

**Forward Plan reference number:** (N/A)

<b>Report title:</b> To Agree Sector Support Fund Grant Allocation to the Energy and Clean Growth – Supply Chain Mapping project	
<b>Report to:</b> Chief Executive Officer of SELEP	
<b>Report author:</b> Helen Dyer, SELEP Capital Programme Officer	
<b>Date:</b> 21 <sup>st</sup> October 2019	<b>For:</b> Decision
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<b>Divisions affected:</b> 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 Fund (SSF) Bid for the Energy and Clean Growth – Supply Chain Mapping project (the Project). The Project has been through an Independent Technical Review (ITR) process, to enable £129,500 of Growing Places Fund (GPF) Revenue Grant to be devolved to Kent 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 £129,500 GPF Revenue grant to Kent 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 9<sup>th</sup> 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 grant per annum for three financial years, beginning 2017/18.
- 3.3. The purpose of the SSF is 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. Kent County Council has submitted a bid for SSF of £129,500 to support the delivery of the Project, which was endorsed by the Board on the 4<sup>th</sup> October 2019 and by the Kent and Medway Economic Partnership on 25<sup>th</sup> June 2019.

#### **4. Project Summary**

- 4.1. The low carbon economy is predicted to grow four times faster than the rest of the economy. This pan-LEP project seeks to provide a SELEP wide assessment of opportunities within the emerging local energy and clean growth sector.
- 4.2. The Project will be delivered by Kent County Council, in conjunction with the Low Carbon Across the South East (LOCASE) work. Project updates will be reported to the SELEP Local Energy Strategy Steering Group (to become the Clean Growth Working Group).
- 4.3. The project will undertake an in-depth analysis of the supply chain for the local energy and clean growth sector and will refresh and build upon the now out of date analysis of the Low Carbon Environmental Goods and Services (LCEGS) sector that was undertaken in 2012.
- 4.4. Through the analysis identified, companies will inform on key barriers and challenges that are currently restricting growth in key opportunity areas such as offshore renewables and nuclear. This will enable a Customer Relationship Management (CRM) system to be created that will then be used to develop a targeted Clean Growth Support Programme. Sector-based interventions will be prioritised and selected from the Clean Growth Support Programme and piloted as part of the Project.
- 4.5. The project, through the analysis and creation of the CRM, will provide a SELEP wide assessment of opportunities within this emerging sector and will be able to identify who is buying what; who are the commissioners, the market, the capabilities; what can already be supplied by SELEP businesses and the gaps (i.e. companies which do not exist or can diversify but need support).
- 4.6. The project will contribute to delivering the priorities of the SELEP Strategic Economic Statement through:
  - 4.6.1. Creating Ideas and Enterprise – the project will enable a pragmatic evidence led approach to identifying and exploiting the opportunities from the energy and low carbon and environmental goods and services sectors and will work towards creating the right conditions for growth and productivity in a rapidly evolving sector.
  - 4.6.2. Accelerating Infrastructure – the project will also contribute towards the delivery of the South2East Local Energy Strategy, which is a delivery mechanism for the Strategic Economic Statement priority of Accelerating

Infrastructure through helping to develop new approaches to ensuring energy provision.

- 4.7. The evidence base gathered through this project will continue to evolve in parallel with the SELEP Local Industrial Strategy.
- 4.8. The project application sets out a number of benefits that are expected to be realised as a result of the project. These benefits include:
  - 4.8.1. Implementation of more comprehensive mapping of the LCEGS sector underpinned by more accessible finance, enables exposure of the supply chain market of larger private sector organisations which opens up competition for different sizes and types of SME. Greater investment in the quality and sustainability of low carbon products can be driven at a local level which will in turn grow the LCEGS sector.
  - 4.8.2. The project will be aligned to the priority low carbon sectors as set out in the SELEP Skills Strategy. These sectors are currently all experiencing skills shortages impacting on productivity in the SELEP area. Many of these sectors offer higher than average earnings and therefore supporting individuals into these jobs will improve productivity and earnings across the LEP area.
  - 4.8.3. The project aims to unlock one of the biggest barriers and bottlenecks to skills training and jobs growth. This stifles productivity and growth locally. The project will serve as a pilot and test case which would have national application, offering significant benefits beyond the SELEP area.

## 5. Project Funding

- 5.1. The total cost of the Project is estimated at £185,000 including a SSF ask of £129,500, along with in-kind contributions in the form of staff time from partner organisations across SELEP, as set out in Table 1 below.

**Table 1: Project Funding breakdown (£s)**

Sources	2019/20	2020/21	Total
SELEP SSF	80,000	49,500	129,500
In-kind match contributions			
Staff time from partner organisations	45,000	10,500	55,500
Total	125,000	60,000	185,000

- 5.2. The majority of the stated in-kind match contributions will be provided by Kent County Council and will largely relate to the provision of staff time, however, there may be some financial match in order to ensure that the maximum is gained from the work and pilot interventions.
- 5.3. The project will be delivered in conjunction with the LOCASE work, with all upper tier authorities in the SELEP area having signed up to and agreed the

Supply Chain analysis work which is an important element of the moving the LOCASE work onto the next level and developing more defined clusters.

- 5.4. Kent County Council will manage the work, providing additional research and input from the LOCASE work that has been undertaken. Kent County Council will also drive the development and population of the CRM and the pilot interventions, as well as driving the engagement of the SME community and engagement with all partners and district level economic development officers, delivery agents and senior stakeholders.
- 5.5. Partners will provide staff time through attending the quarterly steering group and the more regular operational group. In addition, they will provide locally based intelligence and will contribute directly to developing the CRM and pilot to ensure it is fit for purpose. Partners will also play a key role in engaging SMEs and local partners in the research and pilot interventions.

## **Issues for consideration**

### **6. Risks and Dependencies**

6.1. The Project risks and dependencies, as detailed in the bid document include:

- 6.1.1. The commissioning of third-party contractors to undertake the supply chain analysis is a risk as the SELEP area is quite large geographically and very diverse in the makeup of SME competencies across various supply chains. This will be negated by ensuring that contractors that are commissioned are knowledgeable and have experience of working within the LCEGS sector.
- 6.1.2. The development of the CRM is a risk to the project, as based on previous experience it can be difficult to ensure suppliers are able to deliver what is required on time and to budget. To overcome this, it will be ensured that a clear Invitation To Tender is issued with set milestones to check on progress at regular intervals.

### **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 project aims to accelerate growth in the LCEGS sector. This growth is expected to lead to the increase in GVA of 600 SMEs, as well as the creation of 100 new jobs.
- 7.3. The project is pan-LEP and has secured in-kind contributions, in the form of staff time, from partner organisations across the SELEP area. The bid has been endorsed by the Kent and Medway Economic Partnership.

7.4. A very high level quantified BCR has been calculated for the Project. Within the Project benefits there will be an element of cost avoidance as a result of all SELEP local authorities having access to the work undertaken during the course of the project. In addition, a number of other benefits are set out in the project bid document. These benefits range from exposing the supply chain market of larger private sector organisations, which opens up competition for different sizes and types of SME, to unlocking one of the biggest barriers and bottlenecks to skills training and jobs growth which is currently stifling local productivity. At this stage in the project it is very difficult to fully quantify the value of expected benefits.

7.5. It is considered that given the difficulties in accurately quantifying the value for money offered by the Project, consideration should be given to applying value for money exemption 1 as set out in the SELEP Assurance Framework in this case.

7.6. 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. A total of £801,600 of SSF funding is available in 2019/20, when taking into account the brought forward funding of £301,600 from 2018/19; of this amount, a total of £300,600 has been awarded to date, leaving an outstanding £501,000 to be allocated.

8.2. This Project came forward for endorsement for £129,500 funding at the October 2019 Strategic Board meeting; the requested funding allocation for the Project is set out in Table 2 below.

8.3. On approval of this Project award, £421,000 remains outstanding for allocation to new funding bids in 2019/20 and £400,500 in 2020/21.

**Table 2: Sector Support Fund Summary****Sector Support Fund Summary**

<b>SSF Funding Available</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Total</b>
	£	£	£	£
Total Funding	1,000,000	500,000	500,000	2,000,000
Less Funding approved to date	698,400	300,600	50,000	1,049,000
<b>Balance of funding available</b>	<b>301,600</b>	<b>199,400</b>	<b>450,000</b>	<b>951,000</b>
Plus funding c/f from 2018/19		<b>301,600</b>		
<b>Funding available</b>	<b>301,600</b>	<b>501,000</b>	<b>450,000</b>	

<b>Projects seeking approval:</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Total</b>
	£	£	£	£
Energy and Clean Growth – Supply Chain Mapping	-	80,000	49,500	129,500
<b>Total projects seeking approval:</b>	<b>-</b>	<b>80,000</b>	<b>49,500</b>	<b>129,500</b>
Funding Available	301,600	501,000	450,000	
<b>Total carry-forward to future years</b>	<b>301,600</b>	<b>421,000</b>	<b>400,500</b>	

8.4. This grant is a fixed maximum contribution to the Project; any Project over spends 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 Kent County 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.

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 where 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

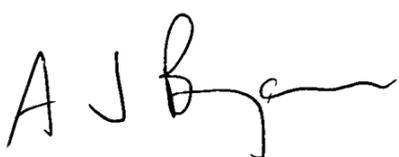
## 12. List of Background papers

12.1. Sector Support Fund Guidance

12.2. SELEP Assurance Framework

12.3. Minutes of the Strategic Board Meeting 9<sup>th</sup> June 2017

Role	Date
<b>Accountable Body sign off</b>  Stephanie Mitchener  <i>(On behalf of Nicole Wood, S151 Officer Essex County Council)</i>	10/12/2019

<b>I approve the above recommendations set out above for the reasons set out in the report.</b>    Adam Bryan Chief Executive Officer for the South East Local Enterprise Partnership	<b>Date</b>  10/12/19
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