

Getting Building Fund (GBF) Funding Decisions

Forward Plan reference numbers: FP/AB/322, FP/AB/333, FP/AB/336, FP/AB/334/
FP/AB/328

Report title: Award of Getting Building Fund funding – High value for money, medium/low certainty	
Report to Accountability Board: 20 November 2020	
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Date: 26 October 2020	For: Decision
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SELEP Partner Authority affected: East Sussex, Essex, Medway and Thurrock	

1. Purpose of report

- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider the award of £4.789m Getting Building Fund (GBF) to the seven projects (the Projects) detailed at Appendix B. The Projects are included in the £85m package of 34 GBF projects agreed with Government in July 2020.

2. Recommendations

- 2.1 The Board is asked to:

2.1.1 **Approve** the award of a total of £4.789m GBF to the following seven projects which have been assessed as offering High Value for Money with medium/low certainty of achieving this:

- 2.1.1.1 Charleston Access Road, East Sussex- £89,293 GBF award, subject to government agreeing the change to the project outcomes (detailed in Appendix C).
- 2.1.1.2 Tindal Square, Chelmsford - £750,000 GBF award
- 2.1.1.3 South Essex, No Use Empty - £1.200m GBF award
- 2.1.1.4 Sussex Innovation Falmer, Covid Secure adaptations - £200,000 GBF award, subject to government agreeing the change to the project outcomes (detailed in Appendix C).
- 2.1.1.5 Creative Hub, 4 Fishers Street, Lewes - £250,000 GBF award, subject to government agreeing the change to the project outputs and outcomes (detailed in Appendix C).
- 2.1.1.6 Nexus, Harlow - £1.600m GBF award

2.1.1.7 Labworth Car Park, Canvey Island modernisation - £700,000 GBF award

2.1.2 **Agree** that once the No Use Empty project has been completed, a decision must be brought back to the Board to agree how any GBF held by Southend Borough Council in relation to the project should be spent.

2.1.3 **Note** that the award of GBF funding to the seven projects is subject to sufficient GBF being received by SELEP from Central Government in 2021/22. *This point is considered further in the GBF update report (agenda item 13).*

3. Background

- 3.1 In July 2020 a package of 34 projects totalling £85m was agreed with Government to be suitable for GBF investment.
- 3.2 A business case has been developed for each GBF project and has been subject to independent assessment by the Independent Technical Evaluator (ITE) against the requirements of the SELEP Assurance Framework.
- 3.3 All seven projects considered in this report have completed the ITE process. The GBF projects considered in this report have been assessed as presenting high value for money but with medium/low certainty. The medium/low level of certainty over the value for money case is due to a full economic appraisal having not been undertaken for these projects, or due to the benefit-cost ratio (BCR) falling short of the requirement for each project to demonstrate a BCR of 2:1.
- 3.4 The seven projects all have a GBF ask of less than £2m and are therefore being considered under value for money exemption 1 of the SELEP Assurance Framework.
- 3.5 For projects to satisfy value for money exemption 1, the following five conditions must be met by each project:
 - 3.5.1 The project has a benefit to cost ratio greater than 1.5:1, or the project benefits are notoriously difficult to appraise in monetary terms; and
 - 3.5.2 The funding sought from SELEP Ltd is less than £2m; and
 - 3.5.3 To conduct further quantified and monetised economic appraisal would be disproportionate to the capital funding ask; and
 - 3.5.4 There is an overwhelming strategic case (with minimal risk in other cases of the business case); and
 - 3.5.5 There are qualitative benefits which, if monetised, would most likely increase the benefit-cost ration to above 2:1.

- 3.6 All seven projects are considered to meet the requirements of the value for money exemption and are therefore recommended to the Board for funding approval.
- 3.7 The scheme promoters for the Nexus project have completed an economic appraisal which demonstrates a BCR of 1.94:1. However it is the ITE's view that the multiplier effect of the project in supporting the wider economy has not been included in the BCR calculation. If the multiplier effect had been factored into the BCR, this would likely increase the BCR above the 2:1 threshold. As such, the project is expected to present high value for money and is recommended to the Board for funding approval.
- 3.8 For the other six projects, monetised economic appraisal has not been undertaken as the cost of undertaking the appraisal would be disproportionate to the project's GBF funding ask. Based on the qualitative assessment of the project, the investment in these schemes is expected to present high value for money.
- 3.9 Full details of the projects can be found in the appendices and the outcome of the ITE assessment of each project under consideration in this report can be found at Appendix A.

4. Case for Investment

- 4.1 This report considers the award of £4.789m GBF funding to seven new projects, as prioritised for inclusion in the £85m funding package awarded by Government to SELEP. Further information on all seven projects can be found in Appendix C.
- 4.2 Information was presented to the Strategic Board about the expected project outputs/outcomes to inform prioritisation of projects and was included within the bid to Central Government to secure GBF. Through the development of the Business Case, there have been changes to some of these project outputs/outcomes to be achieved through the delivery of the project as more detailed assessment has been carried out to consider the project's expected benefits. Further information on any projects that have had changes to the project's outputs/outcomes can be found in Appendix C.
- 4.3 The overall programme outputs and outcomes included within the original funding submission have been agreed with Central Government. SELEP is required to agree any changes to the project outputs and outcomes with Central Government.
- 4.4 A GBF baseline report was provided to Central Government on the 13th November 2020, which provided updated information on the expected project outputs and outcomes, in line with the project business cases and the changes set out in Appendix C. MHCLG will be asked to agree this revised baseline information, as a means to approve the project changes identified in this report.

4.5 Government approval will be sought for this revised baseline before GBF is transferred to partner authorities, for those projects listed in appendix C. If the change is not agreed by Central Government, a further decision will be sought from the Board. The Board will be asked to either confirm that revisions will be made to the project to ensure that the original project outputs/outcomes can be delivered or to agree how the funding should be reallocated, based on the advice from Central Government.

4.6 No GBF will be transferred to partner authorities until the project changes have been agreed with Central Government.

4.7 **Charleston Access Road, East Sussex**

4.7.1 Table 1 provides an overview of the Charleston Access Road project.

4.7.2 The project seeks to improve the access to the Charleston Centenary museum, which SELEP has previously supported with a £120,000 Growing Places Fund loan.

4.7.3 Visitors to the site frequently suffer from punctures or struggle to navigate the farm track access road to the site. This currently deters visitors from returning to the Charleston Centenary farmhouse museum.

4.7.4 The project will help address these issues by providing drainage, road widening and resurfacing part of the access road.

4.7.5 The £89,293 GBF contribution provides insufficient funding to deliver improvements along the whole length of the road and therefore the issues which the project seeks to address will not be fully mitigated through the GBF investment alone.

4.7.6 Whilst the delivery of the GBF works are not dependent on additional funding being secured, additional funding sources are being sought to deliver further works to complete the improvements along the whole length of the road.

4.7.7 There has been a substantial reduction to the expected benefits of the project identified since the project was prioritised by the SELEP Strategic Board the original project submission was made to Central Government. This is due to the project scope having been reduced, as the GBF allocation received by the project is lower than included in the original bid by the applicant to the Federated Board.

4.7.8 The project is no longer expected to have a direct impact on job creation, whereas the original submission to Government suggested

that 26 jobs could be created. Instead the business case for the GBF investment focuses increased visitor numbers, through return visits.

4.7.9 Specifically, the ITE has commented that “the strategic case is compelling, demonstrating clear alignment with the objectives of the Getting Building Fund. The scheme will generate growth in repeat visits to Charleston Trust stimulating increased GVA of the local visitor economy”.

4.7.10 Given that the project no longer claims to create new jobs through the GBF investment, the Board is asked to consider this project on the basis of its contribution to the visitor economy. This change to the project outcomes will need to be agreed with Central Government.

Table 1: Overview of the Charleston Access Road project

GBF allocation: £89,293	Total project cost: £99,293
Key project benefits: <ul style="list-style-type: none"> • Improvement in visitor experience at Charleston; • Growth in repeat visitors • Reduction in negative feedback about access and vehicle damage. 	

4.8 **Tindal Square, Chelmsford**

4.8.1 Table 2 provides an overview of the Tindal Square project.

4.8.2 The scheme will remove motorised traffic from part of Chelmsford City Centre; reducing carbon emissions and improving air quality. The project will introduce a shared pedestrian space with a key cycle route connection.

4.8.3 The project will create a new public square of over 3,000sqm that provides a destination space for art, events and celebrations.

Table 2: Overview of the Tindal Square project

GBF allocation: £750,000	Total project cost: £3.350m
Key project benefits: <ul style="list-style-type: none"> • Increased footfall • Creation of 4 new restaurants/shops in the Shire Hall building creating an estimated 100 new jobs. 	

4.9 **South Essex, No Use Empty**

4.9.1 Table 3 provides an overview of the No Use Empty project.

4.9.2 The Project will provide three-year short-term secured loans to enable the return of long-term empty commercial properties back into use, for residential, alternative commercial or mixed-use purposes.

- 4.9.3 The Project replicates the scheme which has been supported by SELEP in Kent and Medway through Growing Places Fund investment.
- 4.9.4 The GBF will be paid to Southend on Sea Borough Council by the SELEP Accountable Body as a capital grant. The capital loan scheme will then be managed by Southend Borough Council and will operate as a revolving fund, with repaid loans being reinvested in new premises.

It is expected that the GBF will be invested in 2020/21 and 2021/22 and the capital loans issued through the project will take approximately three years to repay.

- 4.9.5 Once the initial tranche of loans has been repaid to Southend Borough Council, the GBF fund will be used to establish a revolving loan funding to support similar initiatives.
- 4.9.6 If at the end of the initial cycle of investment, due to end in approximately March 2024, Southend on Sea Borough Council decides not to continue to operate the Project as a revolving fund to support the redevelopment of commercial and/or residential properties, a decision will need to be brought back to the Board. The Board will be asked to agree how the funding repaid to Southend Borough Council should be reinvested.

Table 3: Overview of the South Essex No Use Empty project

GBF allocation: £1.20m	Total project cost: £2.65m
<p>Key project benefits:</p> <ul style="list-style-type: none"> • Support economic growth through new commercial activity: attracting new business rates, and creating and safeguarding jobs • Increase the number of new homes available as a result of mixed-use development: generating new council tax receipts and attracting Government New Homes Bonus • Support wider regeneration, assisting in improving the vitality and viability of existing commercial areas, improving the quality of the local environment, complementing wider regeneration activities and supporting community safety and cohesion. 	

4.10 **Sussex Innovation, Falmer – COVID-19 secure adoptions project**

4.10.1 Table 4 provides an overview of the Sussex Innovation Falmer – COVID-19 secure adoptions project.

4.10.2 The Innovation Centre has experienced a substantial decline in business tenants due to the effects of the COVID-19 pandemic on the viability of businesses in some sectors. The centre has therefore lost

tenants and is experiencing an unprecedented increase in vacancy rates, which threatens the long-term financial viability of the centre.

4.10.3 The GBF investment is necessary to ensure that the space can be adapted to accommodate social distancing and updated to offer services that are required to safeguard businesses and jobs in the centre.

4.10.4 There has been a reduction in the expected benefits of the project identified since the project was prioritised by the SELEP Strategic Board the original project submission was made to Central Government.

4.10.5 The project was previously expected to create 100 jobs. This figure has now reduced to 90. The project was also expected to safeguard 190 jobs but has been revised to 180 jobs safeguarded. This change has been identified through the more detailed work which has been completed to set out the expected benefits of the project, as part of the GBF business case.

4.10.6 Central Government will be required to agree this change to the project benefits. If the Government do not agree the change in outputs a further decision will be sought from the Board.

Table 4: Overview of the Sussex Innovation Falmer COVID-19 secure adaptions project

GBF allocation: £200,000	Total project cost: £300,000
Key project benefits:	
<ul style="list-style-type: none"> • A better, more suitable, environment for local businesses, fuelling economic growth and supporting economic recovery post COVID-19; • Creation of 90 new jobs*¹; • Safeguarding of 180 existing jobs*. 	

4.11 **Creative Hub, Lewes**

4.11.1 Table 5 provides an overview of the Creative Hub project, Lewes.

4.11.2 The project will convert a Grade-II listed former office premise in Lewes town centre into a co-working hub for the creative industries.

¹*There has been a change to the outputs and/or outcomes to be achieved through the delivery of the project, between those reported in the business case and those included in the original submission to Government. This change to the project outcomes will need to be agreed with Central Government.

4.11.3 As with the Sussex Innovation, Falmer, the expected outputs and outcomes of the project have reduced slightly, relative to those agreed with Government through the bidding stage and considered by the Strategic Board when the project was prioritised.

4.11.4 The area of new commercial floorspace has been revised from 777sqm to 533sqm. The number of FTE jobs created has also reduced from 35 to 30 jobs. This change has occurred as the project has been refined to develop the business case for funding approval.

4.11.5 Central Government will be required to agree this change to the project benefits. If the Government do not agree the change in outputs a further decision will be sought from the Board.

Table 5: Overview of the Creative Hub project, Lewes

GBF allocation: £250,000	Total project cost: £646,387
Key project benefits: <ul style="list-style-type: none"> • deliver 533 sq. m of redeveloped commercial floorspace*; • provide capacity for 30 FTE jobs (gross)*; • deliver 13 new office units*; • deliver 2 new co-working spaces; • deliver £420,689 of Land Value Uplift. 	

4.12 **Nexus, Harlow**

4.12.1 Table 6 provides an overview of Nexus, Harlow project.

4.12.2 Nexus, a 2,800 sqm multi-tenant office building was selected as the first development within Harlow Science Park as part of the wider Harlow Enterprise Zone.

4.12.3 The project seeks to establish the required fit-out across the first and second floors ready for tenant occupation and to establish a co-working space within the ground floor.

Table 6: Overview of the Nexus, Harlow project

GBF allocation: £1.576m	Total project cost: £11.762m
Key project benefits: <ul style="list-style-type: none"> • 2,787m² new commercial floorspace • 296 new jobs • £17,927,400 of new GVA generated over a 10-year period 	

4.13 **Labworth Car Park, Canvey Island modernisation**

4.13.1 Table 6 provides an overview of the Labworth Car Park project, Canvey Island.

4.13.2 The proposed package of works will remedy existing deficiencies of the car park, improve its visual amenity, increase capacity and allow its year-round use by eliminating localised surface-water flood risk.

4.13.3 The combined effect will be to deliver an improved, high-quality car park to support the Canvey Island seafront visitor economy, delivering an enhanced parking facility which has been identified by local businesses as integral to supporting their aspirations for future growth. Supporting the future resilience and growth of the local visitor economy

Table 6: Overview of the Labworth Car Park project

GBF allocation: £700,000	Total project cost: £911,696
<p>Key project benefits:</p> <ul style="list-style-type: none"> • The existing sea wall access ramp will be removed to unlock a more efficient layout and an increase in capacity. • The two separate parking areas will be consolidated and resurfaced using porous 'ecoblocks' to provide improved drainage and eliminate localised surface water flooding; • Changes proposed to access/egress will improve safety and reduce potential vehicle conflict; • Bay markings will be introduced to increase the capacity from c.180 bays to 203 bays, including 12 Blue Badge bays (where there are currently none); • Provision of 10 Electric Vehicle (EV) charging points. 	

5. Risks

- 5.1 Of the £85m GBF allocation secured by SELEP, £42.5m has been transferred to Essex County Council (as the Accountable Body for SELEP) in 2020/21. The second tranche of £42.5m GBF funding due to be received has, at this stage, only been provisionally allocated to SELEP and remains subject to confirmation from Central Government that the funding will be transferred in 2021/22.
- 5.2 There is therefore a risk that the second tranche of funding will not be received, which will present a risk to the completion of three of the projects set out in this report which are due to be delivered across the two-year period. Of the £4.789m GBF being considered under this report, £1.924m is due to be spent in 2021/22 and therefore being awarded subject to the second tranche of GBF being confirmed by MHCLG in April 2021.
- 5.3 If it is not possible for the projects to be completed, the realisation of project outcomes and impacts will also be adversely affected.
- 5.4 Each of the projects under consideration in this report has produced a comprehensive risk register which identifies the key risks faced by the Projects and sets out appropriate individual mitigating actions in each case.

No high risks have been identified in relation to the delivery of any of the projects included in this report.

- 5.5 For the Sussex Innovation and Creative Hub projects, discrepancies have been identified to the expected outputs/outcomes of the project between the original information presented to Central Government and the updated information contained within the project business case.
- 5.6 Within the letter to SELEP confirming the GBF, the overall expected outputs and outcomes to be delivered through the GBF have been specified based on the project information contained in the original application to Central Government. Any changes to GBF projects, including the project outputs and outcomes must be agreed with Central Government. The specific process for this has not been closely defined, but SELEP will initiate this change process.
- 5.7 The GBF funding will not be transferred for the projects until the changes have been agreed with Central Government and if the changes are not agreed, a further decision will be sought from the Board.

6. Financial Implications (Accountable Body Comments)

- 6.1 All funding allocations which are agreed by the Board are dependent on the Accountable Body receiving sufficient funding from HM Government. The Accountable Body has now received Getting Building Funding for 2020/21 from MHCLG in September 2020 of £42,500,000.
- 6.2 Should the second remaining tranche of GBF for £42.5m from Government be delayed or withdrawn in 2021/22 resulting in insufficient funding to the programme, there could be a risk to completion of GBF projects and delivery of outcomes.
- 6.3 The Accountable Body has now received Getting Building Fund grant conditions from MHCLG and is working with SELEP to establish service level agreements (SLA's) with each Lead Authority.
- 6.4 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.
- 6.5 All GBF will be transferred to the sponsoring authority under the terms of a Funding Agreement or SLA which makes clear that funding can only be made available when HM Government has transferred GBF to the Accountable Body.
- 6.6 Should the Board approve the award of funding in this report, the Accountable Body will transfer GBF funding to the sponsoring authorities on confirmation from Government that the changes to the outputs and outcomes for Sussex Innovation and Creative Hub projects are accepted.

6.7 The Agreements will 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.

6.8 Use of GBF allocation as a revolving capital loan scheme is permissible. Southend on Sea Borough Council (SBC) as Lead Authority are required to ensure that the loan is used for capital expenditure purposes in line with the definition of capital expenditure at SBC.

7. Legal Implications (Accountable Body Comments)

7.1 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 Getting Building Fund is to be administered and used.

7.2 Service Level Agreements will be put in place between the SELEP Accountable Body, SELEP Ltd and the six County/Unitary Authorities for the transfer of the funding in line with the terms of the grant conditions received from Central Government.

7.3 The report states, under 2.9.6 that if Southend on Sea Borough Council decide not to continue to operate the No Use Empty project as a revolving fund, a decision will be brought back to the Board to agree how the GBF should be reinvested. This specific requirement will be included within the conditions of the Service Level Agreement between Southend on Sea Borough Council, SELEP Accountable Body and SELEP Ltd.

8. Staffing and other resource implications (Accountable Body Comments)

8.1 An additional Capital Programme Officer role has been created within the SELEP team to help oversee the delivery of the Getting Building Fund.

9. Equality and Diversity implications (Accountable Body Comments)

9.1 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.

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

9.3 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.

10. List of Appendices

10.1 Appendix A – Report of the Independent Technical Evaluator (*see agenda item 13*).

10.2 Appendix B – GBF funding awards

10.3 Appendix C – GBF Project Information

11. List of Background Papers

11.1 Business Case for the Charleston Access Road project

11.2 Business Case for the Tindal Square project

11.3 Business Case for the South Essex No Use Empty project

11.4 Business Case for the Sussex Innovation, Falmer - COVID-19 secure adaptations project

11.5 Business Case for the Creative Hub project, Lewes

11.6 Business Case for Nexus project

11.7 Business Case for Labworth Car Park

(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 Peter Shakespear (On behalf of Nicole Wood, S151 Officer Essex County Council)	11/11/2020