



**SOLENT  
LOCAL  
ENTERPRISE  
PARTNERSHIP**

# **Solent Skills and Productivity Investment Fund**

## **Skills capital programme Fund**

**Guidance Document  
March 2017**



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# 1

## Executive Summary

**Improving productivity in the Solent requires targeted and sustained investment, and, in response, the LEP is now opening up a new Fund, the Solent Skills and Productivity Investment Fund, with up to £12.5 m of capital funding available between 2017/18 to 2019/20 for capital proposals that address areas that are critical to raising productivity in the Solent LEP area.**

This is an open call seeking **employer-led skills capital proposals that address skills issues in the Solent area** and that support the outcomes of the Solent Area Review published in November 2016<sup>1</sup>. The minimum bid threshold is £1m for projects that can commence delivery by 2<sup>nd</sup> April 2018 and complete by 31<sup>st</sup> March 2021 and projects must demonstrate that no other public funding source is available. The following forms of support are being made available:

- Grant;
- Loan;
- Forward funding; and
- Equity funding.

The amount of funding sought from the Solent Skills and Productivity Investment Fund must contribute directly to a project alongside confirmed and secured third party investment and the project must demonstrate that it will bring in additional private sector investment. Local funding contributions to the project should represent at least 30% of the total project cost as an absolute minimum.

SME's that are seeking support for a smaller project (seeking funding below £1m), may wish to consider the [Solent Growth Fund](#), which offers grants of between £10,000 and £500,000 (and exceptionally above £500,000).

In addition should you have an innovation project you may wish to consider bidding to round 3 of the Solent Innovation programme fund, which is due to launch in Summer 2017.

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<sup>1</sup> Alongside this, there is an invitation only call for discrete projects included in the Solent LEP Local Growth Deal 3 submission, open to schemes prioritised for inclusion in the Local Growth Deal 3 Proposal including; Itchen Flood Alleviation scheme, Access to Western Docks, Southsea Flood Protection, Portsmouth City Centre Road, BRT Phase 1 B, Botley Bypass and BAE Combined Heat and Power Energy scheme. For further information see [https://solentlep.org.uk/media/1580/0787\\_solent-lep\\_newsletter\\_hires.pdf](https://solentlep.org.uk/media/1580/0787_solent-lep_newsletter_hires.pdf). In addition it will be open to any skills capital project that supports the outcomes of the Solent Area review, published on 29 November 2016 - <https://www.gov.uk/government/publications/solent-further-education-area-review-report>

## 2

## Background

### 2.1 The Solent Local Enterprise Partnership

The Solent Local Enterprise Partnership (LEP) is the key interface and lead for economic development in the Solent. It is a partnership organisation between the business community, the Further Education and Higher Education sector, three unitary authorities, eight district councils and one county council, all of whom are actively working together to secure a more prosperous and sustainable future for the Solent area, providing the resources and economic environment, which makes it easier for businesses and individuals to be productive and where scientific research is encouraged through support for relevant institutions.

### 2.2 The National Context

The government published a Green Paper "[Building Our Industrial Strategy](#)", for consultation on Monday 23<sup>rd</sup> 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.

The government see their approach to an industrial strategy as being different from past approaches, in that a *modern industrial strategy* should seek to create the right conditions for new and growing enterprises to thrive, rather than protecting the position on incumbent or traditional industries. This recognises the unfolding technological revolution that is disrupting existing and new markets and that the rate and profound impact of this revolution necessitates an approach that provides the conditions for the nurturing of new, rather than the sustaining of traditional, industries.

Locally, the Solent LEP has commissioned work to identify those sectoral and technological strengths where the Solent has a competitive and comparative advantage. Sectoral excellence exists in relation to marine and maritime, defence, aerospace, photonics, aspects of life sciences, CleanTec, whilst we have technological strengths in autonomous systems, advanced materials, intelligent infrastructure, and web science.

The industrial strategy is proposed to be built on ten themes, which the government believe important to drive forward the industrial strategy. These are summarised in below:

 <p><b>Investing in science, research &amp; innovation</b></p> <p>We will become a more innovative economy and do more to commercialise our world leading science base, developing new technologies and driving growth throughout the UK.</p>	 <p><b>Developing skills</b></p> <p>We will build a proper system of technical education, and boost key skills in science, technology, engineering, maths and digital proficiency, to ensure people have the skills employers need now and in the future.</p>
 <p><b>Upgrading infrastructure</b></p> <p>We will upgrade our digital, energy, transport, water and flood defence infrastructure, and join up central government investment and local growth priorities more effectively.</p>	 <p><b>Supporting businesses to start &amp; grow</b></p> <p>We will support businesses and entrepreneurs across the UK, to ensure they can access finance and wider support to grow, and have the right conditions for companies to invest long-term.</p>
 <p><b>Improving procurement</b></p> <p>We will ensure public procurement drives innovative new products and services, strengthens skills, develops UK supply chains and increases competition by creating more opportunities for SMEs.</p>	 <p><b>Encouraging trade &amp; inward investment</b></p> <p>We will make Britain a global leader in free trade, including promoting and supporting UK exports, building future trading relations and creating a more active approach to winning major overseas contracts.</p>
 <p><b>Delivering affordable energy &amp; clean growth</b></p> <p>We will keep energy costs down for businesses, build the energy infrastructure we need for new technologies, and secure the economic benefits of our move towards a low-carbon economy.</p>	 <p><b>Cultivating world-leading sectors</b></p> <p>We will build on our areas of global excellence and help new sectors to flourish, supporting businesses to take the lead in transforming and upgrading their industries through sector deals.</p>
 <p><b>Driving growth across the whole country</b></p> <p>We will build on local strengths and address factors that prevent areas from reaching their full potential, by investing in key infrastructure projects, increasing skill levels and backing local expertise.</p>	 <p><b>Creating the right local institutions</b></p> <p>We will create strong structures and institutions to support people, industries and places to maximise local strengths, including reviewing the location of government bodies and cultural institutions.</p>

### 2.3 The Solent Economy

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 per capita in 2015; which 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 and digital 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 recognising our comparative advantage. Further detail is set out in the [Solent Productivity and Growth Strategy Update 2017](#).

Too frequently, the Solent is assumed to be typical of the wider south east, yet our economic profile is more akin to that of a northern conurbation, and the scale of the challenges that these pose would benefit from a place-based approach that tailors response to the local situation. Indeed, even within the Solent there is disparity. The [UK Competitiveness index 2016](#) ranks Solent as the second least competitive LEP area in the south east of

England, and within the Solent Gosport is ranked 208<sup>th</sup> (out of 379), whereas the Isle of Wight is ranked 339<sup>th</sup>.

The Solent is also an interconnected city region with two major economic centres in Portsmouth and Southampton, connected by the M27 corridor. The area as a whole has a complex socio-economic geography that is influenced by its 290 miles of coastline, high levels of urbanisation and population density, and skills and sectoral profiles that are contributing to a significant underperformance in productivity.

The economy is positioned as the “Southern Gateway,” shaped by the three ports which are high performing economic assets of national significance (Port of Southampton, Portsmouth Naval Base, and Southampton International Airport). Clearly they are not only hugely important to the Solent area, but they also need to be positioned in terms of the wider contribution they make to the growth and prosperity of the UK economy as a whole. It performs a vital role in delivering access to global markets supporting the UK industry and specifically the automotive sector, whilst having a key defence cluster of international significance as well as being the home for the Royal Navy. Alongside this, the Solent has three universities which are also major economic assets, providing the region with a world class research, innovation and science base as well as a strengthening skills base.

The area is shaped by the 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. Our coastal location, business base, traditions, 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. Further information about the area's strengths in marine and maritime is provided in [Transforming Solent: The Marine and Maritime Supplement](#), published by BIS in March 2014.

### 3 Solent Skills and Productivity Investment Fund

The Solent Skills and Productivity Investment Fund (SSPIF) is funded through Local Growth Funding (LGF) secured through the Solent Growth Deal. The LGF was established as a £12 billion central fund operating from 2015-16 to 2020-21. The LGF is fundamentally a capital fund that was established as a central funding pot, which is accessed through a process of LEPs agreeing Local Growth Deals with Government. Through Growth Deals, LEPs are invited to seek freedoms, flexibilities and a share of the LGF to target their identified local growth priorities.

**A £12.5 m Solent Skills and Productivity Investment Fund is being made available from Solent LEP Local Growth Funding and is available from 2017/18 to 2019/20 to support projects that can commence delivery by 2 April 2018 and complete by 31<sup>st</sup> March 2021.**

Applications seeking support for skills capital projects are invited through this open call and **we are seeking employer-led proposals that respond to the Solent Area Review published in November 2016 or form part of the recommendations from the Area Review.** Alongside this, applicants should note that the Solent LEP has issued an invitation only call to named discreet infrastructure schemes that were prioritised in our Local Growth Deal 3 submission but were not supported due to affordability reasons. Applicants from this call will also be considered under the £12.5m SSPIF.

It is recognised that projects may need to recast the proposal in light of the requirements of this Fund and the available funding.

The LEP are seeking details on projects to be set out within a Full Business Case (see section 7). These will be independently assessed against the prioritisation matrix (see section 6) and government guidance on the development of business cases. Value for money and deliverability are key criteria.

The Solent LEP Board will then consider all eligible proposals received from this call and the response to the call for discreet infrastructure projects, and make decisions on those to be funded and any pre-conditions. The decision of the LEP Board is final and there is no right of appeal.

For the benefit of applicants, the diagram overleaf provides an overview of the process from submission of Full Business Case to funding agreement.

The Solent LEP is particularly keen to identify projects that will address the challenges identified in section 2 of this document and help to create the economic environment, which makes it easier for businesses and individuals to be productive.

**HERE IS HOW THE PROCESS WORKS...**

Prepare and submit a **Full Business Case** in line with the information in this document.

An initial eligibility check will be undertaken with eligible projects undergoing Independent due diligence.



Your Full Business Case will be published on the LEP website for an eight week consultation period.

Solent LEP Board considers Full Business Case, due diligence and consultation outcome.

You will have an opportunity for factual accuracy checks on the due diligence report.

**SUCCESS!**

Funding is confirmed for your project (subject to receipt of future years LGF allocations)





## 4

# Eligibility Criteria and Supporting Information

Before submitting a Full Business Case, please ensure that you meet the following eligibility criteria and supporting information:

### 4.1 Applicants

Applications are through an open call for skills capital projects. Applications may be from private or public sector organisations, as well as from private / public partnerships. In the event the applicant is not the employer the proposals will need to be accompanied by a letter(s) of support from the lead employer(s) which clearly sets out their lead role in the project and the skills needs that the project is seeking to address. Projects that include an employer/private sector funding contribution will be favoured.

Clarity must be provided in terms of the lead applicant. All submissions must be signed-off by a senior representative from the lead organisation.

### 4.2 Geography

Proposals must be delivered in the Solent LEP area with clear evidence that the direct outputs (i.e. new private sector investment, new direct jobs, new housing, new employment space, new educational / learning space, apprenticeships, etc.) delivered as a result of your project being 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 direct outputs (i.e. new private sector investment, new direct jobs, new housing, new employment space, new educational / learning 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 are less favoured than direct benefits. 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.

The Solent LEP is keen to work with our adjacent LEP partners on projects. If you have a project that has the potential to deliver benefits within another LEP area, or you are based outside of the Solent LEP geography, you will need to speak with the relevant LEP and a member of the Solent LEP executive team before submitting your application to the Solent LEP.

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

### 4.3 Alternative Public Funding and alignment with the Industrial Strategy

Projects will be expected to demonstrate in their business case that no other public funding mechanism is available to provide gap funding, including the provisions under the National Productivity Investment Fund, as set out in the [Autumn Statement 2016](#).

Applicants to the Solent Skills and Productivity Investment Fund should also recognise that the government intends to work with employers and colleges to design new sector-specific pathways, from construction to creative-based design professions, so that young people leave college with the skills, knowledge and expertise that employers want.

The reforms were first set out in Lord Sainsbury's review of Technical Education, which the government now intends to implement in full.

Among the recommendations are increasing the amount of training for 16 to 19-year-olds on technical routes by more than 50 per cent to over 900 hours a year, including the completion of a high-quality industry work

placement, to begin in 2019. Therefore skills capital projects seeking funding support will need to clearly evidence how their proposal will respond to the development of technical routes to meet industry needs in the Solent, including the completion of high quality work placements.

#### **4.4 Costs**

The LGF is a **capital fund** and all funding sought from the LGF must be **for capital investment only in the period 2017/18 to 2019/20**. We will consider the following forms of support:

- Grant;
- Loan;
- Forward funding; and
- Equity funding.

Revenue requests cannot be considered.

All costs must be clearly shown, with contributions split by funding partner. You must also set out the basis on which the costs have been calculated (i.e. pre-feasibility, outline design, detailed design...).

You must clearly state how much funding you are seeking from the SSPIF and on what basis (Grant; Loan; Forward Funding; Equity Funding).

Priority will be given to projects that have all their funding in place and that can spend the LEP funding by the end of March 2020 and complete delivery of the project by 31 March 2021.

#### **4.5 Minimum Funding Threshold**

The minimum bid threshold is £1,000,000 and there is no maximum bid threshold, although applicants should note that the maximum funding available within this fund is £12,500,000.

#### **4.6 Local Contribution to Total Project Costs**

The amount of funding sought from the SSPIF must contribute directly to a project alongside confirmed and secured third party investment. Where this is not possible, there should be a clear timeline presented to achieving certainty of contributions.

Funding leveraged directly into the project needs to demonstrate a real stake in the outcome of the project and private sector investment unlocked must be clearly evidenced. The expectation will be clear, demonstrable, leverage. **Local funding contributions to total project costs should represent at least 30% of the total project cost as an absolute minimum.**

In very exceptional circumstances, where there is a clear failure of the market to provide an intervention critical to supporting the LEPs Growth Strategy, the LEP may look at a lower rate of local contribution. In these circumstances you are strongly advised to contact the LEP Executive on 023 9268 8924 before submitting a business case.

#### **4.7 Private Sector Leverage**

In addition to any local contribution there is a clear expectation that the SSPIF contribution will unlock wider additional private sector investment at a minimum ratio of 4:1 (£4 for each £1 of LEP funding), which may draw from wider economic impacts flowing from the proposal. Projects that have the potential to unlock higher levels of private sector investment will be favoured.

The project must demonstrate that it will bring in additional private sector investment in the order of 4:1. Please note that this wider leverage is separate to local contributions to project costs.

#### **4.8 Consents**

Project must demonstrate within the full business case that they have all relevant regulatory consents in place, including full planning consents (with all reserved matters cleared) or a clear timeline and provision of confidence that they will be in place by 31 March 2018. Schemes that are not able to provide this cannot be considered.

#### **4.9 Project and Programme Applications**

Only proposals for discrete and definable projects, with clear links to outcomes (i.e. private sector investment, new direct jobs, new housing, new employment space, skills outputs, apprenticeships, etc.) will be considered. Applications for a programme of activity will not be considered.

#### **4.10 Deliverability**

Applications must provide clarity on the route and timeline for delivery. Greater clarity in this regard will provide the LEP greater confidence in deliverability. Projects will need to have all relevant regulatory consents in place by 31 March 2018 at the very latest, commence delivery by 2 April 2018 at the latest and will need to be able to defray all expenditure by 31 March 2020. Projects that will complete well inside the end date of 31<sup>st</sup> March 2021 will be favoured.

#### **4.11 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 Solent.

#### **4.12 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 and applicants may wish to submit independent expert state aid advice alongside their business case. The Department for Business Energy and Industrial Strategy (BEIS) has provided information on state aid on its website<sup>2</sup>, which may be helpful.

#### **4.13 Due Diligence**

Shortlisted projects will be required to undergo a technical due diligence review. Projects will need to satisfactorily complete the process before funding is awarded subject to contract. There will be three stages to the process:

#### **Financial appraisal**

The Solent LEP will not fund projects which would still be funded and be able to go ahead without investment from the Innovation Programme Fund. In other words, the LEP's funding must not replace other funding options, and applicants must demonstrate the need they have for investment from this fund. The Solent LEP will also provide only the minimum funding required to allow the project to progress. The financial appraisal stage, therefore, will seek to:

- Appraise the project financial position and test underlying assumptions;
- Identify the minimum funding needed to unlock the development;
- Consider the most appropriate form of investment (grant, loan, forward funding, equity funding);
- Evaluate the potential for recovery of the Solent LEP's investment through loan repayment, interest, share of returns, overage, or other models (where applicable);
- Understand pricing and marketing strategies for the project; and

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

- Understand and consider the financial, commercial and market risks associated with the project;

The Solent LEP reserves the right to request additional financial information. The Solent LEP will also, where appropriate, enter into a three-way dialogue with the applicant and other parties in order to discuss the viability of a project (for example, with the local planning authority, where the viability of a scheme is impacted by the scale of the planning obligations).

### **Financial standing**

Applicants will be required to undergo a thorough review of their financial standing.

The Solent LEP may also consider the most appropriate form of security for its investment. This may involve the use of charges and guarantees as well as negotiation with existing financiers. An assessment of credit worthiness and collateralisation (for loan, equity or forward financing) will be required for all projects. The Solent LEP reserves the right to request additional financial information from any applicant. The Solent LEP also reserves the right to take account of an applicant's track record on investment recovery.

### **Deliverability**

The Solent LEP will undertake a risk assessment for each shortlisted project. This will review risks in relation to:

- The ability to (re)start on site including a review of title, planning and site constraints;
- The development programme and underlying assumptions; and
- The sales/revenue programme and underlying assumptions.

## 5 Types of Funding and State Aid

### 5.1 Grants

Funding may be sought in the form of a capital grant, alongside confirmed and secured third party investment.

### 5.2 Loans

Loans, at market rates will be required to be repaid on a basis agreed during the due diligence stage with a longstop date of March 2020, may be requested. Exceptionally, the LEP may consider a longstop date beyond this where a proposal will generate high levels of jobs, or leverage significant additional private sector investment. If you intend to provide a longstop date on the basis of exceptional circumstances / outputs, it is strongly recommended that you contact the Solent LEP first in order to discuss this.

For private sector applicants the market interest rate will be calculated using the EC Reference Rate plus a margin calculated on the basis of an assessment, by the Solent LEP as part of the due diligence process, of creditworthiness and collateralisation. An interest rate matrix using the latest EC Reference Rate, as at 1<sup>st</sup> January 2015, is published separately, and is set out below.

For most loans to Local Authorities or other Public Sector applicants, subject to state aid regulations, there will be no market interest rate applied. However, an administration fee will be charged for each loan made and will be deducted from the initial advance made to the loan recipient. The one-off fixed fee will be 2.5% of the total loan amount.

However, if the funding is for a solely commercial venture that does not fall within a permitted activity as set out within State Aid legislation then a commercial interest rate will apply. This would be calculated as would a loan to a private sector applicant as set out below.

In order to avoid direct arrangements with projects constituting a State Aid, the Solent LEP (in common with most other LEPs) has decided that a commercial rate of interest will be payable on any loans provided to the private sector. Interest rates will be calculated using the EC Reference Rate plus a margin calculated on the basis of an assessment by the Solent LEP and Portsmouth City Council, as part of the due diligence process, of creditworthiness and collateralisation.

Interest rates are assessed using European Commission guidance as set out in the Communication which can be found at: [http://ec.europa.eu/competition/state\\_aid/legislation/reference\\_rates.html](http://ec.europa.eu/competition/state_aid/legislation/reference_rates.html)

The EC Reference rate is used as the variable rate and has been set at 1.02% from 1<sup>st</sup> January 2015. This rate is then increased by a margin (to reflect the creditworthiness of the borrower and the level of collateral offered). A summary matrix outlining these margins is included below:

Rating Category	Collateralisation		
	High	Normal	Low
Strong (AAA-A)	0.6%	0.75%	1%
Good (BBB)	0.75%	1%	2.2%
Satisfactory (BB)	1%	2.2%	4%
Weak (B)	2.2%	4%	6.5%
Bad / Financial Difficulties (CCC and below)	4%	6.5%	10%

Full information in relation to the margin increases applied is available at: [http://ec.europa.eu/competition/state\\_aid/legislation/compilation/h\\_10\\_07\\_09\\_en.pdf](http://ec.europa.eu/competition/state_aid/legislation/compilation/h_10_07_09_en.pdf)

Assessment of interest rates will be carried out by the Solent LEP and Portsmouth City Council as part of the due diligence process and decisions made are final.

For loans to Local Authorities or other Public Sector applicants, there will be no market interest rate applied unless the funding is being sought for a solely commercial venture. If this is the case then a commercial interest rate will apply. If this is not the case then, an administration fee will be charged for each loan made and will be deducted from the initial advance made to the loan recipient. The one-off fixed fee will be 2.5% of the total loan amount.

For both public sector and private sector applicants, loans must be repaid on a basis agreed during the due diligence stage with a longstop date of October 2020. Exceptionally, the Panel may consider a longstop date beyond this where a proposal will generate high levels of jobs, housing or leverage significant additional private sector investment. If you intend to provide a longstop date on the basis of exceptional circumstances / outputs, it is strongly recommended that you contact the Solent LEP first in order to discuss this.

### **5.3 Forward funding**

Where the Solent LEP provides funding against planning obligations that project leads have agreed to make toward the provision of infrastructure needed to unlock projects, the funding agreement would be with the Local Planning Authority who would recoup the investment through the planning obligations process and re-pay the Solent LEP.

The state aid rules do not apply if financial support is from one public body to another public body to undertake activity that is for public benefit. Forward funding for infrastructure works to a Local Planning Authority through this Fund would not, in principle, be classed as State Aid if the aid is not to assist with an economic activity, it does not confer an advantage on a particular economic undertaking nor does it distort competition. The Accountable body (Portsmouth City Council) will need to satisfy itself in relation to S106 agreements. These tests will be considered when the Solent LEP is considering proposals.

In addition, an administration fee will be charged for projects financed through forward funding arrangements. This fee will be deducted from the advance payment made to the recipient. The one-off fixed fee will be 2.5% of the total forward funding amount.

### **5.4 Equity Investments**

An investment could be made on the basis of equity share where the fund has first call on any proceeds up to the investment value including a commercial interest charge for the funds employed and then an agreed share of the profits thereafter.

The amount and type of funding ultimately offered to any project will reflect the Solent LEPs assessment of the minimum support needed for the project to proceed and the level of risk involved. The Solent LEP and Portsmouth City Council as Accountable Body for the fund may require security in the form of charges against assets or future asset values in order to satisfy the due diligence process.

The Solent LEP needs to satisfy Portsmouth City Council as Accountable Body for the Fund about the project and assistance meeting State Aid regulations. This will also be part of the due diligence process (see below). Portsmouth City Council, as Accountable body for the Solent Growing Places Fund, will enter into all funding agreements on behalf of the Solent LEP. The Solent LEP's liability will always be limited to the value of its agreed investment.

For specific details – including aid intensities, the incentive effect and eligible costs – applicants must refer to the relevant part of the Regulations. Further information is available at:

[www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/15279/The\\_English\\_Risk\\_Capital\\_Investment\\_State\\_Aid\\_Scheme.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/15279/The_English_Risk_Capital_Investment_State_Aid_Scheme.pdf)

## 6 Prioritisation of Projects

All eligible full business cases will be assessed against the prioritisation matrix set out in the Solent LEP Assurance Framework and the updated matrix set out on this page, and in terms of their consistency with HM Treasury Green Book advice for the development of business cases (see section 7).

Core Criteria	
Strategic Fit	The extent to which a project supports the growth (including export potential) of our strategic sectors or one or more the five areas critical to raising productivity levels in the Solent: transport, digital communications, skills, research and development (R&D) and housing.
Deliverability	The ability to demonstrate that the project is deliverable including: the extent to which it has planning permissions (and has resolved any planning conditions) and other relevant consents in place; the adequacy of the funding package; the financial standing of the delivery partners, and the risks to timely delivery.
Start Dates	Applicants should identify when the project is expected to come forward.
Private Sector / Other Leverage	The ability to lever other funding, in particular, private sector funding and the scale of the Investment.
Jobs	The value (quality i.e. permanent vs. temporary jobs) and number of the direct jobs created (where applicable).
Homes	Delivery of new housing provision (where applicable).
Skills	Delivery of skills outcomes such as education floorspace, apprenticeships, learners, etc (where applicable). Evidence that the proposal is employer led (priority given to applications that come forward with a private sector contribution) and that it addresses an identified skills shortage need in an industry and/or sector. Clear evidence how the proposal will respond to the development of new technical routes to meet industry needs in the Solent, including the completion of high quality work placements.
Additionality	The extent to which a site's benefits will be realised without the funding (deadweight); the impact of the funding on the speed of delivery of the economic benefits; and the extent to which the funding will shift economic activity from other areas (displacement).
Supplementary Criteria	
Wider Economic Impacts	The wider impact on the economy of the Solent LEP area (i.e. will it help unlock or bring forward other development sites or economic activity; will it help grow the priority sectors; spill-over impacts to other companies in a supply-chain; or induced benefits).
Social Impact	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, supporting people into work through apprenticeships and other access to employment routes).
Equalities	Projects will need to demonstrate compliance with the obligations under the Equality Act 2010 and in particular the impact of the proposals on groups with protected characteristics.



## 7 Full Business Case Development

The Solent LEP will require a full business case to be developed at risk by scheme proposers, before a firm commitment to funding can be considered. This section provides advice on the content of full business cases.

The purpose of the full business case is to:

- identify the 'market place opportunity' which offers optimum VFM;
- set out the negotiated commercial and contractual arrangements for the deal;
- demonstrate that it is 'unequivocally' affordable;
- put in place the detailed management arrangements for the successful delivery of the scheme.

### Equalities Act 2010

In developing business cases, applicants must be very mindful of the obligations under the Equality Act 2010 and in particular the impact of the proposals on groups with protected characteristics. Consideration of the requirements of the Act should be demonstrated within the business case. Further information on Equalities Impact Assessment can be found here:

[https://www.portsmouth.gov.uk/ext/the-council/equalities/equality-impact-assessments-\(eia\).aspx](https://www.portsmouth.gov.uk/ext/the-council/equalities/equality-impact-assessments-(eia).aspx).

### Guidance

Advice on the production of a Green Book compliant business case is available in [Green Book Supplementary Guidance on Delivering Public Value from Spending Proposals](#).

There is no prescribed format or template for business cases but they must include the following:

- Outline of the Scheme and its deliverables, where different from those stated in the Outline Business Case; and
- evidence that all relevant consents are in place (or are scheduled to be in place); and
- evidence that third party funding is in place; and
- a full financial appraisal to include financial forecasts, phasing of expenditure, cash-flow for delivery; and key assumptions and contingencies; and
- Other options considered and discounted setting out the rationale for doing so, and which has regard to the overall strategic fit, delivery of outcomes, deliverability, risk and cost; and
- a full project delivery plan; and
- a risk register; and
- contracting arrangements for construction (where relevant).

Schemes will only be approved that offer at least "high" value for money, defined locally as a providing a value for money of at least 4:1. This should assessment should not only reference the HM Green Book Benefit:Cost Ratio (BCR), but also the wider economic and financial impact of the proposal. In exceptional circumstances a scheme that offers less than "high" value for money may be considered where its delivery will drive new productivity and/ or economic growth and/ or employment and/ or housing growth in the area of economic vulnerability (as defined against published UK averages) or in areas that have designated Assisted area status under the new EU Map for the period 2014-2020<sup>3</sup>.

For transport schemes, business cases must be developed in accordance with WebTAG advice provided by Department for Transport:

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<sup>3</sup> The Solent has two areas that have been designated Assisted Area Status, in Portsmouth Harbour, and the Isle of Wight. The map is available from: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/310564/2014-2020\\_UK\\_Map\\_A1.jpg](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/310564/2014-2020_UK_Map_A1.jpg)

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/85930/dft-transport-business-case.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/85930/dft-transport-business-case.pdf)).

For skills capital schemes, business cases must be developed in accordance with guidance for Skills Capital Funding projects, which can be accessed at; <https://solentlep.org.uk/media/1926/advice-to-scheme-promoters-on-the-development-of-business-cases-v3-feb-2017.pdf> of the Solent LEP Assurance Framework<sup>4</sup> and the application template available via the following link : [https://solentlep.org.uk/media/1922/annex-1-template-for-skills-capital-build-projects\\_v2.pdf](https://solentlep.org.uk/media/1922/annex-1-template-for-skills-capital-build-projects_v2.pdf)

For all other investments, business cases should be developed in accordance with the guidance provided by HM Treasury:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/277345/green\\_book\\_guidance\\_on\\_public\\_sector\\_business\\_cases\\_using\\_the\\_five\\_case\\_model\\_2013\\_update.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/277345/green_book_guidance_on_public_sector_business_cases_using_the_five_case_model_2013_update.pdf)

Business cases will need to demonstrate how the proposal is state aid compliant and independent expert advice should be provided alongside the business case. Additional guidance on this may be issued.

Please note all full business cases will be published on the Solent LEP [website](#), and will be subject to an eight week consultation period. If any information contained within a business case is confidential, commercially sensitive, or deemed inappropriate for publication online it is the responsibility of the scheme proposer to make this explicitly clear to the Solent LEP. Where this is the case, the scheme proposer must submit a full business case to the Solent LEP for assessment, and submit an additional separate 'publishable' full business case. The former will be assessed, whilst the latter will be published online.

Monitoring and evaluation are a core component of the LGD and funding beneficiaries will be required to provide progress updates through a monitoring spreadsheet on a quarterly basis and all funding claims will need to also be accompanied by a monitoring report. An illustrative example of the monitoring spreadsheet is provided in annex A.

Expenditure for which claims are made must have been defrayed (unless otherwise agreed with the LEP), recorded in the organisations accounts and, if requested by the Accountable Body, available for audit.

Promoters will be expected to ensure that their monitoring and evaluation framework can support the wider monitoring and evaluation of the Solent LEP for the Solent Growth Deal. It is expected that all funded projects will also be required to produce an evaluation plan, which will need to include an evaluation of the LGF intervention and a summary analysis of the outcomes that the project / programme has delivered. Further information will be made available as part of the funding agreement between the scheme lead delivery body and the accountable body for the Solent LEP.

**Promoters will be expected to submit a monitoring and evaluation framework with their business case submission**, which will be agreed by the Solent LEP. Promoters will be responsible for undertaking monitoring and evaluation and reporting results back to the Solent LEP in accordance with the agreed monitoring framework.

Promoters should also expect to provide periodic submissions of an up to date risk log.

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<sup>4</sup> <https://solentlep.org.uk/media/1956/solent-lep-assurance-framework-february-2017.pdf>

Business cases are developed at the risk and cost of the project promoter. Submission of a business case does not in any way secure funding from Solent LEP for a project and there is no right of appeal on decisions of the LEP Board.

## 8 Activity Timetable

This call for projects opened on **31<sup>st</sup> March 2017**.

Full business cases will need to be submitted at a date set by the Solent LEP. For projects seeking funding through Local Growth Deal round one, the deadline for submission of business cases is **17:00 on Friday 29<sup>th</sup> September, 2017**.

Full business cases should be submitted electronically to [pipeline@solentlep.org.uk](mailto:pipeline@solentlep.org.uk), making it clear which fund you are applying under (Skills Capital or Discrete Infrastructure Projects). Scheme proposers should be mindful of issues relating to email attachment file sizes, and it is the responsibility of the scheme proposer to ensure that an electronic version of the full business case is submitted to the LEP by the deadline.

The following provides the expected timetable regarding this call.

Call Closes	1700 on Friday 29 <sup>th</sup> September 2017
Assessment Period and initial Due Diligence	02-10-2017 to 01-11-2017
Initial consideration by LEP Funding, Finance and Performance Management group	08 – 11- 2017
Initial Update to all applicants	Expected W/C 13 <sup>th</sup> November 2017
Final assessment and completion of due diligence	13-11-2017 to 24-11-2017
Consideration and approval of projects by Solent LEP Board	Expected 8-12-2017
Notification of outcome to all applicants	Expected w/c 11-12-2017
Commencement date for projects	No later than 2 <sup>nd</sup> April 2018

## 9 Contact Information

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

**Email:** [pipeline@solentlep.org.uk](mailto:pipeline@solentlep.org.uk)  
**Telephone:** 02392 68 8924