

## Enterprise M3 Board Meeting

28 September 2017

### Capital to Revenue Transfer – Proposed Utilisation of Funding - Item 6

#### Board Members are asked to:

**Note** progress on the proposed capital to revenue transfer.

**Agree** process whereby the funding will be bid for and allocated

#### 1. Background

- 1.1. At its previous meeting the Board considered a report about the potential to transfer some capital funding to revenue in order to support scheme design and development. Additionally, the refresh of the SEP is highlighting several areas where the use of EM3 revenue funds often matched alongside others could assist in taking forward our priorities.
- 1.2. At the meeting in July it was agreed in principle to transfer up to £3m from the Growing Enterprise Fund (GEF) to support design and development of future schemes and to provide revenue support for the delivery of key priorities identified through the emerging Strategic Economic Plan. This is subject to approval by Hampshire County Council as our Accountable Body, which will be sought at their Cabinet meeting in October 2017. Hampshire County Council have consulted their external auditors, Ernst Young, who confirmed that in principle the approach is in line with grant terms and accounting principles. At their request the agreement will be formalised for approval by the Cabinet. At the same time, approval will be sought to provide the HCC Section 151 officer with delegated authority to carry out a similar transfer in future. The LEP Board agreed that the final sign-off of the amount (up to a maximum of £3m) will be delegated to the Enterprise M3 Director.
- 1.3. The Board asked that PMG develop and seek Board approval for the broad policy areas to be funded through this revenue stream with policy aligned to our revised Strategic Economic Plan. PMG considered this at their recent meeting and agreed the contents of this report. Several of the proposals will be dependent on conclusions emerging from the development of the new SEP and will come forward to the Board in the Spring of 2018 but there are aspects in relation to the design and development of schemes that can be brought forward now in order to quickly capitalise on opportunities. This report therefore seeks to identify the specifications, areas of activity and bidding process for partners to access this design and development funding.

#### 2. Broad Policy Areas for Support

- 2.1. It is important that this funding is utilised to maximise the benefits to delivering the priorities emerging from the new Strategic Economic Plan and in particular to be able to support the delivery of transformative projects and priorities.
- 2.2. There are a number of areas of activity where revenue funding is needed. Scheme promoters have raised concerns about the lack of available revenue funding to support the costs associated with scheme design and development. This lack of revenue funding is an issue for a number of projects across the Local Growth Fund programme and is critical for future scheme development and to securing capital funding for delivery. This has already manifested itself in the decision by Hampshire and Surrey County Council not to submit any bids in response to the recent National Productivity Investment Fund invitation from the

Department for Transport. The principal reason for not making any submission was that, whilst they had a good idea of schemes that could meet the criteria associated with the fund, there were none that had been developed to sufficient state to be able to provide the detailed information required as part of the bidding process, or in a state to be delivered in 2018/19 or 2019/20, which was a pre-condition of securing funding.

- 2.3. In order to achieve our delivery aspirations, partners need to be able to access design and development funding as quickly as possible, so that we are able to put ourselves in a strong position to meet the Government's agenda and importantly respond to new funding opportunities as they arise.
- 2.4. Government is currently seeking bid to the new Housing Infrastructure Fund (HIF) and whilst at this stage for large schemes (in the case of the Forward Funding stream), only Expressions of Interest are being sought, to be successful these will need to be developed into Outline Business Cases by the end of the year, which will need significant resources if a strong case is to be put forward and our chances of securing some of this funding as to be maximised.
- 2.5. It is also expected that when the final Industrial Strategy is published, alongside the Autumn Statement toward the end of the year, that this will lead to further funding announcements and opportunities to bid for infrastructure funding. Furthermore, in July the Government announced its intention to consult on the creation of a Major Road Network for England and it is very likely that this will be accompanied by a competitive funding allocation.
- 2.6. If we are able to submit strong, well evidenced submissions to these likely challenge funds, there is the potential to secure significant additional capital funding. Experience suggests that by investing in scheme development to enable robust bids to be developed can payback up to 40 times the sum originally spent. For example, Hampshire County Council considers that having invested £3 million in scheme development over the last 3 years, they have secured additional capital funding in the order of £30-40m per annum.
- 2.7. The emerging SEP is also identifying areas where additional revenue funding could be used. This is particularly the case for business support activities, especially around the government priority of scale ups and also support for activity on skills/careers. Our intention is to develop our policies and proposals for funding following discussions on the priorities for the SEP and Industrial Strategy. Policies will be developed with other partners and funding will be used alongside other funds, including using funding to lever additional funding from EU programmes. Proposals will be discussed with Board members in the new year. There are two possible areas which will come forward sooner than other proposals. The Careers and Enterprise Company are offering matched funds to extend their service across the area. There is a long list of employers and schools wishing to get involved. We are currently exploring the level of funds required and an update will be given at the meeting. We will also want to review funding of business support activity but only after the Board has considered the strategic plan for the Growth Hub and the evaluation of this service, both are also due to be discussed at this meeting.

### **3. Proposed Approach for Design and Development Funding**

- 3.1. As explained above there is a need to make design and development funding available as quickly as possible. Nevertheless, it is equally recognised that a robust, accountable and transparent process is needed to ensure that we get value for money from allocations and maximise the chances of the design and development funding leveraging significant additional capital investment in the area.
- 3.2. It is anticipated that the majority of interest for bidding for this funding is likely to come from local authorities. However, it is important that the opportunity to access this funding is available to all scheme promoters. Therefore, it is suggested that the application and bidding process is published on the EM3 LEP website and promoted to all partners.
- 3.3. It is recommended that a simple proforma is produced (see Appendix A), together with a short guidance document and all partners interested in accessing the funding are invited to

complete this. It is suggested that when this is initially issued, that it is accompanied by a submission date, but given the revolving nature of part of the fund and the likelihood that proposals will come forward at different timescales it is then kept open and partners are allowed to submit bids at any time. At this stage it is suggested that we are not too rigid in the amount of funding that is released to scheme design and development, although as a guide it is expected that as suggested to the Board previously £2m could be used in this way, equating to 2/3rd of the funding available at this stage.

- 3.4. Assuming Hampshire County Council Cabinet approve the process at their meeting on 16th October, 2017 funding should be available to draw down from that date. It is therefore suggested that the initial invitation to bid for funding be issued as soon as this is secured, assuming the LEP Board is happy with the process, with a deadline of Friday 10th November.
- 3.5. The proposal agreed by this Board at its previous meeting is that funding can be used to bring forward the design schemes in existing approved programmes and also to develop the future pipeline of schemes to enable bids to be submitted for funding opportunities as they arise. It is envisaged that the design funding should be recyclable, whereby once the scheme has been designed and delivered, an asset will be provided and hence the costs can be capitalised. It will therefore be important that the scheme promoter provides a timescale for when they estimate the funding can be repaid.
- 3.6. It is suggested that we don't be too prescriptive in how we require scheme promoters to utilise any funding they awarded. There should be enough flexibility in the process to enable them to progress the design and development of schemes as best fits their organisations. It may be that they look to employ additional staff on fixed term contracts, reallocate resources within their existing teams to provide additional capacity or employ consultants, either directly or through existing frameworks. Whilst we should offer this flexibility scheme promoters must be able to clearly demonstrate how funding is being utilised to provide additional resources, over and above what they would provide from their day to day activities.
- 3.7. Whilst this funding is being provided to offer additional resources to partners who have limited revenue funding, it is considered important that they all demonstrate some commitment to the process in terms of providing match funding. However, it is recognised that one of the reasons for making this funding available is a lack of resources available to develop a pipeline of schemes. Nevertheless, match funding should be maximised where possible and it is therefore suggested that we should be looking for scheme promoters to contribute at least 25% of the total funding required. However, the level of match funding allocated will not be the sole determining factor in the allocation of funding, should the funding pot be oversubscribed and if a scheme promoter is unable to provide this level of match they are invited to put forward a rationale as to why a lower level of match funding is necessary in their circumstances. This will then be considered on a case by case basis.
- 3.8. A set of criteria are proposed to assess the submissions for this funding. For bids seeking design funding for previously agreed schemes it is not considered there is any need to reassess this. The focus of the assessment will therefore be primarily on:
  - the extent to which the delivery of the scheme can be brought forward as a result of this design funding allocation
  - the impact of delaying the design if the funding were not to be secured supported by consideration of:
    - confirmation that the outputs and outcomes agreed at business case stage remain valid
  - the timescale which the funding can be repaid
- 3.9. For scheme seeking development funding, which will not have been through the scrutiny process a more robust assessment process, based on that used to prioritise Local Growth Fund bids will be used. The key criteria to be used to prioritise this funding will be:

- Deliverability
- Clearly identified timescale
- Adequate funding package, including certainty of match funding
- Identification of any risk
- Potential leverage and repayment of funding
- Projects should be located in, or significantly contribute to the economy of EM3 LEP;
- Deliver early economic benefits supporting our key SEP priorities areas (i.e. jobs, housing, commercial space and apprenticeships)

3.10. The Board are asked to agree the following timescale.

<b>Action</b>	<b>Timescale</b>
Agree Approach by PMG	14th September 2017
Approach Approved by Board	28th September 2017
Hampshire CC Cabinet agree to Transfer	16th October 2017
Invitation to bid for design and development funding issued	20th October 2017
Closing date for initial bids	10th November 2017
Assessment of Bids	November/December 2017
Decision on initial allocation made by Director	15th December 2017

**Kevin Travers**

**21 September 2017**

**Appendix A**

Please email your bid to [bids@enterprisem3.org.uk](mailto:bids@enterprisem3.org.uk) copied to the relevant project manager.

If you are unsure about what information should be provided please contact us for clarification.

<b>Project name</b>	
<b>Location</b>	

<b>Lead organisation and address</b>	
<b>Project lead contact name</b>	
<b>Project lead email</b>	
<b>Project lead telephone</b>	

<b>Partners</b>  Please list all key partners and their role in the design and development process	
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<b>Funding Type Sought</b>	<b>Design Funding</b>	<b>Development Funding</b>
Please indicate whether you are seeking funding to design an already approved scheme or to develop a pipeline		

<b>Project summary</b>  (Please provide a short summary of the projects you wish to development, why funding is required, inter-dependencies with other projects and what will happen without LEP investment)	
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<p><b>Strategic Economic Plan</b></p> <p>(Briefly outline how the projects will contribute to achieve the LEPs SEP Objectives)</p>	
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	2017/18	2018/19	2019/20	2020/21	Total
<b>Design Funding Request</b>	£	£	£	£	£
<b>Development Funding Request</b>	£	£	£	£	£
<b>Match Funding</b>	£	£	£	£	£
<b>Total Design &amp; Development Funding</b>	£	£	£	£	£

	2017/18	2018/19	2019/20	2020/21	2021/22	Total
<p><b>Funding Payback</b></p> <p>If seeking design funding indicate over what period you propose to repay any funding. For development funding also indicate if any payback is possible</p>	£	£	£	£		£

<p><b>Timing</b></p> <p>(Please detail if there are any timing issues or limitations, such as the works need to be completed by a particular date, to fit with other projects etc.)</p>	
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<p><b>Resources</b></p> <p>(Please summarise the resources you are seeking and how they will be used. E.g. recruitment of staff, reallocation of existing staff, modelling expertise, consultancy support)</p>	
<p><b>Outputs and Outcomes</b></p> <p>(Please summarise the outputs that will be delivered using this funding, together with any measurable outcomes)</p>	
<p><b>Match Funding</b></p> <p>Outline the percentage of local match funding contributions and if less than 25% explain why further match can not be provided. Also has the match been confirmed? If not, when will it be confirmed?</p>	
<p><b>Are there any ongoing revenue implications associated with the project?</b></p>	
<p><b>What are the risks associated with the project? What measures will be put in place to minimise these risks?</b></p>	

Milestones for delivering the project	
Date	Milestone

<b>Are any elements of this application commercially confidential?</b>	
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<b>Please specify any other information on the project not captured in the previous sections of the form</b>	
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