

Forward Plan reference number: (N/A)

Report title: To Agree Sector Support Funding Grant Allocations to the Future Proof Project	
Report to: Managing Director of the SELEP	
Report author: Rhiannon Mort, SELEP Capital Programme Manager	
Date: 25th October 2018	For: Decision
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Divisions affected: Pan - LEP	

1. Purpose of Report

- 1.1 The purpose of this report is to set out the recommendations and supporting documentation of the Sector Support Funding (SSF) Bid for the Future Proof; Accelerating Delivery of High Quality Development across the LEP project (the Project). The Project has been through an Independent Technical Review (ITR) process, to enable £110,000 of Growing Places Fund (GPF) Revenue grant to be devolved to Essex County Council for Project delivery. The bid document is included in Appendix 1.
- 1.2 The ITR report sets out an analysis to demonstrate that the Project meets the criteria for funding. This report is included in Appendix 2.

2. Recommendations

- 2.1 **Approve** the award of £110,000 GPF Revenue grant to Essex County Council to support the delivery of the Project identified in the Funding Bid and which has been assessed as meeting the criteria for funding.

3. Summary of issue

- 3.1. On 9th June 2017 the SELEP Strategic Board (the Board) approved the use of the GPF Revenue grant to fund a programme of works to support the sector focussed activities that are being undertaken on a pan-LEP basis and predominantly led by the SELEP working groups, namely, the Sector Support Fund (SSF).
- 3.2. The Board agreed, in 2017, the programme of total funding available in each year would be up to £500,000 of revenue grants per annum for three financial years, beginning 2017/18. Subsequently, at its meeting on the 28th September 2018, the Board agreed to increase the amount of SSF available in 2018/19 to £629,000 to utilise £129,000 unallocated SSF from 2017/18.
- 3.3. The purpose of the SSF is therefore to support one-off, discrete pieces of work of a pan-LEP nature with a sector focus that brings demonstrable benefits and has support across the LEP. All applications must meet the criteria detailed in

section 3 of the SSF Guidance and be submitted in line with the process in section 4 of the same. This process ensures that the funding is allocated in accordance with the requirements of the SELEP Assurance Framework.

- 3.4. Haven Gateway Partnership has submitted a bid for SSF of £110,000 to support the delivery of the Project, which has been endorsed by the Board on the 28th September 2018 and Essex Business Board (EBB) Federated Board, by electronic procedure.

4. Project Summary

- 4.1. Using case study development sites in Dover (Connaught Barracks) and Thanet (Haine Road), in Kent, the intention is to develop a new financial production which can be applied to other development sites across SELEP in order to help accelerate the delivery of residential development and overcome barriers to the delivery of new homes.
- 4.2. The Project will involve working with the private and public sector, including Homes England to develop a new financial product and to test this product with SME developers. It is intended that the product will be flexible enough to cope with different developments across the SELEP area and able to meet the requirements of different investors.
- 4.3. 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 applied across SELEP. As such, it is investment in this work by SELEP can receive efficiency savings relative to each local authority undertaking a similar piece of work.

5. Project Funding

- 5.1. The total cost of the Project is estimated at £157,425 including a SSF ask of £110,000, along with in kind funding contributions from Homes England, Daedalus Environmental Ltd and Haven Gateway Partnership, as set out in Table 1 below.

Table 1: Project Funding breakdown (£s)

Sources	2018/19	2019/20	Total
SELEP SSF	45,000	65,000	110,000
In kind funding contributions			
Homes England	20,000	13,375	33,375
Daedalus Environmental Ltd	2,000	4,600	6,600
Haven Gateway Partnerships	2,500	4,950	7,450
Total	69,500	87,925	157,425

Issues for consideration

6. Risks and Dependencies

- 6.1. The Project risks and dependencies, as detailed in the bid document include:
 - 6.1.1. Funding – funding sources are interdependent
 - 6.1.2. Timing – ensuring that the developments targeted and provided through Homes England are at the right stage to ensure the project can influence their outcomes
 - 6.1.3. Overcoming SME developer scepticism and disengagement – the Project promoters 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. As such, the Project promoters therefore need 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. The Project promoters have a built-in route to further work with SMEs through the SELEP Housing Developers Group and the European Regional Development Fund (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.
 - 6.1.4. Technology – technological solutions are rapidly evolving and costs are decreasing over time. Need to ensure that statutory providers are engaged and that they can deliver their stated benefits over time. 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.
 - 6.1.5. 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.
 - 6.1.6. Planning – the local planning frameworks within each area may throw up different challenges.
 - 6.1.7. Adoption – The Project promoters 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.
 - 6.1.8. 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

7. Outcome of ITR Process (*Accountable Body Comments*)

- 7.1. The Accountable Body has independently assessed the Project Bid Document and has confirmed that the Project meets the criteria for funding, including the Assurance Framework requirement with regard to the expectation that high value for money will be achieved.
- 7.2. Whilst the Project will consider specific case study sites in Kent, it is intended that the financial model developed through the Project will be applicable to sites across SELEP and would be made available without charge.
- 7.3. The Funding Bid sets out the expected benefits of the project and has made efforts to quantify the benefits of the Project. Whilst it is likely that the funding bid overstates the benefits, then it's expected that the completion of the work at a Pan-LEP scale will deliver cost savings compared to the completion of this work by each district.
- 7.4. Although the a robust approach has not been followed to calculate a BCR over the threshold of 2:1, unquantified benefits have been identified which fulfil the criteria for high value for money as defined by exemption 1 in the SELEP Assurance Framework.
- 7.5. Exemption 1: This may be applied where a project does not present High Value for Money (a Benefit Cost Ratio of over 2:1); but
- has a Benefit Cost Ratio value of greater than 1.5:1; or
 - where the project benefits are notoriously difficult to appraise in monetary terms.
- 7.6 Exemption 1 will only apply if the following conditions are satisfied:
- (1) The funding sought from SELEP in relation to the project must be less than £2.0m and to conduct further quantified and monetised economic appraisal would be disproportionate; and
 - (2) where there is an overwhelming strategic case (with minimal risk in the other cases); and
 - (3) there are qualitative benefits which, if monetised, would most likely increase the benefit-cost ratio above 2:1.

8. Financial implications (*Accountable Body Comments*)

- 8.1. Up to £629,000 of the GPF revenue grant was made available in 2018/19 to support the SSF. There is sufficient funding available to support the request for this Project, as set out in the following table:

Table 2: Sector Support Fund Summary

	Strategic Board Endorsement	2018/19
		£
Available Fund Balance		629,000
Total seeking approval following board endorsement		
Kent Medical Campus Enterprise Zone – Innovation Centre Design Work	28-Sep-18	156,000
Good Food Growth Campaign	28-Sep-18	60,400
Future Proof: Accelerating Delivery of High Quality Development across the LEP	28-Sep-18	110,000
Planning and prioritising future skills, training and business support needs for rural businesses across SELEP	28-Sep-18	96,000
Total endorsed		422,400
Balance following approval		206,600

- 8.2. This grant is a fixed maximum contribution to the Project; any Project overspends incurred will be required to be addressed by the Project delivery partner.

9. Legal implications (*Accountable Body Comments*)

- 9.1. The grant will be transferred to the respective upper tier authority via a grant agreement with the Accountable Body; the grant agreement will include a requirement for claw back of the funding if it is not fully expended or not expended in line with the Project Bid Document.

10. Equality and Diversity implications

- 10.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 10.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

10.3 In the course of the development of the project business cases, the delivery of the project and the ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and were possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

11. List of appendices

- 11.1. Appendix 1 – Project Bid Document
- 11.2. Appendix 2 – Independent Technical Review report

12. List of Background papers

- 12.1. Sector Support Funding Guidance
- 12.2. SELEP Assurance Framework
- 12.3. Minutes of the Strategic Board Meeting 28th September 2018

Role	Date
Accountable Body sign off Stephanie Mitchener (On behalf of Margaret Lee)	04.12.18

I approve the above recommendations set out above for the reasons set out in the report.  Adam Bryan Managing Director for the South East Local Enterprise Partnership	Date 06/12/18
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