SOUTH EAST
LOCAL ENTERPRISE
PARTNERSHIP

# STRATEGIC BOARD AGENDA PACK

**Friday 12th June 2020**
**Zoom Video Conference**

# Agenda

| | | | | |
|---|---|---|---|---|
| **Item 1** | 10:00 | **Welcome,** introduction for Co-opted Board Members and 'rules' for the virtual meeting | Chris Brodie | |
| **Item 2** | 10:05 | **Minutes from 17th April meeting**<br>**Declarations of Interest**<br>**Matters arising** | Chris Brodie | Pg. 3 |
| **Item 3** | 10:10 | **COVID-19 - Economic Intelligence Update**<br>• For information<br>• Update on impact of lockdown on economy | Helen Russell/ Sharon Spicer | Pg. 7 |
| **Item 4** | 10:20 | **COVID-19 – Impact and Options for SELEP**<br>• Summary of reports and decisions | Adam Bryan | Pg. 10 |
| **Item 4a** | 10:25 | **Capital Programme Impact Analysis**<br>• For decision<br>• Update on impact of lockdown on the Capital Programme<br>• Options for mitigation of risk created by changed approach to grant funding | Rhiannon Mort | Pg. 11 |
| **Item 4b** | 10:55 | **GPF Project Prioritisation**<br>• For decision<br>• Prioritisation of GPF Pipeline | Rhiannon Mort/ Helen Dyer | Pg. 30 |
| | 11:20 | **COMFORT BREAK** | | |
| **Item 4c** | 11:30 | **COVID-19 GPF Options**<br>• For decision<br>• Options for allocation of £22m GPF funds | Adam Bryan | Pg. 51 |
| **Item 5** | 11:55 | **Impact of Covid-19 on Higher Education Sector**<br>• For decision<br>• Update on impact of lockdown and social distancing on HE Sector | Prof. Karen Cox | Pg. 67 |
| **Item 6** | 12:05 | **Growth Hub update and ERDF Legacy Funding**<br>• For decision<br>• Information on South East Business Hub<br>• Recommendation for utilisation of SEEDA legacy funds | Jo Simmons | Pg. 73 |
| **Item 7** | 12:15 | **Sector Support Fund Applications**<br>• For endorsement<br>• Selection of projects for Board to endorse for funding | Adam Bryan | Pg. 79 |
| **Item 8** | 12:25 | **AOB and Close** | | |

**Information Pack Items**
Digital Skills Partnership Update

**Future Strategic Board meeting dates:**
4th September (informal roundtable), 2nd October; 11th December; 19th March 2021

# Minutes of Strategic Board 17th of April 2020

## Attendees

| | |
|---|---|
| Chris Brodie | Chair |
| Sarah Dance | Deputy Chair |
| Adam Bryan | CEO |
| Aideen Sadler | Opportunity South Essex |
| Ana Christie | Team East Sussex |
| Carol Ford | Kent and Medway Economic Partnership |
| Claire Lewis | Success Essex |
| Clive Soper | Team East Sussex |
| Cllr David Finch | Essex County Council |
| Geoff Miles | Kent and Medway Economic Partnership |
| Graham Peters | Team East Sussex |
| Jo James | Kent and Medway Economic Partnership |
| Cllr Keith Glazier | East Sussex County Council |
| Liz Gibney | Kent and Medway Economic Partnership |
| Matthew Arnold | Kent and Medway Economic Partnership |
| Miles Adcock | Success Essex |
| Perry Glading | Opportunity South Essex |
| Cllr Rob Gledhill | Thurrock Council |
| Cllr Roger Gough | Kent County Council |

Apologies: Cllr Ian Gilbert

Technical difficulties: Cllr Rodney Chambers and Cllr Ron Woodley

## Other attendees:

| | | | |
|---|---|---|---|
| Alex Riley | SELEP Secretariat | Kim Forward | Hastings Borough Council |
| Amy Bernardo | Essex County Council (as Accountable Body) | Laura Wallis | Essex County Council |
| Amy Ferraro | SELEP Secretariat | Lee Burchill | Kent County Council |
| Beverly Davies | Rural Community Council of Essex | Lorna Norris | Essex County Council (as Accountable Body) |
| Carole Barron | University of Kent | Louise Aitken | SELEP Secretariat |
| Chris Burr | Southend-on-Sea Borough Council | Marwa Al-Qadi | East Sussex County Council |
| Ciaran Duggan | KM Media Group | Nigel Stewardson | BEIS |
| Dave Evans | East Sussex County Council | Peter Shakespear | Essex County Council (as Accountable Body) |
| David Jones | The Institute of Construction Management | Rhiannon Mort | SELEP Secretariat |
| Cllr David Monk | Folkestone & Hythe District Council | Richard Dawson | East Sussex County Council |
| Ellie Clow | SELEP Secretariat | Richard Garland | Gradient Consultants |
| Floortje Hoette | Produced in Kent | Rosie Powley | Southend-on-Sea Borough Council |
| Cllr Graham Butland | Braintree District Council | Sarah Nurden | Kent and Medway Economic Partnership |
| Helen Dyer | SELEP Secretariat | Sharon Spicer | SELEP Secretariat |

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| Helen Russell | SELEP Secretariat | Stephanie Michener | Essex County Council (as Accountable Body) |
| Howard Davies | SELEP Secretariat | Stephen Taylor | Thurrock Council |
| Ian Lewis | Opportunity South Essex | Susan Moussa | Essex Legal Services |
| Iwona Bainbridge | SELEP Secretariat | Suzanne Bennett | SELEP Secretariat |
| Jo Simmons | SELEP Secretariat | Sylvana Jones | Kent County Council |
| Joanne Cable | Medway Council | Tristan Smith | Essex County Council |
| Jonny Birkett | BEST Growth Hub | Vimbai Foroma | SELEP Secretariat |
| Prof Karen Cox | University of Kent | Vivien Prigg | SELEP Secretariat |
| Keith Grimley | Not declared | Zoe Gordon | SELEP Secretariat |
| Kerry Clarke | Kent County Council | | |

***This meeting was held as video conference and a recording can be found by clicking here; the timestamp of the start of the discussion for each item is indicated in brackets***

**Item 1: Welcome and introduction**

1.1. Chris Brodie welcomed the Board to their first virtual meeting.

**Item 2: Minutes of last meeting, declarations of interest, matters arising (4’55” timestamp on video)**

2.1. Chris Brodie informed the Board of a positive APR result; receiving “good” for both governance and delivery, and “met requirements” for strategy (a binary met/not met assessment), and expressed thanks to Suzanne Bennett, David Rayner and the former Vice-Chairs, George Kieffer, Graham Peters and Geoff Miles for their hard work and support towards this.

2.2. Perry Glading declared an interest in relation to Freeports as a non-executive Director of the Port of Dover.

2.3. The Board **agreed** the minutes of the last meeting.

**Item 3: Item 3: Update on Board Agenda (8’10”)**

3.1. Adam Bryan explained the agenda changes listed in the report to the Board.

3.2. It was generally agreed that the LIS’ content will require review due to COVID-19.

**Item 4: Item 4: Appointment of Co-Opted Directors (20’09”)**

4.1. The Board **resolved** to appoint the following co-opted Directors for a period of 12 months:

i) Angela O’Donoghue to represent Further Education;
ii) Professor Karen Cox to represent Higher Education;
iii) Penny Shimmin to represent Social Enterprise;
iv) Cllr David Monk to represent district/city/borough councils in Kent; and
v) Cllr Graham Butland to represent district/city/borough councils in Essex.

**Item 5: Item 5: Terms of Reference, Framework Agreement and other policies (22’20”)**

5.1. The Board agreed to adopt the following policies:

i) Terms of Reference
ii) Board Recruitment Policy
iii) Code of Conduct
iv) Complaints Policy

v) Conflicts of Interests Policy

vi) Public Questions Policy

vii) Subsistence and Hospitality Policy

viii) Whistleblowing Policy

5.2. The Board **resolved** to enter into the Framework Agreement.

5.3. The Board **resolved** to enter into a Power of Attorney as detailed in the supporting report.

5.4. The Board **noted** that the Assurance Framework continues to apply.

**Item 6: SELEP's response to COVID-19 (first report at 28'42", second at 41'40" and third at 55'53")**

6.1. Chris Brodie explained to the Board how the LEP network is communicating and collaborating with Local Government and Ministers regarding Covid-19.

6.2. Jo James emphasised the importance of local delivery for business support due to their expertise in their local market.

6.3. The Board discussed the difficulties for the agricultural sector during this period, and how the Southern LEP group can raise awareness of this to Government.

6.4. The Board **noted** the first report regarding the immediate response actions.

6.5. Rhiannon Mort explained the second report to the Board, that the LEP is trying to assess short- and long-term impacts for projects and provide assurance to partners that they will not be penalised for project delays which occur as a result of Covid-19.

6.6. Perry Glading highlighted the importance of sharing our actions with other LEPs.

6.7. Claire Lewis asked how to ensure that delays are Covid-19 related and not caused by other factors. Chris Brodie explained that this would be considered on a case-by-case basis.

6.8. The Board **agreed** to recommend to the Accountability Board that flexibility should be granted to delay Growing Places Fund (GPF) repayments for existing projects where justification is provided of the impact of Covid-19.

6.9. The Board **noted** that amended repayment schedules for the Charleston Centenary and Fitted Rigging House projects will be considered by the Accountability Board at its first meeting in 2020/21.

6.10. The Board **agreed** to a 12-month grace period, starting from 1 April 2020, in relation to the charging of interest on GPF loans.

6.11. The Board **agreed** to extend the Growth Deal period, due to end on 31 March 2021, by at least 6 months. (increased from 2 months + duration of the social distancing measures, as worded in the report)

6.12. Suzanne Bennett explained the third Covid-19 report to the Board, which details next steps for the LEP.

6.13. The Board generally expressed scepticism around the Crowdfunder UK initiative and closing the Sector Support Fund.

6.14. There was general agreement that the support of potential GPF projects that have already been submitted to SELEP should not be ruled out as part of the Covid-19 response.

6.15. The Board **agreed** that the latest round of GPF investments continue to be held until a full assessment on options for supporting post-Covid-19 economic recovery can be made.

6.16. The Board **agreed** to delegate approval of a written technical response on ERDF monies to the Chair.

6.17. The Board **did not agree** to support the Crowdfunder UK Pay It Forward initiative. The next decision regarding closing the Sector Support Fund was therefore no longer applicable.

6.18. The Board **noted** the proposal to bring a full report to June setting out options for inventions to support the recovery of the economy.

**Item 7: Covid-19 Crisis Sub-Committee (1h21'17")**

7.1. Chris Brodie explained the idea of introducing a Covid-19 Crisis Sub-Committee.

7.2. It was generally agreed by the Board that this sub-committee would not be necessary as the technology is effective, as long as the Board is able to be agile as necessary during this period of uncertainty.

7.3. The Board **did not agree** to establish a Covid-19 Crisis Sub-Committee. The following decisions for this item were therefore no longer relevant.

**Item 8: Item 8: Coastal Communities Economic Prospectus (1h42'24")**

8.1. Adam Bryan introduced this item to the Board and emphasised its relevance in the current crisis.

8.2. It was generally agreed that the prospectus should be reviewed in the light of Covid-19.

8.3. The Board **agreed** to endorse the Coastal Communities Economic Prospectus, subject to review as discussed.

Chris Brodie closed the meeting.

# Item 3: COVID-19 – Economic Intelligence Update

**1. Purpose**

1.1. The purpose of the paper is to provide an update to the Strategic Board (the Board) on the developing SELEP Economic Intelligence pack which we will update and release cyclically over the coming months, and to seek the Board's feedback to inform future intelligence reports.

**2. Recommendations**

2.1. The Board is asked to note the content of the Economic Intelligence pack attached as appendix A.

2.2. The Board is asked to agree the format and frequency of future iterations. The Board are asked to confirm whether they wish to receive:

2.1.1. the full report in advance of each strategic board meeting; and/or

2.1.2. a shorter dashboard report similar to that set out in appendix B on a monthly basis.

**3. Background**

3.1. The COVID-19 pandemic and the subsequent restrictions imposed since March 2020 have had an immediate and significant impact on the global and national economy. Due to the unprecedented nature of the health and economic challenge there is still much uncertainty about how long the restrictions will last and what this means for the timescales of an economic recovery.

3.2. There are a number of external estimates of the potential impact of the COVID-19 outbreak, which mostly point to double-digit falls in UK GDP, although the range of estimates is large. The Office for Budget Responsibility produced an initial assessment of the potential impact which models a sharp economic decline with Real GDP falling 35% in the second quarter but bouncing back quickly - resulting in an annual GDP decline of 13% in 2020.

3.3. In order to build an appropriate response across our region, it is important for SELEP to understand what these challenges could mean for our distinct economic geographies. Therefore, the attached economic intelligence pack (appendix A) summarises what we currently know in relation to:

3.1.1. the impact on the global economy and international trade and investment;

3.1.2. the impact and outlook for the UK economy;

3.1.3. potential shared challenges and outlook across the Greater South East;

3.1.4. the potential scale of the impact across the SELEP economy;

3.1.5. how the Government lockdown and COVID-19 guidelines are already affecting our people, businesses and industries; and

3.1.6. where the emerging opportunities might be for economic recovery.

3.4. This is intended to support the local intelligence gathering and recovery strategy work, which SELEP will continue to actively engage in and consider for the ongoing development of this Economic Intelligence Pack.

3.5. The economic intelligence pack is an ongoing piece of work through which SELEP will continue to monitor data and intelligence as more becomes available and a clearer picture emerges on the economic outlook. The pack is intended to inform the Board and support its decisions on future activities that can best assist our economic recovery, such as those proposed in the COVID-19 Growing Places Fund Options (item 4c).

3.6. It is anticipated that in the short term this will include the development of a high level 'COVID-19 Economic Response' statement which will set out the most significant impacts and opportunities for the SELEP economy, based on available intelligence and on economic priorities identified in the 'Smarter Faster Together' Economic Strategy Statement and the draft Local Industrial Strategy (LIS). It will also outline the support that SELEP is providing to protect and boost the economy, as well as support the development of SELEP's strategic priorities for the medium term, through a refresh of the draft LIS which will be undertaken at a later date as a more complete picture of the economic impact of COVID-19 becomes available to inform our planning.

**4. Reporting on the Economic Impact of COVID-19**

4.1. There is a significant amount of information and intelligence being produced in relation to the current economic challenges. For the purposes of the initial Economic Intelligence Pack we have chosen to reflect a breadth of intelligence at a global, national and regional level. We are also seeking to align where appropriate with economic analysis being undertaken by LEPs across the wider South East. In doing so we have also focused on the emerging effects on some of the sectors that have been most significantly impacted by COVID-19 as well as those that of particular relevance across the SELEP area.

4.2. We will continue to review data, feedback and intelligence sources to increase our understanding of these impacts as more information becomes available. Current sources include the John Hopkins University daily COVID-19 updates, World Trade Organisation, International Monetary Fund, Office for National Statistics, UK Purchasing Managers Index, Companies House, Emsi labour market analytics, Hatch Regeneris COVID-19 Socio-Economic Impact Exposure Report, SELEP COVID-19 Business Impact/Recovery Survey and other business surveys, and individual sectoral organisations and reports.

4.3. The economic impact of COVID-19 at a national, regional and sectoral level is significant and some of the headline findings within the economic intelligence pack include:

4.1.1. SELEP has 10,460 (as of 1st June) confirmed cases of COVID-19. This equates to 3.8% of the UK total.

4.1.2. UK Gross Domestic Product fell by 5.8% in March and forecasts from the Office of Budget Responsibility estimate a contraction of 13% in 2020. A similar decline for SELEP would equate to a loss of c.£11.7billion in 2020.

4.1.3. Ninety-eight percent of SELEP businesses reported being impacted by the crises. However, sectors are experiencing different impacts with for example, the accommodation and food sector having the largest number of furloughed staff, whereas the IT sector has seen one of the lowest.

4.1.4. The SELEP economy is considerably diverse, but some of our most significant sectors are amongst the most affected. Construction and transport and logistics have particularly high relative concentrations of employment, along with strengths in manufacturing and food production. Construction and manufacturing are predicted to be in the top 4 hardest hit sectors. Education is predicted to be the hardest hit according to OBR predictions. Across much of the South East, the tourism industry impact, including our cultural offer is also substantial, with particular importance in our coastal areas.

4.1.5. 46% of businesses responding to the SELEP survey said that access to finance was a key factor in their recovery. However, there is evidence that businesses are also actively seeking to adapt – 58% said they would change the way they operate, 49% needed support in adapting their business models and 44% felt that adapting and developing new products and services was key to their recovery. Encouragingly 27% of businesses also felt the crisis had presented opportunities for them.

4.1.6. We are already seeing an impact on employment, with benefit claims up by 75% between March and April across SELEP and a 27% decrease in job postings in April 2020 compared to April 2019.

4.1.7. To ensure that the economic intelligence pack can most effectively support Board discussions, the Board are asked to consider whether they wish to receive this report ahead of each Strategic Board meeting and/or to receive a shorter 'dashboard' style report (example attached as appendix B) on a monthly basis.

4.1.8. The dashboard will show key metrics about the national and local economy, including:

- Labour markets impacts e.g. benefit claimant data and job postings
- Update of Government schemes e.g. furlough and business grants
- COVID-19 cases
- GDP and PMI forecasts

4.1.9. This is intended to utilise the data that is published regularly to provide the Board with an ongoing trend of economic impact. An additional page could be added to the dashboard to supplement the data with additional anecdotal information at a national and local level.

4.1.10. Please note that the cycles with which new data is released will vary, but monthly is the most common for national datasets.

4.1.11. The SELEP secretariat also welcome feedback on the content of the report. For example, whether the Board feels that it reflects the right balance of information or whether there are areas where Board members would like to see more or less detail.

## 5. Accountable Body Comments

5.1. The Accountable Body has no specific comments to add to this report.

## 6. Appendices

6.1. Appendix A: SELEP Economic Intelligence Pack – Impact of COVID-19

6.2. Appendix B: Economic Intelligence Dashboard (draft for reference)

Author: Helen Russell /Sharon Spicer

Position: Strategy & Intelligence

Contact details: helen.russell@southeastlep.com/ sharon.spicer@southeastlep.com

# Item 4: COVID-19 – Impact and Options for SELEP Covering Report

**1. Purpose**

1.1. The purpose of this report is to set out a summary of the information to be presented on the COVID-19 Impact and Options and the decisions to be considered by Board.

**2. Recommendations**

2.1. The Board is asked to note the summary information below in advance of considering items 4a, 4b and 4c.

**3. Background**

3.1. Since the last Board meeting on 17 April significant work has been undertaken to understand the impact of the COVID-19 lockdown on the economy and what options could be considered by Board to mitigate these impacts using the only funding available, the £22 million of Growing Places Fund (GPF) repayments.

3.2. Whilst this work was underway it was communicated to us that HM Government had made a change to how Local Growth Fund (LGF) grant monies were to be allocated in 2020/21. This has created increased risk to the LGF programme and has presented an additional layer of complexity as the Board now also needs to consider whether they would choose to divert some of the available GPF monies to mitigate this risk.

3.3. To assist Board's understanding, the decisions that Board needs to consider have been split into three reports with supporting information. A brief summary of each report can be found below.

**4. 4a Capital Programme Impact**

4.1. This report sets out the changes to the funding provided by HM Government along with other risks that have been created by the COVID-19 lockdown. It is important that Board understands the increased risks to the LGF Programme before making any decisions on allocating GPF monies.

**5. 4b GPF Project Prioritisation**

5.1. A further round of GPF was launched in October of last year. Investment Panel was due to consider the prioritisation of projects on 17 April 2020 but this was postponed due to the COVID-19 crisis. It is now proposed that the projects submitted are prioritised as the GPF pipeline.

5.2. This report lays a proposed prioritised list for the pipeline for Board to consider. Once the pipeline is agreed Board can consider whether it would like to allocate any funding, which is set out in report 4c.

**6. 4c COVID-19 GPF Options**

6.1. Building on the information provided in the two earlier reports, this sets out the options for the allocation of the £22 million GPF repayments.

**7. Accountable Body Comments**

7.1. The Accountable Body Comments are included in the respective items 4a to 4c.

Author: Suzanne Bennett
Position: Chief Operating Officer
Contact details: suzanne.bennett@southeastlep.com

# Item 4a: Capital Programme Impact Analysis

## 1. Purpose

1.1. The purpose of this report is to provide an update on the Local Growth Fund (LGF) programme in light of the impact of COVID-19 and to consider the pressing issues created through the Ministry for Housing Communities and Local Government (MHCLG) having only transferred two thirds of SELEP's LGF allocation for 2020/21 in May 2020.

1.2. The report provides a summary of the LGF spend forecast to the end of the Growth Deal (officially due to end on 31 March 2021) and the planned LGF spend beyond this date to inform the implications of this latest funding position.

1.3. The Strategic Board is asked to endorse a proposed approach, to position SELEP to make the strongest possible case to Central Government for the remaining £25.958m LGF and to mitigate the risk this potential funding shortfall presents.

1.4. This includes agreeing to amend the Service Level Agreements with partner authorities under which the LGF is transferred, as set out in section 6 and using Option 4 mitigation, to demonstrate LGF spend during this final year, as set out in section 9 below.

1.5. The Board is also asked to consider its preferred approach to be recommended to the Accountability Board at its meeting on the 3 July 2020 to mitigate the current risk of an LGF funding shortfall.

1.6. Alongside the actions set out in this report, SELEP will be engaging with senior officials, the LEP Network and MPs to communicate the benefits of LGF investment and the investment which will be lost from our area if the final third of funding is not confirmed.

1.7. For funding decisions to proceed for any new LGF projects or projects which are due to be considered by the Accountability Board for second tranches of funding, SELEP will need to identify projects to bear the risk, should the remaining £25.958m not be forthcoming. SELEP must ensure the total value of LGF awarded to projects approved by the Accountability Board is not overcommitted relative to the amount of LGF awarded to SELEP by Central Government.

## 2. Recommendations

2.1. The Board is asked to **agree its preferred option**, to be recommended to the Accountability Board on 3 July 2020:

2.2. **Option A**

2.2.1. Pause all LGF funding decisions until the final £25.958m LGF has been confirmed; <u>or</u>

2.3. **Option B -** Proceed with funding decisions for those projects which are due to receive second tranches of LGF funding by identifying existing LGF projects, to the same value, to absorb the risk if the remaining third of LGF is not secured.

2.3.1. Identify projects to the value of £13,574,692 LGF which will bear the risk should the final third of LGF not be received by MHCLG (based on the four scenarios set out in section 9 of this report); and

2.3.2. Proceed with funding decisions by the Accountability Board for those projects which are due to receive second tranches of LGF funding for projects. This includes the following three projects:

- A13 widening additional funding (£8,942,400 LGF)
- Kent and Medway Medical School Tranche 2 (£4,000,000 LGF); and
- Southend Town Centre Tranche 2 (£632,292 LGF); or

2.4. **Option C (Recommended approach, following informal Accountability Board discussion) –** Proceed with funding decisions for all projects listed in Table 2, by identifying existing LGF projects, to the same value (£20,748,971 LGF) to absorb the risk if the remaining third of LGF is not secured.

2.4.1. Identify projects to the value of £20,748,971 LGF which will bear the risk should the final third of LGF not be received by MHCLG (based on the four scenarios set out in section 9 of this report); and

2.4.2. Proceed with funding decisions by Accountability Board for all projects listed in Table 2, by identifying existing LGF projects to absorb the risk if the remaining third of LGF is not secured.

2.5. The Board is asked to **note** that under agenda item 4c, the Board is asked to use £3.525m Growing Places Fund (GPF) to bridge the gap between the LGF currently committed by the Accountability Board and the funding which has been received from MHCLG to date. Should HM Government pay the final third of the capital grant in this financial year, the £3.525m will be returned to the GPF pot. If the Board do not agree to repurpose £3.525m GPF, as set out under agenda item 4c, the Board will need to identify additional projects to bear the £3.525m LGF risk; this funding will only be available to the partner authority if the remaining third of LGF is transferred.

2.6. The Board is asked to agree to enter into updated Service Level Agreements for the transfer of LGF, as set out in section 6 and in the form as substantially similar to the terms set out in Appendix E, and delegate authority to the [CHIEF EXECUTIVE/CHIEF OPERATING OFFICER] to finalise the terms of the agreement.

2.7. The Board is asked to endorse the use of ‘Option 4’ capital swaps with local authority capital programmes to demonstrate the spend of LGF within 2020/21, as set out in section 9 below.

## 3. Background

3.1. LGF is received from MHCLG on an annual basis and is dependent on a successful outcome of the Annual Performance Review of SELEP with senior officers from MHCLG each calendar year.

3.2. To date, SELEP has received LGF in line with the provisional allocation from Central Government. Given the very positive outcome of the last performance review with Central Government, SELEP was expecting to receive £77.873m LGF in May 2020; as the final instalment of LGF as part of the Growth Deal programme.

3.3. On 13 May 2020, MHCLG issued a formal letter to all LEPs across the UK to communicate their intention to pay only 2/3 of the LGF allocations which LEPs were due to receive in May 2020. A review will be undertaken by MHCLG over the Summer to understand LEP’s contractual commitments and the likely LGF spend in 2020/21. The review will then inform

Ministerial conformation of the final 1/3 of funding.

3.4. The review is intended to look at LEP's project pipeline, current and forecast position on contractual commitments, and consider **<u>how LEPs intend to manage their LGF spend during 2020/21, using its 'freedoms and flexibilities'</u>** awarded by MHCLG (see section 9 below).

3.5. Whilst SELEP has sought clarification on numerous occasions around the implications of SELEP committing LGF spend beyond the 31st March 2021, no formal response has been provided and as such, SELEP has developed its position based on the informal advice from officers in MHCLG. From the reading of the formal letter there is doubt caste on MHCLG's intentions to make the final third of funding available to LGF projects which are not already contractually committed and able to spend LGF within the Growth Deal period. A copy of the letter from MHCLG is made available in Appendix A.

3.6. Separate to the award of LGF by MHCLG, SELEP also receives LGF for Department for Transport (DfT) retained projects directly from the DfT. This funding is received under separate Grant Determination Letters for each specific DfT project and is conditional for use against that project. Grant Determination Letters have been received by the SELEP Accountable Body for the 2020/21 DfT LGF, as anticipated, and officers from the DfT have confirmed flexibility for some slippage of LGF beyond this financial year.

3.7. In addition to the risks to the remaining £25.958m LGF, there are also delivery issues which have arisen as a result of the public health measures introduced in response to COVID-19 and the resultant behaviour change. This will not only create a substantial risk of cost increases across the LEP programme but will also impact the scale and pace of benefit realisation.

**4. Summary LGF spend position**

4.1. To date, the Accountability Board has approved the award of over £541.5m LGF funding to 102 projects, as set out in Appendix B. Based on only £51.915m having been transferred by MHCLG, relative to the £77.873m LGF expected, the **<u>funding awarded by the Accountability Board now exceeds the total LGF received by SELEP by £3.525m</u>**. This figure excludes the funding decisions that were due to come forward to the Accountability Board that was postponed in May 2020 and also those planned for July 2020, as set out in Table 2 below.

4.2. To the end of 2019/20, a total of £411.367m had been spent, relative to the £480.462m LGF received from MHCLG and DfT. This has resulted in a carry forward of £69.096m LGF from 2019/20 to 2020/21.

4.3. Table 1 below sets out the expected spend of a further £116.512m LGF in 2020/21, but with the carry forward of £451.056m LGF beyond 31 March 2021, for spend in 2021/22 onwards. This position does not factor in the implications of SELEP having received confirmation of only 2/3 of its expected LGF in 2020/21

4.4. Table 1 - LGF spend position

| | LGF spend to end of 2019/20 | LGF spend 2020/21 | LGF spend 2021/22 | LGF spend 2022/23 onwards | Total | % LGF allocation spent to date |
|---|---|---|---|---|---|---|
| | | | | | | |
| **East Sussex** | 61.933 | 8.156 | 10.608 | 1.579 | 82.275 | 75.27% |
| **Essex** | 78.642 | 12.791 | 5.862 | 12.000 | 109.295 | 71.95% |
| **Kent** | 87.767 | 26.434 | 10.755 | 0.000 | 124.957 | 70.24% |
| **Medway** | 21.357 | 9.734 | 1.349 | 0.000 | 32.440 | 65.84% |
| **Southend** | 25.299 | 13.649 | 0.362 | 0.000 | 39.310 | 64.36% |
| **Thurrock** | 26.080 | 19.103 | 0.460 | 0.000 | 45.643 | 57.14% |
| **Skills** | 21.975 | 0.000 | 0.000 | 0.000 | 21.975 | 100.00% |
| **M20 Junction 10a** | 19.700 | 0.000 | 0.000 | 0.000 | 19.700 | 100.00% |
| **Unallocated** | 0.000 | 0.000 | 1.684 | 0.000 | 1.684 | 0.00% |
| **Sub-total** | 342.752 | 89.868 | 31.079 | 13.579 | 477.278 | |
| **DfT Retained** | 68.614 | 26.645 | 6.399 | 0.000 | 101.658 | |
| **Total spend forecast** | 411.367 | 116.512 | 37.477 | 13.579 | 578.935 | |

## 5. LGF spend beyond the original Growth Deal deadline (31 March 2021)

5.1. The Growth Deal is an informal agreement between SELEP and Central Government, under which Central Government allocated £578.9m LGF to SELEP. In exchange, SELEP provided a commitment to deliver a total of 78,000 jobs and 29,000 homes by the 31st March 2021.

5.2. The Growth Deal itself is not a legally binding document and instead LGF is transferred to SELEP on an annual basis under Grant Determination letters. Since the start of the LGF programme in April 2015, annual letters have been issued by Central Government to Essex County Council, as the SELEP Accountable Body, to provide confirmation of the annual LGF award and a provisional funding allocation for future years of the programme.

5.3. The Grant Determination letters received to date do not restrict the timescales for spending the grant. However, as the end of the Growth Deal period is informally recognised as the 31 March 2021, SELEP has on several occasions sought confirmation of the consequences of spending LGF beyond this date.

5.4. No written response has been provided by Central Government to SELEP's formal requests for clarification sought through SELEP Annual Performance Reviews, a letter from the SELEP Chief Exec and through more informal communication.

5.5. At the Accountability Board on 15 February 2019, MHCLG provided some advice on the position in relation to LGF spend beyond 31 March 2021. Whilst noted that the advice was not formal policy guidance, the message from MHCLG at the time was that the Cities and Local Growth Unit were not overly concerned about the slippage beyond the Growth Deal period for projects which are already underway. They would be more concerned about planned LGF spend beyond the Growth Deal, where the project is not already underway. However, if SELEP has strong justification for why it's supporting the project then there is nothing in the conditions of the grant to prohibit this.

5.6. As such, the Accountability Board agreed that LGF spend beyond 31 March 2021 should only be permitted on an exceptional basis where the following five criteria are satisfied, including:

5.6.1. A clear delivery plan with specific delivery milestones and completion date is agreed by the Accountability Board;

5.6.2. There is a direct link to the delivery of jobs, houses or improved skills levels within the SELEP area;

5.6.3. All funding sources have been identified to enable the delivery of the project. Written commitment will be sought from the respective project delivery partner to confirm that the funding sources are in place to deliver the project beyond the Growth Deal;

5.6.4. Endorsement from the Strategic Board that the funding should be retained against the project beyond 31st March 2021; and

5.6.5. Contractual commitments are in place with construction contractors by 31st March 2021 for the delivery of the project.

5.7. At the last Strategic Board in March 2020 it was agreed that, as a result of the impact of the COVID-19 crisis on the programme (as set out in appendix C), SELEP should offer flexibility to local partners by extending the Growth Deal period by six months to 30 September 2021.

5.8. The letter received from MHCLG on 13 May 2020 does not explicitly prohibit the spend of LGF beyond 31 March 2021, nor do the specific Grant Conditions from Central Government. However, there is a clear indication that LEPs are expected to demonstrate how they're managing LGF spend during this financial year within their 'freedoms and flexibilities.

5.9. From informal discussions with Government officials, it seems that if SELEP is unable to demonstrate its intention to spend it's LGF allocation in full within 2020/21 (within SELEP's freedoms and flexibilities) there is a risk to the remaining third of LGF being secured.

5.10. There is a strong case for SELEP to make to Central Government for the remaining LGF; to support the economic recovery and the projects which have been prioritised by SELEP and to avoid the substantial abortive costs which could be incurred if LGF allocations are withdrawn. However, looking at the cashflow position on a purely numerical basis, the forecast slippage of LGF beyond 31st March 2021 is likely to weaken the case for the remaining third of funding.

5.11. Appendix B sets out a list of projects which have been allocated LGF, but which have not yet spent their LGF allocation in full. It also identifies those projects which are forecasting LGF spend beyond 31 March 2021.

## 6. Contractual commitments

6.1. Reflecting SELEP's federated model, almost all LGF is transferred from the SELEP Accountable Body to the six County/Unitary Authorities under Service Level Agreements (SLAs), currently in place between the SELEP Accountable Body and each Authority. LGF is transferred on a quarterly basis, following approval of the project by the Accountability Board.

6.2. The SLAs themselves do not currently include specific project information as the intention was to ensure LGF would be quickly transferred to delivery organisations. The county/ unitary authorities either deliver the LGF projects themselves or put contracts in place with third party organisations to deliver the projects.

6.3. The letter from MHCLG refers to the review of SELEP's contractual commitments, which are generally defined by MHCLG as *"the full amount of the LGF aspect of the contract – when the* *contract is actually signed e.g. the contract to deliver project A with company X (worth £10m) was actually signed in 2019".*

6.4. For SELEP to provide greater assurance to MHCLG that the LGF has been contractually committed, it is SELEP's intention to strengthen the SLAs to provide further details of the specific LGF projects for which the funding is being transferred. SELEP Secretariat and local partners will be working at pace, to ensure the revised SLAs are in place; to demonstrate that the LGF approved by the Accountability Board has been contractually committed.

6.5. There is a requirement to update the SLAs as part of SELEP's planned activities for 2020/21 to reflect SELEP's updated status as a limited company. The revised SLAs have been drafted as a tripartite agreement between Essex County Council, as the SELEP Accountable Body, county/unitary authorities and SELEP Ltd.

6.6. In light of the new format of these SLAs, the SLAs will require updating after Accountability Board approves either any changes to the projects included within the LGF programme or changes to the LGF allocation of any specific project. Whilst the amendments to the SLAs could prove time consuming, it is a proactive step which SELEP can take to provide greater assurance to MHCLG that the funding is contractually committed to LGF projects and steps have been taken to mitigate this by putting into place standard documents for the parties to use (as set out in the revised SLA).

6.7. Approval is therefore sought from the Board to enter into the revised SLAs. A draft of the SLA is made available as appendix E. Each respective county/unitary authority will be taking the revised SLA through their governance for approval in parallel to the draft SLA being presented to Strategic Board for expediency. Authority is requested for the Chief Executive Officer and Chief Operating Officer to jointly agree the final version of the SLA in substantially similar terms to the version made available at appendix E.

**7. Options available**

7.1. As set out in the introduction to this report, SELEP will be using all channels available to make strong representation to Central Government for the remaining third of LGF and to prepare for the review of LGF projects. The outcome of the review is expected by September 2020. However, there are a number of LGF projects which were due to be considered by the Accountability Board in May and July 2020 and are due to spend LGF in 2020/21, as set out in Table 2 below.

7.2. Through the informal Accountability Board meeting discussion on 29 May 2020, there were calls for the funding decisions for these projects to proceed as soon as possible. This includes three projects which are seeking second tranches of funding (Kent & Medway Medical School, Southend Town Centre and A13 widening).

**Table 2 – LGF projects due to receive funding decision from Accountability Board (not in ranked order)**

| Forthcoming LGF funding decisions | LGF value | Funding being underwritten by local partner if LGF award not made |
|---|---|---|
| Kent and Medway Medical School Tranche 2 | £4,000,000 | Yes |
| Southend Town Centre Tranche 2 | £632,292 | Yes |
| A13 widening – additional funding | £8,942,400 | Yes |
| **Sub-total** | **£13,574,692** | |
| New Construction Centre, Chelmsford College | £1,295,200 | No |
| Basildon Innovation Warehouse | £870,000 | No |
| Innovation Park Medway Phase 3 | £1,518,500 | No |
| Eastbourne Fisherman's Quay and Infrastructure Development | £1,080,000 | No |
| Exceat Bridge, Eastbourne | £2,110,579 | No |
| Kent Strategic Congestion Management 2020/21 allocation | £300,000 | No |
| **Total** | **£20,748,971** | |
| Funding decision is also expected in September 2020 for the A127 Fairglen Interchange project, but this funding decision will be made by the Secretary of State and is therefore excluded from the list above, as the funding is ringfenced. | | |
| £1.684m LGF is currently unallocated, in advance of sufficient LGF being made available to support the next two projects on the LGF pipeline, which are Colchester grow-on-space and NIAB, Kent. | | |

7.3. Spend on the A13 widening, Kent Medical School and Southend Town Centre is currently being underwritten by local partners in advance of a funding decision being made by the Accountability Board. If these projects are unable to receive a funding award over the coming months, this will increase the burden on partner authorities to meet this funding gap.

7.4. Thurrock Council has already committed an additional £26.243m to the A13 widening, as a result of project cost increases pre-COVID-19. If the Accountability Board is unable to award the additional £8.9m LGF allocation to the project, Thurrock Council will also be required to meet this £8.9m additional cost.

7.5. Similarly, the Kent Medical School project is currently due to complete in September 2020 and the construction works are well underway. The University of Kent and Canterbury Christ Church University are currently underwriting £4.0m, in advance of the Accountability Board awarding the second £4.0m tranche of LGF to the project.

7.6. If SELEP is unable to proceed with funding decisions to the projects listed in Table 2, this will further reduce LGF spend in 2020/21 and increase spend beyond the 31st March 2021. However, for SELEP to make any additional funding awards to the projects listed in Table 2 and maximise LGF spend in 2020/21, SELEP (including both the Strategic and Accountability Board) will be required to identify existing funding commitments, for which the funding will only be made if the remaining £25.958m is confirmed by Central Government.

7.7. Trade-offs will be required between existing LGF projects and new projects to ensure that the LGF programme is not overcommitted. The Accountability Board will not be able to make any new funding commitments without identifying the projects which will forgo their LGF award if the remaining £25.958m LGF is not secured from Central Government.

7.8. Table 3 sets out the options available, to consider the trade-offs between the award of LGF to new projects versus its existing funding commitments.

7.9. The Accountability Board members have informally discussed the options available and recommend that SELEP should proceed with Option C; to proceed with funding decisions for all projects listed in Table 2, by identifying existing LGF projects to absorb the risk if the remaining third of LGF is not secured.

Table 3 - Options

| Option | Description | Value of new projects to proceed | Trade-off with projects previously approved by the Accountability Board |
|---|---|---|---|
| Option A<br>No further funding decisions until the remaining third of funding is confirmed | Under this option, no further funding decisions would be taken by the Accountability Board for the projects listed in Table 2 until the final third of funding from MHCLG is confirmed.<br>This option is the most risk adverse approach.<br>It provides greater assurance that the LGF will be available to support existing LGF funding commitments.<br>The projects listed in Table 2 would be reported to MHCLG as forecast contractual commitments but would reduce the actual amount of LGF contractually committed at the point of the review by MHCLG.<br>This option would result in third party organisations continuing to underwrite the tranche 2 funding for projects already underway and would result in no new projects or later phases of projects being able to proceed at this time – until the remaining third of funding is confirmed.<br>This option would reduce the amount of LGF spend on LGF projects in 2020/21 and therefore weaken the case for the remaining third of LGF to be secured. | £0 | £3.525m<br>SELEP need to offset the risk of the current £3.525m LGF overallocation against an existing approved LGF project or using Growing Places Fund as an LGF contingency pot, as recommended under agenda item 4c.<br><br>If the recommendation to use GPF to bridge this gap is supported by the Strategic Board, no projects which have already received Accountability Board approval will be impacted by the reduced award of funding by MHCLG. |
| Option B<br>Proceed with funding decisions for those projects which are due to receive second tranches of LGF | Under this option, the Accountability Board could proceed with the award of funding for projects which are already in flight and the LGF tranche 2 funding contributions are currently | £13,574,692* | £13,574,692m LGF<br>Plus £3.525m<br>SELEP Strategic Board and Accountability Board will need to identify existing projects to |

| Option | Description | Value of new projects to proceed | Trade-off with projects previously approved by the Accountability Board |
|---|---|---|---|
| funding by identifying existing LGF projects, to the same value, to absorb the risk if the remaining third of LGF is not secured. This includes the following three projects:<br>-A13 widening additional funding (£8.9m LGF)<br>-Kent and Medway Medical School Tranche 2 (£4.0m LGF); and<br>Southend Town Centre Tranche 2 (£632,292 LGF). These projects have previously been approved by the Accountability Board, but local partners are currently underwriting the risk prior to the Accountability Board awarding the second tranche of funding. | being underwritten by third party organisations.<br>If the LGF awards are not made to these projects in 2020/21, this will increase the cost burden on the local partners delivering these projects.<br>There are some LGF projects which have been approved by the Accountability Board but do not require LGF until 2021/22 onwards and therefore the funding could be redeployed to support projects which can spend the LGF earlier, whilst making the case to Government for the remaining funding to be received.<br>SELEP will need to identify projects to the value of £13,574,692m LGF, which will only receive LGF if sufficient LGF is transferred by MHCLG. | | the value of £13,574,692 (in section 8) which have already received funding approval from the Accountability Board but will now only receive its funding if the final third of LGF is received.<br><br>If the Board do not agree to use £3.525m GPF as a contingency pot, under Agenda Item 4c, the value of existing LGF projects which can only proceed if the remaining third of funding is secured from MHCLG will need to increase to £17,099,812. |
| Option C (Option recommended by Accountability Board)<br>Proceed with funding decisions for all projects listed in Table 2, by identifying existing LGF projects to absorb the risk if the remaining third of LGF is not secured. | Under this option, the Accountability Board could proceed with funding decisions for all the projects listed in Table 2.<br>There are some projects that do not require LGF until 2021/22 onwards (as set out in Appendix B) and therefore the funding could be redeployed to support projects which can spend the LGF earlier, whilst making the case to Government for the remaining funding to be received.<br>Option C will increase the amount of LGF spend in 2020/21, relative to options A & B.<br>Through an informal meeting of the Accountability Board members, Option C was identified as the preferred option. It was felt that delaying LGF decisions, could slow the pace of delivery and could weaken the case for the remaining third of funding to be secured.<br><br>To proceed with this option, SELEP | £20,748,971 | £20,748,971 LGF<br>Plus £3.525m<br>SELEP Strategic Board and Accountability Board will need to identify existing projects to the value of £20,748,971 (in section 8) which have already received funding approval from the Accountability Board but will now only receive its funding if the final third of LGF is received.<br>If the Board do not agree to use £3.525m GPF as a contingency pot, under Agenda Item 4c, the value of existing LGF projects which can only proceed if the remaining third of funding is secured from MHCLG will need to increase to £24,274,091. |

| Option | Description | Value of new projects to proceed | Trade-off with projects previously approved by the Accountability Board |
|---|---|---|---|
| | will need to identify projects to the value of £20,748,971 LGF, which will only receive LGF if sufficient LGF is transferred by MHCLG. | | |
| Option D (not recommended)<br>Proceed with funding decisions for all projects listed in Table 2, including a caveat that the funding award will be subject to the final third of funding being made available | Whilst the Accountability Board approval will have been given, the funding cannot be transferred to the project until final third of funding is confirmed by MHCLG and received by the Accountable Body. Scheme promoters will not have the funding assurance to enable the projects to proceed in the short term. This will likely stall the delivery of new projects by the same timescales as under Option A.<br>Some of the projects, listed in Table 2 may have completed prior to the final third of funding being confirmed by MHCLG. This will likely weaken the case for the remaining funding. It will not be possible to justify the case for funding if the project has already been completed. | £20,748,971 | £0 |
| Option E (Not recommended)<br>Progress with the award of funding to projects in Table 2 without offsetting the risk should the remaining third of funding not being received. | An option for the Accountability Board to proceed in making new LGF funding awards without offsetting this risk would overcommit the LGF programme.<br><br>If the final third of funding is not forthcoming, this will increase the abortive costs incurred.<br>Over the next few months it would create uncertainty across all the projects listed in Table 2, as to whether to proceed and whether the LGF will be available to complete the projects.<br>This option would expose SELEP and local partners to considerable risk and is therefore not recommended to the Board. | £20,749,071 | £0 |

*If Board members choose to increase the number of projects from Table 2, to proceed for a funding decision prior to the final third of funding, the Board will also need to identify projects of the equivalent value to absorb the risk, if the remaining third of LGF is not secured.

## 8. Identifying existing projects which will not receive their LGF award unless the remaining third of funding is confirmed by MHCLG.

8.1. If the Board wish to pursue options B or C (as set in Table 3 above), to proceed with some or all of the funding decisions for the projects listed in Table 2, the Board will also need to agree which projects will only receive their LGF should the final £25.958m LGF be transferred by MHCLG.

8.2. In determining which projects should bear the risk, should the final third of funding not be made available by MHCLG, it is recommended the Board consider:

8.2.1. The pace of LGF spend and project delivery;

8.2.2. Outstanding deliverability issues;

8.2.3. The abortive costs which would be incurred if the project were no longer able to proceed (including LGF spend and local funding contributions);

8.2.4. For projects which involve various smaller interventions or for programmes being delivered in phases, are there specific interventions which have not yet progressed to delivery and could be removed from the scope of the project; and

8.2.5. The strategic case for projects in supporting the economic recovery from the Covid-19 pandemic.

8.3. SELEP will also need to consider how to make the strongest case to Central Government for the remaining funding to be confirmed. This will include demonstrating that the LGF projects which will proceed if the remaining third of funding is received, can support the economic recovery effort and there remains a strong case for intervention.

8.4. Should the Board wish to proceed with Option C (as identified as the preferred option through the informal discussion of the Accountability Board), SELEP will need to identify projects to the value of £20,748,971 LGF, which will only be able to proceed if the final third of LGF is confirmed. Furthermore, if the Board do not agree to repurpose £3.525m GPF under agenda item 4c, SELEP will need to identify a further £3.525m of LGF spend which will only proceed if the final third of funding is confirmed.

8.5. Three scenarios have been set out below to consider how the £20,748,971 LGF risk could be offset.

8.6. Scenario 1 - Offset risk against those projects spending beyond the Growth Deal period

8.7. Scenario 1 sets out those projects which would bear the risk if SELEP were to offset the risk against those projects spending LGF furthest beyond the Growth Deal. Four projects have been identified as forecasting LGF spend beyond 2021/22 and/or having spent less than 40% of their LGF allocation by the end of the original Growth Deal period (ending 31st March

2021).

8.8. Table 4 – LGF spend beyond 31st March 2021

| LGF spend beyond March 2021 (£m) | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Project Name | LGF spend to end of 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 and beyond | All Years | LGF approved to date | LGF transferred to date | % LGF spend to date | % LGF spend by end of the Growth Deal | LGF spend to end of 2019/20 | Overall RAG rating | Value of risk to be offset against each project |
| Hailsham/Polegate/Eastbourne Movement and Access Package | 1.391 | 0.135 | 0.574 | | | 2.100 | 2.100 | 1.391 | 66.24% | 72.67% | 1.391 | 3 | |
| Eastbourne and South Wealden Walking and Cycling LSTF package | 4.047 | 0.935 | 1.618 | | | 6.600 | 6.600 | 4.047 | 61.32% | 75.48% | 4.047 | 4 | |
| Hastings and Bexhill Movement and Access Package | 2.617 | 2.204 | 2.600 | 1.579 | | 9.000 | 9.000 | 2.617 | 29.08% | 53.57% | 2.617 | 4 | 1.847 |
| Eastbourne town centre LSTF access & improvement package | 5.095 | 0.300 | 2.605 | | | 8.000 | 8.000 | 5.095 | 63.69% | 67.44% | 5.095 | 4 | |
| Skills for Rural Businesses Post-Brexit | 0.384 | 1.034 | 1.500 | | | 2.918 | 2.918 | 0.384 | 13.16% | 48.59% | 0.384 | 3 | |
| Churchfields Business Centre | 0.192 | 0.208 | 0.100 | | | 0.500 | 0.500 | 0.192 | 38.40% | 80.00% | 0.192 | 2 | |
| Exceat Bridge Replacement | 0.000 | 0.500 | 1.611 | | | 2.111 | | 0.000 | 0.00% | 23.69% | 0.000 | 3 | 2.111 |
| Beaulieu Park Railway Station | 0.000 | 0.000 | 0.000 | 0.000 | 12.000 | 12.000 | 12.000 | 0.000 | 0.00% | 0.00% | 0.000 | 5 | 12.000 |
| A127/A130 Fairglen Improvements and interchange new link road | 3.376 | 13.997 | 3.862 | | | 21.235 | 21.235 | 2.373 | 8.83% | 81.81% | 1.876 | 4 | |
| University of Essex Parkside (Phase 3) | 0.000 | 3.000 | 2.000 | | | 5.000 | 5.000 | 0.000 | 0.00% | 60.00% | 0.000 | 2 | |
| Kent Strategic Congestion Management programme | 2.779 | 1.621 | 0.300 | | | 4.700 | 4.400 | 2.788 | 59.13% | 93.62% | 2.779 | 3 | |
| Maidstone Integrated Transport | 3.564 | 3.336 | 2.000 | | | 8.900 | 8.900 | 3.047 | 40.05% | 77.53% | 3.564 | 4 | |
| A28 Sturry Link Road | 1.109 | 1.061 | 3.730 | | | 5.900 | 5.900 | 1.244 | 18.80% | 36.78% | 1.109 | 5 | 4.791 |
| Thanet Parkway | 0.000 | 9.275 | 4.725 | | | 14.000 | 14.000 | 0.000 | 0.00% | 66.25% | 0.000 | 4 | |
| IPM (Rochester Airport - phase 2) | 0.570 | 1.900 | 1.230 | | | 3.700 | 3.700 | 0.387 | 15.41% | 66.76% | 0.570 | 5 | |
| IPM 2 (Rochester Airport - phase 3) | 0.000 | 1.400 | 0.119 | | | 1.519 | | 0.000 | 0.00% | 92.20% | 0.000 | 5 | |
| Southend Central Area Action Plan (SCAAP) - Transport Package | 3.638 | 3.000 | 0.362 | | | 7.000 | 7.000 | 3.542 | 51.97% | 94.83% | 3.638 | 3 | |
| Tilbury Riverside | 0.029 | 1.871 | 0.460 | | | 2.360 | 2.360 | 0.010 | 1.23% | 80.51% | 0.029 | 2 | |
| **Total** | **28.791** | **45.777** | **29.395** | **1.579** | **12.000** | **117.542** | **113.613** | **27.116** | | | **27.291** | | **20.749** |

8.9. Under this scenario, there are four projects which would be adversely impacted if the final third of LGF were not confirmed. These four projects include:

| 8.10. Project | 8.11. Value of risk to be offset against project |
|---|---|
| 8.12. Hasting & Bexhill Movement and Access Package | 8.13. £1.847m |
| 8.14. Exceat Bridge, Eastbourne | 8.15. £2.111m |
| 8.16. Beaulieu Park Railway Station | 8.17. £12.000m |
| 8.18. A28 Sturry Link Road | 8.19. £4.791m |
| 8.20. Total | 8.21. £20.749 |

8.22. If SELEP proceed with scenario 1, the implications of these four projects potentially not receiving their LGF allocation are as follows:

8.23. Hastings & Bexhill Movement and Access Package, East Sussex: This project is delivering a package of smaller scale projects including cycling & walking infrastructure, public transport infrastructure, traffic management and public realm improvements. If the LGF allocation to this project was reduced by £1.847m it is likely that the number of interventions to be completed would reduce, in line with the funding available.

8.24. It's likely the delivery of the Alexandra Park dedicated cycle lane would be forgone, as this specific intervention extends furthest beyond the Growth Deal.

8.25. Exceat Bridge, Eastbourne: This project seeks to address a bottleneck within the East Sussex network and to contribute towards economic growth, by improving the capacity of the network to support employment and housing growth.

8.25.1. The project has not yet been approved by the Accountability Board and SELEP is waiting for confirmation from East Sussex County Council that the local funding contributions are available, should the LGF be confirmed. If the LGF is not available, it is expected that East Sussex County Council would either place the project on hold or alternative funding sources would need to be identified to bridge the funding gap.

8.26. Beaulieu Park Railway Station, Essex: The project is a large-scale infrastructure project for a new railway station in North East Chelmsford; estimated to cost between £154m and £157m. The project has been successful in securing approx. £125m Housing Infrastructure Fund (HIF) but there are constraints on when the HIF can be spent. A request has therefore been brought forward to SELEP for the LGF to be spent at the tail-end of the project (2024/25) – considerably beyond the Growth Deal.

8.27. The delivery of the project extends beyond the Growth Deal, as construction works are not due to commence until 2023/24 and the project is due to complete in 2024/25. This creates a reputational risk to SELEP as the LGF is due to be spent by the end of 2020/21. There is a risk to the final third of LGF being transferred if substantial LGF spend extends beyond this date.

8.28. If the remaining third of LGF is not confirmed, this would create a gap in the funding package available to support Beaulieu Park project, which could place the HIF funding at risk, not just for the Beaulieu Park Railway Station but also the Chelmsford North East Bypass, as these two projects are being delivered as part of a package.

8.29. There is a strong case to be made to MHCLG for the final third of LGF to be confirmed to support Beaulieu Park, given the interdependency with the HIF, which has been prioritised and awarded to Beaulieu Park project by MHCLG. There is a clear strategic case for the project, in supporting the government’s housing delivery agenda.

8.30. A28 Sturry Link Road, Kent: A28 Sturry Link road project is to provide a new link road, to unlock new residential development sites and tackle existing congestion issues. The project has spent £1.109m LGF to date, but LGF spend on the project has been on pause since June 2019 due to the risks to the overall funding package. Developer contributions are due to be committed from the residential sites set to benefit from the delivery of the project but planning consent has not yet been approved for the two main development sites. The private sector financial contributions have therefore not yet been confirmed. The consideration of the planning applications for the residential sites and the project itself has been delayed due to planning committees having been postponed as part of the COVID-19 social distancing measures.

8.31. If the remaining unspent LGF allocation to the project were no longer available, it is expected that the project would still proceed but the developer’s commitment to affordable housing would be reduced/be lost entirely.

8.32. Scenario 2 - Offset the risk against high risk LGF projects

8.33. Scenario 2 sets out those projects which would potentially bear the risk, if SELEP were to offset the risk against those projects identified as of highest risk.

8.34. Table 5 – Medium-high/high risk LGF projects

| Medium-high/high risk LGF projects (£m LGF) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Project Name | LGF spend to end of 2019/20 | 2020/21 (Total) | 2021/22 (Total) | 2022/23 | 2023/24 and beyond | All Years | LGF approved to date | LGF transferred to date | % LGF spend to date | LGF spend by end of the Growth Deal | Overall RAG rating | Value of risk to be offset against each project |
| Eastbourne and South Wealden Walking and Cycling LSTF pa | 4.047 | 0.935 | 1.618 | | | 6.600 | 6.600 | 4.047 | 61.32% | 75.48% | 4 | |
| Queensway Gateway Road | 10.000 | 0.000 | | | | 10.000 | 10.000 | 10.000 | 100.00% | 100.00% | 5 | |
| Hastings and Bexhill Movement and Access Package | 2.617 | 2.204 | 2.600 | 1.579 | | 9.000 | 9.000 | 2.617 | 29.08% | 53.57% | 4 | |
| Eastbourne town centre LSTF access & improvement package | 5.095 | 0.300 | 2.605 | | | 8.000 | 8.000 | 5.095 | 63.69% | 67.44% | 4 | |
| Bexhill Enterprise Park North | 0.440 | 1.500 | | | | 1.940 | 1.940 | 0.440 | 22.68% | 100.00% | 5 | 1.940 |
| Beaulieu Park Railway Station | 0.000 | 0.000 | | | 12.000 | 12.000 | 12.000 | 0.000 | 0.00% | 0.00% | 5 | 12.000 |
| A127/A130 Fairglen Interchange new link road | 3.376 | 13.997 | 3.862 | | | 21.235 | 7.735 | 2.373 | 15.90% | 81.81% | 4 | |
| M11 Junction 8 Improvements | 2.239 | 0.495 | | | | 2.734 | 2.734 | 2.400 | 81.89% | 100.00% | 5 | |
| Maidstone Integrated Transport | 3.564 | 3.336 | 2.000 | | | 8.900 | 8.900 | 3.047 | 40.05% | 77.53% | 4 | |
| A28 Sturry Link Road | 1.109 | 1.061 | 3.730 | | | 5.900 | 5.900 | 1.244 | 18.80% | 36.78% | 5 | 4.791 |
| Thanet Parkway | 0.000 | 9.275 | 4.725 | | | 14.000 | 14.000 | 0.000 | 0.00% | 66.25% | 4 | |
| M2 J5 improvements | 0.000 | 1.600 | | | | 1.600 | 1.600 | 0.000 | 0.00% | 100.00% | 4 | |
| IPM (Rochester Airport - phase 2) | 0.570 | 1.900 | 1.230 | | | 3.700 | 3.700 | 0.387 | 15.41% | 66.76% | 5 | 0.500 |
| IPM 2 (Rochester Airport - phase 3) | 0.000 | 1.400 | 0.119 | | | 1.519 | 0.000 | 0.000 | 0.00% | 92.20% | 5 | 1.519 |
| Grays South | 3.438 | 7.402 | | | | 10.840 | 10.840 | 3.700 | 31.71% | 100.00% | 4 | |
| A13 Widening | 55.898 | 19.102 | | | | 75.000 | 66.058 | 50.298 | 74.53% | 100.00% | 4 | |
| **Total** | **88.346** | **63.572** | **20.871** | **1.579** | **12.000** | **186.368** | **162.407** | **81.601** | | | | 20.749 |

8.35. The four highest risk LGF projects, with remaining LGF spend to be incurred include:

| 8.36. Project | 8.37. Value of risk to be offset against project |
|---|---|
| 8.38. Bexhill Enterprise Park North | 8.39. £1.940m |
| 8.40. Beaulieu Park Railway Station | 8.41. £12.000m |
| 8.42. A28 Sturry Link Road | 8.43. £4.791m |
| 8.44. Innovation Park Medway | 8.45. £2.019m |
| 8.46. Total | 8.47. £20.749m |

8.48. In addition to the impacts for Beaulieu Park Railway Station project and A28 Sturry Link Road, the potential implications for the Bexhill Enterprise Park North and Innovation Park Medway projects, if SELEP supports scenario 2 and the remaining third of funding was not made available, include:

8.49. Bexhill Enterprise Park North, East Sussex: The project is for the delivery of site and servicing infrastructure required to provide full access to the individual development plots within the business park from the North Bexhill Access Road. These works will directly enable development of the business park and will facilitate private sector investment in the site to bring forward 8,000 sqm of light industrial units and up to 8,000 sqm of manufacturing space.

8.50. In October 2018, an application for approval of reserved matters following outline planning approval was submitted to the District Council. After a lengthy period of engagement and consultation, the District Council planning committee considered the application on 10th

October 2019 and resolved to refuse the application. An appeal has been lodged with the Planning Inspectorate in respect of the refusal of the reserved matters application on 24th December 2019. The timescales for the appeal to be considered have not yet been confirmed, as a result of delays to the planning process due to COVID -19 social distancing measures.

8.51. If SELEP proceed with scenario 2, this will add an additional project risk but there is a substantial risk to whether the project can proceed, with or without the LGF being made available.

8.52. Innovation Park Medway (Phase 2 & 3):

8.52.1. The Innovation Park Medway will deliver the enabling infrastructure required to bring forward development on the northern section of the Innovation Park site. This includes the delivery of an access road and utility works.

8.52.2. Phase 2 is expected to create 1,365 highly skilled jobs in engineering and technology. Phase 3 is expected to bring forward 38,500$m^2$ (gross external area) of commercial workspace and 1,300 highly skilled jobs in the engineering and technology sector.

8.52.3. The project has previously been brought to the Boards attention due to concerns that have been raised by Highways England in relation to the impact of the project on the Strategic Road Network (SRN). Until these concerns have been fully addressed, the planning consent cannot be secured to proceed with the delivery of the project.

8.52.4. Medway Council have confirmed that positive discussions have continued with Highways England to agree the scope of the mitigation work, despite COVID-19. This mitigation is currently being designed and costed, but the source of funding for these mitigation works has not yet been identified.

8.52.5. Once the mitigation works have been designed, costed and a funding package identified, a revised consultation will need to be completed for the masterplan, prior to planning consent being secured for the delivery of the infrastructure works.

8.52.6. The third phase of the project is also impacted by the same issues as the second phase. The £1.519m LGF allocation to Phase 3 has not yet been approved by the Board but is due to be considered at the next meeting of the Board on 3 July 2020.

8.52.7. If SELEP proceed with scenario 2, this will add an additional project risk until the final third of funding is confirmed by MHCLG, although the planning consent for the project to proceed is not expected to be in place until at least October 2020. If the final third of LGF is not confirmed, this could result in abortive costs of over £0.570m, being incurred if the project is unable to proceed.

8.53. Scenario 3 – Hybrid of high-risk projects and those projects spending beyond the Growth Deal period

8.53.1. A third scenario, SELEP could identify a combination of high-risk projects and projects which will spend beyond 31 March 2021 to bear the risk should the final third of funding not be confirmed. Board members may wish to identify alternative projects which would bear the risk if the remaining LGF is not forthcoming.

8.54. Scenario 4 – Local authorities agree to share the risk based on a percentage basis, determined by the amount of LGF spend forecast beyond 31 March 2021

8.54.1. Under scenario 4, the projects listed in Table 2 can only proceed for Accountability Board approval if there is agreement from the six county council/unitary authorities to underwrite the risk against the projects included within their LGF programmes in advance of the final third of LGF being confirmed. The value of the risk to be borne by each local authority partner will depend on the amount of LGF which is being spent beyond the 31st March 2021 by the respective partner authority.

8.54.2. On the assuming that the Board agree to make available £3.525m from the GPF pot to offset the existing overcommitment and wish to proceed with funding decisions for all those projects listed in Table 2, a total of £20.749m will need to be offset against local areas LGF programmes, as set out in Table 6 below.

8.54.3. Table 6 - Local authority share of risk on a percentage basis, determined by the amount of LGF spend forecast beyond 31 March 2021 (£m)

| **LGF (£m)** | LGF spend beyond 31 March 2021 (excluding retained schemes) | % of LGF being incurred beyond 31st March 2021 for each district | Local authority share of overcommitment if calculated based on percentage spend beyond 31st March 2021 |
|---|---|---|---|
| | | | |
| **East Sussex** | 12.187 | 28.36% | 5.884 |
| **Essex** | 17.862 | 41.56% | 8.624 |
| **Kent** | 10.755 | 25.03% | 5.193 |
| **Medway** | 1.349 | 3.14% | 0.651 |
| **Southend** | 0.362 | 0.84% | 0.175 |
| **Thurrock** | 0.460 | 1.07% | 0.222 |
| **Total** | 42.974 | 100.00% | 20.749 |

8.54.4. At the next Accountability Board meeting, the local authorities will need to identify which projects will have their LGF allocation placed at risk, in advance of the final third of LGF being confirmed. If the remaining third of LGF was not forthcoming, this would likely result in existing LGF projects being scaled back or removed completely from the LGF programme.

8.54.5. In supporting this scenario, the Board would be providing flexibility to the Accountability Board to agree which specific projects should bear the risk. The outcome of the meeting would be circulated to all board members.

## 9. Option 4 capital swap

9.1. In addition to the options presented under sections 7 & 8, it is recommended that SELEP and local authority partners should plan to invest LGF as an 'option 4 capital swap' at the end of 2020/21, to demonstrate to Central Government that this funding has been spent in year, as explained below.

9.2. In previous years, where LGF has been held by local authorities at the end of the financial year, the LGF has been invested within local authority's own capital programmes. This funding is then spent by the local authorities across non-LGF projects within their own capital programmes. During subsequent financial years, the funding is then swapped out – local authorities then use their own capital programme to fund spend of the LGF project.

9.3. The total LGF allocation to the project remains the same, but this approach can be used to demonstrate that the LGF has been spent in full by the end of 2020/21 whist still complying with the grant determination letters and enabling the project to proceed beyond 31st March 2021.

9.4. It is proposed that SELEP use this mechanism to demonstrate to Central Government that the LGF has been spent in full by the end of 2020/21, proving this is not prohibited by the grant conditions that have yet to be received from MHCLG.

9.5. The Service Level Agreements (SLA) in place between Essex County Council, as the SELEP Accountable Body, and local partner authorities, under which LGF is transferred, includes provisions to enable this option 4 capital swap. This includes clause for the Accountable Body to be able to recover the LGF if the LGF project is not delivered, as per the project business case. However, the use of option 4 capital swaps provides less visibility over the spend of the LGF beyond 31st March 2021.

**10. Accountable Body Comments**

10.1. LGF is transferred to Essex County Council (ECC), as the Accountable Body of the SELEP, for allocation to delivery partners to support delivery of projects within the Growth Deal, following approval by the Accountability Board. All funding allocations must meet the requirements of the SELEP Assurance Framework.

10.2. In previous financial years, LGF has been transferred to ECC through a grant determination from MHCLG via section 31 of the Local Government Act 2003; this is subject to the following condition:

10.2.1. The grant may be used only for the purposes that a capital receipt may be used for, in accordance with regulations made under section 11 of the Local Government Act 2003.

10.3. The Accountable Body is ensuring that the grant is spent in line with the Grant Determination letter conditions, which does not impose an end date for use.

10.4. At the time of this report, ECC has received £51,915,383 for 2020/21 from MHCLG; this represents two-thirds of the indicative funding for this financial year. The annual grant determination letter for this funding has not yet been received and therefore grant conditions are currently unconfirmed.

10.5. New funding commitments cannot be made without confirmation of the final £25.958m LGF having been received from Government, or a plan of risk mitigation put in place should funding confirmation not be received.

10.6. There is currently a gap of LGF currently committed by the Accountability Board and the funding which has been received from MHCLG to date. If the Board do not agree to bridge this gap using GPF of £3.525m as set out in the recommendations, the Board will need to identify existing LGF projects to bear the risk, should the final third of funding not be transferred by HM Government.

10.7. Alongside the annual grant determination letter, in prior years Government has written to SELEP and the Accountable Body, emphasising the requirement for the grant to be spent on the Growth Deal (which has a lifetime of April 2015 to March 2021) and that future funding allocations remained subject to the outcome of the annual conversations and compliance with the National Local Growth Assurance Framework. Whilst these secondary requirements have been met for 2020/21, potential delivery of Projects beyond the end of the Growth Deal period places receipt of the remaining third of funding at risk. It should be noted that there is currently no confirmation of further funding beyond 2020/21.

10.8. The Accountable Body will work with the SELEP to establish an SLA between SELEP Ltd and Essex County Council as Accountable Body and each Local Authority respectively, demonstrating contractual commitment to specific LGF projects approved by the Accountability Board.

10.9. Under the current and updated SLA, the transfer of Grant to other capital projects (Option 4) is permitted. Approvals for any virement between Project Allocations and non-Grant funded projects must be secured from the Accountability Board regardless of value, following confirmation to the Accountable Body as follows:

10.9.1. To transfer Project Allocations to the Council's wider capital Programme, the Council's S.151 Officer shall write to the Accountable Body following the end of the Financial Year confirming that the following conditions have been met:

- confirmation that the Grant will be applied to capital expenditure within the relevant financial year;
- identification of the equivalent unrestricted local capital financing sources that have been displaced by the Grant in the relevant financial year, and demonstrates that these funding sources will be applied in the subsequent financial year against the Projects;
- demonstration that funding equivalent to the full amount of allocated Grant for the Project has been properly applied over the agreed Project delivery profile; and
- any Change to funding must not adversely affect the outputs and outcomes of Projects.

10.10. The possible use of Capital Programme Option 4 funding transfers will impact the capital balances ECC holds on behalf of SELEP. This in turn increases the risk of a reduction in the interest earnt on available capital balances and increases the pressure on the gap in the operating budget for the SELEP Secretariat for 2021/22.

10.11. The legal implications are as set out in section 6 of this report.

**11. Appendices**

11.1. Appendix A: Letter from MHCLG

11.2. Appendix B: LGF spend profile

11.3. Appendix C: Impact of COVID-19 on LGF projects to date

11.4. Appendix D: Status of high risk LGF projects and those projects spending beyond 31 March- **TO FOLLOW**

2021

11.5. Appendix E: Service Level Agreement Local Growth Fund

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# Item 4b: Growing Places Fund project prioritisation

## 1. Purpose

1.1. In October 2019, following Board approval of the proposed re-investment approach, an open call for Growing Places Fund (GPF) projects was issued seeking capital projects which required between £250,000 and £3,500,000 of low-interest loan investment.

1.2. Prior to the COVID-19 outbreak, the GPF project prioritisation process was due to conclude at the scheduled Investment Panel meeting on 17th April 2020. In light of the economic impact of the COVID-19 pandemic and the associated social distancing measures introduced by Government; it was decided in April 2020 to put the GPF re-investment process on hold. This decision was made to allow the Board more time to consider how best to invest the available funding in order to offer the most effective support as the local economy seeks to recover from the impacts of the virus.

1.3. At their meeting on 17th April, the Board indicated that there was potentially a role for the GPF projects to play in helping to support economic recovery. In order to inform any GPF investment decisions, as discussed under agenda item 4c, a prioritised GPF pipeline of projects is required.

1.4. The purpose of this report is to provide the Board with an overview of the GPF project submissions taking into account Federated Board priorities, the outcome of the Independent Technical Evaluation of the projects, pace of benefit realisation and the potential impact of COVID-19 on the proposed GPF projects in order to allow the Board to agree the required prioritised GPF pipeline of projects.

## 2. Recommendations

2.1. The Board is asked to:

2.1.1. agree a prioritised GPF pipeline of projects (an indicative list is set out in table 8);

2.1.2. note that the award of funding to the GPF projects will be considered under agenda item 4c;

2.1.3. agree that should the Board decide to prioritise any GPF projects for investment under agenda item 4c, that a further credit check is completed prior to any funding being awarded to third party scheme promoters by the Accountability Board;

2.1.4. agree that should the Board decide to prioritise any GPF projects for investment under agenda item 4c, that the project Business Cases must be presented to Accountability Board for funding approval within 6 months of this meeting;

2.1.5. agree that the prioritised GPF pipeline of projects will be used to identify the next priority projects to be included within the GPF programme, under the following circumstances:

2.1.5.1. in the event that projects prioritised by the Board for investment under agenda item 4c don't receive funding approval from Accountability Board within 6 months; and

2.1.5.2. to facilitate the reinvestment of any GPF repayments made against existing projects in 2020/21 and 2021/22.

## 3. Background

3.1. The Growing Places Fund (GPF) was established by the Ministry for Housing, Communities and Local Government and the Department for Transport in 2011 to unlock economic growth, create jobs and build houses and help 'kick start' development at stalled sites. The fund currently operates as a recycled capital loan scheme regenerating funds based on the repayment schedules agreed for the existing GPF projects.

3.2. A total of £45.477m GPF capital funding was made available to SELEP by central Government for spend as a capital loan. The recyclable nature of the pot has enabled a total of £54.4m to be invested across 21 projects to date.

3.3. The GPF funding operates as a low interest rate loan. Interest will be charged on GPF loans at two percent below the Public Works Loan Board (PWLB) Fixed Loan Maturity Rate or zero percent – whichever is higher.

3.4. The exact rate of interest is determined on the day that the credit agreement between Essex County Council, as the SELEP Accountable Body, and the lead County/Unitary Authority is finalised.

3.5. The credit agreement will set out the agreed loan repayment schedule for the project. If the project fails to meet the agreed repayment schedule detailed within the credit agreement, interest will be charged at the full PWLB interest rate from the point of default on the loan repayment.

3.6. Repayments are being made on the initial GPF investments, with SELEP now holding £22m of GPF funding which is available for reinvestment during the course of 2020/21.

## 4. Approach to GPF reinvestment

4.1. On 4th October 2019 the Board agreed the approach for the prioritisation of the next round of GPF funding (round 3). Following agreement by the Board, the open call for GPF projects was issued on 8th October 2019.

4.2. The agreed approach consisted of three stages, as set out below:

4.2.1. **Stage 1** – Federated Area assessment, sifting and prioritisation of projects based on Strategic Fit, using information from the Expression of Interest form;

4.2.2. **Stage 2** – Independent Technical Evaluator (ITE) assessment and scheme prioritisation by the SELEP Investment Panel, based on the Strategic Outline Business Case;

4.2.3. **Stage 3** – SELEP Accountability Board funding decision.

4.3. Stage 1 of the GPF process was completed in December 2019 when each Federated Board met to discuss the Expressions of Interest (EOI's) submitted for their area, to agree the local prioritisation of projects based on Strategic Fit and to decide which projects should progress to Stage 2 of the process.

4.4. Following the conclusion of each Federated Board meeting, the SELEP Secretariat were provided with prioritised lists of those proposed GPF projects which each Board felt should progress to Stage 2 of the process.

4.5. All projects which progressed to Stage 2 of the process were invited to produce a Strategic Outline Business Case, which was due for submission to SELEP by 24th January 2020. Of the

21 projects which progressed to Stage 2, 19 submitted Business Cases for consideration. Table 1 shows a breakdown by Federated Area of the Business Cases submitted to SELEP.

*Table 1: Breakdown of GPF Business Cases submitted by Federated Area*

| Federated Board | Number of Business Cases submitted | GPF ask of submitted Business Cases |
|---|---|---|
| Kent and Medway Economic Partnership | 9 | £17.81m |
| Opportunity South Essex | 3 | £7.5m |
| Success Essex | 1 | £3.5m |
| Team East Sussex | 6 | £18.62m |
| **Total** | **19** | **£47.43m** |

4.6. Stage 2 was initially led by the Independent Technical Evaluator (ITE), who conducted an independent technical assessment of all 19 Strategic Outline Business Cases. Following completion of the initial assessment by the ITE, discussions were held with each scheme promoter to allow clarification questions to be addressed and to provide the opportunity for the scheme promoters to respond to the initial feedback provided. The decision was taken at this stage to withdraw one of the Kent and Medway Economic Partnership GPF project submissions, leaving 18 projects under consideration for funding.

4.7. Following these discussions, the ITE produced their final assessment of the projects ready for presentation to the Federated Boards in advance of the Investment Panel meeting to agree the project prioritisation. Updates were received by Opportunity South Essex, Success Essex and Team East Sussex, however, the corresponding Kent and Medway Economic Partnership meeting was cancelled as a result of the COVID-19 pandemic. The projects were subsequently considered by the Kent and Medway Economic Partnership at their meeting on 3rd June 2020.

4.8. The Growing Places Fund Round 3 – Guidance Note for Applicants, at Appendix A, provides more information regarding the agreed approach to reinvesting the GPF funding.

4.9. Further details of each project submitted for consideration for GPF funding can be found in the Project Summaries document (Appendix B). This document was created prior to the onset of the COVID-19 pandemic and therefore some of the information including project milestones, spend profiles and expected outcomes may be subject to review and change once the full impact of COVID-19 is understood.

## 5. Impact of COVID-19 on GPF reinvestment approach

5.1. In light of the COVID-19 situation and the economic impact of the associated social distancing measures introduced by Government, the decision was taken to pause the GPF prioritisation process in early April. This decision was made to allow time for the Board to consider how to most effectively apply the available funding in the current economic climate to best support the local economy as it seeks to recover from the impacts of the COVID-19 pandemic.

5.2. At their meeting on 17th April, the Board indicated that there was potentially a role for some of the GPF project submissions to play in helping support local economic recovery. As the current economic and working context is very different to that at the start of the GPF reinvestment process, an update questionnaire was circulated to all scheme promoters to establish:

5.2.1. If each project remains viable and deliverable in the current climate;

5.2.2. How each project can help support local economic recovery post COVID-19; and

5.2.3. An understanding of any anticipated impacts that COVID-19 may have on each project.

5.3. A copy of the questionnaire can be found at Appendix C.

5.4. Of the 18 GPF project submissions under consideration for funding, only one project – the South Essex Productivity Investment Fund – was identified as no longer being viable in the current economic climate.

5.5. A number of high level COVID-19 impacts were identified which have the potential to affect all the GPF project submissions. The two key impacts identified are:

5.5.1. Construction costs – the impact on the construction sector and build costs is not yet fully understood, however, the Royal Institute of Chartered Surveyors (RICS) have published some initial comments which suggest that there are a number of factors which may impact on construction costs, including availability of materials, impact of social distancing on construction methods, duration of restrictions and market demand. The RICS comments note that costs may rise or fall depending on how these factors interact. The impact on construction costs will be monitored as the lockdown restrictions are lifted over the coming months.

5.5.2. Property market – the COVID-19 pandemic has had an immediate and adverse effect on the property market, and it is not known at this stage how long it will take for the market to recover. A number of the GPF project submissions rely on the rental, sale or refinancing of both residential and commercial premises in order to meet the stated repayment schedules. Furthermore, one of the GPF project submissions is dependent upon the receipt of S106 funding from proposed new housing developments if the GPF loan is to be repaid in line with the stated repayment schedule. The current uncertainty regarding the scale and duration of the effect on the property market creates some new repayment risks which were not originally identified during the Independent Technical Evaluation.

5.6. Whilst it is acknowledged that new risks have undoubtedly arisen since the completion of the Independent Technical Evaluation as a result of the COVID-19 pandemic, the Business Cases have not yet been revisited by the ITE. The impacts of the COVID-19 pandemic on project delivery are not yet fully understood and therefore it is considered that undertaking a revised Independent Technical Evaluation at this stage would add little value to the prioritisation discussions. The ITE will reassess the Business Cases for any projects prioritised for funding, taking into account the impacts of COVID-19, so as to inform the Accountability Board funding decisions.

## 6. Federated Board priorities

6.1. Each Federated Board was given the opportunity to prioritise the GPF submissions from their area at the Expression of Interest stage (Stage 1 of the process) based on the Strategic Fit of the project. Federated Board's considered each projects Strategic Fit with both the SELEP Economic Strategy Statement and local strategies and policies. The decisions taken by

Federated Boards determined which projects were submitted to SELEP for funding consideration.

6.2. Following the completion of the Independent Technical Evaluation of the submitted Business Cases, each Federated Board was provided with an update on the outcome of the assessment of their projects and was given the opportunity to revisit their project prioritisation if they so wished.

Kent and Medway Economic Partnership

6.3. As a result of the COVID-19 pandemic, the Kent and Medway Economic Partnership were unable to meet to discuss the outcome of the independent technical review of their project submissions as planned on 17th March 2020. This discussion ultimately took place on 3rd June 2020. Table 2 shows the project prioritisation agreed by the Kent and Medway Economic Partnership Board.

*Table 2: Kent and Medway Economic Partnership GPF project prioritisation*

| Priority | Project name | GPF ask |
|---|---|---|
| 1 | Wine Innovation Centre | £600,000 |
| 2 | Herne Relief Road – Bullockstone Road improvement scheme | £3,500,000 |
| 3 | Swanley Town Centre | £1,490,000 |
| 4 | No Use Empty Commercial Phase 2 | £2,000,000 |
| 5 | Green Hydrogen Generation Facility | £3,470,000 |
| 6 | No Use Empty Residential | £2,500,000 |
| 7 | Coombe Valley | £1,000,000 |
| 8 | Hatchery at Preston Farm | £500,000 |
| | **Total** | **£15,060,000** |

Opportunity South Essex

6.4. The Opportunity South Essex Board received an update on the outcome of the Independent Technical Evaluation process on 4th March 2020. Table 3 sets out the GPF project prioritisation agreed by the Opportunity South Essex Board.

*Table 3: Opportunity South Essex GPF project prioritisation*

| Priority | Project name | GPF ask |
|---|---|---|
| 1 | Cockle Wharf | £3,500,000 |
| 2 | No Use Empty South Essex | £1,000,000 |
| 3 | South Essex Productivity Investment Fund | £3,000,000 |
| | **Total** | **£7,500,000** |

6.5. Southend-on-Sea Borough Council have subsequently decided to withdraw the South Essex Productivity Investment Fund from the GPF process, as they no longer feel that it is the right time to launch a new loan facility for SME's. The Government Corona Business Interruption Loan Scheme (CIBLS) closely mirrors the scheme that was due to be offered through the South Essex Productivity Investment Fund and as a result it is expected that the market for the planned loans would be reduced.

Success Essex

6.6. The Success Essex Board were provided with an update on the outcome of the Independent Technical Evaluation process at their meeting on 16th March 2020. The Success Essex Board resolved to continue to support the North Essex Garden Communities GPF project submission.

*Table 4: Success Essex GPF project prioritisation*

| Priority | Project name | GPF ask |
|---|---|---|
| 1 | North Essex Garden Communities | £3,500,000 |
| | **Total** | **£3,500,000** |

Team East Sussex

6.7. The Team East Sussex Board received an update on the outcome of the Independent Technical Evaluation process on 16th March 2020. In light of this update, the Board revisited and updated their project prioritisation. Table 5 sets out the GPF project prioritisation agreed by the Team East Sussex Board.

*Table 5: Team East Sussex GPF project prioritisation*

| Priority | Project name | GPF ask |
|---|---|---|
| 1 | Barnhorn Green Commercial and Healthcare Development | £3,500,000 |
| 2/3 | Observer Building Hastings | £3,366,500 |
| 2/3 | Fast Track Solutions for the Hastings Manufacturing Sector | £3,500,000 |
| 4 | North East Bexhill Urban Extension | £600,000 |
| 5 | East Sussex College Group | £1,750,000 |
| 6 | Centre Court Devonshire Park | £3,500,000 |
| | **Total** | **£16,216,500** |

6.8. The total value of the GPF projects under consideration for funding is £39,276,500.

**7. GPF project pipeline**

7.1. It is recommended that a GPF prioritised project pipeline is developed to facilitate swift investment in new projects. The introduction of a GPF prioritised project pipeline at this stage will allow projects to be brought forward for funding approval without the need for a further prioritisation discussion by the Investment Panel.

7.2. Agenda item 4c considers the options available for the use of the GPF funding currently available for reinvestment. These options include the investment of the GPF funding in some of the projects outlined in this report and the associated appendices. The prioritised GPF project pipeline will be used to inform any funding allocation decisions undertaken by the Board under that agenda item.

7.3. The GPF prioritised project pipeline will also be used in the event that any projects which have been prioritised for funding by the Board, under agenda item 4c, cannot be brought forward to Accountability Board for funding approval within the next six months. Through the Independent Technical Evaluation review process, all GPF project submissions were assessed to be viable and deliverable, whilst noting that different risks have been attributed to each of the projects, meaning that there was confidence that all projects could be delivered should funding be awarded. However, as a result of the COVID-19 pandemic additional risks have emerged, which are not yet fully understood, meaning that there may now be a situation where a GPF project is prioritised for funding but is no longer able to come forward for delivery in a timely manner as a result of the COVID-19 impacts. Therefore, there is a clear need for a project pipeline to allow the funding to be immediately reallocated should this situation arise.

7.4. The GPF prioritised project pipeline will also be used to allow reinvestment of any GPF repayments against existing projects which are made to SELEP in 2020/21 and 2021/22. It was initially expected that repayments against 11 projects totalling £7.4m would be received by SELEP by 31st March 2021. However, in light of the COVID-19 pandemic scheme promoters have identified repayment risks against seven of these projects, meaning that repayments may be reduced to £4.7m. Revised repayment schedules will be brought forward for Accountability Board consideration during the course of 2020/21, which will inform the amount of funding available for reinvestment. Repayments due to be made against existing projects in 2021/22 currently total £12.2m (taking into account revised repayment schedules due to be considered by the Accountability Board in July 2020), however, this is likely to change as the full impacts of COVID-19 are better understood and further changes to repayment schedules are considered by the Accountability Board.

## 8. Prioritisation of projects

8.1. The COVID-19 pandemic has inevitably complicated the GPF reinvestment process and has added an extra dimension to the prioritisation process. Alongside the Federated Board priorities and the outcome of the Independent Technical Evaluation of the Business Cases, it is important that the role each project has to play in helping to support local economic recovery is taken into account.

8.2. The Independent Technical Evaluation process considered all elements of the project Business Cases, other than the Strategic Case as this formed the basis of the initial prioritisation by the Federated Boards. Each project was considered against a range of criteria, including need for intervention, viability, deliverability, expected benefits, pace of benefit realisation and contribution to a revolving fund. A RAG rating system has been used to indicate the strength of the projects fit with each of the required criteria. The outcome of the Independent Technical Evaluation process is shown at Appendix D.

8.3. It is important to note that this assessment was completed prior to the onset of the COVID-19 pandemic and it is likely that the assessment would produce a different outcome if revisited in the current economic climate. Whilst it is acknowledged that new risks have undoubtedly arisen since the completion of the Independent Technical Evaluation as a result of the COVID-19 pandemic, the Business Cases have not yet been revisited by the ITE. The impacts of the COVID-19 pandemic on project delivery are not yet fully understood and therefore it is considered that undertaking a revised Independent Technical Evaluation at this stage would add little value to the prioritisation discussions.

8.4. Each scheme promoter has been asked, through the GPF update questionnaires, to provide a narrative as to how their project will help support economic recovery post COVID-19. As set out in Section 5 of this document, this was accompanied by a high-level consideration of the likely impacts of COVID-19 on their project submissions. Through consideration of the information provided it has been possible to identify new risks which have emerged as a result of the COVID-19 pandemic. These risks will need to be considered alongside those risks which were identified during the Independent Technical Evaluation process. A summary of the questionnaire responses for all projects can be found at Appendix E.

8.5. To help support the Board discussion regarding GPF prioritisation, a prioritised list of projects has been produced which aims to reflect Federated Board priorities, the outcome of the Independent Technical Evaluation process, consideration of the role that the project has to play in supporting economic recovery post COVID-19, pace of benefit realisation and any emerging risks.

8.6. The projects have been separated into three bands, as set out below:

8.6.1. **Band A – the projects within this band are those which have been identified as a High Strategic Priority by the relevant Federated Boards and which offer a fast pace of benefit realisation**. It is acknowledged that in most cases the Federated Board priorities were agreed before the COVID-19 pandemic and therefore these priorities do not reflect any recent changes to local focus which have arisen as a result. Risks arising as a result of the COVID-19 pandemic are discussed below. Band A does not include the North Essex Garden Communities project, as prioritised by the Success Essex Board, as this project is not expected to deliver any jobs or homes outcomes before 2024/25 and will therefore not play a strong role in supporting economic recovery in the short-term. The projects in Band A are not shown in order of priority and are presented by Federated Area.

8.6.2. **Band B – the projects within this band are those which were shown to offer strong deliverability and viability through the Independent Technical Evaluation process.** In addition, these projects have a clear role to play in helping support economic recovery post COVID-19. It should be noted that, as discussed previously, the Independent Technical Evaluation process was completed prior to the COVID-19 outbreak and there is a significant likelihood that if these assessments were revisited in the current economic climate that changes would be made. Further commentary regarding any new project risks arising as a result of the COVID-19 pandemic is provided below.

8.6.3. Band C – this band contains all the remaining projects, ordered by the outcome of the Independent Technical Evaluation process. There is no suggestion that these projects are no longer deliverable nor that they do not have a role to play in supporting the local economy, however, it is considered that there are other projects which are more suited to the current economic climate.

8.7. The proposed banding of projects is as follows:

*Table 6: Proposed banding of GPF round 3 projects*

| Banding | Federated Board | Project | GPF ask |
|---|---|---|---|
| Band A (projects ordered by Federated Area, not by priority) | KMEP | Wine Innovation Centre | £600,000 |
| | KMEP | Herne Relief Road | £3,500,000 |
| | OSE | Cockle Wharf, Leigh on Sea | £3,500,000 |
| | TES | Barnhorn Green Commercial and Health Development | £3,500,000 |
| | | **Band 1 total** | **£11,100,000** |
| Band B | KMEP | Green Hydrogen Generation Facility | £3,470,000 |
| | TES | Observer Building, Hastings | £3,366,500 |

| Banding | Federated Board | Project | GPF ask |
|---|---|---|---|
| (projects ordered by outcome of ITE assessment) | KMEP | No Use Empty Commercial Phase 2 | £2,000,000 |
| | OSE | No Use Empty South Essex | £1,000,000 |
| | KMEP | No Use Empty Residential | £2,500,000 |
| | | **Band 2 total** | **£12,336,500** |
| Band C (projects ordered by outcome of ITE assessment) | TES | Fast Track Solutions for the Hastings Manufacturing Sector | £3,500,000 |
| | TES | Centre Court, Devonshire Park, Eastbourne | £3,500,000 |
| | TES | NE Bexhill Urban Extension | £600,000 |
| | KMEP | Swanley Town Centre | £1,490,000 |
| | SEB | North Essex Garden Communities | £3,500,000 |
| | KMEP | Coombe Valley | £1,000,000 |
| | KMEP | Hatchery at Preston Farm | £500,000 |
| | TES | East Sussex College Group | £1,750,000 |
| | | **Band 3 total** | **£15,840,000** |
| | | **Overall total** | **£39,276,500** |

8.8. The following sections provide a commentary on the emerging COVID-19 related risks associated with the projects in Band 1 and 2. These emerging COVID-19 related risks will be fully explored and assessed by the ITE prior to any funding decisions being considered by the Accountability Board.

Band 1 projects COVID-19 related risks

8.9. The **Wine Innovation Centre** project seeks to bring forward a new facility to provide a location and the infrastructure needed for viticulture research and development work. It is anticipated that the Wine Innovation Centre will generate upwards of £1m (over 5 years) of additional annual research and development spend in the region.

8.10. It is intended that the GPF loan will be repaid over a three-year period following completion of the Wine Innovation Centre. Repayments will rise as the Centre increases the delivery of research and commercialisation activity and generates additional income streams. It is noted in the Business Case that if there is any gap between the repayment schedule and the forecast income streams that this will be bridged with income from the sale of land for residential development.

8.11. As a result of the COVID-19 pandemic, the land sale has been delayed. Whilst it is anticipated that the land sale will be able to proceed later in 2020, there is an identified risk that the delay in the land sale may result in a one-year delay to the proposed repayment schedule. It is expected, however, that the GPF loan will be repaid in full by March 2026 which meets the repayment requirements set out in the GPF Guidance Note.

8.12. The **Herne Relief Road** project seeks to bring forward improvements to Bullockstone Road, which will reduce congestion and traffic volumes in the village of Herne and will provide the infrastructure required to support construction of 2,500 new homes in the area. These improvements could be funded through S106 contributions as residential developments in the area are brought forward, however, this would result in the scheme being delivered in phases which will delay housing delivery, cause significant disruption and increased congestion in the area for an extended period of time. It has therefore been proposed that the GPF funding be used to forward fund the scheme so that it can be delivered in one phase, with repayments being made through the S106 contributions when they are received.

8.13. As a result of the COVID-19 pandemic a risk has now been identified in relation to the proposed repayment mechanism. Whilst the impact on the housing market and the wider economy is still not fully understood, it is acknowledged that there is a risk that the housing developers may choose not to pursue the proposed residential developments if there are concerns regarding the market appetite for new housing. If the planned residential developments do not come forward or if they progress at a later date than anticipated, there is a risk that the S106 contributions will not be received in time to meet the expected repayment schedule. In addition, should the residential developments not progress as anticipated this presents a risk to the realisation of the expected project benefits.

8.14. The **Cockle Wharf** project seeks to safeguard the cockle industry in Leigh-on-Sea through the delivery of improvements at Leigh Port. The cockle industry is important to the local economy, with a full year's catch having an estimated value of £2.2m. The project will involve the construction of a new quay wall frontage, improvements to site access and re-surfacing of the wharf to make the port a safe place to work and visit.

8.15. Through the original Independent Technical Evaluation process a number of risks were flagged in relation to this project. These risks relate to the deliverability and viability of the project, as well as some concerns regarding the proposed repayment mechanism. In summary the key concerns identified are that:

8.15.1. the project is still in the early stages of development and therefore there remains uncertainty regarding the total project cost and whether it is viable for the project to proceed.

8.15.2. the proposed works will be taking place on land which, whilst owned by Southend-on-Sea Borough Council, is leased to the Essex Wildlife Trust. Changes to the lease will need to be negotiated by the council to enable the project to progress. If these negotiations are not successful, this is likely to present a barrier to the scheme being delivered.

8.15.3. asbestos and other contaminants have been found which may present a barrier to delivery.

8.15.4. the intended repayment schedule relies on the businesses operating from the 16 cockle sheds at the wharf committing to paying an additional monthly fee of £300 following completion of the works. At the point of Business Case submission this proposal had not been discussed with the businesses concerned and following the COVID-19 pandemic there is increased concern that businesses may not be able to afford this additional charge. Southend-on-Sea Borough Council do indicate that an interest free loan from the Southend Borough Council Capital Programme Pot (the local authority's contingency strategic reserve) will be used to repay the balance of the GPF loan in 2025/26, however, repayment of this loan is still dependent upon the ongoing additional income from the cockle shed businesses.

8.16. No new risks have been identified through the response to the GPF update questionnaire, however, consideration will need to be given to the ongoing viability of the cockle industry in light of the impacts of the COVID-19 pandemic. Before any funding can be awarded to the project, there needs to be a clearer understanding as to the impacts of COVID-19 on the industry and an indication as to whether these proposed improvements will be sufficient to safeguard the industry over the coming years.

8.17. The **Barnhorn Green Commercial and Health Development** project seeks to bring forward a site which has been allocated for employment and health uses. Development of the site is required to ensure that housing growth in the area is sustainable through the provision of jobs and primary healthcare. Following a lack of interest from the private commercial development sector in the area, Rother District Council purchased the site and are now looking to bring forward the delivery of a mixture of office and light industrial workspace, alongside a new primary healthcare facility.

8.18. As a result of the lockdown and social distancing measures introduced by Government to tackle the COVID-19 pandemic, there has been a significant change in working patterns with many more people now working from home rather than from their normal business premises. It is anticipated that there will be a long-term shift in working patterns following the lifting of the current restrictions, however, at this stage the extent of the shift is not clear. There is therefore a risk regarding whether this is the right time to be investing in new workspace or if it would be prudent to wait until the long-term impact of the COVID-19 restrictions is better understood. Rother District Council have indicated that the proposed workspace will be delivered in time for new businesses, who have identified opportunities during the COVID-19 pandemic, to grow. Alongside this commercial space will be a new primary healthcare facility which will help reduce pressure on the existing facilities which have struggled to cope during the COVID-19 outbreak.

8.19. The only other identified emerging risk in relation to this project is that the construction works have not yet been tendered. The COVID-19 impact on build costs and the construction industry in general is not yet fully understood, and therefore there is a risk that the total project cost may increase.

Band 2 projects COVID-19 related risks

8.20. The **Green Hydrogen Generation Facility** project involves the installation of the UK's largest zero carbon hydrogen production system. This will be located near Herne Bay in Kent. The system will be powered by way of a direct connection to the land substation for the existing offshore windfarms. The project will demonstrate the economic and practical viability of generating hydrogen from wind energy to produce hydrogen on a bulk scale to be used in zero emission transport solutions.

8.21. An unintended benefit of the lockdown imposed by Government to tackle the COVID-19 pandemic is a significant reduction in air pollution as a result of much reduced traffic movements. This project seeks to help maintain these benefits as the country adjusts to the new normal.

8.22. The primary risk regarding delivery of this project relates to the fact that planning consent has not yet been granted for the proposed facility. As a result of the COVID-19 pandemic, local authority planning processes have been delayed whilst arrangements are made for these meetings to be moved online. Canterbury City Council are seeking to hold their first online planning committee meeting at the end of May, with the Green Hydrogen Generation Facility featuring on the agenda for the next meeting which is scheduled to take place on 2nd

June 2020. Should the Board wish to consider this project for prioritisation an update on the current planning status will be provided during the meeting.

8.23. The **Observer Building, Hastings** project seeks to support the full redevelopment of the building, which has been empty and derelict for 35 years. The building will be transformed into a highly productive mixed-use site which will include leisure and retail uses, alongside a range of workspace options, capped rent flats and a rooftop terrace and bar. The scale, ambition and connectivity of this community-led local redevelopment will help to transform the fortunes of the immediate area and the wider Hastings town centre

8.24. Whilst concerns remain regarding whether this is the correct time to be investing in office and commercial space, the project will seek to directly help support the recovery of micro-enterprises in Hastings and will intensify the level of support provided to commercial tenants. As a result of the COVID-19 pandemic the proposed workspace is being reinvented to ensure that social distancing measures can be safely adhered to.

8.25. The primary identified risk in relation to this project is that planning consent has not yet been granted. The full planning application was submitted on 1st May 2020, following receipt of positive pre-planning advice from Hastings Borough Council. Whilst no planning issues are expected, there remains uncertainty regarding the timetable for a planning decision due to the impacts of the COVID-19 pandemic on the usual local authority planning processes. Planning decisions have been delayed whilst alternative online arrangements have been made.

8.26. Through the current round of GPF funding, proposals for three separate No Use Empty Schemes were put forward for the Kent and South Essex areas. In summary the three projects are:

8.26.1. **No Use Empty Commercial Phase 2 (Kent)** – This project seeks to build on the success of the No Use Empty Commercial Phase 1 project, which received £1m of GPF investment through the previous round of funding. The project seeks to provide short-term secured loans to bring empty commercial properties back into use for alternative commercial, residential or mixed-use purposes. The project focuses on town centres, particularly in coastal areas.

8.26.2. **No Use Empty Residential (Kent)** – This project seeks to improve the physical urban environment by bringing empty properties back into use as quality housing accommodation. The project also raises awareness of the issues surrounding empty properties, highlighting the problems they cause to local communities. The project will offer short-term secured loans to enable works to be undertaken to bring properties back into effective use as quality housing.

8.26.3. **No Use Empty South Essex** – this project seeks to return long-term empty commercial properties back into use for residential, alternative commercial or mixed-use purposes through the provision of short-term secured loans to property owners. The project will use the same operating model as the established No Use Empty Initiative in Kent.

8.27. Whilst there is concern regarding whether this is the correct time to be bringing forward new commercial and residential properties, the questionnaire responses from Kent County Council provided a clear indication that the demand for this type of intervention remains. Throughout the COVID-19 pandemic enquiries have continued to be received as efforts are made to bring empty properties back into use. The project also offers the opportunity for the creation of new working environments as people alter their working practices and no longer commute to the traditional workplace, which is an anticipated outcome of the COVID-19 measures introduced by Government.

8.28. A recession is predicted as a result of the COVID-19 pandemic, and as a result there is likely to be an increase in the number of empty commercial properties as existing shops go out of business. This is likely to lead to a further increase in demand for this type of intervention and may result in an increase in the number of commercial properties which are converted for residential use.

8.29. Whilst the COVID-19 pandemic potentially brings increased opportunity for this type of intervention to make a significant difference in local areas, there is an emerging risk regarding the ability to repay the GPF loan in accordance with the proposed repayment schedule. Repayment of the GPF loan by the relevant Upper Tier Local Authority is dependent upon the recipients of the short-term loans being in a position to meet their agreed repayment schedules. Typically, the short-term loans are repaid through the rental income received from the improved premises or through the re-financing of the premises. At this stage the COVID-19 impact on the property market is still unclear, however, the loan recipient's ability to refinance their premises in order to meet the repayment schedule may be affected. This is reflected in the latest reporting on the ongoing No Use Empty Commercial (Phase 1) GPF project. Whilst it is expected that repayment of the loan will be achievable, it is currently anticipated that the repayment schedule may be slightly delayed whilst the property market seeks to recover from the impacts of COVID-19.

8.30. Whilst acknowledging the importance of considering the risks which are emerging as a result of the COVID-19 pandemic, it is of equal importance to consider the benefits that will be realised as a result of the proposed projects and the role that these projects will play in supporting the priorities outlined within SELEP's Economic Strategy Statement. In seeking to preserve the revolving nature of the GPF funding stream, consideration also needs to be given to the repayment mechanism outlined in each case. Table 7 summarises this information for all projects in Band A and Band B, with a full breakdown for all project proposals provided in Appendix B.

*Table 7: Summary of strategic priorities, expected benefits and proposed repayment mechanism for projects in Band A and Band B.*

| Band A |
|---|

| | |
|---|---|
| **Project name**: Wine Innovation Centre<br>**Federated Board priority**: KMEP 1 | <br>**GPF ask**: £600,000 |
| **Economic Strategy Statement priorities supported by the project:**<br>• Priority One: Creating ideas and enterprise<br>• Priority Two: Developing tomorrow's workforce<br>• Priority Three: Accelerating infrastructure<br>• Priority Four: Creating places<br>• Priority Five: Working together | |

**Benefits realisation:**

| | Outcomes | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 onwards | Total |
|---|---|---|---|---|---|---|---|---|
| **Direct Outcomes** | Jobs created | 1 | 5 | 4 | 5 | - | - | 15 |
| | Additional learners | - | - | 10 | 10 | 10 | 10 | 40 |
| | Commercial space | - | 1,000 sqm | - | - | - | - | 1,000 sqm |
| **Indirect Outcomes** | Jobs created | - | - | 10 | 10 | 10 | 5 | 35 |
| | Additional learners | - | - | 10 | 10 | 10 | 10 | 40 |
| | Commercial space | - | - | - | - | 250 sqm | 250 sqm | 500 sqm |

**Repayment mechanism:** The loan will be repaid over a 3-year period once the Wine Innovation Centre is completed. Repayments are phased to increase over the final three years of the project period, as the Centre increases the delivery of its research and commercialisation activity and generates additional income streams. Surpluses from these activities and other organisation revenue generating activities will be used for repayment of the loan. Any gap between the repayment schedule and income streams will be bridged through the sale of land for residential development.

**Project name:** Herne Relief Road
**Federated Board priority:** KMEP 2 **GPF ask:** £3,500,000

**Economic Strategy Statement priorities supported by the project:**

- Priority Three – Accelerating infrastructure

**Benefits realisation:**

| | Outcomes | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 onwards | Total |
|---|---|---|---|---|---|---|---|---|
| **Indirect Outcomes** | Jobs created | 94 | 129 | 122 | 96 | 103 | 1,879 | 2,423 |
| | Homes built | 180 (+ 250 already built) | 180 | 322 | 220 | 220 | 1,080 | 2,452 |
| | Commercial space (sqm) | - | 1,508 | 1,700 | 1,700 | 1,700 | 33,000 | 39,608 |

**Repayment of GPF funding:** The GPF will be repaid through receipt of S106 developer contributions in relation to the Lower Herne Village and Hillborough developments. A signed S106 agreement is in place in relation to the Lower Herne Village development, with the developer contribution available on occupation of the 250th house which is expected to be during the 2025/26 financial year. There is not yet a S106 agreement in place for the Hillborough development, however, developer contributions are expected to come forward within a similar timeframe.

**Project name:** Cockle Wharf, Leigh on Sea
**Federated Board priority:** OSE 1 **GPF ask:** £3,500,000

**Economic Strategy Statement priorities supported by the project:**
- Priority Four: Creating places

**Benefits realisation:**

| | Outcomes | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 onwards | Total |
|---|---|---|---|---|---|---|---|---|
| Direct Outcomes | Jobs created | - | 23 | - | - | - | - | 23 |
| | Homes built | - | - | - | - | - | - | - |
| Indirect Outcomes | Jobs created | - | - | 48 | 48 | 48 | - | 144 |
| | Homes built | - | - | - | - | - | - | - |

**Repayment of GPF funding:** The GPF loan will be repaid using the revenue collected from charging cockle shed businesses, who are the main beneficiaries of the project. This revenue will be in the form of a monthly fee of £300, which will grow with inflation. This revenue stream will not be sufficient to repay the GPF in full by the March 2026 deadline and it is expected that an outstanding balance of £3.4m will exist in March 2026. The balance will be repaid in full by the end of March 2026, through a loan from the Southend Borough Council Capital Programme Pot which will be lent at an interest rate of 0%.

**Project name:** Barnhorn Green Commercial and Health Development
**Federated Board priority:** TES 1 **GPF ask:** £3,500,000

**Economic Strategy Statement priorities supported by the project:**
- Priority Four: Creating places

**Benefits realisation:**

| | Outcomes | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 onwards | Total |
|---|---|---|---|---|---|---|---|---|
| Direct Outcomes | Construction job years | 8 | 22 | - | - | - | - | 30 |
| | Commercial space | - | 3,570 sqm | - | - | - | - | 3,570 sqm |
| Indirect Outcomes | Jobs created | - | - | 74 | 59 | - | - | 133 |
| | Homes built | - | - | 43 | 43 | 43 | 300 | 429 |

**Repayment of GPF funding:** It is expected that the likely marketplace for standalone office accommodation will be from potential owner/occupiers. The GPF loan will therefore be repaid through the sale of the new office accommodation. If this approach does not generate the income required to repay the loan, Rother District Council will seek to refinance the GPF portion of the loan to a longer-term form of borrowing once the development is complete and fully tenanted.

Band B

**Project name:** Green Hydrogen Generation Facility
**Federated Board priority:** KMEP 5 **GPF ask:** £3,470,000

**Economic Strategy Statement priorities supported by the project:**
- Priority One – Creating ideas and enterprise
- Priority Two – Developing tomorrow's workforce
- Priority Three – Accelerating infrastructure

**Benefits realisation:**

| | Outcomes | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 onwards | Total |
|---|---|---|---|---|---|---|---|---|
| **Direct Outcomes** | Jobs created | 8 | 4 | 4 | - | - | - | 16 |
| | Carbon savings (tonnes per annum) | 3,172 | 4,758 | 9,516 | 17,466 | 39,650 | 396,438 | 471,000 |
| | Air Pollution emission savings | 11 tonnes NOx | 17 tonnes NOx | 34 tonnes NOx | 62 tonnes NOx | 141 tonnes NOx | 1,420 tonnes NOx | 1,685 tonnes NOx |
| **Indirect Outcomes** | Jobs created | - | - | 15 | 8 | 8 | 9 | 40 |
| | Commercial space | - | - | - | 4,890 sqm | - | - | 4,890 sqm |

**Repayment of GPF funding:** The GPF loan will be repaid from the income generated from the sale of hydrogen fuel for zero emission transport applications. Over the term of the loan it is expected that cashflow available from project operations will be more than sufficient to meet the repayment schedule. In addition, long term fuel supply contracts with public transport authorities will ensure viability of cashflows throughout the loan period.

**Project name:** Observer Building, Hastings
**Federated Board priority:** TES 2/3 **GPF ask:** £3,366,500

**Economic Strategy Statement priorities supported by the project:**

- Priority One: Creating ideas and enterprise
- Priority Two: Developing tomorrow's workforce
- Priority Three: Accelerating infrastructure
- Priority Four: Creating places

**Benefits realisation:**

| | Outcomes | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 onwards | Total |
|---|---|---|---|---|---|---|---|---|
| **Direct Outcomes** | Jobs created | - | - | 37 | 37 | - | - | 74 |
| | Commercial space | - | 2,000 sqm (GIA) | - | - | - | - | 2,000 sqm (GIA) |
| **Indirect Outcomes** | Jobs created | - | - | - | - | - | - | - |
| | Homes built | - | - | 8 | 8 | - | - | 16 |

**Repayment of GPF funding:** The GPF will be repaid through refinancing the Observer Building in 2025/26 when it has reached a steady state. Repayment will comprise £2m long-term mortgage debt and £1.3665m of equity raised through a community share issue at 2.5% interest based on similar community share offers elsewhere in the country.

**Project name:** No Use Empty Commercial Phase 2
**Federated Board priority:** KMEP 4 **GPF ask:** £2,000,000

**Economic Strategy Statement priorities supported by the project:**

- Priority One: Creating ideas and enterprise
- Priority Two: Developing tomorrow's workforce
- Priority Three: Accelerating infrastructure
- Priority Four: Creating places
- Priority Five: Working together

**Benefits realisation:**

| | Outcomes | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | Total |
|---|---|---|---|---|---|---|---|---|
| **Direct Outcomes** | Jobs created (construction) | 10 | 10 | 10 | 10 | - | - | 40 |
| | Homes built | - | 14 | 14 | 8 | - | - | 36 |
| | Commercial units returned to use | - | 7 | 7 | 4 | - | - | 18 |
| **Indirect Outcomes** | Jobs created (construction) | 8 | 8 | 8 | 8 | - | - | 32 |
| | No of people housed | - | 28 | 28 | 16 | - | - | 72 |
| | Jobs created through new commercial space | - | 14 | 14 | 8 | - | - | 36 |

**Repayment of GPF funding:** The project will offer secured loans using GPF funds which will be repayable on an agreed date (with a maximum loan term of 3 years) which will be written into the Loan Agreement between Kent County Council and the property owner. No Use Empty has a proven track record and has operated a recycling loan fund for 15 years. In that time, it has successfully recovered £17.6m of loans.

**Project name:** No Use Empty South Essex
**Federated Board priority:** OSE 2 **GPF ask:** £1,000,000

**Economic Strategy Statement priorities supported by the project:**

- Priority One: Creating ideas and enterprise
- Priority Two: Developing tomorrow's workforce
- Priority Three: Accelerating infrastructure
- Priority Four: Creating places
- Priority Five: Working together

**Benefits realisation:**

| | Outcomes | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 onwards | Total |
|---|---|---|---|---|---|---|---|---|
| **Direct Outcomes** | Jobs created | - | 9 | 9 | - | - | - | 18 |
| | Homes built | - | 14 | 14 | - | - | - | 28 |
| | Commercial space | - | 353 sqm | 353 sqm | - | - | - | 706 sqm |

**Repayment of GPF funding:** The project will offer secured loans using GPF funding which will be repayable on an agreed date (within 3 years) which will be written into the Loan Agreement with the property owner.

**Project name:** No Use Empty Residential
**Federated Board priority:** KMEP 6 **GPF ask:** £2,500,000

**Economic Strategy Statement priorities supported by the project:**

- Priority Two: Developing tomorrow's workforce
- Priority Four: Creating places
- Priority Five: Working together

**Benefits realisation:**

| | Outcomes | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 onwards | Total |
|---|---|---|---|---|---|---|---|---|
| Direct Outcomes | Jobs created (construction) | - | 20 | 20 | 10 | - | - | 50 |
| | Empty homes returned to use | - | 40 | 40 | 20 | - | - | 100 |
| Indirect Outcomes | Jobs created (construction) | - | 16 | 16 | 8 | - | - | 40 |
| | No of people housed | - | 80 | 80 | 40 | - | - | 200 |

**Repayment of GPF funding:** The project will offer secured loans using GPF funds which will be repayable on an agreed date (with a maximum loan term of 3 years) which will be written into the Loan Agreement between Kent County Council and the property owner. No Use Empty has a proven track record and has operated a recycling loan fund for 15 years. In that time, it has successfully recovered £17.6m of loans.

8.31. It is suggested that the projects in Band A and Band B be combined to form the prioritised GPF project pipeline. The Board are asked to agree the order of the pipeline, taking into account Federated Board priorities, the outcome of the ITE assessment, pace of benefits realisation, the role that each project can play in supporting economic recovery and any new risks which are emerging as a result of the COVID-19 pandemic as set out in this report and within the supporting appendices.

8.32. To aid the prioritisation discussion, a proposed GPF prioritised pipeline of projects is set out in Table 8 below. Through the development of the proposed pipeline, efforts have been made to merge Bands A and B as set out above, to provide one overall pipeline which takes into account as much of the information available at this time as possible. It is acknowledged that the full impact of the COVID-19 pandemic is not yet fully understood, however, consideration has been given to the information provided in the GPF update questionnaires returned by scheme promoters and any available economic intelligence on the COVID-19 impact.

8.33. The projects in Band A and Band B have been considered in light of the need for intervention, viability, deliverability, expected benefits, pace of benefit realisation and contribution to the establishment of a revolving fund as per the key areas for consideration set out in the GPF Guidance Note. It was initially anticipated that the outcome of this assessment would form a fundamental part of any prioritisation recommendations made to Investment Panel. However, in light of the fact that the Business Cases were submitted in January 2020, and therefore prior to the COVID-19 outbreak, it was considered prudent to also take into account, and adjust for, the level of emerging risk as a result of the pandemic. Some projects, for example, were considered to be highly deliverable with minimal risk prior to COVID-19 but now face potentially significant risks as outlined above. It is important that these risks are taken into consideration when compiling the prioritised pipeline of projects as it is no longer realistic to consider the projects in a pre-COVID-19 economic climate basis alone.

8.34. The other key factor that has been taken into consideration when compiling the proposed GPF prioritised pipeline is the expected scale of benefits which will be realised as a result of the project. Whilst it is acknowledged that the scale of benefits offered by the projects may differ in the post COVID-19 economic climate, it is still important that these outcomes are taken into account as they form the lasting legacy of these projects. The expected scale of benefits has been used to distinguish between, and prioritise, those projects which produced similar results when considering the initial assessment of the project and the level of emerging risk alone.

8.35. Given the current level of economic uncertainty, there are numerous different factors which could be taken into account when producing the GPF prioritised pipeline of projects. Due to this complexity, **the proposed GPF prioritised pipeline of projects set out below is not intended to be the final pipeline but is supplied to provide a starting point for the prioritisation discussion.**

*Table 8: Proposed GPF prioritised pipeline of projects*

| Proposed ranking | Project name | Federated area | GPF ask | Cumulative total |
|---|---|---|---|---|
| 1 | Green Hydrogen Generation Facility | KMEP | £3,470,000 | £3,470,000 |
| 2 | Observer Building, Hastings | TES | £3,366,500 | £6,836,500 |
| 3 | Wine Innovation Centre | KMEP | £600,000 | £7,436,500 |
| 4 | No Use Empty Commercial Phase 2 | KMEP | £2,000,000 | £9,436,500 |
| 5 | No Use Empty South Essex | OSE | £1,000,000 | £10,436,500 |
| 6 | Herne Relief Road | KMEP | £3,500,000 | £13,936,500 |
| 7 | Barnhorn Green Commercial and Health Development | TES | £3,500,000 | £17,436,500 |
| 8 | No Use Empty Residential | KMEP | £2,500,000 | £19,936,500 |
| 9 | Cockle Wharf, Leigh-on-Sea | OSE | £3,500,000 | £23,436,500 |
| | **Total** | | £23,436,500 | |

8.36. As set out under Section 7.4, it is expected that GPF repayments totalling between £4.7m and £7.4m will be made prior to the end of 2020/21 and this funding will be available for investment in the next currently unfunded project(s) on the agreed GPF prioritised pipeline. Whilst at this stage there is uncertainty as to the level of funding that will be repaid to SELEP during 2020/21 as a result of ongoing work to understand the impacts of COVID-19 on the GPF programme, assurances will be sought from the relevant parties in late 2020 as to whether the anticipated repayments will be forthcoming by the end of March 2021. This will allow for those projects which will be in receipt of the funding due to be repaid to begin working on updating their Business Cases and to enter into the Independent Technical

Evaluation process at the earliest opportunity so as to facilitate a funding decision by Accountability Board as soon as possible after receipt of the repayment is confirmed. The same approach will be adopted during the course of 2021/22 to enable swift funding decisions upon receipt of expected GPF repayments.

**9. Next steps**

9.1. Any projects from the pipeline which are prioritised by the Board, under agenda item 4c, for investment through the GPF funding currently available will be asked to bring forward an updated version of their Business Case for a further review by the Independent Technical Evaluator. It is essential that the Business Cases are updated to reflect the impacts that the COVID-19 pandemic is expected to have on the project, as well as setting out an updated Risk Register which reflects any emerging risks.

9.2. Due to the significant changes in the economic and working context that have been experienced since the commencement of the GPF reinvestment process, the Independent Technical Evaluation process will be more robust than that which has been seen in previous rounds of GPF funding. This is essential to ensure that the projects remain deliverable and that they continue to offer value for money. The Independent Technical Evaluation process will consist of two stages:

9.2.1. Gate 1 review – initial review of the updated Business Case submitted to SELEP and provision of written feedback from the Independent Technical Evaluator. This feedback will also be discussed through an inter-gate call with the scheme promoter;

9.2.2. Gate 2 review – final review of the Business Case, following amendments to address the written feedback provided. The outcome of this assessment will be presented to the SELEP Accountability Board for their consideration as part of the funding decision process.

9.3. Following the Federated Board prioritisation of GPF project submissions during Stage 1 of the process, the relevant Upper Tier Local Authorities were required to conduct a credit check on any third-party scheme promoters in their area. The purpose of the credit check was to consider whether there was a genuine need for GPF investment and to determine whether the scheme promoter had the financial capability to repay the GPF loan. In light of the substantial change in the economic climate since these checks were undertaken and the challenges faced as a result of the COVID-19 pandemic, it is recommended that a further credit check is completed prior to any funding being awarded to third party scheme promoters by the Accountability Board.

9.4. Whilst the Board are asked to prioritise the GPF projects for investment, in line with agreed governance processes the formal funding decision will be made by the Accountability Board, following the steps set out above. It is expected that the GPF projects will be brought forward for a funding decision within six months of being prioritised for funding.

9.5. If any of the projects prioritised by the Board, under agenda item 4c, are unable to come forward for an Accountability Board funding decision within six months, the scheme promoter of the next project on the GPF prioritised project pipeline will be made aware of the opportunity to bring forward an updated Business Case for Independent Technical Evaluation prior to submission for an Accountability Board funding decision.

9.6. If there is insufficient GPF funding available to fund the next project included within the pipeline, then the Accountability Board can agree to hold a funding decision for a maximum of six months (from the point of the Accountability Board being made aware of the availability of the funding), until sufficient GPF funding is made available. If insufficient funding is available after six months, the next project on the GPF pipeline which can utilise the amount of funding available will be brought forward for consideration by the Accountability Board for a funding award.

9.7. It is also recommended that the GPF prioritised project pipeline is used to facilitate the reinvestment of any GPF repayments made against existing projects in 2020/21 and 2021/22. Once repayments have been received by SELEP, the scheme promoter of the next project on the GPF prioritised project pipeline will be made aware of the opportunity to bring forward an updated Business Case.

9.8. The project pipeline will be kept under review to ensure that the projects remain viable, deliverable and in line with local and SELEP strategic objectives.

**10. Accountable Body Comments**

10.1. The 2019/20 provisional outturn cashflow position shows GPF funding available of £25.347m reducing to £22.292m once the agreed GPF agreed investments due in 2020/21 financial year have been met.

**11. Legal Implications (Accountable Body Comments)**

11.1. Each award of GPF approved by the Board is supported by a Loan Agreement, which sets out the terms and conditions of the loan and sets out the repayment schedule. Where changes are proposed to the project and/or repayment schedules, then where an agreement is in place, a Deed of Variation will be required to amend the agreement and place the revisions within the terms of the Agreement.

11.2. The Agreements stipulate that the dates provided within the Drawdown Schedule are the earliest date by which a request to draw down the instalments can be made by the recipient authority. Accordingly changes to those dates and instalment values will require a deed of variation to the agreement currently in place, to ensure that the new Drawdown Schedule is brought within the terms of the Agreement.

**12. Appendices**

12.1. Appendix A - Growing Places Fund Round 3 – Guidance Note for Applicants

12.2. Appendix B - Project Summaries

12.3. Appendix C – GPF update questionnaire

12.4. Appendix D – Outcome of Independent Technical Evaluation of projects

12.5. Appendix E – COVID-19 project impact spreadsheet

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# Item 4c: COVID-19 Growing Places Fund Options

## 1. Purpose

1.1. The purpose of this report is to present to the Strategic Board (the Board) the options available for the utilisation of the £22 million Growing Places Fund (GPF) repayments that are currently held by SELEP.

## 2. Recommendations

2.1. The Board is asked to:

2.1.1. Consider the options for funding and agree on the approach for the investment of the £22 million GPF

2.1.2. Note that repurposing GPF to other funding options will reduce the value of the recycled loan fund available to support future rounds of GPF

## 3. Options for Funding

3.1. The Board had agreed that the £22 million would be used to fund a further round (Round 3) of the recyclable loan scheme, however this funding, or part of this funding, could be diverted to other activities that offset the impact of the COVID-19 lockdown on the partnership and the economy of the South East.

3.2. This report sets out the case for the various options that now present themselves. A comparison of the options can be found at Section 11.

3.3. Board is asked to select from one of the options below:

3.3.1. Option A: GPF Round 3 should continue as originally agreed and the £22 million allocated to the list prioritised under item 4b; or

3.3.2. Option B: GPF Round 3 should be closed with no projects awarded funding and the £22 million diverted to the other activities set out below; or

3.3.3. Option C: GPF Round 3 should be part funded with the projects on the prioritised list being funded to a value agreed by Board and the remainder diverted to the other activities below.

3.4. It is recommended that option C is selected as this will allow for a balance between GPF 3 Projects and other activities that have been identified as potential investments to be considered to address the impacts of the COVID-19 lockdown.

3.5. The recommended level of investment, under option C, in GPF Round 3 projects, is a maximum of £12 million and £10 million allocated to other activities. It should be noted that this will reduce the recycled loan fund by £10 million which will not be available for future rounds of GPF.

3.6. If option B or C is agreed, Board is asked to select which of the options below they wish to allocate funding to; further details on each of these options is set out in sections 7 to 11 below, with a comparison summary included in section 12. Recommended values of allocation are highlighted, totalling to a £10 million investment under option C:

3.6.1. Allocate funding to establish a revenue reserve to support the SELEP Secretariat operating budget during financial years 2021/22 and 2022/23 (**recommended investment of £1 million**);

3.6.2. Allocate funding to establish an extended Sector Support Fund programme to operate in 2020/21 and 2021/22 and to add an additional criterion to the programme criteria that requires projects to demonstrate their contribution to COVID-19 recovery (**recommended investment of £1 million**);

3.6.3. Allocate funding to establish a COVID-19 Skills Fund to support COVID-19 recovery, this potentially could be a grant fund or a loan fund or a combination thereof (**recommended investment of £2 million**);

3.6.4. Allocate funding to establish a COVID-19 SME Business Support Fund to support COVID-19 recovery (**recommended investment of £2.4 million**);

3.6.5. Allocate funding to establish a LGF COVID-19 LGF Contingency Fund that would underwrite the risks to the LGF programme that have arisen due to the changes to the payment of the capital grant by HM Government (**recommended investment of £3.6 million** that would cover the current gap between monies held and projects with Accountability Board approvals in place). Any funding allocated to this contingency would revert to the GPF pot if and when the final third of LGF monies are paid.

**4. Summary**

4.1. An open call was made for projects to bid for the third round of GPF allocations in October 2019 and the Investment Panel were due to meet on 17 April 2020 to agree the final prioritisation of the received bids.

4.2. However, by the middle of March it was apparent that COVID-19 was going to have a potentially catastrophic impact on the public health of the UK. As a response HM Government introduced a number of public health measures and regulations that effectively put the UK population into lockdown and all non-essential business activity ceased.

4.3. At the rearranged Board meeting held on 17 April 2020 it was decided to postpone the decision on prioritising projects for allocation of the remaining GPF monies. This was so that other options could be considered given the impact of the lockdown on the economy and that the £22 million was the only funding available to SELEP at this time. This also allowed for a limited assessment of what impact the lockdown and the Crisis has had on the viability of the projects submitted for funding.

4.4. The pace of developments since 17 April has been rapid. HM Government has rolled out various packages of support to the businesses of the UK. Whilst these measures won't support or save every business in the country, they are wide-ranging and together form something close to blanket support for the economy.

4.5. Since the last Board meeting the Accountable Body has confirmed that the £22 million of GPF repayments held can be repurposed and used for both capital and revenue and can be issued as either grants or loans. The Accountable Body does recommend that revenue support be the form of grants rather than loans. This allows greater flexibility as to how the partnership can respond to the COVID-19 crisis.

4.6. The sponsors of the GPF Projects who had bid for funding under the Round 3 process are naturally keen that those projects should progress. The Secretariat has carried out a high-level assessment of whether the projects are still viable given the changes to business practices and also their contribution to the immediate problems facing the economy following lockdown. This was based on the information provided by project sponsors and Board will consider how these projects should be prioritised under item 4b of the agenda.

4.7. The total project bids submitted are far in excess of the funding available. This report sets out the options for Board as to whether they want to proceed with the GPF investments as per Round 3 and take no direct COVID-19 actions or whether they would wish to divert some or all of the £22 million to address some of the issues that have arisen as a result of the COVID-19 lockdown.

4.8. The recommended approach, set out in section 3 above, is that some of the GPF Round 3 projects be prioritised for investment up to a total of £12 million but that part of the pot of monies is directed to offset the impact of COVID-19 both on SELEP and on the wider economy.

4.9. The Board should be aware that there is a large reputational risk to the partnership should a decision be made NOT to award any funding to direct COVID-19 activities that address the issues that have been created through a sustained period of no or very little economic activity. Other LEPs have taken action to directly address the impacts of the lockdown, as have local authorities and other stakeholders. There is a risk that SELEP is not seen to take a leadership role in trying to address the biggest economic shock in our lifetimes and loses creditability with the business community as a result.

4.10. Since the last meeting of the Board it has also become clear that there is now a fundamental risk to the future operating budget of the Secretariat due to the decrease in capital funds following HM Government's change in grant process and the deep cut in interest rates. Some of the GPF monies could be used to provide some security and stability to the operating budget for the two future years.

4.11. There is still a great deal of uncertainty as to what support businesses and other sectors will need in the Recovery phase. By working with our partners and other funding bodies, there is a real opportunity that SELEP can bring greater benefit that we could do acting alone. These opportunities and partnerships need further time to develop.

4.12. In addition to the risks facing the businesses and the economy of SELEP, our own Capital Programme is now facing additional risks through delays to projects and changes to the funding mechanism by HM Government. The funding, or part of the funding that is available, could be used to partly mitigate against these risks.

4.13. On this basis the remaining £10 million of funding is recommended to be used for the following:

4.13.1. to offset the gap in the operating budget for the SELEP Secretariat that has arisen as a result of very low interest rates (£1 million);

4.13.2. to extend the Sector Support Fund with an additional focus on COVID-19 recovery (£1 million);

4.13.3. to establish a COVID-19 Skills Fund (£2 million);

4.13.4. to establish a COVID-19 SME Business Support Fund (£2.4 million); and

4.13.5. to establish a COVID-19 LGF Contingency Fund (£3.6 million)

## 5. Background

5.1. As set out above and in earlier reports, the impact on the economy of the public health measures taken to protect populations from COVID-19 is huge. In quarter one of 2020, the country's GDP had already fallen by 2%, with the largest contributor being the fall in March of 5.8%, reflecting the impact of these measures on the widespread decline of services, production and construction.

5.2. Ninety-eight per cent of SELEP businesses have been impacted by the crisis and if the SELEP economy was to contract at the level forecast by the Office for Budget Responsibility (OBR) for

2020 (13%), then this would equate to a loss of £11.7 billion for our region.

5.3. At the time of the previous Board meeting it was still hoped that the period of lockdown would be limited and there would be a rapid bounce-back by the economy. This now seems unlikely as whilst lockdowns are being lifted there will continue to be a need to ensure social distancing for a much longer period. The Chancellor warned on 19 May that it is "not obvious there will be an immediate bounce back" for the UK economy once lockdown restrictions are eased and that it was still not clear "what degree of long-term scarring is there" on the economy.

5.4. HM Government has recently released its roadmap to reopening the economy, the document *Our Plan to rebuild: The UK Government's COVID-19 recovery strategy*. The timing of how this plan and how the country navigates through its constituent phases will be primarily driven by considerations of public health, therefore it is not known exactly when further loosening of restrictions will take place. It is also not clear as to when we can stop practicing social distancing nor is it properly understood what long-term behavioural changes and changes to business practices will become part of what is being referred to as the 'new normal'.

5.5. Whilst there has been some loosening of restrictions on economic activity, at time of writing, public health officials warn that activities cannot be resumed without social distancing until a vaccination or treatment is found. The UK Government has also warned that it may be necessary to reintroduce or tighten restrictions should infection rates begin to increase again.

5.6. In the weeks since the last Board meeting SELEP has continued to work to support the businesses in the region through the provision of advice and to ensure that they have access to the support that has been put into place by the Government. In addition, we have been working with partners and stakeholders, both within the geography and more widely, to begin to understand the following key issues:

5.6.1. the impact of lockdown on our businesses and economy;

5.6.2. what support do businesses need to be able to adapt to function during an elongated period of social distancing;

5.6.3. what support do businesses or the wider economy need to spur and increase pace to recovery;

5.6.4. what are likely to be the longer-term changes to the way we all live, work and undertake commercial transactions, what will be the 'new normal'.

5.7. The impact of lockdown to date on our businesses and economy is now largely understood but without definitive timelines for permanent reversals of restrictions the scale of the impact is difficult to forecast accurately. Similarly, it is not known whether the packages of support put into place by HM Government will continue to be in place should restrictions be needed for a longer period or be reintroduced due to a second wave of infections.

5.8. At time of writing businesses are still working to understand their requirements under the new COVID-19 social distancing measures and what COVID-19 Secure means for employers and business owners.

5.9. SELEP has access to a huge network of businesses through its Federated model and the Growth Hub. A survey has been launched to assess what support businesses in the South East will need to drive the economic Recovery. The responses to the survey, alongside other relevant business feedback, and the Economic Intelligence work will be used to inform the calls that will be developed for the COVID-19 Skills Fund and the COVID-19 Business Support Fund as set out in sections 9 and 10 below (should they be agreed).

## 6. GPF Round 3

6.1. GPF Round 3 was launched in October 2019 and a decision was due to be made on allocating the available £22 million at an Investment Panel planned to take place on 17 April 2020. Given the large impact of the COVID-19 crisis, Board agreed to postpone that decision and consider other options.

6.2. In the intervening period those who submitted projects for funding have been approached and asked to provide an update on the impact of the crisis on the delivery of their project and how their project can contribute towards an economic recovery. They were also asked for an assessment of whether they would be able to repay the GPF loan given changes to the economy.

6.3. As already highlighted, it is not clear what longer-term scarring there will be on the economy from the lockdown period, so it is difficult at this time to make anything other than a generic assessment of the increased risk profile for defaults on individual projects.

6.4. The Board has been asked to prioritise those projects submitted to form a GPF pipeline in Item 4b. Board has the option to fund as many of the prioritised projects as they wish up to the value of £22 million, however, it is recommended that no more than £12 million is allocated to GPF Round 3 to allow for investments to be made into the other activities identified in sections 7 to 11 below.

6.5. Agreement to fund these projects is made on the basis that funding is available and no commitment of funding is made to the project until the final funding decision is made by Accountability Board.

6.6. It is recommended that these investments be made on the basis advertised when the call for projects went out, that is low interest rate loans for capital expenditure.

6.7. Board may choose to allocate none of the available funding to GPF Round 3 projects. In this case the activities identified in sections 7 to 11 that directly mitigate the impacts of the COVID-19 lockdown could be greater but the opportunity to move forward with projects that can positively impact the economy in the near future will be lost. As set out in item 4b, some of these GPF projects will positively address some of the impacts on the economy that have arisen as a result of the lockdown. As the details of the proposed COVID-19 support packages are not yet defined, it is not possible to make a quantified comparison between the benefits that either option could deliver.

6.8. There is a reputational risk to the partnership if no investment is made. Projects were submitted in good faith and the organisations submitting the bids have incurred costs in order to submit. Whilst we are under no obligation to award any funding, if the programme is withdrawn completely organisations may be reticent to respond to calls in future.

## 7. SELEP Operating Budget

7.1. The SELEP Operating budget supports the activities of the Secretariat, which include supporting the Board, the Accountability Board, other associated Boards and Groups including the Skills Advisory Panel, the Digital Skills Partnership and working groups. The Secretariat also manages the capital programme, designs and devises the communications for the partnership, has oversight of the Growth Hub, represents the LEP on the Greater South East Energy Hub and the members of the Secretariat play a key role in the partnership working across the region.

7.2. Whilst the partnership does receive some funding from HM Government for these functions

(£500,000 per annum) and there are contributions made by the Local Authorities who make up the Accountability Board (£200,000 per annum), this isn't sufficient to cover all the activities undertaken by the Secretariat.

7.3. In previous years up to 40% of the Secretariat operating costs have been funded by the interest that is earned on the capital balances held. These balances are made up of capital grants that have been paid by HM Government to the partnership but have not yet been distributed to projects. Many LEPs nationally have also been using external interest receipts to support their operating expenditures but as the capital balances held by SELEP have been higher than most LEPs this has formed a greater proportion of our income than others.

7.4. On 19 March 2020 the Bank of England reduced its base rate to 0.1%. This significantly impacted the receipts that were expected to be earned in this financial year. Given the annual approach to central funding, a prudent approach had been taken with regard to reserves and there are currently sufficient funds available within reserves to support this year's activities. An updated Finance Report will be presented to Accountability Board in July suggesting a realigned budget to reflect the reductions in interest receipts.

7.5. 2020/21 is the final year of the Local Growth Fund (LGF) grant funding and there is likely to be only a limited capital balance in financial year 2021/22. The replacement fund for LGF is still thought to be the UK Shared Prosperity Fund (UKSPF), but details on that scheme are unknown and are likely not to be clear until after a Comprehensive Spending Review takes place, which has now been further delayed until autumn 2021. In the period between the end of the LGF period and the start of UKSPF (should it come forward and funding flowing via LEPs), there is a risk to the operating budget of the Secretariat in future years. The Bank of England has indicated that they are not excluding the possibility that rates may fall to zero or that negative rates may be utilised, which could worsen the gap.

7.6. On this basis, it is proposed that £1 million of the available funds be allocated to a revenue reserve that can be used to support the operational budget of the Secretariat. In accordance with the Partnership Agreement, Accountability Board has oversight of the operational budget and should the reserve be established Accountability Board will be required to approve any withdrawal from this reserve. The reserve will be available for financial years 2021/22 and 2022/23. If any funding remains post 31 March 2023 options for this funding will be brought back to Board.

7.7. The Chief Operating Officer is working with two of the Federated Board Chairs to identify other funding models for the Secretariat and these will be reported back to the Board later in the year.

7.8. Oversight of the operating budget will remain a function of Accountability Board in line with the Partnership Agreement.

## 8. Extension of Sector Support Fund

8.1. The Sector Support Fund (SSF) is a successful revenue grant funding programme that SELEP has been running for the past 3 financial years. The criteria for SSF projects to date can be found on the SELEP website by clicking here but one of the principles of the Fund is that it supports one-off, revenue projects that have a pan-LEP impact.

8.2. Projects can ask for between £25,000 and £200,000 of funding. This funding is revenue grant and projects are required to make a 30% match (either cash or non-cash). Projects must be of no longer than 12 months in duration. £500,000 was made available in each financial year, up to 2019/20, for projects to bid against.

8.3. The remaining monies are being considered for endorsement by Board today in Item 7 and at that point it was originally intended that the scheme would end. However, a number of partners have suggested that the scheme be continued to support work on economic recovery.

8.4. It is therefore recommended that £1 million be allocated to an extension of the SSF. Projects would be able to bid for these monies in line with calls put out on the SELEP website that align with the Board meeting schedule and would be allocated on a first-come first-served basis, following assessment to ensure that the bid meets the criteria for the fund and value for money requirements as set out in the Assurance Framework. Bids would be brought to Board for endorsement as per the current process.

8.5. These monies would be awarded as revenue grants as in previous rounds of SSF and recipients of the funding would be required to report on both delivery of the project and on the outputs and outcomes that the project enables.

8.6. It is also recommended that an additional criterion be added that requires all projects to demonstrate how they will contribute to the post COVID-19 economic recovery. Projects will be required to include details in their bidding documentation of an impact on the economy that has been caused by the COVID-19 crisis and demonstrate how the project contributes towards an easing of the impact. The fund will be available in this financial year and next financial year or until it is exhausted, whichever happens first.

8.7. The economic intelligence report thus far indicates a negative impact on all businesses; however, sectors are experiencing different impacts and are likely to therefore need different responses to support their recovery. For example, the accommodation and food sector has seen the largest number of furloughed staff which could be an indication of ongoing reductions in employment, whereas the IT sector has seen one of the lowest. The digital shift that has occurred due to the pandemic and which is confirmed through the LEP business recovery survey, highlights the need for business support to adapt, mostly with technology based solutions, which could see greater opportunities to grow the IT sector in the 'new marketplace' to serve other sectors in such solutions.

8.8. The differing impacts in different sectors indicates that some funding that focusses on sectors could be an effective way to reach greater numbers of businesses who have similar challenges.

8.9. Should this recommendation be agreed, the COVID-19 Sector Support Fund (CV19-SSF) could be launched immediately following the Accountability Board in July, with a call for projects over the summer and decisions on endorsement by Board at its meeting in October.

**9. COVID-19 Skills Fund**

9.1. The economic intelligence thus far is already showing the impact on employment, with benefit claims up by 75% between March and April across SELEP and a 27% decrease in job postings in April 2020 compared to April 2019. With some sectors likely to contract on a larger scale than others and indeed some to grow, it follows that those who previously worked in the shrinking sectors will need to find employment in the more resilient or expanding sectors. In some cases this will require reskilling of individuals in the job market. It will not only be those seeking to secure employment that may need to reskill however, with many businesses seeking to change the way they operate (57% stated so in the LEP recovery survey), new skills, particularly digital and IT skills, will likely be needed to support new permanent ways of working and increase productivity.

9.2. Previous economic downturns have also shown a greater adverse impact on young people, which could significantly impact their longer-term career success. This was certainly felt by over 1,000 16-25yr olds surveyed, of whom over a quarter stated their future career prospects have already been damaged due to the virus and nearly half felt it would be even harder to get a job. Local employers through the Skills Advisory Panel and other working groups have also expressed concern that apprenticeship opportunities will see a steep decline.

9.3. Skills will clearly be a key aspect of the COVID-19 Recovery phase and the SELEP Skills Advisory Panel and Digital Skills Partnership are working closely with the Secretariat and wider network to understand where and what the need is.

9.4. Upskilling and re-skilling to enable individuals to transfer to new sectors will be necessary as well as ensuring support with digital skills for SMEs as the Crisis has accelerated the transition to digital markets and workplaces.

9.5. With national funding in the pipeline and still being confirmed, it makes sense to await the detail before committing SELEP funding to specifics. This will allow us to assess where the gaps are and work with partners to complement their offers, be able to act as a pilot for national schemes or be able to upscale offers by providing match. The main likely national sources of funding are the European Social Fund (ESF) and the National Retraining Scheme.

9.6. ESF is currently held in a national reserve fund for which LEPs had been able to issue calls for tender. HM Government has recently confirmed no new ESF will be published in order to 'redesign the Reserve Fund so that we can support society in key areas once the crisis subsides'.

9.7. Further information is awaited on how and when this funding will be distributed but it's likely to support people into work and those in work to upskill. This does not impact upon applications that are already in the pipeline and the existing SELEP 'Wheels to Work and Training' call, for which the deadline has been extended to 30th June.

9.8. SELEP is also engaging with the Department for Education on the National Retraining Scheme regarding the potential to be a pilot area. Conversations are ongoing and SELEP is sharing feedback from the Skills Advisory Panel and Working Group to help inform this.

9.9. So that these conversations can be continued and to ensure that any offer to be made from SELEP doesn't cut across or duplicate national offers, Board is asked to earmark £2 million to a COVID-19 Skills Fund which will be available for both capital and revenue investment to sit alongside these national offers. Timescales for national offers are not currently confirmed but further information is expected in the coming weeks. Further information on how the Fund will be utilised will be brought back to the next Board meeting. Calls for projects and the criteria for those calls will require the approval of Strategic Board.

9.10. Using the ESF as a comparator the COVID-19 Skills Fund would require an investment of at least £500,000 to be able deliver an impact across the entire geography and at that level the impact would be minimal. The recommended £2 million investment in the Fund would allow for more than one project to be supported and the impact in our large geography would be much greater.

## 10. COVID-19 Business Support Fund

10.1. In a similar way to Skills, it is clear that there will need to be additional support to SME businesses during the Recovery period. SELEP is not funded sufficiently to be able to effectively plug the gaps in the COVID-19 support provided by HM Government, nor can we look to provide extensions to that support if and when it is withdrawn. The role for SELEP will need to be focussed on supporting those businesses that have survived the immediate crisis to adapt, grow and flourish, and new businesses emerging from the crisis, in whatever the 'new normal' might be.

10.2. Again, in a similar way to Skills, there are a number of different conversations continuing both nationally and locally. The intelligence from the newly released SELEP Business Recovery survey will also be key to not only understanding what support SME businesses need but what appetite there is across our business base for different types of support. For example, it may be that there would be limited take-up of a loan fund as businesses try to limit their indebtedness following a period of little or low revenues. Early feedback tells us that businesses need support in adapting their business models (47%), short term capital (41%), purchasing new equipment and complying with COVID-19 guidelines (both 38%) and better access to information (35%).

10.3. In addition, 31% of businesses felt the crisis had presented opportunities and therefore not only could this fund help businesses to survive and adapt it could also help them seize opportunities to evolve and the ability to take full and speedy advantage of these could be a key benefit of this fund. The continued reasonable rate of business starts ups in March and April could also be an indicator of such opportunities for new business. 46% of businesses responding to our survey said that access to finance was a key factor in their recovery. Adapting and developing new products and services was cited by 44%.

10.4. In the same way that the DWP is reviewing the approach to the ESF Reserve Fund, the Ministry of Housing, Communities and Local Government (MHCLG), as the Managing Authority for ERDF, is reviewing its approach to unallocated ERDF including the ERDF Reserve Fund, and there may be opportunities to provide match funding to projects that bid into that fund. Sourcing match funding is often a key barrier for warranted ERDF projects, so making match funding available could help unlock this funding stream to potentially double the investment.

10.5. It is recommended that a COVID-19 SME Business Support Fund be established with £2.5 million earmarked for the fund. This Fund will be available to support calls for both revenue and capital projects, depending on what types of support are identified as being needed by the SMEs of the South East. This support could take the form of both direct grants to organisations or an increased business support offer, expanding on the support that is in place through our Growth Hub and the wider ERDF programme. A key criterion for the investments from this Fund will be the ability to mobilise quickly and it is suggested that we work with providers already in the market to do that, whether that be with our Growth Hub or other providers.

10.6. Similar to the COVID-19 Skills Fund, it is considered that a minimal level of investment in this Fund would be £500,000 but the suggested level of funding would allow for a much more impactful investment to be made. The impact of the Crisis is being felt hardest by our SMEs, particularly micro and small businesses, as evidenced by our SELEP Business Impact survey. Those that manage to survive the immediate lockdown period will need our support to pivot to the 'new normal' and lead the economy out of the worse crisis for at least a generation.

10.7. Further information on how the COVID-19 SME Business Support Fund will operate will be brought to the next Board meeting. Calls for projects and the criteria for those calls will require the approval of Strategic Board.

**11. COVID-19 LGF Contingency Fund**

11.1. As set out in item 4a the SELEP Capital Programme risk exposure has increased significantly as a result of the Crisis. A major risk to the programme is the change in approach by HM Government to the payment of the capital grant that supports the programme. Item 4a sets out in detail the changes, but effectively the final third of our allocation or £25.9 million is being withheld until HM

Government has carried out a review of spending plans and is satisfied that certain criteria, which are currently not clear, are being met.

11.2. There is approximately £3.6 million of investment that has been committed to date by Accountability Board to projects but cannot be funded through the LGF grant monies brought forward from earlier years and the two-thirds of capital grant that has been received this year.

11.3. It is recommended that an LGF Contingency Fund be established and £3.6 million earmarked to that Fund to underwrite the risk of not receiving the final third of grant funding. This will allow the partnership to fulfil its current commitments to projects that have been approved for investment by Accountability Board.

11.4. Should HM Government pay the final third of the capital grant in this financial year, the £3.6 million will be released and can be deployed to another use as agreed by the Board at that time or returned to the GPF pot for future allocation.

## 12. Options Comparison

12.1. The potential scale of outputs and outcomes for the COVID-19 Skills Fund and COVID-19 SME Business Support Fund hasn't yet been assessed. More work is necessary to understand the type of projects these funds can support and what outcomes and outputs are to be sought from each Fund.

12.2. Even when those outcomes and outputs are defined it will be difficult to make a like for like comparison on the different options for funding as the outcomes and outputs are likely to be very different.

12.3. However, to assist Board to make an assessment of the different options available a comparison of the positive and negative impacts of each option has been constructed and can be found below.

**Table 1 – Option Comparison**

| Option | Positive Impact | Negative Impact |
|---|---|---|
| GPF Round 3 – investment at recommended maximum level of £12 million | • Using the first five projects on the proposed GPF prioritised pipeline (under agenda item 4b) as an example: 214 jobs delivered in 3 years partly addressing the potential on<br>• going increase in unemployment rates. These projects would also deliver 72 new homes and 3,706 sqm of mixed-use commercial space over the same period.<br>• Balances funding and allows some direct activities to address Covid-19<br>• Preliminary work has been undertaken and identified projects can start swiftly and deliver swiftly<br>• £12 million should be available for future investment if loans are repaid | • Restricts value of funding available to direct Covid-19 activities |
| GPF Round 3 – investment of total £22m | • Using all projects in the proposed GPF prioritised pipeline (under agenda item 5) as an example: 835 jobs and 990 homes delivered over 3 years, alongside 10,484 sqm of mixed-use commercial space<br>• Some projects deliver timely increased job numbers in short order<br>• Would allow the perpetuation of the fund | • No funding available for direct Covid-19 activities potentially creating a significant reputational risk to SELEP<br>• Some projects with risks to delivery or potential risks to delivery<br>• Some jobs/homes not created until much later in the programme<br>• Additional ITE costs that need to be |

| Option | Positive Impact | Negative Impact |
|---|---|---|
| | at current value | funded from the Secretariat budget |
| GPF Round 3 – no investment made | • All funding can be used on direct Covid-19 response<br>• | • Opportunity missed for 214 jobs to be created in the next 3 years based on £12 million investment or 835 jobs created based on £22 million investment in GPF projects<br>• Reputation risk for future project calls - sponsors may be discouraged from submitting in future and incurring costs of submission<br>• £22 million taken out of the GPF recyclable fund reducing the fund for future investments |
| Contribution of £1 million to reserve to plug potential gaps in the Secretariat Operating budget in 2021/22 and 2022/23 | • Provides some medium-term assurance to Secretariat and allows for future year planning of activities<br>• No reduction required of Secretariat team and resources can be used for Covid-19 response<br>• Enables us to continue to support local areas in the delivery of all funding programmes and to continue to make the strongest possible case for investing in the SELEP area.<br>• Continues to support a good value approach to economic growth activity. | • Restricts value of funding available to direct Covid-19 activities<br>• Short term solution to operational budget funding issue |

| Option | Positive Impact | Negative Impact |
|---|---|---|
| | • Retains expertise in key areas and prevents the loss of that expertise to other areas outside of SELEP. | |
| Extension of Sector Support Fund programme to Covid-19 SSF | • Fund could be launched in early July following Accountability Board agreement<br>• Process exists and sector groups have good awareness of both fund and process<br>• Would align well with the emergent intelligence<br>• Represents a significant increase on previous investments made to SSF<br>• Empowers our sector working groups | • Limited number of projects can be supported on £1 million (5 to 40) |
| Covid-19 Skills Fund | • Reskilling of staff identified as needed by businesses<br>• Could be used to support increased numbers of unemployed to reskill for the new normal in employment<br>• Demonstrates our continued support for the skills agenda | • Specifics of calls not yet designed, may be delays in getting funding to the appropriate place |
| Covid-19 SME Business Support Fund | • Supporting those businesses that do survive, and new enterprises, to thrive and contribute to new economy<br>• Provides the best possible response to the pandemic and demonstrates that | • Specifics of calls not yet designed, may be delays in getting funding to the appropriate place |

| Option | Positive Impact | Negative Impact |
|---|---|---|
| | SELEP is able to respond to the issues abounding our SMEs<br>• Would enhance our understanding of the medium and long term challenges facing the economy through closer dialogue with a wider base of SMEs | |
| Covid-19 LGF Contingency Fund | • Mitigates some risks that are now facing otherwise strong projects already in flight<br>• Supporting projects already in flight should have a more immediate effect on the economy | • Restricts value of funding available to direct Covid-19 activities |

## 13. Next Steps

13.1. Should Board agree the recommended options then the funding streams agreed will be taken forward with pace. The selected GPF projects will be asked to submit full business cases so that final funding decisions can be put to Accountability Board as soon as possible. The changes required to include these funds in this year's operating and investment budgets will be presented to Accountability Board at its meeting in July.

13.2. The criteria for calls for the COVID-19 Skills Fund and the COVID-19 SME Business Support Fund will be worked on as a matter of urgency. This will be done in a consultative manner so that the offer works well with other funding streams but is focussed on what is needed for our region. Urgency and pace will be a consideration when the delivery of these projects is considered so the support can be made in a timely manner. These criteria will need be approved by Strategic Board and will presented at either the next meeting of the Board or by electronic procedure if appropriate.

13.3. The response of SELEP to the Crisis is a key test of our role in the South East economy. The recovery won't be able to be delivered on this relatively small amount of investment and the partnership must continue to make the case to Government in the strongest terms for greater support. The Secretariat will continue to work with partners to identify projects and programmes that can bring forward the recovery and ensure that the recovery does not leave behind those communities that already had less than their share of prosperity.

13.4. It is anticipated that in the short term this will include the development of a high level 'COVID-19 Economic Response' statement which will set out the most significant impacts and opportunities for the SELEP economy, based on available intelligence and on economic priorities identified in the 'Smarter Faster Together' Economic Strategy Statement and the draft Local Industrial Strategy (LIS). It will also outline the support that SELEP is providing to protect and boost the economy, as well as support the development of SELEP's strategic priorities for the medium term, through a refresh of the draft LIS which will be undertaken at a later date as a more complete picture of the economic impact of COVID-19 becomes available to inform our planning.

13.5. By having a robust and 'oven-ready' pipeline of projects that links to the priorities identified in the COVID-19 Economic Response Statement as outlined above we will have a strong case to put to Government for further investment and the leadership role of LEPs.

## 14. Accountable Body Comments

14.1. SELEP was awarded £45.5m in Capital grant in 2011/12 to be applied as loan funding for the GPF scheme; this funding has been invested to date in schemes totalling £54.4m, with a balance of repayments currently being available for reinvestment of £22.92m. The Board had previously agreed to continue to invest this funding in GPF projects to sustain the recyclable nature of the fund, however, as the original conditions of the grant have been met, the Board could choose to re-purpose this funding to address the immediate SELEP priorities.

14.2. Re-directing GPF away from a loan scheme will, however, reduce the long-term impact of the scheme as less funding will be available for re-investment in future.

14.3. In determining which of the options to agree, the Board should consider where the greatest impact and value can be achieved, in line with SELEPs priorities.

14.4. Should the Board choose to establish any of the new funding streams proposed to support the COVID response, it will need to consider the following requirements of the Assurance Framework:

14.4.1. Assuring value for money

14.4.2. State Aid regulations are met

14.4.3. Agreeing clear criteria for prioritisation, including alignment to the SELEP Economic Strategy Statement

14.4.4. Ensuring open advertising of the funding opportunity

14.4.5. Requirement for independent evaluation of funding bids

14.4.6. Allocation of funding through a grant or loan agreement with the Accountable Body

14.4.7. Confirmation of monitoring arrangements

14.5. The resource implications for the establishment and operation of any new funds should be considered alongside how these resource implications will be funded; this is of relevance given the challenges for the SELEP Operating budget highlighted in section 7. As the skills fund and the business support fund are yet to be defined, the resources required to support these is unclear. Should the Board choose to take forward these options, the resource implications will be assessed for consideration by the Board when the criteria for the prioritisation of the funds are agreed. As a general consideration, however, increasing the number of funds available, increases the overhead associated with administering those funds.

14.6. In assessing the alternative options for the application of the £22m of GPF identified, the Board should seek to ensure that it doesn’t increase the risk to delivery partners, without appropriate mitigations being in place. For example, should the Board choose not to mitigate the LGF funding risk with GPF, then either new LGF funding decisions by Accountability Board should be put on hold until the full LGF allocation is confirmed by Government, or LGF will need to be reprioritised in line with decisions made under agenda item 4a, in the event that the final £25.9m LGF allocation is not received.

14.7. The Accountable Body cannot allocate funding at risk, so funding cannot be paid out in advance of receipt. Funding must also only be applied in line with any conditions associated with the grant and the Assurance Framework.

It should be noted that all funding decisions will remain subject to confirmation by the Accountability Board, in line with the requirements of the Partnership Agreement.

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# Item 5: Covid-19 Impact on Higher Education

**1. Purpose**

1.1. The purpose this report is to provide Strategic Board (the Board) with information on the impact that Covid-19 is having on Higher Education and their impaired capacity to respond to the economic and social recovery of the region.

**2. Recommendations**

2.1. The Board is asked to:

2.1.1 agree to be a voice speaking for the value that the University presence brings to any given region and urgently take the impact of Covid-19 on the U9 and wider higher education sector to government.

2.1.2 note the impact of Covid-19 on the U9 and their impaired capacity to respond to the economic and social recovery of the region.

2.1.3 note the breadth of support the U9 group can bring to the recovery of the region.

**3. Background**

3.1. The U9 recognise the region is on a 'burning bridge', that very many businesses, not just higher education (HE) are hurting. Nonetheless, HE is one of the crucial lifelines that will enable the region to get across to a sustainable future.

3.2. SELEP, alongside other LEP Networks, needs to support HE within central Government. Universities are doing crucial work now as we hunt for a [Covid-19] vaccine and will be vital engines for our recovery both regionally and in towns and cities across the UK. The sector across the UK is doing all that it can to manage the impact of Covid-19 on their students, staff, teaching and research, while at the same time making significant contributions to their communities and the national effort to tackle the pandemic.

3.3. The University and College Union warns the sector could lose around £2.5bn next year in tuition fees alone, along with the loss of university jobs. Universities UK (UUK) group of vice-chancellors proposed to the government a package of relief measures for British universities. UUK estimates the financial impact of the pandemic has already reached £790 million for the country's institutions, including revenues lost in the form of "accommodation, catering and conference income as well as additional spend to support students learning online."

3.4. Higher education is likely to be more fundamentally impacted by Covid-19, through changes in student numbers (which could be affected if there are fewer international students from September) and perhaps, in conditions of wider recession, greater reluctance on the part of domestic students to incur debt.

3.5. Looking ahead, UUK characterizes the potential impact as "extreme" with "universities projecting a significant fall in international students and a potential rise in undergraduate home student deferrals".

3.6. It is vital that the Government underwrites funding lost from the fall in student numbers. These are unprecedented times and without urgent guarantees, our universities will be greatly damaged at just the time they are needed most.

## 4. Government's intervention for higher education

4.1. The Government has announced a support package for universities to weather the post-pandemic storm, although the disruption to income and established teaching models could be significant. The package of interventions recognises the central role that universities will play in the recovery of the economy and communities and the urgent need to provide support for universities to weather the severe financial storm created by Covid-19. The Government has listened to the concerns raised and has drawn from the suggestions a package of interventions; however, these have significant limitations.

4.1.1. There is a lack of firm commitment by government that money will be available to address the significant risk of large income falls in 2020-21.

4.1.2. No reassurances have been given on any increases in research funding for the next academic year to protect the UK research base, and there was no mention of enhanced Higher Education Innovation Funding (HEIF) – the implication of the announcement is that if additional funding is allocated, it will come with the expectation that the sector commits to significant efficiency savings. Most institutions have already been through rounds of cuts that make further savings difficult to find.

4.1.3. There is a lack of specific details on additional support. The government's package includes reference to support outside of research that may be implemented, including support associated with restructuring and support for specialist institutions. However, the extent and timing of this support is unknown.

4.1.4. No commitments were given on protecting courses for key public sector workers (beyond an extra 10,000 places being earmarked outside of the temporary student stability measures) or support for more flexible ways of learning (for example, online provision).

## 5. Context – The Higher Education sector contribution to the economy

5.1. The economic importance of higher education is now well recognised and the contribution that it can make to the development of both national and regional economies is attracting significant policy attention in the UK. Higher education is seen as being of key importance in the creation and transfer of knowledge to the UK economy through its teaching, research and other activities.

5.2. It should be noted that universities are to some extent 'export-like', in that they directly attract external spend into the county. The U9 are also strongly place-based and play an important role in the wider visitor and creative economy. UK Universities are vital to the recovery of the UK economy and communities generating the following benefits. Universities:

5.2.1. generate more than £95 billion for the UK economy and over 940,000 fulltime equivalent jobs.

5.2.2. develop highly skilled people, across all parts of the UK, driving business productivity and providing essential workers for our public services including the NHS and schools.

5.2.3. provide opportunities for people of all backgrounds through access to improved life chances, driving social mobility, improving quality of life by social and cultural impact.

5.2.4. conduct cutting-edge, high impact research that addresses local and global challenges (including COVID-19).

5.2.5. fuel economic growth through job creation, research, and innovation, attracting inward investment, supply chains and providing a multiplier effect on local economies.

5.2.6. strengthen the UK's place in the world through international partnerships and soft power, attracting the world's top talent and contributing £13.1 billion in export earnings.

5.2.7. provide civic leadership and impact through supporting local communities and businesses, providing services and facilities, and driving regeneration of places.

5.3. Without significant Government support, the higher education sector's capacity and ability to deliver these benefits will be greatly reduced due to the financial impact of COVID-19.

5.4. Universities need investment from Government to protect the student interest, to maintain research capacity, to prevent institutions failing and to ensure that universities are able to play a central role in the UK's economic and social recovery following the crisis.

5.5. It is some time since an economic assessment of the U9 was undertaken, however, the U9 believe their combined economic impact is estimated to be in the region of £5 billion for the SELEP region. In 2014 the 'multiplier' effect generated by institutional expenditure was estimated at UK: 2.31; and Regional: 2.14. Meaning that every £1 million of university revenue will generate a further secondary output of £1.14 million in the region. A similar multiplier was estimated for secondary employment, finding that for every 100 direct FTE jobs created in the university itself, a further 99 UK jobs would be generated outside the University in other industries, of which 89 would be in the South East.

## 6. Impact of Covid-19 on U9 group

6.1. These are unprecedented times for everyone, inside and outside of the HE sector, the UK and across the world. The impact of the crisis will be felt on HEIs of every mission, size and type and wherever they are located. The U9 are a powerhouse of research, teaching and technology transfer in the UK, Europe and elsewhere. The U9 are likely to be disproportionately hit by what could be a major reduction in international student recruitment to the point where financial sustainability may be at risk.

6.2. The U9 are some of the largest employers across the region contributing to significant economic impact. The potential loss of international students will have an impact on those universities with high levels of international students.

6.3. A study by the Higher Education Policy Institute (HEPI) found that a single cohort of international students will contribute £3.2 billion to the UK economy over a 10-year period. The amount does not take into account tuition fees, which also inject billions every year into the economy. The report found that EU students contribute £1.2 billion, while non-EU students contribute £2 billion, and contributions also varied across different study levels, with master's graduates contributing the most, at £1.6 billion. The potential loss of international students will have far greater impact on the (U9) universities with higher levels of international students. *

| University | No. Students | % International Students | No. Staff |
|---|---|---|---|
| **Anglia Ruskin University** | 24,490 | 10% | 1,870 |
| **Canterbury Christ Church University** | 14,175 | 5% | 1,730 |
| **University of Brighton** | 19,521 | 9% | 2,889 |
| **University for the Creative Arts** | 6,615 | 17% | 840 |
| **University of Essex*** | 15,600 | 34% | 2,845 |
| **University of Greenwich** | 19,914 | 19% | 2,170 |
| **University of Kent*** | 19,265 | 27% | 3,590 |

| | | | |
|---|---|---|---|
| **University of Sussex*** | 17,319 | 24% | 3,925 |
| **Writtle University College** | 750 | 15% | 280 |
| **TOTAL (% = Mean)** | **137,649** | **18%** | **20,139** |

6.4. The civic / economic engagement and thought leadership role that HEIs are only just starting to demonstrate and which will be important to COVID recovery is seriously jeopardised by the retrenchment that all HEIs are facing. This will force them to focus resource on core business, making them less likely to play the 'anchor institution' role.

**7. U9 sector support as part of the economic and social recovery of the region**

7.1. Immediate support

7.1.1. Higher education institutions have in many instances responded with extraordinary dedication and resolve to the fight against Covid-19, providing desperately needed health care and research, helping assure the safety of their students and staff, supporting local businesses via webinars, clinics and scoping of projects, donating medical equipment and teaching their students and engaging with their communities remotely.

7.1.2. Higher education's role in developing skilled and dedicated doctors, nurses, social workers, teachers and other professionals has never been more important. We see researchers rapidly repurposing their labs better to understand the virus and technicians repurposing design and production facilities to supply much-needed personal protective equipment. And we see almost unprecedented levels of collaboration, volunteering and sharing of intelligence in a globally connected race to develop vaccines.

7.1.3. The contribution that universities make will be absolutely crucial to the region's recovery. Universities do not just deliver teaching and research. They are major drivers of the economy supporting business and industry to reach their full potential.

7.2. Role of U9 in the Place Agenda

7.2.1. Future planning and delivery of local and regional development will need to involve a wider range of local agencies, bodies and institutions. Universities, as key anchor institutions, will be expected to feature at the heart of local recovery plans and efforts.

7.2.2. SELEP's Immediate Response Paper failed to recognise the role of higher education in supporting businesses and the economic recovery of the SELEP region.

7.2.3. Place is a government priority. As the regions move out of the pandemic, place becomes even more of a priority. Universities are vital to their local towns and cities, in terms of retail, hospitality, private landlords – as well as the cultural contribution we all make.

7.3. Model for Recovery

7.3.1. A potential model for recovery could be to enable the Government to reduce the number of people on universal benefit via HE, and FE, working in collaboration to offer graduates into the workforce to help 'kick start' businesses where they need capacity but do not have the finances to support it. Perhaps initially this could be a fund which could be managed through SELEP or through the Universities to provide 3-6-month internships both for current students who will struggle in the current climate to get paid work and experience, but also for graduates.

7.3.2. The key here is that the support would go directly to the business community whilst also helping individuals and universities.

7.4 Interventions

*Specifically, there are a number of interventions the U9 are proposing:*

7.4.1 Skills

Of particular note, as well as highlighting the direct Covid19 impacts that the sector is experiencing, and alongside the genuine contribution Universities make as employers, the U9 feel it is key to ask SELEP to represent us in terms of the contribution we can make around the skill agenda; workforce development, reskilling and upskilling those who are unemployed, ensuring graduates are ready for work via Internships and realising the potential for Universities to design and deliver short courses and training in collaboration with SELEP and other industry networks within the region are all key to a sustainable economic recovery.

SELEP's paper specifically highlights the importance of upskilling of an organisation's workforce, the identification of opportunities for businesses to undertake new ways of operating and the importance of digital skills.

7.4.2 Innovation

Clearly Innovation is a key driver for a sustainable economic recovery. Universities play a critical role here both around Research, being in itself the creation of new knowledge and innovation, but also in the context of Knowledge Exchange, where the transfer of those learnings to external stakeholders, such as the third sector or industry partners, enables and supports the adoption of innovative practices and process and additionally has a positive impact on productivity.

7.4.3 Funding to support recovery

The U9 are ready to play their part in the SELEP region's recovery. We believe that the Government should be looking at targeted support for the regions providing small-scale funding delivering a wide range of support that enables businesses to access the expertise and support from within the higher education sector.

In addition, the U9 have a concern about availability of capital funding to accelerate investment in infrastructure which may now be at risk, our continuing ability to match fund strategic projects, and for the time taken to consider such programmes.

## 8. In Conclusion

There are multiple financial realities being faced across the HE Sector, and whilst these are pressing, we feel that it is essential that SELEP speak out in terms of "value add" and indeed to focus on the unique aspects afforded by the HE sector across the region and much wider across the United Kingdom.

Clearly, if the LEP community were of a consensus around this value add, that would indeed bring a very strong, consistent and collaborative lobby to the attention of both Government, BEIS and the Treasury. The U9 feel that the role of the Chair of SELEP could be key here in terms of his activities representing all Southern LEP's and of course, Coast to Capital have already pledged their support.

Ensuring that this Partnership between the Universities and the local Economy is really defined and understood and agreed is essential, as there is significant potential to build on existing strengths, and ensure that the HE sector makes an increasingly high value contribution to both jobs, economic growth and stability as part of both the Civic Ecosystem and in line with the Knowledge Exchange agenda.

## 9. Accountable Body Comments

9.1. The Accountable Body has no specific comments to add.

Professor Karen Cox
Vice Chancellor & President, University of Kent {Representing the U9 Sector Group]

# Item 6: Growth Hub Update and ERDF Legacy Funding

**1. Purpose**

1.1. To provide the Strategic Board (the Board) an update on the SELEP Growth Hub and associated business support projects, and to seek agreement to a proposal for the spending of ERDF Legacy Funding that will help support businesses through economic recovery.

**2. Recommendations**

2.1. The Board is asked to agree the ERDF Legacy Funding proposal to provide support for businesses looking to pivot/ adapt during economic recovery

2.2. The Board is asked to note SELEP's current Growth Hub model

**3. Background**

3.1. As we move through unprecedented economic times, the need to support our micro, small and medium sized enterprises (SMEs) has never been more vital. Business support has always been a key activity for economic growth, offering diagnostic support (i.e. talking with a business to define their needs), expert advice and financial programmes. Now more than ever, businesses need advice and guidance in order to survive, adapt and access the vast package of financial help currently on offer.

3.2. SELEP has a lead role in the region's business support landscape through the operation of our Growth Hub called South East Business Hub (SEBH), and by helping to develop and secure funding for a variety of associated support programmes.

**4. South East Business Hub**

4.1. Growth hubs were established in 2014 for each LEP to provide a localised approach to addressing business barriers to growth, through face-to-face professional advice and signposting to the most appropriate resources. LEPs receive annual core Growth Hub grant funding from the Department of Business, Energy and Industrial Strategy (BEIS) to provide this service.

4.2. The SEBH operates a hub and spoke model with three delivery arms providing a local service across the SELEP geography; these are recognised as Business East Sussex Growth Hub (BES), Business Essex, Southend and Thurrock Growth Hub (BEST) and Kent and Medway Growth Hub (KMGH). This model provides for strategic direction and coordination, whilst enabling local flexibility and decision making. The SEBH is strategically directed by the SEBH Steering Group (a Working Group to SELEP), as do all three delivery arms through their own local Steering Groups that link directly to Federated Area Boards feeding into the Strategic Board, providing a strong governance framework.

4.3. The SEBH and its delivery arms provide a 'front door' for businesses by offering free and impartial advice on the wide array of resources available. Business navigators and advisors are on hand to speak to SMEs to help identify what activities the business could access. This includes signposting for some, undertaking a diagnostic with others to identify their issues and needs, and providing specialist advice where appropriate.

4.4. In addition to this core service, BES, BEST and KMGH actively develop complementary activities in partnership with others, such as Local Authorities, academia or business intermediaries (e.g. CoC) to extend the depth and reach of the service. The ability to leverage additional resources within the delivery areas varies due to opportunity and local needs and includes, for example, top up funding from Local Authorities and in-kind resources.

**5. Other projects in the business support landscape**

5.1. Business support activities associated with the SEBH and business support projects can be categorised as follows:

- 1 to 1 consultative advice, (measured by the number of hours support provided and covering generic to bespoke business/sector topics
- 1 to many advice, such as workshops and webinars, with the same measurement and target beneficiaries as above
- Small business grants, typically ranging from £1,000 to £20,000 (at various intervention rates, whereby the SME is expected to contribute a percentage) for purchasing equipment, specialist advice or academic/ Research & Development support to facilitate innovation
- Access to peer to peer, or business to business networks, including trade fairs and provision of business incubation and innovation space

5.2. These activities have for many years been enabled by European Regional Development Funding (ERDF). ERDF is administered by the Ministry for Housing, Communities and Local Government, and not directly by LEPs, although SELEP plays an active role in facilitating its drawdown. The current programme runs from 2014 until December 2020, during which time c.£35 million has been contracted to 3-year long projects delivering across SELEP, with c.£41 million in the process of being allocated to projects in SELEP. A list of contracted projects is given in Appendix A, which shows their extent and diversity. All have been developed to align with each other and to provide additionality to the SEBH core offer.

5.3. Growth Hub and ERDF project advisors or other referral mechanisms (such as the National Business Support Helpline) seek to take businesses on a customer journey, enabling them to access support which is relevant to them and their diagnosed needs, to enable growth, scale-up and innovation.

5.4. Interregional and sub regional support and financial packages also have their place in the landscape. Examples include but are no way limited to: Innovate UK, Knowledge Transfer Partnerships, Department for International Trade, Mentoring for Growth, Enterprise Nation, Local Authority funded grant and loan schemes, and rural development grants and initiatives. Understanding the full landscape is no easy task; it is constantly in flux as individual projects start or come to an end, and new funding and open calls come online. This is where the Growth Hub service really excels, as navigators and advisors are well placed to hear about, signpost to and advise on current offers.

**6. Responding to the COVID-19 crisis and ERDF Legacy Funding**

6.1. There is no doubt that, since the start of the COVID-19 lockdown, demand for our Growth Hub services has dramatically increased, as many more small businesses seek up-to-date advice and guidance.

6.2. SELEP's business impact survey shows that the enforced closure of businesses has primarily impacted cash-flow and access to domestic customers. Support has thus largely been light intensity conversations to help businesses understand the Government's financial package of support and navigate finance options, consider options where they are not eligible for that support, and to explore ways of adapting their operations to be legally compliant with health, safety and social distancing measures.

6.3. Principle business support objectives of enabling growth and job creation have rapidly been replaced by the need to assist business survival and job retention. Survey evidence shows that businesses are still in a response phase as Government's interventions continue to be accessed, and longer-term impacts on cash-flow, business survival rates and potential redundancies has yet to materialise.

6.4. Several workstreams and offers have been moving forwards in parallel and in response to the emerging situation, to complement SEBH:

6.4.1. Our ERDF projects have been working to adapt their activities to provide support online and to make their small grant programmes relevant to emerging business needs. This is challenging as European funding has strict eligibility and compliance rules that need to be negotiated.

6.4.2. Upper tier authorities have been considering what further support they could provide. However, local resources are extremely tight, and the Government's package of grants and loans has been very comprehensive. Notably though, KMGH launched a COVID-19 hotline in April, funded for 3 months by Kent County Council and the District and Borough Councils in Kent, to provide additional call handlers and advisors in response to the upsurge in enquiries.

6.4.3. BEIS is providing additional funding of £234,000 to SELEP (as part of a £10 million uplift across all LEPs) in addition to our SEBH revenue funding of £656,000 for this financial year. Details on how this funding can be used have yet to be received, so options for spend have not yet been developed.

6.4.4. ERDF Legacy Funding remains available for growth hub type activities in Kent & Medway and East Sussex. Proposals to spend this funding require Board approval, which is sought in section 7 below.

6.5. Whilst we are some way off from clear and coherent economic recovery plans, it is essential that we take steps to conceptualise and develop business support interventions moving forwards to facilitate a timely and responsive approach. It will also be important to ensure that the delivery model of those interventions is agile and appropriate for the businesses across the geography.

6.6. Further information on the developing plan for business support including our core Growth Hub offer as well as any additional COVID-19 response activities (should the Board agree to such a fund being established) will be provided to the Board at the meeting in October 2020.

## 7. ERDF Legacy Funding – a proposal for Board agreement

7.1. In December 2019 the Board agreed for SELEP to accept £349,000 ERDF Legacy Funding from MHCLG to be spent on 'growth hub type' activities in Kent & Medway and East Sussex, with a proviso that proposals on how to spend this funding would be brought to the Board for agreement at a future date.

7.2. Conversations have since taken place on how best to utilise this funding against the current landscape of interventions (described above) and in the current climate.

7.3. Previous high-growth pilot programmes, run independently in both federated areas, have demonstrated successful outcomes from a deep and long-term (e.g. 36 hours over several months) targeted support programme, working specifically with business that have the potential to grow. This level of resource investment is outside the scope of core growth hub grant funded activity and eligible ERDF project activities; however, the pilots have shown that such a programme provides for significant growth and value for money.

7.4. It is proposed that the pilot models are now adapted to support existing businesses with potential to emerge from the crisis if they adapt and diversify, or 'pivot', by developing new business models and ways of working to resume trading as we move through and out of lockdown. The outcomes would relate directly to businesses surviving the crisis and jobs retained.

7.5. These 'pivot programmes' would be delivered independently under the auspices of KMGH and BES, with legacy funding granted accordingly through individual agreements between the Accountable Body and the relevant lead authority. A requirement of the grant agreement shall be the provision of a detailed outline of the programme together with a timeline, spend and outcomes profiles. Both programmes will agree to share learning and best practice across the SEBH, to increase the benefits of this funding to the whole SELEP geography.

7.6. Grant agreements with both lead authorities will be in place by the end of December 2020. As a caveat to this proposal, if either or both lead authorities identify an unforeseen yet more appropriate eligible activity, perhaps as part of their recovery planning process or on the back of emerging evidence, that would achieve the same outcomes, then this may be presented to the Accountable Body as part of the grant agreement process. If this scenario results in the grant agreements not being established by the end of December 2020, this proposal will be brought back to the Board for further agreement.

7.7. The Board is asked to agree to this proposal, to ensure that delivery can be progressed in a timely fashion and as part of a longer-term economic recovery package.

## 8. Next Steps

8.1. As the crisis unfolds and our recovery interventions and plans emerge, business support must feature largely if we are to see our business communities and key sectors survive, adapt and help re-build the local and regional economy. With European funding coming to an end in December 2020, and the impact of EU Exit still to come, the need for robust, coordinated and strategically led business support across the region has never been greater.

8.2. Since the publication of Government's Industrial Strategy, we have expected a UK Shared Prosperity Fund (UKSPF) to emerge as replacement funding for European Structural Funding post EU Exit and the Local Growth Funding. In the absence of any further information on UKSPF, we must consider how best to deploy all our available resources, including those of the Growth Hub and associated programmes, to optimise our recovery potential.

8.3. This approach will utilise emerging evidence, data and intelligence defining the economic impacts of COVID-19 and will inform anticipated modifications to our draft Local Industrial Strategy.

8.4. SELEP aspires to lead the way on redefining out business support landscape in the coming months and will engage with the Board on key proposals at all appropriate milestones.

## 9. Accountable Body Comments

9.1. The Accountable Body, Essex County Council received ERDF Legacy Grant funding of £349,913.12 in March 2020.

9.2. The Accountable Body, Essex County Council will enter into Grant Agreements with East Sussex County Council and with Kent County Council to enable the transfer of ERDF Legacy Funding should the proposal in this paper be agreed by the Board.

9.3 A requirement of the Grant Agreement will be for each lead Authority to include the programme outline, detailing the application of the grant in line with the conditions of the ERDF Legacy grant.

The Accountable Body will ensure that the programme outline detailing activities, timings and outcomes are in accordance with the ERDF Legacy funding Grant Conditions, as follows;

9.2.1. The Legacy Fund where possible should support 2014-20 ERDF Financial Instruments but where this is not possible stand-alone re-investment can be considered. Under Article 78(7) EU Regulation 1083/2006 resources returned to the operation from investments undertaken by funds as defined in Article 44 or left over after all guarantees have been honored shall be reused for the benefit of urban development projects or of small and medium-sized enterprises (SMEs). This reuse refers to the first legacy investment and as this project originally supported SMEs it should be used for the same purpose.

**10. Appendices**

10.1. Appendix A: Contracted ERDF Business Support projects in SELEP

| | |
|---|---|
| Better off in Business | Supporting unemployed 18-30 year olds who have a business idea for self-employment |
| Community Led Local development (CLLD) programmes in Folkestone, Hastings and Tilbury | Locally devised and delivered support projects to hard-to-reach communities in deprived areas |
| Foreign Inward Investment Kent and East Sussex | Supporting and encouraging SMEs looking to relocate or expand into Kent & Medway and East Sussex |
| Get Exporting and South East Gateway to Trade | An extension to DIT offer providing International Trade Advisors and associated events; includes a grant programme |
| KEEP+ | Supporting SMEs looking to connect with academic expertise and R&D facilities, to develop new products and services; includes a grant programme |
| Low Carbon across the South East | Supporting SMEs looking to implement energy efficiency measures, and enabling growth in the Low Carbon and Environmental Goods Sector; includes a grant programme |
| Manufacturing Growth Programme | Supporting growth of manufacturing SMEs; includes a grant programme |
| South East Business Boost | An extension to the core growth hub service, and offering a small business grant programme |
| South East Creatives | Supporting SMEs in the creative, cultural and digital sectors; includes a grant programme |
| Transportation and Logistical | Supporting SMEs in the logistics sector to better utilise data |

| | |
|---|---|
| Efficiencies (TALE) | and analysis to become more efficient and innovative |

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# Item 7: Sector Support Fund (SSF)

**1. Purpose**

1.1 The purpose of this report is to seek Strategic Board (the Board) endorsement for two Sector Support Fund (SSF) projects which have been submitted to SELEP for revenue funding support.

1.2 For the Board to note that one application for SSF was assessed as not meeting all the criteria agreed by the Board for SSF.

1.3 The report asks the Board to agree an extension of the England's Creative Coast project.

1.4 The report also provides an update to the Board on the delivery of the 12 Sector Support Fund (SSF) projects which have been endorsed by the Board to date.

**2. Recommendations**

2.1 The Board is asked to:

2.2 note the amount of Sector Support Funding available for projects is £206,500 which would be insufficient to fund the three projects that have been put forward to the Board;

2.3 endorse the following projects which have been assessed as meeting the SSF eligibility criteria for funding:

2.1.1. Delivering skills of the future through teaching: teaching for growth (extension proposal) (£76,000); and

2.1.2. Buy Local South East (£69,510), subject to verbal confirmation at the Board meeting that the Project has received endorsement from the Federated Boards;

2.4 note that a further application for funding has been received for the SE Export Development (SEED) (£129,860) project which is not recommended for approval at this time, as not all the eligibility criteria has been met;

2.5 agree that England's Creative Coast be allowed to extend its delivery by one year; and

2.6 note the update on the delivery of the SSF programme.

**3. Background**

3.1 In June 2017, the Board agreed to establish the SSF using the Growing Places Fund revenue monies, with the intention of offering revenue funding to support the pan-LEP sector-based activities of the SELEP working groups.

3.2 The aim of the funding is to support projects which:

3.1.1. impact across all Federated areas;

3.1.2. demonstrate a positive contribution to SELEP's mission to create the conditions for increased numbers of jobs and homes, safeguard existing jobs and raise skills levels across the area;

3.1.3. support the delivery of SELEP's Strategic Economic Statement; and

3.1.4. provide high value for money.

3.3 Full details of the criteria are available on the SELEP website, Guidance Note April 2020

3.4 In addition to the SSF being available to support the activities of SELEP's working groups, the decision report to the Board in June 2017 set out the scope for SSF to support the establishment of Enterprise Zones. This is due to the precedent which has been set through the previous awards of revenue funding to the Harlow Enterprise Zone.

3.5 The SSF funding totals £500,000 per annum and is intended to be made available on an annual basis over a three-year period, between 2017/18 and 2019/20, with a maximum of £200,000 being available per project.

3.6 The opportunity of securing SSF for 2020/21, has not been promoted by the SELEP Secretariat or applications brought forward for consideration by the Board because SELEP core funding has not been confirmed for 2020/21. However, there remains £206,500 unspent SSF available from 2019/20 for which projects may bid for, as set out in Section 5 below.

3.7 The carry forward of £206,500 needs to be approved by Accountability Board and any endorsement of SSF applications is subject to this.

3.8 For projects to secure an SSF allocation the proposal must secure support from at least one Federated Board and be endorsed by the Strategic Board. However, the formal funding decision is made by the SELEP Accountable Officer, being the Chief Executive Officer (CEO) with delegated responsibility, following endorsement of the project by the Board.

3.9 An Independent Assessment is also completed by the SELEP Accountable Body, Essex County Council (ECC), for all SSF applications. This assessment considers the project's suitability against the agreed assessment criteria, made available on the SELEP website and the requirements of the SELEP Assurance Framework.

## 4. SSF Investment to Date

4.1 To date, the Board has endorsed twelve projects for SSF support to a maximum value of £1,293,500 (as shown in Appendix A):

<u>2017/18 endorsements</u>

4.1.1. The *South East Creative Economy Network (SECEN) Cultural Coasting* project (£150,000 over three years, £50,000 per year);

4.1.2. The *Tourism and SECEN Colours and Flavours* project (£60,000); and

4.1.3. The North Kent Enterprise Zone (£161,000).

<u>2018/19 endorsements</u>

4.1.4. The Kent Medical Campus Enterprise Zone – Innovation Centre Design Work project (£156,000);

4.1.5. The Good Food Growth Campaign project (£60,400);

4.1.6. The Future Proof: Accelerating Delivery of High-Quality Development across the LEP project (£110,000);

4.1.7. The Planning and prioritising future skills, training and business support needs for rural businesses across SELEP project (£96,000);

4.1.8. The Coastal Communities Supplement to the SELEP Strategic Economic Plan project (£40,000);

4.1.9. The SELEP Skills Advisory Group – Delivering skills of the future through teaching:

teaching for growth project (£166,600);

4.1.10. SELEP Creative Open Workspace Master Plan project (£49,000) – awarded from 2019/20 SSF funding allocation.

2019/20 endorsements

4.1.11. The Energy and Clean Growth – Supply Chain Mapping project (£129,500).

4.1.12. Accelerating Opportunities within the Newhaven Enterprise Zone (£115,000).

4.2 Further information on each of the projects listed above can be found in Appendix B.

**5. SSF Applications against the 2019/20 pot**

5.1 Several new applications are being developed to seek funding through the SSF opportunity and three applications have been submitted to SELEP for consideration and endorsement by the Board at this time.

5.2 The applications that have passed the Independent Assessment by the SELEP Accountable Body are:

5.1.1. Delivering skills of the future through teaching: teaching for growth (extension proposal)

5.1.2. Buy Local South East

5.3 The application that did not pass the Independent Assessment by the SELEP Accountable Body is SE Export Development (SEED)

5.4 The outcome of the assessments is presented in Appendix C

5.5 There are currently no further applications which have completed the independent assessment process ready for consideration by the Board. Although it is understood that areas are looking at possible proposals, to bid for the remaining £60,990 unallocated SSF available.

5.6 Table 1 below shows the balance of 2019/20 SSF after the two deducting the bids in this report.

***Table 1: 2019/20 SSF allocation***

| | | |
|---|---|---|
| Remaining SSF from 2019/20 | £206,500 | |
| Projects identified for investment in this paper: | | |
| *Delivering skills of the future through teaching: teaching for growth (extension proposal)* | £76,000 | |
| *Buy Local South East* | £69,510 | |
| Balance of SSF 2019/20 allocation remaining | £60,990 | |

## 6. Delivering skills of the future through teaching: teaching for growth (extension proposal) (The Project)

Overview of earlier project

6.1 In November 2018, the Skills Advisory Group (now Skills Working Group) submitted a successful SSF proposal to address this. Due to SSF availability at this time, a scaled down version was agreed. This has been very successful. Therefore, an extension is proposed. This was also endorsed at 23rd April 2020 Skills Working Group particularly in response to covid-19 challenges.

6.2 The earlier project has delivered:

6.1.1. Bursaries to suitably qualified participants to train as teachers in the post-16 sector by studying for teacher training qualifications at Level 3, 4+

6.1.2. Establishment of https://www.becomealecturer.org/ to answer generic questions regarding post-16 teaching as a career and signpost enquirers to vacancies

6.1.3. Development and implementation of a high-profile publicity campaign using web, social media and radio to raise the awareness to industrial practitioners of opportunities the post-16 sector provides for a second career

6.1.4. Production of videos featuring industrial practitioners who have become teachers at https://www.becomealecturer.org/

6.3 Applications have been nearly 300% above target and match funding has exceeded the target by 45%.

Scope of current application

6.4 Delivery of skills is a priority for the SELEP area. This project will deliver against the following objectives:

6.1.5. Apprenticeship and industry relevant training growth

6.1.6. Higher, technical and STEM based qualifications

6.1.7. Raising skills levels overall

6.1.8. Delivering against the skills capital projects to meet the training needs of more employers

6.1.9. Piloting sector-based tutor training

6.5 The project extension for an additional 12 months will enable:

6.1.10. The production of five additional areas to increase project reach targeting alternative priority sector skill areas including Professional, scientific and technical, Transport and Logistics, Accommodation, food and logistics and Manufacturing Engineering

6.1.11. Funds to cover the award of 60 more bursaries spread across level 3 and above to March 2021 to appeal to those joining the post-16 sector in the post Covid-19 period of June 2020 and beyond

6.1.12. Continuation of the high-profile social media campaign

6.1.13. The further development and subsequent legacy maintenance of the www.becomealecturer.org website for a period of 12 months

Funding

6.6 The total cost of Delivering skills of the future through teaching: teaching for growth (extension proposal is estimated at £126,000.

6.7 A £76,000 SSF grant to the project would cover 60% of the project costs, with the remaining £50,000 being provided by FE Sussex and granting of 60 new bursaries at an average rate of £800 per bursary (from FE employers) as shown in Table 2

Table 2 Funding Breakdown: Delivering skills of the future through teaching. Teaching for Growth (extension proposal)

| Source | 2020/21 |
|---|---|
| **SSF** | £76,000 |
| **Other funding sources:** | |
| Project administration by FE Sussex and processing of bursary requests for 12 months | £2,000 |
| Granting of 60 new bursaries at an average rate of £800 per bursary | £48,000 |
| | |
| **Total Project Cost** | **£126,000** |

Delivery and Milestones

6.8 As this is an extension to an existing project it will start immediately funding is granted, so will complete in one calendar year, as shown in Table 3;

Table 3 Key Milestones

| Key Milestones | Description | Indicative Date |
|---|---|---|
| Re-launch of bursary opportunities utilising www.becomealecturer.org | Promote further bursary opportunity to industry and partners | Upon funding award (June 2020) |
| Continuation of awareness raising campaign | Web / online/ press releases / leaflets/ events | Ongoing – June 2020 onwards |
| Additional videos featuring tutors in further LEP growth sectors | Add further sectors to the videos featured on the www.becomealecturer.org | June 2020 – to utilise in campaign / renewed bursary opportunity |
| Ongoing updating and maintenance of the www.becomealecturer.org website | Respond to feedback and ensure maximum effectiveness of site | From June 2020 / ongoing for 12 months |

Value for Money and Key Risks

6.9 In terms of Value for Money, the Project will deliver:

6.1.14. 26,000 individuals (through tutors trained). This group will enter growth sectors with earnings collectively circa. £807,196 per annum

6.1.15. 260 tutors trained for a total project extension value of £126,000 = £484.62 per tutor

6.1.16. Estimated 26,000 individuals trained for growth sectors for a total project value of £126,000=£4.85 per individual trained/upskilled

6.10 Risks are low with regard to this project as it is an existing proven deliverer of outputs, however during this period of COVID-19 it is important to assess additional risks that may be connected to this pandemic. The following two areas have been assessed by the scheme promoter;

6.1.17. The way colleges are operating during this period. However, colleges continue to recruit and will undoubtedly have an increased need for assessors when practical assessment can take place.

6.1.18. The take up of bursaries to the extent outlined in the in the Project. This is mitigated by the likely high demand for industry expertise, particularly in practical subject areas which have existing shortages.

6.1.19. The development of this proposal has involved consultation with provider networks and FE Sussex who have confirmed the continued strong need and relevance of this Project.

6.1.20. The Project has the support of the Skills Advisory panel

6.11 The application for this Project includes extremely positive feedback from colleges awarded bursaries from the original concept, including; Bexhill College, Plumpton College, Colchester Institute and East Sussex College Group.

Outcome of Independent Technical Review

6.12 The Independent Technical Review has confirmed that the project meets the criteria for funding (see Appendix C)

**7. Buy Local SouthEast**

Scope of Project

7.1 The Food and Drink sector has become increasingly important on the regional government agenda in recent years, with food tourism growing in the South East. British food (Buy British) has become hugely popular in and outside the UK, with customers growing more environmentally aware. There is a shift toward local and sustainable food.

7.2 The current COVID-19 pandemic has brought the role of the food and drink sector in our regional rural economy into sharp focus. With the forced shutdown of pubs, restaurants and cafes has had a disastrous effect on the hospitality sector and its supply chain of growers, producers and distributors. This Project aims to capitalise on a renewed focus on local buying to support all businesses in the food and drink sector to weather the storm and rebuild a sustainable business in the recovery period.

7.3 The proposal will produce:

7.1.1. A regional **website and portal** to signpost customers to local food and drink businesses showing the SELEP region (www.buylocalfoodanddrink.co.uk), which is a centralised food and drink platform for the area aimed at consumers(B2C page) and businesses (B2B page) looking to buy local in the Southeast

7.1.2. A SELEP area wide **Buy Local Food and Drink marketing campaign** focussed on local producers, retailers and followed by hospitality and tourism experiences.

7.1.3. Central **database for food and drink businesses** in the SELEP area. East Sussex will link their existing map to the regional 'landing page'

7.1.4. A series of **business recovery support activities** for food and drink businesses based on a sector Covid-19 impact and recovery survey: This could include surveys, training, 1-2-1 support, connecting suppliers with buyers, and knowledge exchange conference. The activities do not relate to financial support, which might overlap with Government/County Council initiatives, but rather focused activities dependant on the outcome of the sector survey. This will be undertaken by the University of Kent.

7.4 The work is supported by the need from local producers to develop business relations with wholesale, retail and hospitality sectors to build their businesses. It also supports the SELEP Economic Strategy by:

7.1.5. Increasing the adoption of new technologies and processes by small rural businesses, who will be able to access expertise to support development of new products/services and build products/services started in response to COVID-19. Advice and training on new technologies and innovations in the areas of food production and delivery techniques, food processing, sales and marketing, routes to market and access to new markets will enhance economic development and support job creation.

7.1.6. The project, through its B2C and B2B platform, will provide an opportunity to businesses across the three federated areas to connect with each other, with larger regional, national (large retail) and international 'Buyers' as well as with customers residing within and outside of the SELEP area

7.1.7. Covid19 has shown the pivotal role the food and drink industry are playing in the local economy and communities. The Project will use its SELEP-wide marketing campaign, and by supporting growers, producers, retailers and businesses in the hospitality sector boost B2C and B2B sales and build regional supply chains, the project supports the regional economy, promotes a connected, healthy and happy community, and contributes to a well-maintained countryside and a better environment

7.1.8. The regional map and supporting marketing campaign will provide customers looking for local produce an insight into the great variety of food and drink businesses in the SELEP area, with the regional map providing a direct Call to Action, boosting sales and subsequent business growth. The map and business support activities offer the opportunity for local producers to engage with the broader market and build on the 'local produce' offer, offering a more sustainable approach to food production which directly supports local job creation and community cohesion.

7.1.9. There is an opportunity to link with another SSF project, Gourmet Garden Trails, to cross promote both projects. Produced in Kent and Visit Kent already work closely together.

7.1.10. The Buy Local campaign will also extend a hand to the hospitality sector which has suffered disproportionally from the social distancing guidelines, promoting its offering and helping with B2B business development and targeted recovery support.

7.1.11. The project, through its baseline survey, provides an opportunity to assess current skills gaps post Covid19 and offer targeted upskilling activities.

Funding and Project Spend

7.5 The funding breakdown is shown in Table 4;

Table 4

| Source | 2020/21 |
|---|---|
| *SSF* | £69,510 |
| *Produced in Kent (Kent)* | £19,660 |
| *Natural Partnerships CIC (East Sussex)* | £5,790 |
| *Rural Community Council (Essex)* | £4,400 |
| Total | £99,300 |

7.6 A breakdown of the costs is shown in Table 5

Table 5

| BUY LOCAL PROJECT COSTS | | |
|---|---|---|
| **Activity** | **Description** | **Expenditure** |
| Website development | | £3,500 |
| Website maintenance | 12 months | £2,000 |
| Legal fees | T&C and provision of additional advice for the period of the project | £3,000 |
| Project Manager (sourced from the respective organisations) | 4 days p/m @£300 a day = £1200 p/m | £14,400 |
| Marketing and admin staff support (sourced from the respective organisations) | 4.5 days p/m @£200 a day = £900 p/m x 3 = £2700 | £32,400 |
| Social media and media advertising | Paid social media, pay per click campaign | £8,000 |
| Marketing collateral | | £5,000 |
| PR activities and influencers | Virtual campaign launch, county, regional and national press ((Estimate encompasses event launch (£3000), PR (£12,000 across three counties for 12 months) and influencers (£3000, picking a small number of London influencers with a great reach to attract the London market to the area) | £18,000 |
| Sector survey | 10-day consultancy (design, data collection and analysis, report) @ £500 a day | £5,000 |
| Business support activities | Virtual networking and training events, virtual 1-2-1 business support, 1 regional Connecting Suppliers with Buyers, 1 | £8,000 |

| | | |
|---|---|---|
| | conference | |
| **TOTAL project costs** | | **£99,300** |

Programme

7.6 Key Milestones are shown in Table 6

Table 6

| **Key Milestones** | | |
|---|---|---|
| **Key Milestones** | **Description** | **Indicative Date** |
| Project initiated | Funding confirmed and contract awarded | 15 June 2020 |
| Project management group agreed | Structure formalised | 19 June 2020 |
| Project Group meetings | Virtual<br>Last Thursday of each month | 25 June 2020, and following |
| Regional marketing campaign developed | Content Strategy<br>Marketing channels identified<br>Key events | 26 June 2020 |
| Business info imported into website | Imported from HelpKentBuyLocal<br>Added from Essex<br>Link established from regional website to East Sussex webpage | 26 June 2020 |
| Website launched | Regional website<br>County pages (branded) | 1 July 2020 |
| Marketing campaign launched | Press release<br>Virtual launch event | 1 July 2020 |
| Content sector survey finalised | To be filled out by every new listing | 1 July 2020 |
| First News Bulletins to go out | Every County | 8 July 2020 |
| 500 businesses listed on regional website, plus 250 on East Sussex website. Note: the 'helpKentBuyLocal' website has listed 250 businesses in 2 months | 250 per County | 25 September 2020 |
| Sector survey outcomes | Sector stats<br>Impact Covid<br>Recovery needs | 25 September 2020 |
| Business recovery support package finalised | Depending on outcomes survey, may include:<br>Virtual networking events, sectoral support groups<br>Virtual 1-2-1 business support | 2 October 2020 |

| | | |
|---|---|---|
| | Virtual training<br>Connecting Suppliers with Buyers (2021)<br>Conference (2021) | |
| Start of business support activities | *As agreed in support package*<br>Virtual activities<br>Connecting Suppliers with Buyers | 19 October 2020 – 26 March 2020<br>January 2021 – March 2021 |
| Conference | End of project activity | April 2021 |
| 1200 businesses listed on regional website | | May 2021 |
| End of project evaluation | | 14 May 2021 |
| Strategy to monetize regional website by each county | To ensure financial sustainability project post-funding | June 2021 |
| Project impact survey and report | | November 2021 |

<u>Benefits</u>

7.7 Expected benefits of the Project are:

7.1.12. Increased B2C sales by around 2-5% across companies involved, which equates to 800 companies realising £40m annually. The cash value of this has been estimated at £0.8m - £2m

7.1.13. Increased B2B sales by around 2-5% across companies involved, which equates to 300 companies realising £30m annually. The cash value of this has been estimated at £0.6m - £1.5m

7.1.14. 7.8.3 It is estimated that 10 new products will be developed which has a cash value of circa £30,000 per product

7.1.15. 7.8.4 Additional employment with a target of 30 FTE posts at approx. £18,000 per post = £540,000

7.8 This suggests a BCR of 44/1 and highlight the significant potential for the development of SELEP's food and drink sector

7.9 Monitoring will take during the Project and will continue for the 6 months after the finish.

7.10 The Buy Local campaign will drive customer and business traffic to the regional website and ultimately to the businesses listed there. A regional map will attract a larger (UK and London and International) audience, which will open up regional, national and potentially international export opportunities.

7.11 As previously mentioned COVID-19 has seen a surge in businesses adapting and benefitting from the publics move toward buying local. Project training provided on developing and further building on these services (with available digital technologies) and successfully adapting one's brand and business strategy in line with this operational change, will lead to at least 10 new products developed and taken to market. Evidence of this in action has been seen with Kent businesses bringing 16 new products to market since the beginning of the lockdown

Risks

7.12 7.12 A risk register is outlined in Table 7

Table 7

| Risks | Likelihood | Impact | Mitigation | Overall risk |
|---|---|---|---|---|
| Partner disengagement | Low | Mod/High | Partners well-known to one another and have already provided significant time in pulling the application together. They fully support the sector and have demonstrated a high level of commitment to the project | Low |
| Poor engagement from businesses | Mod | High | Businesses in Kent and East Sussex are already engaging in existing online networks – integration of these online networks into regional website will be no problem. Captive business audience in Essex because of existing business contacts through GFGP | Low |
| Lack of conference venues | Low | Low | Covid19 has seen a quick adaptation to virtual meetings, training sessions and networking events – audience will be receptive to this approach during and post-Covid | Low |
| Skillset lacking to ensure effective project management | Low | High | Partners involved have a long and successful track-record of managing a broad range of complex, multi-facetted projects. A project management team will be formed to ensure effective delivery. | Low |

Outcome of Independent Technical Review

7.13 The Independent Technical Review has confirmed that the project meets the criteria for funding (see Appendix C)

**8. SE Export Development (SEED)**

Scope of Project

8.1 This Project has been submitted for SSF assessment, however, did not meet all the Independent Technical Evaluators (ITE) criteria at this time

8.2 The project looks to help SELEP businesses to grow by becoming more innovative and productive, the promoters had found that exports levels in the SELEP area tended to be quite low.

8.3 The key areas of delivery are;

8.1.1. Business Engagement – a series of communication activities to recruit companies from the target sectors wishing to expand into international markets and assessing their suitability to participate in the project. It is crucial that a good representation of relevant businesses from across the SELEP area are engaged with the supported projects

8.1.2. Export Preparation – working to help selected companies get 'export-ready' (with hands-on support from Department of Trade (DIT) and other strategic partners) through 1-2-1 and group training activities (covering topics like market selection in a shifting global environment, complying with new trade regulations, innovation & product adaption for overseas markets, paperwork & customs, routes to multiple markets, managing risks around exports, distribution, getting paid and maximising time at exhibitions). This activity will include an element of responding to evolving business needs around export challenges and barriers to provide up to date and useful information to companies.

8.1.3. A SELEP stand at an International Trade Show - Organisation of a SELEP stand at a major international trade show, with dedicated space for 20 companies allowing them to showcase their products / services to global audiences from the right industry sectors. This will also allow the inward investment agencies from the federated areas to promote SELEP abroad as a place to do business. A video will be produced for display on the stand showcasing the best of the sector in the SELEP area and key investment sites and assets. Representatives of the Inward Investment Agencies in the SELEP area will be invited to attend the show to meet with international business contacts and also promote the area as a place to invest and do business. Although most international trade fairs have been cancelled in 2020, it is anticipated that such activities will resume in 2021 and it is important that companies from the SELEP area are at the forefront of such opportunities to promote their products to an international audience to aid economic recovery. This option would not be an option currently

8.1.4. A SELEP trade mission -this would be organised to enable a further 30 companies to visit the same show to carry out market research and participate in a range of matchmaking, meet the buyer and market insight presentations

8.4 The project would provide intensive support to 50 businesses from the SELEP area with an estimated split per federated area of: Essex: 12, South Essex 8, Medway 5, Kent 16, East Sussex 9

8.5 The sector focus and therefore target international trade shows are due to be finalised by the delivery partners and would be decided at the start of the implementation phase when the partnership would review the most suitable trade show opportunities, thereby gaining the most up to date intelligence.

Funding and Programme Spend

8.6 The funding breakdown is shown in Table 7

Table 7

| Source | 2020/21 |
|---|---|
| SSF | £129,860 |
| Dedicated officer time from the partner Local Authorities (Kent, Medway, South Essex) and Chambers of Commerce | £25,000 |
| DIT SE, DIT East & EEN SE & East | £5,000 |

| | |
|---|---|
| International Trade Advisor time | |
| SME contribution towards travel and accommodation costs | £10,000 |
| **Total Project Cost** | £169,860 |

8.7 Each partner would contribute a dedicated amount of officer time for the management and implementation of the project, although this is not specified in the application.

8.8 Further in-kind support through local partners in the SELEP area.

8.9 Beneficiary SME's would make a contribution to travel and accommodation costs for the trade shows to help demonstrate their commitment to international sales. This would be on a proportionate basis in order not to create any barriers to participation.

Milestones

8.10 Key Milestones are shown in Table 8

Table 8

| Key Milestones | Description | Indicative Date |
|---|---|---|
| Promotion of SEED Project to target companies | A series of promotional activities will be designed and delivered by the delivery partners as well as being disseminated by strategic local partners (export support organisations, business support organisations and sector groups) including:<br>• Social media activity<br>• Promotional flyers<br>• Newsletter articles & bulletins | Oct-Nov 2020 |
| Selection of companies to participate in support programme | The partners will develop an Expression of Interest form and suitable selection criteria (focusing on export readiness, track record in the domestic market etc.) and will invite companies to apply for the programme. The partners will select eligible companies (with expert advice from DIT, EEN, local authorities' ED Teams and the local Chambers of Commerce) for the project and companies which have already been working with core export support services may be particularly relevant for this project. | Nov-Dec 2020 |
| 20 x 121 export readiness visits to companies | Each company will receive a 1-2-1 visit from a DIT International Trade Advisor or equivalent Chamber of Commerce or EEN advisor/Local Authority Advisor to ensure that they are export-ready | Dec 2020 -Feb 2021 |
| 4 group export & trade show training sessions (2 for each target sector) | Training sessions will be organised in the different federated areas for the selected companies based on their sector with tailored advice about regulations and exporting procedures. These will bring together advise & expertise from the core existing, export service providers in the SELEP area (DIT, EEN, CoCs).<br><br>Trade show preparation sessions will also be organised | Jan 2021 – March 2021 |

| | | |
|---|---|---|
| | to ensure that the selected companies can properly prepare for the trade show stand and maximise their participation | |
| SELEP trade show stand organised at trade show (20 companies exhibiting) | The delivery partners will book stand space, commission the design of the SELEP stand and make all of the necessary logistical arrangements on behalf of the companies as well as organising receptions / promotional events to maximise the exposure of the companies at the events<br><br>The partners will also use international connections (DIT overseas posts, EEN's extensive network and the British International Chambers of Commerce network) to make the most of in-market expertise and contacts for the companies. | April-June 2021 |
| Trade Mission (30 companies) visiting trade show | The delivery partners will organise travel, logistics and a full programme of activity for companies attending the trade show as part of the SELEP trade mission. | April-June 2021 |
| Follow-up support to companies | The delivery partners and their local export-support providers (DIT etc.) will work with companies to ensure that leads obtained at the trade show are followed up and that any potential barriers to overseas orders being fulfilled are tackled | July 2021 onwards (this will continue after the formal end of the project) |
| Evaluation report including details about benefits captured from participating companies | The partners will capture detailed feedback from the companies to gather information about immediate benefits for each participating company (e.g. leads generated, direct export sales etc.) which will be followed up at regular intervals after the project end date to capture longer term benefits. | August 2021 |

<u>Benefits</u>

8.11 Expected benefits of the Project are outlined in Table 9

Table 9

| Type of Benefit | Number of benefits created | Cash value of benefit (£) |
|---|---|---|
| New skills and knowledge gained by participating SMEs | 50 SMEs with new knowledge and boosted internal export capacity | |
| International exposure for SMEs | 50 SMEs exposed to new international markets | |
| Sales leads generated for companies | 20 leads per exhibiting company gained at the trade shows | |
| New international business contacts made | 200 new contacts made by companies participating in trade mission leading to international partnership or co-operation agreements | |

| | | |
|---|---|---|
| Export orders / contracts secured | New export orders company in the year following the project implementation | £200,000 estimate (Average £10K per exhibiting company) |
| Increased turnover for exhibiting companies | 10% increase in turnover between the start of the project and 6 months after the end of the project | |

8.12 A report published in 2008 suggest that companies participating in trade shows see an average financial benefit of £40,000. Appreciating that this project will be based on enabling 20 companies who are 'new to export' this figure may vary. It is conservatively estimated that the 20 companies, exhibiting at a trade show, would expect to create export wins of £200,000. An export win is a new orders or contracts resulting in participation in the trade shows in the year following the project. SEED would expect to secure an equal return

8.13 Department of International Trade funded shows offered £70 return for every £1 spent, which shows the value of helping businesses with this type of activity

8.14 It is unclear what the actual value for money calculations are offering. This suggests an extremely high risk for this Project and its anticipated outcomes in the 12-month period proposed for delivery.

Risks

8.15 Table 10 shows the key risks

Table 10

| Risk | Likelihood | Impact | Mitigation | Overall risk |
|---|---|---|---|---|
| The possibility of a lack of clarity at the end of the UK-EU withdrawal period causing additional uncertainty among businesses about trading relations with EU and international markets | Possible | High | Monitor Brexit implications during and after the 'Transition Period' | Medium |
| Risk of corona virus causing the ongoing cancellation or postponing of trade shows and preventing international trade | Possible | High | Plan the trade show participation and trade mission for mid-2021 when the impact of coronavirus will hopefully have significantly reduced | Medium |
| Failure to recruit sufficient numbers of companies to participate in the main project activities | Unlikely | High | Wide publicity campaign involving local partners in the different federated areas of SELEP and selecting well-known industry events and | Low |

| | | | | |
|---|---|---|---|---|
| | | | providing attractive package of hands-on support | |
| Failure to secure direct export wins at the trade shows themselves | Possible | High | Detailed training & preparation activities for companies prior to participating in international trade shows and ongoing support for companies to pursue leads gained after the events | Medium |
| Not being able to secure the right amount of stand space for the SELEP companies | Unlikely | High | Booking stand space well in advance with enough lead-in time to make all arrangements | Low |
| Exchange rate fluctuations | Possible | Medium | Costs incurred 'in-market' could be higher than planned if the value of the pound drops significantly | Low |

8.15 The Project was originally conceived to help SME's with the upcoming BREXIT decision and the potential changes. COVID-19 was not part of the original thinking and there is a divergence between the stated milestones and the risk register with regard to this. Social distancing potentially pushes the project into the future as there is no confirmed point at which trade fairs etc., may be viable again.

Outcome of Independent Technical Review

8.16 The Independent Technical Review has confirmed that the project does not meet the criteria for funding at this time for the following reasons;

8.17 The BCR of the Project is not provided. There is supporting evidence provided to demonstrate value for money. High risks due to COVID-19 and BREXIT in current year which make value for money exemptions not applicable.

8.18 £40,000 of match-in-kind; £10,000 is the expected contribution from the individual businesses selected to participate, so is not guaranteed. Unclear which federated areas are providing officer time and whether this has been confirmed.

8.19 The project is due to be seen by KMEP, OSE and TES. Previously the project was received positively by Success Essex (at the time of application),

**9. England's Creative Coast (formerly, The South East Creative Economy Network (SECEN) Cultural Coasting Project**

9.1 This Project was originally awarded funding in June 2017 with a programme extended over three years, 2017/18, 2018/19 and 2019/20

9.2 By collaborating with artists, galleries, arts organisations and tourism providers the Project aims to connect people and places, celebrating the importance of creativity alongside the uniqueness of being and living by the coast.

9.3 Following guidance from Government and Public Health England it is now planned that the Waterfronts art commissions, a series of new temporary outdoor works made in response to the Essex, Kent and East Sussex coastlines will now take place in 2021.

9.4 The Project has so far drawn down £100,000 of its £150,000 award. The total project value is £1,179,000.

9.5 The Board is asked under 2.4 to agree this extension.

**10. Update on delivery of approved SSF projects**

10.1 All twelve SSF projects which have been endorsed by the Board have now been approved by the SELEP CEO. To date £889,266 SSF has been drawn down against eight of these projects, with further draw down requests expected in relation to other SSF projects during 2020/21 financial year.

10.2 Formal monitoring and evaluation processes are in place for all projects in the SSF programme. This will allow updates to be provided to the Board on the delivery of the SSF projects on a regular basis. Detailed information about each SSF project, based on monitoring returns provided by scheme promoters, is set out in Appendices B and C.

**11. Sector Support Fund programme risks**

11.1 An important part of the SSF reporting process is the completion of a high-level risk assessment for each project. Scheme promoters are asked to assess the project risk in four specific areas:

11.1.1. **Delivery Risk** - What are the delivery risks that the project faces? What mitigation is required to reduce the delivery risk?

11.1.2. **SSF Spend Risk -** If SSF spend is delayed relative to the timescales agreed in the legal agreement, an explanation for the delay is sought.

11.1.3. **Delivery of project benefits -** Is there risk to the delivery of the project outputs and benefits as stated in the original application?

11.1.4. **Other Risk -** Have any other risks/issues arisen that will impact the delivery of the scheme?

11.2 Each risk area is assigned a rating of Red (high risk), Amber (medium risk) or Green (low risk), with these ratings being combined to produce an overall project risk rating which is measured on the same scale. This risk analysis is set out in Appendix B. No high-risk issues have been identified to date.

**12. Accountable Body Comments**

12.1 Up to £500,000 of the GPF revenue grant was available in 2019/20 (plus carry forward of £301,600) to support the SSF programme, of which £206,500 remains unallocated. The Buy Local South East project and the Delivering skills of the future through teaching project are seeking £145,510 in total and therefore there is sufficient funding available to support the request for these Project, leaving £60,990 to support future funding bids in 2020/21.

12.2 No key risks have been identified with the two projects and the Independent Technical Review has confirmed that the criteria for funding have been met.

12.3 The SE Export Development (SEED) project application did not meet the criteria of the Independent Technical Review. Key risks were identified which can be seen in Appendix A.

12.4 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.

12.5 Should the Board endorse the recommended SSF applications, the grants will be transferred to Kent County Council and Essex County Council via a grant agreement with the Accountable Body; the grant agreement will include a requirement for law back of the funding if it is not fully expended or not expended in line with the Project Bid Document.

12.6 The SSF carry forward balance from 2019/20 is subject to the Accountability Board's approval of the 2019/20 final year position and carry forward, at the July 2020 Board meeting. Should the Board endorse the two SSF projects put forward in this report and are then granted approval by the SELEP Accountable Officer, being the Chief Executive Officer (CEO) the subsequent Grant agreements and funding transfers will be subject to Accountability Board SSF carry forward approval.

**13. Appendices**

13.1 Appendix A – Summary of SELEP endorsed SSF projects

13.2 Appendix B – Update on the delivery of Sector Support Fund projects

13.3 Appendix C – ITE Assessment

**14. Background Paper**

14.1 Sector Support Fund Guidance Note, including eligibility criteria

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