

Developing a SELEP pipeline of LGF projects

1. Purpose

- 1.1 The purpose of this report is to set out a proposed approach to the development of a SELEP single pipeline of LGF projects.

2. Recommendations

3. The Strategic Board (the Board) is asked to:

- 3.1 **Agree** to the development of a short-term pipeline of projects for Local Growth Fund (LGF) investment to 31st March 2021 should funding be made available through one of the three sources set out in section 6 of this report.
- 3.2 **Agree** the proposed approach to the investment of LGF, including the project eligibility criteria, set out in Table 3 and the Assessment Criteria, set out in Table 4.
- 3.3 **Agree** one of the three timescale options, set out in Table 6, for developing the project pipeline:
 - 3.3.1 Option 1 – Shorter Timescale – Pipeline to be agreed on the 16th November 2018
 - 3.3.2 Option 2 – Recommended Timescale – Pipeline to be agreed on the 7th December 2018
 - 3.3.3 Option 3 – Longer Timescale – Pipeline to be agreed on the 22nd March 2019

4. Context

- 4.1 The South East Local Enterprise Partnership (SELEP) has secured a total of £570m LGF from Central Government through the three rounds of LGF to date. This funding was allocated to SELEP through a six year Growth Deal with Government (from 1st April 2015 to the 31st March 2021).
- 4.2 Through the delivery of the programme to date SELEP has secured flexibilities and ‘programme privileges’ from Government to make changes to LGF projects and the allocations received by individual LGF projects through the Growth Deal, without requiring further approval from Government. This has seen the introduction of additional projects into the LGF programme where these have been supported by the relevant Federated Board and the project has been awarded funding by the SELEP Accountability Board.
- 4.3 Central Government has, however, made clear through its latest review of LEP Governance and Transparency, their expectation that each LEP should maintain a strong single pipeline of projects which require investment across each LEP area. Whilst SELEP has previously achieved a single list of priorities for specific calls for projects, such as LGF Round 3, this list is now outdated and a process has not been established for new priorities to be added to this list. As such, the Strategic Board agreed at its meeting on the 16th March 2018 to “*establish and maintain a single pipeline of priority projects which will be used to identify the projects which utilise underspends in the event that it becomes available*”.
- 4.4 This report sets out an intended approach to review our investment priorities, to ensure they remain up to date, are aligned with work which is underway in developing the new SELEP Strategic Economic Plan and aligned with SELEP’s strategic objectives to ensure we are able to maximise investment opportunities through the current Growth Deal programme to 31st March 2021.
- 4.5 In the first instance, the development of a new SELEP pipeline is intended to identify short-term priorities for any unallocated LGF or LGF underspends which may become available – by



considering SELEPs short term priorities to 31st March 2021. This call for projects will be referred to as LGF 3B.

- 4.6** The longer term aspiration will be to apply the prioritisation approach to develop a medium- long term pipeline of projects which will serve as a basis to inform priorities for future funding sources. The development of this medium to longer term pipeline will follow the development of the SELEP Strategic Economic Plan (SEP).

5. Investment to date

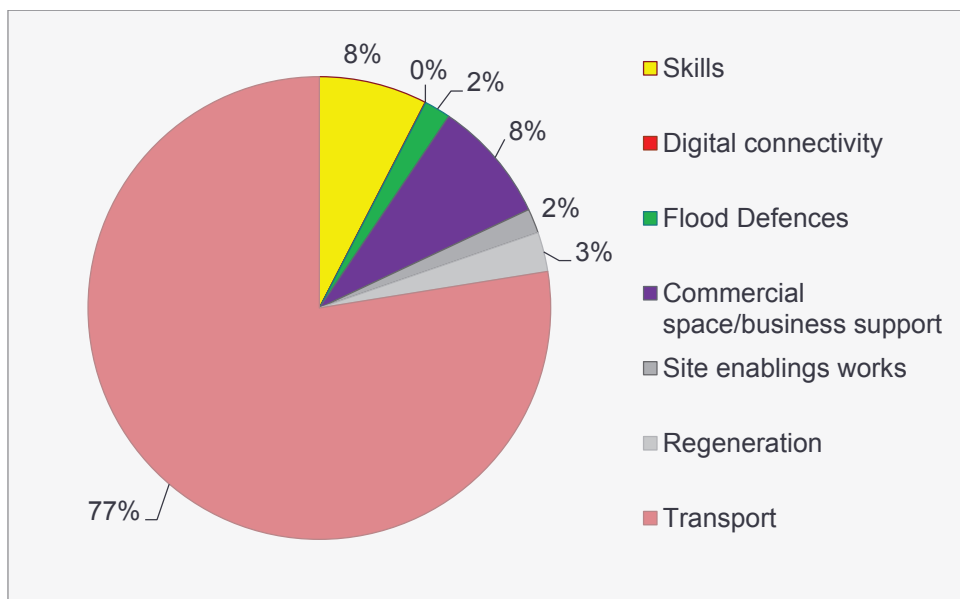
- 5.1** The first three years of the programme has seen spend of £228.733m LGF, including retained and non-retained schemes (*subject to confirmation through end of year 2017/18 reporting*).
- 5.2** The total amount of funding provisionally allocated to SELEP by Central Government totals £570m. Of this amount £561.6m has been allocated to a total of 97 LGF projects, with **£8.3m LGF remaining unallocated**.
- 5.3** LGF investment to date has focused predominantly on transport interventions, with the LGF programme currently including the allocation/award of £435.2m LGF to transport projects across SELEP; representing 77% of the LGF programme.

Table 1 LGF investment by theme (£m)

Theme	Skills	Digital connectivity	Flood Defence	Commercial space/business support	Site enabling works	Regeneration*	Transport	Total
LGF (£m)	42.6	0.2	10.4	48.1	9.6	15.5	435.2	561.6

*Eg. Coastal community and visitor economy projects

Figure 1 LGF Investment by theme (proportion of £561.6m allocated LGF)



6. LGF available

- 6.1 There are three potential sources of LGF available to support the delivery of projects identified through this short term pipeline development:
- 6.1.1 Source 1: £8.3m unallocated LGF
 - 6.1.2 Source 2: LGF which is currently allocated to projects, but which are unable to come forward within the timescales of LGF owing to project issues/delays; and
 - 6.1.3 Source 3: LGF underspends which are identified from projects which have been delivered to date.

Source 1

- 6.2 The LGF allocation for the 97 projects identified in the LGF programme totals £561.662m, whilst the allocation from the Ministry for Housing Communities and Local Government (MHCLG) and Department for Transport (DfT) currently totals £569.992m. As such, there is £8.330m LGF available for investment in 2020/21, as set out in Table 2 below. The difference is due to changes in projects since the original outline submission of projects in 2014.
- 6.3 There is currently forecast to be a slippage of £24.284m from 2018/19 to 2019/20, this is required to help mitigate the difference between the LGF available in 2019/20 and the forecast LGF spend in 2019/20. Should additional slippage be identified from 2019/20 to 2020/21 then there may be some flexibility to accelerate projects identified through LGF Round 3B. However, at this stage **projects are sought which are able to spend the LGF allocation in 2020/21.**

Table 2 LGF allocation relative to LGF actual/forecast spend (£m)

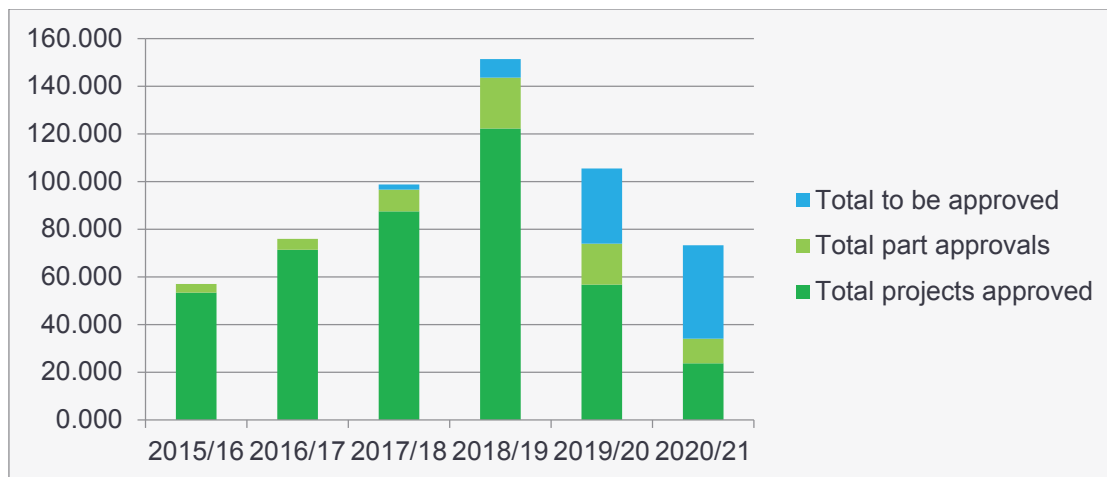
Current Forecast Position - Forecast spend v LGF available							
£m	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Actual spend or current forecast	55.562	69.730	80.732	105.272	90.808	57.900	460.005
LGF Allocation as per CLG	69.450	82.270	92.088	91.739	54.915	77.873	468.335
LGF Allocation b/fwd from earlier years		13.888	26.428	37.784	24.250	-11.642	
Total grant funding in year	69.450	96.158	118.516	129.523	79.165	66.231	
Over/ (under) allocation		26.428	37.784	24.250	-11.642	8.330	

Source 2

- 6.4 SELEP's Growth Deal programme comprises 97 projects, which have either been allocated for funding by the Strategic Board or have now received a full funding award by the SELEP Accountability Board. A list of these projects is provided in Appendix 6b. These have been divided into projects in green, which have received a funding award by SELEP Accountability Board, light green are those projects with part approval and those in blue which have not yet come forward to the Accountability Board for funding.
- 6.5 Whilst it is expected that a majority of the projects listed in blue will come forward for a funding award from the SELEP Accountability Board in 2018/19, some projects may be unable to demonstrate an ability to spend the LGF contribution by 31st March 2021 due to project funding gaps or other causes of project delays.

- 6.6 At the last Board meeting, the Board agreed the Principles set out in Appendix 1, for the management of LGF underspend. This may result in LGF being identified for reinvestment. The amount of LGF which is currently allocated to projects which have not yet come forward for a final funding award by the SELEP Accountability Board currently totals £64.4m, as shown in Figure 2 below. However, funding which is allocated to Department for Transport retained projects, such as A127 The Bell and A127 Fairglen Interchanges junction improvements and link road¹, is unlikely to be made available to SELEP for investment elsewhere in its capital programme. As such, **the maximum value of LGF which could be made available through Source 2 totals £38.9m.**
- 6.7 The £38.9m does not include projects which have received part funding to date or those more complex projects which have received a funding award by the Accountability Board in part, but where a full Business Case is being developed to secure the remaining funding allocation.

Figure 2 LGF spend approved to date



Source 3

- 6.8 To date, project underspends have been identified through project costs being lower than expected and efficiency measures being achieved through project delivery. It is Governments recommendation following the SELEP deep dive that *“SELEP should take steps to satisfy themselves that any underspend at a federated level is reallocated to the most promising and best value for money projects”*.
- 6.9 As such, it is expected that the pipeline of projects will be used as a basis to inform prioritisation by the Investment Panel about the use of any underspends which become available through LGF programme delivery.
- 6.10 Going forward, it is expected that LGF underspends will be reallocated to projects which are included within the SELEP LGF pipeline. Other emerging priorities may still be considered by the Accountability Board but local partners will need to justify why recommendations are being made to direct funding towards any project which is not included on SELEPs pipeline.

¹ Fairglen Interchange Link Road is not technically a Department for Transport (DfT) retained projects, but the intervention will be considered by the DfT as one overall Business Case for the Fairglen Interchange Junction Improvements and Link Road Project.



7. Development of SELEPs Pipeline - Call for projects

- 7.1** The development of a new SELEP pipeline of high quality and deliverable projects which will have a tangible impact on our economy is a sizable challenge. As such, it is recommended to the Board that the call for projects should first focus on short term priorities for capital grant funding which are deliverable by 31st March 2021.
- 7.2** A further call for projects will take place to identify medium – long term investment priorities, aligned with the new Strategic Economic Plan and any funding criteria identified by Government. The proposed approach in this report will act as a pilot for the development of a medium – long term pipeline of projects during 2019/20.
- 7.3** It is proposed that a three stage process should be implemented, following a similar approach to the recent Growing Places Fund (GPF) prioritisation exercise, as follows:

Stage 1 – Expressions of Interest

Stage 2 – Scheme prioritisation

Stage 3 – SELEP Accountability Board funding decision

8. Stage 1 – Expressions of Interest

- 8.1** The first proposed stage in the process will be to identify potential projects through an open call for projects publicised by SELEP, local authority and Federated Board. The opportunity will be publicised on the SELEP website, social media and through media releases with any bids received by SELEP directly being shared with to the relevant Federated Area. Likewise, the funding opportunity will also be publicised by Local Authorities and Federated Boards.
- 8.2** For all projects identified, the scheme promoter is required to complete an LGF Expression of Interest (EoI) template which will be made available on the SELEP website. The Federated Areas will then sift EoIs using the eligibility criteria set out in Table 3 below, to consider the projects suitability for LGF funding. Projects which fail to meet the key criteria should be discarded by Federated Boards.
- 8.3** Those projects which pass the initial sift against the eligibility criteria should then be considered and assessed based on the criteria set out in Table 4 below.
- 8.4** It should be noted that there is some overlap between the eligibility criteria set out in Table 3 and the assessment criteria set out in Table 4. This is to reflect the fact that eligibility criteria are binary (yes/no) but, for eligible schemes, there may be variation in their performance against these criteria. For example, while two schemes may both be able to spend LGF prior to 31st March 2021 (eligibility criteria), one scheme may have a greater certainty of doing so in advance of this date (assessment criteria).
- 8.5** In order to assist with Stage 1, the Independent Technical Evaluator (Steer Davies Gleave) will prepare a flexible assessment template based upon the criteria in Table 3 and Table 4 that Federated Areas must use to inform their own sifting exercise. In parallel, the ITE will undertake their own assessment using the same template, to inform a discussion with each Federated Area regarding the relative merits of each potential project, ahead of submission of their sifted proposals (and assessment by the Federated Area) to be taken forward into Stage 2.
- 8.6** At the stage of completing an EoI it is not expected that a quantified Value for Money assessment will have been completed. However, a Value for Money assessment will be required as part of Stage 3. Any available evidence regarding the potential Value for Money of proposals may also be used to inform the Stage 2 prioritisation exercise.



- 8.7 LGF 3B will operate as an Open Call for Projects. Federated Boards may wish to review previously unsuccessful LGF Round 3 bids and unsuccessful GPF bids. However, there is no intention for greater weight to be placed on previously submitted bids through the prioritisation process.
- 8.8 It is expected that funding requests per project should be between £250,000 and £8,000,000 in value. However, smaller or larger scale projects may be considered if there is an overwhelming strategic case and no substantial delivery risks.
- 8.9 To ensure a proportionate approach to the scale of funding available, no Federated Area should put forward projects to SELEP for Stage 2 which, in total, exceed the maximum potential amount of LGF available (**£47.2m**). For projects to progress to Stage 2 they must be nominated by a Federated Board and have support from the relevant Upper Tier Authority.

Table 3 Project eligibility criteria

Criteria	Evidence Sought	Scoring Guide
Align with SELEP’s objectives to support economic growth	Evidence provided that the scheme contributes to SELEP’s economic growth objectives.	Pass/fail
Requires capital investment	LGF can only be used for capital investment and cannot be used as revenue	Pass/fail
Demonstrate an ability to deliver the project following the legal requirements for investment of public funds	This includes consideration for the requirement to follow public procurement regulations to the extent which is applicable and demonstrate that the investment does not constitute as State Aid.	Pass/fail
Must be able to spend the LGF by 31 st March 2021	The LGF will predominately be available in 2020/21. However, there may be the potential to accelerate the LGF spend in 2018/19 and 2019/20. Evidence is to be provided to demonstrate that LGF will be spent by 31 st March 2021	Pass/fail

9. PAN LEP projects

- 9.1 For Pan LEP projects to be brought forward, they should seek endorsement from a Federated Board and County Council/ Unitary Authority, to act as the promoting authority. For Pan LEP projects, the promoting County Council/ Unitary Authority will be required to provide officer sign off to the Expression of Interest and provided S151 officer sign-off of the Strategic Outline Business Case (SOBC) to be submitted to SELEP.
- 9.2 Endorsement for the project by the Federated Boards of the other areas of SELEP involved in the Pan LEP project is also strongly encouraged, to ensure support as the project progresses to



consideration by the Investment Panel. As a minimum, the lead officer from the other Federated Areas should be made aware of the bid proposal.

10. Projects with existing LGF allocations

- 10.1** Projects with an existing LGF allocation, but with a funding gap which is currently preventing the delivery of the project may be put forward for an additional LGF allocation through LGF Round 3b. These projects will be assessed alongside the emerging priorities for investment and will require Federated Board endorsement, as set out in Stage 1.
- 10.2** Where a Business Case has already been submitted for such a project, then the Business Case should be submitted alongside the EoI.

11. Stage 2 projects

- 11.1** For projects which are identified as meeting the eligibility criteria, listed in Table 3 above, and which are endorsed by the relevant Federated Board, scheme promoters will be asked to prepare Strategic Outline Business Cases (SOBCs) that will be prioritised by SELEP Investment Panel.
- 11.2** An ITE assessment of the SOBC's will be completed for all projects promoted by the Federated Boards, to help inform decision making by Investment Panel. This assessment will be completed based on the proposed assessment approach, as set out in section 11.4, 11.5 and Table 4 below.
- 11.3** Once SOBCs have been submitted the SELEP ITE will undertake an initial sifting exercise to check that each promoter has submitted all evidence required to demonstrate compliance with the eligibility criteria. Following this, the SELEP ITE will proceed to assess the remaining applications for the technical quality of the SOBC.
- 11.4** The quality of the evidence provided under each section of the SOBC will be assessed on a three-point scale as follows:
 - 11.4.1** Red = unsatisfactory/poor quality evidence provided;
 - 11.4.2** Amber = somewhat satisfactory/moderate quality evidence provided; and
 - 11.4.3** Green = satisfactory/high quality evidence provided.
- 11.5** Table 5 sets out how the RAG rating will be applied against each of the assessment criteria.
- 11.6** Following the evaluation of each submission, the SELEP ITE will develop an initial prioritised list. Schemes will be ranked by their performance under sections:
 - 11.6.1** Strategic fit;
 - 11.6.2** Deliverability and benefit realisation;
 - 11.6.3** Evidence of stakeholder support; and
 - 11.6.4** Potential value for money.
- 11.7** Consideration will also be given to the remaining sections of the SOBC, listed in Table 4, especially where there are a large number of projects which score well based on the four criteria listed above.

Table 4 – Assessment Criteria

Assessment Criteria	Evidence Sought	Scoring Guide
Support from relevant Federated Board	The Project must be supported by the relevant Federated Board. This should be evidenced through Federated Board meeting minutes.	Pass/fail
Support from the relevant Upper Tier Authority	Each funding bid must secure sign off from the S151 officer of the relevant Upper Tier Authority.	Pass/fail
Strategic fit	Evidence of a strategic fit with SELEP objectives to deliver economic growth, and evidence that the benefits will be delivered within the SELEP area.	Red/Amber/Green
Option generation and sifting (including evidence of stakeholder support)	Evidence that a broad option generation and sifting has been undertaken with evidence of stakeholder involvement and/or wider public consultation/support	Red/Amber/Green
Rationale for funding request	Clear articulation of the rationale for requesting LGF funding including evidence that funding through the LGF is the most suitable available alternative.	Red/Amber Green
Deliverability and benefit realisation	Evidence regarding the projects deliverability and its readiness to move to delivery and benefit realisation stage within the timescales of the funding stream (including consideration of project design stage, planning consents, land acquisitions, relevant powers).	Red/Amber /Green
Value for money	Evidence of the value for money potential and project benefits relative to the amount of LGF sought.	Red/Amber/Green
Additional funding sources	Evidence of secured/committed additional funding from outside sources preferably from private contributions rather than public.	Red/Amber/Green



Assessment Criteria	Evidence Sought	Scoring Guide
Programme and risk management	Clear delivery schedule including evidence there is a comprehensive risk register and risk management plan in place.	Red/Amber /Green



Table 5 – Assessment Criteria

Section	RAG Rating	Scoring Guide
Strategic Fit	Green	Awarded to business cases which: <ul style="list-style-type: none"> clearly demonstrate the need for intervention; and demonstrate a close fit with SELEP objectives.
	Amber	Awarded to business cases which: <ul style="list-style-type: none"> clearly demonstrate the need for intervention; and demonstrate some alignment with SELEP objectives
	Red	Awarded to business cases which: <ul style="list-style-type: none"> do not clearly demonstrate the need for intervention do not fit with SELEP objectives
Deliverability and benefit realisation	Green	Awarded to business cases which: <ul style="list-style-type: none"> provide evidence that the planning status of the intervention is well advanced; describe the timescales associated with securing any additional approvals required; confirm that all land and property required to proceed has been acquired; provide a detailed programme for delivery; and describe any legal requirements that might delay the programme of delivery/development.
	Amber	Awarded to business cases which: <ul style="list-style-type: none"> provide evidence that the planning status of the intervention is well advanced; describe the timescales associated with securing any additional approvals required; but omit considerations regarding land ownership or any additional legal requirements that might have an impact on deliverability or which do not provide a detailed programme for delivery.
	Red	Awarded to business cases which: <ul style="list-style-type: none"> provide evidence that the planning status of the intervention is well advanced; but omit evidence regarding the additional approvals required, considerations regarding land ownership or any additional legal requirements that might have an impact on deliverability, or do not provide a detailed programme for delivery.
Evidence of public	Green	Awarded to business cases which: <ul style="list-style-type: none"> Demonstrate that a broad option generation and sifting has been





support		<ul style="list-style-type: none"> undertaken; and Provide detailed evidence of stakeholder involvement and/or wider public consultation/support.
	Amber	<p>Awarded to business cases which:</p> <ul style="list-style-type: none"> Demonstrate that a broad option generation and sifting has been undertaken; and Provide some evidence of stakeholder involvement and/or wider public consultation/support.
	Red	<p>Awarded to business cases which:</p> <ul style="list-style-type: none"> Cannot demonstrate that a broad option generation and sifting has been undertaken; or Do not provide evidence of stakeholder involvement and/or wider public consultation/support.
Potential value for money	Green	<p>Awarded to business cases which:</p> <ul style="list-style-type: none"> provide robust, well-evidenced analysis of the outputs, outcomes and impacts of the intervention; and can demonstrate benefit to cost ratio greater than 2:1.
	Amber	<p>Awarded to business cases which:</p> <ul style="list-style-type: none"> provide some evidence of the outputs, outcomes and impacts of the intervention; and can demonstrate benefit to cost ratio greater than 2:1.
	Red	<p>Awarded to business cases which:</p> <ul style="list-style-type: none"> do not provide sufficient evidence of the outputs, outcomes and impacts of the intervention; or cannot demonstrate benefit to cost ratio greater than 2:1.

12. Investment Panel

12.1 The prioritisation of projects for investment is currently a responsibility of the SELEP Strategic Board. However, as stated in the Annual Conversation letter and re-iterated in the recommendations following the SELEP Deep Dive, Government has voiced support for the establishment of a SELEP Investment Panel (the Panel). The Panel will operate as a subcommittee of the Strategic Board.

12.2 The proposed Terms of Reference are set out under Agenda Item 9.

13. Engagement

13.1 It is expected that engagement will take place at a local level with the following stakeholders as a minimum in developing a local list of Federated Board priorities. These organisations should be contacted through the open call for projects process to understand their priorities for investment and to consider any emerging project proposals. These organisations include:



- Business Advisory Board
- Network Rail
- Train Operating Company
- Highways England
- Skills Advisory Group and SELEP working groups
- Business Advisory Board

14. Federated Area submission tick list

14.1 At the point of Business Case submission to SELEP (Stage 2) each Federated Area must confirm that the following processes have been followed.

14.2 Each individual project bid must:

14.2.1 receive S151 officer sign off from the upper tier authority; and

14.2.2 have a letter of support from the relevant district authority, where applicable

14.3 Each overall Federated Area submission must:

14.3.1 Have endorsement for the relevant Federated Board, with the report and meeting minutes of the meeting being publically available;

14.3.2 Have engaged with a range of stakeholders, including those relevant stakeholders mentioned in section 11 as a minimum;

14.3.3 Have held an Open Call for Projects as promoted through the SELEP and Federated Area websites and ;

14.3.4 Provide a commitment that sufficient revenue resource will be made available to support project delivery and the ongoing monitoring and evaluation of the project.

15. Timescales

15.1 The proposed timescales for developing the LGF pipeline have been considered to take account of the need for a process to enable the development of a pipeline, whilst allowing sufficient time for the appropriate project development work to be undertaken to demonstrate to Government and local stakeholders that a robust process has been applied to identifying investment priorities.

15.2 The option for a longer timescale has been identified as the preferred option, as it enables the pipeline to be developed once there is a greater of certainty as to the amount of LGF underspend which will be made available.

15.3 Shorter timescale – Whilst the shorter timescale will enable SELEP to develop a pipeline at a faster pace, to meet the requirements from Government; however, this will involve the sifting

of projects by Federated Boards in advance of the new SEP having been agreed by the Strategic Board. It may also involve additional Federated Board meetings being scheduled.

- 15.4 Recommended Option – The preferred option will allow more time for Federated Boards to complete the sifting of projects, within Federated Boards agreed schedule of meetings and will enable additional time for the development of projects. However under this option the sifting will also take place by Federated Boards prior to the new SEP having been agreed.
- 15.5 Longer Timescale – This option provides additional time for projects to be developed and prioritised following the new SEP having been considered by the Board in September. In addition, the prioritisation of projects in March will take place once there is greater certainty as to the amount of LGF which will be available. However, the longer timescale will mean that the single pipeline will not be placed until the end of the financial year and may delay the delivery of emerging funding priorities.

Table 6 – Proposed Timescales

Milestones	Options		
	1) Shorter timescale	2) Recommended	3) Longer timescale
Approach agreed by the Strategic Board	29 th June 2018	29 th June 2018	29 th June 2018
Open Call for Projects (Completion of EoI)*	10 th August 2018	31 st August 2018	End of October 2018
Assessment and consideration of EoI by Federated Board*	7 th September 2018	End of September 2018	End of December 2018
Submission of SOBC to SELEP	5 th October 2018	26 th October 2018	1 st February 2019
ITE assessment of SOBC complete	26 th October 2018	16 th November 2018	1 st March 2019
Investment Panel	16 th November 2018 (Same day as Accountability Board)	7 th December 2018 (Same day as Strategic Board).	22 nd March 2019 (Same day as Strategic Board)

*Exact timescales to be agreed locally

16. Accountable Body Comments

- 16.1 It is noted that the current proposal is to develop a short term pipeline for the allocation of the unallocated LGF to projects to meet the requirements of the SEP; the expectation from Government however, is that a pipeline for investment is maintained to reflect the requirements of the SEP.
- 16.2 As such, it is advised that work to establish a process for developing a longer term pipeline of investment is developed as soon as is practicable as this development doesn't need to wait for funding stream specific advice. The pipeline can then be aligned to the relevant funding streams as they become available.
- 16.3 This approach will also enable the identification of funding need to support future lobbying strategies and other bids for funding.

Author: Rhiannon Mort
Position: SELEP Capital Programme Manager
Contact details: Rhiannon.Mort@SouthEastLEP.com
Date: 18th June 2018