

Essex Renewal Fund (ERF) – Progress update and next steps, Jan 2024

Corporate Scrutiny Committee – Thursday, 25 January 2024

What we will cover

1. Recap from **previous Scrutiny Committees** (5 mins)
2. Reminder of **aims, funding model, eligibility criteria and governance processes** (15 mins)
3. **Progress update** (5 mins)
4. **Q&A** (10 mins)

1. Recap from previous Scrutiny Committees



Previous Scrutiny Committees

24 November 2020

- Welcomed the shift to investment **within the County**
- Requested a good balance between **internal capacity and capability / independent specialist expertise**
- Urged **openness and transparency** of decisions and performance (incl. revaluations)
- Raised concerns around application of **PWLB borrowing guidance**

24 March 2022

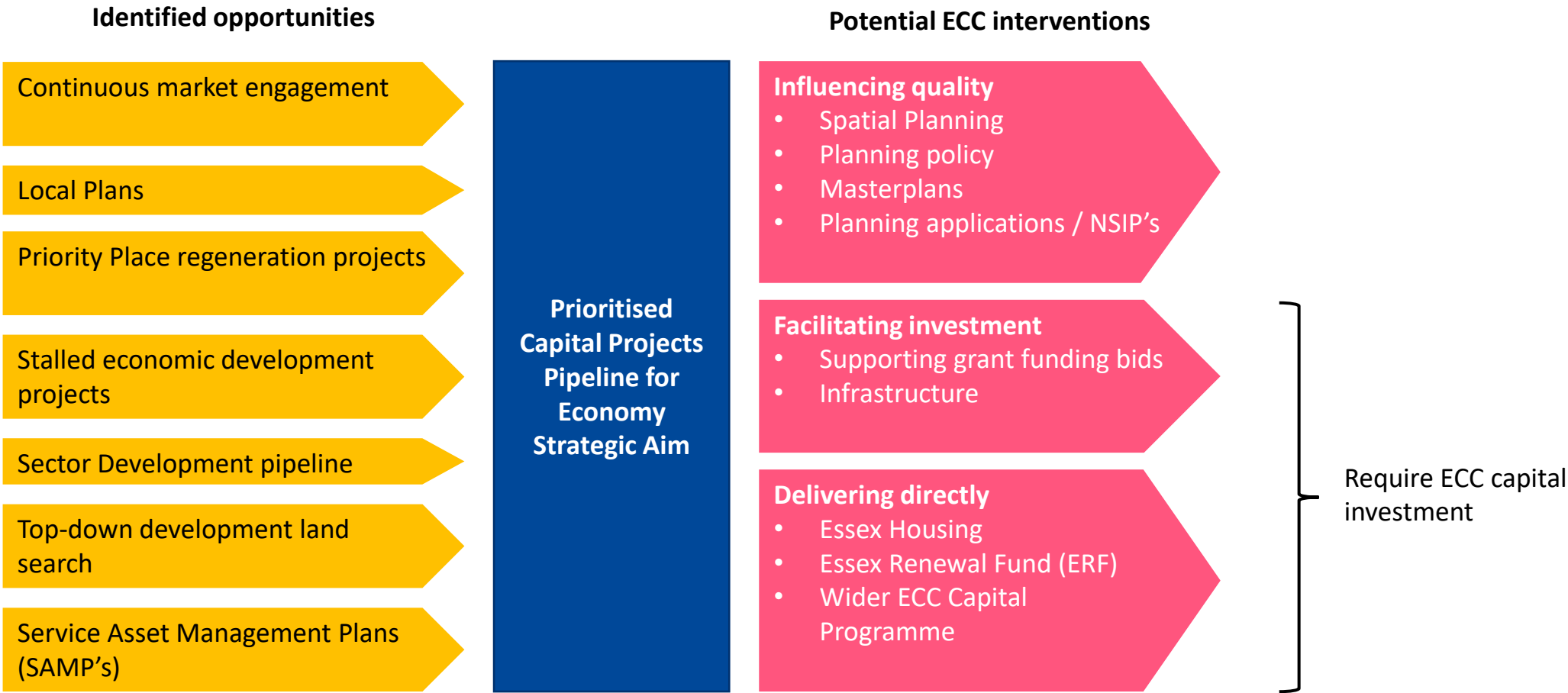
- Welcomed the expectation of **Net Zero carbon in operation** for new build projects
- Raised concerns around monitoring of environmental performance and **embodied carbon**

2. Reminder of aims, funding model, eligibility criteria and governance processes



Prioritised Capital Projects Pipeline for Economy Strategic Aim

‘Single front door’ approach



What are the intended benefits?

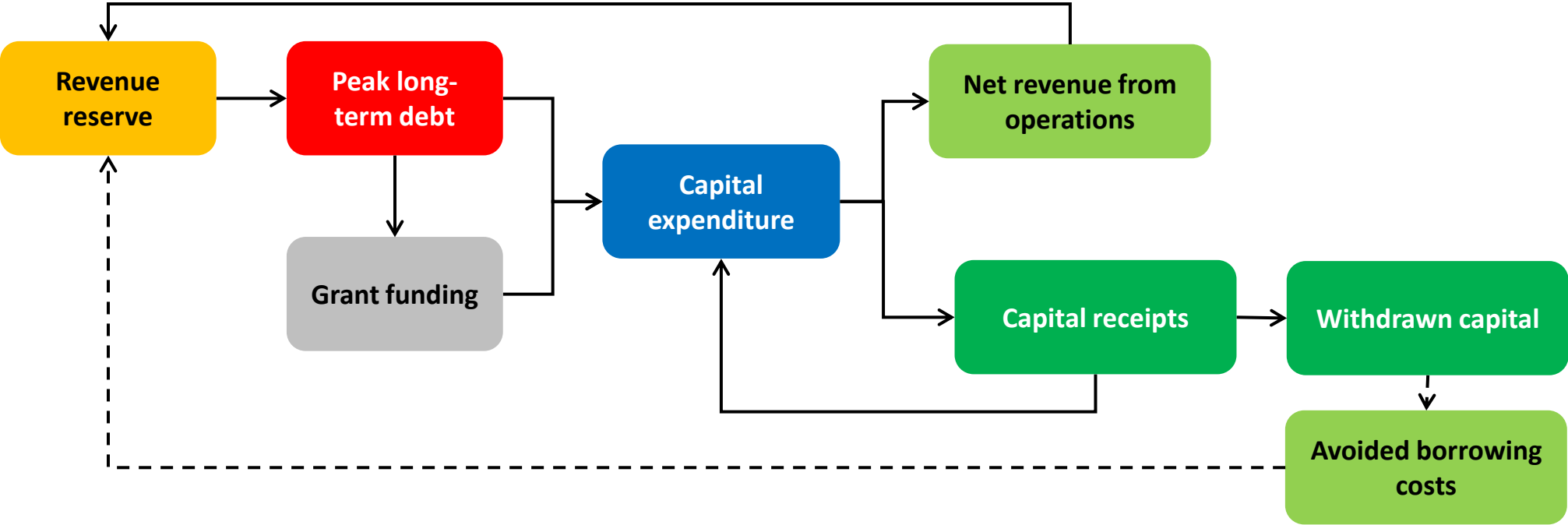
Over the next 20 years, the Fund aims to invest over £100m, supporting **1,500 jobs and bringing to market enough land to deliver 1,000 homes**

It will do this through **projects that the market wouldn't deliver** – or, may not deliver to such **high standards**

All new build projects will be expected to deliver **net zero carbon in operation**

It will have a catalytic impact beyond the projects that it supports directly, by building **confidence in Essex places and markets**, and providing **greater influence over quality** of placemaking and buildings

ERF Funding model



Jobs created /
safeguarded

New homes
enabled

Indirect /
catalytic
impacts









High-level project requirements

- **Land and property projects** – Must include **refurbishment, development** or bringing **development land** to the market. Any direct residential development, social infrastructure or renewable energy infrastructure must be ancillary to commercial uses
- **Within Essex** – Must be delivered **within the administrative area of Essex County Council** (this excludes Southend and Thurrock)
- **Addressing evidenced market failure** – Must unlock, accelerate, or enhance benefits for Essex residents and businesses **beyond “business as usual”**
- **Direct investment** – Must contribute towards **ECC’s capital programme**, rather than providing development

finance or non-recoverable grant funding to others. Can form partnerships to lever in external funding, or de-risk later phases of development for onward delivery by the private sector

- **Return on investment** – Must provide the required **return on investment** based on a **clear exit strategy**

Projects are prioritised based on their alignment with the following policy objectives...

Strong Inclusive & Sustainable ECONOMY		Good jobs	Job creation and safeguarding
		Levelling up the economy	Attract and retain investment and talent in strategic locations / least resilient areas
		Future growth and investment	Supporting start-ups and high-potential firms
		Green growth	Contribute to green growth and climate resilience
High Quality ENVIRONMENT		Transport and built environment	Keep momentum with / accelerate major housing and economic growth projects
HEALTH, wellbeing & Independence for All Ages		Healthy lifestyles	Encourage shift to sustainable modes of transport
A Great PLACE for Children & Families to Grow		Education outcomes	Provide opportunities for re-skilling / up-skilling
		Levelling up outcomes for families	Facilitate higher productivity economic activity

...as well as implementing the ERF Net Zero policy



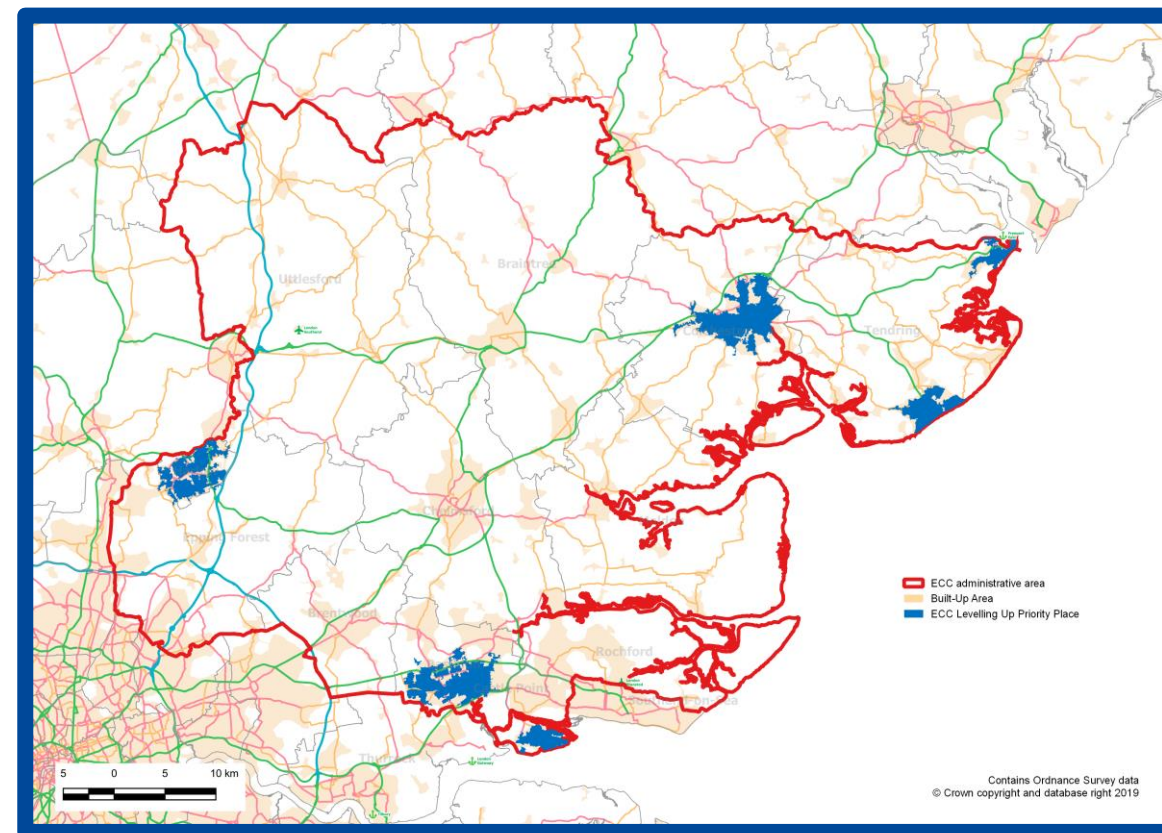
ERF Net Zero policy

1. All new build projects will be expected to deliver **net zero carbon in operation**.
2. Where possible, **external grant funding** will be use to enhance environmental performance.
3. Exceptions to the Net Zero expectation will be considered only where there is a clear opportunity to deliver on the Council's commitment to **Level Up Essex**. Decisions on exceptions at a project level must take account of the Fund's overall contribution to a Net Zero Carbon future.
4. Where a project is delivered with a lower contribution to a Net Zero Carbon future, it will target a higher financial return. This will allow for **cross-subsidy** into higher environmental credentials elsewhere.
5. Resources will be directed towards finding projects **on brownfield sites / refurbishment activity**.
6. Resources will be directed towards finding projects that support **green economic activity**, and development in **sustainable locations**.
7. **Waste minimisation** will be considered in procurement decisions.
8. **Lettings policies** will be designed to support growth and innovation in key sectors, including the green economy.
9. Divestment decisions will consider **long term stewardship** arrangements.



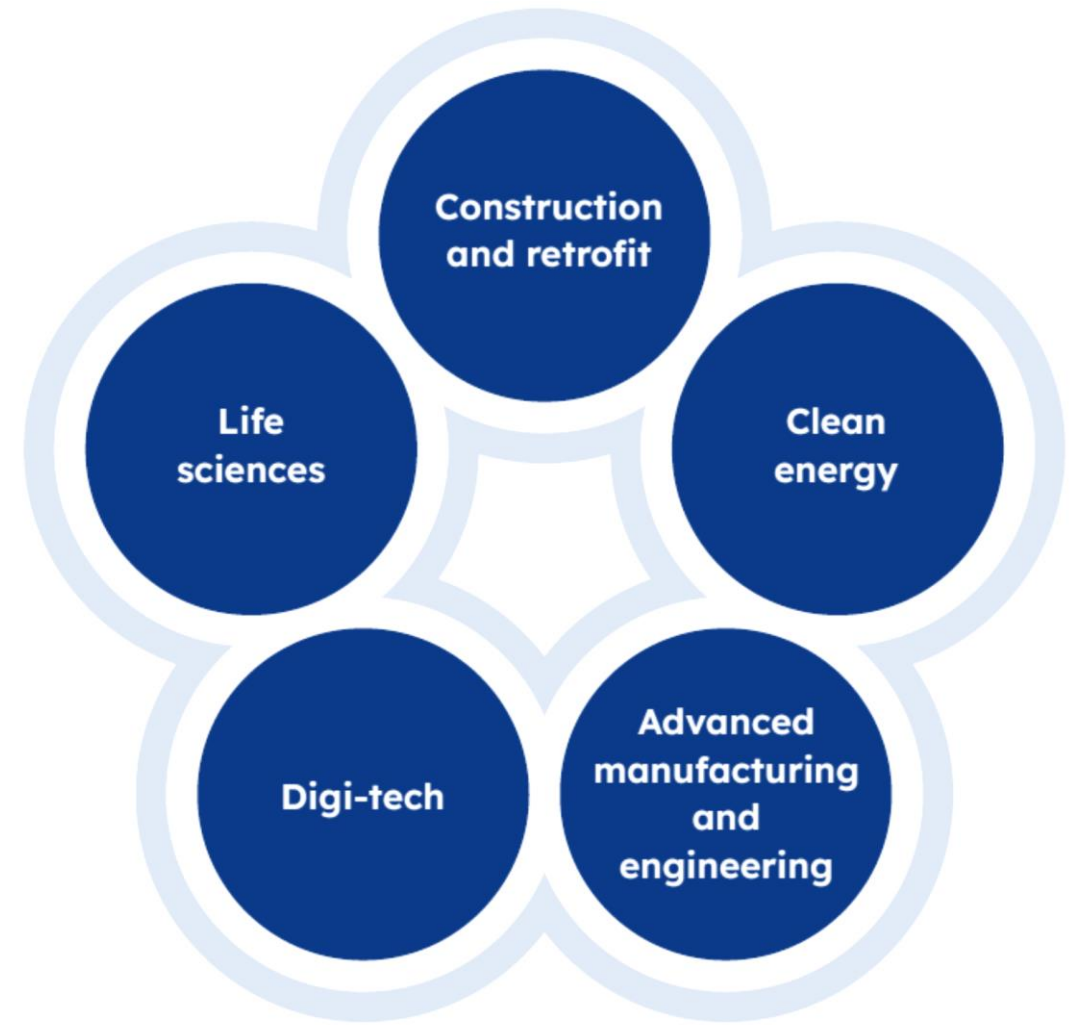
Priority places

- To help [Level Up Essex](#), the Fund focuses on attracting and retaining investment and talent in and around our **priority places for Levelling Up** (see right)
- The Fund also seeks opportunities to support our new **Garden Communities**
- Strong projects **outside of our priority places** are also considered



Priority sectors

- ERF nurtures **the five key growth sectors for Essex** identified in the [Essex Sector Development Strategy](#) (see right)
- The Fund also seeks opportunities to support **Essex town centres and high streets**
- Strong projects **outside of our priority sectors** are also considered

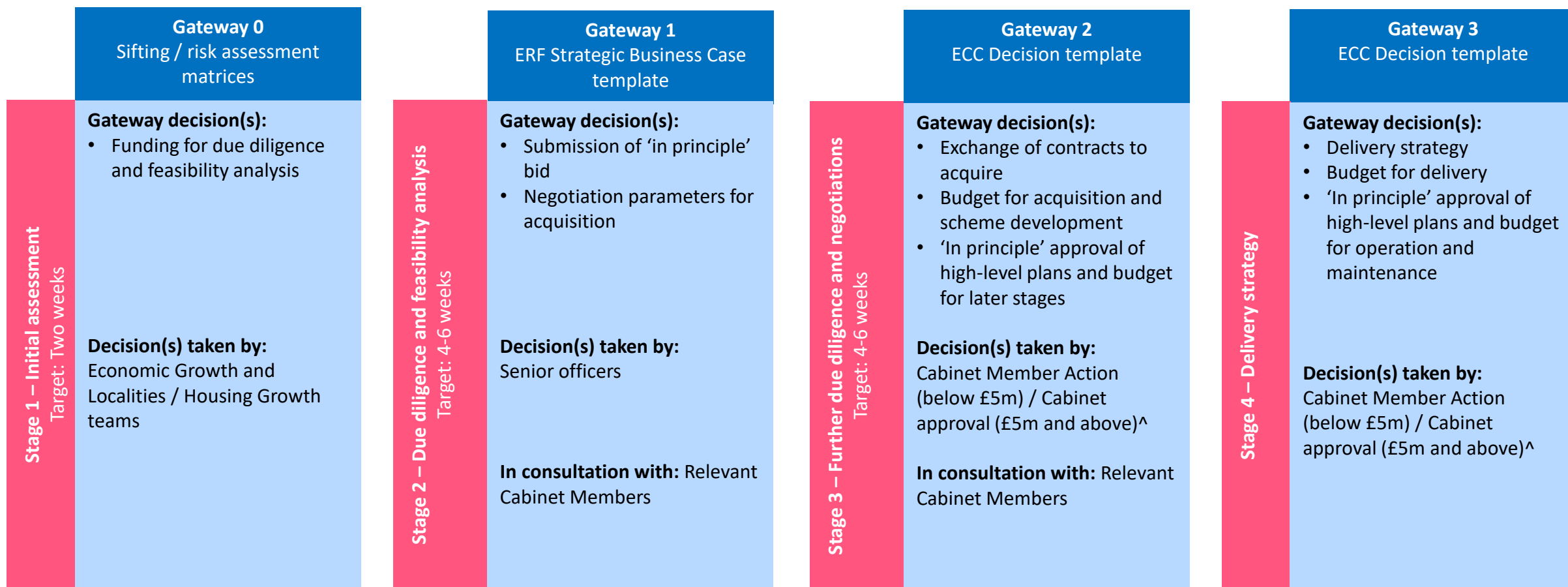


Project-level controls in place across the Five Cases

To be examined at each gateway

	Strategic Case	Economic Case	Financial Case			Commercial Case	Management Case
Control	Strategic fit	Cost Benefit Analysis	Maximum lot size	Cashflow modelling	Debt Management Office tests for PWLB borrowing	Investment readiness	Risk assessment
Metric	Scoring matrix across nine criteria, aligned to Everyone's Essex	Exchequer Benefit Cost Ratio (x.x : 1.0)	Total capital expenditure (£, acquisition and delivery, including that repaid by grant funding)	Post-financing IRR (% , assuming 100% debt)	Pass / fail for each of five tests	Scoring matrix	Scoring matrix
Criteria	To aid prioritisation by decision-makers	Pass / fail based on minimum hurdle (2.0 : 1.0)	Maximum of £12.5m	Pass / reliant on growth / fail (3.75% to 5.00% for EPC Rating A+; 4.25% to 7.00% for EPC Rating B)	Pass / fail overall	No criteria, to avoid only progressing easy / more developed projects, but visibility provided to decision-makers at each gateway	Minimum score of 2 out of 4 across all gateway criteria, and visibility provided to decision-makers at each gateway

How are projects selected / critical decisions taken?



* Senior officers' decision could be taken through written deliberation, without meeting (i.e. 'virtual')

^ Urgent decision procedure can be used, where appropriate

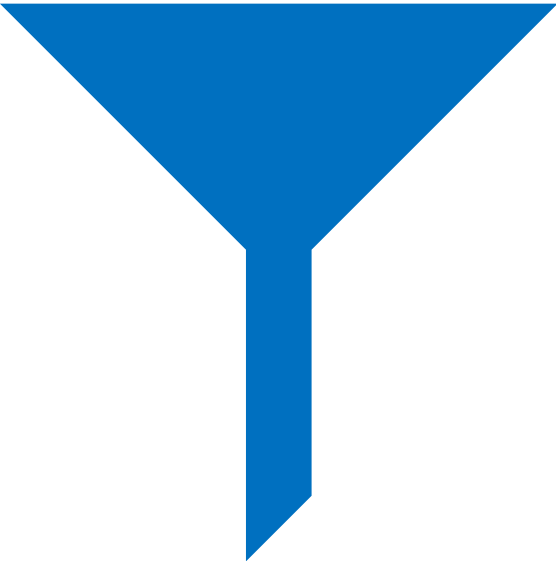
3. Progress update



Progress and next steps

	Progress	Next steps
Governance	<ul style="list-style-type: none"> • Cabinet Approval secured April 2022 • Paused in May 2023 following a period of high-cost escalation across the Council's capital programme, whilst pressures were mitigated • Officers from across functions meet fortnightly to support the investment management of the Fund 	<ul style="list-style-type: none"> • Anticipate two Gateway 2 decisions on projects in 2024/25
Recruitment	<ul style="list-style-type: none"> • Procurement Manager assigned to the Fund • Approach amended following unsuccessful efforts in 2022/23 	<ul style="list-style-type: none"> • Recruitment activity will recommence following approval of the 2024/25 Budget by Full Council on 13 February
Procurement	<ul style="list-style-type: none"> • Successful appointment for socioeconomic services 	<ul style="list-style-type: none"> • Fund and asset management tender, followed by lettings and facilities management
Pipeline	<ul style="list-style-type: none"> • Dedicated web page set up June 2022 • Two potential projects progressed to Stage 2, with two under review 	<ul style="list-style-type: none"> • Continue to progress the existing project pipeline • Further market engagement to follow appointment of Fund and Asset Manager

ERF pipeline as of 11 January 2024



	Reviewed	Passed	Pass rate (%)
Opportunities	55	14	25%
Gateway 0 Assessments	4*	2	50%
Gateway 1 ERF Strategic Business Cases	0	0	n/a
Gateway 2 ECC Decision Papers	0	0	n/a
Gateway 3 ECC Decision Papers	0	0	n/a

** Plus, two assessments currently in progress*

4. Q&A

