

## Item 5: Approach to Getting Building Fund and Growing Places Fund funding

### Executive Summary

#### 1. Overview

- 1.1. Essex County Council (as the Accountable Body for SELEP) is holding £2.049m Getting Building Fund (GBF) funding which is not currently allocated to projects. This funding was returned to SELEP following the Accountability Board decision to remove the Swan Modular Housing Factory project from the GBF programme in January 2023. The GBF project pipeline, as agreed by the Board in October 2022, has been exhausted and therefore an alternative approach to reallocating this funding needs to be established.
- 1.2. In February 2023, the Board considered a report which proposed that the currently unallocated GBF funding should be combined with the available Growing Places Fund (GPF) funding allowing for the award of all available capital funding to be managed through one process. This approach was supported by the Board. In addition, the Board agreed some underlying principles for the reallocation of the GPF funding, including that the GPF should be retained as a recyclable loan scheme, it should operate at no cost to SELEP and that the fund should focus on specific sectors within the SELEP economy. In addition, it was noted that there would be a requirement for the GBF element of the funding to be ringfenced for capital projects which are GBF compatible (shovel ready projects with short delivery programmes) and for Government to be fully informed as to the decisions being taken.
- 1.3. Subsequent to this Board decision, Central Government made the announcement in the annual Budget that they were minded to not provide any further core funding for LEPs after 2023/24 and that LEP functions should be integrated into Local Authorities. Government have been conducting an information gathering exercise to inform the next steps towards integration with a view to setting out their position prior to Parliament's Summer recess.
- 1.4. Whilst awaiting further information from Government, there has been a need to undertake a significant amount of work to establish how SELEP operations can be effectively integrated into Local Authorities, whilst safeguarding key activities which need to be conducted at a regional level. This work has included a review of options for use of all the available capital funding currently held by SELEP, and a proposal for use of the available GBF funding is set out in this report.
- 1.5. It was intended that this report would also consider options for the deployment of the available GPF funding (£9.610m currently available, with repayments totalling £5.315m forecast for receipt in 2023/24), however, it is acknowledged that there are additional complexities attached to the use of this funding compared to the GBF, particularly in relation to ensuring compliance with the Assurance Framework. In light of indications from Government that they intend to set out their position on the future of LEPs and transition of LEP activities to local authorities in advance of Parliament's summer recess, it is considered appropriate to await release of this position statement and any associated guidance from Government before any decisions are taken on the use of the GPF funding. Consequently, options for use of the available GPF funding will be presented to the Board at a future meeting.



- 1.6. In the interim, the latest position on the GPF programme is set out in the latest [Accountability Board Agenda Pack](#) (pages 177 to 198). As outlined above, repayments totalling £5.315m are due against 6 existing loans in 2023/24 (Sovereign Harbour (East Sussex) - £3.575m, Charleston Centenary (East Sussex) - £0.04m, Live Margate (Kent) - £1m, Javelin Way (Kent) - £0.5m, Wine Innovation Centre (Kent) - £0.1m and Fitted Rigging House (Medway) - £0.1m). In order to help inform future discussions regarding the use of the available GPF funding, the Board may wish to seek assurances regarding the ability of each of the projects to meet their repayment obligations in 2023/24.

## **2. Decisions: Board is recommended to:**

- 2.1. Agree to reverse the decision made in February 2023 to run one combined prioritisation process for the award of the available Growing Places Fund (revolving capital loan) and Getting Building Fund (capital grant) funding.
- 2.2. Agree the approach to and process for reallocating the available Getting Building Fund funding set out within the report.

## **3. Rationale for Decisions**

- 3.1. Essex County Council (as Accountable Body for SELEP) is currently holding £2.049m GBF funding. The GBF funding stream was established by Central Government with a view to supporting economic growth, with a particular focus on supporting economic recovery following the COVID-19 pandemic. It is therefore important that the GBF funding held by the Accountable Body is reinvested in appropriate projects at the earliest possible opportunity.
- 3.2. Whilst the Board were asked to consider principles for the reallocation of the available GPF funding and the possibility of conducting a combined prioritisation process with the GBF funding at their last meeting, the context within which SELEP is operating has now changed (as set out above). This change has prompted a review of the decisions taken by the Board, with a view to ensuring that the funding is used in the most effective way to support economic growth and recovery whilst also being mindful of the future status of LEPs.
- 3.3. Consideration has been given as to how the GBF funding should be used in the context of the removal of core funding from LEPs, the requirement to transfer LEP activities to local authorities, an ongoing requirement to comply with the requirements of the National Local Growth Assurance Framework and the objectives and conditions of the funding stream as set out by Government.
- 3.4. Whilst acknowledging the complexities of the current situation, there is a requirement for SELEP to ensure that the available GBF funding is used in a timely manner to support economic growth and therefore it is important that a decision on the approach to be adopted is taken at this meeting. This is particularly important given concerns raised by Government in the outcome of SELEP's Annual Performance Review with regard to spend of the GBF funding extending into 2023/24, given that Government specified that the GBF programme was to complete by March 2022.

## **Further Information**

- 4. Decision 1: Agree to reverse the decision made in February 2023 to run one combined prioritisation process for the award of the**



## **available Growing Places Fund (revolving capital loan) and Getting Building Fund (capital grant) funding**

- 4.1. In February 2023, the Board were asked to consider the approach to the reallocation of the available GBF and GPF funding. Due to multiple factors, including resource constraints within the SELEP team, the report presented to the Board recommended that a combined prioritisation process be undertaken. This recommendation was agreed by the Board.
- 4.2. Furthermore, the Board were asked to agree underlying principles which should be applied to the new round of GPF funding. These principles were:
  - 4.2.1. The GPF should be retained as a recyclable loan scheme
  - 4.2.2. The fund should operate at no cost to SELEP
  - 4.2.3. Projects should commit to short repayment schedules
  - 4.2.4. The fund should focus on specific sectors within the SELEP economy
  - 4.2.5. The fund should be positioned to be supplementary to third party and Government funding sources, including the remaining unallocated GBF funding.
- 4.3. Subject to consideration of the points raised during the meeting, the Board agreed that these principles should be adopted.
- 4.4. As has been outlined above, the situation has changed since these decisions were taken by the Board. Government have now indicated that they are minded to not provide core funding for LEPs after 2023/24 and that LEP activities should be integrated into Local Authorities. Whilst a formal decision is awaited from Government, it is important to consider whether the decisions taken at the last Board meeting remain appropriate given the changing context within which SELEP is operating.
- 4.5. It remains important that the available capital funding is used to support economic growth in the SELEP region and the intention remains to conduct a further round of GBF grant funding during 2023/24. Determining the most appropriate use of the available GPF funding is more complex, with options for use of this funding now expected to be brought forward at a future Board meeting following confirmation of Government's position on the future of LEPs and transition of LEP activities to Local Authorities and issue of any associated guidance. However, it is considered that SELEP is no longer best placed to run a further round of GPF loan funding during 2023/24 as proposed at the last meeting.
- 4.6. In light of the changing environment within which SELEP is operating and the challenges identified above, it is recommended that the decision taken at the last meeting to conduct a combined prioritisation process, whilst maintaining the revolving loan fund function of the GPF, is reversed and consideration is given to the proposed approach to reallocation of the GBF funding set out within this report.

## **5. Decision 2: Agree the approach to and process for reallocating the available Getting Building Fund funding set out within the report.**

- 5.1. In June 2020, Central Government confirmed the allocation of £85m GBF funding to SELEP. This funding was designed to support economic recovery following the COVID-19 pandemic and was intended to support shovel ready projects which were subject to short delivery programmes. There was also an expectation that forecast project benefits would be realised in the short-term.



- 5.2. As it stands, £82.951m of the GBF funding has been awarded to support delivery of 40 projects with full spend of this GBF funding expected by 30 June 2023. At this meeting, the Board are asked to consider the reallocation of the remaining £2.049m GBF which has been returned to SELEP following the removal of the Swan Modular Housing Factory project from the GBF programme. A proposed process for reallocating the available GBF funding is set out below.

### **Key considerations**

- 5.3. As the Board will recall the purpose of the recently exhausted GBF project pipeline was to support existing GBF projects which had experienced cost increases due to the impacts of the COVID-19 pandemic, Brexit or high inflation levels. A good response to the call for projects was received and all projects which met the requirements of the process have now been awarded additional GBF funding.
- 5.4. Given that the GBF programme officially ended on 31 March 2022 and that an increasing number of projects within the GBF programme have now completed, it is considered that adopting the same approach to creating a new pipeline would not be appropriate. Use of the same criteria and approach would effectively result in those projects which have completed being penalised and not offered the same opportunity as those projects which are still ongoing. This is an important consideration given that Government were clear at the outset of the programme that the funding should be used to support shovel ready projects which could be delivered by 31 March 2022.
- 5.5. Given the late return of the GBF funding from the Swan Modular Housing Factory project and the realisation that it would not be possible to achieve full spend of the GBF funding by 31 March 2023 in line with revised Government expectations, advice was sought from Government as to whether spend of the GBF funding could extend into 2023/24. Advice received from Government confirmed that LEPs do have the ability to move GBF funding into 2023/24, subject to agreement of this approach being received from the Section 151 Officer of the Accountable Body.
- 5.6. The advice from Government went on to set out the expectation that the GBF funding should be reallocated to support capital projects which are GBF compatible (shovel ready projects with short delivery programmes) and that Government should be kept fully informed as to any decisions being taken. In addition, Government restated the expectation that GBF funding should be awarded to support delivery of projects which were on the long list of projects submitted to Government at the outset of the GBF programme (agreed by the Board in June 2020), as set out at Appendix A. The inclusion of these projects in the GBF programme will need to be formalised through the Government's Change Request process. Should funding be awarded to any projects which were not on the original long list, it is possible that the inclusion of these projects will need to be approved by a minister.
- 5.7. Whilst this advice was received from Government, it should be noted that the outcome of SELEP's Annual Performance Review with Government identified a concern with regard to GBF spend continuing into 2023/24. It is therefore important that the ability to spend the GBF funding in a short timeframe is a key consideration when prioritising projects for receipt of the available GBF funding.
- 5.8. In accordance with the expectations of Government, input was sought from the Section 151 Officer of the Accountable Body who highlighted the following key requirements which must be central to any plans for allocating the available GBF funding:
- 5.8.1. Compliance with the requirements of the Grant Determination Letter (GBF funding



must be used for capital expenditure only)

5.8.2. Adherence to the SELEP Assurance Framework

5.8.3. Ensuring proposed projects are affordable and can be adequately resourced for the life of the GBF investment.

- 5.9. In May 2023, SELEP received a letter from the Department for Levelling Up, Housing and Communities (DLUHC) which set out the process for securing the £250,000 core funding available to LEPs for 2023/24. This letter was accompanied by a LEP Assurance Update which set out Government's assurance expectations for LEPs during 2023/24. This update indicated that, given that LEPs are continuing to receive core funding and that they are continuing to deliver residual projects, LEPs should continue to operate in accordance with the National Local Growth Assurance Framework throughout 2023/24. It should be noted that, despite indications that an updated Assurance Framework would be issued, Government continue to rely on the National Local Growth Assurance Framework issued in September 2021.
- 5.10. The SELEP Assurance Framework reflects the requirements of the National Local Growth Assurance Framework and sets out obligations in relation to agreeing a prioritisation approach and assuring Value for Money at a SELEP level. Therefore, it is essential that the approach adopted in relation to the reallocation of the available GBF funding during 2023/24 complies with these obligations.
- 5.11. At this stage, it is unclear when DLUHC will remove the requirement for LEPs to continue to operate in accordance with the National Local Growth Assurance Framework but it is expected that this obligation will not be removed whilst LEPs are still in receipt of core funding from Government and may remain in place until each LEP is formally dissolved. Further advice is being sought from Government in this respect. However, even if the requirement for compliance with the National Local Growth Assurance Framework is no longer in place, the wider requirement of securing value for money in use of public funding will remain.

### **Proposed approach for reallocation of the funding**

- 5.12. As set out above, there are a number of important considerations which need to be taken into account when developing the process for the reallocation of the available GBF funding. These considerations have been used to shape the process outlined below.
- 5.13. The Board should be mindful of the need to seek Government approval for the inclusion of any new projects in the GBF programme – regardless of whether the projects featured on the original long list submitted to Government. The process is likely to be more time consuming for projects which did not feature on the original long list submission; however, efforts will be made to engage Government officials at the earliest opportunity to ensure that these approvals do not delay the award and release of funding to prioritised projects.
- 5.14. As set out above, the original purpose of the GBF funding was to help support economic recovery following the COVID-19 pandemic. As a result, there was an expectation from Central Government that not only would the projects be subject to short delivery programmes but that the forecast project benefits would also be realised in the short-term. In order to ensure that the reallocation of the funding remains in line with the vision set out by Government, it is important that all applications for GBF funding support the activities outlined in the [SELEP Economic](#)



Recovery and Renewal Strategy. This strategy outlines the clear opportunities and needs of the SELEP area and the actions that need to be taken to drive the South East into new economic growth as the country recovers from the COVID-19 pandemic and establishes new ways of working internationally following the EU transition.

- 5.15. In line with the expectations of Government, it is important that all projects brought forward for receipt of GBF funding are in a position to be delivered quickly, with a clear delivery programme set out in the Business Case. It is important that the projects are genuinely shovel ready and that all required permissions, consents and funding are in place at the point of Business Case submission. Experience of managing the Local Growth Fund and GBF programmes to date has highlighted how outstanding permissions and consents can significantly delay delivery programmes. It is recommended that there is a requirement for the GBF funding to be spent in full within 12 months of receipt of funding approval from the Accountability Board.
- 5.16. Given that Government have already expressed concern regarding GBF spend extending into 2023/24, it is imperative that all projects are in a position to deliver quickly and therefore it is important that projects seeking GBF funding are not subject to any barriers to delivery. In addition to having secured all required permissions, any land or property which is required to enable project delivery should be in the ownership or control of the delivery organisation and organisations should have sufficient resource in place to support project delivery. Any remaining barriers to project delivery will make the project ineligible for receipt of GBF funding.
- 5.17. Each project seeking GBF funding must be able to demonstrate a robust need for investment with particular reference to the challenges created as a result of the COVID-19 pandemic. Scheme promoters should be able to produce a strong Green Book compliant Business Case for the project, which demonstrates High value for money or compliance with one of the exemptions outlined within the SELEP Assurance Framework. Business Cases will be subject to review by the Independent Technical Evaluator (ITE) prior to the Board being asked to agree which projects should be prioritised for receipt of GBF funding. It should be noted that, given the limited resources held by SELEP and the need for these resources to be used to support transition activities, the ITE costs will need to be met by the relevant Upper Tier Local Authority or delivery organisation.
- 5.18. The Business Case must also demonstrate that there is a full funding package in place to support project delivery. The sources of any required match funding must be identified and the funding secured prior to Business Case submission. In addition, given recent cost increases reported across the Local Growth Fund and GBF programmes, it is important that reliance is not placed on out-of-date project costs and that consideration is given to the impact of high inflation and interest rates on forecast costs.
- 5.19. Whilst acknowledging that there is a relatively small amount of GBF funding available for reallocation at this time, it is proposed that no upper limit is placed on the amount of GBF funding which can be requested to support project delivery. However, scheme promoters are asked to be mindful of the size of the GBF funding pot when developing their applications. It should be noted that, whilst it is not expected that any further GBF funding will be returned to SELEP for reallocation, it is possible that the Accountability Board will require the return of Local Growth Fund funding which has been awarded to High Risk projects.
- 5.20. The existing Local Growth Fund project pipeline is currently under review to determine whether there remains a case for each of the projects to receive additional Local Growth Fund funding to support project delivery. As more Local Growth Fund projects reach completion, it is expected



that projects will be removed from the Local Growth Fund project pipeline and therefore it is proposed that, following exhaustion of the existing Local Growth Fund project pipeline, the pipeline created through this process is used to support the reallocation of any further Local Growth Fund funding returned to SELEP.

- 5.21. Finally, it is proposed that funding should not be sought for projects which have previously been removed from the GBF programme. All projects removed from the programme have either been subject to significant deliverability challenges or have reported that the need for investment has been eliminated. The reinstatement of these projects into the GBF programme would not comply with the considerations set out above.
- 5.22. For ease of reference, the proposed criteria for projects seeking GBF funding is summarised in Table 1 below.

Table 1: Criteria for projects seeking GBF funding

Projects must support the activities outlined in the <a href="#">SELEP Economic Recovery and Renewal Strategy</a>
Projects must demonstrate that they are shovel ready and that they are subject to a short delivery programme, with full spend of the GBF funding to be achieved within 12 months of receipt of funding approval from the Accountability Board
There should be no barriers to delivery, such as outstanding permissions or consents. Any remaining barriers to delivery will render the project ineligible for receipt of GBF funding
Projects must demonstrate a robust need for investment with particular reference to the challenges created as a result of the COVID-19 pandemic
Project Business Cases must demonstrate High value for money or compliance with one of the exemptions outlined within the SELEP Assurance Framework
Projects must demonstrate that a full funding package is in place to support delivery
Business Cases must demonstrate that consideration has been given to the impact of high inflation and interest rates on forecast costs
No upper limit on the amount of GBF funding which can be sought by projects
Projects which have previously been removed from the GBF programme cannot apply for funding

**Process for reallocation of GBF funding**

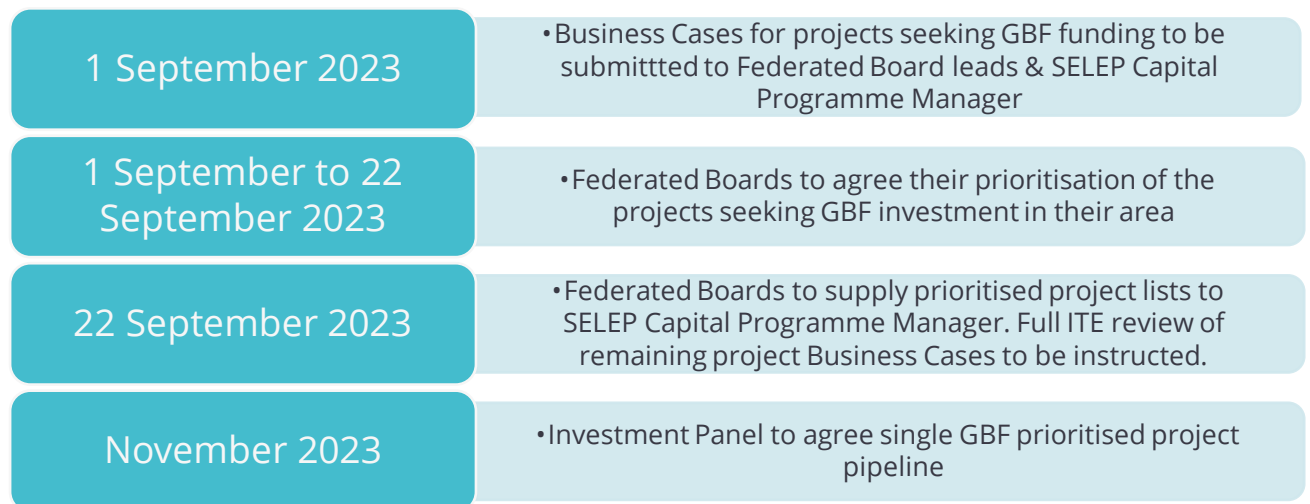
- 5.23. The proposed process for reallocating the available GBF funding is set out in Figure 1 below. In line with previous prioritisation exercises, it is intended that Business Cases for projects seeking GBF funding are submitted to Federated Board lead officers in the first instance.
- 5.24. Federated Boards are best placed to understand local priorities for investment and therefore it is important that the first stage of prioritisation sits with these Boards. It is critical that a robust approach to this prioritisation is adopted, with projects which do not meet the agreed criteria or which do not reflect a local priority being removed from the process at the earliest opportunity. As with previous rounds of capital funding, ITE support could be sought to assist with this prioritisation, however, it should be noted that SELEP are no longer in a position to fund ITE activities and therefore responsibility for these costs will sit with the Federated Board, Upper Tier Local Authority or delivery organisation.
- 5.25. It is intended that only the Business Cases for those projects prioritised by the Federated Boards will be subject to a full review by the ITE. The outcome of the ITE review, in conjunction with the



prioritisation submitted by the Federated Boards and consideration of compliance with the requirements set out in this report, will be used to inform the draft prioritised project pipeline presented to the Investment Panel in November 2023.

- 5.26. Given the complexities of the work required to successfully transition the activities of SELEP to local authorities, it is recommended that the GBF prioritisation be considered in a separate meeting of the Investment Panel rather than during a Board meeting. This will allow more time for discussion on both transition of activities and the applications for GBF funding.
- 5.27. As the Board may recall Investment Panel membership is as follows: SELEP Chair, Six Upper Tier Local Authority representatives and six Private Sector Business representatives (two representatives from Team East Sussex, two from the Kent and Medway Economic Partnership and two from across Success Essex and Opportunity South Essex). The Investment Panel meeting will be scheduled once it is understood how many projects have been prioritised by the Federated Boards and there is greater clarity as to the amount of time required to complete the ITE review process.

Figure 1: Process for developing a new GBF prioritised project pipeline



- 5.28. Following the agreement of the single GBF prioritised project pipeline by the Investment Panel, all required Change Requests will be submitted to Government with a view to securing approval prior to consideration of the projects by the Accountability Board. If any Government approvals are outstanding, any decisions by the Accountability Board will need to be subject to receipt of Government approval. Given that, based on the timeline set out in Figure 1, projects will not be considered by the Accountability Board until February 2024, it is important that clear decisions can be taken which allow preparation of Variation Agreements formalising the award of funding to the projects and release of the funding prior to 31 March 2024. Consideration will be given as to whether an additional Accountability Board meeting should be scheduled to allow the formal funding decisions to be taken at an earlier date.

## 6. Next Steps

- 6.1. If the Board agree the approach to reallocating the GBF funding set out in this report, it is intended that a guidance note for local authorities and scheme promoters will be issued within 2 weeks of this meeting. The release of the guidance note will formally launch the GBF funding round. Early engagement will be undertaken with both Federated Board lead officers and Government officials to ensure the process is understood and accepted by all parties and to





ensure that all required decision points are identified.

## 7. Comments from the Accountable Body

- 7.1. Essex County Council, as the Accountable Body for SELEP, is responsible for ensuring that the funding awarded by Government is utilised in accordance with the conditions set for use of the Grant. GBF and GPF are both capital grants awarded by Government and are subject to the following condition:

*The grant may be used only for the purposes that a capital receipt may be used for, in accordance with regulations made under section 11 of the Local Government Act 2003.*

- 7.2. In accordance with expectations of Government when the funding was awarded, GBF is operated as a capital grant scheme, whereas GPF is operated as a recyclable capital loan scheme.
- 7.3. Any decisions made by the SELEP Boards are required to be compliant with the existing governance processes of SELEP until SELEP as a company is formally dissolved and any residual legacy issues are concluded or transitioned to the satisfaction of Essex County Council as the Accountable Body and Government.
- 7.4. Essex County Council is Accountable to DLUHC for ensuring that SELEP continues to operate in accordance with the agreed Assurance Framework; any divergence from the Assurance Framework, in decision making by the Board will require support from Government.

### GBF

- 7.5. Although GBF has been awarded under a grant determination for unprescribed lawful capital spend with no specified end date, it was the expectation of Government that it was used to fund the agreed GBF projects and that it would be defrayed in full by the end of March 2022.
- 7.6. The cancellation of some projects during the 2022/23 financial year required the return of some GBF funding to the Accountable Body to be reallocated to other Projects on the pipeline in accordance with the decisions of the Accountability Board. £2.049m of GBF funding continues to be held by the Accountable Body, with no remaining projects on the pipeline; the proposal therefore to undertake a new prioritisation approach to establish a new pipeline is appropriate and in line with the requirements of the Assurance Framework.
- 7.7. The proposed timeline is challenging and opportunities to reduce this should be sought where this can be achieved within the requirements of the Assurance Framework or where an exemption is agreed with DLUHC and the Board.
- 7.8. In determining the prioritisation approach for GBF, it is a requirement that the condition for use for capital purposes is met, alongside the other requirements of the SELEP Assurance Framework, including assuring value for money.
- 7.9. The Accountable Body will continue to support the SELEP Secretariat to ensure that those requirements are adhered to, as well as consideration given to the impact of resourcing any agreed approach.
- 7.10. All funding allocated through this process will be subject to approval by the SELEP Accountability Board and awarded through a funding agreement with the Accountable Body that will set out the terms of use; the funding agreement will also include 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.

7.11. Given the proposals set out in Agenda item 6 with respect to the transition of SELEP functions to Local Authorities, it may be necessary to amend the terms of the existing GBF agreements to transfer the Accountability for the funding from the Accountable Body in line with any other agreed changes to the SELEP governance arrangements. Such changes will need to be to the agreement of the six upper tier Local Authority partners within SELEP and the Government.

#### GPF

- 7.12. A total of £12.360m GPF was held by the Accountable Body at the end of March 2023. Of this balance, £9.61m is uncommitted increasing to £14.925m uncommitted balance for 2023/24, should all loan repayments be received in line with current Board decisions and credit agreements in place.
- 7.13. The current economic climate means that there is a continued risk that scheduled repayments by existing projects will not be made as planned due to difficulties experienced as a result of Brexit, COVID-19, and economic uncertainty due to the high levels of inflation and supply chain issues. It is a requirement that the respective Local Authority that is the recipient of the loan, monitors the repayment position and advises SELEP and the Accountable Body of any potential risks in this respect to enable, where appropriate, mitigations to be agreed by the Accountability Board in advance of any default in repayment.
- 7.14. The Board are advised to monitor the repayments that are due in 2023/24 as some of these have already been subject to more than one extension under the terms of their credit agreements; although, none of the Projects where repayments are due in 2023/24 reported these as being at high risk at the June 2023 Accountability Board meeting.
- 7.15. Any Partners seeking to reprofile GPF repayments due in the current financial year are expected to seek endorsement from this Board in advance of seeking approval from the SELEP Accountability Board, in advance of the repayment falling due, in line with the respective credit agreement.

## **8. Appendices, Supporting Documents and Previous Decisions**

- 8.1. Appendix A: Long List of GBF projects submitted to Government in June 2020
- 8.2. For further information please contact Helen Dyer, SELEP Capital Programme Manager ([helen.dyer@southeastlep.com](mailto:helen.dyer@southeastlep.com))