------------|----------------------------|---------------------------|

|   |  |  |
|---|--|--|
| Increased strategic co-operation synergies and cost saving by avoiding individual public sector bodies carrying out the same work on financial packages for taking accelerated housing site delivery. development forward | 35 Local Authorities in SELEP will benefit from access to an innovative initiative that otherwise they would have had to commission, and put their own staff resource into.  | Taking the overall cost of the project and multiplying this by the number of local authorities in the SELEP area this has the potential to save up to £5,509,875 in duplicated work<br><br>35 LAs x £157,425 = £5,509,875  |
| Increased strategic co-operation: accelerating housing delivery by bringing together interested parties to drive development forward  | 9 separate organisations will be interacting to support accelerated development.<br><br>The project will also tap into expertise of stakeholders such as financial institutions which has a cash value in time and knowledge shared. | Actual value of match funding from partners = £47,425 as above<br><br>Estimated value of time from stakeholder parties is calculated at £6,000 based on the assumption that we will engage with at least 10 stakeholders for an average of 6 hours @ £100 per hour |
| Capital expenditure cost reduction whilst upgrading performance of digital, energy, transport and water infrastructure  | The project will identify alternative financing routes to drive down infrastructure costs or increasing long term economic value whilst ensuring developments a future proofed.  | Exact savings will be determined by the project but the aim is to reduce abnormal costs for the developments by up to £1,000 per property.   |
| Building homes faster by utilising innovative building techniques   | The project will seek to ensure all homes in the target developments engage with the use of locally sourced off-site construction.   | The value created using locally sourced offsite manufacturing suppliers is between 2.8 and 4 for every £1 spent on construction.   |
| More resilient and efficient Grid infrastructure through investment in innovative energy solutions for new developments which also unlocks space for housing.   | One strategic benefit for focus regions – reducing stress on the Grid to enable more development to progress.  | Not quantifiable at this stage.  |
| Alternative financing model for SMEs within target sites enabled by innovative parcelling of development and engagement with Homes England anticipating the outcomes of the Letwin Review                                 | One flexible, SME focused FP that supports involvement of SMEs at all stages of development.   | The cash benefit is not quantifiable at this stage however the overall benefit will be a redistribution of finance within the development stream towards the SME market.   |
| Alternative forms of property ownership for incoming residents underpinned by lower cost / more innovative financial mechanisms   | The project will seek to link site, property and infrastructure ownership to reduce the operational cost of home ownership.  | Not quantifiable at this stage although we are seeking a lifetime cost reduction of around 5-10%.  |

**15. Value for Money – Benefit/Cost Ratio**

*Please insert your Benefit/Cost Ratio (i.e. total value of benefits divided by total costs). Please indicate how you have quantified your benefits and over what period those benefits are expected to realised*

The funding sought from SSF will support a research, development and financial planning exercise that will be used to accelerate housing delivery and which can be used by SELEP and all 35 SELEP Local authorities. A direct and quantifiable benefit, therefore, is the costs saved/avoided by SELEP local authorities having access to the project's work. As above we have calculated the value of this benefit to be 35 times the value of the project i.e. a 35:1 BCR.

Establishing and demonstrating a direct and quantified benefit/cost ratio related to the project focus of accelerated housing development delivery will be realised as the sites are delivered rather than during the project lifetime. We obviously cannot give these projected benefits now but will be able to share the impacts in the project findings. However there are some quantifiable future benefits at this stage:

1. In securing SSF funding we are seeking to match this in line with SSF requirements, drawing in funding to the region which would not have previously been available. To be clear this funding will be used to deliver activity and outputs from SELEP based SMEs.
2. In driving the role of the offsite sector in strategic developments, rather than standard construction methods, we will create local economic benefit in the region at a ratio of between 2.8 and 4:1. That is for every £1 spent on locally-sourced off-site construction manufacturers, up to £4 will be generated locally. This is based on research carried out in a neighbouring LEP. We expect these benefits to be generated once construction commences and continue through to completion.
3. The Future Proof project will feed into the work of the I-Construct project which with ERDF support plans to support SMEs and innovation in the housing supply chain and provide capacity for accelerated housing delivery linked to the SELEP development pipeline. I-Construct outputs include the creation of 130 new jobs by 2021.
4. See also other benefits identified with Question 14. The overall additional future BCR is therefore expected to be in well in excess of 2:1 identified as high within the SSF guidance.

## 16. Value for Money – Other Considerations

*Please detail benefits that cannot be quantified or cannot be quantified without lengthy or expensive analysis. This narrative should include details on why the benefit can't be quantified. If your BCR does not meet the standard 2:1 – please use this section to set out why the investment should be considered*

In addition to the benefit ratios described above, there are a range of other benefits that are, at this stage, difficult to quantify:

- End user benefit – Homes England require that the approach drives down costs for end users in the long term. By implementing renewable energy and storage technology not only will energy demands reduce we will be able to create long term income streams for reinvestment in the community. Our current estimate is that the total value will be around £300-£350 per property per annum
- The alternative approach to utilities infrastructure will either result in reductions in upfront capital investment required by the landowner (Homes England) or greater capital receipts over a longer time. The exact amount will be project specific. Alternative foul water management systems, for example, can result in savings in £m at the scale of development proposed here
- By implementing more creative land management release underpinned by more accessible finance, we can open up the developer market, which also opens up competition for different sizes and types of developer. We can drive greater investment in the quality and sustainability of housing at a local level (as identified by the Letwin Review)

- We should be able to ‘de-risk’ sites for incoming developers, and therefore increase benefits locally
- By creating a FP that can be deployed across other sites and shared with stakeholders we will be able to create lasting benefit across the SELEP development pipeline and support the growth of the construction sector and its supply chain

## 17. Dependencies and Risks

*Please detail any scheme dependencies, risks and delivery constraints which may impact on the delivery of the project and or the benefits achieved through SSF investment in the Project*

This project is designed to provide an alternative form of development delivery within the housing sector. To date the feedback from the LEP developer groups has been wholly positive and it is clear this project is needed if the LEP is to meet its objective related to accelerate housing delivery. That notwithstanding there are always risks that need to be considered and which we will actively address, including (for example):

- Funding – the Project Board are all committed to the delivery of the project which is viewed as both timely and vital if development is to be accelerated sustainably. However, all main funding streams are interdependent, and will only come forward together. The SSF should not be seen in isolation, rather as part of a collaborative process between strategically influential organisations and SELEP and its HDG
- Timing – ensuring that the developments targeted and provided through Homes England are at the right stage to ensure the project can influence their outcomes
- Overcoming SME developer scepticism and disengagement – we have to be able to engage (SME) developers effectively and ensure they are incentivised through successful project outcomes i.e. the creation of genuine opportunities for involvement. We need therefore to ensure that government, through Homes England, can be genuinely flexible enough to deliver innovation through the procurement process and accept different forms of value analysis. We also have a built-in route to further work with SMEs through the SELEP HDG and the ERDF I-Construct project which will run from 2019 to 2021 and provide additional funding to support SMEs to innovate and engage with the market opportunities on the development sites.
- Technology – technological solutions are rapidly evolving and costs are decreasing over time. This works in our favour but ensuring statutory providers are engaged with them, and that they can deliver their stated benefits over time, are key risks. These projects will help in demonstration and proof of concept, but this comes with an inherent risk which we think the public sector is in the best position to take
- Established financial markets need to innovate and provide alternative solutions from standard models. This might include alternative risk analysis, longer term cost / return modelling, subsidised investment, etc. – but public sector involvement in early projects can help reduce this risk as a pipeline of projects, with reliable data, is established.
- Planning – we will need to work with local planning frameworks in each area which may throw up different challenges, however we will be pushing quality and sustainability standards above those within local plans anyway.
- Adoption – we will work with landowners, other stakeholders, policy makers and industry to involve them in the project and share our findings in order to seek traction for the adoption of the new model.

- Policy – Letwin Review and other developments may alter the course of the project but working with Homes England will ensure direct link to wider government policy direction and underpin implementation

### 18. State Aid Implications

*Please indicate how your project complies with State Aid Regulations*

Haven Gateway Partnership as project manager, for the SSF, with Essex County Council as Accountable Body are acting in their capacity to support sustainable economic growth and the specific project management and accountable body activity is non-economic as we are not offering goods and services onto the market through the project and the funding simply washes through the Council as Accountable Body. For this reason we have concluded that there can be no unlawful State Aid to the Council as the Council is not acting as an “undertaking” a result of the project.

All consultancy services related to the project will either be provided by contractors already procured under existing Framework Agreements for provision of consultancy services, or will be procured following ECC’s procurement policy in line with Public Contracts Regulations.

This project therefore does not fall within the broader remit of State Aid Regulations, and offers no advantage, financial or otherwise, to specific companies within the development sector.

*NB: A declaration of compliance with EU or other State Aid Regulations will be required prior to any SSF being provided. If your project is awarded SSF it will be subject to a condition requiring the repayment of funding in the event that the European Commission or UK Government determines that the funding constitutes unlawful State Aid*


### 19. Contracting Body

*Please provide the name of the organisation to act as contracting body and give details of a contact within the organisation, including phone number and email.*

*If the contracting body is **not** one of the SELEP County or Unitary Councils, please detail the organisation that has been chosen, why the organisation has been selected and the benefits this arrangement will bring to the project. Any known risks of this organisation acting as contracting party should be identified here. Essex County Council as Accountable Body will make the final decision on whether any organisation is a suitable contracting partner.*

Haven Gateway Partnership and Essex County Council will be the accountable body.

### 20. Declaration

|                                   |  |
|-----------------------------------|--|
| <b>Declaration</b>                | <b>I certify that the information provided in this application is complete and correct</b> |
| <b>Signature (Lead applicant)</b> |         |
| <b>Print Name</b>                 | <b>Anita Thornberry, Executive Director</b>  |
| <b>Organisation</b>               | <b>Haven Gateway Partnership</b>   |
| <b>Date</b>                       | <b>10<sup>th</sup> August 2018</b>   |