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| Report to Accountability Board | Forward Plan reference number: FP/AB/120 FP/AB/121 |
| Date of Accountability Board Meeting: | 15th December 2017 |
| Date of report: | 24th November 2017 |
| Title of report: | Growing Places Fund award to Eastbourne Fisherman Project and South Essex College Centre for Advanced Engineering (CAE) |
| Report by: | Rhiannon Mort, SELEP Capital Programme Manager |
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| Confidential Appendix This report has a confidential appendix which is not for publication as it includes exempt information falling within paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended. | |

1. Purpose of report

- 1.1 The purpose of this report is to provide the Accountability Board (the Board) with an update on the progress towards the re-investment of Growing Places Fund (GPF) and for the Board to consider the award of funding to the Eastbourne Fisherman Project and the South Essex College Centre for Advanced Engineering (CAE).

2. Recommendations

- 2.1 The Board is asked to:

- 2.1.1 **Note** the risk to the GPF repayments from the Live Margate Project
- 2.1.2 **Approve** the award of £2.000m GPF to enable the delivery of the South Essex College CAE Project identified in the Business Case and which has been assessed as presenting very high value for money with high certainty of achieving this; and
- 2.1.3 **Approve** the award of £1.150m GPF to enable the delivery of the Eastbourne Fisherman's Project identified in the Business Case and which has been assessed as presenting very high value for money with high certainty of achieving this.

3. Growing Places Fund Context

- 3.1 To date, £48.705m GPF has been invested in 13 original GPF capital infrastructure projects. An update on the delivery of these existing projects was provided at the last Board meeting on the 17th November 2017.
- 3.2 Repayments under the loan agreements, between SELEP Accountable Body and Partner Authorities, are now being received on these initial loan investments. This provides the opportunity for SELEP to recycle the returned GPF in new GPF capital infrastructure projects.
- 3.3 In November 2017 the Strategic Board agreed, by electronic procedure, that a further eight projects should be prioritised for GPF investment over the next three years. These projects include:
 - 3.3.1 Colchester Northern Gateway (£2.000m GPF);
 - 3.3.2 Eastbourne Fisherman (£1.150m GPF);
 - 3.3.3 Fitted Rigging House (£0.800m GPF);
 - 3.3.4 Innovation Park Medway (£0.650m GPF);
 - 3.3.5 No Use Empty (£1.000m GPF);
 - 3.3.6 South Essex College Centre for Advance Automotive and Process Engineering (£2.000m GPF);
 - 3.3.7 Charleston Centenary (£0.120m GPF); and
 - 3.3.8 Javelin Way Development (£1.597m GPF).
- 3.4 The Eastbourne Fisherman's and South Essex College CAE project are the first two projects to complete the SELEP Independent Technical Evaluation (ITE) business case review process and to seek the draw-down of GPF in 2017/18.
- 3.5 Table 1 overleaf sets out the expected draw-down schedule for these eight new GPF projects.
- 3.6 The final award of funding to these eight projects is subject to an updated version of the business base completing the Gate 2 ITE review process and GPF approval by the SELEP Accountability Board, as a requirement of the SELEP Assurance Framework.
- 3.7 The business base must include a value for money appraisal to demonstrate that each project achieves high value for money for GPF investment and compliance with the SELEP Assurance Framework requirements for funding award.
- 3.8 The Board's approval of the remaining six projects will be phased based on the timescales for drawing down the GPF allocation, as set out in Table 1 below. The remaining projects will be considered at future Board meetings once the project business case has completed the ITE review process and pending sufficient GPF being available.

- 3.9 In 2018/19, whilst Table 1 shows a £260,000 over-profiling relative to the amount of GPF available. This will reduce the amount of contingency available in case of short term slippages to GPF repayments. However, if all GPF repayments are made as set out in Appendix 1, then there is sufficient GPF available to fund the eight projects.

Table 1 Prioritised GPF projects

| | | Funding Ask (£) | | | | |
|---|--|-----------------|-----------|-----------|-----------|-----------|
| | Scheme name | Federated Area | 2017/18 | 2018/19 | 2019/20 | Total (£) |
| Schemes recommended for further development | Colchester Northern Gateway | Essex | - | 1,350,000 | 650,000 | 2,000,000 |
| | Charleston Centenary | East Sussex | 120,000 | | | 120,000 |
| | Eastbourne Fishermen | East Sussex | 500,000 | 650,000 | - | 1,150,000 |
| | Centre for Advanced Automotive and Process Engineering | South Essex | 2,000,000 | - | - | 2,000,000 |
| | Fitted Rigging House | KMEP | | 550,000 | 250,000 | 800,000 |
| | Javelin Way Development | KMEP | | | 1,597,000 | 1,597,000 |
| | Innovation Park Medway | KMEP | - | 400,000 | 250,000 | 650,000 |
| | NUE Commercial | KMEP | - | 500,000 | 500,000 | 1,000,000 |
| Total GPF available (£) | | | 2,673,000 | 3,190,000 | 3,454,000 | 9,317,000 |
| Total GPF ask for prioritised schemes (£) | | | 2,620,000 | 3,450,000 | 3,247,000 | 9,317,000 |

4. Repayment of GPF and the Live Margate Project

- 4.1 The amount of GPF available for re-investment in new GPF projects is based on the GPF repaid to date and the amount expected to be repaid through existing loan agreements. The expected GPF repayment schedule is set out in Appendix 2.
- 4.2 Sufficient GPF has been repaid to date to enable the award of funding to the Eastbourne Fisherman and CAE projects considered as part of this report.

- 4.3 Kent County Council has, however, flagged a risk in relation to the draw-down and repayment of GPF for the Live Margate Project. This project was considered for GPF funding by the SELEP Board in March 2012 and was allocated £5m GPF.
- 4.4 Whilst a loan agreement is in place between the SELEP Accountable Body and Kent County Council in relation to the project, the Live Margate project is not yet in a position to invest the GPF. No GPF has been draw-down for this project to date.
- 4.5 A full update on the Live Margate project will be provided to the Board by Kent County Council at the next Board meeting on the 23rd February 2018, to provide further details on project delivery milestones, the GPF draw-down schedule and the expected GPF repayment schedule.
- 4.6 If the Live Margate is unable to make the first £1m GPF repayments in 2018/19 as scheduled in the loan agreement, and detailed in appendix 2, then this will reduce the amount of GPF available in 2019/20 for re-investment in the new GPF projects detailed in Table 1.
- 4.7 As four of the five new projects looking to draw-down GPF in 2019/20 are projects promoted by the Kent and Medway Economic Partnership (KMEP), in the first instance KMEP are asked to consider whether the full £5m GPF allocation should be invested in the Live Margate Project. This would reduce the funding allocation to new GPF projects in 2019/20.
- 4.8 Alternatively KMEP may wish to prioritise the new GPF projects and reduce the GPF allocation to the Live Margate project.

5. Eastbourne Fisherman's Project

- 5.1 Eastbourne Fisherman's Quayside and infrastructure development project is for the build of a Fishermen's Quay in Sovereign Harbour to develop local seafood processing infrastructure to support long term sustainable fisheries and the economic viability of Eastbourne's inshore fishing fleet.
- 5.2 The project has secured a £1m European Maritime Fisheries Fund (EMFF) grant, but GPF is required to forward fund the grant. This will enable the land purchase to progress whilst the land is available and to deliver the infrastructure delivery.
- 5.3 If the project does not go ahead, the land which the Eastbourne Fisherman Community Interest Company want to purchase may no longer be for sale and Eastbourne will cease to have a fishing fleet in Sovereign Harbour, meaning a loss of the majority of the 72 fishing jobs and over £2,000,000 revenue per year as well as the resulting impacts on the local economy.
- 5.4 The without the infrastructure to modernise the quayside and primary landings site for the fleet, it is unlikely that the Eastbourne fleet will continue to exist.

- 5.5 The project is closely aligned with SELEP's ambition to support the economies of coastal communities. The project also has a strong fit with National Policy and the UK Government's Fisheries 2027 vision, which seeks to support small –scale fishing owing to the economic and cultural benefits for local communities.
- 5.6 The total project cost is estimates at £1.460m, with a GPF allocation of £1.150m. The remaining funding contributions will include a £0.070m contribution from the Community Interest Company (Eu110CIC) which has been set up by the fishermen, and £0.240m from East Sussex County Council – East Sussex Invest 4 (ESI4). The funding profile for these contributions is set out in Table 2 overleaf.

Table 2 Eastbourne Fisherman's Funding profile (£m)

| Source | 2017/18 | 2018/19 | 2019/20 | 2020/21 | Total |
|---------------------------|--------------|--------------|--------------|---------|--------------|
| GPF (public) | 0.500 | 0.650 | | | 1.150 |
| ESI4 loan (public) | 0.200 | | | | 0.200 |
| ESI4 grant (public) | | 0.020 | 0.020 | | 0.040 |
| Eu10CIC capital (private) | 0.070 | | | | 0.070 |
| TOTAL | 0.770 | 0.670 | 0.020 | | 1.460 |

- 5.7 Of the £1.150,000 GPF loan, £900,000 will be paid the European Maritime Fisheries Fund (EMFF) grant, which will be available to repay the GPF loan once the project is delivered, as the EMFF grant operates on a spend and reclaim basis. However, as the GPF cannot be spent on land purchase the remaining £250,000 GPF loan will be repaid through the increase in revenue as a result of the processing infrastructure, mooring fees and commission to the Eastbourne Fisherman's Community Interest Company.
- 5.8 The GPF repayment schedule is shown in Table 3 below. If the Board approves the award of £1.150m GPF to this project, the repayment schedule will also be included in the loan agreement between the SELEP Accountable Body and East Sussex County Council.

Table 3 Eastbourne Fisherman's GPF repayment schedule (£m)

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Total |
|---------------|---------|---------|---------|---------|---------|-------|
| GPF repayment | | 0.900 | | 0.250 | | 1.150 |

6. Eastbourne Fisherman's Project Outcome of ITE review

- 6.1 The assessment of the Business Case for the Eastbourne Fisherman's Project confirms that the project demonstrates high value for money with high certainty of value for money.

- 6.2 The economic appraisal has been conducted following a Gross Value Added (GVA) approach, based on the number of safeguarded jobs and new jobs created through the project. A very high Benefit Cost Ratio (BCR) has been calculated for the project at 69:1.
- 6.3 The ITE has stated that there is a clear strategic rationale for the project. There is a clear schedule and procedure for payback of the loan which demonstrates that the project will contribute to the revolving fund. The quantifiable benefits of the scheme (jobs and increased revenue) support a good economic case for the scheme and the wider impact of ensuring the survival of the fishing industry in a deprived local area strengthen the value for money case.
- 6.4 The review also confirms that proportionate and sensible economic appraisal modelling has been carried out. This has demonstrated that the project represents high value for money.
- 7. Eastbourne Fisherman's Project Compliance with SELEP Assurance Framework**
- 7.1 Table 4 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 4 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 | | The Project is aligned to SELEP's objectives, including supporting the economy of coastal communities. |
| Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account | | <p>The expected project outputs and outcomes are set out in the Business Case, including the safeguarding of 72 jobs, creating new jobs and increasing fishing revenue.</p> <p>The economic appraisal has given consideration to displacement, leakage and deadweight.</p> |

| Requirement of the Assurance Framework to approve the project | Compliance | Evidence in the Business Case |
|--|------------|--|
| Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood) | | <p>The Business Case sets out clear development phases for the project.</p> <p>Design work has been completed and planning consent has been granted.</p> <p>A risk register, along with risk owners and mitigation measures, have been included as part of the Business Case. A contingency has been included in the project cost breakdown.</p> |
| A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions | | The Business Case demonstrates a very high BCR of 69:1, for the cost of GPF investment relative to the project benefits |

8. South Essex College Centre for Advanced Engineering (CAE)

- 8.1 The South Essex College (the College) is the largest Further Education provider in Essex with some 13,000 learners annually.
- 8.2 The CAE is one of three projects which the College intends to bring forward, in partnership with the Homes and Communities Agency (HCA), Redrow Homes and Basildon Council, through moving activities from the existing Nethermayne Basildon Campus to Eastwood.
- 8.3 The project will deliver a new £12m CAE in Eastwood, which will provide circa 8,000m² (Gross Internal Area) of state of the art advanced automotive, electronic, process engineering and technical construction facilities in new freehold premises.
- 8.4 The CAE meets a regional and local need for skills and employment in the automotive, engineering and construction industries. The College currently offers some provision at the Nethermayne campus and limited provision in Southend due to the nature of buildings and space available. Through curriculum planning, including discussions with employers and use of local labour market intelligence information the College has developed plans for a state of the art facility located equidistant to Southend and Basildon serving both conurbations and the wider South Essex catchment area.

- 8.5 It is expected that the project will support 896 new learners, the upskilling of adults and 224 new apprentices, including 16 – 18 year old apprentices and adult apprentices.
- 8.6 Furthermore, the project will also unlock land in Basildon for the delivery of 725 new homes, along with a new primary school and Air Ambulance landing facility. This will be achieved by working in partnership with the HCA, Redrow Homes and Basildon Council to move the Colleges activities from Basildon to Eastwood.
- 8.7 The total project cost is estimated at £12.005m, with a £2.000m GPF allocation being sought from the SELEP. In addition, funding contributions are also being made to the project by Redrow Homes (£8.505m) and Southend Borough Council (£1.500m), as set out in Table 5 below.

Table 5 South Essex College CAE Funding Profile (£m)

| Source | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Total |
|--------------------------|---------|---------|---------|---------|---------|---------|--------|
| GPF | 1.373 | 0.627 | | | | | 2.000 |
| Redrow Homes | 3.90 | 4.466 | 0.132 | | | | 8.505 |
| Southend Borough Council | 2.127 | -0.627 | | | | | 1.500 |
| Total | 7.408 | 4.466 | 0.132 | | | | 12.005 |

- 8.8 The expected GPF repayment schedule is set out in Table 6 below.
- 8.9 The repayments of GPF will be made through payments from Redrow. The payments from Redrow are outlined in the contract that the College has with the developers in relation to the Nethermayne site in Basildon. Further details of the repayment mechanism are provided in Appendix 4.

Table 6 South Essex College CAE Repayment Schedule (£m)

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Total |
|---------------|---------|---------|---------|---------|---------|-------|
| GPF repayment | | | | 2.000 | | 2.000 |

9. South Essex College CAE Outcome of ITE Review

- 9.1 The assessment of the Business Case for the CAE project confirms that the project demonstrates high value for money with high certainty of achieving this.
- 9.2 The economic case has been assessed based on the Education and Skills Funding Agency Financial Model. This assessment has produced a BCR

value of 5.23:1, which demonstrates high value for money for GPF investment in the project.

- 9.3 The ITE review of the Business Case confirms that a robust analytical exercise has taken place to assess the costs and benefits of the scheme. This has shown that the scheme delivers high value for money on the loan investment.
- 9.4 Additionally, a repayment schedule has been proposed which ensures that the scheme will contribute to the continuation of the revolving fund. Although the risk in relation to this GPF repayment mechanism is detailed in Appendix 4.

10. Compliance with SELEP Assurance Framework

- 10.1 Table 7 below considers the SELEP Secretariat assessment of the Business Case against the requirements of the SELEP Assurance Framework.
- 10.2 The assessment confirms the compliance of the project with SELEP's Assurance Framework.

Table 7 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 | | The need for GPF investment is clearly defined in the Business Case and links to SELEP objects to improve skills, support the creation of new jobs and delivery of new homes. |
| Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account | | The expected project outputs and outcomes are set out in the Business Case. These include new learners and apprentices. These outputs have been considered as part of the economic appraisal and value for money calculation, following the Education and Skills Funding Agency Financial Model. |
| Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood) | | <p>The Business Case sets out key project milestones and a risk register, including risk owners and mitigation measures.</p> <p>A contingency cost has been included in the Business Case.</p> |

| Requirement of the Assurance Framework to approve the project | Compliance | Evidence in the Business Case |
|---|-------------------|--|
| A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions | | A BCR has been calculated as 5.23:1, which indicates high value for money. |

11. Financial Implications (Accountable Body comments)

- 11.1 The GPF necessary to fund the two projects recommended for approval in this report is available following repayments made by round 1 GPF projects.
- 11.2 The funding will be allocated to the respective projects, subject to approval by the Board, through a loan agreement with Essex County Council as the Accountable Body for the SELEP; the loan agreement will incorporate the repayment schedule as set out in this report.
- 11.3 Any non-repayment of existing GPF loans will put at risk the allocations to the second cycle of GPF projects identified in table 1; for the GPF programme to be maintained as an effective recyclable loan scheme, it is imperative that all repayments are made in line with the agreed profiles.
- 11.4 The board are advised to consider the maximum time that GPF is ring-fenced for prioritised projects that are subsequently delayed in implementation, in order to maintain the availability of the fund for new projects. An example here is the Live Margate Project which has incurred a significant delay in implementations; this will potentially impact on the delivery of the projects due to come forward in this second round of GPF if the loan funding is allocated and then not repaid in line with the existing grant agreement.

12. Legal Implications (Accountable Body comments)

- 12.1 The GPF loans will be allocated out under a loan agreement with the Accountable Body.

13. Staffing and other resource implications (Accountable Body comments)

- 13.1 None at present.

14. Equality and Diversity implication

- 14.1 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.
- 14.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 14.3 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.

15. List of Appendices

- 15.1 Appendix 1 - Report of the Independent Technical Evaluator (As attached to Agenda Item 4).
- 15.2 Appendix 2 - Agreed GPF repayment schedule
- 15.3 Appendix 3a - Live Margate GPF Project Update
- 15.4 Appendix 3b - Confidential Live Margate GPF Project Update
- 15.5 Appendix 4 - Confidential Appendix CAE project

16. List of Background Papers

- Business Case for Eastbourne Fisherman's Project
- Business Case for Centre for Advanced Engineering
- Growing Places Fund prioritisation report to SELEP Strategic Board

(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) | 06/12/2017 |