

## Getting Building Fund (GBF) Funding Decisions

Forward Plan reference numbers: FP/AB/321, FP/AB/325, FP/AB/327, FP/AB/330,  
FP/AB/332, FB/AB335

<b>Report title:</b> Award of Getting Building Fund funding – high value for money and medium certainty (with a planning or BCR risk)	
<b>Report to Accountability Board:</b> 20 November 2020	
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<b>Date:</b> 29 October 2020	<b>For:</b> Decision
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<b>SELEP Partner Authority affected:</b> Essex, Southend and East Sussex	

### 1. Purpose of report

- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider the award of £13,672,500 Getting Building Fund (GBF) to the six 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 **Note** the risk to the value for money and outputs/outcomes offered by the Riding Sunbeams project due to the issues set and set out in section 4.11 of this report.

2.1.2 **Approve** the award of a total of £13,672,500 GBF to the following five projects which have been assessed as offering High Value for Money with Medium certainty of achieving this, this because either the projects do not have planning permission or exhibit a benefit cost ratio that may be sensitive to any net downside risks, or other:

2.1.2.1 Better Queensway Opportunity South Essex - £4,200,000 GBF award, subject to:

- Written confirmation from Southend Borough Council that planning permission has been granted, by 31 March 2021, the Board will be asked to agree that the GBF will be reallocated to the next project on the GBF pipeline at the first Board meeting in 2021/22

2.1.2.2 Jaywick Market and Commercial Space, Essex - £1,972,000 GBF award subject to government agreeing the change to the project outcomes (detailed in Appendix E).

- 2.1.2.3 Rocheway Independent Living, Essex - £713,000 GBF award subject to government agreeing the change to the project outcomes (detailed in Appendix E).
  - 2.1.2.4 Modus (Essex) - £1.960m GBF award subject to government agreeing the change to the project outcomes (detailed in Appendix E).
  - 2.1.2.5 Tendring Bikes and Cycle Infrastructure, Essex - £2.300m GBF award subject to government agreeing the change to the project outcomes (detailed in Appendix C). ; and
  - 2.1.2.6 Riding Sunbeams Solar Railways, East Sussex - £2,527,500 GBF award
- 2.1.3 **Agree** that if the planning consent for the Jaywick Market and Commercial Space project has not been successfully secured for the project by end of Q1 2021/22, the GBF must be returned to SELEP in full for reallocation to the next project on the GBF pipeline.
- 2.1.4 **Note** that the award of GBF funding to the six 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 14).*

### 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 six 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 certainty. The medium level of certainty over the value for money case is due to either a planning application yet to be formally approved or due to the benefit-cost ratio (BCR) falling within 0.1 divergence of the requirement for each project to demonstrate a BCR of 2:1. This suggests the project may be sensitive to any downside risks, such as risks which may increase the total cost of the project or reduce the scale of benefits to be delivered.
- 3.4 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 £13,672,500 GBF funding to six new projects, as prioritised for inclusion in the £85m funding package awarded by Government to SELEP. Further information on all six projects can be found in Appendix A.
- 4.2 Information was presented to the Strategic Board about the expected project outputs/outcomes to inform the prioritisation of projects and was included within the bid to Central Government to secure GBF. Through the development of the Business Case's for each Project, there have been changes to some of the project outputs/outcomes 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 E
- 4.3 The overall programme outputs and outcomes included within the original funding submission have been agreed with Central Government and SELEP is required to agree any changes to the project outputs and outcomes with MHCLG.
- 4.4 A GBF baseline report was submitted to Central Government on 13 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 E.
- 4.5 Government approval will be sought for this revised baseline before GBF is transferred to partner authorities for those projects listed in appendix E. If the change is not agreed by Central Government, a further decision will be sought from the Board, to 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 There is medium certainty over the value for money case for these six projects due to risks relating to planning, scale of benefits or other concerns. The concerns for each project are noted below. Whilst the six projects are recommended to the Board for funding approval, the Board is asked to consider the individual project risks as part of their decision making.
- 4.7 **Better Queensway, Southend on Sea**
- 4.7.1 Table 1 provides an overview of the Better Queensway project.
- 4.7.2 The project seeks to upgrade the local electrical networks to provide the needed grid capacity to meet the new Future Homes Standard on energy use and energy efficiency of newly built homes.

- 4.7.3 The Project is part of an estate and renewal project, seeking to transform a 5.2 hectare site to the north of Southend town centre.
- 4.7.4 A planning application was submitted for the project in September 2020, but planning permission is not expected to be secured until February 2021.
- 4.7.5 The planning application was developed following a six-month consultation period, including extensive engagement with residents. The responses to the consultation indicated strong support amongst the existing residents for the redevelopment.
- 4.7.6 Whilst the project risk register included in the business case indicates that there is a low risk to delays being experienced in determining the planning consent, if the application were unsuccessful this would impact the project delivery timescales.
- 4.7.7 As such, the Board is asked to approve the project subject to confirmation from Southend on Sea Borough Council that planning consent has been secured for the project. No GBF will be transferred to the project until this confirmation has been provided.
- 4.7.8 Given the time constraints in spending the GBF allocation and the relatively high GBF allocation to this project, if the planning consent has not been confirmed by Southend on Sea Borough Council by the end of 31 March 2021, the Board will be asked to agree that the GBF will be reallocated to the next project on the GBF pipeline, at the first Board meeting in 2021/22 which is expected to be 7 May 2021
- 4.7.9 If planning were to be refused by the Local Planning Authority the GBF allocation of £4.2m would automatically be reallocated to the next project on the GBF pipeline.

*Table 1: Better Queensway project*

GBF allocation: £4.2m	Total project cost: £21.9m
<p>Key project benefits as stated in the Business Case:</p> <ul style="list-style-type: none"> <li>• 1,669 new homes</li> <li>• 7,945sqm commercial space</li> <li>• 552 FTE jobs</li> <li>• Improved environmental benefits through energy efficiency;</li> <li>• Transport benefits through the delivery of road, cycle, pedestrian infrastructure to improve access to the town centre</li> <li>• Economic benefits through the creation of additional high-quality commercial space and increased spend through an increased population on the site</li> </ul>	

#### 4.8 **Jaywick Market and Commercial Space, Tendring, Essex**

- 4.8.1 Table 2 provides an overview of the Jaywick Market and Commercial Space project.
- 4.8.2 The scheme will result in construction and operation of a covered market and affordable business space on a gateway site in Jaywick Sands to support the local economy, grow local entrepreneurship, and grow and retain economic activity and job creation in the local area, which is one of the most deprived in the country.
- 4.8.3 The project will create 86 jobs and will support Green Recovery by providing an improved public realm and improved walkability of the area to increase the use of active modes.
- 4.8.4 Planning permission is not expected to be secured until May 2021. However, the application will be on land owned by Tendring District Council and within a designated regeneration area. The risk is considered as low by the scheme promoters and engagement with planning officers has already commenced.
- 4.8.5 Given the time constraints in spending the GBF allocation, the Board is asked to consider the risk relating to the planning consent in determining whether to approve the project. If the planning consent is not approved for this project, there would be very limited time available for an alternative project to be brought forward to spend the £1.972m GBF by 31 March 2022.
- 4.8.6 As GBF spend on the project is due to commence before the planning application has been determined (as set out in Appendix C), the funding decision in this report is not subject to planning consent being confirmed. However, the Board is asked to agree that if the planning consent has not been successfully secured for the project by end of Q1 2021/21, the GBF must be returned to SELEP in full for reallocation to the next project on the GBF pipeline.
- 4.8.7 This recommendation is being made to the Board due to the exceptionally short timescales available to reallocate the GBF if the project is unable to proceed.

*Table 2: Overview of the Jaywick Market and Commercial Space project*

GBF allocation: £1.972m	Total project cost: £2.128m
Key project benefits as stated in the Business Case:	
<ul style="list-style-type: none"><li>• Keeping spend local by creating space for local independent businesses</li><li>• Increased footfall through improved walkability of the area, incentivising active travel and improving health and wellbeing</li><li>• Creating space for community events</li><li>• 44 FTE jobs created</li></ul>	

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| <ul style="list-style-type: none"><li>• Increasing the job density within Jaywick Sands from 1 job per 14 residents to 1 job per 8 residents.</li><li>• 842sqm lettable floorspace (B1)</li><li>• 3700sqm Improved public realm, including community garden</li></ul> |
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#### 4.9 **Rocheway Independent Living, Essex**

- 4.9.1 Table 3 provides an overview of the Rocheway Independent Living project.
- 4.9.2 Phase 1 of the Rocheway project is currently underway and will deliver the development of 14 general needs houses to support the independent living of older people.
- 4.9.3 GBF investment will allow additional work to take place in Phase 1 that will support the viability of Phase 2, including funding enabling works, such as clearance/enabling/infrastructure work and mitigating negative land value so that a developer/provider can be secured to progress with Phase 2. The timelines for these Phases are set out in Appendix C
- 4.9.4 The benefits of the GBF investment specifically relate to enabling Phase 2 of the project. Phase 2 includes the delivery of 60 units for the independent living of older people.
- 4.9.5 The case for the GBF is based on a market failure and site viability issues, which have prevented phase 2 of the project proceeding to date. ECC have been unable to attract a private sector developer to complete phase 2 of the project due to the cost of the site enabling works required before Phase 2 is able to proceed.
- 4.9.6 The model for the delivery of Phase 2 involves Essex Housing, as part of Essex County Council, who have already undertaken design and secured planning permission for the project. Following this a developer/provider will be appointed to deliver and operate the scheme.
- 4.9.7 The purpose of the GBF investment is to improve the sites viability so as to attract a private sector developer/provider. However, the model of delivery does create a risk to the realisation of the benefits stated in the business case.
- 4.9.8 Whilst the GBF investment is expected to improve the viability of the site and enable a private sector developer to proceed with the delivery of the additional 60 units, a delivery partner has not yet been identified. As such, the Board is asked to consider the risk to the realisation of the project benefits as part of their decision making.

*Table 3: Overview of the Rocheway Independent Living project*

GBF allocation: £713,000	Total project cost: £5,836,247
<p>Key project benefits as stated in the Business Case:</p> <ul style="list-style-type: none"> <li>• 74 new homes in total (14 homes in phase 1 and 60 homes in phase 2)</li> <li>• Delivers 43 construction sector jobs as part of phase 1 and enables a further 186 through the enabling of phase 2 - 229 construction jobs across the development.</li> <li>• Supports the release of surplus public sector land for housing development.</li> <li>• Delivers cost avoidance to the public purse relating to site holding and security liabilities.</li> <li>• Supports economic growth and regeneration through the utilisation of brownfield land. Generates developer surpluses from phase 1 that are reinvested in public service delivery (with ECC acting as developer).</li> <li>• Supports health and wellbeing through retaining/improving local community sports facilities.</li> <li>• Delivers Independent Living units (Extra Care) for older people – to address an identified need that the market has not responded to.</li> <li>• ECC having nomination rights on all units which will result in revenue benefits to Adult Social Care of £86,384 per annum .</li> <li>• Better working environments and conditions for staff; improving recruitment and retention – with the scheme accommodating 30-35 care sector jobs according to research by Housing LIN.</li> </ul>	

## **4.8 Modus (Harlow)**

4.8.1 Table 4 provides an overview of the Modus (Harlow) project.

4.8.2 The project will provide collection of 5 mid-tech buildings to a total space of 4,774 square metres within Harlow Science Park for businesses focusing on all areas of science, technology, research and innovation. The units will offer complete flexibility to occupiers along with relevant localised landscaping and parking provision, as well as access to the wider science park services.

4.8.3 The project will stimulate the creation of 200 jobs at the science park and will support the green recovery by facilitating increased collaboration and productivity in the life sciences sector.

4.8.4 The economic appraisal exhibits a benefit cost ratio (BCR) of 2.01:1 which falls within a high value for money categorisation. As 2:1 is the threshold, over which a project is considered to present high value for money, if the project's benefits reduce or the total cost increases, the project's BCR may fall to 'medium'.

4.8.5 If there are any changes to the project cost or any changes to the project benefits which are expected to impact the value for money

categorisation a change request will need to be completed by the scheme promoter and considered for approval by the Board.

*Table 4: Overview of the Modus (Harlow) project*

GBF allocation: £1.96m	Total project cost: £6.96m
Key project benefits as stated in the Business case: <ul style="list-style-type: none"> <li>• The stimulation of employment space provided by the scheme will have an important role to play in the economic recovery</li> <li>• 190 new hi-tech jobs,</li> <li>• 27 jobs created through 'Community Heart' development</li> <li>• 54 construction jobs</li> <li>• 4645sqm of new commercial space</li> </ul>	

#### **4.9. Tendring Bikes and Cycle Infrastructure, Tendring, Essex**

4.9.1 Table 5 provides an overview of the Tendring Bikes and Cycle Infrastructure project.

4.9.2 The project will deliver a bespoke bike scheme and cycle network infrastructure between Jaywick Sands and Clacton with the aim of tackling inequality within one of the most deprived areas of the country.

4.9.3 The economic appraisal exhibits a benefit cost ratio (BCR) of 2.12:1 which means the project is sensitive to any net downside risks.

4.9.4 If the project's benefits reduce or the total cost increases, the project's BCR may fall to 'medium'.

4.9.5 If there are any changes to the project cost or any changes to the project benefits which are expected to impact the value for money categorisation a change request will need to be completed by the scheme promoter and considered for approval by the Board.

*Table 5: Overview of the Tendring Bikes and Cycle Infrastructure project*

GBF allocation: £2.3m	Total project cost: £2.4m
Key project benefits as stated in the Business Case: <ul style="list-style-type: none"> <li>• Will significantly increase for access of residents of Jaywick to employment opportunities in Clacton;</li> <li>• 2.5 miles of improved cycleway</li> <li>• Supports the Green Recovery by enabling mode shift from private car to active modes.</li> </ul>	

#### **4.10 Riding Sunbeams Solar Railway, East Sussex**

4.10.1 Table 6 provides an overview of Riding Sunbeams Solar Railway project.

- 4.10.2 The project will build and connect the world's first megawatt scale renewable solar energy plant directly powering the direct current railways located in the heart of East Sussex.
- 4.10.3 The project will be delivered through an innovation collaboration between green technology start-up Riding Sunbeams and Network Rail and will develop the route to market for subsidy free renewable energy generators to directly supply the UK's largest energy user.
- 4.10.4 Currently, it is expected that energy created will be sold to Network Rail, however, there is a risk as any Power Purchase Agreement is subject to competitive process.
- 4.10.5 Network Rail have committed to a short lease contract of 2-4 years to be provided with power from Riding Sunbeams. Beyond this timescale there is no obligation for Network Rail to purchase power from Riding Sunbeams. This raises the risk that the carbon saving benefits might not materialise beyond the initial four-year period which would significantly reduce the overall benefits of the scheme.
- 4.10.6 The scheme promoters are investigating other potential purchasers of the power as a risk mitigation strategy.
- 4.10.7 The value for money case for the project has been calculated over a 25 -year appraisal period using a method to monetise the carbon emission reduction and air quality improvements.
- 4.10.8 A 'conventional' Benefit-Cost ratio is not reported as the scheme generates savings in grid electricity costs which outweigh additional costs of the project, resulting in a net 'negative' cost, and, therefore, provides a 'negative' benefit cost ratio).
- 4.10.9 However, if the contract is not extended beyond an initial 2 – 4-year period, this will substantially reduce the scale of benefits delivered through the project.
- 4.10.10 The Board is as therefore asked to consider this risk to the value for money offered by the project and the risk that the outputs and outcomes detailed in Table 6 will not be achieved.

*Table 6: Overview of the Riding Sunbeams Solar Railway project*

GBF allocation: £2,527,500	Total project cost: See Confidential Appendix D.
<p>Key project benefits as stated in the Business Case:</p> <ul style="list-style-type: none"> <li>• Establishing the first proven route-to-market for direct-wire power purchase agreements, and the technical and commercial framework to help guide Network Rail's low carbon power procurement trajectory;</li> <li>• Creating green employment opportunities. Over the 25-year lifetime of the project it is estimated that the solar farm will support 40 jobs;</li> </ul>	

- Benefiting the region's electricity network resilience and providing capacity enhancement solutions whilst opening up renewable energy capacity for the rail industry
- Saving of annual carbon per megawatt of around 245t/CO2e;
- Stimulating local social and environmental impact through the development of community benefit and options for community investment.

## 5. Additional 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 funding due to be received has at this stage, only been allocated to SELEP and remains subject to confirmation from Central Government that the funding will be transferred in 2021/22. There is therefore a risk that the second tranche of funding will not be received, which will present a risk to the completion of the six projects set out in this report which are due to be delivered across the two-year period. If it is not possible for the projects to be completed, the realisation of project outcomes and impacts will also be adversely affected
- 5.2 SELEP have been asked for a total award of £13,672,500 for these six projects. £7,433,527 of this total is not due to be spent until 2021/22 and therefore is at risk until confirmation from Central Government for the 2021/22 funding has been received by SELEP.
- 5.2 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.

## 6. Financial Implications (Accountable Body Comments)

- 6.10 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 £42.5m.
- 6.11 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.
- 6.12 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.
- 6.13 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.

6.14 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.

6.15 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 Project outputs and outcomes are accepted

6.16 In considering the recommendations of this report, the Board is advised to assess the risk of a delay in spend of GBF in ensuring best use of funding and securing value for money in the use of the grant.

6.17 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.

## **7. Legal Implications (Accountable Body Comments)**

7.10 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.

7.11 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.

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

8.10 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)**

9.10 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.

- 9.11 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 9.12 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**

- 10.10 Appendix A – Report of the Independent Technical Evaluator
- 10.11 Appendix B – GBF funding awards
- 10.12 Appendix C – GBF Project Information
- 10.13 Appendix D – Confidential Information
- 10.14 Appendix E – Change of Outcomes

## **11. List of Background Papers**

- 11.10 Business Case for the Better Queensway project
- 11.11 Business Case for Jaywick Market and Commercial Space
- 11.12 Business Case for Rocheway Independent Living
- 11.13 Business Case for Modus (Harlow)
- 11.14 Business Case for Tendring Bikes and Cycle Infrastructure
- 11.15 Business Case for Riding Sunbeams Solar Railways

**(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)**

<b>Role</b>	<b>Date</b>
<b>Accountable Body sign off</b>  <b>Peter Shakespear</b> (On behalf of Nicole Wood, S151 Officer Essex County Council)	11/11/2020