

Report to Accountability Board	Forward Plan reference number: FP/AB/104
Date of Accountability Board Meeting:	22nd September 2017
Date of report:	1st September 2017
Title of report:	
Report by:	Rhiannon Mort, SELEP Capital Programme Manager
Enquiries to:	Rhiannon.mort@essex.gov.uk

1. Purpose of report

- 1.1 The purpose of this report is to make the SELEP Accountability Board (the Board) aware of the value for money assessment for the Innovation Centre at the University of Essex Knowledge Gateway (Project) which has been through the Independent Technical Evaluator (ITE) process to enable £2m Local Growth Fund (LGF) to be devolved to Essex County Council for scheme delivery.

2. Recommendations

- 2.1 The Board is asked to:
- 2.1.1 **Approve** the £2m LGF allocation to the Innovation Centre, University of Essex Knowledge Gateway to support the delivery of the Project identified in the Business Case and which has been assessed as presenting high value for money but with low certainty of this being achieved

3. Background

- 3.1 This report brings forward this LGF Round 3 Project for the allocation of £2m LGF, in line with the Business Case which has been prepared for the Project and which has completed the ITE process, as a condition of the SELEP Assurance Framework.
- 3.2 The ITE report sets out the detailed analysis of the Project. This report is included in Appendix 1, of Agenda Item 5.

4. Innovation Centre, University of Essex Knowledge Hub

- 4.1 The University has created the opportunity to build an Innovation Centre as the focal point on its Knowledge Gateway Research Park. This development and the way in which it will be operated going forward is designed to have the potential to significantly increase the University's ability to realise its ambition of driving local and regional economic growth through becoming a globally recognised centre for data analytics.

- 4.2 LGF investment is sought to support the first delivery phase of the Innovation Centre project. The first phase of the Project includes a reception area, café and meeting room, together with a first range of lettable units and provides the basis for the later construction for two further wings of lettable units as demand grows.
- 4.3 The role of the Innovation Centre can be summarised as follows:
- 4.3.1 Attracting companies to come to the University of Essex to establish and grow their business. Companies will be attracted by the value-add of co-location and by the business support proposition and not just by the quality or pricing of the office space.
 - 4.3.2 Engage 'downstream' with the Entrepreneurship and Employability strategies supporting and encouraging research spin-outs and graduate/post graduate start-ups.
 - 4.3.3 Engage 'upstream' with move-on space in the Knowledge Gateway, Colchester and the wider region such that there is movement of companies through the Innovation Centre
 - 4.3.4 Introduce, and lever in, regional and University of Essex business support capabilities and programmes
- 4.4 The Innovation Centre is intended to attract companies to University of Essex to establish and grow their business, contributing to student employability strategies and enhance the position of the University as a national centre for Small and Medium Enterprises (SMEs).
- 4.5 The Project will also provide a benefit to the wider economy which will be measured in terms of new business starts/business growth, jobs created (423 net new jobs) and GVA added (£9.2 million) plus sectoral clustering.
- 4.6 There will also be additional benefits for the University in terms of increased business engagement, knowledge transfer and also a flow of expanding businesses to populate other "grow-on" units on the wider Knowledge Gateway (3 high growth businesses graduating each year).
- 4.7 The main projects objectives are to:
- Be operational by the first quarter of 2018
 - Have occupancy in excess of 85% during the fourth year of operation
 - To create 423 new net jobs in the first ten years
 - Facilitate at least 3 high growth businesses to graduate from the centre each year
 - Achieve a GVA of £9.2m in the first ten years
 - Be financially sustainable during the first ten years of operation

5. Innovation Centre Project Cost and Funding Profile

- 5.1 The total Project cost is estimated at £13m. In addition to the £2m LGF allocation, the remaining Project cost will be funded through funding contributions from the University of Essex and Essex County Council, as set out in Table 1 below.

Table 1 Innovation Centre Funding Profile

(£m)	2015/16	2016/17	2017/18	2018/19	Total
SELEP LGF			£1.000	£1.000	£2.000
University of Essex		£0.500	£1.750	£6.750	£9.000
Essex County Council	£0.250	£1.750			£2.000
Total	£0.250	£2.000	£2.750	£7.750	£13.000

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 value for money but with low certainty of achieving this.
- 6.2 The ITE review confirms that a sensible methodology has been applied, providing supporting evidence appropriate to making the case for investment.
- 6.3 The economic appraisal has been carried out following a Gross Value Added (GVA) approach, to assess the direct and indirect benefits of the Project. This approach is based on the 2014 guidance issued by the Homes and Communities Agency which gives direction on the measurement of the likely creation of jobs in addition to those directly created through an intervention and the English Partnership's *Additionality Guide (2008)*.
- 6.4 The value for money case is made in Gross Value Added terms which are not strictly compliant with the Green Book methodology, but are detailed in alternative (and supplementary) Government guidance. Using a broad 'rule of thumb' for converting jobs-based GVA into the social accounting framework used by the Green Book indicates that the scheme would still generate high value for money, albeit with lower certainty than if a direct 'welfare' calculation had been performed.
- 6.5 Through the management of the LGF capital programme any variations to the Project cost and/or expected project benefits will be monitored, to ensure the Project continues to offer high value for money. If there is a change to the Project which may detrimentally impact on the Project's value for money case, the Project's Business Case will be reviewed and a further decision may be sought from the Board.

- 6.6 The ITE review has confirmed that the Strategic Case is compelling. The Business Case demonstrates demand from SMEs for the type of work space planned as well as the research credentials and spinout potential of the University. An explicit description of problems and how the scheme can address them is provided together with a consideration of alternative land uses, including why the Innovation Centre is the preferred option.

7. Compliance with SELEP Assurance Framework

- 7.1 Table 2 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 2 SELEP 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		<p>The ITE review confirms that proposal provides detail on how this project will support the vision for the University and some alignment with the local Strategic Economic Plan.</p> <p>The ITE review confirms that the Gate 2 submission included additional commentary describing the Project's alignment with local/sub-regional/national policies/strategies provided.</p>
Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account		<p>The ITE review confirms that the scheme offers outputs such as new jobs created, new businesses supported and GVA uplift.</p> <p>Displacement and deadweight has been considered as part of the calculation.</p>
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be		<p>Risks around funding, construction, and ongoing operational sustainability are identified in a project risk register. Contingency costs have also been</p>

clearly understood)		included as part of the project budget. A Gantt chart is provided for the procurement and contracting process and will be updated following the contractor having been appointed.
A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions		A Value for Money assessment has been completed following a GVA approach. Whilst this does not generate a BCR estimate using welfare benefits, it is the ITE's view that, "Using a broad 'rule of thumb' for converting jobs-based GVA into the social accounting framework used by the Green Book indicates that the scheme would still generate high value for money, albeit with lower certainty than if a direct 'welfare' calculation had been performed.

8. Financial Implications (Accountable Body comments)

- 8.1 The current forecast spend for 2017/18 as set out in the Capital Programme Management report (agenda item 12), anticipates slippage of LGF of £7.890m (excluding retained schemes) and as such, there is sufficient LGF available in the current year to meet the planned spend requirement for the project in 2017/18.
- 8.2 The Government has previously stated that failure to spend LGF in the year allocated, may impact on future year funding allocations; the slippage in the current year identified in the Capital Programme Management report therefore represents a risk to future allocations for all projects. This position is being actively monitored by the SELEP Capital Programme Manager to address this risk (see Capital Programme Management report for further information).
- 8.3 It should be noted, however, that whilst future year grant payments from Government haven't been confirmed, funding for this project is included in the current indicative LGF allocations provided by Government. There is a risk, however, that the profiling of the indicative allocations of LGF is out of alignment with the current planned spend across the whole programme - this creates a forecast funding gap of £9.2m in 2018/19 and £17.3m in 2019/20 respectively. The funding gaps present a delivery risk to all projects that require LGF in those years. The Capital Programme Report sets out how that risk is to be managed. The funding gaps in both years are offset by an excess of funding in 2020/21 and the indicative programme funding is sufficient to meet the costs of all currently programmed projects and allocated projects over the life of the programme.

- 8.4 There are SLAs in place with the sponsoring authority which makes clear that future year funding can only be made available when the Government has transferred LGF to the Accountable Body.

9. Legal Implications (Accountable Body comments)

- 9.1 There are no legal implications arising out of this decision. All funding will be transferred to the sponsoring authority under the provisions of the SLA's currently in place.

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 were 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 6).

13. List of Background Papers

- Business Case for the Innovation Centre at the University of Essex

(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
Accountable Body sign off Lorna Norris (On behalf of Margaret Lee)	 14/09/2017