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Report title: Getting Building Fund funding decisions and extension requests	
Report to: Accountability Board	
Report author: Helen Dyer, SELEP Capital Programme Manager	
Meeting date: 27 January 2023	For: Decision
Enquiries to: helen.dyer@southeastlep.com	
SELEP Partner Authority affected: East Sussex, Essex and Kent	

1. Purpose of report

- 1.1. The purpose of this report is for the Accountability Board (the Board) to consider the award of £1,826,024 Getting Building Fund (GBF) to four projects in accordance with the new GBF prioritised project pipeline.
- 1.2. Three of the projects detailed in this report are seeking additional GBF funding to help mitigate the impact of cost increases experienced as a result of the impacts of the COVID-19 pandemic, Brexit or current high inflation levels and to support delivery of the approved Business Case. The final project is seeking GBF investment to deliver a further phase of the existing GBF project.
- 1.3. The Board will also be asked to consider whether the projects outlined in this report meet the conditions agreed by the Board in July 2021 for retention of their respective GBF allocations beyond 31 March 2022.
- 1.4. Decisions outlined in this report are dependent upon the Board agreeing the removal of the Swan Modular Housing Factory project from the GBF programme (as set out under Agenda Item 5).

2. Recommendations

- 2.1. The Board is asked to:
 - 2.1.1. **Agree** the award of an additional £84,100 GBF to East Sussex County Council for the Seven Sisters Country Park Visitor Infrastructure Uplift project, subject to Government approval of the increase in GBF funding allocation and agree that the GBF funding can be retained against the project beyond March 2022 for a maximum period of 12 months to 31 March 2023.
 - 2.1.2. **Agree** the award of an additional £250,000 GBF to Kent County Council for the Discovery Park Incubator project, subject to Government approval of the increase in GBF funding allocation and agree that the GBF funding can be retained against

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the project beyond March 2022 for a maximum period of 12 months to 31 March 2023.

- 2.1.3. **Agree** the award of £765,000 GBF to Kent County Council for the Techfort Phase 2 project which has been assessed as offering High value for money with High to Medium certainty of achieving this, subject to Government approval of project inclusion within the GBF programme and agree that the GBF funding can be retained against the project beyond March 2022 for a maximum period of 12 months to 31 March 2023.
- 2.1.4. **Agree** the award of £85,000 GBF to Kent County Council for the Techfort Phase 2 project which has been assessed as offering High value for money with High to Medium certainty of achieving this, subject to Government approval of project inclusion within the GBF programme, Government approval of GBF spend beyond 31 March 2023 and agree that the GBF funding can be retained against the project beyond March 2022 for a maximum period of 15 months to 30 June 2023.
- 2.1.5. **Agree** the award of an additional £641,924 GBF to Essex County Council for the Enterprise Centre for Horizon 120 Business and Innovation Park project, subject to receipt of S151 Officer sign off from Essex County Council, Government approval of the increase in GBF funding allocation and agree that the GBF funding can be retained against the project beyond March 2022 for a maximum period of 12 months to 31 March 2023.

3. Background

- 3.1. At the May 2022 meeting, the Board agreed that the Riding Sunbeams Solar Railways project be removed from the GBF programme due to insurmountable technical issues which meant that the project could not be delivered at this time. This released £2.5275m GBF for reallocation to alternative projects. In addition, in September 2022, the Board agreed the removal of the Laindon Place project from the GBF programme as it was unable to deliver in accordance with the Business Case within the required timeframe. This released a further £0.79m GBF for reallocation to alternative projects, bringing the total available for reallocation to £3.3175m.
- 3.2. As the Board are aware, following the removal of the Fast Track Business Solutions for the Hastings Manufacturing Sector project from the GBF programme and the subsequent reallocation of the funding to alternative projects, there was no pipeline remaining.
- 3.3. A new GBF prioritised project pipeline has now been agreed and this pipeline was used to reallocate the £3.3175m GBF returned to SELEP at the Accountability Board meeting on 25 November 2022.
- 3.4. Since the last Board meeting, SELEP have been advised that the Swan Modular Housing Factory project will no longer be delivered (as set out in Agenda Item 5) and therefore a further £4.53m GBF will be released for reallocation to alternative projects.

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- 3.5. At this meeting, the Board are asked to consider the award of £2.481m of the available GBF to alternative projects, in accordance with the agreed pipeline. This report considers the award of £1.826m of the GBF funding, with the award of the remaining balance considered under Agenda Item 6.
- 3.6. In accordance with current Government expectations, the ability of each project to spend additional GBF funding awarded by 31 March 2023 was a key consideration when establishing the new GBF prioritised project pipeline and three of the projects considered in this report have committed to spending their full GBF allocation by this date. The remaining project, Techfort Phase 2, has committed to spending £765,000 of the requested £850,000 GBF funding by 31 March 2023, with the remaining £85,000 forecast for spend in Q1 2023/24. Government advice has been sought in relation to their position on GBF spend extending beyond 31 March 2023.
- 3.7. If the Board agree the award of funding to the projects outlined in this report, delivery of the projects will be closely monitored and any risks with regard to spend of the GBF by the end of 2022/23 (beyond that already identified) will be presented to the Board at the next meeting.
- 3.8. The recommendation of award of additional GBF funding to any of the projects outlined in this report is contingent upon receipt of Government approval for the increase in GBF funding allocation (for all projects except Techfort Phase 2) or the inclusion of the project within the GBF programme (Techfort Phase 2 only). Due to the contingent nature of the recommendations, if Government approval is not forthcoming, the additional funding will not be awarded to the project(s) (for all projects except Techfort Phase 2) or the project will be removed from the GBF programme (Techfort Phase 2 only) with no further Board decision required. The GBF funding will be released for reallocation to alternative projects and these funding decisions will be taken at a future Board meeting.
- 3.9. Change Requests detailing the additional GBF funding sought, any associated changes to the funding package for each project and any expected changes to project benefits have been submitted to Government for all projects set out in this report. A verbal update on the status of these Change Requests will be provided during the meeting. If Government approval is granted in advance of the Board meeting, the recommendations will be updated accordingly.

4. Retention of GBF Funding beyond 31 March 2022

- 4.1. Given the timing of the award of the additional GBF funding considered in this report, spend of the GBF funding (if awarded) will clearly extend beyond March 2022, which marked the official end of the GBF programme.
- 4.2. In July 2021, the Board agreed SELEP's position on the retention of GBF funding against projects beyond 31 March 2022. The Board agreed that GBF funding could be retained against projects subject to certain criteria and conditions being satisfied. The criteria and conditions were applied to requests for retention of GBF funding beyond March 2022 received between July 2021 and May 2022.

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- 4.3. Subsequently in May 2022, following a review of all projects which had received approval for retention of their GBF funding beyond March 2022, the Board agreed that all projects forecasting GBF spend beyond March 2022 must meet the following requirements:
- 4.3.1. All GBF funding must be spent within 12 months of the official end of the GBF programme, with full spend required by 31 March 2023.
 - 4.3.2. All planning requirements must be met by 15 July 2022.
 - 4.3.3. All other (non-planning) required consents and approvals must be received by 15 July 2022.
 - 4.3.4. Contractual commitments must be in place with the construction contractor by 30 September 2022.
 - 4.3.5. Any changes to total project cost (prior to construction contract award) and forecast benefits must be reported to the SELEP Secretariat to enable ongoing monitoring of the value for money offered by the project.
 - 4.3.6. Ongoing reporting to the SELEP Secretariat on progress towards project delivery including provision of updated delivery milestones and notification of any changes to the funding sources identified to support project delivery must be provided.
- 4.4. These requirements were introduced as a mechanism for ensuring timely completion of the GBF programme and were not, at the time, intended to represent a new approach to determining whether funding could be retained beyond 31 March 2022. However, in light of the timing of the funding decisions considered in this report, it was considered prudent to assess the projects against the updated requirements agreed in May 2022, rather than using the original criteria and conditions agreed in July 2021.
- 4.5. Information has been provided to demonstrate how the four projects under consideration meet the requirements agreed by the Board in May 2022 for retention of GBF funding against the project beyond 31 March 2022. This information is set out in Appendix F and is summarised within the report.

5. Seven Sisters Country Park Visitor Infrastructure Uplift

Project information

- 5.1. The South Downs National Park Authority took over responsibility for the Seven Sisters Country Park in Summer 2021 and are in the process of implementing a new Business Plan. Fundamental to this Business Plan is a comprehensive refresh of the visitor offer, including upgraded physical access, new toilets, retail space for local businesses and refurbishment of 3 dilapidated properties. The delivery of the project will allow the Seven Sisters Country Park to open 364 days a year, showcase products from local producers, signpost visitors to local businesses and attractions and provide an accessible welcome for visitors with a year-round events programme. GBF funding has been awarded to support delivery of these improvements at the country park.

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- 5.2. The Board approved the award of £200,000 GBF in February 2022 to support delivery of the Seven Sisters Country Park Visitor Infrastructure Uplift project. At the time of the funding decision, the Board agreed that the GBF funding could be retained against the project beyond March 2022 for a maximum period of 6 months, to 30 September 2022. The most recent quarterly reporting from East Sussex County Council indicates that the full GBF funding allocation was drawn down in Q2 2022/23 and was therefore spent in accordance with the timeline agreed by the Board.
- 5.3. An additional £84,100 GBF funding has been sought by East Sussex County Council to support delivery of the approved Business Case. Due to other cost increases, there have been other changes to the funding package since the original GBF Business Case was agreed by the Board.
- 5.4. The updated funding package is set out in Table 1 below.

Table 1: Updated funding package for the Seven Sisters Country Park Visitor Infrastructure Uplift project

Funding Source	Original Funding Package £	Updated Funding Package £
Getting Building Fund	200,000	284,100
South Downs National Park Authority	1,700,000	2,070,900
Grant Funding	275,000	295,000
Total	2,175,000	2,650,000

- 5.5. An overview of the benefits expected to be realised as a result of the GBF investment is provided in Table 2 below.

Table 2: Overview of the Seven Sisters Country Park Visitor Infrastructure Uplift project

Existing GBF funding allocation: £200,000	Total project cost as per approved Business Case: £2,175,000
Additional GBF funding sought: £84,100	Total project cost as per application for additional GBF funding: £2,650,000
Key project benefits as stated in the Business Case (dependent upon GBF funding): <ul style="list-style-type: none"> • Creation and safeguarding of 6.5 FTE jobs • Creation of 1 x 1 bed flat for onsite warden • Creation of 131sqm high footfall retail space • Provision of 1 new superfast Broadband connection • Supporting 100 enterprises through the provision of the new retail space • Increase in visitor spend by adding additional retail space • Increased footfall as a result of people supporting the new retail space 	

- 5.6. East Sussex County Council and the South Downs National Park Authority have confirmed that the forecast project benefits remain unchanged from the original Business Case submission.

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- 5.7. An updated delivery programme has been provided which indicates that the project is expected to complete in March 2023. In light of this, a commitment that the GBF funding will be spent in full by 31 March 2023 has been provided.
- 5.8. Further information on the project is provided in Appendix B.

Reasons for seeking additional GBF funding

- 5.9. The costs detailed in the original project Business Case were based on tenders submitted by contractors in 2020/21. Following award of the GBF funding, the Foxhole Cottages and Pump Barn works (elements of the wider project to be supported by GBF funding) were repackaged into a new phase and procurement of a contractor was undertaken.
- 5.10. Since 2020/21, there have been significant challenges in the construction industry with implications for supply and demand, labour costs, impacts of COVID-19 and Brexit, as well as rising inflation and transportation costs which have all contributed to a significant increase in construction costs. As a consequence, the tender submissions received were significantly higher than anticipated. Cost increases include a 100% increase in the cost of roofing and cladding, 50% increase in the cost of doors – both internal and external and a 50% increase in the price of sanitaryware.
- 5.11. Whilst additional internal funding was secured to assist in covering the cost increase, there remains a shortfall of £84,100 which needs to be bridged if the approved Business Case is to be delivered in full.

Additionality offered by the additional GBF funding

- 5.12. If additional GBF funding is not awarded, it will be necessary to value engineer some elements of the project, resulting in reduced outputs. This value engineering could result in a reduced fit out of the refurbished cottages and the pump barn. This would result in a reduction in tourism opportunities and would have a negative impact on the spend per head outlined in the original project Business Case. Furthermore, fewer units would be ready and available for use by local businesses meaning that fewer enterprises than forecast will be supported by the project.
- 5.13. The additional GBF investment will enable all elements of the original project scope to be delivered thereby safeguarding the forecast project benefits.

Outstanding risks to project delivery

- 5.14. A number of risks have been identified in the application for additional GBF funding submitted. The High likelihood, High impact risks are summarised below:
 - 5.14.1. Risk of COVID-19 lockdown causing delays to project delivery – this risk has been mitigated through early discussion with the contractor to agree the approach to managing the delay and associated cost increases.
 - 5.14.2. Main contractor insolvency – this risk has been mitigated through completion of required due diligence prior to formal appointment of the contractor.

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- 5.14.3. Construction costs significantly higher than expected due to volatile construction market – whilst this risk has been realised, the risk of further cost increases has been mitigated through detailed contractor discussions and use of contract management for cost variations and scope change.
- 5.14.4. Delayed start to works in the Pump Barn as listed building consent required for some of the planned works – this risk has been fully mitigated as listed building consent has now been secured.

Value for Money Exemption 1 as set out in the SELEP Assurance Framework

- 5.15. There is a requirement within the SELEP Assurance Framework for all projects to demonstrate a Benefit Cost Ratio (BCR) of at least 2:1 if funding is to be secured. However, 2 exemptions to this requirement are set out within the Assurance Framework.
- 5.16. If projects are to be considered for investment under Value for Money Exemption 1, all 5 of the following criteria must be met:
 - 5.16.1. the project has a Benefit Cost Ratio greater than 1.5:1, or the project benefits are notoriously difficult to appraise in monetary terms; and
 - 5.16.2. the funding sought from the SELEP Ltd is less than £2m; and
 - 5.16.3. to conduct further quantified and monetised economic appraisal would be disproportionate to the capital funding ask; and
 - 5.16.4. there is an overwhelming strategic case (with minimal risk in the other cases of the Business Case); and
 - 5.16.5. there are qualitative benefits which, if monetised, would most likely increase the Benefit Cost Ratio above 2:1.
- 5.17. The Seven Sisters Country Park Visitor Infrastructure Uplift project applied this Value for Money exemption at the time of the award of the existing £200,000 GBF funding and have sought to continue their reliance on this exemption in relation to award of additional GBF funding. Continued compliance with the above criteria has been considered by the Independent Technical Evaluator as part of their assessment as set out below.

Outcome of ITE Assessment

- 5.18. As the GBF funding ask for the project continues to be under £2m, Value for Money Exemption 1 has been applied appropriately by the scheme promoter.
- 5.19. Cost increases have been described and disaggregated in detail. They have occurred due to the exogenous impacts of Brexit, COVID-19 and inflation which have affected construction costs. The scheme promoter has also faced unforeseen construction challenges, and the additional funding ask is to cover the shortfall of £84,100 attributable to inflation in contractors' costs and prices. The overall scheme overspend is significantly

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higher than this, at £475,000; however, the remainder has been met from internal contingencies within existing secured funding budgets.

- 5.20. Without additional funding, there will be a need to 'de-scope' the remainder of the scheme by value engineering elements of the project, resulting in a reduction of outputs and outcomes. Other outputs and outcomes, such as spend per head at the park, footfall and subsequently employment opportunities, would also likely decrease due to the de-scoping.
- 5.21. Additional GBF monies can be spent by 31 March 2023 and detailed mitigation is in place for all remaining risks. Most risks have been closed as the majority of project delivery is complete.
- 5.22. The reasons for requesting additional monies are clear and appear to be reasonable. The strategic case for the scheme is highly robust in that it delivers across several areas:
 - 5.22.1. Improving the visitor offer of a natural asset in the region
 - 5.22.2. Leading to direct job creation (6.5 FTE jobs) and safeguarding existing jobs (7.8 FTE jobs)
 - 5.22.3. Enabling learning for approximately 2,000 people per year through events and other opportunities using the new facilities
 - 5.22.4. Supporting up to around 100 local businesses and enterprises by offering a new retail space
 - 5.22.5. Reducing carbon emissions by putting in a heat pump (and electric boilers) to meet on-site needs.
- 5.23. Based on this, it is considered that there is a High certainty of achieving a benefit cost ratio of at least 2:1, which would represent High value for money. The increase in costs is relatively high but from a low initial base, while benefits remain unchanged and qualitatively greater than the overall level of cost. It would be difficult for the scheme promoter to quantify these benefits in a monetised economic appraisal owing to their level of business case experience, ability to resource expertise, the limited amount of time available and the difficulty of monetising a variety of different benefit streams.
- 5.24. Based on the information provided, the ITE is satisfied that the project continues to meet the requirements of Value for Money Exemption 1, as set out in the SELEP Assurance Framework.

Compliance with requirements for retention of GBF funding beyond March 2022

- 5.25. Information has been provided to demonstrate how the project meets the requirements agreed by the Board in May 2022 for all projects retaining their respective GBF allocations beyond 31 March 2022. This information is set out in Appendix F and demonstrates that the project meets all the requirements agreed by the Board.

6. Discovery Park Incubator

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Project information

- 6.1. The project will deliver flexible, collaborative workspace in which life science start-ups and SMEs can establish their operations and grow as part of an innovative community.
- 6.2. The project involves the refurbishment of two floors within the East Block of Building 500 at Discovery Park, to provide around 30,000sqft of net lettable incubator space. The new facility will include self-contained laboratory units, informal breakout and café space and shared lab support facilities.
- 6.3. As well as additional physical space and high-quality facilities, the project will also offer a package of innovation support to tenants, encouraging collaboration between firms at Discovery Park and with higher education, and linking new and emerging businesses with the access to investment, skills and partners that they need to thrive.
- 6.4. The Board approved the award of £2.5m of GBF funding to support delivery of the Project in November 2020. In February 2022, the Board agreed that the GBF funding allocation could be retained against the project beyond March 2022 for a maximum period of 6 months, to 30 September 2022. This extension was required to allow time for a change in approach to delivering the project which was prompted by receipt of significantly higher than anticipated cost estimates.
- 6.5. The most recent quarterly reporting from Kent County Council indicates that the full GBF funding allocation was drawn down by the end of Q2 2022/23 and was therefore spent in accordance with the timeline agreed by the Board.
- 6.6. An additional £250,000 GBF funding has been sought by Kent County Council to support delivery of the approved Business Case. Due to wider cost increases, there have been other changes to the funding package since the original GBF Business Case was agreed by the Board.
- 6.7. The updated funding package is set out in Table 3 below.

Table 3: Updated funding package for the Discovery Park Incubator project

Funding Source	Original Funding Package £	Updated Funding Package £
Getting Building Fund	2,500,000	2,750,000
Discovery Park Limited	3,000,000	3,250,000
Total	5,500,000	6,000,000

- 6.8. An overview of the benefits expected to be realised as a result of the GBF investment is provided in Table 4 below.

Table 4: Overview of the Discovery Park Incubator project

Existing GBF funding allocation: £2,500,000	Total project cost as per approved Business Case: £5,500,000
Additional GBF funding sought: £250,000	Total project cost as per application for additional GBF funding: £6,000,000
<p>Key project benefits as stated in the Business Case:</p> <ul style="list-style-type: none"> • An increase in the number and survival rate of life science businesses in Kent and Medway • Increased collaboration between start-up and growing firms, larger businesses and academic institutions • Increased investment at Discovery Park (and in East Kent more broadly) as a result of the increase in business activity • Increased investment in start-ups and growing businesses through the opportunity to create a network of investors • Longer term benefits through the growth of the life science cluster as a driver of growth in East Kent, contributing to the greater resilience of the sector and regional productivity growth 	

- 6.9. Kent County Council and Discovery Park Ltd. have confirmed that the forecast project benefits remain unchanged from the original Business Case submission.
- 6.10. It should be noted that the application for additional GBF funding references the recommissioning of a redundant specialist containment Level 3 laboratory facility for hazardous microbiological research activities. These works will no longer be brought forward at this time but remain part of Discovery Park's future plans. These works were not included in the original Business Case and therefore their removal does not impact on the expected project benefits.
- 6.11. Work is continuing onsite, and it is expected that the laboratory space will be commissioned and operational in February 2023. Further refurbishment works will be undertaken in the common areas in Spring 2023, with project completion and full spend of all match funding expected in July 2023. Whilst delivery of the project will extend beyond March 2023, Kent County Council and Discovery Park Ltd. have confirmed that the GBF funding will be spent in full by 31 March 2023 in accordance with the current expectations of Government, with the remaining works being funded through match funding.
- 6.12. Further information on the project is provided in Appendix C.

Reasons for seeking additional GBF funding

- 6.13. Since project inception both labour and materials costs have increased significantly as a result of the impacts of inflation. Whilst work has been undertaken to identify potential savings and to mitigate against cost overruns, the total project cost has increased from £5.5m to £6.0m.
- 6.14. The project team have achieved a number of savings by utilising existing infrastructure and by sourcing alternative materials, however, there are areas of the project scope where it

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has become necessary to consider value engineering or compromising on the quality of the outputs provided due to budgetary constraints.

- 6.15. Additional funding has been committed by Discovery Park Ltd., but there remains a need for an additional £250,000 if the full scope of the Business Case is to be delivered.

Additionality offered by the additional GBF funding

- 6.16. The award of additional GBF funding will allow the project to be delivered in accordance with the scope set out in the original project Business Case. Without the award of additional GBF funding, there is a risk that some of the planned break-out areas and shared laboratory facilities will not be completed. This will impact on the ability of the project to realise the forecast project benefits.
- 6.17. At the time of the original GBF Business Case submission, the BCR was reported to be 4.74:1. An updated BCR was provided in the application for additional GBF funding which indicated that the project continues to offer a BCR of 4.49:1 and therefore continues to offer High value for money.

Outstanding risks to project delivery

- 6.18. Delivery of the project is well progressed and therefore the majority of risks identified in the Business Case have now been addressed. However, there remains a risk of further cost increases due to volatility in the labour and materials markets. Any further cost increases may impact on the ability of the project to deliver all outputs stated in the approved Business Case.

Compliance with requirements for retention of GBF funding beyond March 2022

- 6.19. Information has been provided to demonstrate how the project meets the requirements agreed by the Board in May 2022 for all projects retaining their respective GBF allocations beyond 31 March 2022. This information is set out in Appendix F and demonstrates that the project meets all the requirements agreed by the Board.

7. Techfort Phase 2

Project information

- 7.1. The project seeks to bring the Casemates at The Citadel into beneficial economic use, helping to stabilise the ancient monument and creating jobs in Dover. The Casemates were previously used by the Ministry of Justice but are currently redundant and need refurbishment before they can be re-occupied. Phase 1 of the project was awarded £1.009m GBF funding in February 2022 to support refurbishment of Casemates 51 and 52. Delivery of Phase 1 of the project is ongoing but is expected to complete by the end of March 2023.
- 7.2. Phase 2 of the project specifically seeks to refurbish Casemates 53 and 54, creating 757 sqm of space for small businesses, craft workshops, retail, food and entertainment uses.

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- 7.3. The GBF funding is sought to kick-start the development process at The Citadel, with these works representing the initial phases of a long-term vision for the site.
- 7.4. Kent County Council and Dover Citadel Limited (as delivery partner) are seeking GBF investment of £850,000 to support delivery of Phase 2 of the project. This funding is supplemented by a financial contribution from Dover Citadel Limited, bringing the total project cost to £1,101,417 as set out in Table 5 below.

Table 5: Funding package for the Techfort Phase 2 project

Funding Source	Funding (£)
Getting Building Fund	850,000
Dover Citadel Limited	251,417
Total	1,101,417

- 7.5. At the time of Business Case submission (Summer 2022), Dover Citadel Ltd. committed to spending the full GBF funding allocation by 31 March 2023 in accordance with current Government expectations. However, due to the positioning of the project on the prioritised pipeline and the associated delay in awarding the funding, full spend by 31 March 2023 is no longer achievable. The current spend profile forecasts spend of £765,000 in Q4 2022/23, with the remaining £85,000 forecast for spend in Q1 2023/24.
- 7.6. Advice has been sought from Government as to their position with regard to GBF spend which extends beyond 31 March 2023 but a formal response has not yet been received. As a result, the Board is asked to consider the award of £765,000 and £85,000 GBF under separate decisions. The £765,000 which can be spent in Q4 2022/23 can be awarded to support delivery of the project, subject to the usual conditions in relation to receipt of Government approval for the inclusion of the project in the GBF programme and approval for the funding to be retained against the project to 31 March 2023.
- 7.7. The remaining £85,000 can be awarded to support delivery of the project, but this will be subject to receipt of Government approval for the inclusion of the project in the GBF programme, receipt of Government approval for GBF spend which extends beyond 31 March 2023 and approval for the funding to be retained against the project to 30 June 2023. Kent County Council and Dover Citadel Limited have confirmed that if, following receipt of Government advice, it is not possible to agree the award of the remaining £85,000 GBF that Dover Citadel Limited would seek to secure the funding from alternative sources and if this wasn't possible, value engineering or de-scoping would be considered. Should this situation arise, a further update on the project will be provided to the Board at the next meeting.
- 7.8. If formal Government advice is received in advance of the Board meeting, a verbal update will be provided and the recommendations will be updated accordingly.
- 7.9. An overview of the benefits expected to be realised as a result of the GBF investment is provided in Table 6 below.

Table 6: Overview of the Techfort Phase 2 project

GBF funding allocation: £850,000	Total project cost: £1,101,417
<p>Key project benefits as stated in the Business Case:</p> <ul style="list-style-type: none"> • Creation of 19 jobs and opportunities for 4 trainees • Additional educational opportunities for learners and art/craft participation • Increased footfall and potential for additional events. • Increase in the number of creative businesses in Dover • Increase in Dover's cultural offer through the opening of The Citadel • Increasing the potential for future investment at The Citadel • Improved outlook for The Citadel at the Western Heights 	

- 7.10. A programme has been provided which demonstrates that work is scheduled to commence onsite as soon as the award of additional GBF funding has been confirmed and will complete by the end of June 2023. As indicated in Section 7.5 of this report, GBF spend is also expected to extend beyond March 2023 into Q1 2023/24.

Reasons for seeking GBF funding

- 7.11. If GBF funding is not awarded to support delivery of the project, there will be further structural deterioration through water damage, with intrusion, graffiti and degradation likely to create a negative impact on The Western Heights. In addition, antisocial activity could impact more widely on the area and the Dover region.
- 7.12. In the absence of investment, none of the potential benefits of the project will be realised and the property will become an increasing burden and potential health and safety risk.
- 7.13. It is noted in the Business Case that The Citadel has been unoccupied since 2015. There is a significant reluctance to be the first occupier of land within a large and challenging brownfield site and without external funding the risk remains that the land and buildings will remain fallow for a significant period.
- 7.14. It is expected that the GBF funding will help to kick start development on the wider Citadel site, enabling a wide range of benefits to be realised.

Outstanding risks to project delivery

- 7.15. All required consents have now been secured allowing delivery of the project to progress. In addition, it has been confirmed that the contractor appointed to deliver Phase 1 of the project will also take on responsibility for delivering Phase 2. As a result, the majority of delivery risks have already been mitigated.
- 7.16. It is noted that any delay to the award of the GBF funding will impact on the delivery programme for Phase 2 of the project.

Outcome of ITE Assessment

- 7.17. The strategic case exhibits strong alignment with SELEP's strategic priorities. The scheme aims to supplement private investment in a dilapidated heritage asset and turn it into a

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visitor attraction that can stimulate the local economy as a whole, supporting economic recovery. It is identified within the Business Case that the scheme will open up 5 acres of the site to the public and that it will also lead to direct job creation. To improve strategic alignment further, more could have been done in the Business Case to demonstrate how the scheme will be consistent with other important policy goals, such as reducing carbon emissions and ensuring accessibility.

- 7.18. The employment, arts and wellbeing and heritage benefits of redeveloping Casemates 53 and 54 were assessed in a monetised economic appraisal and a benefit cost ratio of 5.85:1 was calculated which represents Very High value for money. Even in a sensitivity test assuming a 50% reduction in employment and the number of visitors, the scheme remained at High value for money. It is considered that the appraisal was carried out appropriately and in a robust manner.
- 7.19. Moderate uncertainties are still present in the Business Case, including there being limited information in the Commercial Case for the scheme, including who the lead contractor is, their experience and why they were selected, and details around the contracting strategy (e.g. what the risk allocation is). Although much of this may be similar to Phase 1, it should also have been provided in the Phase 2 Business Case.
- 7.20. The scheme promoter is confident that the vast majority of GBF funds can be spent by 31 March 2023, but this remains a residual risk unless a solution can be agreed with Government. Consideration of inflation in the non-capital funding profile is needed. In addition, more information around stakeholder engagement and clearer presentation of who the tenants at the site will be would also improve the Business Case.
- 7.21. These factors have prevented the scheme from being assessed as having higher than High to Medium certainty of achieving High value for money despite a reasonably strong strategic rationale, robust monetised economic appraisal, and experience of successfully delivering similar schemes (i.e. Phase 1).

Compliance with requirements for retention of GBF funding beyond March 2022

- 7.22. Information has been provided to demonstrate how the project meets the requirements agreed by the Board in May 2022 for all projects retaining their respective GBF allocations beyond 31 March 2022. This information is set out in Appendix F.
- 7.23. Whilst the project meets the majority of the requirements agreed by the Board, full spend of the GBF funding can no longer be achieved by 31 March 2023 due to the timing of this funding decision. This means that the project cannot meet current Government expectations which, as outlined above, means that in lieu of advice from Government the award of funding to the project will need to be considered under two separate decisions.
- 7.24. If the Board approve the award of funding to the project, progress on the project will be closely monitored and an update will be provided to the Board at the next meeting. This will be accompanied by an update on the advice provided by Government and whether this advice has any implications for the Techfort Phase 2 project.

8. Enterprise Centre for Horizon 120 Business and Innovation Park

Project information

- 8.1. The project has delivered an Enterprise Centre for local businesses, including small business start-ups, small businesses focusing on innovation and growth, as well as businesses aiming to stabilise and consolidate their activities. The Enterprise Centre offers a variety of office spaces and a flexible conference space which can be transformed into smaller units.
- 8.2. The Enterprise Centre forms the focal point for the Horizon 120 Business Park and is designed to drive collaboration, encourage idea generation and underpin problem solving.
- 8.3. The Board approved the award of £7m GBF in November 2020 to support delivery of the Enterprise Centre for Horizon 120 Business and Innovation Park project. This funding was spent in full by 31 March 2022 in accordance with the GBF timeline originally specified by Government.
- 8.4. An additional £641,924 GBF funding has been sought by Essex County Council to support delivery of the approved Business Case. The additional GBF funding (if awarded) represents the only change to the funding package since the submission of the original project Business Case.
- 8.5. An overview of the benefits expected to be realised as a result of the GBF investment is provided in Table 7 below.

Table 7: Overview of the Enterprise Centre for Horizon 120 Business and Innovation Park project

Existing GBF funding allocation: £7.0m	Total project cost as per approved Business Case: £16.0m
Additional GBF funding sought: £641,924	Total project cost as per application for additional GBF funding: £16,641,924
Key project benefits as stated in the Business Case: <ul style="list-style-type: none">• Creation of 160 new jobs• Increase in apprenticeships as some of the SMEs flourish and expand.• Use of new technology to promote the green agenda.• Offering “best in class”, fibre-optic connectivity and Wi-Fi hotspots	

- 8.6. Essex County Council and Braintree District Council have confirmed that the forecast project benefits remain unchanged from the original Business Case submission.
- 8.7. It should be noted that the application for additional GBF sought funding to both cover an increase in costs experienced during delivery of the Enterprise Centre and to deliver enabling works for an extension to the existing car park. When the application form was submitted, a commitment was given that the GBF funding would be spent in full by 31 March 2023 and therefore the full value of the GBF ask was included in the agreed project pipeline. However, a programme for the car park works has subsequently been provided and this indicates that 11 months are required to bring forward these works. This means

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that this element of the funding request did not meet the requirements set out in the Getting Building Fund – development of new prioritised project pipeline process note, as it was never going to be possible to complete GBF spend by 31 March 2023.

- 8.8. As a consequence, this element of the funding request has been removed and the Board are being asked to solely consider the award of additional GBF funding to cover increased costs incurred during the construction of the Enterprise Centre.
- 8.9. The Enterprise Centre was completed in September 2022 and is fully operational. As the additional GBF funding will be used to mitigate cost increases encountered during the construction programme, this funding will be drawn down immediately following completion of the required legal processes and therefore will be spent in full prior to 31 March 2023.
- 8.10. Further information on the project is provided in Appendix E.

Reasons for seeking additional GBF funding

- 8.11. The project has experienced cost increases due to the impacts of the COVID-19 pandemic, Brexit and current high inflation levels. These costs increases have arisen as a result of the following factors:
 - 8.11.1. Increased security costs – the commencement of construction of the Enterprise Centre was delayed as a result of construction and supply chain delays. This resulted in the need for site security to be provided for an additional 35 week period incurring additional costs.
 - 8.11.2. Increased costs associated with an extended construction programme – delivery of the project was delayed due to supply chain issues and this resulted in the need for the site office and associated facilities to remain in situ for an additional 10 weeks incurring additional costs.
 - 8.11.3. Costs associated with removal of spoil from the site – the original project budget included provision for the removal of the spoil to a licenced tip, however, due to cost increases arising as a result of the pandemic, this budget provision was eroded during project delivery. In addition, during lockdown, no groundworks sub-contractors were available and as a result, the spoil had to be removed to and retained temporarily on an adjoining vacant plot so as not to further delay the construction programme. Whilst contractors are now available to remove the spoil, this will incur further costs which can no longer be covered under the original budget provision.

Additionality offered by the additional GBF funding

- 8.12. The project has already been delivered in accordance with the approved Business Case, and cost increases during construction were absorbed by Braintree District Council. However, this has resulted in reduced contingency and an eroded budget provision for removal of the spoil from the site.

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- 8.13. If additional GBF funding is not provided, these costs will need to be covered by Braintree District Council, however, this will impact on their ability to bring forward further development on the wider Business Park site jeopardising the creation of 99 new jobs. Furthermore, the investment of further Braintree District Council funding in the project, would impact on their ability to bring forward other employment related projects resulting in the loss of commercial units for start-ups and SME's.

Outstanding risks to project delivery

- 8.14. The project was completed and officially opened in September 2022. The additional funding requested relates to increased costs incurred during the construction period and therefore there are no risks associated with the funding.

Outcome of ITE Assessment

- 8.15. As the original application for additional GBF funding included the delivery of works which sat outside the scope of the approved Business Case, the ITE were asked to review the application with a view to providing assurances that the project continued to comply with the requirements of the SELEP Assurance Framework. This review was completed; however, it was subsequently agreed that these additional works (extending the car park) would not be funded through the GBF and that the GBF funding would solely be used to support the works set out in the Business Case.
- 8.16. Due to time constraints a revised BCR was not provided, however, at the time of Business Case submission, the BCR was calculated to be 9.331:1. This was based on a total project cost of £16m. When the additional works are excluded from the project scope, the updated total project cost is £16.642m. As the change to the project cost has been minimal, there is confidence that the BCR remains comfortably above 2:1 and therefore the requirements of the SELEP Assurance Framework continue to be met.

Compliance with requirements for retention of GBF funding beyond March 2022

- 8.17. Information has been provided to demonstrate how the project meets the requirements agreed by the Board in May 2022 for all projects retaining their respective GBF allocations beyond 31 March 2022. This information is set out in Appendix F and demonstrates that the project meets all the requirements agreed by the Board.

9. Next Steps

- 9.1. As set out in Section 3 of this report, the award of any additional GBF funding to any of the projects outlined in this report is contingent upon receipt of Government approval for the increase in GBF funding allocation (for all projects except Techfort Phase 2) or the inclusion of the project within the GBF programme (Techfort Phase 2 only).
- 9.2. If a response from Government is not received in advance of the Board meeting, steps will be taken to secure a response as quickly as possible following the meeting.
- 9.3. Following the approval of the award of additional GBF funding by the Board and Government, there will be a requirement to complete Variation Agreements which update

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the Service Level Agreements in place between the relevant Upper Tier Local Authorities, SELEP Ltd and Essex County Council (as the Accountable Body for SELEP). No funding will be issued to local partners until the relevant Variation Agreements have been completed. Release of the funding is also dependent upon the timely return of the GBF funding originally awarded to the Swan Modular Housing Factory project by Essex County Council.

- 9.4. In accordance with standard reporting processes, each project in receipt of additional GBF funding will be required to provide an update on delivery and spend of the GBF funding at each subsequent Board meeting until delivery of the project has completed. Any risks with regard to spend of the GBF by the end of 2022/23, beyond that already identified on the Techfort Phase 2 project, will be presented to the Board at the next meeting.

10. Financial Implications (Accountable Body comments)

- 10.1. Essex County Council as Accountable Body to SELEP, is responsible for ensuring that the GBF funding is utilised in accordance with the conditions set out by Government for use of the Grant:

10.1.1. GBF was allocated through a grant determination from MHCLG (now Department of Levelling Up, Housing and Communications) via section 31 of the Local Government Act 2003; this is subject to the following condition:

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

- 10.2. The grant conditions do not impose an end date for use of the funding, albeit that it was the expectation of Government that all funding was defrayed by 31 March 2022.
- 10.3. All GBF is transferred to the sponsoring authority under the terms of a Funding Agreement or SLA.
- 10.4. The Agreements set out the circumstances under which funding may have to be repaid should it not be utilised in line with the conditions of the grant or in accordance with the Decisions of the Board.
- 10.5. Should the Board approve the award of GBF, a variation agreement will be put in place to the existing GBF service level agreement (SLA) in place between the Accountable Body, SELEP Ltd and Essex County Council.
- 10.6. The Accountable Body will not transfer GBF awarded by the Board until the variation agreements are complete and the funding associated with the Swan Modular Housing Project has been returned to the funds held by Essex County Council on behalf of SELEP.

11. Legal Implications (Accountable Body comments)

- 11.1. The terms set out in the grant conditions between the Accountable Body and Central Government for the Getting Building Fund will set out how the GBF is to be administered and used. If the recommendation to award funding to the projects is approved, a variation

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agreement will be put into place between the Accountable Body, SELEP Ltd and the lead authority.

12. Equality and Diversity Implications

- 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:
 - 12.1.1. Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
 - 12.1.2. Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - 12.1.3. 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 the ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and where possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

13. List of Appendices

- 13.1. Appendix A – Report of the Independent Technical Evaluator (as attached to Agenda Item 6)
- 13.2. Appendix B – Seven Sisters Country Park Visitor Infrastructure Uplift project Information
- 13.3. Appendix C – Discovery Park Incubator project information
- 13.4. Appendix D – Techfort Phase 2 project information
- 13.5. Appendix E – Enterprise Centre for Horizon 120 Business and Innovation Park project information
- 13.6. Appendix F – Compliance with conditions for GBF spend beyond 31 March 2022

14. List of Background Papers

- 14.1. [Seven Sisters Country Park Visitor Infrastructure Uplift – application for additional GBF funding](#)
- 14.2. [Discovery Park Incubator – application for additional GBF funding](#)
- 14.3. [Techfort Phase 2 – project Business Case](#)

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14.4. [Enterprise Centre for Horizon 120 Business and Innovation Park – application for additional GBF funding](#)

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

Role	Date
Accountable Body sign off Michael Neumann (on behalf of Nicole Wood, S151 Officer, Essex County Council)	18/01/2023