

# ACCOUNTABILITY BOARD

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| <b>10:00</b> | <b>Friday, 27 April<br/>2018</b> | <b>High House<br/>Production Park,<br/>Vellacott Close,<br/>Purfleet, Essex,<br/>RM19 1RJ</b> |
|--------------|----------------------------------|---|

**Quorum: 3 (to include 2 voting members)**

## **Membership**

Mr Geoff Miles  
Cllr Kevin Bentley  
Cllr Paul Carter  
Cllr Rodney Chambers  
Cllr Keith Glazier  
Cllr Rob Gledhill  
Cllr John Lamb  
Angela O'Donoghue  
Lucy Druesne

Chairman  
Essex County Council  
Kent County Council  
Medway Council  
East Sussex County Council  
Thurrock Council  
Southend Borough Council  
Further Education/ Skills representative  
Higher Education representative

**For information about the meeting please ask for:**

**Lisa Siggins**  
**(Secretary to the Board)**  
[lisa.siggins@essex.gov.uk](mailto:lisa.siggins@essex.gov.uk)  
**Tel: 03330134594**

## **Meeting Information**

All meetings are held in public unless the business is exempt in accordance with the requirements of the Local Government Act 1972.

Most meetings are held at High House Production Park, Purfleet. A map and directions to can be found <http://hhpp.org.uk/contact/directions-to-high-house-production-park>

If you have a need for documents in the following formats, large print, Braille, on disk or in alternative languages and easy read please contact the Secretary to the Board before the meeting takes place. If you have specific access requirements such as access to induction loops, a signer, level access or information in Braille please inform the Secretary to the Board before the meeting takes place. For any further information contact the Secretary to the Board.

The agenda is also available on the Essex County Council website

## Part 1

(During consideration of these items the meeting is likely to be open to the press and public)

|   |  | Pages  |
|---|--|--------|
| 1 | <b>Welcome and Apologies for Absence</b>   |        |
| 2 | <b>Minutes</b><br>To approve the minutes of the meeting held on 16th March 2018.   | 6 - 10 |
| 3 | <b>Declarations of Interest</b><br>To note any declarations of interest to be made by Members in accordance with the Members' Code of Conduct  |        |
| 4 | <b>Questions from the Public</b><br><br>Public Questions<br><br>In accordance with the Policy adopted by the SELEP, a period of up to 15 minutes will be allowed at the start of every Ordinary meeting of the Accountability Board to enable members of the public to make representations. No question shall be longer than three minutes, and all speakers must have registered their question by email or by post with the Managing Director of the South East LEP ( <a href="mailto:adam.bryan@essex.gov.uk">adam.bryan@essex.gov.uk</a> ) by no later than 10.30am seven days before the meeting. Please note that only one speaker may speak on behalf of an organisation, no person may ask more than one question and there will be no opportunity to ask a supplementary question.<br><br>On arrival, and before the start of the meeting, registered speakers must identify themselves to the member of staff collecting names.<br><br>A copy of the Policy for Public Questions is made available on the SELEP website - <a href="http://www.southeastlep.com/images/uploads/resources/PublicQuestionsPolicy.pdf">http://www.southeastlep.com/images/uploads/resources/PublicQuestionsPolicy.pdf</a><br><br>Email ( <a href="mailto:adam.bryan@essex.gov.uk">adam.bryan@essex.gov.uk</a> ) |        |

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|----|---|------------------|
| 5  | <b>Dartford Town Centre Improvements LGF Funding Decision</b>   | <b>11 - 30</b>   |
| 6  | <b>A414 Pinch Point Package Funding Award</b>   | <b>31 - 37</b>   |
| 7  | <b>Harlow Advanced Manufacturing and Engineering Centre (HAMEC) skills capital round one underspend utilisation</b>   | <b>38 - 44</b>   |
| 8  | <b>Rochester Airport LGF Progress Update Report</b>   | <b>45 - 57</b>   |
| 9  | <b>Growing Places Fund award to the Fitted Rigging House</b>  | <b>58 - 64</b>   |
| 10 | <b>Assurance Framework Implementation Update</b>  | <b>65 - 103</b>  |
| 11 | <b>Provisional Revenue Outturn 2017-18</b>  | <b>104 - 112</b> |
| 12 | <b>Date of Next Meeting</b><br>To note that the next meeting of the Board will be on Friday 15 June 2018 at High House Production Park.   |                  |
| 13 | <b>Urgent Business</b><br>To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency. |                  |

### **Exempt Items**

(During consideration of these items the meeting is not likely to be open to the press and public)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, Members are asked to decide whether, in all the circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

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| 14 | <b>Urgent Exempt Business</b><br>To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency. |  |
|----|---|--|



## Minutes of the meeting of the SELEP Accountability Board, held in High House Production Park Vellacott Close, Purfleet, Essex, RM19 1RJ on Friday, 16 March 2018

### Present:

|                      |  |
|----------------------|--|
| Geoff Miles          | Chairman                                 |
| Cllr Kevin Bentley   | Essex County Council                     |
| Cllr Paul Carter     | Kent County Council                      |
| Cllr Rodney Chambers | Medway Council                           |
| Cllr Keith Glazier   | East Sussex County Council               |
| Cllr John Lamb       | Southend Borough Council                 |
| Angela O'Donoghue    | Further Education/ Skills representative |
| Lucy Druesne         | Higher Education representative          |

### ALSO PRESENT

### Having signed the attendance book

|                     |  |
|---------------------|--|
| Suzanne Bennett     | Essex County Council   |
| Steven Bishop       | Steer Davies Gleave  |
| Adam Bryan          | SELEP  |
| Jake Cartmell       | Steer Davies Gleave  |
| Edmund Cassidy      | Steer Davies Gleave  |
| Kim Cole            | Essex County Council (As Deputy Monitoring Officer for the Accountable Body) |
| Dominic Collins     | Essex County Council   |
| Richard Dawson      | East Sussex County Council   |
| Helen Dyer          | Medway Council   |
| Janet Elliott       | Medway Council   |
| Ben Hook            | East Sussex County Council   |
| Tomasz Kozlowski.   | Medway Council   |
| Andy Lewis          | Southend Borough Council   |
| Richard Longman     | Thames Gateway Kent Partnership  |
| Paul Martin         | SELEP  |
| Stephanie Mitchener | Essex County Council (as delegated S151 Officer for the Accountable Body)    |
| Rhiannon Mort       | SELEP  |
| Lorna Norris        | Essex County Council   |
| Sarah Nurden        | Kent and Medway Economic Partnership   |
| Tim Rignall         | Thurrock Council   |

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|----------------|--|
| Paul Rogers    | Thurrock Council                         |
| Gareth Rott    | Essex County Council                     |
| Lisa Siggins   | Essex County Council Democratic Services |
| Stephen Taylor | Thurrock Council                         |

**1 Welcome and Apologies for Absence**

Apologies were received from Councillor Rob Gledhill from Thurrock Council.

**2 Minutes**

The minutes of the meeting held on Friday, 23rd February 2018 were agreed as an accurate record and were signed by the Chairman.

**3 Declarations of Interest**

Councillor Rodney Chambers declared a non-pecuniary interest in any items on the agenda which concerned the Historic Dockyard Chatham, as he is a trustee thereof.

**4 Questions from the Public**

There were no public questions.

**5 Strood Civic Centre Flood Mitigation**

The Accountability Board (the Board) received a report from Rhiannon Mort and a presentation from Steer Davies Gleave, the purpose of which was to make the Board aware of the value for money assessment for the Strood Civic Centre Flood Mitigation Project (the Project) which has been through the Independent Technical Evaluator (ITE) review process, to enable £3.5m Local Growth Fund (LGF) to be devolved to Medway Council for Project delivery.

**Resolved:**

**To Approve** the award of £3.5m Local Growth Fund to support the delivery of the Project identified in the Business Case and which has been assessed as presenting high value for money with high certainty of achieving this.

**6 Local Growth Fund Capital Programme Update**

The Board received a report from Rhiannon Mort, the purpose of which was to update the Board on the latest position of the Local Growth Fund (LGF) Capital Programme, as part of SELEP's Growth Deal with Government.

The Board discussed the slippages and questioned what was genuine slippage as opposed to where completion is not likely to happen. Rhiannon clarified that at this stage the Board were just being asked to agree the "carrying forward" of funding between financial years.

They proceeded to discuss the roles of the Accountability Board and the Strategic Board and the remit of decisions made at each.

Councillor Lamb gave the Board a progress update in respect of the projects in his area.

Councillor Carter questioned who has responsibility for any overspend and any risks associated therewith. Rhiannon clarified that the risk sits with the upper tier delivering authority. She confirmed that full details of funding risks associated with projects will be brought to the next Board meeting.

### **Resolved:**

1. **To Note** the updated LGF spend forecast for 2017/18
2. **To Agree** the project delivery and risk assessment, as set out in Appendix 3.
3. **To Agree** the slippage of LGF spend from 2017/18 to 2018/19 for the following projects:
  - a. Hailsham/Polegate/ Eastbourne Movement and Access Transport scheme (£1.128m);
  - b. Hastings and Bexhill Movement and Access Package (£0.969m);
  - c. East Sussex Strategic Growth Project (£2.755m);
  - d. Basildon Integrated Transport Package (£1.268m)
  - e. Kent and Medway Growth Hub (£1.500m);
  - f. Tunbridge Wells Junction Improvements and A26 Cycle Route (£0.565m);
  - g. Kent Strategic Congestion Management Package (£0.208m);
  - h. Kent Rights of Way Improvement Plan (£0.150m);
  - i. Kent Sustainable Interventions Programme (£0.013m);
  - j. Maidstone Integrated Transport Package (£1.135m);
  - k. Ashford International Connectivity Project – Ashford Spurs (£3.060m);
  - l. A226 London Road/ B225 St Clements Way (£0.312m);
  - m. Coastal Communities Housing Intervention – Thanet (£0.512m);
  - n. Dartford Town Centre Transformation (£0.200m);
  - o. Fort Halsted (£1.530m);
  - p. A2 off-slip at Wincheap, Canterbury (£0.354m);
  - q. Leigh Flood Storage Area and East Peckham- unlocking growth (£0.091m);
  - r. A289 Four Elms Roundabout to Medway Tunnel Journey time and Network Improvements (£1.911m);
  - s. Strood Town Centre Journey Time and Accessibility Enhancements (£1.625m);
  - t. Chatham Town Centre Place- Making and Public Realm Package (£1.269m);
  - u. Medway Cycle Action Plan (£0.136m);
  - v. Medway City Estate Connectivity Measures (£0.065m);
  - w. Rochester Airport Phase 1 (£2.582m);



- x. Southend Central Area Action Plan (£0.850m); and
  - y. London Southend Airport Business Park Phase 1 and Phase 2 (£8.999m).
4. **To Agree** the acceleration of LGF spend in 2017/18 for the following projects:
    - a. Queensway Gateway Road (£1.540m);
    - b. Chelmsford City Growth Area (£0.500m);
    - c. Technical and Professional Skills Centre at Stansted Airport (£1.000m)
    - d. Kent Thameside LSTF (£0.106m);
    - e. A28 Chart Road (£1.913m);
    - f. A28 Sturry Link Road (£0.059m);
    - g. Kent and Medway EDGE Hub (£0.500m);
    - h. A2500 Lower Road (£0.200m); and
    - i. Strood Civic Centre – flood mitigation (£0.338m);
  5. **To Approve** the acceleration of £0.338m LGF spend in 2017/18 for the Strood Civic Centre Flood Mitigation project.
  6. **To Approve** the acceleration of £5.000m LGF spend in 2017/18 on the Gilden Way Upgrades, for spend across the Gilden Way and M11 Junction 7a project
  7. **To Approve** the planned spend of £113.293m LGF in 2018/19, excluding DfT retained schemes and £148.666m including DfT retained schemes, subject to SELEP receiving sufficient funding from Government in 2018/19 as per the amount indicated in the provisional funding profile.

## 7 **Thanet Parkway - Programme Update**

The Board received a report from Joseph Ratcliffe, Transport Strategy Manager, Kent County Council which was presented by Rhiannon Mort. The purpose of the report was to make the Board aware of the latest progress in the Thanet Parkway Railway Station Project (the Project) in Kent. The Business Case for the Project has been reviewed through Gate 1 of the Independent Technical Evaluator (ITE) process, but the award of Local Growth Fund (LGF) to the Project has not yet been considered by the Board owing to a Project funding gap of approximately £8.8m. The LGF provisional allocation is £10m.

Councillor Carter spoke in support of the Project, stressing that it is an extremely important transport project with over £2.5m having already been invested by Kent County Council.

Councillor Bentley requested that more detailed information be contained in reports to provide more clarity around the decisions being sought. Rhiannon advised that more detailed funding information would be provided at a future Board meeting as the Project is brought forward by the promoting authority for a funding decision.

The Board proceeded to discuss the problems where projects involved working with Network Rail and requested that they should be invited to Strategic Board to explain their position; pressure can then be applied to Network Rail with a robust statement made in respect of funding allocations and the sharing of project risk.

**Resolved:**

**To note** the current work being undertaken in order to progress the Project:

1. That further work is being undertaken to secure additional funding to bridge the current funding gap of £8.8m;
2. That the Project can still be delivered within LGF timescales subject to full funding;
3. That possible alternative delivery methods are being investigated to ensure best value for money; and
4. That a funding decision is intended to be sought from the Board during 2018/19.

**8 A13 Widening update report**

The Board received a report from Paul Rogers, Programme Manager Major Schemes, Thurrock Council, the purpose of which was to provide the Board with an update on the A13 widening project (the Project).

**Resolved:**

**To Note** the current position with regards to the A13 widening Project as set out in the report.

**9 2017-18 and 2018-19 Revenue Budget Update**

The Board received a report from Suzanne Bennett, the purpose of which was to update the Board of the current year revenue budget forecast outturn position as at the end of February 2018.

**Resolved:**

1. **To Note** the current forecast outturn position for 2017/18; and
2. **To Note** the information update for the budget for 2018/19.

**10 Date of Next Meeting**

The Board noted that the next meeting will take place on Friday 27th April 2018.

There being no urgent business the meeting closed at 10.00am.

**Chairman**

|  |   |
|--|---|
| <b>Report to Accountability Board</b>        | <b>Forward Plan reference number:</b><br>FP/AB/148            |
| <b>Date of Accountability Board Meeting:</b> | <b>27<sup>th</sup> April 2018</b>                             |
| <b>Date of report:</b>                       | <b>18<sup>th</sup> April 2018</b>                             |
| <b>Title of report:</b>                      | <b>Dartford Town Centre Improvements LGF Funding Decision</b> |
| <b>Report by:</b>                            | <b>Rhiannon Mort, SELEP Capital Programme Manager</b>         |
| <b>Enquiries to:</b>                         | Rhiannon.mort@essex.gov.uk                                    |

## 1. Purpose of report

- 1.1 The purpose of this report is to make the Accountability Board (the Board) aware of the value for money assessment for the Dartford Town Centre Improvements (the Project) which has been through the Independent Technical Evaluator (ITE) review process, to enable £4.3m Local Growth Fund (LGF) to be devolved to Kent County Council.
- 1.2 The ITE report sets out the detailed analysis of the Project. This report is included in Appendix 1, of Agenda Item 5.

## 2. Recommendations

- 2.1 The Board is asked to agree one of the following two options:
  - 2.1.1 **Option 1: Approve** the award of £4.3m LGF to support the delivery of the Project identified in the Business Case and which has been assessed as presenting high value for money with low certainty of achieving this.
  - 2.1.2 **Option 2: Defer** the funding decision for the Project until further evidence is provided to increase the certainty of the value for money assessment.

## 3. Dartford Town Centre Improvements

- 3.1 LGF is sought to support the delivery of a wider programme of work aimed at improving the economic performance of Dartford Town Centre through public sector funding of transport/public realm improvements, including improved walking and cycling routes into the town centre as well as improved public spaces and pedestrian movement space once in the town centre.
- 3.2 The Project comprises of the following elements:

- 3.2.1 Market Street - the creation of a civic space linking the High Street with Central Park, the Acacia complex and a mixed use development to the south of the town centre;
- 3.2.2 Hythe Street between High Street and Westgate Road - improving pedestrian and cycle space and streetscape alongside a mixed use development opportunity site which links the High Street with bus and rail services and Prospect Place shopping complex; and
- 3.2.3 Junction improvements re-balancing highway capacity for all users including pedestrians, cyclists, buses and general motorised transport and associated public realm improvements at:
- Hythe Street, Westgate Road and Home Gardens
  - East Hill, Overy Liberty with Home Gardens
  - Lowfield Street with Instone Road (enabling two way flows on Instone Road)
  - Highfield Road with Instone Road (enabling two way flows on Highfield Road and Instone Road) ; and
  - West Hill with Highfield Road (enabling two way flows on Highfield Road)
- 3.3 The Project will improve connectivity between the residential areas and the town centre and improve connectivity and walkability within the town centre itself. It will result in generally improved access into the town by sustainable modes of transport. The environment of the town centre will be improved through the creation of attractive public space, which may be used for a variety of purposes, and reduce the negative effects of traffic in the centre by reducing and slowing down vehicles.
- 3.4 The aim is to encourage increased footfall in the town centre leading to economic benefits and regeneration of the town centre as a result. The improvements to be funded through an LGF award to the Project will also encourage and complement private sector investment in the town centre.
- 3.5 The Project is expected to achieve the following objectives:
- 3.5.1 Improve connectivity, ease and safety of walking and cycling between the town centre and residential areas and within the town centre itself;
- 3.5.2 Improving the attractiveness, ease of use and safety for pedestrians of getting around on foot within the town centre;
- 3.5.3 Simplify bus stop locations and improve connectivity between bus stops and the heart of the town centre
- 3.5.4 Create public spaces that have multi-functional uses and act as attractors into the town
- 3.5.5 Maximise opportunities for synergies between town centre development and the public realm improvements

#### **4. Stakeholder Engagement**

- 4.1 There has been continued engagement throughout the development of the Project, including discussions with key land owners, investors and the public.
- 4.2 An initial round of Stakeholder workshops were carried out in 2015 and 2016 to help identify the issues and to comment on the emerging proposals. Key stakeholder involved in these workshops included businesses, Kent County Council (highway authority), transport operators and statutory authorities.
- 4.3 The feedback from the consultation includes the following views:
- 4.3.1 Perception of Dartford is poor, therefore the strategy for the town centre needs to work hand-in-hand with branding efforts to remedy this and improve investment opportunities;
  - 4.3.2 Public realm improvement (paving material, active spaces, street furniture) is vital to improving environment and perception;
  - 4.3.3 There is a need for a joined up approach to regeneration to tackle piecemeal and disjointed action throughout town;
  - 4.3.4 Ensure that all development and interventions are considered as a whole and principles of delivery are clear; and
  - 4.3.5 There is an aspiration to create legible and attractive pedestrian and cycle routes throughout town
- 4.4 Further public consultation and engagement is currently underway. Exhibition on the town centre proposals were held for 6 days from 1<sup>st</sup> March 2018. This provided material on the proposed Project, as well as consultation on the wider principles for town centre improvement. The consultation is still open to online feedback. However, the following outputs can be reported at this stage:
- 1,344 people attended the exhibition
  - Verbal feedback on the Market St improvements was a 96% (275 respondents) positive response and a 4% (12 respondents) negative response
  - Of the questionnaire responses received so far, 94% strongly support or support the scheme
- 4.5 The key issue raised through the consultation was that the relocated bus stops needed to have convenient access to the core shopping area. The locations of the bus stops are therefore being considered as part of finalising the design.
- 4.6 Further to the public consultation, a number of stakeholder consultation and engagement events have been scheduled, through which specific details of the scheme will be presented to key stakeholders, businesses and residents. The feedback from these events will be used to inform and develop the scheme details, mitigating concerns and taking on board suggestions for improvement.

- 4.7 The emerging plans are also being shared with retailers in the town centre through the quarterly Town Centre Partnership Board (the Partnership Board). The membership of the Partnership Board includes representatives from the three purpose built shopping centres in the town, which comprise a high proportion of the overall shopping space. The response to the proposals has been positive throughout.
- 4.8 The view expressed through the Partnership Board is that the town centre public realm/environment requires improvement, in order to attract retailers into the centre. Specifically, the Partnership Board has been very supportive of the Market Street proposals as they see the appearance of the town centre as critical to attracting occupiers to the purpose-built shopping centres and, more widely, attracting customers to the town.

## **5. Project Funding**

- 5.1 The Project funding breakdown comprises a £4.3m LGF contribution and a £7.7m contribution from Homes England (formerly the Homes and Communities Agency), with a total Project cost of £12m.
- 5.2 The Homes England funding contribution to the Project is part of the wider Kent Thameside Strategic Infrastructure Programme, for which Kent County Council is the Accountable Body. The profile of this funding breakdown is set out in Table 1 below.
- 5.3 The Homes England funding contribution to the Project has been secured and is currently held by Kent County Council.

**Table 1 Dartford Town Centre Improvements Project (£)**

|                           | 2018/19   | 2019/20   | 2020/21   | 2021/22 | Total      |
|---------------------------|-----------|-----------|-----------|---------|------------|
| SELEP LGF sought          | 3,551,000 | 570,000   | 179,000   |         | 4,300,000  |
| Homes England             | 1,440,605 | 3,847,000 | 1,915,395 | 497,000 | 7,700,000  |
| Total funding requirement | 4,991,605 | 4,417,000 | 2,094,395 | 497,000 | 12,000,000 |

## **6. Outcome of ITE Review**

- 6.1 The SELEP ITE has assessed the Project Business Case through the Gate 1 and Gate 2 process and has recommended that the Project achieves high to value for money but with low certainty of achieving this.
- 6.2 The ITE review confirms that there is a well-articulated need for the intervention focused on catering for an increased population and the need to

stimulate retailer's interest in locating in the town centre, with the aim of reversing the longer period of decline.

- 6.3 The economic appraisal has evidenced a Benefit Cost Ratio (BCR) of 2.2:1. This BCR has been calculated following the Department for Transport Active Mode Toolkit guidance. However, the review of the Business Case has highlighted uncertainty in the economic appraisal due to gaps in the evidence to support key assumptions. For example, the analysis has assumed that the rental income will increase by 25%. However, this assumption has not been evidence based and if the rental uplift fell below this value then the Project may no longer demonstrate high value for money.
- 6.4 The disbenefits of the Project in slowing vehicle traffic to prioritise pedestrian/ cyclist trips have also not been taken into account within the economic appraisal.
- 6.1 There are, however, areas of the appraisal where the benefits may have been understated. Whilst scheme promoters are required to consider the impact of 'leakage and displacement' on the expected scheme benefits, this has been assumed at 50%. This is higher than the value normally assumed within SELEP LGF Business Cases and as a result, will decrease the benefits included within the BCR value, unless there is a specific reason why a higher value for leakage and displacement has been applied for the Project.
- 6.2 Owing to this uncertainty around the estimated BCR value for the Project, two options have been included in the recommendations section of this report. The first option is for the approval of the LGF award to the Project, based on the high value for money but low certainty of high value for money being achieved (Option 1).
- 6.3 The alternative option (Option 2) is for the Board to consider deferring the decision of the award of funding until further evidence is provided to improve the robustness of the value for money assessment. However, if the Board agree Option 2, then this may have a negative impact in delaying the delivery of the Project and then spend of the LGF contribution to the Project.
- 6.4 Should the Board agree Option 1, for the award of £4.3m LGF to the Project, it is expected that the potential disbenefits of the Project to vehicle traffic will be considered as part of the detailed design and delivery of the Project. In addition, to help manage the Projects value for money risk, if there are any changes to the Project scope or the benefits which are expected to be delivered through the Project which may impact on the Projects value for money case then a further review of the Business Case may be required.

## **7. Compliance with SELEP Assurance Framework**

- 7.1 Table 2 below considers the assessment of the Business Case against the requirements of the SELEP Assurance Framework.

7.2 The assessment confirms the compliance of the project with SELEP's Assurance Framework.

*Table 2 Assessment of the Business Case against the requirements of the SELEP Assurance Framework*

| <b>Requirement of the Assurance Framework to approve the project</b>   | <b>Compliance (RAG Rating)</b> | <b>Evidence in the Business Case</b>   |
|--|--------------------------------|--|
| A clear rationale for the interventions linked with the strategic objectives identified in the Strategic Economic Plan   | Green                          | The strategic objectives of the Project are identified, with the strategic context for the project being identified. There is clear reference to the SELEP Strategic Economic Plan and other local and national policy within the Business Case.   |
| Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account | Green                          | The Projects expected outputs and outcomes are set out in Section 3 above.<br><br>The ITE review confirms that Department for Transport Active Mode Toolkit has been used to inform the economic appraisal and to assess the expected outputs and outcomes of the intervention following WebTAG guidance |
| Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)                         | Amber                          | A risk assessment has been included as part of the Business Case development but a Quantified Risk Assessment has not been developed for the Project.  |
| A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions  | Amber                          | BCR is 2.2:1, representing high value for money. However, as detailed in Section 6, there is a low level of certainty as to this value for money category.   |



## **8. Financial Implications (Accountable Body comments)**

- 8.1 Any funding agreed by the Board is dependent on the Accountable Body receiving sufficient funding from HM Government. Funding allocations for 2018/19 have been confirmed, however, funding for this Project for future years is only indicative.
- 8.2 All funding decisions made by the Board to approve funding for a specific project or programme must be supported by a robust Business Case that has been independently assessed; the assessment of this Project has highlighted some gaps in the evidence base which means that there is low certainty with regard to the value for money assessment. Approving funding for this project therefore presents a higher risk with regard to securing high value for money and as such any approval should include an expectation of increased monitoring and reporting through delivery and a requirement that the gaps in the business case, in particular, in relation to the lack of a quantified risk assessment, should be addressed through the detailed design of the Project. Should this process indicate additional value for money concerns, then the business case should be reassessed and brought back to the Board for consideration.

## **9. Legal Implications (Accountable Body comments)**

- 9.1 This Project is only part way through conducting its public consultation exercise. Questionnaires responses are still expected to be received, and further Stakeholder engagement is to be undertaken. There is no statutory obligation to consult in this instance. However, where consultation has begun, those responding to the consultation either through questionnaires and future engagement events are entitled to expect their responses to be taken into consideration as part of the decision making process. In this instance this will not be possible if option 1 is approved by the Board, particularly where they are being asked to indicate their support of the scheme, which has already been approved.
- 9.2 The LGF will be transferred to Dartford Borough Council, as the project delivery authority, through a back to back grant agreement between Kent County Council and Dartford Borough Council.

## **10. Staffing and other resource implications (Accountable Body comments)**

- 10.1 None at present.

## **11. Equality and Diversity implication**

- 11.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act

- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

11.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

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

## **12. List of Appendices**

12.1 Appendix 1 - Report of the Independent Technical Evaluator (As attached to Agenda Item 5).

## **13. List of Background Papers**

- Business Case for Dartford Town Centre Project

**(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)**

| <b>Role</b>  | <b>Date</b> |
|--|-------------|
| <b>Accountable Body sign off</b><br><br>Stephanie Mitchener<br>(On behalf of Margaret Lee) | 19/04/18    |





Independent Technical  
Evaluator – Growth Deal and  
Growing Places Fund Business  
Case Assessment (Q1  
2018/19)

Accountability Board Report  
April 2018

South East Local  
Enterprise Partnership

Our ref:22790506  
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# 1 Independent Technical Evaluation of Q1 2018/19 Growth Deal Schemes

## Overview

- 1.1 Steer Davies Gleave were reappointed by the South East Local Enterprise Partnership in April 2016 as Independent Technical Evaluator. It is a requirement of Central Government that every Local Enterprise Partnership subjects its business cases and decisions on investment to independent scrutiny.
- 1.2 This report is for the review of final Business Cases for schemes which are seeking funding through Local Growth Fund Rounds 1 to 3. Recommendations are made for funding approval on 27<sup>th</sup> April 2018 by the Accountability Board, in line with the South East Local Enterprise Partnership's own governance.

## Method

- 1.3 The review provides commentary on the Business Cases submitted by scheme promoters, and feedback on the strength of business case, the value for money likely to be delivered by the scheme (as set out in the business case) and the certainty of securing that value for money.
- 1.4 Our role as Independent Technical Evaluator is not to purely assess adherence to guidance, nor to make a 'go' / 'no go' decisions on funding, but to provide evidence to the South East Local Enterprise Partnership Board to make such decisions based on expert, independent and transparent advice. Approval will, in part, depend on the appetite of the Board to approve funding for schemes where value for money is not assessed as being high (i.e. where a benefit to cost ratio is below two to one and / or where information and / or analysis is incomplete).
- 1.5 The assessment is based on adherence of scheme business cases to Her Majesty's Treasury's *The Green Book: Appraisal and Evaluation in Central Government*<sup>1</sup>, and related departmental guidance such as the Department for Transport's WebTAG (Web-based Transport Analysis Guidance) or the DCLG Appraisal Guide. All of these provide proportionate methodologies for scheme appraisal (i.e. business case development).
- 1.6 Pro forma have been developed based on the criteria of *The Green Book*, a 'checklist for appraisal assessment from Her Majesty's Treasury, and WebTAG. Assessment criteria were removed or substituted if not relevant for a non-transport scheme.
- 1.7 Individual criteria were assessed and the given a 'RAG' (Red – Amber – Green) rating, with a summary rating for each case. The consistent and common understanding of the ratings are as follows:
  - **Green:** approach or assumption(s) in line with guidance and practice or the impact of any departures is sufficiently insignificant to the Value for Money category assessment.
  - **Amber:** approach or assumption(s) out of line with guidance and practice, with limited significance to the Value for Money category assessment, but should be amended in future submissions (e.g. at Final Approval stage).
  - **Red:** approach or assumption(s) out of line with guidance and practice, with material or unknown significance to the Value for Money category assessment, requires amendment or further evidence in support before Gateway can be passed.

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<sup>1</sup> Source: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220541/green\\_book\\_complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf)

1.8 The five cases of a government business case are:

- **Strategic Case:** demonstration of strategic fit to national, Local Enterprise Partnership and local policy, predicated upon a robust and evidence-based case for change, with a clear definition of outcomes and objectives.
- **Economic Case:** demonstration that the scheme optimises public value to the UK as a whole, through a consideration of options, subject to cost-benefit analysis quantifying in monetary terms as many of the costs and benefits as possible of short-listed options against a counterfactual, and a preferred option subject to sensitivity testing and consideration of risk analysis, including optimism bias.
- **Commercial Case:** demonstration of how the preferred option will result in a viable procurement and well-structured deal, including contractual terms and risk transfer.
- **Financial Case:** demonstration of how the preferred option will be fundable and affordable in both capital and revenue terms, and how the deal will impact on the balance sheet, income and expenditure account, and pricing of the public sector organisation. Any requirement for external funding, including from a local authority, must be supported by clear evidence of support for the scheme together with any funding gaps.
- **Management Case:** demonstration that the preferred option is capable of being delivered successfully in accordance with recognised best practice, and contains strong project and programme management methodologies.

1.9 In addition to a rating for each of the five cases, comments have been provided against Central Government guidance on assurance – **reasonableness** of the analysis, risk of error (or **robustness** of the analysis), and **uncertainty**. Proportionality is applied across all three areas.

1.10 Assessments were conducted by a team of transport and economic planning professionals, and feedback and support has been given to scheme promoters throughout the process through workshops, meetings, telephone calls and emails during March and April 2018.



## Evaluation Results

- 1.11 Only one scheme seeking Local Growth Funding is to be considered at the April Accountability Board. Below are our recommendations to the Accountability Board, including key findings from the evaluation process and details of any issues arising.

### *Recommendations*

- 1.12 The following scheme achieve high Value for Money with low certainty of achieving this:

- **Dartford Town Centre Improvements (£4.3m):** The project involves delivery of a series of improvements to the pedestrian and walking environment on Market Street, Hythe Street, between High Street and Westgate Road and a series of junction improvements.

The business case presents a well articulated need for intervention focused on catering for a future increase in population and the need to stimulate retailer interest in locating to the town centre, with the principal aim of reversing a longer period of decline.

Within the economic case, the central case scenario indicates that the scheme represents high value for money. However, there is significant residual uncertainty regarding this value for money categorisation as a result of the limited evidence base presented to support many of the key assumptions that underpin the economic appraisal.

For example, assuming that rental values increase by 20% (rather than the 25% assumed in the central case) reduces the BCR from 2.2 to 1.9. Similarly, assuming that rental values increase over ten years (rather than the four years assumed in the central case) reduces the BCR to 2.0. There are also upside risks to the BCR since the treatment of leakage and displacement appears conservative compared with other, similar schemes that have been awarded LGF funding by SELEP.

Notwithstanding the above, we note that traffic disbenefits have not been included within the central case scenario. These are likely to be small but material and would place downward pressure upon the value for money of the scheme.

Table 1.1: Gate 1 &amp; 2 Assessment of Growth Deal Schemes seeking Approval for Funding for Q1 2018-19

| Scheme Name                       | LGF Allocation (£m) | Benefit to Cost Ratio ('x' to 1) | Strategic Case Summary | Economic Case Summary | Commercial Case Summary | Financial Case Summary | Management Case Summary | Assurance of Value for Money   |  |   |
|-----------------------------------|---------------------|----------------------------------|------------------------|-----------------------|-------------------------|------------------------|-------------------------|--|--|---|
|                                   |                     |                                  |                        |                       |                         |                        |                         | Reasonableness of Analysis   | Robustness of Analysis   | Uncertainty   |
| Dartford Town Centre Improvements | £4.3m               | Gate 1: 1.2                      | Red                    | Red                   | Amber                   | Green                  | Green                   | Not possible to assess without access to modelling and appraisal resources   | Not possible to assess without access to modelling and appraisal resources   | High levels of uncertainty associated with modelling, appraisal and supporting evidence base    |
|                                   |                     | Gate 1b: 1.2                     | Amber                  | Red                   | Amber                   | Green                  | Green                   | Access to the appraisal model provides some clarity regarding the methodology applied nevertheless, further clarifications are required                                  | Difficult to assess due to limited evidence base to support key appraisal assumptions  | High levels of uncertainty associated with lack of evidence to support key assumptions          |
|                                   |                     | Gate 2: 2.2                      | Green/<br>Amber        | Amber                 | Amber                   | Green                  | Green                   | The approach taken to assess scheme benefits is considered to be reasonable. It is based upon the DfT active modes appraisal toolkit and retail rental uplift estimates. | Key assumptions which have a material impact upon the value for money of the scheme remain unsubstantiated. In particular, the % uplift in retail rental values post-implementation. | High levels of residual uncertainty associated with lack of evidence to support key assumptions |

## 2 Independent Technical Evaluation of Q1 2018/19 Local Growth Fund Allocation Change Requests

### Overview

- 2.1 The SELEP Assurance Framework states that any variations to a project's costs, scope, outcomes or outputs from the information specified in the Business Case must be reported to the Accountability Board. When the changes are expected to have a substantial impact on forecast project benefits, outputs and outcomes as agreed in the business case which may detrimentally impact on the Value for Money assessment, it is expected that the business case should be re-evaluated by the ITE.
- 2.2 In light of the increased costs on the projects below, Steer Davies Gleave have carried out a reassessment of their Value for Money categorisation, comparing the Value for Money upon which the original recommendation to the Accountability Board was made and the current Value for Money of the scheme.

### A414 Harlow to Chelmsford reallocation to A414 Harlow Pinch Point Package

- 2.3 Essex County Council (ECC) has submitted a change request to increase the LGF allocation for the A414 Harlow Pinchpoint Package. It is anticipated that the increase in LGF allocation will be £487k. This £487k will be transferred from the separate A414 Harlow to Chelmsford scheme which provides corridor highway and public transport improvements.
- 2.4 The £487k diverted from A414 Harlow to Chelmsford is a transfer of provisional funding allocated to the scheme as part of Growth Deal Round 1. The A414 Harlow to Chelmsford Project was originally allocated £3.66m LGF. The A414 Harlow to Chelmsford business case was approved by the Accountability Board in November 2017, for the award of £2.17m, noting that the final business case submitted to the Accountability Board required funding significantly less than initially allocated.
- 2.5 A separate report presented to the Accountability Board on 17 November 2017 outlined that ECC would be seeking to reallocate the funds between Mercury Theatre and Harlow projects. The reallocation of £1m of the LGF to the Mercury Theatre was approved at a subsequent Accountability Board. This change request seeks to reallocate the remaining £487k to LGF projects in Harlow.
- 2.6 The original business case for A414 Harlow Pinchpoint Package, as reviewed by Steer Davies Gleave in May 2015, was based on a scheme cost of £14.92m (and a LGF award of £10.20m) which delivered a BCR of 4.2:1. This represented high Value for Money, with a medium/high level of certainty of that Value for Money.
- 2.7 Total scheme costs have now risen from £14.92m to £18.26m. Assuming that the benefits of this project have not changed and that the revised, higher costs will be incurred according to the same time-profile as stated in the original business case, the revised BCR falls to 3.4:1.
- 2.8 Given the fact that the scheme is in its delivery phase, uncertainty about procurement, delivery and benefits realisation can be reduced. Therefore, this scheme, with the increase costs considered, continues to represent high Value for Money with high certainty of achieving that Value for Money. However, it should be noted that had the cost overrun not occurred the

reallocated funds could have been used to invest in other LGF projects which could deliver additional benefits. There is an opportunity cost associated with the reallocation.

### **Harlow Advanced Manufacturing and Engineering Centre (HAMEC)**

- 2.9 Harlow College received £2.5m Local Growth Funding through the first round of skills capital funding (2015-17) towards total HAMEC project costs of £7.5m. In December 2017 Her Majesty's Revenue and Customs advised Harlow College that the project's construction phase was VAT refundable based on HAMEC's current usage. This resulted in a VAT rebate of £1,022,667.
- 2.10 The proportion of the VAT rebate which is being considered to be Local Growth Funding is £234,815. This represents 23% of the overall rebate which is consistent with the percentage contribution of Local Growth Fund to the overall cost of the scheme. The LGF proportion of the rebate will be used to enable investment in areas of HAMEC that were value engineered out of the original project (total cost £485,230).
- 2.11 In turn this will allow HAMEC to expand delivery of apprenticeships in priority growth sectors and industries. By broadening the equipment that its learners can access, HAMEC will develop their skills across a wider range of technologies and make them more employable across a growing number of advanced manufacturing and engineering disciplines.
- 2.12 It should be noted by the Accountability Board that the Local Growth Fund element of the VAT rebate can only be used for capital expenditure, must provide additional benefits to the HAMEC and cannot be used on any other schemes. On the basis of the funding request received we are content that this will be the case.
- 2.13 Separately, the College will use its proportion of the VAT rebate (£600,000) to meet budget challenges in the Stansted Airport College project. In monitoring and evaluation of the Stansted Airport College project these budget challenges should be noted.
- 2.14 Economic appraisal has been carried out and indicated that there will be annual (i.e. single-year) economic benefits of £251,334 as a result of the purchase of the additional specialist equipment. While a multi-year scheme appraisal was not carried out (in order to generate a Net Present Value estimate of benefits) this single year estimate provides assurance that the benefit cost ratio of the additional scheme element would be greater than 2:1. The additional funding is considered to deliver very high value for money, with high levels of certainty.

## 3 Independent Technical Evaluation of Q1 2018/19 Growing Places Fund Schemes

### Overview

- 3.1 As part of its Independent Technical Evaluator role Steer Davies Gleave has assessed business cases for schemes seeking a Growing Places Fund loan allocation from SELEP.
- 3.2 SELEP proposed an approach to prioritisation and award of the GPF loan funding. This approach was discussed and agreed upon at the June 2017 Strategic Board.
- 3.3 Schemes being assessed at this stage have already passed through the preliminary qualification phases, namely:
- Phase 1: Sifting of Expressions of Interest (EOI), and
  - Phase 2: Prioritisation of Strategic Outline Business Case (SOBC)
- 3.4 The prioritisation of GPF projects was considered and approved, via correspondence, by the SELEP Strategic Board during November 2017. Scheme promoters then developed Outline Business Cases (OBC) for independent technical evaluation and subsequent consideration by the Accountability Board.

### Evaluation Results

#### Summary Findings and Considerations for the Board

- 3.5 The following list contains recommendations to the Accountability Board, including key findings from the evaluation process and any issues arising.

#### *Recommendations*

- 3.6 The following schemes achieve high Value for Money with high certainty of achieving this:
- **Fitted Rigging House (£0.8m):** The project is to convert a former industrial building into office and public space providing workspace for over 350 individuals. The conversion will provide 3,473sqm of office space, of which 2,184sqm is allocated (subject to contract) to two expanding businesses employing 300 people that would otherwise have relocated outside of Medway.

There is a clear strategic rationale for the scheme, and the schedule and procedure for payback of the loan demonstrates that contribution to a revolving fund is secure. The quantifiable benefits of the scheme support a good economic case for the scheme and the wider impact of keeping businesses in Medway which may otherwise leave the South East strengthens the Value for Money case. Proportionate and sensible economic appraisal modelling has been carried out. This has demonstrated that the scheme represents high Value for Money.

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| <b>Report to Accountability Board</b>        | <b>Forward Plan reference number:</b><br>FP/AB/145    |
| <b>Date of Accountability Board Meeting:</b> | <b>23<sup>rd</sup> April 2018</b>                     |
| <b>Date of report:</b>                       | <b>4<sup>th</sup> April 2018</b>                      |
| <b>Title of report:</b>                      | <b>A414 Pinch Point Package Funding Award</b>         |
| <b>Report by:</b>                            | <b>Rhiannon Mort, SELEP Capital Programme Manager</b> |
| <b>Enquiries to:</b>                         | Rhiannon.mort@essex.gov.uk                            |

## 1. Purpose of report

- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider the award of an additional £487,000 to the A414 Pinch Point Package (the Project).
- 1.2 The Project was originally awarded £10m Local Growth Fund (LGF) in June 2015, but has experienced delays and issues which have led to an increase in the Project total cost. As such, the Project seeks an additional £487,000 LGF which is available as a result of the reduced cost of the A414 Harlow to Chelmsford scheme.
- 1.3 The Business Case has been reviewed through the Independent Technical Evaluation (ITE) process in light of this increase to the Project cost. The detail of this review is set out in the ITE reported included in Appendix 1, of Agenda Item 5.

## 2. Recommendations

- 2.1 The Board is asked to **approve** one of the following two options:
  - 2.1.1 **Option A** - Approve the award of an additional £487,000 LGF to support the completion of the Project which has been assessed as presenting high value for money with medium to high certainty of achieving this.
  - 2.1.2 **Option B** – Delay a decision on a further award of LGF to the Project until the SELEP pipeline of projects in place. *See section 7 below for further details.*
- 2.2 The Board is asked to **note** that the Change Request has not been considered by Essex Business Board

### **3. A414 Harlow Pinch Point Package**

- 3.1 The A414 is the principal access route into Harlow Enterprise Zone and North-Eastern Harlow, but currently suffers from severe congestion during peak periods.
- 3.2 The purpose of the Project is to deliver a package of improvements at three of the most congested junctions along this corridor. These include:
- 3.2.1 A414/ First Avenue/ Gilden Way junction improvements - addition of left turn slips and expanded carriageway (Delivery Package 1)
- 3.2.2 A414/ Cambridge Road junction improvements – widened approach and left turn slips (Delivery Package 2)
- 3.2.3 Upgrading Edinburgh Way (A414) to dual carriageway with upgraded cycle and footways (Delivery Package 3).
- 3.3 The objectives of the Project are to:
- Safeguard existing jobs and support the creation of new jobs;
  - Support innovation and the development of Harlow Enterprise Zone;
  - Support key business sectors identified in the Economic Plan for Essex;
  - Strengthen the competitive advantage of strategic growth locations;
  - Support the development and delivery of new housing;
  - Release land for development – both housing and employment space; and
  - Strengthen the local economy.

### **4. Delivery update and funding**

- 4.1 The Delivery Package 1 was completed in May 2017, but the cost of delivering the package increased from the anticipated £4.342m to £6.650m, a 53% increase to the original calculated cost. This cost escalation occurred as a result of a significant number of changes to the Project through its delivery and compensation claims by the contractor.
- 4.2 The reasons for the increase in Project cost include:
- 4.2.1 Changes made to the design as the Project progressed. An example of this is the omission of a regulating course (needed to form the base for road surfacing) by the designer which resulted in a significant additional cost, which was not included within the original tendered cost;
- 4.2.2 Significant compensation events from the contractor due to drainage design issues and the signage on the scheme; and
- 4.2.3 An increase in the fees paid to the contractor for the contract administration of the Project, as the Project has taken longer and owing to the number of design changes which were prepared by the contractor.
- 4.3 Value engineering has been undertaken to help mitigate the impact of this cost escalation and cost savings have been achieved through the later work packages. However, the overall Project cost has increased from £15m to £18.3m, as per the funding breakdown shown in Tables 1 & 2 below.



- 4.4 Construction work on the two remaining delivery packages began in January 2018 and is due to complete in summer 2019. The final delivery package to be delivered is for the upgrading Edinburgh Way (A414) to dual carriageway. However, an additional LGF award is sought to help complete the Project. This funding has been identified from the A414 Chelmsford to Harlow LGF scheme.

## 5. Reallocation of LGF to the Project

- 5.1 The A414 Chelmsford to Harlow scheme was originally allocated £3.660m LGF through LGF Round 1. However, the revised cost estimates prepared as part of the Business Case development identified a lower total cost of £2.173m and, as such £1.487m has been identified as unallocated.
- 5.2 At the Board meeting on the 17<sup>th</sup> November 2017 the Board approved the reallocation of £1m LGF from the A414 Harlow to Chelmsford scheme to the Mercury Rising Theatre, leaving a balance of £0.487m LGF available. At the time the Board were made aware of the intention for this remaining LGF to be re-allocated to the A414 Harlow Pinch Point Package.
- 5.3 Essex County Council have now come forward with a Change Request for the Board to consider the re-allocation of the unallocated £0.487m LGF to the A414 Harlow Pinch Point Package. This change has not been considered by Essex Business Board (EBB) Federated Board, as required for a project change of this nature, but has been brought forward directly by Essex County Council.
- 5.4 The re-allocation of £0.487m to the A414 Harlow Pinch Point Package project will not in itself bring forward any additional benefits, but will be used to support the completion of the remaining two delivery packages. The increased scope of the Project has included the installation of safety barriers and safety improvements outside of local schools which were not included as benefits within the original Project Business Case.

**Table 1 Original Funding Profile, as set out in the Project Business Case (£m)**

|                      | 2014/15      | 2015/16      | 2016/17      | 2017/18 | 2018/19 | 2019/20 | Total         |
|----------------------|--------------|--------------|--------------|---------|---------|---------|---------------|
| LGF                  |              | 0.700        | 3.000        |         |         |         | 10.000        |
| Essex County Council | 0.660        | 1.244        | 2.820        |         |         |         | 4.724         |
| <b>Total</b>         | <b>0.660</b> | <b>8.244</b> | <b>5.820</b> |         |         |         | <b>14.724</b> |

**Table 2 Updated Funding Profile, to include the proposed additional £0.487m LGF (£m)**

|              | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Total  |
|--------------|---------|---------|---------|---------|---------|---------|--------|
| LGF          |         | 5.870   | 2.130   | 2.000   | 0.487   |         | 10.487 |
| Essex County | 0.396   | -1.434* | 1.310   | 1.622   | 5.880   |         | 7.774  |

|              |              |              |              |              |              |  |               |
|--------------|--------------|--------------|--------------|--------------|--------------|--|---------------|
| Council      |              |              |              |              |              |  |               |
| <b>Total</b> | <b>0.396</b> | <b>4.436</b> | <b>3.440</b> | <b>3.622</b> | <b>6.367</b> |  | <b>18.261</b> |

\*£1.434m applied to Harlow Enterprise Zone in 15/16 and reimbursed by ECC in future years

## 6. Outcome of ITE Review

- 6.1 The original business case for A414 Harlow Pinch Point Package was reviewed by the ITE in May 2015, with the Project being recommended to the Board as presenting high value for money with a medium/high certainty of achieving this. The original Benefit Cost Ratio (BCR) for the Project was 4.2:1, presenting very high value for money.
- 6.2 In light of the revised total Project cost, the value for money assessment has been reviewed. This review has confirmed that the BCR value remains very high at 4.1:1 and continues to represent high value for money. The certainty of the Project delivering high value for money has also increased as the certain phases of the Project have already been delivered and the later work packages are nearer completion than when the original Business Case was assessed, therefore reducing the Project delivery risk.
- 6.3 However, there is an opportunity cost associated with the investment of the additional £0.487m in the Project. A notional Service Level Agreement is in place in relation to LGF spend, which sets out the requirement for Essex County Council to bear the cost of any Project overspends. Therefore if the Board choose not to support the Change Request detailed in this report then Essex County Council will be required to fund the overspend on the Project and the £0.487m will be available for investment in a new LGF projects.

## 7. Alternative Options

- 7.1 The feedback from SELEP's recent Deep Dive with officers from Central Government included the following recommendation:
- "SELEP should take steps to satisfy themselves that any underspend at a federated level is reallocated to the most promising and best value for money projects. As outlines in the Annual Conversation letter, the Investment Panel' should prioritise pipeline projects to ensure that underspends are redistributed in the most effective way possible".*
- 7.2 In light of this requirement from Central Government for SELEP to develop and maintain a single pipeline of LGF projects to help inform decision making around the use of any LGF underspends, a proposed approach will be considered at the next Strategic Board on the 29<sup>th</sup> June 2018 to develop a single pipeline of LGF projects. Once this pipeline of projects has been agreed it will be used to inform decision making by the Board around the use of LGF underspends.
- 7.3 In advance of the pipeline having been agreed and the proposed A414 Change Request having been endorsed by EBB, the Board may wish to

consider the alternative option, for the use of the additional £0.487m to be delayed the decision on the use of this underspend until the pipeline has been developed. However, it is unlikely that the single pipeline of LGF projects will be agreed until the latter part of 2018/19. This will create a higher level of uncertainty as to the potential availability of LGF to help bridge the funding gap for the Project.

- 7.4 If the Board agree Option 1, for the Change Request to be approved, then EBB should be made aware of the change through its next LGF capital programme update.

## 8. Compliance with SELEP Assurance Framework

- 8.1 Table 3 below considers the SELEP Secretariat assessment of the Business Case against the requirements of the SELEP Assurance Framework.
- 8.2 The assessment confirms the compliance of the project with SELEP's Assurance Framework.

***Table 3 Secretariat assessment of the Business Case against the requirements of the SELEP Assurance Framework***

| Requirement of the Assurance Framework to approve the project  | Compliance | Evidence in the Business Case  |
|--|------------|--|
| A clear rationale for the interventions linked with the strategic objectives identified in the Strategic Economic Plan   |            | The Business Case sets out the strategic case for the Project in the context of the SELEP Strategic Economic Plan, Essex Economic Growth Strategy and the Harlow Local Plan.   |
| Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account |            | <p>The expected project outputs and outcomes are set out in the Business Case and detailed in section 3 above.</p> <p>The ITE review confirms that an appropriate appraisal approach was applied to the assessment of the project benefits.</p>                    |
| Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)                         |            | <p>The Business Case includes a risk register which includes risk mitigation and risk owners.</p> <p>A high level project programme was included within the Business Case.</p> <p>An organisation chart has also been included which sets out individual roles</p> |

|   |  |  |
|---|--|--|
|   |  | and responsibilities.  |
| A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions |  | <p>The original Business Case Value for Money assessment demonstrated a Benefit Cost Ratio of 4.2:1.</p> <p>In light of the revised total Project cost the BCR, the BCR has reduced marginally to 4.1:1. This BCR is still categorised as very high value for money.</p> |

## **9. Financial Implications (Accountable Body comments)**

- 9.1 Under the federated structure, the usual process is for project changes to be presented to the relevant Federated Board for endorsement before being tabled to Accountability Board. The options presented in this paper haven't been presented to the Essex Business Board (EBB) at time of writing. It is recommended that the EBB is updated on the change at its next meeting.
- 9.2 As part of the recent 'Deep Dive' by Government officials, a clear recommendation was that under spends should be considered in the round with reference to the pipeline of projects for the LEP and the best value that can be gained by investment. Option A in this report allocates an underspend to this Project without reference to the wider body of projects available, which is outside of the Deep Dive recommendation. However, SELEP is currently establishing a pipeline and a process for assessing and allocating to the pipeline.
- 9.3 An option is tabled to the Board to delay any further investment to the project until the pipeline process is established but the Board should be aware that this would present a large delivery risk to the project as it is unlikely that such a process would be in place before the latter part of 2018/19. A delay of this magnitude would also be likely to cause cost increases, further exacerbating the over spend position.

## **10. Legal Implications (Accountable Body comments)**

- 10.1 There are no legal implications as a result of this decision.

## **11. Staffing and other resource implications (Accountable Body comments)**

- 11.1 None at present.

## **12. Equality and Diversity implication**

- 12.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

12.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

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

### **13. List of Appendices**

13.1 Appendix 1 - Report of the Independent Technical Evaluator (As attached to Agenda Item 5).

### **14. List of Background Papers**

- Business Case for A414 Harlow Pinch Point Package

**(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)**

| <b>Role</b>  | <b>Date</b> |
|--|-------------|
| <b>Accountable Body sign off</b><br><br>Stephanie Mitchener<br><br>(On behalf of Margaret Lee) | 19/04/18    |

|  |   |
|--|---|
| <b>Report to Accountability Board</b>  | <b>Forward Plan reference number:</b><br>FP/AB/149  |
| <b>Date of Accountability Board Meeting:</b>   | <b>27<sup>th</sup> April 2018</b>   |
| <b>Date of report:</b>   | <b>11<sup>th</sup> April 2018</b>   |
| <b>Title of report: Harlow Advanced Manufacturing and Engineering Centre (HAMEC) skills capital round one underspend utilisation</b> |   |
| <b>Report by:</b>  | <b>Louise Aitken</b>  |
| <b>Enquiries to:</b>   | <b><a href="mailto:louise.aitken@southeastlep.com">louise.aitken@southeastlep.com</a></b> |

## 1. Purpose of report

- 1.1 The purpose of this report is to seek Accountability Board (the Board) approval for the award of £234,815 of Local Growth Fund (LGF) Capital Grant to Harlow College to purchase specialist equipment supporting the Harlow Advanced Manufacturing and Engineering Centre (HAMEC) (the Project)

## 2. Recommendations

- 2.1 The Board is asked to:

- 2.1.1 **Approve** the award of £234,815 LGF to Harlow College for specialist equipment which has been assessed as providing high value for money with high certainty. This is subject to confirmation that match funding has been provided by Essex County Council.

## 3. Background

- 3.1 This report brings forward the Project for the award of £234,815 LGF to support the purchase of specialist equipment at Harlow College HAMEC.
- 3.2 In February 2018, the Board agreed that Harlow College would be given the opportunity to bring forward a business case to utilise their proportion of the underspend arising from a VAT rebate received by the College from the original HAMEC project, totalling £234,815.
- 3.3 Harlow College originally received £2.5m of LGF through the first round of skills capital funding for the HAMEC project. This facility is now up and running and exceeding targets. It provides over 2,000m<sup>2</sup> of new engineering facilities including robotics, product design, fabrication maintenance, fibre optic and metrology lab. The centre is experiencing growing employer demand and an increase in fulltime students and apprentices following a manufacturing route.

- 3.4 The underspend arising from a VAT rebate enables investment in areas of HAMEC that were value engineered out of the original project, including sliding head technology with scale bar feeds that will add another dimension to the computer numerical control skills being learnt by students. Harlow College's ambition and intention is for the centre to keep pace with new and emerging technologies to respond to employer need. This will align to current industry practices and add significant value to the centre, leading to more highly skilled, industry ready engineers.

#### **4. Specialist equipment for HAMEC - the Project**

- 4.1 Science, Technology, Engineering and Mathematics (STEM) based industries have been identified as having significant skills shortages in both the SELEP and Essex Employment and Skills Board Evidence Base. Sectors including construction, engineering, digital, IT, health, logistics care and finance are lacking the skills required for growth. The need for engineering is particularly acute with growing numbers of local employers struggling to recruit and with an ageing workforce. Local and regional advanced manufacturing employers must recruit 13,500 more engineers to fill emerging roles and those vacated by an imminently retiring workforce. Harlow's proposal is supported by the Essex Employment and Skills Board and responds to the skills shortages identified through their skills evidence base.
- 4.2 This investment will enable the purchase of specialist equipment to add to the inspirational, industry relevant facilities already on offer. Developed through close partnership with employers such as Truck-Lite, BTL Precision, Stansted Airport and e2v Teledyne, this offer is the result of close employer collaboration.
- 4.3 As outlined in 6.4, the LGF element of the VAT rebate can only be used for capital expenditure. This investment will enable the purchase of more specialist equipment:
- DMG Mori CNC sliding head machine with full sized bar feed
  - Edgecam Site Licence software
  - Full sized bar feed to feed the DMG Mori 450 eco-turn
  - Industrial 3D Printer
  - Water Jet Cutting Machine
  - F1 Project / School engagement workshop
  - Mobile Devices for workshops
- 4.4 The purchase of this additional equipment will enable Harlow College students, adult learners and partner schools to work on leading edge technology to learn innovative engineering concepts with equipment that will replicate the workplace. It will enable the expansion of the apprenticeship offer. Learners will develop skills to set, programme and operate the technology to be better able to respond to employer needs and priorities. Specifically through the equipment described above learners will:

- Learn alternative machine languages and methods for small piece production
- Work on real prototype developments for employers
- Develop and practice the skills required for the use of industrial machines
- Through the F1 workshops, the college will become a manufacturing centre for schools and the only manufacturing test centre in the region
- F1 workshops will explore a range of elements including air trace visualisation, race track flight case, quick change tool holders and F1 model pack.
- Equipping the HAMEC workshops with mobile devices (iPads) will give learners the ability to access and store production engineering data as well as online maintenance manuals aligning processes to that of standard industry practice
- Additionally, HAMEC will offer new opportunities to learners at level 1 and learners with learning difficulties and disabilities

4.5 The expected impacts of the schemes include:

#### **Positive Impacts**

- Increased numbers of apprentices
- Enhanced learning for current students
- Further out-reach with 10 schools, promoting engineering as a career choice and inspiring 100 young engineers of the future
- Establish a dedicated project based workshop from September 2018 to assist in the delivery of engineering design
- Establish a Young Engineers Academy for Years 7-11
- Increasing the number of females entering the sector
- Support for young people who are NEET (not in education, employment or training)
- Support for those with learning difficulties and disabilities
- Special return to work programmes to tackle low skills and improve employability
- Supporting employers with recruitment and training in close consultation with the HAMEC Industry Advisory Panel
- Assisting unemployed people to upskill and retrain
- Increased provision for learners at level 1
- Increase work placements by 30% annually
- Increasing the already expanding growing (27% in year one) of learners and maintaining the excellent retention rate (96%)
- Addressing the local skills shortage and growth requirements as captured in the LEP Skills Strategy and evidence base



## 5. Project cost and funding contributions

- 5.1. The total cost of the equipment outlined above is £485,230 and with Harlow College seeking £234,815 in LGF as the table below illustrates. As part funders of the original project, Essex County Council (ECC) is also entitled to a proportion of the VAT rebate of £187,852. The Council have been approached to consider using their proportion of the rebate to provide match funding to this Project, but are not currently able to confirm approval for this.
- 5.2. Should the match funding not be available from Essex County Council, Harlow College have confirmed that they do not have alternative match funding as it has been necessary to divert their own proportion of the VAT rebate to address cost pressures in another LGF funded project, the Stansted Airport College project. They have however contributed £62,563 in cash reserves as match. In the event that the Essex County Council funding is not available, Harlow College have confirmed that a scaled down version of the Project would be possible. This would be presented to the Board for approval.
- 5.3 In the event that the funding is not approved for the Project or the match funding is not received from Essex County Council, Harlow College will be requested by the Accountable Body to return the funding under the terms of their Grant Agreement, as previously agreed by the Board on the 23 February 2018.

**Table 1 – Project funding breakdown (2018/19)**

| <b>Project funding/financing</b>                                  | <b>Capital cost (£)</b>               | <b>Percentage of total project costs (%)</b> |
|---|---------------------------------------|--|
| Requested reallocation of LGF funds                               | £234,815                              | 48   |
| Applicant contribution (cash reserves)                            | £62,563 <sup>1</sup>                  | 13   |
| Loan finance (if applicable)                                      | N/A                                   |  |
| Third party contribution  | N/A                                   |  |
| Other public sector grants (Please specify source in table below) | £187,852 (ECC – Subject to agreement) | 39   |
| <b>Total</b>  | <b>£485,230</b>                       | <b>100</b>                                   |

Note that all funding will be spent in financial year 2018/19. However, the academic year runs from 1<sup>st</sup> August to 31<sup>st</sup> July so some funding will be spent in the 2017/18 academic year before 31<sup>st</sup> July.

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<sup>1</sup> £600,000 VAT refunded on Harlow College's contribution to the construction of HAMEC will be transferred to spend on the Stansted Airport College project

## 6. SELEP ITE Gate 2 Review

- 6.1 The SELEP Assurance Framework sets out the requirements for an Independent Technical Evaluation (ITE) review of the Business Cases for schemes seeking LGF funding.
- 6.2 The ITE review of the Project Business Case confirms economic appraisal has been carried out and indicated that there will be annual economic benefits of £251,334 as a result of the purchase of the additional specialist equipment. While multi-year scheme appraisal was not carried out, this annual benefits quantum provides assurance that the benefit cost ratio of this additional scheme element would be greater than 2:1.
- 6.3 The ITE review of this Business Case has recommended approval for this Project. The ITE report notes that Harlow College is using its proportion of the VAT rebate (£600,000) for the Stansted Airport College Project. The review recommends therefore that in the monitoring and evaluation of the Stansted Airport project, this should be noted.
- 6.4 The ITE review also notes that the LGF element of the VAT rebate can only be used for capital expenditure and it must be providing additional benefits to the HAMEC and cannot be used on any other schemes.
- 6.5 For the full ITE report, see Appendix 1 of Agenda Item 5.

## 7. Compliance with SELEP Assurance Framework

| Requirement of the Assurance Framework to approve the project  | Compliance | Evidence in the Business Case   |
|--|------------|---|
| A clear rationale for the interventions linked with the strategic objectives identified in the Strategic Economic Plan   |            | The business case clearly articulates the need for increased engineers and STEM based skills as set out in the Strategic Economic Plan and the contribution this Project will make  |
| Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account |            | <p>The business case sets out clear outputs and outcomes, showing additionality achieved through this Project. This includes out-reach work with schools and disadvantaged groups.</p> <p>The ITE notes that Harlow College is using its proportion of the VAT rebate (£600,000) for the Stansted Airport College Project. The review recommends therefore that in the monitoring and</p> |

|  |  |   |
|--|--|---|
|  |  | evaluation of the Stansted Airport project, this should be noted.   |
| Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood) |  | The Business case sets out how the Project has been determined and the high level of employer engagement meaning that there is low risk of the equipment not being utilised or relevant.  |
| A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions  |  | The ITE report notes that while multi-year scheme appraisal was not carried out, the expected annual benefits quantum provides assurance that the benefit cost ratio of this additional scheme element would be greater than 2:1. |

## 8. Financial Implications (Accountable Body Comments)

- 8.1 The funding requested for this Project is currently being held by Harlow College as it forms part of the VAT rebate received by the College in relation to the £2.5m of LGF originally allocated to Harlow College for the development of the HAMEC.
- 8.2 It is noted that the full match funding for this Project has yet to be confirmed; if this is not available, the college has indicated that alternative match funding is not available. In this circumstance, they would prepare a scaled down Project within the reduced funding envelope; this option, however, would represent a much reduced match contribution in the event that no additional funding can be identified.
- 8.3 Should the Project be unsuccessful in securing the LGF funding requested, the Accountable Body will request that the funding is returned by the College in line with the Grant Agreement; this funding will then be added to uncommitted LGF funding for reallocation through the agreed prioritisation approach.

## 9. Legal Implications (Accountable Body Comments)

- 9.1 Approval for Harlow College to retain the LGF Grant will be supported by a separate Grant Agreement with the Accountable Body.
- 9.2 Should approval not be given for this Project or match funding is not received from Essex County Council, Harlow College will be requested by the Accountable Body to return the funding under the terms of their Grant Agreement, as previously agreed by the Board on the 23 February 2018.

## **10. Staffing and other resource implications (Accountable Body Comments)**

10.1 None at present.

## **11. Equality and Diversity implications (Accountable Body Comments)**

- 11.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 11.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 11.3 In the course of the development of the project business case, the delivery of the project and their ongoing commitment to equality and diversity, the College will ensure that any equality implications are considered as part of their decision making process and where possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

## **12. List of Appendices**

- 12.1 Appendix 1 - Report of the Independent Technical Evaluator (As attached to Agenda Item 5).

## **13. List of Background Papers**

- 13.1 HAMEC specialist equipment Business Case

**(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)**

| <b>Role</b>  | <b>Date</b> |
|--|-------------|
| <b>Accountable Body sign off</b>                   |             |
| Stephanie Mitchener<br>(On behalf of Margaret Lee) | 19/04/18    |

|  |   |
|--|---|
| <b>Report to Accountability Board</b>  | <b>Forward Plan reference number:</b><br>N/A  |
| <b>Date of Accountability Board Meeting:</b> 27 <sup>th</sup> April 2018<br><b>Date of report:</b> 29 <sup>th</sup> March 2018 |   |
| <b>Title of report:</b>  | <b>Rochester Airport LGF progress update report</b>   |
| <b>Report by:</b>  | <b>Helen Dyer, Senior LGF Programme Co-ordinator, Medway Council</b><br><b>Lucy Carpenter, Principal Regeneration Project Officer, Medway Council</b><br><b>Janet Elliott, Regeneration Programme Manager, Medway Council</b> |
| <b>Enquiries to:</b>   | <b>helen.dyer@medway.gov.uk</b>   |

## **1. Purpose of report**

- 1.1 The purpose of this report is to make the Accountability Board (the Board) aware of the latest progress on the Rochester Airport project phases 1 and 2 (the Project). The funding award of £4.4m Local Growth Fund (LGF) for phase 1 of the Project was approved by the Board on 10<sup>th</sup> June 2016.
- 1.2 The Business Case for phase 2 of the project has not yet been submitted for Gate 1 review by the Independent Technical Evaluator (ITE), but has been provisionally allocated £3.7m LGF.

## **2. Recommendations**

- 2.1 The Board is asked to:
  - 2.1.1 **Note** the update on the Rochester Airport LGF phase 1 project
  - 2.1.2 **Agree** the change to the proposed phase 1 Project outputs as set out in Table 1
  - 2.1.3 **Note** the proposed timetable for bringing forward the Business Case for the LGF3 project (phase 2).
  - 2.1.4 **Note** the proposed programme for delivering both phases of the project (LGF2 and LGF3).

### **3. Background**

- 3.1 The Board approved the phase 1 Project Business Case in June 2016.
- 3.2 The scope of phase 1 of the project, as detailed in the Business Case, is as follows:
  - 3.2.1 Provision of a hard paved runway with a parallel grass airstrip, new runway lighting and all other ancillary runway equipment;
  - 3.2.2 Provision of a new hub and control tower; and
  - 3.2.3 Refurbishment of two existing aircraft hangars, provision of two new hangars and new working facilities and visitor viewing facilities for the Medway Aircraft Preservation Society (MAPS).
- 3.3 Completion of these works will allow the closure of one of the two grass runways, which will release 17.07 hectares of commercially developable land for B1 and B2 uses (see site plan at Appendix 1).
- 3.4 An allocation of £3.7m LGF has been provisionally assigned to phase 2 of the Project. The Business Case for phase 2 of the project has not yet been submitted for consideration by the Board, as it is considered essential that planning consent is in place for the enabling works (phase 1) before progressing with the Business Case for phase 2. As soon as the planning issues currently delaying phase 1 of the project have been resolved the Business Case will be brought forward for consideration.
- 3.5 Phase 2 of the Project will deliver enabling infrastructure to 10.79 hectares of newly released commercial land. The scope of phase 2 of the project, as detailed in the preliminary Business Case, is as follows:
  - 3.5.1 Access roads and pedestrian access infrastructure;
  - 3.5.2 Services including drainage and water provision, electrical infrastructure, gas mains and trenching and ducting for broadband fibre;
  - 3.5.3 Any required site surveys.

### **4. Rochester Airport phase 1 Project delivery update**

- 4.1 Planning application MC/14/2914 which covers 'erection of two hangars, erection of new hangar for Medway Aircraft Preservation Society, erection of fencing and gates, formation of associated car parking areas, fuel tank enclosure, ancillary works and a memorial garden' was approved by Medway Council's Planning Committee in March 2017. These works sit wholly within the Medway Council boundary and therefore determination by Tonbridge and Malling Borough Council was not required. Tonbridge and Malling Borough Council were, however, involved in the consultation process.
- 4.2 A second planning application covering the paving of the runway, construction of a new control tower and hub and associated infrastructure was submitted by Rochester Airport Ltd. to both Medway Council and Tonbridge and Malling

Borough Council in September 2017. This planning application was accompanied by the required Environmental Impact Assessment (EIA).

- 4.3 A review of the application and EIA identified that the EIA did not fully fulfil the requirements of the previously agreed scoping decision. Furthermore, as part of the consultation process comments were received from Natural England and Highways England which requested that further information be provided in relation to the impact on air quality and any change in level of risk to users of the nearby high speed highway transport infrastructure.
- 4.4 Rochester Airport Ltd. and their consultants are currently undertaking the additional work required to provide the information requested by both organisations. However, they have indicated that completion of the work would take approximately three to four months, with the planning application not expected to be determined until late summer 2018 at the earliest. Given the planning history of this project a further two months would be allowed for any potential challenge or judicial review to be considered.
- 4.5 In addition to the ongoing issues with the planning application, officers from Rochester Airport Ltd. have indicated that costs have risen significantly since the original phase 1 Business Case was prepared and submitted to SELEP for consideration, with inflation being a key factor given the unforeseen delays and issues encountered with the Project, impacting the budget by 30% (£1.3m). As a result there is considerable uncertainty regarding whether all the outputs stated within the Business Case can be delivered within budget.
- 4.6 Medway Council appointed an independent Quantity Surveyor (QS) to review the construction costs provided by Rochester Airport Ltd. to determine if there were any areas where the projected costs could be reduced. The work undertaken by the QS consisted of an initial, low risk review of the updated construction costs compiled by Rochester Airport Ltd. and their consultants. The costs calculated by the QS are subject to a full open procurement process and consideration of options for value engineering during the construction period and could, therefore, be reduced. The results of the review indicated that it will not be possible for Rochester Airport Ltd. to deliver all the outputs stated within the Business Case without exceeding the £4.4m LGF award by, in a worst case scenario, up to £3.0m (excluding inflation and dependent upon the outcome of the procurement process and consideration of all available value engineering options).
- 4.7 Following receipt of the QS report, a full review of the Project outputs has been undertaken, in conjunction with Rochester Airport Ltd., to determine which outputs are essential to ensure that the agreed Project outcomes are delivered.
- 4.8 The over-arching phase 1 Project outcomes as stated in the Business Case are:
  - 4.8.1 releasing the land required to allow for delivery of Innovation Park Medway;
  - 4.8.2 safeguarding the long term future of Rochester Airport;

- 4.8.3 creating 37 new jobs; and
- 4.8.4 safeguarding 25 existing jobs.
- 4.9 Rochester Airport Ltd. has indicated that provision of the new and refurbished buildings is essential for their long-term survival. At present the buildings, although being maintained as required under the terms of the lease, are in a poor condition; this is directly resulting in some businesses on the site losing staff members, and concern has been raised regarding the ongoing viability of storing customers' planes in the hangars, which are in urgent need of refurbishment.
- 4.10 Provision of improved buildings will allow Rochester Airport Ltd. to expand their current operations, potentially incorporating some of the flying schools which have recently been given notice by Biggin Hill airport. In addition, these works would offer improved working conditions and facilities for businesses situated onsite and would increase the tourism offer on the site by providing MAPS with an improved and more visitor friendly building.
- 4.11 Medway Council has a long-held political commitment to safeguard the future of the airport, whilst the Medway Local Plan 2003 cites part of the airport site as 'allocated for a high quality business, science and technology development comprising class B1, B2 and B8 uses'. In order to bring forward the development anticipated in the Local Plan it is necessary to close one of the two runways currently in use at the airport. Closure of the runway, without delivering any improvements to the existing airport infrastructure would result in the airport becoming unviable which, given the political commitment to the airport, would be unacceptable. Therefore, improvements to the airport are essential to enable the development highlighted in the Local Plan to be brought forward.
- 4.12 Rochester Airport is increasing in strategic importance given the recent decision by Biggin Hill airport to become a 'business jet centre' and give notice to the six flying schools which are based on their site. The number of airports in the south east which are General Aviation friendly is declining, which increases the prominence of Rochester Airport. An All-Party Parliamentary Group on General Aviation has been established to address issues that can directly or indirectly contribute to the growth and success of General Aviation in the UK. This Group has been monitoring and showing an interest in the plans put forward by Rochester Airport Ltd.
- 4.13 Furthermore as a result of the anticipated airport infrastructure improvements the Kent, Surrey and Sussex Air Ambulance are moving their administrative headquarters onto the Rochester Airport site. Their new building, costing £2.1m, is currently being constructed with staff due to relocate from their current Marden headquarters from May. At present the Air Ambulance building will house at least 30 members of staff, however, their intention is to create further jobs onsite and their building has been designed with this in mind. In addition to the staff employed by the Air Ambulance, construction of the building has created 25 construction jobs.



- 4.14 Rochester Airport Ltd. has indicated that the airport would remain financially viable with the provision of new and refurbished buildings. The provision of a paved runway would be beneficial if it could be delivered within budget; however, the priority for the airport operator is improving the facilities onsite for customers, existing businesses and potential new businesses. Provision of a paved runway alone would not safeguard the future of the airport as without improved buildings onsite there is a significant risk that businesses would relocate due to the existing poor working conditions. Customers would also look to move the storage of their planes to an alternative location due to the poor condition of the existing buildings, which increases risk of damage.
- 4.15 Based on the business needs of Rochester Airport Ltd. the outputs delivered by phase 1 of the Project have been amended. Table 1 below details all the outputs included within the project Business Case and identifies those outputs which will still be delivered under the revised project scope.

**Table 1 – Change to Phase 1 Project Outputs**

| Output  | Deliverability   |
|---|--|
| Provision of a hard paved runway with a parallel grass airstrip, new runway lighting and all other ancillary runway equipment | The runway lighting will be replaced but no other works will be undertaken |
| New control tower   | To be delivered  |
| New hub building  | To be delivered  |
| Refurbishment of two existing aircraft hangars  | To be delivered  |
| Provision of two new hangars  | One of the two new hangars will be constructed                             |
| New working facilities and visitor viewing facilities for the Medway Aircraft Preservation Society (MAPS)                     | To be delivered  |

- 4.16 The changes to the phase 1 Project outputs, detailed in Table 1 above, are not expected to impact on the overall phase 1 Project outcomes and benefits, set out in 4.8 above. At present it is the poor condition of the buildings on the airport site which is directly resulting in some businesses losing employees, leading to business owners investigating options to relocate their premises elsewhere. Delivery of improved buildings will ensure that existing businesses are able to retain their staff and will make it viable for them to continue to operate from the site. In addition, the improved buildings will offer Rochester Airport Ltd. the opportunity to expand their business operations, including the potential incorporation of additional flying schools, increasing the number of on-site jobs, which has already been boosted through the arrival of the Kent, Surrey and Sussex Air Ambulance administrative headquarters. It should be noted that in all of the approaches made to Rochester Airport Ltd. by the flying schools currently located at Biggin Hill airport there has been no mention made of the paved runway being a requirement for their relocation. Delivery of these works will offer Rochester Airport greater security for the future, allowing the closure of the second runway, releasing the land required for the development of Innovation Park Medway.

- 4.17 Furthermore it is expected that the Value for Money offered by phase 1 of the Project is unaffected by the change in Project outputs. The Value for Money assessment within the phase 1 Business Case considers the Project as a whole and therefore also looks at the benefits offered by phase 2 of the Project. Changing the outputs being delivered through phase 1 of the Project will not have an impact on the Value for Money offered by the overall project. The Value for Money of the Phase 1 Project was assessed based on the number of jobs which will be delivered through the intervention. The proposed changes to the outputs are not expected to impact on the outcomes stated in the phase 1 Business Case and as such, the Phase 1 Projects Value for Money remains unchanged. The Phase 1 project outcomes including safeguarding existing jobs, bringing forward new jobs and enabling phase 2 of the project, will still be achieved.
- 4.18 Delivery of the new hub and control tower and the new facilities for MAPS will require the airport to close the second runway as these buildings will be in the current flightpath for planes using this runway.
- 4.19 Rochester Airport Ltd. has indicated that removing the paved runway from the proposed list of phase 1 Project outputs would take away the most controversial element of the scheme and significantly reduce the considerable risk currently associated with the planning application. The ongoing objections to the airport infrastructure improvement proposals, and the additional work required before the planning application can be determined, stem from public safety and environmental concerns related to the paved runway. In addition, Rochester Airport Ltd. has indicated that it was the inclusion of the paved runway which resulted in the need for an EIA.
- 4.20 Rochester Airport Ltd. is in discussions with the Local Planning Authority regarding the requirements of the planning application for the reduced scope of works to ensure the correct process is followed reducing the risk of further challenge or judicial review. Following submission of the amended Planning Application there will be a further round of public consultation as part of the planning process, allowing the local community to comment on and engage with the revised proposals for the airport infrastructure improvements.
- 4.21 Based on the information provided by Rochester Airport Ltd. it is now anticipated that the amended planning application will be determined approximately three months sooner than the current application. The removal of the runway from the planning application also removes the requirement for Tonbridge and Malling to determine the application, as the runway was the only element of the works which encroached on their administrative area. Tonbridge and Malling will still be included within the consultation process so will be able to submit their comments in relation to the proposals.

## **5. Rochester Airport (phase 2) Business Case approval**

- 5.1 The Business Case for the phase 2 Project has not yet been brought forward to the Board for approval. As phase 1 of the Project enables the progression of phase 2 by releasing the land required for the development, it was agreed with SELEP officers that the Business Case for phase 2 would not be submitted for approval until planning consent was in place for the enabling works (phase 1). Due to the ongoing delays with the current planning application it has not been possible to bring the Business Case forward to date.
- 5.2 In line with the recommendations of SELEP Strategic Board, the Business Case must be approved by the Board by the end of the 2018/19 financial year if phase 2 of the Project is to progress.
- 5.3 Given the change in Project outputs being delivered by phase 1 of the Project it is anticipated that planning consent will be in place and any potential challenges addressed by mid to late September 2018. Therefore, the intention is to submit a Full Business Case in November 2018, for consideration by the Board in February 2019. Should the planning application be more complex than anticipated by Rochester Airport Ltd. and the determination date slip, an Outline Business Case for phase 2 will be submitted in November, with the Full Business Case following once there is more certainty in relation to planning consent for the phase 1 works.

## **6. Project Programme**

- 6.1 The Project programmes for both phase 1 and phase 2 of the project have been updated in line with the changes to outputs from phase 1 proposed by Rochester Airport Ltd. Phase 1 of the Project is currently expected to be complete by the end of the 2019/20 financial year, whilst phase 2 will continue until the end of the 2020/21 financial year.
- 6.2 The key milestones for both phases of the Project are outlined in Table 2 below:

**Table 2 – Project Milestones**

|  |                                     |
|--|-------------------------------------|
| <b>Phase 1</b>   |                                     |
| Submission of amended second planning application (MC/17/3109)   | Mid May 2018                        |
| Determination of second planning application by Medway Council   | Late July 2018                      |
| Period for potential Judicial Review/challenge   | Late July to mid September 2018     |
| Procurement and delivery of hangar refurbishment and new aircraft hangar (planning consent already in place) | Mid April to late November 2018     |
| Delivery of hub, control tower and MAPS building   | June 2018 to late December 2019     |
| Closure of second runway   | November to December 2018           |
| <b>Phase 2</b>   |                                     |
| Submission of Full Business Case to SELEP and ITE  | November 2018                       |
| Accountability Board funding decision  | February 2019                       |
| Detailed design  | Mid February to late September 2019 |
| Delivery of enabling infrastructure  | October 2019 to late December 2020  |

## 7. Update on project expenditure

7.1 In light of the changes to the Project programme the spend profiles for both phases of the project have been reviewed and updated. The updated spend profiles are shown in Table 3 below.

**Table 3 – Project Expenditure**

|                        | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | Total   |
|------------------------|---------|---------|---------|---------|---------|---------|
| <b>Phase 1</b>         |         |         |         |         |         |         |
| Current spend profile* | £0.179m | £0.243m | £3.588m | £0.390m | -       | £4.400m |
| Updated spend profile  | £0.179m | £0.243m | £2.478m | £1.500m | -       | £4.400m |
| <b>Phase 2</b>         |         |         |         |         |         |         |
| Current spend profile* | -       | -       | £0.520m | £1.930m | £1.250m | £3.700m |
| Updated spend profile  | -       | -       | £0.200m | £1.900m | £1.600m | £3.700m |

\* As per SELEP Capital Programme Update to the Board in March 2018.

## 8. Project Risks

8.1 Whilst the proposed change in Project outputs significantly reduces the considerable risk currently associated with the planning application, other risks associated with project delivery remain. Table 4 below sets out the key risks faced by both phase 1 and phase 2 of the Project as they progress.

**Table 4 – Project Risks**

| Phase 1  |   |
|--|---|
| Risk   | Mitigation  |
| Costs are higher than the agreed LGF funding award   | The costings provided by Rochester Airport Ltd. have been independently reviewed by a quantity surveyor in order to determine their reliability. In addition, the procurement process will be carefully managed to ensure that all the proposed outputs can be delivered within budget.   |
| Public opposition to the revised proposals for the airport infrastructure improvements                                     | The main cause of local opposition to the project was the paved runway and associated concerns regarding noise, air quality and public safety. The new proposals remove this element from the scheme, thereby significantly reducing public opposition. The local community will be consulted on the revised proposals as part of the planning process. |
| Risk to the ongoing operation of the airport during delivery of the proposed works   | Rochester Airport Ltd. is developing a comprehensive programme of works, which takes into account operational requirements of the airport and the required safety margin for contractors working onsite. The CAA is being consulted as required to ensure there are no issues with the airport licence.   |
| CAA doesn't licence the new airport facilities   | Rochester Airport Ltd. is working closely with the CAA to ensure that all proposed works comply with CAA licence requirements.  |
| Phase 2  |   |
| Risk   | Mitigation  |
| Public opposition to proposed Masterplan for the site which will influence the works proposed under phase 2 of the project | During the Masterplan process the public will be consulted on the proposals for the wider Innovation Park Medway site and will be given the opportunity to put forward their ideas for the site which will be incorporated where appropriate.   |
| Costs are higher than the available funding  | The costs will be reviewed and updated as part of the Business Case process to ensure that the scheme proposals are affordable. If costs rise during the construction period value engineering will be implemented as   |

|  |  |
|--|--|
|  | required to ensure delivery within budget. Costs will be closely monitored throughout the project.   |
| Failure to deliver the Project in accordance with the LGF funding period | A high level programme has been produced for phase 2 of the Project which demonstrates that the Project can be delivered before the end of March 2021. This programme will be continuously refined and updated as the project progresses, with any risks to the programme identified and mitigated as early as possible in order to avoid any delay to project delivery. |
| Lack of commercial interest in the Innovation Park Medway site           | Even before marketing the site there has been considerable interest from companies wanting to relocate to or establish themselves at Innovation Park Medway. To support this, the Masterplan process will include some market testing to identify the commercial sectors most suitable for developing on the site.   |

## 9. Financial Implications (Accountable Body Comments)

### 9.1

Delays in the implementation of this Project have resulted in additional costs arising of £1.3m which means that the Project, as originally planned, can no longer be delivered within the £4.4m funding envelope. The proposal to mitigate this pressure is to reduce the overall outputs whilst seeking to minimise the impact on the expected outcomes.

### 9.2

Whilst, as indicated in paragraph 4.17, amending the outputs being delivered through phase 1 of the Project is not expected to have an impact on the Value for Money offered by the overall project, it is unfortunate that costs have escalated by 30% and as such cannot be managed within the original £4.4m LGF allocation.

### 9.3

It is advised that further assurances should be sought on an on-going basis with regard to the project costs for phase 1 and phase 2, to ensure that project outputs can still be delivered in the revised funding allocations given that the proposals are still subject to consultation and planning approvals. In particular this should be considered at the point that the phase 2 business case is brought forward for funding approval as the benefits for this scheme have already been taken into account in the value for money assessment of phase 1 of the business case.

### 9.4

It should be noted that any funding agreed by the Accountability Board is dependent on the Accountable Body receiving sufficient funding from HM Government. Funding allocations for 2018/19 have been confirmed, however, funding for future years is only indicative.

## **10. Legal Implications (Accountable Body Comments)**

10.1 There are no legal implications arising from this report.

## **11. Staffing and other resource implications (Accountable Body Comments)**

11.1 None at present.

## **12. Equality and Diversity implications (Accountable Body Comments)**

12.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

12.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

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

## **13. List of Appendices**

13.1 Appendix 1 – Rochester Airport site plan

## **14. List of Background Papers**

**(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)**

| <b>Role</b>  | <b>Date</b> |
|--|-------------|
| <b>Accountable Body sign off</b>                   |             |
| Stephanie Mitchener<br>(On behalf of Margaret Lee) | 19/04/18    |

## **Appendix 1 – Rochester Airport site plan**





|  |  |
|--|--|
| <b>Report to Accountability Board</b>        | <b>Forward Plan reference number:</b><br>FP/AB/150           |
| <b>Date of Accountability Board Meeting:</b> | <b>27<sup>th</sup> April 2018</b>                            |
| <b>Date of report:</b>                       | <b>4<sup>th</sup> April 2018</b>                             |
| <b>Title of report:</b>                      | <b>Growing Places Fund award to the Fitted Rigging House</b> |
| <b>Report by:</b>                            | <b>Rhiannon Mort, SELEP Capital Programme Manager</b>        |
| <b>Enquiries to:</b>                         | Rhiannon.mort@essex.gov.uk                                   |

## **1. Purpose of report**

- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider the award of a £800,000 Growing Places Fund (GPF) Loan to the Fitted Rigging House Project (the Project).

## **2. Recommendations**

- 2.1 The Board is asked to:

- 2.1.1 **Approve** the award of £800,000 GPF by way of a loan to enable the delivery of the Project and which has been assessed as presenting high value for money and high certainty of achieving this, on the basis that it will be repaid by 31<sup>st</sup> March 2022.

## **3. Fitted Rigging House Project**

- 3.1 The Project is for the conversion of a Grade 1 former industrial building at the Chatham Historic Dockyard, Medway into commercial office space (the new Site). The conversion will create 3,473m<sup>2</sup> of new office space which will accommodate three businesses employing over 350 people.
- 3.2 The Project forms a critical element of Chatham Historic Dockyard Trust's corporate plan based on a strategy of "preservation through re-use" that generates income to maintain the 80 acre heritage site and maintain the sites educational purposes.
- 3.3 Two of the businesses which will locate to the new Site are already located at the Chatham Historic Dockyard but are looking to expand their businesses which require additional space to grow their operations. Without the additional employment space being provided at the new Site it is likely that these two businesses would relocate outside of Medway and potentially outside of the South East Local Enterprise Partnership (SELEP) area. This would result in the loss of 300 jobs in the area.

- 3.4 In addition, as a result of the Chatham Historic Dockyard Trust relocating its own office space to the new Site, this will free up space to enable the University of Kent's Business School to expand into the vacated area, to provide 437m<sup>2</sup> of additional space to create a postgraduate study facility.
- 3.5 Investment in the Project will help the wider Historic Dockyard Chatham become financially self-sustainable and no longer reliant on Government funding. This helps secure the Historic Dockyard Chatham site for the c.170,000 annual visitors and other users; ensuring appropriate future investment in maintenance and services to meet Chatham Historic Dockyard Trusts stated commitment to future growth rather than stagnation. This will help facilitate the growth the Historic Dockyard site contributes to Medway's local visitor economy, which currently stands at c£16m per annum.
- 3.6 The delivery of the Project supports the following objectives:
- 3.6.1 Job creation and employment – The Project will help safeguard jobs at the Chatham Dockyard site and support business growth;
  - 3.6.2 Accelerated development of the Thames Estuary – The Project will help support Medway's local regeneration policy;
  - 3.6.3 Coastal Communities – The wider Historic Dockyard site contributes an estimated £16m to the local economy per annum. The Project will help to commercialise the operation of the Dockyard;
  - 3.6.4 Culture and Tourism – Through supporting the financial sustainability of the wider Historic Dockyard site, this supports the visitor economy with the Dockyard attracting over 170,000 visitors per annum.
  - 3.6.5 Social Enterprise – The Chatham Historic Dockyard Trust is a charity that effectively operates as a social enterprise generating substantial income from operating and services that is circulated to support the wider Dockyard community and the wider community. By operating in this way, Chatham Historic Dockyard Trust is also able to meet its own charitable objectives of preservation and education which include volunteer support, personal development, business support and community engagement.
- 3.7 The expected economic benefits of the Project, as stated in the Economic Impact and GVA (Gross Value Added) assessment reports include:
- 100 net additional jobs (63 net direct jobs and 37 net indirect jobs);
  - 3,473m<sup>2</sup> of commercial floorspace; and
  - £22,630,149 GVA benefits over the next 10 years.

#### **4. Project Cost and Funding**

- 4.1 The total Project cost is estimated at £8.4m, with a GPF allocation of £0.8m; presenting 9.5% of the total Project cost.
- 4.2 As the Project is being undertaken by Chatham Historic Dockyard Trust, a registered charity, it is therefore eligible for a number of charitable grants from

statutory sources and from Charitable Trusts and Foundations. The breakdown of the funding contributions which have been secured for the Project is provided in Table 1 below.

**Table 1 Fitted Rigging House Funding profile (£m)**

| Source   | 2017/18      | 2018/19      | 2019/20      | Total        |
|--|--------------|--------------|--------------|--------------|
| GPF  | 0.000        | 0.550        | 0.250        | 0.800        |
| Heritage Lottery Fund                          | 2.000        | 2.812        |              | 4.812        |
| Department for Culture, Media and Sport (DCMS) | 1.500        |              |              | 1.500        |
| DCMS/Wolfson                                   | 0.100        |              |              | 0.100        |
| Michael Uren Foundation                        | 0.400        | 0.200        | 0.200        | 1.000        |
| Garfield Weston Foundation                     | 0.150        |              |              | 0.150        |
| Chatham Historic Dockyard Trust Reserves       | 0.038        |              |              | 0.038        |
| <b>TOTAL</b>                                   | <b>4.188</b> | <b>3.562</b> | <b>0.450</b> | <b>8.400</b> |

- 4.3 The £800,000 GPF loan is required to bridge the remaining funding gap for the Project. Whilst private sector investment in the Project (such as through bank loans) has been considered, the main issue in securing private sector investment is the “heritage deficit” incurred by undertaking this Project within an historic building (Grade I listed). The additional costs of borrowing from the private sector will delay the financial sustainability of the Project for a number of years and costs will lead to a reduction in Project scope to the detriment of outcomes.
- 4.4 The heritage deficit is, in part, being funded by the Heritage Lottery Fund’s Heritage Enterprise programme which has been set up to replace the need for private sector investment in property development.
- 4.5 The low cost GPF loan provides a sustainable and responsible funding approach for the Trust that is affordable within the current cash flow projection, set out in the Project Business Case.

## **5. Project GPF repayment**

- 5.1 It is intended that the GPF loan will be repaid through the rental income generated from the new Site following the completion of the Project. This rental income will be available from 2019/20 to make the loan repayments as per the schedule set out in Table 2 below.

**Table 2 Fitted Rigging House GPF repayment schedule (£m)**

|               | 2018/19 | 2019/20 | 2020/21 | 2021/22 | Total |
|---------------|---------|---------|---------|---------|-------|
| GPF repayment | -       | 0.200   | 0.300   | 0.300   | 0.800 |

## **6. Fitted Rigging House Outcome of ITE review**

- 6.1 The assessment of the Business Case confirms that the Project demonstrates high value for money with high certainty of value for money being achieved through GPF investment.
- 6.2 The economic appraisal has been conducted following a Gross Value Added (GVA) approach, based on the number of new jobs created through the provision of additional commercial space. A high Benefit Cost Ratio (BCR) has been calculated for the project at 3.1:1 following a sensible and proportionate approach.
- 6.3 The Business Case sets out a clear schedule and procedure for the repayment of the GPF loan. It states that there is a low risk of repayment failure or delay, as the Trust would be able to utilise its limited reserves or borrow money commercially in extreme circumstances.
- 6.4 The Independent Technical Evaluation (ITE) review confirms that the quantifiable benefits of the Project support a good economic case for the Project. The wider impact of keeping businesses in Medway which may otherwise leave the South East strengthens the Value for Money Case.
- 6.5 A risk register has been completed as part of the Business Case. This has identified the highest Project risk for delivery and benefit realisation as the return of a higher tender price for the construction of the Site or limited interest in the tendering opportunity. This risk is being managed through early engagement with the market.

## **7. Compliance with SELEP Assurance Framework**

- 7.1 Table 3 below considers the SELEP Secretariat assessment of the Business Case against the requirements of the SELEP Assurance Framework.
- 7.2 The assessment confirms the compliance of the Project with SELEP's Assurance Framework.

***Table 3 SELEP Secretariat assessment of the Business Case against the requirements of the SELEP Assurance Framework***

| <b>Requirement of the Assurance Framework to approve the project</b>   | <b>Compliance</b> | <b>Evidence in the Business Case</b>  |
|--|-------------------|---|
| A clear rationale for the interventions linked with the strategic objectives identified in the Strategic Economic Plan |                   | The Project is aligned to SELEP's objectives including: <ul style="list-style-type: none"><li>- Sustainable private sector jobs;</li><li>- Universities and innovation; and</li><li>- Creative, cultural, media and the</li></ul> |

| <b>Requirement of the Assurance Framework to approve the project</b>   | <b>Compliance</b> | <b>Evidence in the Business Case</b>  |
|--|-------------------|---|
|  |                   | visitor economy, as set out in 3.6 above.   |
| Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account |                   | <p>The expected project outputs and outcomes are set out in the Business Case, including :</p> <ul style="list-style-type: none"> <li>-100 net additional jobs (63 net direct jobs and 37 net indirect jobs);</li> <li>-3,473m2 of commercial floorspace; and</li> <li>-£22,630,149 GVA benefits over the next 10 years.</li> </ul> <p>The economic appraisal has given consideration to deadweight, leakage and displacements effects.</p> |
| Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)                         |                   | A risk register, along with risk owners and mitigation measures, have been included as part of the Business Case. A contingency has been included in the project cost breakdown.  |
| A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions  |                   | The Business Case demonstrates a high BCR of 3.1:1  |

## **8. Financial Implications (Accountable Body comments)**

8.1 The GPF necessary to fund the Project is available following repayments made by round 1 GPF projects.

8.2 The repayment profile for the proposed loan is set out in table 2 above. Although non-repayment of the loan has been identified as low risk, it should be noted that any non-repayment of the loan will put at risk the funding required for the GPF programme to be maintained as an effective recyclable loan scheme; it is, therefore, imperative that all repayments are made in line with the agreed profile. As such, it is recommended that all GPF repayment risks are monitored as part of the regular GPF updates reported to the Board.

## **9. Legal Implications (Accountable Body comments)**



- 9.1 The Accountable Body will have in place a loan agreement with Medway Council which will provide for the repayment schedule set out in Table 2. Any changes to the Project or the repayment schedule will require further approval by the Board.
- 9.2 It is expected that Medway Council will enter into reciprocal agreements with the Historic Chatham Docks Charity.

## **10. Staffing and other resource implications (Accountable Body comments)**

- 10.1 There are no staffing and other resource implications arising from this decision.

## **11. Equality and Diversity implication**

- 11.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 11.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 11.3 In the course of the development of the project business case, the delivery of the Project and their ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and where possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

## **12. List of Appendices**

- 12.1 Appendix 1 - Report of the Independent Technical Evaluator (As attached to Agenda Item 5).

## **13. List of Background Papers**

- Business Case for Fitting Rigging House

**(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)**

| Role   | Date     |
|--|----------|
| <b>Accountable Body sign off</b><br><br>Stephanie Mitchener<br><br>(On behalf of Margaret Lee) | 19/04/18 |



|  |  |
|--|--|
| <b>Report to Accountability Board</b>                                | <b>Forward Plan reference number:</b><br>N/A                                   |
| <b>Date of Accountability Board Meeting:</b>                         | <b>27<sup>th</sup> April 2018</b>  |
| <b>Date of report:</b>   | <b>6<sup>th</sup> April 2018</b>   |
| <b>Title of report:</b><br>Assurance Framework Implementation Update |  |
| <b>Report by:</b>  | Adam Bryan, Managing Director<br>Amy Beckett, Programme Manager                |
| <b>Enquiries to:</b>   | <a href="mailto:amy.beckett@southeastlep.com">amy.beckett@southeastlep.com</a> |

## 1. Purpose of report

- 1.1 The purpose of this report is to make the Accountability Board (the Board) aware of:
- 1.1.1 The progress which has been made by the South East Local Enterprise Partnership (SELEP) team and the federal areas in implementing the changes necessitated by the refreshed Assurance Framework. *The Board is reminded that it is accountable for assuring that all requirements are implemented; it is a condition of the funding that the Assurance Framework is being implemented.*
  - 1.1.2 The findings of the Ministry of Housing, Communities and Local Government (MHCLG) Deep Dive process and recommendations made to SELEP.
  - 1.1.3 The proposed Governance and Transparency Performance Indicators as set out in Appendix 6

## 2. Recommendations

- 2.1 The Board is asked to:
- 2.1.1 **Note** the progress to date in implementing the SELEP 2018/19 Assurance Framework.
  - 2.1.2 **Note** the SELEP team and federated area progress to implement the:
    - 2.1.2.1 Mary Ney recommendations; and
    - 2.1.2.2 Ministry of Housing, Communities and Local Government (MHCLG) Deep Dive recommendations.

### **3. Assurance Framework Implementation Update**

- 3.1 It is a requirement of Government that SELEP agrees and implements an Assurance Framework that meets the revised standards set out in the LEP National Assurance Framework.
- 3.2 The purpose of the Assurance Framework is to ensure that SELEP has the necessary systems and processes in place to manage delegated funding from central Government budgets effectively. The expectation is that the practices and standards which are necessary to provide Government and local partners and the public with assurance that decisions over funding are proper, transparent, and deliver value for money, are fully implemented.
- 3.3 In addition, SELEP is required to demonstrate full compliance with the Mary Ney review recommendations, as published within the *Local Enterprise Partnership Governance and Transparency: Best Practice Guidance*.
- 3.4 Whilst a majority of the requirements of the Assurance Framework are fully embedded in the activities of the SELEP team, Strategic Board, Accountability Board, Federated Areas and local partners, an Assurance Framework Implementation Plan has been developed to ensure that any gaps can be addressed. This is a regular agenda item for the Board.
- 3.5 The implementation plan has been updated to reflect the additional requirements of the Assurance Framework 2018 which was agreed by the SELEP Strategic Board by electronic procedure in February 2018.
- 3.6 Appendix 1 provides a summary version of work required to implement the Assurance Framework for SELEP and the action required to address the Deep Dive recommendations, set out in section 4 below.
- 3.7 The summary provided in Appendix 1 sets out the substantial progress which has been made by the SELEP team and local partners in ensuring that the requirements of the Assurance Framework are being fully implemented. Federated Boards have been working to agree their updated Terms of Reference, to meet the requirements of the 2018 SELEP Assurance Framework.
- 3.8 For SELEP to demonstrate full compliance with the SELEP Assurance Framework, the following further action is required:

- 3.8.1 Development of a single prioritised list of projects, following a standard prioritisation approach.

A proposed approach to the development of a single prioritised list of projects will be brought to the SELEP Strategic Board at its meeting in June 2018. This approach will be required to ensure that

underspends are redistributed in the most effective way possible to achieve best value for money.

#### 3.8.2 Development of a SELEP Communications Strategy

A SELEP Communications Strategy will be developed to coincide with the launch of the new SELEP website, SEP and the associated outward communications and branding. This is expected to be completed in the summer 2018.

#### 3.8.3 Agree Terms of Reference for the U9 and Rural working group

A majority of SELEPs working group Terms of Reference have been published on the SELEP website. The two outstanding Terms of Reference will be agreed and published as soon as practicable.

#### 3.8.4 Completion of Registers of Interests, by all Federated Board members, the SELEP Secretariat and SELEP Senior Officer Group members

Registers of Interest (RoI) have been published for all members of Strategic Board, Accountability Board, Team East Sussex, Kent and Medway Economic Partnership and Opportunity South Essex. Action is required to ensure that members of all Federated Boards and the SELEP Senior Officer Group are complying with this requirement. A copy of the officer RoI will be circulated to the SELEP Senior Officer Group for completion in May 2018.

#### 3.8.5 Board member recruitment process and succession planning

At the June 2018 Strategic Board, that Board will be asked to consider and agree a standard SELEP approach to the recruitment of Board members, the term of their Board membership and to sign-off the induction process that will be implemented for new Board members.

#### 3.8.6 Publishing of Federated Board papers and minutes in line with the requirements of the Assurance Framework

#### 3.8.7 SELEP recruit Governance Officer

It is expected that the advert for the Governance Officer position will go live in May 2018.

#### 3.8.8 Implementation of the Investment Panel

The Terms of Reference for the Investment Panel will be considered by the SELEP Strategic Board at its meeting in June

2018. The Strategic Board reconfirmed its intention to inaugurate the Investment Panel on at the meeting of the 16<sup>th</sup> March 2018.

#### **4. MHCLG Deep Dive Review and Implementation Process**

- 4.1 On the 20<sup>th</sup> February 2018, a letter in the name of Stephen Jones, Director of Cities and Local Growth Unit (CLoG) (the Letter) was sent to Adam Bryan, Managing Director of SELEP, with a moderated view of the LEP in respect of governance, strategy and delivery.
- 4.2 The Letter, attached in Appendix 2, offered a less than wholly positive assessment of SELEP, primarily on the basis of its governance arrangements. We have subsequently learned that this assessment was predominantly undertaken after the Annual Conversation and, whilst the precise process remains unclear, it is understood to have been a desk-based binary analysis of whether information was available on the SELEP website.
- 4.3 It must be added that the Annual Conversation in itself, as reported to the December 2017 Strategic Board meeting in Ashford, was a positive, clear and constructive meeting, which made the receipt of the Letter all the more surprising. A copy of the note from the Annual Conversation is available in Appendix 3.
- 4.4 Further to the Annual Conversation in December 2017, MHCLG undertook Deep Dives on a number of Local Enterprise Partnerships, including SELEP, taking place 7<sup>th</sup> – 8<sup>th</sup> March 2018. SELEP welcomed the Deep Dive opportunity, as a chance to evidence the governance and transparency arrangements which are in place and demonstrate the strength of local support for SELEP.
- 4.5 In addition, Adam Bryan and Margaret Lee, as S151 officer for the Accountable Body, provided a technical response to address the 'Areas of Improvements' identified within the Letter. A copy of this letter is made available in Appendix 4.
- 4.6 Following on from the Deep Dive, initial feedback and key findings were provided to SELEP through a letter from Hannah Rignall, Deputy Director CLoG. This positive response summarised the good practice implemented by SELEP, including SELEP's level of engagement with a broad range of stakeholders, the clear line of sight by the Section 151 Officer and retracted the original rating. A copy of this Deep Dive key findings letter is available in Appendix 5.
- 4.7 The recommended areas for improvements identified in the initial Deep Dive key findings letter are as follows:

- 4.7.1 Ensuring open funding calls in all Federated Areas;

- 4.7.2 Recruitment to Federated Boards and decisions on representation at Strategic Board level should operate to an open and transparent process
  - 4.7.3 Ensure underspends at a federated level is allocated to the most promising and next value for money project;
  - 4.7.4 A formal process for the induction of new board members;
  - 4.7.5 Declarations of interest of board members should be reviewed every six months;
  - 4.7.6 Set up a new Investment Committee; and
  - 4.7.7 Recruit a Governance Officer
- 4.8 Agreement to implement these improvements was given at the meeting of the Strategic Board on the 16<sup>th</sup> March 2018 and the implementation plan, presented in Appendix 1 sets out how these recommendations will be put in place.
- 4.9 The SELEP Secretariat will bring forward processes to the June 2018 Strategic Board meeting to ensure all recommendations are expedited in a timely manner and to ensure that SELEP can demonstrate that the requirements have been met for receipt of future year core funding and Local Growth Fund (LGF) allocations.

## **5. Governance and Transparency Performance Indicators**

- 5.1 To ensure appropriate oversight can be maintained with regard to the on-going requirements of the Assurance Framework, it is proposed to implement the performance measures that are set out in Appendix 6 as part of the regular reporting to the Board. The reporting on these measures will be included from the next Assurance Framework update to the Board.
- 5.2 These performance measures focus on ensuring that the specific requirements as set out by Government in their LEP Governance and Transparency Best Practice Guidance continue to be met.

## **6 Accountable Body comments**

- 6.1 It is a requirement of Government that the SELEP agrees and implements an assurance framework that meets the revised standards set out in the LEP National Assurance Framework.
- 6.2 The purpose of the Assurance Framework is to ensure that SELEP has in place the necessary systems and processes to manage delegated funding from central Government budgets effectively.
- 6.3 The SELEP Secretariat has been advised by the Accountable Body to identify and prioritise the key actions listed in 4.7 above which are required to ensure that the Assurance Framework is fully implemented and embedded into the day to day operation of the SELEP.

- 6.4 It is also advised that additional support is provided to the Federated Areas and the working groups to ensure that they are able to demonstrate compliance with the Assurance Framework.
- 6.5 An additional requirement of funding from Government is ensuring that the delivery of the Growth Deal is being actively monitored and evaluated by the Strategic Board and other key stakeholders, including the public, through the provision of regular updates to the Board and on the SELEP website. It is noted that arrangements are being addressed by the SELEP Secretariat to progress meeting this requirement.

## **7 Financial Implications (Accountable Body Comments)**

- 7.1 The Government have confirmed that, following the conclusion of the Annual Conversation process, SELEP will receive in full its indicative LGF allocation for 2018/19 of £91.7m. In the Grant Offer Letter, the Government has reiterated that the use of all LGF will need to fulfil the following requirements:
- It will be used to support the Growth Deal agreed between the Government and the LEP and will be used to secure the outcomes set out in the Growth Deal. Within that the Government expects SELEP and the Accountable Body to use the freedom and flexibilities that are in place to manage the capital budgets between programmes.
  - It will be deployed solely in accordance with decisions made through the Local Assurance Framework agreed between the LEP and the Accountable Body. This must be compliant with the standards outlined in the LEP National Assurance Framework.
  - That progress is tracked against the agreed core metrics and outcomes, in line with the national monitoring and evaluation framework.
  - That the LEP and Accountable Body follow the branding guidance and communicate the on-going outcomes and outputs of the growth deal.
- 7.2 The implementation plan set out in Appendix 1 is intended to demonstrate that the requirements of the SELEP Assurance Framework are being implemented as certified by the S151 Officer of the Accountable Body to the MHCLG in February 2018. The 2018/19 LGF grant payment is being made on this basis and it is therefore essential that efforts continue to be made to ensure appropriate consideration and prioritisation is given to implementing the Assurance Framework in full – this will support the certification that is required by the S151 Officer of the Accountable Body to the MHCLG for 2019/20.

## **8 Legal Implications (Accountable Body Comments)**

- 8.1 There are no legal implications arising from this report

## **9 Staffing and other resource implications**

- 9.1 The SELEP Managing Director is seeking to recruit a Governance Officer to oversee the full implementation of the Assurance Framework; it is currently anticipated that this post will be advertised in May 2018.

## **10 Equality and Diversity implications**

- 10.1 None at present.

## **11 List of Appendices**

- 11.1 Appendix 1 – SELEP Assurance Framework Implementation Plan progress update  
11.2 Appendix 2 – Letter from Director of Cities and Local Growth Unit, dated 20<sup>th</sup> February 2018  
11.3 Appendix 3 – Notes of South East LEP Annual Conversation 2017  
11.4 Appendix 4 – Joint letter from SELEP Managing Director and S151 Officer, dated 14<sup>th</sup> March 2018  
11.5 Appendix 5 – Letter from Deputy Director of Cities and Local Growth Unit, dated 15<sup>th</sup> March 2018  
11.6 Appendix 6 – Proposed Governance and Transparency Performance Indicators

## **12 List of Background Papers**

- 12.1 SELEP Assurance Framework

**(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)**

| <b>Role</b>  | <b>Date</b>      |
|--|------------------|
| <b>Accountable Body sign off</b><br><br>Stephanie Mitchener<br><br>(On behalf of Margaret Lee) | <br><br>20/04/18 |





## Appendix 1 SELEP Assurance Framework and Deep Dive Recommendations Implementation Plan progress update

| Summary               | Requirement   | Responsibility   | Priority | Status   | Action Required  | Deadline for Completion | RAG |
|-----------------------|---|--|----------|----------|--|-------------------------|-----|
| <b>Business Cases</b> |   |  |          |          |  |                         |     |
| Value for Money       | SELEP will identify a named individual with overall responsibility for ensuring value for money for all projects and programmes.                        | Accountability Board Chair is responsible for ensuring value for money of all projects and programmes                | M        | Complete | In advance of each Accountability Board the Chair is provided with a briefing which sets out the Chair's responsibilities to ensure decisions taken by the SELEP Accountability Board present high value for money. This includes the scrutiny of decisions coming forward at the Board meeting, with a particular focus on those decisions to award funding |                         | G   |
| Scrutiny              | SELEP will identify a named individual (which may be a different person) responsible for scrutiny of and recommendations relating to each business case | Accountability Board Chair is responsible for the scrutiny of recommendations made in relation to each business case | M        | Complete | In advance of each Accountability Board the Chair is provided with a briefing which sets out the Chair's responsibilities to ensure decisions taken by the SELEP Accountability Board present high value for money. This includes the scrutiny of decisions coming forward at the Board meeting, with a particular focus on those decisions to award funding |                         | G   |

| Summary                | Requirement  | Responsibility  | Priority | Status   | Action Required   | Deadline for Completion | RAG |
|------------------------|--|-----------------|----------|----------|---|-------------------------|-----|
| Change Requests        | A copy of the Change Request Template is available on the SELEP website  | SELEP           | M        | Complete | A copy of the Template is available on the 'How we Award Funding' section of the SELEP website. In addition, a report was presented to SELEP Accountability Board on the 26 <sup>th</sup> May which set out the Change Request process. Local partners are implementing the practice of bringing forward a Change Request using the SELEP template. These Change Requests are also shared with Central Government, for their record |                         | G   |
| Business Case Template | All Strategic Outline Business Cases will use the Business Case Template | Federated Areas | H        | Complete | On the 16th August 2017, the new SELEP Business Case was issued to all partners. Local partners are implementing the practice of using the SELEP Business Case template for the development of Business Cases. The new template is being used to develop Strategic Outline Business Cases for GPF submissions.  |                         | G   |

| Summary                  | Requirement  | Responsibility | Priority | Status   | Action Required  | Deadline for Completion | RAG |
|--------------------------|--|----------------|----------|----------|--|-------------------------|-----|
| Equality Act             | The standard business case template includes space for promoters to explain how work is within Equality Act 2010                 | SELEP          | M        | Complete | A copy of the new SELEP Business Case template is available on the SELEP website in the 'How we Award Funding' section. The Business Case seeks confirmation that an Equality Impact Assessment will be completed as part of the project and how the findings of this assessment will be considered as part of the projects development. In addition, the S151 officer letter which is required from the lead County Council / Unitary Authority provides confirmation that the project will be delivered in accordance with the Equality Act 2010 |                         | G   |
| Social Value             | A section is to be included in the standard business case template for promoters to set out how they will maximise social value. | SELEP          | M        | Complete | As above, the new SELEP Business Case template asks scheme promoters to provide details on how the procurement for the scheme increases social value in accordance with the Social Value Act 2012 (e.g. how in conducting the procurement process it will act with a view of improving the economic, social and environmental well-being of the local area and particularly local businesses);   |                         | G   |
| Federated board approval | The business case template to include confirmation of approval by the Federated Board.   | SELEP          | H        | Complete | Each Business Case put forward for funding allocation is required to demonstrate endorsement of the project by the Federated Board   |                         | G   |

| Summary  | Requirement   | Responsibility          | Priority | Status   | Action Required   | Deadline for Completion | RAG |
|--|---|-------------------------|----------|----------|---|-------------------------|-----|
| Gate 2 BC publication                                  | The Gate 2 Outline Business Case for the project will be published on the SELEP website at least one month in advance of the Accountability Board meeting.                        | SELEP / Federated Areas | H        | Complete | Business Cases are uploaded alongside the meeting date and meeting Forward Plan at least one month in advance of the funding decision being taken.  |                         | G   |
| Gate 4 & 5 BC publication                              | Projects completing a Gate 4 and 5 review, the full business case will be published at least one month in advance of the Accountability Board meeting                             | SELEP / Federated Areas | H        | Complete | Business Cases are uploaded alongside the meeting date and meeting Forward Plan at least one month in advance of the funding decision being taken.  |                         | G   |
| VfM reporting  | Value for money section to be reflected in the standard reporting template for Accountability Report funding approvals and changes.   | SELEP                   | H        | Complete | A section is included in each report to SELEP Accountability Board for the award of funding, which sets out details of the projects value for money assessment and the ITE's recommendation on the projects Value for Money.        |                         | G   |
| s151 sign off  | The business case template to be amended to include confirmation of assurances from the Section 151 officer of the promoting authority that Value for Money is true and accurate. | SELEP                   | H        | Complete | The Business Case template contains an Appendix which sets out a S151 officer letter to be submitted alongside the Business Case to provide assurance that the information contained within the Business Case is true and accurate. |                         | G   |
| Prioritisation of projects and development of a single |   |                         |          |          |   |                         |     |

| Summary                | Requirement  | Responsibility            | Priority | Status  | Action Required   | Deadline for Completion | RAG |
|------------------------|--|---------------------------|----------|---|---|-------------------------|-----|
| pipeline               |  |                           |          |   |   |                         |     |
| Prioritisation Process | Each Federal Board shall ensure that they apply the prioritisation process as approved by Strategic Board          | SELEP and Federated Areas | H        | Each Federated Area has followed the prioritisation process agreed by Strategic Board for the prioritisation of GPF Projects, during July and August 2017. An approach needs to be developed for the prioritisation of LGF. | An approach to the development of a SELEP LGF single pipeline will be taken to the June 2018 Strategic Board with the intention of Federated Areas then applying the approach to the development of a project pipeline over the Summer to enable a SELEP single pipeline to be agreed by the Strategic Board/ Investment Panel in December 2018.  | Dec-18                  | A   |
| Single list            | A single LEP project list will be published on the SELEP website as part of the Infrastructure and Investment Plan | SELEP                     | H        | Planned   | <p>A single list of priorities was identified as part of the GPF bidding process. This is now published on the SELEP website.</p> <p>The SELEP Strategic Board have agreed to develop a single list of prioritised LGF projects, following a common assessment approach.</p> <p>Following the approval of a single prioritised list of LGF projects, this will be published on the SELEP website.</p> | Dec-18                  | A   |
| Board Governance       |  |                           |          |   |   |                         |     |

| Summary            | Requirement   | Responsibility | Priority | Status               | Action Required   | Deadline for Completion | RAG |
|--------------------|---|----------------|----------|----------------------|---|-------------------------|-----|
| Pan-LEP            | Any pan-LEP priority projects will be reviewed by the Strategic Board   | SELEP          | M        | Part complete        | A process was detailed within the GPF prioritisation process (agreed at the Strategic Board meeting on the 9 <sup>th</sup> June 2017) for both the GPF revenue and GPF capital funding for the consideration of pan – LEP projects. Process for other funding streams will be agreed with Strategic Board, based on the requirements for awarding funding set out in the SELEP Assurance Framework. | On-going                | G   |
| Policy publication | A section to be added to the website to address issues of governance, for example: the policy for public questions; conflicts of interest; communications and complaints to the LEP | SELEP          | H        | Complete             | All agreed policies are available on the SELEP website  |                         | G   |
| Key decisions      | All key decisions are published on the Forward Plan and available on the SELEP and upper tier authorities websites  | SELEP          | H        | Complete and ongoing | All key decisions are reported with the Forward Plan and all material is made available for local publishing  |                         | G   |
| Minutes            | Draft minutes of all meetings are publicly available on SELEP website no more than 10 days after the meeting  | SELEP          | M        | Complete and ongoing | According to the Government's new requirements, draft minutes will be made available ten working days after all future board meetings   |                         | G   |

| Summary                     | Requirement  | Responsibility | Priority | Status               | Action Required   | Deadline for Completion | RAG |
|-----------------------------|--|----------------|----------|----------------------|---|-------------------------|-----|
| Reporting                   | Accountability Board reports where funding is sought or changes are to be agreed will include a reporting table to confirm requirements are met. | SELEP          | M        | Complete and ongoing | A table is included in each report to SELEP Accountability Board for the award of funding which sets out the SELEP team's assessment of the projects eligibility for funding against the requirements of the Assurance Framework. |                         | G   |
| Investment phasing          | The phasing of investments will be reflected in report templates for funding requests to Accountability Board.                                   | SELEP          | M        | Complete and ongoing | A table is included in each report to SELEP Accountability Board for the award of funding which sets out the profile over which the funding is sought and the phasing of match funding contributions to the project.              |                         | G   |
| Paper publication           | A link to Accountability Board papers to be available for all upper tier authorities   | SELEP          | H        | Complete and ongoing | A copy of the SELEP Accountability Board Agenda Pack is circulated once it has been published by Essex County Council, as SELEP Accountable Body. This is then available for partners to publish in addition                      |                         | G   |
| Social Enterprise member    | Appoint an additional strategic board member from the Social Enterprise group that is to be established.   | SELEP          | M        | Complete             | A representative of the Social Enterprise Group has been nominated to be the additional Strategic Board member. They are due to attend the March 2018 Strategic Board   |                         | G   |
| Assurance Framework refresh | Refresh of Assurance Framework to be a standing item to the last Strategic Board meeting of each calendar year                                   | SELEP          | M        | Complete             | This was agreed on the 17 <sup>th</sup> February 2018   |                         | G   |
| SELEP collateral            |  |                |          |                      |   |                         |     |

| Summary                         | Requirement  | Responsibility      | Priority | Status  | Action Required   | Deadline for Completion | RAG |
|---------------------------------|--|---------------------|----------|---|---|-------------------------|-----|
| Comms strategy                  | Communications Strategy to be refreshed and taken to Strategic Board for approval and implementation     | SELEP               | M        | Planned in line with SEP launch   | An interim role (to cover maternity leave) has been appointed to in order to lead work on the SELEP website and develop a SELEP Communication Strategy, in partnership with Federated Areas.  |                         | A   |
| <b>Declarations of Interest</b> |  |                     |          |   |   |                         |     |
| Dol                             | Declaration of interest to be noted from outset of each meeting  | Board members       | H        | This is an ongoing requirement which is met at the quarterly strategic board meetings | At the start of each Strategic board, Accountability Board and Federated Board meeting Board members are required to state any Declarations of Interest in relation to decisions to be taken at that meeting. Declarations are included in the meeting minutes and held as part of the record of the meeting. Furthermore, in light of recommendations from the Mary Ney report, the SELEP team has circulated the Government's new Register of Interests template which all Strategic and Accountability Board members have completed. |                         | G   |
| Dol                             | All members of Strategic or Accountability Board are required to complete a Declaration of Interest form | SELEP/Board members | H        | Completed and Ongoing   | Following on from the Mary Ney recommendations the declaration of interest template has been sent to all board members for completion.  |                         | G   |
| Dol                             | Declaration of Interest forms to be published on website   | SELEP               | H        | Completed and Ongoing   | Following on from the Mary Ney recommendations the declaration of interest template has been sent to all board members for completion.  |                         | G   |



| Summary                         | Requirement   | Responsibility  | Priority | Status   | Action Required   | Deadline for Completion | RAG |
|---------------------------------|---|-----------------|----------|--|---|-------------------------|-----|
| Dol                             | LEPs should ensure senior members of staff or those staff involved in advising on decisions should also complete this form and report interests. Unless there is a relevant or new interest that pertains to a meeting or decision, LEP staff should review their interests every six months. | Officers        | H        | Incomplete   | SELEP Secretariat and Senior Officer Group to complete a Dol form and review every 6 months. These will be uploaded to the website.   | Jun-18                  | R   |
| Dol Annual Review               | All declarations of interest reviewed annually  | SELEP           | H        | Planned  | This is planned in line with the Mary Ney recommendations and will be completed every February.   |                         | G   |
| Specific to local areas         |   |                 |          |  |   |                         |     |
| Federated board material online | Federated Boards will publish their meeting details and minutes on either their own or SELEP's website within the agreed timescales   | Federated Areas | H        | All federated board meeting papers are available on the website for the previous financial year. | <p>All meeting dates for Federated Boards are available on the SELEP website. All available information pursuant to the Federated Boards is available on the SELEP website as according to the Mary Ney recommendation and 28/2 deadline.</p> <p>Federated Boards are to provide the secretariat with papers no later than 10 working days before a meeting; and provide draft minutes no later than 10 working days following the meeting.</p> | On-going                | G   |

| Summary     | Requirement   | Responsibility                | Priority | Status   | Action Required  | Deadline for Completion | RAG |
|-------------|---|-------------------------------|----------|----------|--|-------------------------|-----|
| Recruitment | Federated Boards to determine and evidence own recruitment process for membership. The process needs to meet the requirements of the SELEP Assurance Framework. | Federated Areas               | M        | Complete | <p>Following approval at March 2018 Board Meeting; the recruitment process will be consistent across all Federated Boards, with oversight from the LEP Board.</p> <p>The SELEP Secretariat are to provide an induction process for new board members, across both Federated and Strategic Board.</p>   | Jun-18                  | A   |
|             | Succession planning for board members   | Federated Areas / Secretariat | H        |          | <p>Recruitment process to be specified from the LEP secretariat, identifying an appropriate recruitment process for all board members with an agreed limitation of terms for: board members, vice-chairs and federated board members.</p> <p>The process for this will be brought forward to the June Board meeting, following initial approval of the proposal at March's Board meeting</p> | Jun-18                  | A   |
| Updated ToR | Each group requested to ensure that the terms of reference has been updated to reflect the requirements of the Assurance Framework                              | Federated Areas               | H        | Complete | Updated Terms of Reference have been agreed by KMEP, TES, OSE and EBB.   |                         | G   |

| Summary                                   | Requirement  | Responsibility          | Priority | Status                                      | Action Required   | Deadline for Completion     | RAG |
|---|--|-------------------------|----------|---|---|-----------------------------|-----|
| Monitoring local implementation of the AF | SELEP secretariat to work with Federated Boards to set out their plans to implement and monitor the Assurance Framework. | SELEP                   | H        | Post 28th February meetings to be scheduled | <p>Conversations between the LEP and leads officers from the federated boards have happened regularly and informally over the past few months. A meeting is planned, 20th April 2018 with the four lead officers, SELEP MD and the Accountable Body to discuss implementation of further requirements.</p> <p>SELEP Secretariat and the Accountable Body are currently planning to attend Federated Board Meetings in the coming months to discuss compliance with the Assurance Framework and Mary Ney report.</p> | <p>Apr-18</p> <p>Jul-18</p> | A   |
| Declaration of Interest                   |  | Federated Areas / SELEP | H        | June Board Meeting                          | <p>Updated declarations of interest have been completed by the SELEP board members.</p> <p>All federated board members to complete the updated declaration of interest form and to be uploaded to the SELEP website for full transparency.</p>  | Jun-18                      | A   |

| Summary                                      | Requirement  | Responsibility          | Priority | Status              | Action Required   | Deadline for Completion | RAG |
|--|--|-------------------------|----------|---------------------|---|-------------------------|-----|
| Working Groups                               | Working Groups will publish their Terms of Reference, calendar of dates and papers produced on SELEP's website | Working Groups / SELEP  | M        | Ongoing             | A member of the SELEP team will be attending each of the Working Groups to help identify any gaps in the publication of information on the website. Terms of Reference are currently being approved by the following groups, once approval has been given they will be uploaded to the SELEP website:<br>§ Rural Working Group<br>§ U9 (University 9) Working Group | Jun-18                  | A   |
| Secretariat                                  |  |                         |          |                     |   |                         |     |
| Recruitment of Governance Officer            |  | SELEP                   | H        | Within next quarter | Recruiting a governance officer will enable SELEP to better govern the information made available on the website and working with the federated areas to ensure full compliance of the Assurance Framework  | Advert live in May 2018 | A   |
| Implementation of Investment Panel           |  | SELEP / Strategic Board | H        | Within next quarter | Further to Boards approval to re-affirm the Investment Panel at the March 2018 board, the SELEP secretariat will bring the Terms of Reference to the June 2018 for approval. Once agreed this will satisfy requirements from the Mary Ney review to include a higher level business voice in confirmation of funding prioritisation.                                | Jun-18                  | A   |
| S151 officer in attendance of SELEP Meetings |  | SELEP                   | M        | Ongoing             | Essex County Council S151 to be included in all board meeting invitations, where they are unable to attend a member of their team is to deputise  |                         | G   |

| Summary  | Requirement | Responsibility          | Priority | Status               | Action Required  | Deadline for Completion | RAG |
|--|-------------|-------------------------|----------|----------------------|--|-------------------------|-----|
| Email account set up for confidential complaints / whistleblowing to the LEP |             | SELEP                   | H        | Within first quarter | The following emails addresses have been set up: hello@southeastlep.com for general enquires contact@southeastlep.com for confidential complaints, this email address is monitored by the Managing Director and will also be monitored by the Governance Officer, once the post is filled. | -                       | G   |
| SELEP Branding across all marketing  |             | SELEP / Federated areas | H        | Ongoing              | Both the Comms and Marketing Manager and Capital Programme Manager are working with leads for each area to ensure marketing and promotion of projects incorporates SELEP branding.   |                         | G   |





Department for  
Business, Energy  
& Industrial Strategy



Ministry of Housing,  
Communities &  
Local Government

**Cities and Local Growth Unit**  
1st Floor, Fry Building, 2 Marsham Street,  
London,  
SW1P 4DP

20 February 2018

Adam Bryan  
Managing Director, South East LEP  
By email

Dear Adam

I am writing to you following your Annual Conversation on 7 December 2017 to communicate formally the outcome of the process and to set out the next steps and immediate actions that are required. The agreed note of the Annual Conversation is attached.

With the increasingly important role that LEPs have, it is important to Ministers and our Permanent Secretary Melanie Dawes, as Accounting Officer, that there is a strong emphasis on ensuring that LEPs have the highest standards in place and are able to effectively act as key drivers of growth in their places. This is a point reinforced by the Public Accounts Committee in their recent hearing.

### **Performance Review**

As set out in the 2017 Annual Conversation Guidance, following the Annual Conversation officials in the Cities and Local Growth Unit undertook a Performance Review to look at the performance of each LEP across the three themes; governance, delivery and strategy. The review also sought to highlight any areas where there may be need for further development or where there is good practice to be shared. This involved reviewing the information provided for the Annual Conversation along with other sources including, Growth Deal data submissions and LEP governance processes and policies. Following the conclusion of the Annual Conversation process we have determined that overall the LEP is not performing adequately on a number of measures. Feedback under each theme is set out below:

## Governance

It is good to see that the LEP has demonstrated clear improvements to its Terms of Reference and Assurance Framework, and there is a good relationship with the Accountable Body. It is noted that the LEP is actively seeking to implement best practice as set out in the Mary Ney review. However, the LEP has also acknowledged some areas for improvement, particularly in relation to the operation of the Federated Boards, and our spot-checks revealed some problems with the LEP website and areas of non-compliance with the Assurance Framework.

Taking account of this, the LEP's governance is currently considered inadequate. I note that the LEP's agreement to action assurance and transparency recommendations from the Mary Ney Review will help to address this, but additionally there are some specific areas where improvements could be made:

- the LEP relies on the Federated Boards to nominate private sector board members. The LEP currently requires only that the Federated Boards 'consider' selecting members through an open, transparent and non-discriminatory recruitment process. There should be a much stronger requirement for the Federated Boards to follow such a recruitment process and this should be actively enforced by the LEP. This should improve the diversity of the Board. In addition, as referenced in the LEP's Annual Conversation submission, a clear process for succession planning should be established, which may include limiting the terms of Board members;
- it is noted that the LEP intends to appoint a dedicated governance officer, with recruitment to begin imminently, and is establishing an 'Investment Panel' to sit between the Federated Boards and the Strategic Board to better manage the project pipeline. Both these developments are welcome and should be actioned as soon as possible;
- promptly updating the LEP's website with meeting papers, especially the minutes of Strategic Board meetings, and ensuring that registers of interest are up to date;
- the S151 officer was not in attendance at the Annual Conversation as outlined in the guidance shared with the LEP. It was also unclear during the Annual Conversation the extent to which the S151 officer has a line of sight over the wider business of the LEP, including attendance at board meetings. Further investigation suggests that the S151 officer has not been attending board meetings. The importance of administrative leadership, oversight and accountability is a prerequisite for functional LEPs and we would like to discuss the line of sight of the s151 officer over decision making in more detail with you;
- the S151 assurance statement identified four further areas for improvement: transparency of representation from the Federated Boards, succession planning for Strategic Board membership, the process for declaring interests,



and requiring the Federated Boards to comply with the Assurance Framework requirements pertaining to transparency and accountability. These improvements should be made as soon as possible.

Given the concerns outlined above with respect to the current governance arrangements, **we will be undertaking a deep dive to review the LEP's governance and transparency arrangements before the end of March. This will result in a time-limited Action Plan to address areas where governance practice is considered inadequate.** The Cities and Local Growth Unit LEP Compliance Team will be in touch shortly to confirm the timings of the visit. I hope that you will view the deep dive as an opportunity for review and self-reflection on the processes and systems in place and we are committed to support you through this process to improve.

## **Delivery**

Good progress has been made on many of the LEP's projects, with a reported 17 projects completed at the time of the Annual Conversation. I note that the LEP's programmes are broadly spending to budget, though it is noted that the LEP will need to manage its budget carefully in 2019-20 and 2020-21 given the profile of its award. Some projects are experiencing slippage and there is a continued reliance on the use of capital swaps so, overall, we judge that there are a number of areas where improvement is required, in particular:

- developing a stronger pipeline of quality projects to draw upon when underspends or slippages emerge. The 'Investment Panel' should prioritise pipeline projects to ensure that underspends are redistributed in the most effective way possible;
- better demonstrating the private sector's role in developing and prioritising projects;
- better capturing and communicating project outputs.

To provide assurance that delivery issues are being addressed **I ask that you hold a meeting with the CLoG Area Director by the end of March alongside the Section 151 officer from the Accountable Body and your delivery lead.** This meeting will allow us to work with you to identify and agree issues where improvement is required.

## **Strategy**

I understand the LEP has made significant efforts to determine strategic priorities across a large area. The active input to the Thames Estuary 2050 Growth

Commission is welcome. The LEP has also engaged with neighbouring LEPs, for example on the Thames Estuary Production Corridor work.

Notwithstanding that good work, overall we judge that the LEP requires improvement in this area, and we recognise that the LEP is seeking to make improvement by refreshing its evidence base, reviewing priorities, and engaging with stakeholders to deliver a refreshed Strategic Economic Plan (SEP). We encourage and will support this process. Particular areas that we consider required attention are:

- ensuring that the refreshed SEP is underpinned by a robust evidence base;
- gaining strong buy-in to the refreshed SEP from across the LEP, in particular that there is strong coherence between the federated areas' priorities and the LEP's strategic priorities;
- ensuring that local partners actively promote the LEP's priorities, including using the appropriate branding guidelines where necessary.

## Next Steps

Key actions that require attention are set out above and your local Area Lead will be in touch to follow-up on this letter. If you have not already done so you should now upload the joint assurance statement you wrote with the LEP Chair ahead of your Annual Conversation to the LEP website. **Please ensure this is done by the 28 February.**

As I am sure you are fully aware, your Accountable Body's Section 151 Officer is required to write to the Ministry of Housing, Communities and Local Government Permanent Secretary by this date, confirming compliance of your Local Assurance Framework with the National LEP Assurance Framework (updated Nov 2016) and that the best practice guidance has been implemented. This is to ensure that the recommendations contained in the Mary Ney Review best practice guidance **have been implemented by the 28 February.**

I also wanted to take this opportunity to thank you, the LEP Chair, and the Accountable Body for participating positively in the process. As part of the Annual Conversation preparation we asked you to provide us with information on where Government could better support you to fulfil the ambitions of your place. We will continue to work with you to explore these issues over the coming months.

I am aware that LEPs are already doing good work to ensure they have the highest standards in place. As this letter sets out, we are committed to working with you to support this work over the coming months.

A handwritten signature in blue ink, appearing to read 'S. Jones', with a long horizontal line extending to the right.

**STEPHEN JONES**  
**DIRECTOR, CITIES AND LOCAL GROWTH UNIT**

## Note of South East LEP Annual Conversation 2017

**Location:** Department for Communities and Local Government, 2 Marsham Street.

**Date:** Thursday, 7 December 2017

**Time:** 10.00am

### Actions from 2016 Annual Conversation

| Action # | Action Point   | Date completed | Resolution   |
|----------|--|----------------|--|
| 1        | HMG to secure further flexibility for the LEP in delivery of its Growth Deal programme   | April 2017     | Completed  |
| 2        | LEP to put in place greater transparency of its operations and activities  | May 2017       | Completed  |
| 3        | LEP to agree a revised Assurance Framework, in line with the new National Assurance Framework                                      | May 2017       | Completed  |
| 4        | Kris and Adam to discuss the Industrial Strategy and interface of this with the SEP review   | Ongoing        | There have been ongoing discussions but they did not meet personally because of other priorities and difficulty in fixing a date |
| 5        | Kris and Chris to meet in new year for a further discussion on the LEP and HMG's local growth policies and what more might be done | Ongoing        | There have been ongoing discussions but they did not meet personally   |
| 6        | Regular officer-level meetings with CloG and DfT on Growth Deal delivery should continue   | Ongoing        | These have occurred regularly through the year (roughly bi-monthly)  |

### Governance

#### Discussion Points

##### *Ney Review*

- The LEP welcomes the Ney Review and is supportive of the findings and recommendations to strengthen governance and transparency, many of which it says it already has in place or is actioning.
- The current LEP Assurance Framework was adopted in February 2017. It is updated annually, with a new version being presented to the LEP's strategic board on 15 December. It was agreed the LEP would review its procedures and agree any further actions by February 2018 to ensure ongoing full compliance.
- Policies covering the Nolan Principles and conflicts of interest are included in the assurance framework, with Strategic Board and Accountability Board members being required to complete declaration of interest forms, which are published on the LEP's website, and additionally declare interests at the start of each Board meeting.
- The LEP intends to appoint a dedicated governance officer.
- Agenda and minutes are published in good time, usually a week ahead of meetings. Papers are received by Board members well in advance.

### **s151 Officer role**

- The s151 officer has a clear line of sight to all decisions made by the Strategic Board and the Accountability Board, although some of the routine s151 work in relation to the LEP is delegated within the accountable body (Essex County Council). Suzanne Bennett attended the Annual Conversation on behalf of the s151 officer, Margaret Lee.

### **Board and Decision Making**

- There was a long discussion about the way the LEP's governance structure operates. The LEP outlined the relationship between the Strategic Board, the Accountability Board and the federated area boards. Pressed on whether the role of the Accountability Board in final sign-off of project expenditure undermined the claim that the LEP was business-led, the chair insisted this model gave greater assurance, through a separation of powers, than many other, including incorporated, models i.e. the Accountability Board could not itself propose projects or set priorities, which was the function of the business-dominated Strategic Board. However, the LEP agreed to examine other models, such as that used by Thames Valley Berks LEP.
- Project selection and prioritisation is a bottom-up process, with federated boards feeding into the centre with projects then reviewed by the independent technical evaluator before going to the Accountability Board. The federated areas are now using a common assessment framework. In June 2017 the Strategic Board agreed to set up a sub-committee to review project selection and prioritisation before projects went to the full board – but this has not yet been implemented. CLoG agreed this would be good practice.
- The LEP was pressed on how Board members were recruited and membership refreshed, with ministers keen to see diversity on LEP boards. The SELEP board is not particularly diverse and recruitment is not managed centrally; rather the federated areas make nominations. The LEP stated it has limited room for manoeuvre in this area given its federated model, which prescribes an equal number of delegates to the Board from each federated partnership area. The LEP agreed to review its procedures in light of Ney.

### **Actions**

1. LEP to review procedures against Ney Review recommendations by end February 2018.
2. CLoG to make available to the LEP details of how TV Berks LEP operates and the LEP to consider – by mid-January 2018.
3. LEP to update CLoG on proposed changes:
  - appointing a dedicated governance officer and update CLoG – recruitment process to begin January 2018 subject to ECC capacity to support.
  - implementing its decision to establish a sub-committee to sit between the federated boards and the strategic board to better manage project pipeline – by end February 2018
  - reviewing procedures governing composition and recruitment in relation to the strategic board – by end March 2018

### **Delivery**

#### **Discussion Points**

##### **Programme Overview**

- The LEP has a large allocation of LGF (£580m) and is running over 90 projects. The programme manager meets bi-monthly with the CLoG and DfT area leads to discuss progress and issues with particular projects, including the handful of key transport projects discussed at the Annual Conversation. Overall the LEP is making very good progress with the delivery of its projects and spend. One area for further development is the capture of outputs and outcomes.
- Related to the governance discussion, the LEP was urged to consider how its projects were originated and what more it could do to encourage more private sector sponsorship of projects i.e. move away from a dependence on local authorities to identify and develop projects, albeit many of these had significant private sector input.

##### **Spend Rate**

- Spend in 2017-18 is expected to be £97m against an allocation of £92m (rounded figures). This is possible because of funding carried forward from 2016-17. Total spend to date is £154m and 20 projects have been completed. By employing capital swaps the LEP is achieving a good spend rate and expects the use of capital swaps to decrease year on year. However, the mismatch between the budget profile and the (greater) project spend profile in the penultimate year of the Growth Deal (2019-20) has been flagged by the LEP as an issue that will need to be dealt with.
- The LEP has an agreed protocol for dealing with underspends as they emerge, with the first recourse being to bring forward already approved or new projects from within the same federated area. A last resort is to move funding between federated areas, but with a strong project pipeline this has so far not been necessary. It will be helpful for the LEP in time to be able to demonstrate that this protocol is working well and that where areas are in effect retaining their original 'area share' of funding that this is producing the best projects i.e. that stronger projects in other areas are not missing out through the process of programme management.
- The LEP is exerting tighter control over local growth funding by holding it centrally until funding is needed for project spend.
- The LEP reported that in some cases the branding guidelines for LGF projects were not being followed and they were encouraged to continue to tackle this.

#### **Actions**

4. LEP to continue to meet regularly with CLoG and DfT leads and work together to resolve any issues.
5. LEP to continue its consideration of the capture of project outputs and outcomes.

### **Strategy**

#### **Discussion Points**

##### **Strategic vision**

- The LEP is currently revising its Strategic Economic Plan (SEP). Noted it was no longer using the consultant who had been working on it for the past few months. The new SEP should be agreed in the Spring of 2018 and will be much shorter and focused than the previous SEP, articulating the added value of the LEP and not duplicating priorities or actions that are more appropriate to federated area-level plans. It will be built around five 'pillars' and feature about 17 key themes and actions for the LEP to deliver.
- The LEP is keen to track policy developments in industrial strategy to ensure these are reflected in the SEP so far as possible – but aside from the SEP is interested in agreeing in due course a local industrial strategy with government.

##### **AOB**

- The LEP raised the issue of standardised approaches to procedures and is keen to use nationally agreed templates where these are developed. Hannah Rignell confirmed that a range of guidance, proformas and templates was being developed covering issues such as register of interests, Nolan principles, whistleblowing etc and that CLoG would ensure these were made available to the LEP
- The LEP raised the issue of core funding – both the level of funding which is equal for all LEPs regardless of size and the annuality issue which presented contract and staffing challenges. CLoG confirmed these were issues which were well understood and on which it was continuing to make LEP views known to ministers.
- On data reporting the LEP noted this was very labour-intensive – but all LEPs are invited to continue to work with CLoG data colleagues to refine the new system and make it more user –friendly.

#### **Actions**

6. LEP to publish new SEP in Spring 2018 and continue to seek active engagement with

- government in joint policy development on local industrial strategies where possible.
7. CLoG to ensure LEP is sent all new guidance, proformas and templates as they become available – by end March 2018.

**Attendees:**

**LEP**

- Christian Brodie - Chair
- George Kieffer – Vice Chair (Essex & South Essex)
- Graham Peters – Vice Chair (East Sussex)
- Geoff Miles – Vice Chair (Kent)
- Adam Bryan – Managing Director
- Rhiannon Mort – Programme Manager
- Suzanne Bennett – Essex County Council (Accountable Body, for s151 Officer)

**Cities and Local Growth**

- Hannah Rignell (Area Director)
- Jack Stevens (Thames Estuary/SELEP Lead)
- Iain McNab (Area Lead – South East)
- Lee Sambrook (DfT South East and East Area Lead)

Stephen Jones  
Director, Cities and Local Growth Unit  
1<sup>st</sup> Floor  
Fry Building  
2 Marsham Street  
London  
SW1P 4DP

14<sup>th</sup> March 2018

## Performance Review: SELEP

Dear Stephen

We refer to your letter of 20<sup>th</sup> February 2018 which follows on from our Annual Conversation meeting on 7<sup>th</sup> December 2017.

We note that there has been extensive correspondence between the unit and representatives of the South East LEP since your letter, and while our overall sentiments are aligned, we wanted to use this opportunity to address the technical aspects of the letter, as indicated by the letter sent last week by the Vice Chairmen of SELEP.

It is helpful that the 'Deep Dive' has now concluded and that we are able to write with some confidence about SELEP's operation and its governance. We are sure that you will receive a very positive report from the GIAA on SELEP which vindicates our position but, perhaps more importantly, gives you the confidence that this is a LEP which is well organised, well led, and well connected across a significant community of businesses and other stakeholders. And, one that is therefore well equipped to rise to the challenges presented to LEPs in the near future.

We can show progress or delivery across your 'Areas for Improvement':

| Area   | Response   | RAG rating |
|--|--|------------|
| <b>Governance</b>  |  |            |
| Recruitment process for the Federated Boards should be actively enforced by the LEP. This should improve the diversity of the board. Succession planning and limited tenures should also be considered | <p>In terms of formalising a more consistent approach within a SELEP framework, we are seeking board agreement on Friday 16<sup>th</sup>. We would welcome a further conversation with you so we can <u>illustrate the sheer depth of business engagement through the federal model</u>.</p> <p>Additionally, we have recently been fully involved in making two new appointments to the Board (our Social Enterprise representative and a change in South Essex) and both appointments will have a positive impact on the perception of diversity at the board table.</p> |            |



|  |   |  |
|--|---|--|
| <p>Appointment of SELEP Governance Officer</p>   | <p>This, and the recruitment of three other roles in support of the extended responsibilities of the LEP, is <u>underway</u>. The timing of the process is obviously dependent upon time resources at the employing body at a time of restructure elsewhere.</p> <p>In the meantime, work around governance is shared across the existing secretariat team and the Managing Director is taking personal responsibility for its implementation.</p>  |  |
| <p>Promptly updating the LEP's website with meeting papers</p>   | <p><a href="http://www.southeastlep.com">www.southeastlep.com</a> is fully up to date and will remain as such.</p>  |  |
| <p>Attendance of s151 at SELEP meetings</p>  | <p>Whilst the S151 Officer of the Accountable Body does not typically attend SELEP Board meetings, this is not different from other S151 Officers supporting LEPs around the country. The Essex County Council S151 Officer has a <u>very strong oversight of all relevant matters relating to the running of the LEP</u>, the Accountability Board and the Strategic Board – and this was reflected in feedback from the Deep Dive audit team following their conversation with her last week. She also has very regular meetings with the Managing Director and the finance team, and all have access to her at other times should that be necessary.</p> |  |
| <p>Actions from s151 statement:</p> <ol style="list-style-type: none"> <li>1. Transparency of representation from federated boards</li> <li>2. Succession planning for Strategic Board membership</li> <li>3. Process for declaring interests</li> <li>4. Enforcing compliance with the Assurance Framework</li> </ol> | <ol style="list-style-type: none"> <li>1. As above – fully addressed and in hand March 2018</li> <li>2. As above – fully addressed and in hand March 2018</li> <li>3. All clarified in 2018 Assurance Framework. Register of Interests is now fully up to date.</li> <li>4. All federated areas are currently engaged with the Assurance Framework Implementation Plan. Furthermore they are asked to confirm that they are committed to its delivery at the 16<sup>th</sup> March board meeting.</li> </ol>  |  |

## Delivery

Developing a stronger pipeline of quality projects to draw upon underspends and slippage. Inaugurate 'Investment Panel'.

Detailed work is currently underway to establish a mechanism for handling underspends across the LEP and this will report to a future meeting of the Strategic Board. In addition to this, it has previously been established that the 'Infrastructure and Investment Plan' which will be produced when the Strategic Economic Plan is in place, will provide a full schedule of SELEP projects ready to access funding.

The Investment Panel was agreed as a sub-committee of the Strategic Board at its 9<sup>th</sup> June 2017 meeting. The Board is recommended to reaffirm its support for the Investment Panel as referenced in the Assurance Framework on 16<sup>th</sup> March and the Terms of Reference will be agreed by electronic procedure shortly afterwards.

Better demonstrate the private sector role in developing and prioritising projects

This is absolutely central to the federal model and happens extensively across the LEP and its federal model in a very deliberate and formulaic way. We provided ample evidence of this at the Deep Dive.

Better capturing and communicating project outputs

This is undertaken methodically by the SELEP Capital Programme Manager, now supported by LGF Programme Managers in each local area. We have previously advised the department on how LOGASnet and similar systems could be adapted to better reflect the information that it is possible to collect; we have also appealed to Government to provide more of an alignment between the requirements of different departments, particularly for large infrastructure schemes. We are engaged in this conversation at a national level with the LEP Network.

## Strategy

Ensuring the refreshed SEP is underpinned by a robust evidence base

The stage I evidence base and consultation report was published November 2017.

Gaining strong buy-in to the refreshed SEP from across the LEP ensuring coherence between federated area priorities and SELEP priorities

Exactly our approach, as reported in September and December 2017 Strategic Board meetings and published papers.

Ensure that local partners actively promote the LEP's

This typically happens and we are monitoring use of branding guidelines with a view to achieving 100%

priorities, including using branding guidelines where necessary

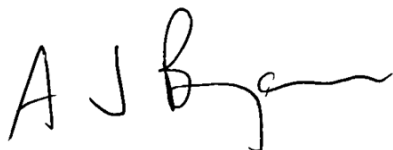
deployment. We have provided photographic evidence of the use of Government's and the SELEP logo by local partners in our Core Funding Application to Government, submitted on 14<sup>th</sup> March.

The substantive 16<sup>th</sup> March Strategic Board paper is also sent for your information. This paper provides the SELEP board with a comprehensive record of our current position and the steps which we would like them to take next. It will give you further context around the impact of the letter.

Your team members have been perfectly clear that, despite the apparent flaws in a process which provided a disproportionately negative impact, it is unlikely that the letter will be rescinded. We must therefore reiterate our collective point at the Deep Dive wrap up session - one which has been emphasised by the Chairman and will be made abundantly clear by others on Friday - that we expect an urgent and formal note from Government which goes some way to acknowledging that SELEP and its governance arrangements are anything but 'inadequate'.

We look forward to, and very much welcome, closer ongoing engagement with you and the Cities and Local Growth Unit in the future.

Yours sincerely



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



Margaret Lee  
**Executive Director for Corporate and Customer Services**  
**Essex County Council**  
**s.151 for South East Local Enterprise Partnership**

Also attached:  
*SELEP Strategic Board paper 16<sup>th</sup> March 2018*  
*Governance and Transparency*



Department for  
Business, Energy  
& Industrial Strategy



Ministry of Housing,  
Communities &  
Local Government

**Cities and Local Growth Unit**  
**1st Floor, Fry Building, 2 Marsham Street,**  
**London,**  
**SW1P 4DP**

15 March 2018

Adam Bryan  
Managing Director, South East LEP  
By email

Dear Adam,

I am writing to you following the deep dive of the South East Local Enterprise Partnership which took place on 7 and 8 March.

As discussed with you and your team, the findings and recommendations of the deep dive will be the subject of a report from the Government Internal Audit Agency, Ministry of Housing, Communities and Local Government and Department for Business, Energy and Industrial Strategy. We anticipate that the report will be sent to you for review and comment within the next fortnight.

However, given the Strategic Board meeting taking place on 16 March I felt it would be helpful to write to you to give an early indication of the key findings and areas for improvement that the deep dive team identified.

We are extremely grateful for the time that your officers, board members and others associated with SELEP gave to take part in the deep dive. The team were helpful, open and honest and were positive in their approach to the process.

The deep dive was a follow up to the Annual Conversation. It looked at the LEP's local assurance framework assessing compliance with the National Assurance Framework, Mary Ney recommendations and the Local Enterprise Partnership governance and transparency best practice guidance. Interviews with a variety of Board Members and staff as well as project sampling were conducted to assess implementation of the Local Assurance Framework.

The result of the deep dive is that we no longer consider SELEP's governance to be inadequate. This reflects the additional evidence you have provided as part of the deep dive process and confirms that we are satisfied you have taken many of the necessary steps to improve your governance since the Annual Conversation.

However, there are still areas that **require improvement**. Where the deep dive has highlighted additional areas for improvement, we recommend these are added to SELEP's Local Assurance Framework Implementation Plan.

The improvement areas identified through the deep dive are summarised below and more detail will be included in the upcoming report. Please note that implementing the first of those improvements – on open project calls - is a requirement of compliance with the National Assurance Framework and will be an essential action in 2018-19 in order to sustain the improved governance you have shown.

**Key areas for improvement include:**

- Ensuring open funding calls in all federated areas. It was noted through the deep dive that federated areas use existing networks to disseminate information and promote funding opportunities. Alongside this approach, efforts should be made to advertise funding including on local authority websites, social media and through press notices. **Once you have been able to provide us with assurance that action to address this is being taken forward, we would consider SELEP to be fully compliant with the National Assurance Framework.**
- Recruitment to Federated Boards and decisions on representation at Strategic Board level should operate to an open and transparent process. As outlined in the Annual Conversation letter, there should be a much stronger requirement than currently is in place for the Federated Boards to follow such a process, and this should be actively enforced by SELEP. We note that approval is being sought from the SELEP board on 16 March on a new approach to Federated Board recruitment.
- SELEP should take steps to satisfy themselves that any underspend at a federated level is reallocated to the most promising and best value for money projects. As outlined in the Annual Conversation letter, the 'Investment Panel' should prioritise pipeline projects to ensure that underspends are redistributed in the most effective way possible. We note that work is underway to formalise a new approach to redistributing underspend across the LEP. We await further details on this.
- We recommend that SELEP designs a formal process of induction for new board members.
- Declarations of interest of board members should be reviewed every six months, as per the Mary Ney Review recommendations
- We note positively the steps that are being taken to recruit a Governance Officer and set up a new Investment Committee. These developments should be implemented as quickly as possible.

**The deep dive also identified instances of good practice. These include:**

- SELEP holds all formal meetings in public, unless confidential matters are under discussion. There is also an opportunity for public questions
- SELEP engages with a broad range of stakeholders outside of its formal decision making processes. This includes working groups on matters such as Coastal Communities, rural issues and tourism.
- SELEP effectively coordinates risk registers across its local authority areas. The team ensures a good flow of information between its Strategic and Accountability Boards including highlighting key risks and RAG ratings on projects.
- The deep dive team were satisfied that the Section 151 Officer has clear line of sight on LEP decisions and is able to provide financial advice where appropriate.
- The SELEP secretariat team works hard to ensure all four federated areas are engaged in the work of the LEP. The team appeared well regarded and respected by the regional and business representatives the deep dive team interviewed.

I hope this letter is helpful in outlining both the instances of good practice and key areas for improvement that were identified through the deep dive.

The central compliance team are currently undertaking a series of spot checks on LEP websites to provide assurance that the requirements of the National Assurance Framework and the LEP best practice guidance have been implemented. Subject to the satisfactory completion of these checks, I can confirm we see no reason for withholding any upcoming payments.

The compliance team will be in contact with the full report shortly and we remain committed to working with you over the coming months to ensure that SELEP has the highest standards in place.

Thank you again for taking part constructively in the process.

Yours sincerely,



**Hannah Rignell**

**Deputy Director, Cities and Local Growth Unit**

## Appendix 6 – Governance and Transparency Performance Measures

| Indicator  | Target  | Actual - Previous Meeting | Actual - Latest Meeting | Met (Y/N)? | Comments |
|--|---------|---------------------------|-------------------------|------------|----------|
| <b>Is the Forward Plan of Decisions, including any associated business cases, published at least 28 days in advance of the meeting?</b>                        | 28 days |                           |                         |            |          |
| Accountability Board - this is needed to ensure appropriate publication of funding decisions   |         |                           |                         |            |          |
| Strategic Board  |         |                           |                         |            |          |
| Federated Boards   |         |                           |                         |            |          |
| <b>Are all papers published on the SELEP website 5 clear working days in advance of the meeting</b>  | 5 days  |                           |                         |            |          |
| Accountability Board   |         |                           |                         |            |          |
| Strategic Board  |         |                           |                         |            |          |
| Federated Boards   |         |                           |                         |            |          |
| <b>Are all draft minutes published within 10 clear working days following the meeting?</b>   | 10 days |                           |                         |            |          |
| Accountability Board   |         |                           |                         |            |          |
| Strategic Board  |         |                           |                         |            |          |
| Federated Boards   |         |                           |                         |            |          |
| <b>Are final minutes published within 10 clear working days following approval?</b>  | 10 days |                           |                         |            |          |
| Accountability Board   |         |                           |                         |            |          |
| Strategic Board  |         |                           |                         |            |          |
| Federated Boards   |         |                           |                         |            |          |
| <b>Are declarations of interest in place for all board members?</b>  | 100%    |                           |                         |            |          |
| Accountability Board   |         |                           |                         |            |          |
| Strategic Board  |         |                           |                         |            |          |
| Federated Boards   |         |                           |                         |            |          |
| <b>Are declarations of interest in place for relevant staff?</b>   | 100%    |                           |                         |            |          |
| <b>Are all interests declared and recorded in the meeting minutes with a note of any actions taken?</b>  | 100%    |                           |                         |            |          |
| <b>Have all new and amended Projects / Business Cases been endorsed by the respective Federated Board in advance of submission to any of the SELEP Boards?</b> | 100%    |                           |                         |            |          |
| <b>Publication of Business Cases 1 month in advance of funding decision</b>  | 100%    |                           |                         |            |          |

The reporting on these measures will be included from the next Assurance Framework update to the Board.

|  |  |
|--|--|
| <b>Report to Accountability Board</b>        | <b>Forward Plan reference numbers:</b><br>FP/AB/151                            |
| <b>Date of Accountability Board Meeting:</b> | <b>27<sup>th</sup> April 2018</b>  |
| <b>Date of report:</b>                       | <b>19<sup>th</sup> April 2018</b>  |
| <b>Title of report:</b>                      | <b>Provisional Revenue Outturn 2017/18</b>                                     |
| <b>Report by:</b>                            | <b>Suzanne Bennett</b>   |
| <b>Enquiries to:</b>                         | <a href="mailto:suzanne.bennett@essex.gov.uk">suzanne.bennett@essex.gov.uk</a> |

## 1. Purpose of report

- 1.1 The purpose of this report is to inform the Accountability Board (the Board) of the provisional outturn position of the South East LEP revenue spending for financial year ended 31<sup>st</sup> March 2018. This position is provisional as the accounts will be subjected to external audit scrutiny and may be changed. The spending in year was less than the income received and as a result a recommendation for approval of a contribution to the General Reserve is made.

## 2. Recommendations

- 2.1 The Board is asked to:
- 2.1.1 **Approve** the final provisional outturn for the South East LEP revenue budgets for 2017/18 at Tables 1, 2, 3, 4, 5, 6, 7, 8 and 9;
  - 2.1.2 **Approve** the contribution of **£127,125** to General Reserves; and
  - 2.1.3 **Approve** the establishment of an earmarked reserve for Growth Hubs, the contribution to reserves will be presented to the Board as part of the First Quarter 2018/19 report.

## 3. Background

- 3.1 Table 1 overleaf details the total revenue spend by the SELEP in financial year 2017/18. In addition to the Secretariat budget, this table includes all specific revenue grants such as Growing Places Fund (GPF), Transport: Delivery Excellence, the grant from the Careers Enterprise Company to support the Enterprise Advisors and the pan LEP Energy Strategy grant.
- 3.2 At the end of the financial year, income exceeded expenditure resulting in a surplus of **£127,000**. The budgeted position was a deficit of £253,000, to be funded from reserves, which means there is a variance of £380,000 against that original budgeted position.
- 3.3 The £380,000 is made up of an expenditure under spend of £670,000, partly off-set by income under-recovery of £290,000. The bulk of this net under spend is explained by reduced spend on GPF Revenue Grant items and the consequent reduction in draw down of specific grant to fund that spend. Further details can be found below at paragraph 3.18.



- 3.4 The Board is requested to approve the transfer of the surplus of £127,000 to the SELEP General Reserve. Further details on the reserve can be found at paragraph 3.37.

**Table 1 – SELEP Consolidated revenue position**

|                                     | Provisional<br>Outturn -<br>£000 | Current<br>Budget -<br>£000 | Variance -<br>£000's | Variance - %   |
|-------------------------------------|----------------------------------|-----------------------------|----------------------|----------------|
| Staff salaries and associated costs | 560                              | 552                         | 8                    | 1.4%           |
| Staff - non salaries                | 29                               | 32                          | (3)                  | -9.4%          |
| Recharges (incld Accountable Body)  | 125                              | 74                          | 51                   | 68.9%          |
| <b>Total staffing</b>               | <b>714</b>                       | <b>658</b>                  | <b>56</b>            | <b>8.5%</b>    |
| Meetings and administration         | 56                               | 45                          | 11                   | 24.4%          |
| Communications                      | 51                               | 40                          | 11                   | 27.5%          |
| Chairman's Allowance                | 20                               | 20                          | -                    | 0.0%           |
| Consultancy and Sector support      | 485                              | 1,158                       | (673)                | -58.1%         |
| Grants to third parties             | 796                              | 871                         | (75)                 | -8.6%          |
| <b>Total other expenditure</b>      | <b>1,408</b>                     | <b>2,134</b>                | <b>(726)</b>         | <b>-34.0%</b>  |
| <b>Total expenditure</b>            | <b>2,122</b>                     | <b>2,792</b>                | <b>(670)</b>         | <b>-24.0%</b>  |
| Grant income                        | (1,518)                          | (2,184)                     | 666                  | -30.5%         |
| Other OLA contributions             | (210)                            | (200)                       | (10)                 | 5.0%           |
| External interest earned            | (521)                            | (155)                       | (366)                | 236.1%         |
| <b>Total income</b>                 | <b>(2,249)</b>                   | <b>(2,539)</b>              | <b>290</b>           | <b>-11.4%</b>  |
| <b>Net expenditure/(income)</b>     | <b>(127)</b>                     | <b>253</b>                  | <b>(380)</b>         | <b>-150.2%</b> |
| Contributions to/(from) reserves    | 127                              | (253)                       | 380                  | -150.2%        |
| <b>Net over/(under)spend</b>        | <b>-</b>                         | <b>-</b>                    | <b>-</b>             | <b>0%</b>      |

- 3.5 The £380,000 under spend is a movement of **£82,000** from the forecast under spend of £464,000 reported to the March 2018 Board meeting. The details of this movement can be seen in Table 2 below.

**Table 2 – Movement from March 2018 reported position**

|   | Value - £000 |
|---|--------------|
| Accountable Body costs not charged to GPF Grant | 48           |
| Growth Hubs spend increase                      | 13           |
| Various small overspends                        | 12           |
| SFA monies - now in 2018/19                     | 5            |
| Reduction in external interest                  | 4            |
| <b>Total</b>                                    | <b>82</b>    |

- 3.6 It was assumed at the time of the last update, that £48,000 of Accountable Body costs would be recharged to the GPF grant. Given the large over recovery of external interest, it is considered prudent to fund these costs from that over recovery so as to maximise GPF funds available for the Sector Support Funding pot in future years.

- 3.7 Following the announcement by the Department for Business, Energy and Industrial Strategy (BEIS) that the Government intends to continue funding Growth Hubs, some small additional amounts of work have been funded, increasing the non specific grant supported spend on Growth Hubs to £13,000 in the year

- 3.8 There was a small amount of funding expected to be received from the Skills Funding Agency to support skills training, this funding will now be received in 2018/19, and there was also a slight reduction in external interest earned as additional efforts were made to maximise programme delivery via LGF spend at the end of the year.
- 3.9 The Secretariat budget was **£392,000** under spent at year end as can be seen at Table 3.

**Table 3 – SELEP Secretariat Budget**

|   | <b>Provisional<br/>Outturn -<br/>£000</b> | <b>Current<br/>Budget -<br/>£000</b> | <b>Variance -<br/>£000's</b> | <b>Variance - %</b> |
|---|---|--------------------------------------|------------------------------|---------------------|
| Staff salaries and associated costs     | 560                                       | 552                                  | 8                            | 1.4%                |
| Staff - non salaries                    | 29  | 32                                   | (3)                          | -9.4%               |
| Recharges (incl'd Accountable Body)     | 125                                       | 74                                   | 51                           | 68.9%               |
| <b>Total staffing</b>                   | <b>714</b>                                | <b>658</b>                           | <b>56</b>                    | <b>8.5%</b>         |
| Meetings and administration             | 56  | 45                                   | 11                           | 24.4%               |
| Communications                          | 51  | 40                                   | 11                           | 27.5%               |
| Chairman's Allowance                    | 20  | 20                                   | -                            | 0.0%                |
| Consultancy and Sector support          | 186                                       | 310                                  | (124)                        | -40.0%              |
| Grants to third parties                 | 65  | 35                                   | 30                           | 85.7%               |
| <b>Total other expenditure</b>          | <b>378</b>                                | <b>450</b>                           | <b>(72)</b>                  | <b>-16%</b>         |
| <b>Total expenditure</b>                | <b>1,092</b>                              | <b>1,108</b>                         | <b>(16)</b>                  | <b>-1.44%</b>       |
| Grant income                            | (500)                                     | (500)                                | -                            | 0.0%                |
| Other OLA contributions                 | (210)                                     | (200)                                | (10)                         | 5.0%                |
| External interest earned                | (521)                                     | (155)                                | (366)                        | 0.0%                |
| <b>Total income</b>                     | <b>(1,231)</b>                            | <b>(855)</b>                         | <b>(376)</b>                 | <b>44.0%</b>        |
| <b>Net expenditure/(income)</b>         | <b>(139)</b>                              | <b>253</b>                           | <b>(392)</b>                 | <b>-154.9%</b>      |
| <b>Contributions to/(from) reserves</b> | <b>127</b>                                | <b>(253)</b>                         | <b>380</b>                   | <b>-</b>            |
| <b>Final net position</b>               | <b>(12)</b>                               | <b>-</b>                             | <b>(12)</b>                  | <b>-</b>            |

- 3.10 As expected, external interest earned was much higher than originally budgeted. This is due to LGF funding requirements falling later than profiled, GPF credit agreements not yet being finalised for the latest round of investments and additionally an increase in interest rates payable. The **£12,000** surplus offsets against the £4,000 GPF Specific Grant overspend (Table 4) and the £8,000 Growth Hubs Specific Grant over spend (Table 6).
- 3.11 Given the large increase in external interest, the full cost of the Accountable Body support was charged to the Secretariat budget rather than £50,000 being charge to the GPF grant. This ensures that the GPF revenue grant is maximised for future years. The totality of Accountable Body costs are as agreed at the beginning of the year.
- 3.12 The large under spend on Consultancy and Sector Support is mostly due to a lack of spend on Growth Hubs (£93,000). A ring-fenced budget of £98,000 was created to support the Growth Hub programme throughout the year. These funds are in addition to the Growth Hub specific grant distributed by BEIS that is used to support the day-to-day running costs of the three sub-hubs across the area.

- 3.13 There has been much uncertainty about the future of the Growth Hubs throughout the year. The specific grant was due to finish at 31<sup>st</sup> March 2018 and the Government was unable to provide confirmation of replacement funding until January 2018. As a result there has been no desire to make additional investment in a service that potentially could cease.
- 3.14 BEIS has now confirmed that two years of funding, at the same level as 2017/18, will be provided to all LEPs to support the Growth Hub programme. We are advised that the Department has provisional agreement with the Treasury for two further years of funding although values for individual LEPs have not yet been confirmed for that period.
- 3.15 The Growth Hubs Steering Group is currently developing a business plan for the first 24 months of funding and this will be presented to June's Strategic Board meeting.
- 3.16 In order to provide full transparency of the additional Growth Hub spend and ensure that the funding is not subsumed within the general budget, it is recommended that an earmarked reserve is established. Withdrawals from the reserve will require the Board's approval and this will ensure that withdrawals and the items to be funded are in line with the business plan to be approved by Strategic Board.
- 3.17 Should the Board agree to set up the Growth Hub earmarked reserve; a request to make a contribution from the General Reserve will be made as part of the First Quarter Report 2018/19. After allowing for the £8,000 over spend against the Growth Hub specific grant (see paragraph 3.25), there will be **£85,000** available to transfer to the new reserve.
- 3.18 The Growing Places Fund specific grant budget was over spent by **£4,000** in 2017/18 as can be seen in Table 4.

**Table 4 – Growing Places Fund (GPF) Revenue Specific Grant**

|                             | Provisional<br>Outturn -<br>£000 | Current<br>Budget -<br>£000 | Variance -<br>£000's | Variance - %  |
|-----------------------------|----------------------------------|-----------------------------|----------------------|---------------|
| Consultancy and admin costs | 165                              | 739                         | (574)                | 0.0%          |
| <b>Total Expenditure</b>    | <b>165</b>                       | <b>739</b>                  | <b>(574)</b>         | <b>-77.7%</b> |
| Grant draw down             | (161)                            | (739)                       | 578                  | 0.0%          |
| <b>Total income</b>         | <b>(161)</b>                     | <b>(739)</b>                | <b>578</b>           | <b>-78.2%</b> |
| <b>Net position</b>         | <b>4</b>                         | <b>-</b>                    | <b>4</b>             | <b>0.0%</b>   |

- 3.19 The large variance on expenditure and offsetting variance on income is mainly due to the delay in agreements for the Sector Support Funding (SSF). The budget for SSF spend and consequent drawdown of grant was £500,000. Due to changes needed to ensure that the process was in line with all requirements of the Assurance Framework, no investments were made in this financial year. Funding for projects with agreement in principle for 2017/18 will be brought forward into 2018/19, in addition to the £500,000 budgeted for that financial year.
- 3.20 In 2017/18 there was £239,000 of grant funding remaining from the £1m original allocation for Harlow Enterprise Zone. Harlow Council has yet to submit the Quarter 4 2017/18 grant claim, and £78,000 of funding remains. Should the quarter 4 claim not utilise the full £78,000, options will be brought to Accountability Board at their next meeting.
- 3.21 As detailed above, it was decided to fund the Accountable Body costs from external interest receipts rather than the GPF grant. In addition to the staff costs within the Secretariat budget, there

was a £4,000 charge from the Essex County Council legal team for the work undertaken to support GPF agreements. This net position is offset against the surplus on the Secretariat budget.

3.22 Enterprise Zone Commercial Funding specific grant spent in line with budget as seen in Table 5.

**Table 5 – Enterprise Zone Commercial Funding Specific Grant**

|                             | Provisional<br>Outturn -<br>£000 | Current<br>Budget -<br>£000 | Variance -<br>£000's | Variance - % |
|-----------------------------|----------------------------------|-----------------------------|----------------------|--------------|
| Consultancy and admin costs | 27                               | 27                          | -                    | 0.0%         |
| <b>Total Expenditure</b>    | <b>27</b>                        | <b>27</b>                   | <b>-</b>             | <b>0.0%</b>  |
| Grant draw down             | (27)                             | (27)                        | -                    | 0.0%         |
| <b>Total income</b>         | <b>(27)</b>                      | <b>(27)</b>                 | <b>-</b>             | <b>0.0%</b>  |
| <b>Net position</b>         | <b>-</b>                         | <b>-</b>                    | <b>-</b>             | <b>0.0%</b>  |

3.23 The Ministry of Housing, Communities and Local Government (MHCLG) made available funding in 2017/18 to support the latest round of Enterprise Zones on an application basis. An application was made by the North Kent Enterprise Zone (NKEZ) and they were successful in securing the full £27,000 applied for. These monies have been disbursed to Medway Council and Maidstone Borough Council and work is underway. A further application was made for the second round of funding and again NKEZ was successful in securing funding for their application, this time of £23,000. These funds were transferred from MHCLG at the very end of the financial year and will be carried forward and distributed in 2018/19.

3.24 The Growth Hub specific grant was over spent by **£8,000** as can be seen in Table 6.

**Table 6 – Growth Hub Specific Grant**

|                             | Provisional<br>Outturn -<br>£000 | Current<br>Budget -<br>£000 | Variance -<br>£000's | Variance - % |
|-----------------------------|----------------------------------|-----------------------------|----------------------|--------------|
| Consultancy and admin costs | 64                               | 56                          | 8                    | 14.3%        |
| Grants to third parties     | 600                              | 600                         | -                    | 0.0%         |
| <b>Total Expenditure</b>    | <b>664</b>                       | <b>656</b>                  | <b>8</b>             | <b>1.2%</b>  |
| Grant draw down             | (656)                            | (656)                       | -                    | 0.0%         |
| <b>Total income</b>         | <b>(656)</b>                     | <b>(656)</b>                | <b>-</b>             | <b>0.0%</b>  |
| <b>Net position</b>         | <b>8</b>                         | <b>-</b>                    | <b>8</b>             | <b>0.0%</b>  |

3.25 When it became clear that Government would continue to support the Growth Hub programme, some additional work was commissioned to improve the website. This work will enable a good platform to build upon as the service will need to adapt to Government's requirements of the network over the next two years. This over spend is offset against the Growth Hub non-specific grant as detailed in paragraph 3.17.

3.26 The Transport: Delivering Excellence specific grant underspent by **£11,000** as can be seen in Table 7.

**Table 7 – Transport: Delivering Excellence Specific Grant**

|                             | Provisional<br>Outturn -<br>£000 | Current<br>Budget -<br>£000 | Variance -<br>£000's | Variance - %  |
|-----------------------------|----------------------------------|-----------------------------|----------------------|---------------|
| Consultancy and admin costs | 15                               | 26                          | (11)                 | -42.3%        |
| <b>Total Expenditure</b>    | <b>15</b>                        | <b>26</b>                   | <b>(11)</b>          | <b>-42.3%</b> |
|                             |                                  |                             |                      |               |
| Grant draw down             | (15)                             | (26)                        | 11                   | -42.3%        |
| <b>Total income</b>         | <b>(15)</b>                      | <b>(26)</b>                 | <b>11</b>            | <b>-42.3%</b> |
|                             |                                  |                             |                      |               |
| <b>Net position</b>         | <b>-</b>                         | <b>-</b>                    | <b>-</b>             | <b>0.0%</b>   |

- 3.27 The grant was awarded by the Department for Transport (DfT) to support the building of project delivery in LEPs and partner organisations. The LEP was obliged to contract with Local Partners for support in this area, but the contract agreed did not require the full grant. The grant conditions only specified that the spend must support the enhancement of the project management for LGF so this funding can be carried forward and applied in 2018/19.
- 3.28 The Careers Enterprise Company specific grant to fund the Enterprise Co-ordinators was under spent by **£105,000** as can be seen in Table 8.

**Table 8 – Enterprise Co-ordinator Specific Grant**

|                          | Provisional<br>Outturn -<br>£000 | Current<br>Budget -<br>£000 | Variance -<br>£000's | Variance - %  |
|--------------------------|----------------------------------|-----------------------------|----------------------|---------------|
| Grants to third parties  | 131                              | 236                         | (105)                | -44.5%        |
| <b>Total Expenditure</b> | <b>131</b>                       | <b>236</b>                  | <b>(105)</b>         | <b>-44.5%</b> |
|                          |                                  |                             |                      |               |
| Grant draw down          | (131)                            | (236)                       | 105                  | -44.5%        |
| <b>Total income</b>      | <b>(131)</b>                     | <b>(236)</b>                | <b>105</b>           | <b>-44.5%</b> |
|                          |                                  |                             |                      |               |
| <b>Net position</b>      | <b>-</b>                         | <b>-</b>                    | <b>-</b>             | <b>0.0%</b>   |

- 3.29 This grant funds 50% of the costs of a number of Enterprise Co-ordinators across the greater Essex region. The Enterprise Co-ordinators deliver the Enterprise Advisor Network working with schools to provide careers advice to pupils in the area. There are also Enterprise Co-ordinators in Kent and Medway and East Sussex but the funding goes directly to the Local Authorities in those areas.
- 3.30 The original budget was based on assumptions on the level of Co-ordinators in role and that funding would be available for the academic year starting September 2017. Further funding has been made available for that year but agreements with the relevant local authorities were not in place and this funding will now transfer in 2018/19.
- 3.31 The Energy Strategy Grant from BEIS, was awarded shortly after Christmas and was not originally budgeted for. The spend and consequent drawdown in 2017/18 can be seen in Table 9.

**Table 9 – Energy Strategy Grant**

|                                | <b>Provisional<br/>Outturn -<br/>£000</b> | <b>Current<br/>Budget -<br/>£000</b> | <b>Variance -<br/>£000's</b> | <b>Variance - %</b> |
|--------------------------------|---|--------------------------------------|------------------------------|---------------------|
| Consultancy and Sector support | 28  | 0                                    | 28                           | 0.0%                |
| <b>Total Expenditure</b>       | <b>28</b>                                 | <b>0</b>                             | <b>28</b>                    | <b>0.0%</b>         |
|                                |   |                                      |                              |                     |
| Grant draw down                | (28)                                      | -                                    | (28)                         | 0.0%                |
| <b>Total income</b>            | <b>(28)</b>                               | <b>-</b>                             | <b>(28)</b>                  | <b>0.0%</b>         |
|                                |   |                                      |                              |                     |
| <b>Net position</b>            | <b>-</b>                                  | <b>-</b>                             | <b>-</b>                     | <b>0.0%</b>         |

- 3.32 BEIS made available £40,000 per LEP to fund the production of an Energy Strategy. The South East LEP made a joint submission with the Coast to Capital LEP and Enterprise M3 LEP and was successful. It was agreed that SELEP would lead the project and therefore, Essex County Council would receive the £120,000 funding as Accountable Body.
- 3.33 The full £120,000 has been received but there has only been minimal spend in 2017/18. The contract for the consultancy work has now been appointed and the project manager is in place with the remaining £98,000 due to be spent in 2018/19.
- 3.34 Table 10 summarises the use of grants applied in 2017/18 and reconciles to the Grant Income line included in Table 1.

**Table 10 – SELEP Grants**

|   | <b>Provisional<br/>Outturn -<br/>£000</b> | <b>Current<br/>Budget -<br/>£000</b> | <b>Variance -<br/>£000's</b> | <b>Variance - %</b> |
|---|---|--------------------------------------|------------------------------|---------------------|
| General Grants (Secretariat Budget) (Table 3) | (500)                                     | (500)                                | -                            | 0.0%                |
| Specific Grants                               |   |                                      |                              |                     |
| GPF Revenue (Table 4)                         | (161)                                     | (739)                                | 578                          | -78.2%              |
| EZ Commercial Funding (Table 5)               | (27)                                      | (27)                                 | -                            | 0.0%                |
| Growth Hubs (Table 6)                         | (656)                                     | (656)                                | -                            | 0.0%                |
| TDE (Table 7)                                 | (15)                                      | (26)                                 | 11                           | -42.3%              |
| Enterprise Co-ordinator Funding (Table 8)     | (131)                                     | (236)                                | 105                          | -44.5%              |
| Energy Strategy Grant (Table 9)               | (28)                                      | -                                    | (28)                         | 0.0%                |
| <b>Total Grant Income</b>                     | <b>(1,518)</b>                            | <b>(2,184)</b>                       | <b>666</b>                   | <b>-30.5%</b>       |

- 3.35 Table 11 below shows that the General Reserve will total **£511,000** if the Board approves the further contribution of £127,000, as recommended in this report.

**Table 11 – SELEP General Reserve**

|                                | <b>£000</b> |
|--------------------------------|-------------|
| Opening balance 1st April 2017 | 384         |
| Surplus 2017/18                | 127         |
| Closing balance 31 March 2018  | <b>511</b>  |
| <b>Planned Utilisation</b>     |             |
| Minimal balance agreed         | 100         |
| Planned withdrawal 18/19       | 300         |
| Growth Hub reserve             | 85          |
| <b>Total</b>                   | <b>485</b>  |
| <b>Balance remaining</b>       | <b>26</b>   |

- 3.36 As previously agreed with Board, the general reserve should always have a minimum funding level of £100,000. This is to ensure that any costs of closure, should the LEP cease to function, will be covered.
- 3.37 The Board agreed the 2018/19 budget at their meeting of 15<sup>th</sup> December 2017. That budget includes a withdrawal of £300,000. Should the Board agree to the establishment of a reserve for the Growth Hub, a further request to contribute £85,000 to that reserve will be made at Quarter 1 2018/19. Following these withdrawals, the reserve will have a usable balance of £26,000.

#### **4. Financial Implications**

- 4.1 The report is authored by the Accountable Body and the recommendations made are considered appropriate.

#### **5. Legal Implications**

- 5.1 None at present.

#### **6. Staffing and other resource implications**

- 6.1 None at present.

#### **7. Equality and Diversity implications**

- 7.1 None at present.

#### **8. List of Appendices**

- 8.1 None.

#### **9. List of Background Papers**

| <b>Role</b>  | <b>Date</b> |
|--|-------------|
| <b>Accountable Body sign off</b><br><br>Stephanie Mitchener<br>On behalf of Margaret Lee | 19/04/18    |

