

Forward Plan reference number: (N/A)

Report title: To Agree Sector Support Funding Grant Allocations to Maidstone Enterprise Zone Innovation Centre Design Costs	
Report to: Managing Director of the SELEP	
Report author: Rhiannon Mort, SELEP Capital Programme Manager	
Date: 25 th October 2018	For: Decision
Enquiries to: Rhiannon.mort@essex.gov.uk	
Divisions affected: Pan – LEP but particularly Maidstone Enterprise Zone	

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 Kent Medical Campus Innovation Centre Design Costs (the Project). The Project has been through an Independent Technical Review (ITR) process, to enable £156,000 of Growing Places Fund (GPF) Revenue grant to be devolved to Maidstone Borough 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 £156,000 GPF Revenue grant to Maidstone Borough 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, referred to as SSF.
- 3.2. In 2017, Board agreed 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. Maidstone Borough Council has submitted a bid for SSF of £156,000 to support the delivery of design work for the Project at Kent Medical Campus Enterprise Zone.
- 3.5. The Board endorsed the bid for funding on the 28th September 2018 and has also been endorsed by the Kent and Medway Economic Partnership (KMEP) in July 2018.

4. Project Summary

- 4.1. Maidstone Borough Council is requesting £156,000 SSF grant to contribute towards covering the cost of anticipated total design stage costs of £260,000 for the development of an Project
- 4.2. The 2,787sqm (30,000 sqft.) Innovation Centre will offer SMEs focused on life science, healthcare and med-tech activities access to a combination of high-grade office accommodation and business support providing a nurturing environment for start-ups and growing businesses. In doing so the Innovation Centre seeks to address a significant under provision by the private sector in the SELEP area. The centre will also provide conferencing and meeting space to assist in the formation of a “research hotel” where businesses, academics and medical professionals can collaborate to enable new ideas to be developed and introduce new products to the market.
- 4.3. The Project will contribute to delivering the objectives of the existing SELEP Strategic Economic Plan, accelerating the delivery of new employment space and providing support for the emerging life sciences sector. The Project also responds to the UK’s Industrial Strategy which emphasises the need to invest in science, research and innovation to ensure the UK become a more innovative economy.
- 4.4. Maidstone Borough Council has applied for European Regional Development Fund (ERDF) grant to help finance the construction of the facility in tandem with the provision of an extensive business support programme across the SELEP area; however, the design element of the Innovation Centre cannot be funded through this means and Maidstone Borough Council is therefore anticipated to incur these initial costs. The grant secured from the SSF will be used to develop the design of the Innovation Centre so as to enable a construction start date of Spring 2019, subject to ERDF and planning consent being confirmed.

5. Project Funding

- 5.1. The total cost of the Project is estimated at £260,000, as set out in Table 1 below. This excludes the cost of specialist surveys needed to satisfy the requirements of planning application e.g. arboricultural, ecological, archaeological surveys. The overall cost of delivering the Innovation Centre,

including the purchasing of land and the construction cost, is estimated at £11,326,037.

Table 1: Project Funding breakdown (£s)

Source	2018/19	2019/20	Total
Sector Support Fund	93,600	62,400	156,000
Maidstone Borough Council	62,400	41,600	104,000
Total	156,000	104,000	260,000

- 5.2. The match funding for the Project, as set out in Table 1 above, has been confirmed by Maidstone Borough Council. However, the funding package to cover the full construction cost of the project has not yet been confirmed.
- 5.3. An ERDF bid has been submitted for £4.84m to help fund the construction and land acquisition costs. The outcome of this funding application is due to be determined in January 2019. The Board were made aware of this risk as part of their consideration of the Project for SSF.
- 5.4. If the ERDF bid is unsuccessful then alternative funding sources will be considered. Maidstone Borough Council have confirmed their commitment to this Project and in the worst case would return to the scheme in several years' time when business rates collected from the Enterprise Zone reach a sufficient amount to reduce the Council's risk to deliver the Innovation Centre without external contributions. The survey work and design work being undertaken as part of this Project is relevant and transferrable if this scenario occurred.
- 5.5. In addition to the ERDF sought towards the cost of land purchases, Maidstone Borough Council will be providing a further £6.3m towards the delivery of the Innovation Centre.
- 5.6. Furthermore, there is £2.18m anticipated revenue costs, of which £946,230 has been requested from ERDF, with the remaining £1.24m to be financed by Maidstone Borough Council.

6. Issues for consideration

6.1. Risks and Dependencies

- 6.1.1. There is an inherent Project risk due to the uncertainty of the ERDF sought to help fund the construction of the Innovation Centre. If the ERDF bid is not

successful then the delivery of the project will be delayed until an alternative funding source is identified.

- 6.1.2. The ITR of the Project has raised questions as to the pan-LEP nature of the Project. Additional clarification has been provided by Maidstone Borough Council which states that whilst the Innovation Centre itself will be located at the Kent Medical Campus in Maidstone, the Project is part of the wider Medtech Innovation Programme (the Programme) which will be delivered across SELEP.
- 6.1.3. The Programme is a business incubation and acceleration programme to support entrepreneurs and innovators in the early stages of business development and growth, usually in the idea formation and viability testing stages. Delivery will involve strategic partners such as Anglia Ruskin and the SELEP areas' universities, along with the Growth Hubs and other relevant organisations across all federated areas.
- 6.1.4. Finally, the application form identifies a risk that the build cost for the Innovation Centre may be higher than anticipated following receipt of tenders for the construction of the building. This will be mitigated through the design stage with an Employer's Agent and cost consultant working with the design commission team to ensure the design process is checked against costs at key stages.

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. The economic appraisal has quantified the Project benefits as £9,736,159 over the next ten years. These benefits have been calculated based on the expected Business Rates yield, jobs output and the delivery of business space.
- 7.3. On an assumption that the Innovation Centre would be delayed by a year without the SSF contribution to the Project then the Business Rates forgone would total an estimates £375,800. Relative to the public sector contribution to the Project of £260,000 this would indicate a Benefit Cost Ratio (BCR) of 1.45:1.
- 7.4. Although the BCR does not meet the threshold of 2:1 required to demonstrate high value for money, additional, unquantified benefits have been identified which fulfil the criteria for high value for money as defined by exemption 1 in the SELEP Assurance Framework.

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.

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	28-Sep-18	156,000
Design Work		
Good Food Growth Campaign	28-Sep-18	60,400
Future Proof: Accelerating Delivery of High Quality	28-Sep-18	110,000
Development across the LEP		
Planning and prioritising future skills, training and business	28-Sep-18	96,000
support needs for rural businesses across SELEP		
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.
- 8.3. It should be noted that the ERDF which is sought to deliver the Innovation Centre, following the completion of the Project, has not yet been confirmed, which represents a risk to delivery and to the realisation of the potential benefits.

9. Legal implications (Accountable Body Comments)

- 9.1. The grant will be transferred to Maidstone Borough Council 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.
- 11.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 11.3 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.

12 List of appendices

- 12.1 Appendix 1 – Project Bid Document
- 12.2 Appendix 2 – Independent Technical Review report

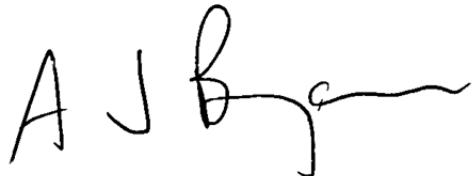
13 List of Background papers

- 13.1 Sector Support Funding Guidance
- 13.2 SELEP Assurance Framework
- 13.3 Minutes of the Strategic Board Meeting 28th September 2018
- 13.4 Additional clarification from Maidstone Borough Council

Role	Date
Accountable Body sign off Stephanie Mitchener	04.12.2018

(On behalf of Margaret Lee)

I approve the above recommendations set out above for the reasons set out in the report.

A handwritten signature consisting of the letters 'A', 'J', 'B', and 'c' connected by a continuous line.

**Adam Bryan
Managing Director for the South East Local Enterprise Partnership**

Date

**12th
December
2018**