SELEP BOARD MEETING
Friday 20th March 2015
Agenda Item: 7

South East
Local Enterprise Partnership

SELEP Support for South East Centre for Offshore Renewable Engineering (SE CORE)

Purpose:

1. The purpose of this paper is to seek the SE LEP Board's agreement to make provision in its future budget to support the ongoing development and enhancement of the South East CORE.

Recommendations:

2. The Board is asked:

   2.1 To **NOTE** its previous commitment to support the SE CORE;

   2.2 To **ENDORSE** the recommendation of the SE CORE Working Group that budgetary provision be made in 2015/16 to support the ongoing development of the CORE, and work on offshore renewables, low carbon and energy more generally; and

   2.3 To **DECIDE** a budgetary 'envelope' for supporting the South East CORE, based on one of three options detailed in Annex A to this paper, and to **DELEGATE** the detailed work programme within the agreed budgetary envelope to the South East CORE Working Group.

Supporting Detail:

Background:

3. The SE LEP Board Meeting on 30 May 2014 approved the Headline Objectives and Budget 2014/15 (item 6). Objective 3, set out in Annexe A to the budget paper, was "To accelerate opportunities for investment and growth in the SE LEP area" and made provision of £125k for a range of activities including the CORE. At the same meeting the Board endorsed (item 8) the reconfiguration of the Kent CORE to include Harwich and Brightlingsea, becoming the South East CORE. Amongst other recommendations, the Board was asked to

   Agree the LEP makes available suitable funding to support the early rebranding and preparation of new marketing material for the expanded CORE; and

   Consider how the LEP can best support the future resourcing of the expanded CORE to continue its growth and to maintain a competitive sector offer. In particular the need to support activities focused on attracting inward investment, supply chain development, skills and training, business support, management and communication.

4. The SE CORE Working Group was established under the chairmanship of Cllr Mark Dance (KCC). The Group has met twice to date to consider a number of issues including what support would be appropriate from the SE LEP to help develop this sector.

5. The SELEP Board will wish to consider how it supports the South East CORE, both in the broader context of support for particular sectors with potential for growth, and spatial priorities such as the Thames Gateway and Coastal Communities. The scope and breadth of any future EU funding proposal will also need to be agreed. These matters will attention over the next few

months, but there are funding priorities that need immediate commitment by SELEP in order that the South East CORE can 'stay in the game'.

Why support the CORE?

6. The original designation of the Kent CORE, and the rationale for its reconfiguration to include Harwich and Brightlingsea, reflected its combination of proximity to major offshore renewable developments with deep water ports, large amounts of available land for development, access to a skilled workforce and an experienced local supply chain. The SE CORE ports have an established track record of installation, operations and maintenance of offshore wind developments in the Thames Estuary and southern North Sea.

7. As well as offshore wind, the South East has potential for other offshore renewables including wave and tidal: the technology is less mature but commercial-scale developments are taking shape elsewhere in the country. These sit within a broader shared objective for the South East to increase the market for low carbon technologies and energy solutions in particular.

8. Without diluting attention to low carbon and offshore renewables, the SE CORE Working Group has concluded that it should consider all facets of the energy sector (including onshore and offshore renewables, nuclear, oil and gas). There are strong links between the requirements of offshore wind farms and decommissioning of other offshore installations (eg oil and gas) that provide further supply chain and employment opportunities, and other overlapping interests around skills and training. This 'all energy' perspective also reflects more closely the identification of Environmental Technologies and Energy as a priority sector in the LEP's Strategic Economic Plan.

9. The Board will wish to note the scale business opportunities the energy sector offers in terms of prospects for future expansion and growth, despite the lack of investment certainty beyond 2020. The market for capital investment in UK energy to 2030 is estimated at £409billion, including £114billion for offshore wind, £113billion for nuclear, £65billion for upstream oil and gas and £32billion for decommissioning of upstream oil and gas[1]. Capital investment of £645billion is forecast over the same period in North West Europe, including £235billion for offshore wind (by far the biggest slice of the cake). These investments provide significant opportunities for South East companies to supply into developments across the UK and in overseas markets.

10. All the COREs are looking to attract investment and grow supply chains to support offshore wind developments in close geographic proximity, and realistically many of the biggest opportunities will be realized further north on the east coast, particularly around the Humber. The prospects of securing any 'tier 1'[2] offshore wind manufacturing within the SE CORE area now seem remote. But South East ports still have strong credentials for securing additional logistics, construction, operations and maintenance activity for developments stretching from Rampion (English Channel) and possibly Navitus Bay (Isle of Wight) to the East Anglia Array (for which the "Contracts for Difference" auction outcome has just been announced[3]). The Rampion development is also particularly important for Newhaven which, though not part of the South East CORE has a significant role within the SE LEP area in relation to supporting offshore wind development. The local supply chain opportunities will increase both in respect of the UK

[1] Source: Nautilus Associates, 2014

[2] These are the main wind farm components – nacelles/turbines, blades, towers, foundations, substations & cabling.

[3] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/407059/Contracts_for_Difference_-_Auction_Results_-_Official_Statistics.pdf

content of new developments and the operations and maintenance of established wind farms, especially as initial warranty periods expire.

11. Given the recognition in the Strategic Economic Plan to Environmental Technologies and Energy as a priority sector, the SE CORE Working Group considers that it would be appropriate for the SE LEP to support activities to attract inward investment, develop the supply chain, grow skills and training, and put in place appropriate business support, management and communication.

Proposal for SELEP Support

12. The long term goal is that sector development would be industry-led with limited public intervention. The Working Group suggests that progress towards this state will be incremental. In the medium term, the Working Group anticipates that support could draw upon European funding (through ERDF initially, later possibly including ESF to address skills training development), possibly as a component of the LOCASE (Low Carbon South East) proposal currently being developed, and/or collaborating with other CORE LEPs and the Offshore Renewable Engineering (ORE) Catapult to support engagement with SMEs and universities on innovatory solutions to industry challenges. Given the anticipated timetable for ERDF, which is that approved projects might start drawing down funding towards the end of 2015, there is a need for short-term (e.g. 9 months) support to bridge the gap.

13. There are certain activities that partners will continue to provide, integral to their functions. These include inward investment promotion and business development by the two inward investment agencies (Locate in Kent and Invest Essex) and selective sector support (e.g. by economic development officers at local authorities in the SE CORE area). Other activities to assist sector development are:

    - representation on the National CORE Partnership (currently continuing but unfunded),
    - events (promotion, organisation, attendance),
    - membership of key organisations (e.g. RenewableUK),
    - marketing and communications,
    - supply chain development, and
    - overall coordination.

14. The outline of estimated costs in **Annex A** below is structured according to different options, depending on the level of support the SE LEP Board decides to commit:

    14.1 **Option 1** (£13,350) represents the immediate financial commitment needed to 'stay in the game', without which the SE CORE could wither on the vine. This focuses on the period up to the end of Summer 2015, covering representation at national fora and industry events and limited work on local supply chain development events and marketing the SE CORE offer;

    14.2 **Option 2** (£46,190 + £4,200 contingency) represents a more fully resourced arrangement for the 9 months to the end of the 2015 calendar year. This would include the main elements of Option 1 plus some dedicated resource, ongoing representation at major events and more extensive supply chain work in collaboration with an established industry organisation;

    14.3 **Option 3** (£25,070) is a hybrid of the first two options, focusing on supply chain development and support aspects, again for 9 month period.

15. Rather than be wedded to the specifics of each Option, the Board may wish to set a budgetary ‘envelope’ using these options as indicative of the kinds of activities that could be included, and authorise the South East CORE Working Group to determine the detail of activities to be taken forward within that budgetary envelope . Any commissioning activity would be guided by the Accountable Body and involve close liaison with the Secretariat to maximise synergies with other LEP activities.

16. The longer-term position beyond 2015 would need to be reviewed in light of any proposals for ESIF funding and the outcome of collaboration on supply chain development support. Further advice would be brought to the Board as appropriate.

Author: Richard Longman, Senior Policy Officer, Thames Gateway Kent Partnership
Contact: 01634 337270
Date: 4 March 2015

ANNEX A: OPTIONS FOR SUPPORTING THE SOUTH EAST CORE SUPPORT, APRIL TO DECEMBER 2015.

The cost estimates suggested in the options below are based on very broad assumptions and would need further refinement in light of the SE LEP Board's preference as to an appropriate budget for this work stream.

1. **OPTION 1: IMMEDIATE PRIORITIES**

1.1 Representation on the National CORE Partnership & Operation of the SE CORE Working Group: £4,000

1.1.1 The SE CORE is represented by Locate in Kent (LIK) and Invest Essex (I.E.) unless and until the South East CORE Working Group determines otherwise. The National CORE Partnership covers the full gamut of CORE issues, not just inward investment; as well as Partnership meetings (which typically involve a full day's commitment) there is preparatory and follow-up activity involved, including consultation and coordination with local partners.

1.1.2 The National CORE Partnership has agreed to meet again in June (in Grimsby) and will take the opportunity then to review its own future. The present proposal is to provide for one day per month per representative, over 3 months @ notional day rate of £350. Future provision would be revisited in light of decisions taken by the National CORE Partnership in June.

1.1.3 The SE CORE Working Group currently has no dedicated support: this is provided in-kind by Kent CC and the SE LEP Secretariat. A notional £500 is suggested for venues hire and expenses associated with meetings up to Summer 2015.

1.1.4 There is ongoing dialogue between the ORE Catapult and COREs/LEPs about models for regional engagement and collaboration on research and innovation (identifying solutions to innovation challenges that provide opportunities for SMEs and universities). Some capacity will be needed to engage with the development of proposals including a proposed ESIF funding bid. This is included within the sub-total for this section.

1.2 Membership of relevant industry organisations: £1,050

1.2.1 It would be in SE LEP's interests to have the appropriate level of annual membership of key industry organisations: this links to the marketing and communications role, and supply chain development but also has potential benefits in respect of events. The Working Group recommends that SE LEP should have Correspondent level membership of RenewableUK. Under this arrangement, named officers in Locate In Kent and Invest Essex can be registered to receive information and other membership benefits.

1.3 Representation / exhibiting at external events: £3,300

1.3.1 It will be important for SE CORE to have visibility at national and international events that target the offshore renewables market – developers, manufacturers (especially tiers 1 and 2), investors, suppliers and policy-makers. Provision needs to be made both for attendance at events, potentially exhibiting, and for arranging / contributing to local events (e.g. with potential supply chain companies).

1.3.2 For UK events away from London, a rough estimate of costs for registration / exhibiting, organisation, accommodation, travel and expenses is £1,200 per person, £550 in London. For overseas events, estimated cost is £1,800 per person. SE LEP has already agreed funding of £3,600 in 2014/15 to provide for representation at the European Wind Energy Association Conference in Copenhagen in March. For 2015/16 it is suggested that provision is made to allow for representation at the following industry events:

- All Energy Event – Glasgow, 6-7 May 2015. 2 persons = £2,400
- RenewableUK Global Offshore Exhibition and Conference – London Excel, 24-25 June 2015. 2 persons = £1,100

1.3.3 It is suggested that provision for any external events in the Autumn be reviewed after these two events.

1.4 Marketing & supply chain promotion: £5,000

1.4.1 The SE CORE is represented in the national CORE brochure (revised edition published in November 2014). But SE CORE arguably needs its own brochure to market its offer, elaborating on the information in the national brochure. The content can be assembled by KCC and ECC/I.E., and this would be primarily an on-line resource; but there will be costs associated with production, design work and any print material plus development of associated literature.

1.4.2 Subject to next steps in developing a relationship with an industry organisation (see para 2.6below), there could be value in supporting / pump-priming local supply chain events in Kent and Essex. In Essex some will already be covered by the service level agreement (SLA) that Essex CC and Tendring DC have with EEEGR; there are no specific arrangements in Kent & Medway to support supply chain events. We suggested provision be made for two events in each area, to cover attendance, exhibiting, organisation etc . Future requirements to be reviewed.

1.5 Summary – Option 1: £13,350

1.5.1 Option 1 would provide elements of support to keep the South East CORE 'in the game', through representation on national fora and both national and international industry events, promotional activity and low-level engagement in supply chain development. This would provide additionality to what would be contributed 'in kind' by partners; these activities would otherwise be unfunded.

Option 1	
Representation on the National CORE Partnership & Operation of the SE CORE Working Group	£4,000
Membership of relevant industry organisations	£1,050
Representation / exhibiting at events	£3,300
Marketing & supply chain promotion	£5,000

Total	**£13,350**

2. OPTION 2: CORE DEVELOPMENT AND INDUSTRY ENGAGEMENT

2.1 Option 1 focuses on immediate priorities and opportunities up to Summer 2015. It relies on some basic capacity being provided by local authority partners and the SE LEP Secretariat. Option 2 would provide for more dedicated resource to underpin the in-kind support from partners and enable more proactive sector engagement. This Option assumes a commitment covering 9 months, with future arrangements subject to review. This would include all the activities of Option 1, less provision of £2,500 for pump-priming local supply chain events which would be covered under supply chain development and support.

2.2 Overall Coordination: £10,080

2.2.1 The work programme for developing the SE CORE – within a broader context of work on low carbon environmental goods and services and with an emphasis on renewable energy – would benefit from some dedicated capacity. For this estimate, the assumption is 0.2 FTE (i.e. 1 day per week), based on a notional £48k salary plus on-costs (0.4 of salary) for 9 months in the first instance. This capacity might be provided e.g. through a fixed term contract, secondment or on a project basis.

2.2.2 Another dimension of the coordination role would be more extensive engagement with key national stakeholders such as the ORE Catapult including exploring potential partnering arrangements for EU-funded projects around low carbon and innovation and a network of regional centres or innovation hubs.

2.3 Engagement with stakeholders / key asset holders: £0

2.3.1 Some engagement activity would fall within the overall coordination role, but mostly this would be covered by Locate in Kent (LIK) and Invest Essex(I.E.). It is assumed that this will be accounted as in-kind contribution from partners.

2.4 Marketing and communications: £5,040

2.4.1 Potential other elements of marketing include:

- establishing and populating a distinct web presence: this might link to or, in due course, supersede Kent Wind Energy and Essex Offshore Wind (part of the I.E. website); that could be for longer term consideration (probably 2015-16)
- trade press advertising and editorial content
- support for events (including public affairs / influencing type events, such as a sponsored Parliamentary reception)

2.4.2 Whatever input partners make, marketing and communications will need both expertise and dedicated capacity (part time for 9 months, assume ½ day per week, 10% FTE – more if events comprise a significant component). This could be bought in under contract, defined as a specific responsibility within a generic SELEP communications and marketing role, or incorporated into the overall coordination role (if such a post-holder had relevant skills).

2.5 External Events: £6,000

2.5.1 Beyond the events identified in section 1.3, there are further industry events in Autumn 2015 where the SE CORE might wish to commit to having an active presence:

- RenewableUK Annual Conference – Liverpool, 6-8 October 2015. Attendance depends on programme, but assume 2 persons = £2,400
- EWEA Annual Conference – Paris, 17-20 November 2015. Attendance depends on programme, but assume 2 persons = £3,600.

2.5.2 Costs are estimated on the same basis as in 1.3.2.

2.6 Supply chain development and support: £14,220

2.6.1 The key issue emerging from work to date in Kent & Medway is how to take forward the recommendations of the TGKP feasibility assessment which recommended developing an alliance with an existing industry organisation to support and grow the renewables supply chain. Initial discussions were held with East of England Energy Group (EEEGR) and NOF Energy, both of which confirmed interest in developing such a relationship further.

2.6.2 If the SELEP Board were minded to pursue this in relation to the South East CORE area, the suggested next steps would be:

- to develop a specification of what such an arrangement should provide
- pursue discussions with these bodies to see what they can offer
- select preferred organisation and formalise arrangements, through SLA or contract
- launch new arrangements with targeted event(s)

2.6.3 The preferred organisation would need to be a willing partner in any future funding arrangement, including any bid for EU funding. The nature of the arrangements could take various forms, from the creation of a satellite office in the SELEP area (probably Kent) to more virtual or detached methods of engagement. Events of various kinds (meet the buyer, industry introductions, expert workshops etc) would be a core ingredient in the supply chain development work. How that would be delivered remains for discussion, but under this option provision could be made for pump-priming and de-risking the process of establishing a commercial presence in the SE CORE area. This is a high priority for Kent & Medway. The fact that ECC/TDC already have a Service Level Agreement with EEEGR would need to be factored into the overall design of future arrangements, whichever body were preferred to meet Kent & Medway requirements.

2.6.4 This is a difficult component to estimate for but the suggested ingredients are development resource (assume £48k + on-costs, 0.4FTE for three months[4], £6,720, launch and support events (£5,000), buy-in expert support for events (£2,500).

2.6.5 The different elements above, particularly the coordination/resource elements of 2.2 and 2.6, could be combined into a single commissioned package.

[4] This assumes a contract / agreement in place by Summer 2015, with 'front end' resource required to develop and establish a comprehensive work programme.

2.7 Future funding: up to £4,200 (contingency).

2.7.1 Preparing funding and resource proposals for the second half of 2015-16 onwards, in particular an initial bid for ERDF support and in the longer term ESF, will require bid-writing expertise and capacity to coordinate the assembly of match funding and contributions from partners. This might be provided in-house by one or more lead partner (e.g. Kent CC or Essex CC) or might need to be bought in.

2.7.2 There are different options that will need to be evaluated, including a free-standing proposal relating to the CORE / development of offshore renewables and their supply chain, or perhaps a wider-ranging proposal embracing SME support, supply chain development, etc covering low carbon environmental goods and services (LCEGS). The LOCASE (Low Carbon South East) project proposal might be an appropriate 'umbrella' project; there is also the possibility of partnership with the ORE Catapult. A project could be designed across the SE LEP geography, or possibly in partnership with other LEPs / COREs.

2.7.3 It is suggested that contingency provision should be made for £4,200 to cover the possible cost of out-sourcing bid preparation in the event that in-house capacity is not available.

2.8 Summary of Option 2: £46,190 (+£4,200 contingency)

2.8.1 Option 2 would be assumed to include the main elements of Option 1, plus dedicated provision to take a more proactive approach to raise the profile of the SE CORE, develop the framework for longer-term industry-led work on supply chain development and collaborate on specific elements of longer-term funding arrangements including potential EU support.

Option 2	
Total for Option 1 less £2,500 overlap with supply chain development and support, below:	£10,850
Overall Coordination	£10,080
Engagement with stakeholders / key asset holders	£0
Marketing and communications	£5,040
Supply chain development and support	£14,220
External Events	£6,000
Total	**£46,190**
Future funding (contingency)	£4,200

3. OPTION 3: HYBRID

3.1 This is a hybrid that includes the (adjusted) elements of Option 1 plus the supply chain development and support component of Option 2 (combination of 1.5 and 2.6 above). This would involve a slight adjustment of the dedicated capacity factored into the latter, so as to focus on establishing arrangements for supply chain development with an industry body but also contributing towards shaping any longer-term funding bid (including liaison with the ORE Catapult and other potential partners). This also assumes no contingency for expert bid-writing expertise.

3.2 Option 3: Summary

Option 3	
Total for Option 1, adjusted as per Option 2	£10,850
Supply chain development and support	£14,220
Total	**£25,070**

Author:
Position:
Contact details:
Date: