



SOLENT
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Solent LEP Development Cost Fund

Guidance Document
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Contents

Section	Page
1. Fund Purpose	2
2. The Role of Capital Investment in Transforming the Solent Economy	3
3. Who Can Apply?	7
4. Eligibility Criteria and Supporting Information	8
5. Prioritisation	12
6. Application Timeline and Decision Making	14
7. How To Apply	15
8. Contact Details	16

1 Fund Purpose

The Solent LEP Development Cost Fund aims to support organisations to undertake initial development work on capital infrastructure projects of a strategic nature (defined as schemes with a total value of between £10m and £50m) that have the potential to contribute to transforming economic growth in the Solent.

Projects seeking up to a 50% contribution to undertake development work at the feasibility, Strategic Outline Business Case, and Outline Business Case stages, that are eligible, will be considered.

Specifically, the Fund is seeking to strengthen the pipeline of capital discrete projects that have the potential to directly deliver significant housing (in excess of 150 units), bring forward new and innovative solutions for the residential housing rental market, employment floorspace for logistics (in excess of 9,000m²), waterfront employment sites (in excess of 2 hectares), or projects that will deliver Grade A office space/move on space (in excess of 4,500m²).

2 The Role of Capital Investment in Transforming the Solent Economy

With a population of more than 1.3 million, GVA output of £27.8 billion and over 50,000 businesses, the Solent is an internationally-recognised key economic hub anchored around the Isle of Wight, the two cities of Portsmouth and Southampton, the M27 corridor and the Solent waterway. It is globally connected and benefits from significant economic assets including its three international gateways and its world-leading research institutions. The Solent is a clearly defined functional economic area, with a distinct coastal geography, tremendous economic assets and great potential.

The mainland Solent LEP area is also the most urbanised area in the South of England, outside of London. It has a complex geography, which, whilst giving the area its unique character, provides both opportunities and challenges with regard to local economic growth.

Global connectivity



Overlaid on this complex economic geography are the three major economic assets; the International Gateways of the area. The Port of Southampton and Port of Portsmouth (including the Commercial Port and Naval Dockyard) provide the anchor points for our globally leading marine and maritime sector, which is one of the largest and most productive in the Solent economy, contributing 20.5% of our GVA and 5% of our private sector jobs. Southampton International Airport is home to 21 airlines and tour operators and serves up to 40 short haul UK and European destinations for business and leisure travellers. The Airport forms an economic gateway for the Solent and represents a significant growth opportunity in terms of airport growth and, sitting at the heart of a

significant growth hub, across the wider area at sites including; the former Ford site, Eastleigh Riverside and the city of Southampton.

Our coastal location, marine business base and research and skills strengths provide us with immense marine and maritime strengths, strengths on which we can build, taking advantage of global growth in maritime trade, the rapid expansion of the cruise sector, rising demand for leisure marine and specialist vessels, expansion in marine renewables and in technology-led industries.

More broadly, the Solent has particular strengths in advanced manufacturing, including globally significant clusters for marine autonomy and robotics, defence, and transport and logistics. We also have specialisation in advanced technologies (including photonics, advanced materials, computer science and the life sciences), and these highly technical and professional fields require higher level skills to fuel innovation and growth.

When looking at productivity and growth in the area the underperformance of the UK in terms of productivity is mirrored in the Solent economy. The total value of GVA in Solent stood at £27.8 billion, accounting for just under 12% of regional output. Average productivity in the Solent stood at £45,645 in 2015, this was 8.4% below the regional average and just under half a percent behind the UK average. There are a range of factors that influence this performance, including inadequate transport infrastructure, insufficient levels of higher level and technical skills, and the sectoral profile of the industrial base, amongst others. In response the LEP has prioritised investment in our economic infrastructure; developing the skills that our economy needs to succeed; ensuring that ideas and knowledge are at the forefront of our approach, supporting our businesses to innovate, export and grow; and building on our sectoral strengths and recognise our comparative advantage. Further detail is set out in the [Solent Productivity and Growth Strategy Update 2017¹](#).

We have to date been able to support local productivity and growth through the existing £151.9m Solent Growth Deal, which commenced delivery in 2015. This will unlock £400m public and private sector investment across the area, creating 6,000 new jobs and enabling 11,000 new homes to be built. The early years of our Solent Growth Deal (2015-17) has seen the delivery of a £75m capital programme which has:

- unlocked 4,150 new homes
- created 4,000 new jobs
- unlocked 72,000mof new employment floor space
- delivered significant improvements in connectivity

Our strategy now sets out that raising productivity is essential to enable companies to be competitive internationally, to exploit opportunities in emerging markets and to attract foreign direct investment. The drivers of productivity are a dynamic, open enterprising

¹ See : <https://solentlep.org.uk/what-we-do/news/solent-lep-launches-productivity-and-growth-strategy-update>

economy supported by long-term public and private investment in infrastructure, skills and science. The framework for raising productivity is built around two pillars:

- encouraging long-term investment in economic capital, including infrastructure, skills and knowledge; and
- promoting a dynamic economy that encourages innovation and helps resources flow to their most productive use.

As part of this the Solent LEP have also identified the need to bring forward new housing and as such to date we have prioritised infrastructure funding to support key housing schemes as North Whiteley and Welborne, but the pace of development and construction is too slow. As a result in the Solent area the market is challenging when viewed from the perspective of new supply, availability and affordability. There is a serious and chronic shortage of housing and steps are being taken to address this with delivery of new housing featuring very prominently in the Solent SEP. Notwithstanding this we need to do more as it is affecting productivity and restricting labour market flexibility, with many businesses simply unable to fill vacancies and many areas of the health and social sector reporting skills shortages as they struggle to recruit key workers.

The announcement of the new £23 billion National Productivity Investment Fund (NPIF) shows that the growth and the productivity agenda has fared even more strongly than had been expected, signaling that the Government remains serious in its commitment to the productivity agenda.

For the Solent LEP that means that we need to continue to:

- Invest in our economic **infrastructure**;
- Develop the **skills** that our economy needs to succeed;
- Ensure that ideas and knowledge are at the forefront of our approach, supporting our **businesses to innovate, export and grow**; and
- Build on our **sectoral strengths** and recognise our **comparative advantage**.

The government published a Green Paper "[Building Our Industrial Strategy](#)", for consultation on Monday 23rd January 2017, which sets out how the government propose to build a "modern industrial strategy." The government believe that an industrial strategy must respond to three challenges:

- Build on our strengths and extend **excellence** into the future;
- Close the gap between the UK's most **productive** companies, industries, places and people and the rest; and
- Make the UK one of the most **competitive** places in the world to start or grow a business.

By addressing these three challenges, the government will seek to achieve its objective "*to improve living standards and economic growth by increasing productivity and driving growth across the whole country.*" Improving productivity is seen as not making people work harder, but helping them to work smarter - producing more value for each hour of their time and thereby increasing their earning power.

It is clear, therefore, that **infrastructure** has a critical role to play in providing the resources and economic environment, which makes it easier for businesses and individuals to be productive and supporting economic growth in the Solent, including through larger scale strategic infrastructure projects that:

- Improve digital infrastructure;
- Improve strategic transport connectivity within or to/from the Solent;
- Accelerate the delivery of and / or improve the viability of development sites;
- Bring forward new housing (over 150 units), innovative solutions for the residential housing rental market;
- Bring forward / unlock employment floorspace for logistics (in excess of 9,000 m²), waterfront employment space (in excess of 2 hectares), Grade A office accommodation (in excess of 4,500m²) particularly in city centres, or move-on employment space (in excess of 4,500m²);
- Bring forward surplus public land and/or property for commercial use.

3 Who Can Apply?

The Solent LEP Development Cost Fund is open to organisations from the public and private sectors who are seeking to deliver capital infrastructure projects in the Solent LEP area that are deemed of strategic significance and will deliver economic growth. Applications from public / private partnerships are also welcomed.

Priority will be given to project proposals that are being developed to respond to the new National Productivity investment Fund (NPIF) which will be targeted at 4 areas that are critical for improving productivity; housing, transport, digital communications and research and development. This new fund will support projects that demonstrate a clear and strong contribution to economic growth. Larger scale strategic infrastructure projects will be favoured.

Applicants must demonstrate that they have the experience, capability and local funding contribution to undertake the development work and ultimately deliver the project. Applicants must also demonstrate that they have engaged with any relevant bodies that would be required to consent to the delivery of the project.

4 Eligibility Criteria and Supporting Information

This sections sets out the core eligibility criteria, which organisations must comply with for their application to be considered. Applications that do not comply with these criteria will not be considered.

Eligibility Criteria

4.1 Applicants

The Solent LEP Development Cost Fund is open to organisations from the public and private sectors who are seeking to deliver capital infrastructure projects in the Solent LEP area that will deliver economic growth by:

- **Improving digital infrastructure; and/or**
- **Improving strategic transport connectivity within or to/from the Solent; and/or**
- **Accelerating the delivery of and / or improve the viability of development sites; and/or**
- **Bringing forward new housing (over 150 units), innovative solutions for the residential housing rental market; and/or**
- **Bringing forward / unlock employment floorspace for logistics (in excess of 9,000 m²), waterfront employment space (in excess of 2 hectares), Grade A office accommodation (in excess of 4,500m²) particularly in city centres, or move-on employment space (in excess of 4,500m²); and/or**
- **Bringing forward surplus public land and/or property for commercial use**

Applications from public / private partnerships are welcomed.

4.2 Geography

The project, for which development cost funding is being requested, must be for a project that will be delivered in the Solent LEP area with clear evidence that the outcomes (i.e. new private sector investment, new jobs, new housing, new employment space, apprenticeships, etc.) as a result of your project will be located in the Solent LEP area.

The LEP may exceptionally consider applications for projects outside of the Solent LEP area where there is clear evidence that the outcomes (i.e. additional private sector investment, new jobs, new housing, new employment space, apprenticeships, etc.) will deliver direct productivity and growth outcomes in the Solent LEP area. For the avoidance of doubt, induced benefits or indirect outcomes cannot be considered. Equally, the LEP may consider projects whose outputs are outside the Solent LEP area, but where there is clear evidence that the project will directly benefit residents and businesses within the Solent LEP area.

[A map of the Solent LEP area is available here.](#)

4.3 Eligible Costs

Funding is being made available, alongside confirmed local contributions, for development work for capital infrastructure projects. Typically, this will be for feasibility work, or the development of a Strategic Outline Business Case or Outline Business Case.

The LEP will not provide funding for Full Business Cases.

All costs must be clearly shown, with contributions split by funding partner.

4.4 Funding Thresholds

There is no minimum or maximum funding threshold, but applicants should be aware that a total of £500,000 is being made available within this Fund, by the LEP, to support development costs.

A maximum of up to 50% of development costs can be requested from this Fund.

4.5 Local Contributions

A maximum of up to 50% of development costs can be requested from this Fund and this contribution will need to be alongside confirmed local cash contributions to the development costs. Projects that demonstrate a greater percentage of local match funding will be favoured.

4.6 Application Template

All applications must be submitted using the template provided, which must be completed in full.

4.7 Scale

The Solent LEP Development Cost Fund aims to support organisations to undertake initial development work on capital infrastructure projects of a strategic (to the value of £10m to £50m) nature that have the potential to contribute to transforming economic growth in the Solent. Accordingly, the Fund is seeking to strengthen the pipeline of capital discrete projects that have the potential to directly deliver significant housing (in excess of 150 units), bring forward new and innovative solutions for the residential housing rental market, employment floorspace for logistics (in excess of 9,000m²), waterfront employment sites (in excess of 2 hectares), or projects that will deliver Grade A office space/move on space (in excess of 4,500m²).

In addition the fund will prioritise strategic infrastructure projects that:

- Improve digital infrastructure; and/or

- Improve strategic transport connectivity within or to/from the Solent; and/or
- Accelerate the delivery of and / or improve the viability of development sites; and/or
- Bring forward new housing (over 150 units), innovative solutions for the residential housing rental market; and/or
- Bring forward / unlock employment floorspace for logistics (in excess of 9,000 m²), waterfront employment space (in excess of 2 hectares), Grade A office accommodation (in excess of 4,500m²) particularly in city centres, or move-on employment space (in excess of 4,500m²); and/or
- Bring forward surplus public land and/or property for commercial use.

4.8 Project and Programme Applications

Only applications for discrete projects, with clear links to outcomes (i.e. private sector investment, new jobs, new housing, new employment space, apprenticeships, etc.) will be considered. **Applications for a programme of activity or multiple discrete projects will not be considered as part of this funding call.** If you are seeking LEP funding support for a programme of work you are advised to contact the LEP by email at pipeline@solentlep.org.uk to seek further advice.

There is no limit to the number of applications an organisation may submit but organisations submitting more than one application will be asked to prioritise their applications in a rank order.

4.9 Deliverability

Applications must provide clarity on the route and timeline for delivery. It will be important to evidence that discussions have taken place with any organisation that will be required to provide consent to the delivery of the project. Priority will be given to schemes that have the potential to commence delivery by 2018/19.

It should be noted that where funds are provided to contribute to the development costs of a project, there will be an obligation on the applicant to repay any such funding support should the project subsequently progress and secure funding for delivery of the scheme. Any repayment will need to be made upon the applicant receiving formal confirmation of the funding award. This is an important component of any funding allocated from the Solent LEP Development Fund as it will allow Solent LEP to recycle such repayments to reinvest going forward.

4.10 Additionality

Applicants will need to demonstrate clear added value in relation to any project to be funded. This will include demonstrating that the proposal will not come forward at all, or within a timely manner or at a similar scale, if funding is not secured (sometimes referred to as deadweight). In addition, the project should not represent a displacement of the economic activity from elsewhere in the UK.

4.11 State Aid

Public funding will only be available where it is compatible with EU State aid regulations and applicants should be aware that their proposal will be scrutinised accordingly. Potential applicants should take account of this when considering the development of proposals. The applicant will be required to demonstrate that their proposal is compatible with EU State aid regulations. The Department for Business Energy and Industrial Strategy has provided information on state aid on its website², which may be helpful.

Supporting Information

The LEP views it as important that evidence for projects and options development is taken forward on an independent basis, with expert input and involvement of relevant delivery partners.

The Fund is competitive and only the strongest projects will be supported. **Priority will be given to project proposals that are being developed to respond to the new National Productivity investment Fund (NPIF), which is targeted at 4 areas that are critical for improving productivity: housing, transport, digital communications and research and development as this new fund will fund projects that demonstrate a clear and strong contribution to economic growth.**

Applicants may include supporting evidence / information as annexes to their application.

Please note that decisions made by the Solent LEP Board on projects to be shortlisted for development funding support are final and there will be no right of appeal.

² <https://www.gov.uk/guidance/state-aid>

5 Prioritisation

Applications that satisfy the eligibility criteria will be assessed against the following prioritisation criteria.

Strategic Case	The Problem	Clarity on the problem seeking to be solved by the proposed infrastructure project.
	Strategic Fit - Solent	The extent to which a project is transformative and supports one or more of the strategic priorities in the Solent LEP Strategic Economic Plan.
	Strategic Fit - National	The extent to which a project fits with the eligibility criteria for funding opportunities emerging from the National Productivity Investment Fund announced in the Autumn Statement 2016. Further information is available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/571559/autumn_statement_2016_web.pdf
	Productivity	How the proposal will support an increase in productivity.
	Employment	The potential of the project to directly create new jobs in the Solent.
	Housing	The potential of the project to directly support the delivery of new homes in the Solent (in excess of 150 units), or bring forward new and innovative solutions for the residential housing rental market in the Solent
	Employment Space	The potential of the project to directly support the delivery of employment floorspace for logistics (in excess of 9,000m ²), waterfront employment sites (in excess of 2 hectares), or projects that will deliver Grade A office space/move on space (in excess of 4,500m ²) in the Solent.
	Transport connectivity	The potential of the project to directly improve transport connectivity within and/or to and from the Solent LEP area
	Digital connectivity	The potential of the project to support the implementation of next generation infrastructure that is smart, integrated and digitally-enabled so that the Solent LEP economy can continue to grow.
	Wider Economic Impacts	The wider impact on the economy of the Solent LEP area (i.e. will it help bring forward economic activity; will it help grow the priority sectors; and the spill-over impacts to other companies in a supply-chain).
Social and Environmental Impacts	The extent to which the project will have wider social or environmental benefits to the Solent (e.g. providing employment opportunities in deprived city areas or improving air quality).	
Economic Case	Value for Money	Evidence you can provide on the likely scale of costs and benefits which could come from any available Strategic Outline Business Case information, Option Assessment information or

		relevant benchmarking information.
Financial Case	Private Sector Leverage	The potential of the project to bring forward private sector investment post-delivery.
	Local Contribution	The size of local funding contribution proposed.
	Robustness of Costings	The robustness of your costings for development work.
	Additionality	The extent to which development work will be realised without the funding; or the impact of the funding on the speed of the development work.
Management Case	Deliverability	Demonstration of the experience, capability, local funding contribution to undertake the development work and ultimately deliver the project. Priority will be given to schemes that have the potential to commence delivery by 2018/19.
	Programme Plan	The robustness and realism of the plan and timescale for doing the proposed development work. Priority will be given to schemes that have the potential to commence delivery by 2018/19.
	Governance	Clarity should be provided on the project governance.
	Stakeholder Engagement	We will consider the existing level and breadth of support for the scheme, from key stakeholders including the public, businesses and MPs, not just letters of support for this bid but evidence of previous support, campaigns, news articles etc.
Commercial Case	Independence	The LEP views it as important that evidence for projects and options development is taken forward on an independent basis, with expert input and involvement of relevant delivery partners. Projects will need to demonstrate how the development work will accord with this.
	Risks	Identification of project risks and mitigation.
	Procurement	How the development work will be procured.

6 Application Timeline and Decision Making

This Funding call opens on the **14th March 2017**. **The first deadline for applications will be Friday 21st April 2017**, with applications to be considered at the LEP Board meeting in May 2017.

The next closing date will be 19th May 2017, with applications considered on the 22nd June at the Funding, Finance and Performance Management Group (FFPMG)

Should further funding be available following the initial two rounds, new deadlines will be published on the LEP website.

Applications for development cost funding will be considered by the Solent LEP Funding, Finance and Performance Management Group (FFPMG) or the Solent LEP Board, who will make decisions on funding awards. Further information on the Solent LEP governance is available in the Solent LEP Assurance Framework.

7 How to Apply

Please read this guidance document in full and complete all sections of the application template.

When you are satisfied that you have completed the application, please submit to the Solent LEP by email to: pipeline@solentlep.org.uk.

8 Contact Details

Should you have any questions in relation to the content of this document or the associated application template, please contact the Solent LEP team at:

Email: pipeline@solentlep.org.uk

Telephone: 023 9268 8924