



SOUTH EAST  
LOCAL ENTERPRISE  
PARTNERSHIP

---

# STRATEGIC BOARD INFORMATION ITEM PACK

---

**Friday 28th June 2019**  
**High House Production Park, Purfleet, RM19 1RJ**



## **Table of Contents**

Information Item: Growth Hubs Update- Annual Independent Evaluation .....	2
Information Item: Capital Programme Update.....	7

## **Information Item: Growth Hubs Update- Annual Independent Evaluation**

*Appendices Pack: Appendix A*

### **FOR INFORMATION**

#### **1 Background**

- 1.1 KADA Research Ltd was awarded a contract to evaluate the South East Business Hub (SEBH) in March 2019.
- 1.2 The SEBH consists of three hubs that cover the wide geographical area. These are Business Essex, Southend and Thurrock (BEST), Business East Sussex and Kent & Medway Growth Hub.
- 1.3 The SEBH support model was created to simplify the offer for businesses acting as a focal point for business support.
- 1.4 The aim of the evaluation was to satisfy the Government's requirement that an independent evaluation of the Growth Hub be carried out before the end of 2018-19, as set out in the BEIS Monitoring and Evaluation Framework 2018-19. It also aims to provide local partners with independent feedback on the value of the work of the SEBH and the investment in supporting local SMEs.
- 1.5 The evaluation was carried out through sampled surveys of businesses supported and discussions with stakeholders and assessed:
  - The long-term economic impact of the SEBH
  - Customer satisfaction of businesses who have used the services including those who have been signposted to external organisations and their satisfaction of this signposting
  - The impact of the scale-up support including customer feedback and future opportunities
  - Strategic partnership working and feedback from stakeholders
  - Progress against recommendations made in the 2018 evaluation
  - Recommendations for the future evaluation of SEBH, informed by consultation with sub-hubs staff and relevant stakeholders and in accordance with the new 2019 framework

#### **2 Evaluation business headlines**

- 2.1 Overall 70% of all light touch (79.2% BES, 72.2% BEST, 52.5% K&M) and 86% of the medium and high intensity (79% BES, 91.7% BEST, 75% K&M) assisted business respondents were 'very satisfied' or 'somewhat satisfied' with their experience of support (Appendix A provides further information with respect to light touch and medium and high intensity support).
- 2.2 The rate of knowledge and experience of the advisers the businesses came into contact with, medium and high intensity firms scored the SEBH higher than the light touch firms on every indication provided.

- 2.3 74% of the light touch sample reported that they would 'very likely' recommend the service to a friend or colleague.
- 2.4 85% of the medium and high intensity businesses are 'much more likely' or 'more likely' to engage with business support in the future, compared with 68% for light touch firms.
- 2.5 85% of the support provided appears to have given medium and high intensity businesses with more confidence to achieve their growth aspirations.
- 2.6 88% of medium and high intensity respondents think it would have taken them longer to find support without the service provided by sub-hubs.
- 2.7 41% of medium and high intensity firms reported improved business confidence already and 59% have or will increase profit as a result and 65% will increase turnover.

### **3 Evaluation delivery headlines**

- 3.1 The review established that the Federated model works well with SEBH offering weight and ensuring consistent provision across a very large geographical area and can cope with nuances of local need and delivery. The delivery model is rooted in the local economic landscape.
- 3.2 All areas have been very proactive in co-ordinating local activity and share information through steering groups. The relationship between hubs and local authorities is working well. The integration with the South East Business Boost (SEBB) has been excellent. Other findings include:
  - The relationship with national and local partners has deepened considerably in the last 12 months. Some links could be developed further, and they will in the coming months
  - Live Chat is a quick and easy entry point into the hub services, offering triage enquiries and establishing initial trust. This technology should be introduced across the whole of SEBH
  - There are still differences in the way business support data is captured which is being currently addressed
  - There has been a step change in the service offer but there is scope for more investment readiness support
  - The overall awareness of the growth hub services could be higher amongst the business community. A consistent 'drip feeding' of key marketing messages is required to help boost awareness levels
  - The current shift to a central website makes sense from a co-ordination perspective provided local distinctiveness is not lost
  - There is appetite from the three sub-hubs to work more closely together in the coming 12 months

### **4 Evaluation recommendations**

- 4.1 The evaluation identified the following findings that the SEBH Steering Group will be considering at its next meeting.
- 4.2 Operational recommendations:

- Encourage partners like libraries and FSB that provide events to advertise them on the hubs' websites without a charge i.e. allow partners to advertise on the hubs' websites for free
- More joints events between the three hubs and more routine cross referral
- Ensure all three CRM systems are fully aligned as currently one hub is not linked
- Consider new ways to better engage young people, women and ethnic minorities
- A cross hub marketing plan with appropriate measures and activities to deepen awareness of the brand
- Training for hub navigators on helping firms to prepare for Brexit
- More routine aftercare and follow-up

#### 4.3 Strategic recommendations:

- Formalising the SEBH Steering Group so it directs its efforts towards the collective interests of the SELEP cascading intelligence from all three hubs (i.e. the steering group could be used more effectively to promote direct shared interests)
- Using the above to report back on links with national providers to ensure all hubs benefit and to deepen links with IUK, Catapults, Better Business for All and Be the Business
- How the visibility of University and partner business support expertise and events including Department For International Trade (DIT) and The Federation of Small Businesses (FSB) could be significantly enhanced
- Measures to simplify the skills, training and apprenticeships market
- Lobbying for new resources from the shared prosperity fund and other sources for a new SEBH investment readiness product (i.e. building capacity to absorb investment), South East Business Boost 2 (SEBB2) and funds to boost the number and capacity of business navigators
- Reflecting on the scale up pilots, working with the scale up institute and developing a South East wide scale up programme
- Engage hubs in the development of the Local Industrial Strategy

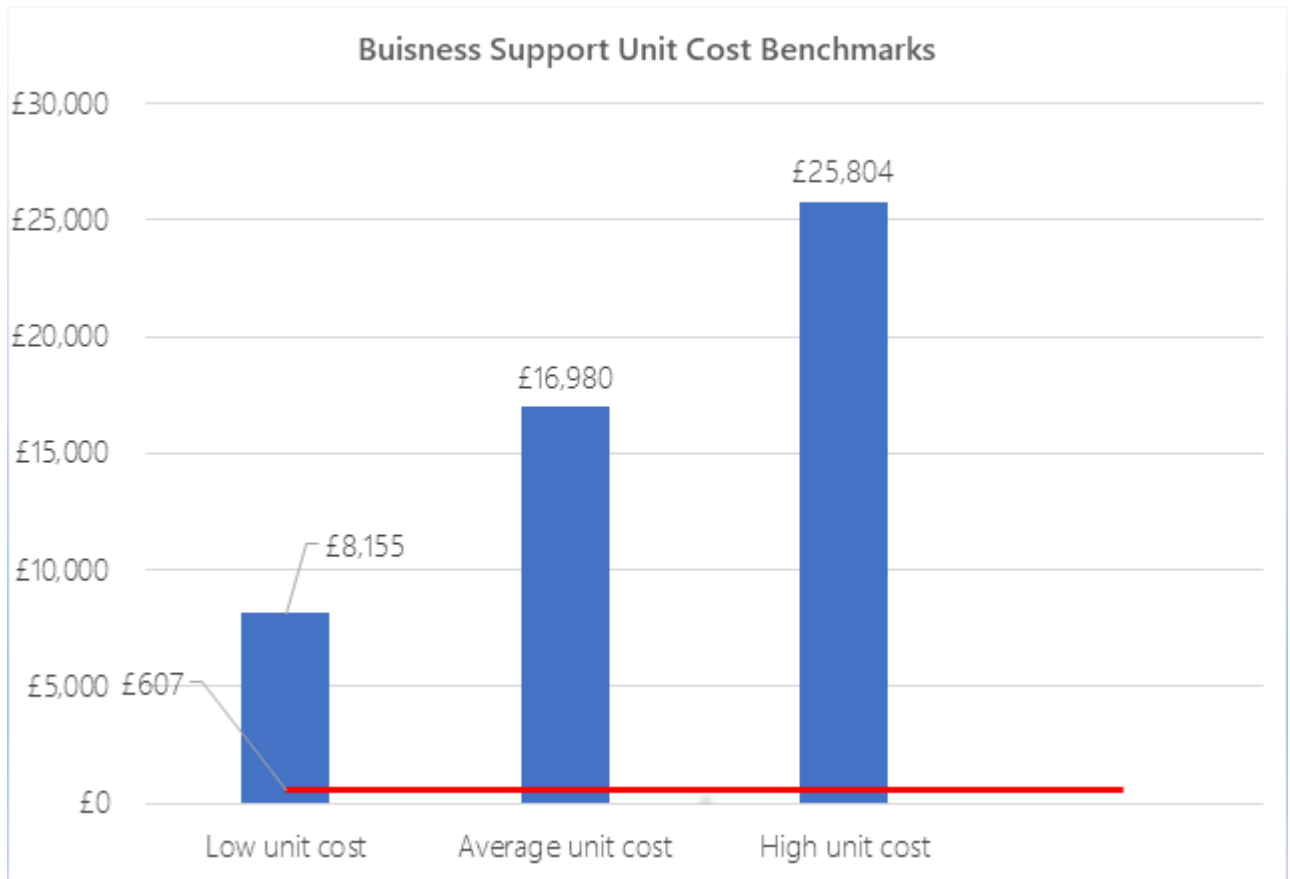
#### 4.4 Recommendations on the future monitoring and evaluation:

- Plan for the annual evaluation 2-3 months in advance to allow sufficient time to conduct company surveys, case studies, etc.
- How KPIs and monitoring data can be collated much more consistently between the three hubs:
  - A more clear and consistent method on data collection on sectors is needed by using an agreed level of a standard industrial classification.
  - Enquiry collection methods have varied across the three hubs. These need to be aligned to ensure the hours for each enquiry are recorded consistently.

- The description of the type of enquiries or advice given should be clearly defined with all three hubs using identical categories.
- The turnover ranges from companies should be collected consistently. This should be in line with BEIS requirements.
- Whether there is scope to simplify the sharing of company data for evaluation purposes
- Plan in scale up impacts to the 2019-20 evaluation in order to reflect on the progress of the current activity to date and future priorities

## **5 Growth Hub value for money assessment**

- 5.1 The estimated GVA NPV to date of £11.5m would result in a cost benefit ratio (CBR) of 1:13.2 i.e. each £1.00 of public investment will generate £13.20. (Note: page 24 of the report sets out every assumption taken and the economic impact model used HMT Green Book principles (generally a cautious approach was applied)). The return on investment is much higher than what is typically expected for this kind of initiative (for instance, a review by CRESR of evidence for general business support activity cites a CBR of 1:6.0 to 1:8.7). The reasons for this high return on investment are a consequence of the fact so little funding is provided to run the service (less than £1m) which means generating an immediate return is relatively straightforward when there are so many beneficiaries (1,432).
- 5.2 The total project cost per business assisted is £607 and the cost per gross direct job generated to date is £1,094. The cost per business assisted is much lower than what is expected for this kind of activity which ranges from £4,700 lower quartile to £10,000 (median) and £34,000 (mean). Again the cost per gross job generated is much lower than might be expected for this kind of activity which varies from £12,000 (lower quartile) to £26,000 (median) and £71,000 (mean). The very cost-effective nature of the project reflects the fact it was relatively inexpensive to deliver yet managed to generate a considerable number of jobs and resultant GVA impacts. (Note: companies that were offered medium and high intensity support were asked in a telephone interview to what degree the support had helped them create employment and to rate the level of additionality)



- 5.3 The programme has been a clear success in terms of value for money.
- 5.4 The full report will be made available on 15 July 2019 after its presentation to the SEBH Steering Group, where they will consider the recommendations.
- 6. Accountable Body Comments**
- 6.1 There are no comments from the Accountable Body on this report.

**Author:** Iwona Bainbridge  
**Position:** Growth Hub Lead  
**Contact details:** [Iwona.bainbridge@southeastlep.com](mailto:Iwona.bainbridge@southeastlep.com)  
**Date:** 14<sup>th</sup> June 2019

## Information Item: Capital Programme Update

### FOR INFORMATION

#### 1. Purpose

- 1.1 The purpose of this report is to provide the Strategic Board (the Board) with an update on the delivery of the Local Growth Fund (LGF) capital programme.
- 1.2 A detailed update on the delivery of all LGF and GPF projects is provided within the Accountability Board Agenda Pack from the meeting on the 7<sup>th</sup> June 2019. A link to this Agenda Pack is provided at the end of this report.

#### 2. Recommendations

- 2.1 The Board is asked to:
  - 2.1.1 **Note** the update on the delivery of the LGF programme

#### 3. Local Growth Fund - Growth Deal

- 3.1 Through three rounds of LGF allocations by Central Government, SELEP has secured a total of £570m investment in projects across SELEP, aimed at boosting skills, unlocking barriers to development and driving economic growth.
- 3.2 To date, a total of £314m LGF has been spent on the delivery of these LGF projects.
- 3.3 It is expected that SELEP will have spent a total of £100.521m on LGF projects (subject to confirmation of final spend by local partners) in 2018/19. This is relative to the £154.99m planned LGF spend at the outset of 2018/19, presenting a variance of £54.469m. This delay to LGF spend is the result of slippage in spend for a number of projects across the LGF programme. In particular, there are a number of larger scale projects which have experienced slippages in LGF spend of greater than £3m during 2018/19:
  - 3.3.1 A28 Chart Road, Ashford;
  - 3.3.2 Strood Town Centre, Medway;
  - 3.3.3 Rochester Airport Phase 1, Medway;
  - 3.3.4 London Southend Airport Business Park;
  - 3.3.5 Purfleet Centre, Thurrock; and
  - 3.3.6 A13 Widening, Thurrock.
- 3.4 LGF slippage, which is held by Essex County Council as the Accountable Body for SELEP or Partner Authorities, will be carried forward to next financial year through the mitigation options agreed by the Accountability Board for spend in future years of the LGF programme.
- 3.5 During the 2019/20 financial year, SELEP is planning to spend a total of £137.201m. However, this figure will increase if LGF3b projects prioritised by Investment Panel on 28<sup>th</sup> June 2019 are approved by the Accountability Board for spend in 2019/20.



### **Accountability Board Funding Decisions**

- 3.6 A majority of the LGF projects included within the current LGF programme have now come forward for Accountability Board approval.
- 3.7 On the 12<sup>th</sup> April 2019, the Accountability Board approved the award of £19.926m to the following four projects:
- 3.7.1 Thanet Parkway (£14.0m LGF, including the additional £4m LGF prioritised by the Investment Panel on the 8<sup>th</sup> March 2019);
  - 3.7.2 Kent Sustainable Interventions Programme (£599,000 LGF)
  - 3.7.3 Kent Strategic Congestion Management Programme (£1.127m LGF); and
  - 3.7.4 Maidstone Integrated Transport Package (£4.2m LGF)
- 3.8 At the last Accountability Board meeting on the 7<sup>th</sup> June 2019, the Board agreed the award of a further £9.0295m to the following 6 projects which were prioritised by the Investment Panel for LGF underspend:
- 3.8.1 Digital Technologies Campus, Basildon (£2.15m LGF);
  - 3.8.2 Groundworks and Scaffolding Training Centre, Colchester Institute (£100,000 LGF);
  - 3.8.3 Skills and Business Support for Rural Businesses, Plumpton College, Lewes (£2.92m LGF);
  - 3.8.4 Flightpath Phase 2, Epping (£1.42m LGF);
  - 3.8.5 Sidney Little Road Business Incubator Hub, Hastings (£500,000); and
  - 3.8.6 Bexhill Enterprise Park North (£1.94m).
- 3.9 The final two LGF3b projects, which were prioritised for funding by the Investment Panel on 8<sup>th</sup> March 2019, will seek final funding approval at the Accountability Board meeting on 13<sup>th</sup> September 2019.

### **Changes to the LGF programme**

- 3.10 At the last Accountability Board, a number of changes were agreed to the projects included within the LGF programme. These changes have been driven by increases in project costs, the constrained timescales to deliver projects, issues arising from uncertainty in regard to receipt of developer contributions and reductions to Essex County Council's capital investment programme (impacting Essex County Council projects). The Board has agreed that the scope of the A127 Network Resilience project will be reduced, and that the following two projects will be removed from the LGF programme:
- 3.10.1 Sturry Integrated Transport Package, Kent; and
  - 3.10.2 East Peckham Storage area, Kent (this is part 2 of the Leigh Flood Storage Area project, which is progressing as planned).
- 3.11 The Accountability Board also considered the A28 Chart Road project at their last Board meeting. This project is currently considered to be high risk, due to ongoing concerns regarding the availability of the developer funding contributions to the project. The developer was initially given until 31<sup>st</sup> January 2019 to provide the required assurances in relation to their funding contribution. Whilst this deadline was not met, SELEP allowed additional time to enable options for progressing the project to

be considered by Homes England and the Ministry for Housing, Communities and Local Government. These discussions have not resulted in a solution and therefore the Accountability Board has agreed that the project should be put on hold and the remaining unspent LGF should be returned to SELEP, unless certainty around the developer funding contributions can be demonstrated by Thursday 27<sup>th</sup> June 2019 (one day before the next Investment Panel meeting).

- 3.12 These changes to the LGF programme will reduce the original outputs and outcomes which SELEP committed to deliver through SELEP's Growth Deal. As a result of removing the two projects, listed in 3.10 above, from the LGF programme, unallocated LGF of £2.587m has become available. If the issue in relation to the developer contributions to the A28 Chart Road project is not resolved by the 27<sup>th</sup> June 2019, a further £7.371m LGF will be returned to SELEP. This will bring the total LGF funding available for reallocation at the next Investment Panel meeting to £15.158m. It is therefore expected that the reallocation of this funding will support the delivery of alternative project outputs and outcomes.
- 3.13 Further details about these project changes can be found in the [Accountability Board Agenda Pack 7<sup>th</sup> June 2019](#).

#### **Engagement with Department for Transport**

- 3.14 During the Accountability Board meeting on 12<sup>th</sup> April 2019 concerns were raised by Board members in relation to those LGF projects which involve working with Network Rail.
- 3.15 The main issues raised by Board members included Network Rail's complex governance processes and risk averse approach to the development of new projects, insufficient investment in new and existing rolling stock and ongoing delays to the award of the new Southeastern franchise.
- 3.16 All of these concerns impact on the delivery of LGF projects, as well as rail connectivity and overcrowding across the SELEP area.
- 3.17 The Accountability Board expressed a desire for these concerns to be raised directly with the Department for Transport. The letter sent to the Department for Transport can be found at Appendix B.

#### **4. Project Evaluation**

- 4.1 Post scheme evaluation is required for each LGF project as the scheme is completed and each County Council/ Unitary Authority is required to provide monitoring reports on the delivery of intended project outcomes to date at the end of each financial quarter. This includes the delivery of new jobs, houses, apprentices and new learners. A commitment to monitoring and evaluation is a condition of funding, as set out in the Service Level Agreement between the SELEP Accountable Body and each County Council/ Unitary Authority.
- 4.2 To date, it is reported that a total of 8,662 jobs and 12,319 dwellings have been completed through LGF investment, as shown in Table 1 below. This is relative to the 78,000 jobs and 29,000 homes which SELEP committed to deliver through its Growth Deal. The delivery of jobs and dwellings reported to date is lower than expected, relative to the outputs committed to through the Growth Deal. It is likely that the output and outcomes will continue to increase through the remainder of the Growth Deal, as projects progress to completion and given the time lag between investment taking place and benefit realisation.

4.3 Work is underway to ensure that where project benefits have started to be realised, these are reported to SELEP and Central Government. As part of the SELEP Delivery Plan, annual forecasts have been agreed for the number of jobs and houses which are expected to be delivered within each financial year. SELEP will track progress against these targets. In 2019/20, it is expected that 12,661 jobs and 5,223 houses will be delivered as a result of LGF investment across the SELEP area.

**Table 1 Project Outputs Reported to Date**

	To date			Forecast in 2019/20		Total forecast through delivery of the LGF programme	
	Jobs	Homes	Other outputs	Jobs	Houses	Jobs	Houses
East Sussex	1,376	1,841	0.5km of newly built road and 3km of new cycle route built	2,350	409	4,916	2,528
Essex	5,684	6,240		3,554	1,950	52,817	46,300
Kent	169	3,094	0.8km of road resurfaced, 0.1km of newly built road and 2.1km of new cycle route built	5,670	1,177	25,197	23,454
Medway	1,433	1,144	1.145km of road resurfaced and 13.6km of new cycle route built	867	1,616	19,057	9,905
Southend	0	0	3.432km of road resurfaced, 0.626km of newly built roads and 0.408km of new cycle route built	0	0	3,864	0
Thurrock	0	0	3.75km off-carriageway new cycle/shared use paths, 0.995km of on-carriageway cycle way, 7.5km of footways to off-carriageway cycle/shared used paths.	220	71	20,547	6,859
<b>Total</b>	<b>8,662</b>	<b>12,319</b>		<b>12,661</b>	<b>5,223</b>	<b>126,398</b>	<b>89,046</b>

## 5. Deliverability and Risk

- 5.1 Appendix A sets out a delivery update and risk assessment for all projects included in the LGF programme, as summarised in Table 2 below. A score of 5 represents high risk whereas a score of 1 represents low risk.
- 5.2 The risk assessment has been conducted for all in accordance with the Ministry for Housing and Local Government (MHCLG) guidance for the assessment of LGF projects based on:

- 5.2.1 Delivery – considers project delays and any delays to the delivery of project outputs/outcomes;
- 5.2.2 Finances – considers changes to project spend profiles and project budget;
- 5.2.3 Reputation – considers the reputational risk for the delivery partner, local authority and LEP.

**Table 2 LGF project delivery, financials and reputational risk (5 high risk, 1 low risk)**

Score	Delivery	Financials	Reputation	Overall
5	11	17	3	7
4	14	11	5	12
3	11	7	13	19
2	14	8	14	19
1	50	57	65	43
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

- 5.3 It was agreed by the Strategic Board in December 2018 that all LGF projects which had been RAG rated as high risk should be considered by the Accountability Board by the end of June 2019.
- 5.4 Since this principle was agreed, all required high risk projects have been brought to the Accountability Board’s attention and decisions have been made by the Board in relation to these projects. Some high-risk projects have now been removed from the LGF programme, whilst others have been considered and, on balance, have continued to be supported/ awarded funding by the Board.
- 5.5 Further decisions in relation to some of the high-risk projects are expected to be brought forward to the Accountability Board in September 2019 for final funding decisions, as set out in Table 3.

**Table 3 Forthcoming decisions by Accountability Board in relation to high risk projects**

Project	Expected
A131 Braintree to Sudbury	Decision on the proposed change of scope for the project
Medway City Estate	Presentation of updated Business Case to facilitate decision on the proposed change of scope for Phase 2 of the project

- 5.6 It is also proposed that all high-risk projects will provide an update on delivery at least every six months, until the Accountability Board are satisfied that the risk has been mitigated satisfactorily.

## **6. Update on SELEP Investment Panel**

- 6.1 The SELEP Investment Panel (the Panel) met for the first time on the 8<sup>th</sup> March 2019, to develop a pipeline of short-term priorities for LGF investment should LGF underspend become available.
- 6.2 The Panel agreed the first nine projects to be supported by the £15.448m LGF underspend which was available at the time of the meeting. However, the Panel decided to postpone the discussion around the priority order of the remainder of the pipeline until June 2019.

- 6.3 The prioritisation of the remaining LGF3b list will be considered by the Investment Panel on the 28<sup>th</sup> June 2019. It is important that this prioritisation takes place so that assurances can be provided back to Central Government that SELEP is following through on its commitment to develop and maintain a pipeline of projects to utilise any underspend that becomes available. Once in place this pipeline of prioritised projects will ensure that LGF underspends or funding returned as a result of project cancellations can be reallocated at pace, to ensure alternative projects can be delivered within the Growth Deal period.
- 6.4 To facilitate this, since the last Investment Panel meeting, Federated Boards have been asked to consider the projects which they identify as highest priority for investment. Given the substantial number of LGF3b applications and the limited funding available, each Federated Board was asked to focus on its top two/three priorities. Each Federated Board was asked to provide supporting evidence/narrative for the priority projects which were identified, where the priority order differs from the ITE ranked list in order to justify any changes to the ITE list. Where the ITE assessment has raised concerns in relation to these projects, Federated Areas were also asked to provide evidence of how these concerns could be mitigated.
- 6.5 Subsequent to this request the Kent and Medway Economic Partnership and the Essex Business Board provided a list of their three top priority projects. Team East Sussex and Opportunity South Essex decided that they would continue to support the ITE prioritised list that was presented to the Investment Panel meeting on 8<sup>th</sup> March 2019. As a result, both Team East Sussex and Opportunity South Essex's three priority projects have been identified as the next applicable projects on the ITE list. As this approach has been adopted, no supporting narrative has been provided as there is no deviation from the original ITE prioritised list of projects.
- 6.6 Federated Boards were also asked to consider whether there were any projects which they wished to withdraw from the process. In particular, there may have been projects which were unsuccessful in securing a provisional allocation on the 8<sup>th</sup> March 2019 and therefore, given timescales, would be unable to spend the LGF allocation sought by the 31<sup>st</sup> March 2021 within the shorter amount of time now available.
- 6.7 Provision of this information has allowed the views of Federated Boards, in relation to their strategic priorities, to be reflected within the report to the Investment Panel. These strategic priorities have also been reflected through the recommendations to the Investment Panel.

## **7. Accountable Body Comments**

- 7.1 All funding allocations that are agreed by the Accountability Board are dependent on the Accountable Body receiving sufficient funding from HM Government. Funding allocations for 2019/20 have been confirmed, however, funding for future years remains indicative.
- 7.2 Government has made future funding allocations contingent on full compliance with the revised National Local Growth Assurance Framework. Allocations are also contingent on the Annual Performance Review of SELEPs LGF programme by Government and assurance from the Accountable Body's s151 Officer that the financial affairs of the SELEP are being properly administered.
- 7.3 A key assessment made in the Annual Performance Review is effective delivery of the Programme; it is noted that there was a high level of slippage from 2018/19 into 2019/20 totalling £55.5m; in addition, slippage of in excess of £13.7m is already reported into 2020/21. This creates a risk to delivery in the remaining two years of the programme.

- 7.4 LGF is transferred to the Partner Authority through a Funding Agreement or a Service Level Agreement. The Funding Agreements set out the circumstances under which funding may have to be repaid should it not be utilised in line with the conditions of the grant or in accordance with the Decisions of the Board.
- 7.5 ECC, as the Accountable Body, is responsible for ensuring that the LGF funding is utilised in accordance with the conditions set out by Government for use of the Grant.
- 7.6 Should the funding not be utilised in accordance with the conditions, the Government may request return of the funding, or withhold future funding streams.

## **8. Appendices**

- 8.1 Appendix A – LGF project update
- 8.2 Appendix B – Letter to the Department for Transport

## **9. Background reports**

- 9.1 [Accountability Board Agenda Pack 7<sup>th</sup> June 2019](#)

**Author:** Rhiannon Mort  
**Position:** SELEP Capital Programme Manager  
**Contact details:** [Rhiannon.Mort@southeastlep.com](mailto:Rhiannon.Mort@southeastlep.com)  
**Date:** 28th June 2019