



HATCH
REGENERIS

LGF 2018: Appraisal and Prioritisation Report

A Final Report by Hatch Regeneris
5 December 2018

SEMLEP

LGF 2018: Appraisal and Prioritisation Report

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Executive Summary

LGF 2018

- i. In July 2018 SEMLEP announced a new bidding round for Local Growth Fund (LGF). The bidding round was approved by SEMLEP's board and has been developed following the identification of risk of underspend in the existing Programme. The total value of available funding is currently in the order of £43 million.
- ii. In line with the existing LGF programme, funding is available for capital projects. All LGF expenditure must be undertaken by March 2021 and projects that received LGF funding are ineligible for additional funding from this round.
- iii. SEMLEP have set out the following objectives for the LGF 2018 bidding round, which form the basis of the assessment process set out below.
 - **Strategic Alignment:** The programme should have a strong focus on the opportunities arising from the Oxford – Milton Keynes – Cambridge Growth Corridor and the emerging Local Industrial Strategy, as well as supporting the delivery of SEMLEP's 2017 Strategic Economic Plan.
 - **Need and Economic Contribution:** There should be a clear rationale for public intervention and projects should have a measurable impact on the economic success of SEMLEP's communities. This may include the delivery of high-value employment opportunities, building on the region's business strengths, and supporting creativity and skills.
 - **Deliverability:** Individual projects should have a strong focus on deliverability by 2021, and the programme will support projects that are investment-ready.

Assessment Process

- iv. The development of the LGF 2018 programme follows a five-stage process:
 - **Pre-application advice**, involving the promotion of the bidding round, three bidding events, and telephone and face-to-face advice sessions, open to all potential applicants.
 - **Initial assessment** to ensure that applications were compliant with SEMLEP's Assurance Framework and satisfied the requirement of LGF. 34 applications were received by SEMLEP and of these, 29 were recommended to immediately proceed to a detailed appraisal. These recommendations were approved by SEMLEP's Growth Fund Task Group and Board in November 2018.
 - **Detailed Appraisal.** This is the stage of the assessment covered by this report. Projects are assessed and scored against the LGF 2018 Assessment Framework and a recommended programme of activity has been identified.
 - **Due-Diligence.** Following approval of the recommended programme, projects will undergo a detailed due-diligence assessment to confirm that they satisfy SEMLEP's

Assurance Framework and are at a suitable stage to proceed to the development of a funding agreement. As identified below, further prioritisation may be required at this stage.

- **Funding Agreements.** Following the due-diligence assessment and approval by the SEMLEP board, successful projects will work with SEMLEP to develop a Funding Agreement and commence delivery of their scheme.

Assessment Process

- v. The total value of the 29 projects taken forward to a detailed appraisal was £208 million, comprising a total LGF ask of £87 million and £122 million in match funding. If all projects were funded, this would represent an average LGF intervention rate of 42%.
- vi. Based on the current (November 2018) value of the LGF programme (of £43 million), the LGF programme is two times oversubscribed, highlighting the need for a robust framework for assessing and prioritising the applications received.
- vii. Projects are assessed against the assessment framework, outlined above, which has been structured around the strategic alignment, economic contribution and deliverability objectives set out above. Projects are scored out of five for each criteria and an average score is identified for each of the objective areas. This provides a **score out of five for strategic alignment, economic contribution and deliverability** for each application. These scores are then summed to provide a **combined score out of 15**.
- viii. Projects have been ranked by their combined score, which forms the basis on which projects have been selected for the LGF 2018 programme. This approach has been tested alongside a range of alternative prioritisation options and is considered to provide the simplest and most rounded basis for project selection. The recommended programme, set out below, is also considered to satisfy a range of programme level criteria, which consider the extent to which the recommended programme satisfies SEMLEP's wider priorities.

Recommended Programme

- ix. Given that the bidding round has been created in response to the identification of the risk of underspend in the existing programme, the appraisal and prioritisation has placed a strong emphasis on delivery risk. To help manage future risk in project delivery, the recommended programme includes:
 - **Projects recommended for LGF 2018, subject to due-diligence**, comprising the 11 projects set out below with a combined value of £34.1 million.

Projects Recommended for LGF, Subject to Due-Diligence			
Project	Local Authority	Total LGF	Combined Score
Houghton Brook Flood Storage Area	Central Bedfordshire	£1,000,000	12.08
Business, Skills and Innovation Centre currently known as K Block	Luton	£3,055,000	11.81
Intertek EV Powertrain Centre of Excellence	Milton Keynes	£3,829,000	11.79
YMCA Milton Keynes	Milton Keynes	£767,202	11.68
East Northamptonshire Enterprise Centre (ENEC)	East Northamptonshire	£1,695,000	11.52
Silverstone Sports Innovation Campus	Aylesbury Vale	£15,000,000	11.21

"Road to Zero" Vehicle Testing	Northampton	£1,500,000	11.08
Catesby Research and Innovation Centre	Daventry	£2,000,000	11.04
STEM Teaching Block Provision	Bedford	£1,269,745	10.96
Smart Ticketing	Milton Keynes	£860,000	10.92
Digital Manufacturing Innovation Centre	Aylesbury Vale	£3,142,534	10.88
Total		£34,118,481	

- **Projects recommended for due-diligence and further prioritisation, with a combined value of £19.8 million.**

Projects Recommended for Due-Diligence and Further Prioritisation			
Project	Local Authority	Total LGF	Combined Score
The Knoll, Long March, Daventry, Northamptonshire	Daventry	£3,200,000	10.82
MK:5G - connecting communities	Milton Keynes	£5,307,450	10.73
Construction Test and Training Centre	Northampton	£755,000	10.58
Hydroponics National Training and Skills Centre	Daventry	£4,500,000	10.50
Dunstable High Street Regeneration: Phase 2 Improvements	Central Bedfordshire	£6,000,000	10.43
Total		£19,762,450	

- x. Following the due-diligence process, projects in the second group will either form part of the final LGF programme or be identified as contingency projects that could be funded if additional underspend arises in the LGF programme or if additional funding opportunities are identified.
- xi. In addition, we have provided recommendations concerning a potential pipeline of longer term projects.

Programme Level Risks and Recommendations

- xii. While we consider the recommended programme to provide the best possible alignment to the programme level criteria, there are a number of risks that should be managed by SEMLEP to ensure an effective delivery of the LGF 2018 Programme. These are summarised in the table below.

Programme Level Risks and Recommendations	
Issue	Recommendation
Due Diligence: While no recommended projects are identified at this stage as having any significant delivery risks, it is possible that they will not satisfy the due-diligence requirements	<ul style="list-style-type: none"> • The identification of contingency projects will help to mitigate this risk and provide a more flexible approach than simply selecting projects until the £43 million limit is risked.
Large Projects: One project in the recommended programme is for £15 million. This project accounts for a significant proportion of the available funding and the wider impacts associated with the recommended programme.	<ul style="list-style-type: none"> • Identification of contingency projects will help to mitigate the risks of this project not proceeded to a funding agreement. • SEMLEP should explore whether the project is scalable, to minimise the upfront commitment.

Issue	Recommendation
<p>Links to Existing Projects: The recommended programme is considered to complement the existing programme. However, at the due-diligence stage it will be necessary to ensure that projects, particularly those claiming to unlock development, are not accounting for development already claimed by existing LGF projects as the same outputs cannot be counted twice.</p>	<ul style="list-style-type: none"> • The due-diligence process should commence as early as possible and be preceded by high-level engagement with the applicant in relation to risk-management. • Clarification should be sought with applicants at the earliest opportunity. • If duplication is identified, SEMLEP should work with applicants, prior to due-diligence, to consider the attribution of relevant schemes to the claimed outputs and consider the implications on each schemes' value for money and assessed impacts.
<p>Assessment Timescales: Two projects are for more than £5 million and are required to submit a full business case for due-diligence. SEMLEP should also be mindful of the capacity of wider applicants to satisfy the due-diligence requirements in time for the May board meeting.</p>	<ul style="list-style-type: none"> • It may be appropriate to consider the appropriateness of the proposed phasing of due-diligence for all applicants, to ensure that applications are sufficiently advanced when assessed. • This may allow for additional projects to be considered as contingency projects.
<p>Cross Boundary Projects: Two projects are located in Aylesbury Vale which is the subject of the LEP Boundary Review.</p>	<ul style="list-style-type: none"> • SEMLEP should agree an early position on how projects in cross-boundary areas should be considered for funding. • SEMLEP may wish to explore with applicants whether the location of relevant projects could be relocated to other parts of the SEMLEP region or the potential for a collaborative approach with neighbouring LEPs to manage the benefits across the Oxford-Cambridge Arc.
<p>Quality of Non-Shortlisted Bids: If a larger project were to fail to satisfy the due-diligence criteria, this may result in a significant gap in the LGF programme. While a number of contingency projects have been identified, if it is not possible to progress these schemes SEMLEP should consider whether the remaining applications are of a sufficient quality to progress at this stage.</p>	<ul style="list-style-type: none"> • SEMLEP could consider developing a pipeline of projects where projects have the potential to make a strong economic or strategic contribution to the region but require further development. • A pipeline of longer term projects will also place SEMLEP in a stronger position to respond to any future funding rounds (such as the UK Shared Prosperity Fund). • SEMLEP should be aware that a 2019 bidding round, perhaps focused on the Local Industrial Strategy delivery, may be necessary if there are insufficient projects post due-diligence.

1. Introduction

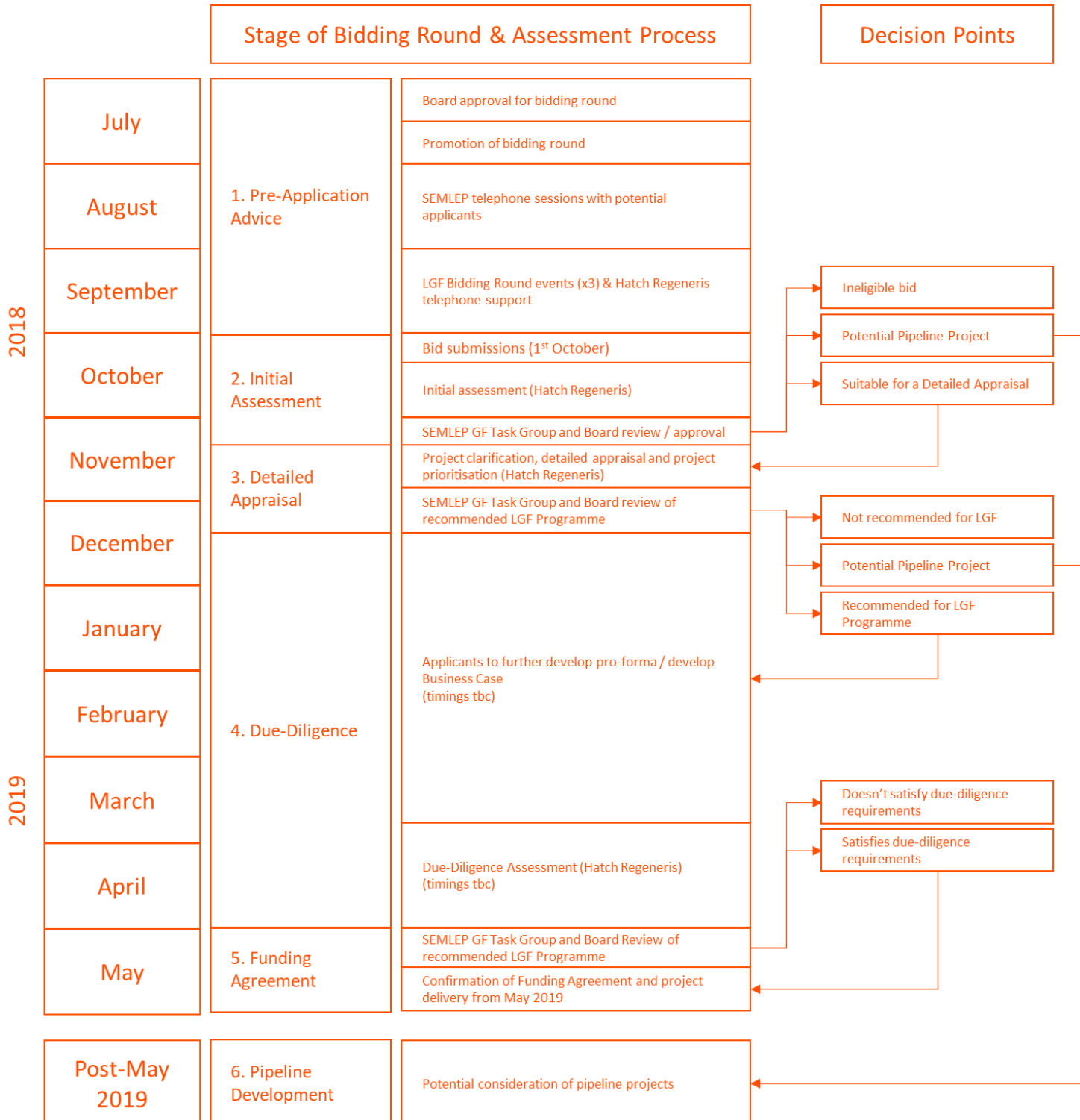
Overview of the 2018 Bidding Round

- 1.1 In July 2018 SEMLEP announced a new bidding round for Local Growth Fund (LGF). This follows on from the previous LGF Round 3 submitted to government in 2016 and the more recent Skill Capital Fund (SCF) which was funded through anticipated underspend in SEMLEP's LGF Programme following the merger with Northamptonshire Enterprise Partnership (NEP).
- 1.2 The current bidding round was approved by SEMLEP's board and has been developed following the identification of risk of underspend in the existing Programme. Unlike LGF bidding rounds 1 to 3, this round will be funded through SEMLEP's existing funding allocation for LGF and does not require a competitive funding submission to government. Following the November 2018 Board, the total value of the available funding is in the order of £43 million.
- 1.3 As no new funding is being made available from central government for this bidding round, the funding criteria remain consistent with the previous bidding rounds and SEMLEP's 2018 Assurance Framework, in particular:
 - LGF funding is for **capital projects**. While projects may have a revenue funded component, this cannot be funded by LGF and does not count as match funding.
 - All LGF spending must be undertaken by **March 2021**. Project funding cannot be extended beyond this date and any funding not defrayed within this period will be lost to the SEMLEP region.
 - Projects that have received LGF funding **cannot receive additional funding** from this round. However, applicants can reapply if: (i) their projects were not allocated funding in earlier rounds and (ii) they are applying for new projects that have not received funding in earlier rounds.
- 1.4 In addition, SEMLEP have set out the following objectives of the 2018 bidding round, which have informed our assessment:
 - **Strategic Alignment:** The programme should have a strong focus on the opportunities arising from the Oxford – Milton Keynes – Cambridge Growth Corridor and the emerging Local Industrial Strategy, as well as supporting the delivery of SEMLEP's 2017 Strategic Economic Plan.
 - **Need and Economic Contribution:** There should be a clear rationale for public intervention and projects should have a measurable impact on the economic success of SEMLEP's communities. This may include the delivery of high-value employment opportunities, building on the region's business strengths, and supporting creativity and skills.
 - **Deliverability:** Individual projects should have a strong focus on deliverability by 2021, and the programme will support projects that are investment-ready.

Overview of the Bidding and Assessment Process

- 1.5 The diagram below provides a high-level overview of the 2018 LGF Bidding Round timescales and assessment process. The remainder of this section provides greater detail on the six main stages.
- 1.6 This report is concerned with **Stage 3** of the assessment process – the **Detailed Appraisals**.

LGF 2018 Bidding and Assessment Process



1. Pre-Application Advice

- 1.7 The 2018 LGF Bidding Round was open to all public and private sector organisations seeking to deliver capital investment projects within the SEMLEP region. Following SEMLEP Board's approval of the new round in July 2018, SEMLEP engaged widely to raise awareness of the funding and engage with potential applicants to explore whether specific projects would be suitable for LGF. The main aim of this activity was to ensure that the fund delivers the maximum possible benefit and to improve the quality and compliance of the bids.
- 1.8 Alongside the promotion of the fund, the following pre-application advice was provided to potential applicants:
- During August, potential applicants were able to book telephone sessions to discuss their project with SEMLEP and explore whether the investment proposition would be potentially suitable for LGF funding.
 - In September three LGF Bidding Round events were held at different locations in the region. The sessions involved a presentation by SEMLEP which provided an overview of the bidding round and assessment process and included an opportunity for applicants to ask questions / seek clarification on the assessment process and the requirements of LGF.
 - At the three LGF Bidding Round events, prospective applicants were also able to book one-to-one sessions with Hatch Regeneris to talk through their projects in greater detail. These sessions covered the suitability of the investment propositions, any key issues and challenges to be addressed in the application and provided a further opportunity for applicants to ask technical questions.
 - For those applicants unable to attend the events and/or book one-to-one sessions, Hatch Regeneris also provided telephone sessions throughout September.
- 1.9 Alongside this applicant engagement activity, SEMLEP also provided a range of online resources to assist applicants in completing the pro-forma, including:
- Relevant policy documents, such as SEMLEP's Strategic Economic Plan and the emerging themes for the Local Industrial Strategy
 - SEMLEP's Assurance Framework which sets out the process through which funding is allocated.
 - An overview of the range of market failures that would provide a rationale for public sector investment.
 - Economic impact assessment tools, to assist applicants in developing the economic case for investment.
 - The Assessment Framework on which project prioritisation, selection and detailed due-diligence will be based.

2. Initial Assessment

- 1.10 Following the submission of the LGF Pro Forms on 1 October 2018, Hatch Regeneris undertook an initial assessment to consider:
- The potential **strategic contribution / alignment** of each project.
 - The rationale for intervention underpinning each project and their potential to deliver measurable **economic impacts** in the SEMLEP region, including each scheme's value for money.

- **Project deliverability** within the available timescales, specifically considering:
 - The potential for applicants to provide sufficient information to satisfy the SEMLEP Assessment Framework within the available timescales.
 - The ability for projects to deliver within the LGF timescales (i.e. with all LGF funding spent by the end of March 2021).

1.11 Following this assessment, projects were categorised into the following two categories:

Bids suitable for detailed appraisal. Overall 29 projects were identified as having the potential to meet the minimum requirements of the LGF programme and were recommended to proceed to a detailed appraisal. This recommendation was approved by SEMLEP Growth Fund Task Group on 2 November 2018 and these projects form the basis of the assessment set out in this report.

No assessment was made at this stage on a project's suitability for inclusion in the final LGF programme and inclusion in this group provided no guarantee that a project would form part of the final LGF programme. This group included projects of varying degrees of quality and/or alignment with SEMLEP's LGF priorities, many of which required further detailed assessment at stage 2 (the detailed appraisal).

- **Bids not suitable for LGF commencing April 2019.** This group included projects assessed as having a weak alignment against one or more of the LGF assessment criteria (relating to strategic alignment, economic contribution / value for money, and deliverability) and comprised:
 - **Potential pipeline projects** – projects that have the potential to make a strong contribution to SEMLEP's strategic and economic priorities, but where the project is not deliverable within the LGF 2018 timescales (i.e. they have a weak alignment to the deliverability criteria). This may relate to projects requiring LGF funding after March 2021 or projects that are at an early stage of development and were deemed as being unable to satisfy the requirements of the detailed appraisal by November 2018.
 - **Ineligible bids.** Comprising projects that are seeking ineligible funding (such as revenue funding), where there is no rationale for public sector investment (i.e. an absence of market failure), or where projects do not provide a strategic or economic contribution to the SEMLEP region.

Summary Findings of the Initial Assessment

- 29 projects were identified as being suitable for a detailed appraisal.
- 2 projects were identified as being ineligible for LGF (due to ineligible expenditure and a poor rationale for public sector investment).
- 3 projects were identified as potential pipeline projects. Two of these projects were seeking LGF funding beyond March 2021 and all three projects were at too early a stage of development to satisfy the detailed appraisal requirements by November 2018.

3. Detailed Appraisal

- 1.12 Following approval by the Growth Fund Task Group of the initial assessment recommendations, Hatch Regeneris undertook a detailed appraisal of the 29 projects recommended to proceed, in line with SEMLEP's Assurance Framework. The findings of this assessment are set out in this report and will inform a SEMLEP Board Decision on the LGF Programme in December.
- 1.13 Clarification questions were issued to project applicants where information gaps or areas of clarification were identified at the initial assessment phase. Following this, Hatch Regeneris undertook a detailed appraisal of each project, scoring projects against the detailed criteria of the Assessment Framework, covering:
- The strategic contribution of each project to national and regional priorities.
 - The rationale for intervention and the economic contribution of each project, in terms of their direct and wider impacts as well as value for money.
 - The deliverability of each project.
- 1.14 The project scoring was in line with the Assessment Framework (appended to this report), with projects scored between 1 and 5 against a range of assessment criteria aligned to the three areas listed above. In Section 4, average scores are provided for each project against the three assessment criteria.
- 1.15 Following this assessment process, we have provided recommendations and options around project prioritisation based on the total value of each application and the following programme level assessment criteria:
- The programme makes a substantial contribution to the regional and national strategic context – with a focus on the Strategic Economic Plan (SEP), National Industrial Strategy (IS), Local Industrial Strategy (LIS), and the Ox-Cambridge Corridor
 - The programme has a substantial impact on the SEMLEP region, including both direct and wider economic benefits.
 - Overall, the programme delivers good value for money.
 - The programme outputs reflect SEMLEP's priorities for investment.
 - The programme benefits the whole of the SEMLEP region.
 - The programme complements and strengthens SEMLEP's existing LGF programme.
 - The programme is deliverable and reflects a risk profile that is satisfactory to the SEMLEP board.
- 1.16 Following the detailed appraisal and programme level recommendations set out in this report, SEMLEP's Growth Fund Task Group and Board intend to confirm the LGF Programme from this bidding round of around £43m to be subject to detailed due-diligence which will take place in 2019.

4. Detailed Due-diligence

- 1.17 The final assessment stage requires applicants to demonstrate that their projects fully satisfy the requirements of the Assurance Framework and are in a position to proceed to entering a Funding Agreement with SEMLEP. This stage will be undertaken in early 2019, providing applicants with an opportunity to update their applications to reflect: (i) the recommendations and findings of the detailed appraisal and (ii) any project updates that have occurred since the original assessment.

- 1.18 In line with the Assurance Framework, projects seeking £5 million or less will submit an updated pro-forma at this stage. Projects seeking more than £5 million must submit a Full Business Case. Any transport projects of £5 million would be subject to a WebTAG appraisal as defined by DfT.
- 1.19 A final recommendation will be made to SEMLEP's Growth Fund Task Group and Board in May 2019.

5. Funding Agreement

- 1.20 Projects receiving SEMLEP Board approval for LGF in May 2019 will work with SEMLEP to develop a funding agreement and commence delivery of their scheme. The funding will be profiled over the last two years of the programme 2019/20 and 2020/21.

6. Pipeline Development

- 1.21 Following the assessment process, SEMLEP may wish to engage with applicants whose bids have been identified as potential pipeline projects. Pipeline projects have been identified in this process. The process by which pipeline projects may be managed has not yet been confirmed.
- 1.22 Any future funding would be conditional on the availability of and conditions associated with any future funding and may involve a further competitive process.
- 1.23 SEMLEP may wish to consider having two pipelines: one for more immediate contingency planning and another for a longer-term pipeline for those schemes that are looking at a longer-term delivery programme.

2. Assessment Criteria

- 2.1 The detailed appraisals are based on the Assessment Framework, which has been approved for use in this appraisal process by the SEMLEP Board. The Assessment Framework is based on programme and project level assessment criteria set out below.
- The **project level criteria** cover the three key assessment areas of Strategic Alignment, Assessment of Need and Economic Contribution, and Deliverability. Each application is scored out of five for each of the programme level criteria. An average score has also been provided for the three assessment areas.
 - The **programme level criteria** have been determined to ensure that the final LGF programme is balanced and reflects SEMLEPs priorities for investment. This provides a framework for comparing different potential programmes that could be delivered. Programmes are considered broadly as making a poor, good or strong contribution to the programme level criteria.
- 2.2 An overview of the project level and programme level scoring criteria are set out below. The full assessment framework, with detailed scoring criteria is provided in the appendix.

Table 2.1 Project Assessment Criteria

Criteria	Description
<i>Strategic Alignment</i>	
Alignment of the Proposal to LEP Objectives	<ul style="list-style-type: none"> • Project's contribution to SEMLEP's priorities for investment
Contribution to the UK Industrial Strategy	<ul style="list-style-type: none"> • Contribution to the Local Industrial Strategy and emerging SEMLEP priorities • Contribution to the priorities of the Oxford Cambridge Corridor
Contribution to other relevant national policy	<ul style="list-style-type: none"> • Considered where relevant (i.e. if the project has a strong alignment to wider national policy and this has been clearly demonstrated by the applicant).
Equality and Diversity	<ul style="list-style-type: none"> • Evidence that the applicant has considered any equality or diversity issues relating to the project
<i>Assessment of Need & Economic Contribution</i>	
Evidence of Need / Demand	<ul style="list-style-type: none"> • Evidence of which groups require the investment and the scale of potential take up
Evidence of Market Failure	<ul style="list-style-type: none"> • Evidence on why the project cannot proceed without public sector funding
Options Assessment	<ul style="list-style-type: none"> • Evidence that that alternative options have been considered and the proposed option is the most appropriate use of public funding.
Direct Economic Impacts	<ul style="list-style-type: none"> • Quantified direct impacts specified in the pro-forma (in line with Green Book guidance)
Wider Impacts	<ul style="list-style-type: none"> • Additional wider benefits associated with the investment, not quantified above.

Criteria	Description
Value for Money: Value of LGF Requested	<ul style="list-style-type: none"> • Rationale for the level of LGF requested
Value for Money: BCR	<ul style="list-style-type: none"> • Ratio of benefits to public investment • Consideration of the assumptions used to inform this assessment
Private Sector Leverage	<ul style="list-style-type: none"> • Proportion of the scheme costs funded by the private sector.

Assessment of Deliverability

Project Funding	<ul style="list-style-type: none"> • Whether match funding is identified and secured.
Project Costs	<ul style="list-style-type: none"> • Whether detailed and verified costings have been provided
Risk Assessment and Mitigation	<p>Consideration of project delivery risks, in light of the timescales for LGF expenditure, including:</p> <ul style="list-style-type: none"> • Funding availability • Planning consents • Design and feasibility assessments • Additional risks
Project Management	<ul style="list-style-type: none"> • Evidence that the project management processes are in place.
Project Timescales	<ul style="list-style-type: none"> • Evidence that the programme is deliverable within the LGF timescales.
State Aid	<ul style="list-style-type: none"> • Evidence that the intervention is State Aid compliant

- 2.3 For some criteria outlined above it is necessary to consider both the scale of their potential impacts and the robustness of the supporting evidence. In these cases, projects receive two scores against the one criteria - one for the potential impact of the project and one for the robustness of the supporting evidence. The combined score for such criteria is the minimum of the impact and evidence scores, in order that high scores are only awarded to projects that can robustly demonstrate a significant alignment to the criteria.
- 2.4 As identified the programme level criteria will ensure that the final recommended LGF programme is balanced against SEMLEP's priorities for investment and includes the following criteria.

Table 2.2 Programme Level Criteria

Criteria	Description
Economic and wider contribution	<ul style="list-style-type: none"> • The programme has a substantial impact on the SEMLEP region, including both direct and wider economic benefits.
Value for Money	<ul style="list-style-type: none"> • Overall, the programme delivers good value for money.
Strategic Alignment	<ul style="list-style-type: none"> • The programme outputs reflect SEMLEP's seven priorities.
Geographic Coverage	<ul style="list-style-type: none"> • The programme benefits the whole of the SEMLEP region.
Wider LGF Programme	<ul style="list-style-type: none"> • The programme complements and strengthens SEMLEP's existing LGF programme.

Criteria	Description
Delivery and Risk	<ul style="list-style-type: none">• The programme is deliverable and reflects a risk profile that is satisfactory to the SEMLEP board.

3. Project Level Overview

Applications Received

- 3.1 Of the 34 projects received by SEMLEP, 29 were taken forward for a detailed appraisal. The total value of these projects was £208 million, comprising a total LGF ask of £87 million and £122 million in match funding. If all projects were funded, this would represent an average LGF intervention rate of 42%.
- 3.2 Based on the current (November 2018) value of the LGF programme (of £43 million), the LGF programme is two times oversubscribed, highlighting the need for a robust framework for assessing and prioritising the applications received.
- 3.3 A detailed overview of projects is provided in the appendix, including the project applicants, relevant local authority, pillar, LGF request by year, and total project cost. The remainder of this section provides an overview of the range of applications considered at this stage.

Activity Area

- 3.4 An overview of the 29 project applications by activity area is set out below. Growing Business was the SEP pillar most relevant to the greatest number of applications, with 10 applicants identifying this as their priority pillar.
- 3.5 Slightly fewer applicants chose Growing People (8 applications) and Growing Places (6). Only 5 applications related to cross cutting themes.
- 3.6 However, it should be noted that while this provides a high-level overview of the applications received, many projects will contribute to more than one pillar. For example, a number of projects have business, employment and training outputs and could be considered as supporting Pillars 1 and 2. The wider contribution of each project has been considered as part of the detailed appraisals.

Table 3.1 Applications Received, by Activity Area

	Total Projects	%
Pillar 1: Growing Business	10	34%
Pillar 2: Growing People	8	28%
Pillar 3: Growing Places	6	21%
Pillar 4: Cross Cutting Themes	5	17%
Total	29	100%

- 3.7 Applicants focussing on Growing Business made up the largest LGF ask, reflecting the greater quantity of applicants choosing that pillar and the above average size of these projects. Overall, this group requested over £39 million, or 45% of the total requested.

LGF Profile

- 3.8 In terms of the phasing on the LGF ask, the funding profile is relatively evenly spread, with 54% of the ask (£47 million) requested for 2019/20.

Table 3.2 Project Costs, by Activity Area

	19/20	20/21	Total LGF	Total Match Funding	Total Cost
Pillar 1: Growing Business	£22,106,700	£17,166,800	£39,273,500	£64,302,600	£103,576,100
Pillar 2: Growing People	£10,241,900	£4,000,000	£14,241,900	£36,075,800	£50,317,800
Pillar 3: Growing Places	£4,137,000	£8,793,000	£12,932,000	£11,276,000	£24,208,000
Pillar 4: Cross Cutting Themes	£10,296,500	£10,123,000	£20,419,500	£9,250,000	£29,669,500
Total	£46,782,100	£40,082,800	£86,866,900	£120,904,400	£207,771,400
<i>Profile of LGF Request</i>	54%	46%	100%		

- 3.9 In relation to the size of applications, the majority of bids are for schemes of under £2 million. There were 4 bids requesting more than £5 million and 2 bids asking for more than £10 million. The smallest LGF bid was for £770,000, while the largest was £15 million. The average LGF request was around £3 million.
- 3.10 It is important to note that, as set out in the Assurance Framework, any scheme seeking more than £5 million will be required to submit a Full Business Case for the due-diligence assessment and applicants' capacity to develop a business case has been considered as part of this assessment.

Table 3.3 LGF Request, by Project Size

LGF Request	Total LGF	Total Match Funding	Total Cost	Number of Projects
Less than £500,000 LGF	£450,000	£2,319,000	£2,769,000	1
£500,000 to £1 million	£4,382,200	£9,536,800	£13,919,000	5
£1 million to £2 million	£20,448,700	£29,140,000	£49,588,800	12
£2 million to £5 million	£25,078,500	£42,859,600	£67,938,100	7
£5 million to £10 million	£11,307,500	£5,449,000	£16,756,500	2
More than £10 million	£25,200,000	£31,600,000	£56,800,000	2
Total	£86,866,900	£120,904,400	£207,771,400	29

4. Project level assessment

Headline Results

- 4.1 The high-level results of the project level assessments are set out in Table 4.2 which provides an overview of the project scoring against the three assessment areas:
- Strategic Alignment
 - Need and Economic Contribution
 - Deliverability¹.
- 4.2 Table 4.2 also provides an overview of the jobs, learning and other outputs identified in the applications.
- 4.3 The assessment area scores are based on the average scores for each of the assessment criteria set out in Section 2. The combined score is the sum of the three assessment area scores. Therefore, the maximum possible score for each assessment area is 5 and the maximum score for the combined score is 15.
- 4.4 Considering the headline results of the detailed appraisals:
- The combined scores range from 6.06 to 12.08 (out of 15)².
 - The average combined score was 10.07 (out of 15), which was achieved by 17 of the 29 applications.
 - Projects scored most highly against deliverability – with an average score of 3.6 (out of 5) and individual scores ranging from 2.3 to 4.3.
 - The average score for Strategic alignment is 3.3 (out of 5), with individual scores ranging from 1.6 to 4.3.
 - The weakest assessment area was Economic Contribution, where projects achieved an average score of 3.1 out of 5, with individual scores ranging from 2.1 to 3.9. This is likely to reflect the stage of development of many of the applications and is an area that will be explored in greater detail as part of the due diligence process. Prior to the due diligence stage, it will also be possible to advise applicants on the most appropriate approach for considering and articulating the economic rationale and contribution of each project. Overall, we consider that there is the potential for many of the applicants to strengthen their economic case.

Results by Pillar

- 4.5 Table 4.1 provides an overview of the project scores by pillar. Projects aligned to the Growing Business pillar achieved the highest overall score on average, as well as within the three assessment areas. This pillar is followed by Growing Places, in which projects on

¹ Following the presentation of this report to the Growth Fund Task Group, a minor error was spotted in the presentation of the average scores for economic contribution. This has also affected the combined score for each project, however there is no impact on the recommendations concerning the prioritised LGF programme.

² As specified above, the overall combined score for each project is the sum of the individuals scores for Strategic Alignment, Evidence of Needs & Economic Contribution, and Deliverability. The maximum possible combined score is 15. The individual scores are based on a simple average of the assessment scores for each all relevant assessment criteria. Applications are scored out of five for each criteria and therefore the maximum possible scores for Strategic Alignment, Evidence of Needs & Economic Contribution, and Deliverability is also a five.

average scored strongly against the deliverability and strategic alignment assessment areas.

- 4.6 The weakest performing pillar was the Cross-Cutting Themes pillar, which performed least well against Strategic Alignment and Deliverability.

Table 4.1 Average Scores by Pillar

	Strategic Alignment	Economic Contribution	Deliverability	Total Score
Pillar 1: Growing Business	3.6	3.5	3.7	10.74
Pillar 2: Growing People	3.2	2.9	3.5	9.61
Pillar 3: Growing Places	3.4	3.0	3.7	10.13
Pillar 4: Cross Cutting Themes	3.0	2.9	3.5	9.39
All Pillars	3.3	3.1	3.6	10.07

Project Level Recommendations

- 4.7 Table 4.2 below provides the headline scores for each project, ranked by combined overall score. It provides an overview of the high-level outputs reported by each applicant – although it is important to note that these have not been adjusted where we consider that applicants may have under or overstated the potential outputs and may exclude a number wider benefits which have also been considered in the project level assessments³.
- 4.8 Project assessment overviews, setting out the rationale for each project assessment are provided as a separate annex and detailed assessment summaries have been provided separately to SEMLEP.
- 4.9 The shading in Table 4.2 corresponds to our recommendations for a 2018 LGF programme:

- **Green: Recommended for LGF, Subject to Due Diligence**

This category includes 11 projects and has a **combined value of £34 million**. It includes the highest scoring projects and, based on the information available at this stage, all projects are considered as having the potential to satisfy the due-diligence process. The projects have the potential to make a strong strategic and economic contribution to the SEMLEP region.

- **Amber: Recommended for Due-Diligence and Further Prioritisation**

This category includes five projects, with a **combined value of £19.8 million**. All projects are considered as having the potential to be funded through the LGF programme, but there are issues associated with each application in this group that we would like to explore in more detail with the applicant during the due-diligence process.

This category has been created in recognition that there a number of projects close to a 'cut-off' for LGF 2018 based on a total fund of £43 million and that there is value in reviewing these projects in greater detail to ensure that the strongest performing and most deliverable projects are selected for the final LGF 2018 programme. Following the due-diligence assessment, some projects will move into the programme and others may drop into the list of pipeline or contingency projects.

³ The overview table also excludes GVA impacts, given the wide variation in how this measure has been reported by applicants. Potential GVA impacts have been considered in the project level assessments and in the due-diligence stage we will work with applicants to ensure that a robust and consistent measure of potential GVA can be set out for each scheme.

- **Grey: Recommended Contingency or Pipeline Projects**

This category includes eight projects with a **combined value of £24.6 million**. Projects in this category have the potential to be considered for LGF, but do not score sufficiently highly to be prioritised at this stage, given the level of available funding. We consider that a number of projects in this category could improve their combined score by addressing issues identified at the detailed appraisal stage, which includes:

- Projects that are insufficiently advanced for consideration at this stage but could improve their scores once current uncertainties around delivery are resolved.
- Projects that have the potential to better articulate their strategic or economic contribution, or the rationale for public sector investment.

Following the board decision in November 2018 and dependent on the score in a detailed appraisal yet to be completed, there is potential for another additional project to be included in this group (Beattie Passive OSM Production and National Training Facility, with an LGF request of £1.4 million). This would need to come back to the SEMLEP Board for agreement following the detailed appraisal.

- **Red: Not Recommended for LGF**

There are five projects in this category with a combined value of £8.3 million. All projects in this category are identified as having specific risks around delivery, a poor rationale for investment, or a limited potential strategic or economic impact on the SEMLEP region.

Projects in this category are not recommended for LGF at this stage, however with additional work or a re-focused application, it is possible that these projects could be re-considered for funding in the future.

4.10 The final LGF 2018 programme is expected to comprise projects in the Green and Amber categories. These categories have a combined LGF ask of £53.8 million, which exceeds available LGF funding by £10.8 million. However, we consider this to be an appropriate approach that balances programme risk as:

- Undertaking due-diligence on a larger number of projects around the cut-off point for £43 million will ensure that project have been scrutinised in detail and that the final LGF programme comprises the best available investments.
- It is possible that projects in the Green category will not satisfy the due-diligence process as further review is undertaken and additional information requested. In addition, it is possible that some applications will be withdrawn. Given this, identifying a list of potential projects that exceeds the available funding will ensure that suitable contingency investment is available and minimises the risk of underspend of the LGF programme. This will also assist in the Government's expectation that each LEP has a project pipeline.

4.11 These issues are considered in further detail in the recommendation and risks section. All the combined scores are to 2 decimal points whereas the three criteria scores are to 1 decimal place to allow for a more detailed comparison between projects.

4.12 It is important to note that while the project categorisation is primarily driven by the combined score and expected level of available LGF, the cut-offs for each category also reflect the detailed appraisal findings. For example, all of the Green projects are considered as being likely to satisfy the due-diligence process, based on the information provided at this stage. Conversely, while all amber projects are considered to have the potential to

satisfy the due-diligence process, there are specific issues identified in the detailed appraisals which have the potential to affect the final recommendation that that require clarification or further assessment.

Table 4.2 Headline Impacts

Project	Local Authority	SEP Pillar Focus	LGF Request	Employment Outputs by 2025 (gross FTEs)		Learners	Other Impacts	Strategic Alignment	Economic Contribution	Deliverability	Combined Score
				Direct	Indirect						
Houghton Brook Flood Storage Area	Central Bedfordshire	Pillar 3: Growing Places	£1,000,000	-	-	-	1,670 new homes unlocked	4.0	3.8	4.3	12.08
Business, Skills and Innovation Centre currently known as K Block	Luton	Pillar 1: Growing Business	£3,055,000	192	0	1,200 per year	-	3.6	3.9	4.3	11.81
Intertek EV Powertrain Centre of Excellence	Milton Keynes	Pillar 1: Growing Business	£3,829,000	16	20	28 plus 3 annually	-	4.3	3.6	3.8	11.79
YMCA Milton Keynes	Milton Keynes	Pillar 2: Growing People	£767,202	13	-	150 annually	-	3.6	3.8	4.3	11.68
East Northamptonshire Enterprise Centre (ENEC)	East Northamptonshire	Pillar 1: Growing Business	£1,695,000	173	59	-	-	3.6	3.8	4.2	11.52
Silverstone Sports Innovation Campus	Aylesbury Vale	Pillar 1: Growing Business	£15,000,000	157	298	330 per year	-	3.8	3.9	3.5	11.21
"Road to Zero" Vehicle Testing	Northampton	Pillar 1: Growing Business	£1,500,000	12	0	-	-	3.5	3.8	3.8	11.08
Catesby Research and Innovation Centre	Daventry	Pillar 1: Growing Business	£2,000,000	2	41	-	-	4.0	3.9	3.2	11.04
STEM Teaching Block Provision	Bedford	Pillar 2: Growing People	£1,269,745	3	0	1329 per year	-	4.0	3.1	3.8	10.96
Smart Ticketing	Milton Keynes	Pillar 3: Growing Places	£860,000	-	-	-	-	3.8	3.3	3.8	10.92
Digital Manufacturing Innovation Centre	Aylesbury Vale	Pillar 1: Growing Business	£3,142,534	2	47	-	-	3.5	3.4	4.0	10.88
The Knoll, Long March, Daventry, Northamptonshire	Daventry	Pillar 1: Growing Business	£3,200,000	112	49	-	-	3.4	3.3	4.2	10.82
MK:5G - connecting communities	Milton Keynes	Pillar 4: Cross Cutting Themes	£5,307,450	8	0	-	-	3.6	3.6	3.5	10.73
Construction Test and Training Centre	Northampton	Pillar 2: Growing People	£755,000	-	-	980 per year	-	3.7	2.8	4.2	10.58
Hydroponics National Training and Skills Centre	Daventry	Pillar 2: Growing People	£4,500,000	150	580	70 per year	-	3.8	3.0	3.7	10.50
Dunstable High Street Regeneration: Phase 2 Improvements	Central Bedfordshire	Pillar 3: Growing Places	£6,000,000	51	140	-	-	3.6	3.0	3.8	10.43

Project	Local Authority	SEPP Pillar Focus	LGF Request	Employment Outputs by 2025 (gross FTEs)		Learners	Other Impacts	Strategic Alignment	Economic Contribution	Deliverability	Combined Score
				Direct	Indirect						
Improving the Western Gateway to Bedford	Bedford	Pillar 4: Cross Cutting Themes	£1,500,000	-	-	-	-	3.2	3.1	3.8	10.13
Milton Keynes Museum Expansion	Milton Keynes	Pillar 4: Cross Cutting Themes	£1,412,000	9	3	-	No formal learning outputs, but will provide student visits and informal learning and outreach opportunities.	3.5	2.8	3.5	9.75
Ridgmont Station Interchange: Phase 1 Improvements	Central Bedfordshire	Pillar 3: Growing Places	£1,662,000	1	-	0	Potential to unlock new homes	3.4	2.5	3.8	9.73
Shuttleworth Zoological Centre	Central Bedfordshire	Pillar 2: Growing People	£1,000,000	5	0	50 per year	-	2.8	2.9	4.0	9.68
Performing Arts Production and Rehearsal Facility	Northampton	Pillar 2: Growing People	£3,500,000	13	25	-	-	3.4	3.4	2.8	9.61
i-Worx 2	Bedford	Pillar 1: Growing Business	£3,852,000	56	34	10	-	3.6	2.5	3.5	9.60
North Northamptonshire A45 Corridor - Smart Growth, Cycling & Walking	East Northamptonshire	Pillar 3: Growing Places	£1,510,000	0	5,475	-	Potential to unlock new homes	3.0	2.9	3.7	9.54
Vauxhall Way Dualling	Luton	Pillar 4: Cross Cutting Themes	£10,200,000	-	-	-	Travel time savings & 600 new homes.	2.7	2.8	3.2	8.58
GLaM	Kettering	Pillar 3: Growing Places	£1,900,000	92	10	0	-	2.8	2.4	2.8	8.04
Lyveden Reconnected	East Northamptonshire	Pillar 2: Growing People	£450,000	8	-	0	-	2.4	2.3	3.2	7.82
Midsummer Square	Milton Keynes	Pillar 4: Cross Cutting Themes	£2,000,000	11	92	-	-	2.2	2.3	3.3	7.78
Thrapston Regional Agricultural Centre	East Northamptonshire	Pillar 1: Growing Business	£2,000,000	106	49	-	-	2.2	2.6	2.8	7.66
Lawrence Factory Site, Desborough	Kettering	Pillar 2: Growing People	£2,000,000	90	10	-	32 new homes directly developed	1.6	2.1	2.3	6.06
			£86,866,931	1,282	6,932						

5. Programme Level Assessment

Recommended LGF 2018 Programme

- 5.1 The final LGF 2018 programme is recommended to comprise all projects categorised as Green in section 4 and the highest scoring Amber projects following the due-diligence process (assuming that all projects categorised as Green are able to satisfy the due-diligence requirements). Those Amber projects that satisfy the due-diligence process but are not selected at that stage should be considered as 'contingency projects or pipeline projects' which could be funded if any applications are withdrawn or if additional underspend is identified in the LGF programme.
- 5.2 An overview for the Green and Amber rated applications is provided below, including their high-level assessment scores and profile of LGF spend.

Green: Recommended for LGF, Subject to Due Diligence

- 5.3 An overview of the projects recommended for due-diligence is set out in Table 5.1. All projects score a three and above for all assessment categories.

Table 5.1 Recommended for LGF, Subject to Due-Diligence – Overview of Scores

Project	Applicant	Local Authority	Priority Pillar	Strategic Alignment	Economic Contribution	Deliverability	Total Score
Houghton Brook Flood Storage Area	Environment Agency	Central Bedfordshire	Pillar 3: Growing Places	4.0	3.8	4.3	12.08
Business, Skills and Innovation Centre currently known as K Block	Luton Borough Council	Luton	Pillar 1: Growing Business	3.6	3.9	4.3	11.81
Intertek EV Powertrain Centre of Excellence	Intertek Transportation Technologies [ITS Testing Services (UK) Ltd]	Milton Keynes	Pillar 1: Growing Business	4.3	3.6	3.8	11.79
YMCA Milton Keynes	YMCA Milton Keynes	Milton Keynes	Pillar 2: Growing People	3.6	3.8	4.3	11.68
East Northamptonshire Enterprise Centre (ENEC)	East Northamptonshire Council	East Northamptonshire	Pillar 1: Growing Business	3.6	3.8	4.2	11.52
Silverstone Sports Innovation Campus	TotalSim Ltd	Aylesbury Vale	Pillar 1: Growing Business	3.8	3.9	3.5	11.21
"Road to Zero" Vehicle Testing	MAHLE Powertrain Ltd	Northampton	Pillar 1: Growing Business	3.5	3.8	3.8	11.08
Catesby Research and Innovation Centre	TotalSim Ltd	Daventry	Pillar 1: Growing Business	4.0	3.9	3.2	11.04
STEM Teaching Block Provision	Mark Rutherford School	Bedford	Pillar 2: Growing People	4.0	3.1	3.8	10.96
Smart Ticketing	Milton Keynes Council	Milton Keynes	Pillar 3: Growing Places	3.8	3.3	3.8	10.92
Digital Manufacturing Innovation Centre	KW Special Projects Ltd (KWSP)	Aylesbury Vale	Pillar 1: Growing Business	3.5	3.4	4.0	10.88

- 5.4 The combined value of these projects is £96.9 million, of which £34 million or 35% is from LGF. The level of LGF requested is split broadly between 2019/20 and 2020/21, with 51% requested for 2019/20.

Table 5.2 Recommended for LGF, Subject to Due Diligence – Expected Spend Profile

Project	LGF			Match Funding
	19/20	20/21	Total	
Houghton Brook Flood Storage Area	£1,000,000	£0	£1,000,000	£5,000,000
Business, Skills and Innovation Centre currently known as K Block	£1,460,700	£1,594,300	£3,055,000	£3,179,420
Intertek EV Powertrain Centre of Excellence	£3,063,000	£766,000	£3,829,000	£5,743,000
YMCA Milton Keynes	£767,202	£0	£767,202	£18,141,277
East Northamptonshire Enterprise Centre (ENEC)	£1,695,000	£0	£1,695,000	£6,443,000
Silverstone Sports Innovation Campus	£5,000,000	£10,000,000	£15,000,000	£31,600,000
"Road to Zero" Vehicle Testing	£200,000	£1,300,000	£1,500,000	£3,600,000
Catesby Research and Innovation Centre	£1,000,000	£1,000,000	£2,000,000	£2,300,000
STEM Teaching Block Provision	£1,269,745	£0	£1,269,745	£800,029
Smart Ticketing	£347,000	£513,000	£860,000	£580,000
Digital Manufacturing Innovation Centre	£1,636,017	£1,506,517	£3,142,534	£3,614,191
Total	£17,438,664	£16,679,817	£34,118,481	£81,000,917

Amber: Recommended for Due-Diligence and Further Prioritisation

- 5.5 An overview of the projects recommended for due-diligence and further prioritisation is set out in Table 5.3. As identified, for each project in this group there are further issues to explore in relation to the scheme's deliverability or economic contribution. The project level overviews set out the specific areas that the due-diligence assessments should consider in greater detail, as well as areas where applicants could strengthen their application.

Table 5.3 Recommended for Due-Diligence and Further Prioritisation – Overview of Scores

Project	Applicant	Local Authority	Priority Pillar	Strategic Alignment	Economic Contribution	Deliverability	Total Score
The Knoll, Long March, Daventry, Northamptonshire	Claymore Group	Daventry	Pillar 1: Growing Business	3.4	3.3	4.2	10.82
MK:5G - connecting communities	Milton Keynes Council	Milton Keynes	Pillar 4: Cross Cutting Themes	3.6	3.6	3.5	10.73
Construction Test and Training Centre	Northampton College	Northampton	Pillar 2: Growing People	3.7	2.8	4.2	10.58
Hydroponics National Training and Skills Centre	H20-ganics Ltd	Daventry	Pillar 2: Growing People	3.8	3.0	3.7	10.50
Dunstable High Street Regeneration: Phase 2 Improvements	Central Bedfordshire Council	Central Bedfordshire	Pillar 3: Growing Places	3.6	3.0	3.8	10.43

- 5.6 The combined value of these projects categorised as amber is £51.6 million, of which £19.8 million or 38% is from LGF. These projects are slightly more front loaded with 56% of LGF requested for 2019/20.

Table 5.4 Recommended for Due-Diligence and Further Prioritisation – Expected Spend Profile

Project	LGF			Match Funding
	19/20	20/21	Total	
The Knoll, Long March, Daventry, Northamptonshire	£3,200,000	£0	£3,200,000	£4,410,000
MK:5G - connecting communities	£3,184,470	£2,122,980	£5,307,450	£4,049,000
Construction Test and Training Centre	£755,000	£0	£755,000	£1,524,000
Hydroponics National Training and Skills Centre	£2,000,000	£2,500,000	£4,500,000	£20,500,000
Dunstable High Street Regeneration: Phase 2 Improvements	£2,000,000	£4,000,000	£6,000,000	£1,400,000
Total	£11,139,470	£8,622,980	£19,762,450	£31,883,000

Programme Level Assessment

- 5.7 There are a number of options for using the assessment scores to develop a prioritised list of projects however the simplest is to select the projects that achieve the highest combined score. This is the approach that has been adopted above and is consistent with the approach adopted by SEMLEP in the past. It ensures that projects are balanced against the full range of range of assessment criteria.
- 5.8 In developing these recommendations, we have considered a range of alternative approaches including the use of gateway criteria and prioritisation by different assessment categories. These have been rejected as they are unnecessarily complex and do not provide any better alignment with the programme level criteria.
- 5.9 The extent to which this programme satisfies the programme level criteria is set out below. Overall, the programme delivers a good or strong contribution to each of SEMLEP's identified priorities for the programme.

Table 5.5 Programme Criteria Scoring

	Good Contribution	Strong Contribution
The programme makes a substantial contribution to the regional and national strategic context – with a particular focus on the SEP, IS, LIS, and Ox-Cambs Corridor		The recommended LGF programme provides a strong and balanced contribution to the direct and wider measures of impact on the SEMLEP region and projects have a strong alignment with relevant regional and national policies. The projects complement existing LGF investment areas and all of the projects recommended score above a 3 for strategic contribution.
Programme has a substantial impact on the SEMLEP region, including	The recommend LGF programme will make a strong contribution to the direct economic impact	

	Good Contribution	Strong Contribution
both direct and wider economic benefits.	<p>measures. All but two of the 'green' rated projects score above a three for economic contribution.</p> <p>Some projects included in the programme have the potential to make a substantial economic contribution to the SEMLEP region and we can explore with applicants the most appropriate methods for considering these issues prior to the due-diligence assessments.</p>	
Overall, the programme delivers good value for money.	<p>The recommended LGF programme delivers a strong level of value for money across the overall programme, but also incorporates investments with a greater focus on wider / non-monetary regional impacts where these contribute to an overall balanced programme.</p> <p>A number of projects (notably those in the amber category) do require additional work to confirm their value for money and this can be explored</p>	
The programme outputs reflect SEMLEP's seven priorities.		<p>The LGF Programme makes a strong and balanced contribution to the seven priorities, complementing existing LGF investment areas. All four pillars are incorporated in the green and amber recommended projects, reflecting alignment to the range of priorities.</p>
The programme benefits the whole of the SEMLEP region.	<p>The LGF Programme provides for a broadly balanced programme of delivery across the region. There are a relatively large number of projects in the Milton Keynes local authority, however when considered alongside past and current LGF investments, we believe that this programme provides a good level of geographic balance across the region.</p>	

	Good Contribution	Strong Contribution
The programme complements and strengthens SEMLEP's existing LGF programme.		LGF Programme does not duplicate existing LGF investments. However, it will be necessary to confirm that some project do not claim outputs associated with existing LGF projects.
The programme is deliverable and reflects a risk profile that is satisfactory to the SEMLEP board.		Based on the detailed appraisals, risks at a project level are considered at this stage to be manageable. All projects recommended are deliverable within SEMLEP timeframes and have all scored above a 3 for deliverability. However, delivery risks will need to be considered in detail in the due diligence stage and SEMLEP may wish to consider identifying contingency projects that could form part of the programme is projects listed above do not satisfy the due-diligence criteria.

6. Programme Recommendations

Recommended Programme

- 6.1 As set out in Section 5, the recommended LGF programme will comprise:
- Green rated projects which are recommended to form part of the LGF programme, subject to detailed due-diligence.
 - The highest scoring amber rated projects, following the detailed due-diligence process.
- 6.2 Those amber projects that are not prioritised following the detailed due diligence process should be retained as contingency projects, to manage risks associated with the potential withdrawal of projects in the green category or under-spend associated with the existing LGF programme.
- 6.3 An overview of the LGF projects, including their combined score and LGF ask is set out below.

Table 6.1 Recommended for LGF, Subject to Due-Diligence – Overview of Scores			
Project	Local Authority	Total LGF	Combined Score
Houghton Brook Flood Storage Area	Central Bedfordshire	£1,000,000	12.08
Business, Skills and Innovation Centre currently known as K Block	Luton	£3,055,000	11.81
Intertek EV Powertrain Centre of Excellence	Milton Keynes	£3,829,000	11.79
YMCA Milton Keynes	Milton Keynes	£767,202	11.68
East Northamptonshire Enterprise Centre (ENEC)	East Northamptonshire	£1,695,000	11.52
Silverstone Sports Innovation Campus	Aylesbury Vale	£15,000,000	11.21
"Road to Zero" Vehicle Testing	Northampton	£1,500,000	11.08
Catesby Research and Innovation Centre	Daventry	£2,000,000	11.04
STEM Teaching Block Provision	Bedford	£1,269,745	10.96
Smart Ticketing	Milton Keynes	£860,000	10.92
Digital Manufacturing Innovation Centre	Aylesbury Vale	£3,142,534	10.88
Total		£34,118,481	

Table 6.2 Recommended for Due-Diligence and Further Prioritisation – Overview of Scores

Project	Local Authority	Total LGF	Combined Score
The Knoll, Long March, Daventry, Northamptonshire	Daventry	£3,200,000	10.82
MK:5G - connecting communities	Milton Keynes	£5,307,450	10.73
Construction Test and Training Centre	Northampton	£755,000	10.58
Hydroponics National Training and Skills Centre	Daventry	£4,500,000	10.50
Dunstable High Street Regeneration: Phase 2 Improvements	Central Bedfordshire	£6,000,000	10.43
Total		£19,762,450	

Risk Assessment and Recommended Actions

6.4 While we consider the recommended programme to provide the best possible alignment to the programme level criteria, there are a number of risks that should be managed by SEMLEP to ensure an effective delivery of the LGF 2018 Programme. These have been considered below:

- Risk: Due Diligence.** Projects prioritised at this stage will be subject to a detailed due-diligence. The prioritised list does not include any projects that are considered to have significant shortcomings or delivery risks, however additional information coming to light during this process may result in the withdrawal of one or more project.

Action: The inclusion of an amber assessment category and the potential for developing a list of contingency projects should help to mitigate this risk. This provides a more flexible approach than simply prioritising projects based on the combined assessment scores until the £43 million limit is reached.

- Risk: Selection of Large Projects.** The inclusion of a £15 million scheme at Silverstone means that the success of a significant proportion of the LGF programme is dependent on a single project. This scheme also delivers a significant component of the programme's wider impacts.

Action: The identification of contingency projects will help address these risks. A robust assessment at the detailed due-diligence stage is also required to test the key project level risks. However, SEMLEP may also wish to explore with the applicant whether the project is scalable, to minimise the risk of upfront commitment. The due diligence process should be commenced as soon as possible and high-level engagement with the applicant and partners will need to follow any outline approval to assist in risk management.

- Risk: Links to Existing Projects.** the programme is considered as having the potential to complement existing investments, however at the due-diligence stage it will be necessary to ensure that projects, particularly those claiming to unlock development, are not accounting for development claimed by existing LGF projects, as the same outputs cannot be counted twice.

Action: Seeking clarification with applicants during and prior to the due-diligence phase. If outputs are claimed by more than one scheme, careful consideration

should be given to each scheme's attribution and value for money, mindful of the potential impact on existing projects.

- **Risk: Assessment timescales.** Two of the prioritised projects are for more than £5 million and are required to submit a full business case for due-diligence. In addition, SEMLEP should be mindful of the capacity of applicants to satisfy the due-diligence requirements in time for the May Board meeting.

Action: While this risk has been a consideration at the appraisal stage, SEMLEP may want to consider the appropriateness of the current timings for all applicants and consider phasing the due-diligence activities to ensure that all applications are sufficiently advanced at the time of assessment. Such a process will also allow for applicants whose projects are at too early a stage to be reconsidered as contingency projects. One example of this could be Beattie Passive and it may also be appropriate to consider other projects that can demonstrate a strong economic and strategic alignment as additional contingency projects.

- **Risk: Cross Boundary Projects.** Two of the projects (with a combined value of £18 million) are located in Aylesbury Vale, which is the subject of the LEP boundary review.

Action: SEMLEP should agree an early position on how projects in cross-boundary areas should be considered for this fund. For example, is it acceptable to fund a project that may be outside of the area when complete? In addition, SEMLEP may wish to explore with applicants whether the location of relevant projects could be relocated to other parts of the SEMLEP region or if there is the potential for a collaborative approach with neighbouring LEPs to manage the benefits across the Oxford-Cambridge Arc.

- **Risk: Quality of Non-Shortlisted Bids.** If a larger project were to fail to satisfy the due-diligence criteria or another existing project were to fail, this may result in a significant gap in the LGF programme. We have identified a number of potential contingency projects however, if it is not possible to progress these schemes, or if the available funding exceeds the scale of contingency projects, SEMLEP should consider whether the remaining applications are of a sufficient quality to progress at this stage.

Action: To ensure that SEMLEP is in a strong position to manage any potential LGF underspend in the future and in anticipation of future funding rounds (such as the UK Shared Prosperity Fund) SEMLEP could consider developing a substantial pipeline of projects. This pipeline does not need to provide assurances of future funding, but it will allow SEMLEP to work in partnership with projects that have the potential to make a strong economic or strategic contribution to the region and ensure that they are in an advance position to apply for funding should additional resource be made available in the future. Potential pipeline projects from this bidding round have been identified in this report. These projects could be advised by SEMLEP to undertake additional work to strengthen the submission. SEMLEP may also wish to have two levels of pipeline – one for potential pre-2021 delivery and a longer-term pipeline.

In addition, SEMLEP should be aware that another option for failing to have sufficient projects in this programme post due diligence would be to undertake a 2019 bidding round, perhaps focussed on Local Industrial Strategy delivery.

Appendix A - Detailed Assessment Framework

Project Level Assessment Criteria						
Criteria	Score Type	Score				
		1	2	3	4	5
Strategic Alignment						
Alignment of the Proposal to LEP Objectives Does the project make an active contribution to SEMLEP's priorities for investment .	Impact	No alignment with strategic themes	Partial alignment with strategic themes	Limited contribution to one or more strategic theme	Strong contribution to one or more strategic theme	Substantial / transformational contribution to on one or more strategic theme
	Evidence	No evidence provided	Analysis / evidence provides partial support for claims made	Adequate analysis / evidence provided supporting claims	Robust analysis / evidence provided supporting claims	Compelling analysis / evidence provided supporting claims
Contribution to the UK Industrial Strategy	Impact	No alignment with UK Industrial Strategy	Partial alignment with UK Industrial Strategy	Limited contribution to the Five Foundations of Productivity and/or IS Grand Challenges	Strong contribution to one or more of the Five Foundations of Productivity and/or IS Grand Challenges	Substantial / transformational contribution to on one or the Five Foundations of Productivity and/or IS Grand Challenges.
	Evidence	No evidence provided	Analysis / evidence provides partial support for claims made	Adequate analysis / evidence provided supporting claims	Robust analysis / evidence provided supporting claims	Compelling analysis / evidence provided supporting claims
Contribution to the Local Industrial Strategy and emerging SEMLEP priorities	Impact	No alignment with emerging priorities	Partial alignment with emerging priorities	Limited contribution to the emerging priorities.	Strong contribution to one or more of the emerging priorities.	Substantial / transformational contribution to on one or more of the emerging priorities.
	Evidence	No evidence provided	Analysis / evidence provides partial support for claims made	Adequate analysis / evidence provided supporting claims	Robust analysis / evidence provided supporting claims	Compelling analysis / evidence provided supporting claims

Criteria	Score Type	Score				
		1	2	3	4	5
Contribution to the Oxford Cambridge Corridor	Impact	No alignment with Corridor priorities.	Partial alignment with priorities of the Corridor.	Limited contribution to the priorities of the Corridor.	Strong contribution to the priorities of the Corridor.	Substantial / transformational contribution to the priorities of the Corridor.
	Evidence	No evidence provided	Analysis / evidence provides partial support for claims made	Adequate analysis / evidence provided supporting claims	Robust analysis / evidence provided supporting claims	Compelling analysis / evidence provided supporting claims
Contribution to other relevant national policy (Where relevant, please specify)	Impact	No alignment with wider initiatives	Partial alignment with wider initiatives	Limited contribution to identified initiative.	Strong contribution to identified initiative.	Substantial / transformational contribution to identified initiative.
	Evidence	No evidence provided	Analysis / evidence provides partial support for claims made	Adequate analysis / evidence provided supporting claims	Robust analysis / evidence provided supporting claims	Compelling analysis / evidence provided supporting claims
Equality and Diversity Evidence that the applicant has considered any equality of diversity issues relating to the project	Evidence	Project has a negative impact on equality and diversity in the SEMLEP region.	Insufficient evidence provided to understand potential implications on equality and diversity issues in the SEMLEP region.	Impact on equality and diversity issues is considered to be neutral and the project will align to relevant SEMLEP policies.	Project makes an active contribution to tackling equality and diversity issues through the delivery of the project.	Tackling equality and diversity issues within the region is a core component of the project and integrated into all aspects of project delivery.
Assessment of Need & Economic Contribution						
Evidence of Need / Demand Evidence of which groups require the investment and scale of potential take up	Impact	No need for intervention / adequate alternative provision is available	Limited need for intervention	Need for intervention justified – but limited potential take-up	Need for intervention – good potential level of take-up	Need for intervention – substantial potential take-up
	Evidence	No evidence provided	Limited evidence of need	Evidence of future need provided, based on trend analysis	Evidence of future need provided, based on forecast analysis and/or basic market testing	Evidence of existing need provided supported by robust evidence (e.g. independent market assessment report / in-depth analysis of potential clients)

Criteria	Score Type	Score				
		1	2	3	4	5
Evidence of Market Failure Demonstrate why the project cannot proceed without public sector funding. <i>Refer to the SEMLEP overview of Market Failures</i>	Evidence	No information provided	Rationale to intervene outlined at a high level and/or no supporting evidence provided	Good rationale to intervene provided and/or limited supporting evidence provided.	Very good rationale for intervention provided and outline supporting evidence provided.	Substantial rationale for public sector intervention and evidence of the scale and nature outlined.
Options Assessment Demonstrate that alternative options have been considered and the proposed option is the most appropriate use of public funding.	Evidence	No options assessment provided.	High level options outlined, but no evidence of why the proposed option has been identified.	Reasonable consideration of project options and logical rationale for selection of preferred option is provided.	Detailed overview of project options and selection of preferred option based on Critical Success Factors or similar framework.	Quantified / monetised options appraisal provided, demonstrating the choice of preferred option.
Direct Economic Impacts Quantified direct impacts specified in the pro-forma <i>Assessment of 'reasonable', 'strong' and 'substantial' will be relative to other bids received.</i>	Impact	No impacts identified	Limited direct impacts and/or identified impacts do not align with SEMLEP priorities.	Identified impacts are reasonable and/or have potential for low levels of scheme additionality.	Strong level of impacts expected to be generated with medium-good levels of additionality.	Substantial direct impacts will be generated by the proposals. Net impacts will have a measurable impact on the SEMLEP region.
	Evidence	No evidence provided	Evidence provided is not Green Book compliant	Green Book compliant assessment, including consideration of net impacts, drawing on unverified assumptions. Calculations can be followed and replicated by the appraiser.	Green Book compliant assessment of net benefits, based on verified / established benchmarks and assumptions. Calculations can be followed and replicated by the appraiser.	Independent assessment of Green Book compliant assessment of net benefits, based on verified/established benchmarks and assumptions. Calculations can be followed and replicated by the appraiser.
Wider Impacts Additional wider benefits associated with the investment	Impact	No wider impacts identified	Limited wider benefits identified and minimal alignment to LEP priorities.	Reasonable wider benefits identified and good alignment to LEP priorities	Strong wider benefits identified and strong alignment to LEP priorities	Substantial wider benefits identified with strong alignment to LEP priorities

Criteria	Score Type	Score				
		1	2	3	4	5
<i>Assessment of 'reasonable', 'strong' and 'substantial' will be relative to other bids received.</i>	Evidence	No evidence provided	Impacts described in broad terms only.	Impacts identified in broad terms with some evidence of the intervention logic.	Specific impacts identified with some indication of the potential scale of contribution made by this project. Case supported by a qualitative description of the intervention logic.	Quantified wider impacts identified with robust supporting evidence and intervention logic (inc. verified / established benchmarks and assumptions).
Value for Money: Value of LGF Requested	Evidence	No rationale for level of LGF requested.	Rationale for level of LGF requested, but other funding sources are available.	Clear rationale for level of LGF funding, but availability of alternative sources has not been sufficiently explored.	Clear rationale for level of LGF funding and evidence that alternative funding sources have been explored and are unsuited to this investment.	Rationale for level of LGF requested is clear and no alternative funding is available.
Value for Money: BCR Ratio of benefits to public investment Impact assessment is based on BCR reported by applicant. Evidence assessment will consider the appropriateness of the assumptions used. BCR to be considered for (i) SEMLEP / LGF contribution and (ii) total public cost.	Impact	No VfM / BCR provided or poor VfM (BCR below 1)	Reasonable VfM (BCR above 1)	Good VfM (BCR above 2)	Very good VfM (BCR above 4).	Substantial VfM generated (not based on a pre-determined threshold, but high scoring proposals will be allocated this score).
	Evidence	No evidence provided	BCR provided with limited supporting evidence / calculations cannot be replicated and/or concerns over assumptions used to inform the assessment.	BCR provided with supporting evidence / possible to replicate VfM. There may be some concerns over the approach adopted / assumptions used, but these to not have a significant impact on the VfM assessment.	BCR provided with supporting evidence and calculations that can be replicated and are considered to be reasonable. High level optimism bias and sensitivity testing provided.	BCR provided with supporting evidence and calculations that can be replicated and are considered to be reasonable. Assessment considers in detail optimism bias and appropriate sensitivity tests (in line with Green Book guidance).

Criteria	Score Type	Score				
		1	2	3	4	5
Private Sector Leverage Ratio of private to public investment	Impact	No private sector leverage identified	Modest private sector leverage identified (less than 10% of project cost)	Less than 25% private sector funding.	Less than 50% private sector funding.	Majority private sector funding (more than 50%).
Assessment of Deliverability						
Project Funding Details of match funding	Evidence	Match funders not identified / funding gap greater than 20% of total project cost identified. Funding for revenue related activity is requested.	Match funders identified, but less than 80% of the funding package will be secured on LGF approval	100% of funding sources are identified. On approval of LGF 80% of funding is expected to be in place and process for securing additional funding, in line with the project timetable, have been identified.	All required sources of funding are identified and are expected to be secured at time project approval would be granted.	All required sources of funding are identified and secured at time of the assessment.
Project Costs Detailed project costs	Evidence	No cost information provided.	High level cost information provided.	Detailed cost information provided, basis of cost estimates is unclear.	Detailed cost information provided with supporting evidence / assumptions.	Application is supported by independently verified cost assessment. Cost assumptions are clearly laid out.
Risk Assessment and Mitigation Consideration of project delivery risks, given delivery timescales including: <ul style="list-style-type: none"> - Funding availability - Planning consents - Design and feasibility assessments - Additional risks 	Impact	No risks considered / identified	High level of risk that project will fail to deliver as outlined in its application. Limited mitigation in place.	Moderate level of risk to project delivery identified / some risk mitigation processes in place.	Based on the information provided, proposed risk mitigation activities and the proposed delivery timescales, the risks to delivery appear minimal	No substantive barriers to delivery identified given the information provided, the proposed risk mitigation activities and proposed delivery timescales.

Criteria	Score Type	Score				
		1	2	3	4	5
Project Management Inclusion of a project management plan	Evidence	No project management structures identified	Limited information on management structures provided	Adequate information on management structure provided using untested approach.	Detailed information on management structures provided, some activity will be new to the lead organisation, but strong capacity to deliver, within the project team.	Detailed information on management structure provided using established structures and processes that have demonstrated effective delivery of projects of this scope and scale.
Project Timescales The nature and scale of proposed activity in light of LGF timescales.	Evidence	No timescales identified and/or project not deliverable by March 2021.	Some timetable information provided but concerns over deliverability	Detailed delivery timetable provided. Potential risks around deliverability (i.e. key milestones are close to March 2021 and/or potential for slippage).	Detailed delivery timetable provided. Timescales appear realistic and project can be delivered within LGF timescales. Some delivery risks have been identified but appropriate mitigation strategies are in place.	Detailed delivery timetable provided. Timescales appear realistic and there are no apparent challenges to delivery within LGF timescales
State Aid	Evidence	Significant concerns over state aid – must be addressed before project can proceed		Potential concerns over state aid not adequately addressed in pro-forma. Further legal advice required before project can proceed		No state aid concerns or all concerns adequately resolved in pro-forma (including seeking independent legal advice where required)

Programme Level Assessment Criteria

	Assessment Criteria		
	Poor Contribution	Good Contribution	Strong Contribution
The programme makes a substantial contribution to the regional and national strategic context – with a particular focus on the SEP, IS, LIS, and Ox-Cambs Corridor	The LGF Programme provides only a limited alignment to regional and national priorities.	The LGF Programme makes a strong contribution to some elements of the regional and national strategic context.	The LGF Programme makes a strong and balanced contribution to the regional and national strategic context, complementing existing LGF investment areas.
Programme has a substantial impact on the SEMLEP region, including both direct and wider economic benefits.	The LGF Programme delivers modest direct and wider economic impacts.	The LGF Programme makes a strong contribution to some direct economic impact measures.	The LGF Programme provides a strong and balanced contribution to the direct and wider measures of impact on the SEMLEP region, complementing existing LGF investment areas.
Overall, the programme delivers good value for money.	The programme delivers a poor overall level of VfM.	The LGF Programme delivers a strong level of value for money across the overall programme, but also incorporates investments with a greater focus on wider / non-monetary regional impacts where these contribute to an overall balanced programme.	The LGF Programme maximises the assessment monetary impact on the regional economy.
The programme outputs reflect SEMLEP's priorities for investment.	The LGF Programme provides only a limited alignment to SEMLEP's priorities.	The LGF Programme makes a strong contribution to some of SEMLEP's priorities.	The LGF Programme makes a strong and balanced contribution to SEMLEP's priorities, complementing existing LGF investment areas.
The programme benefits the whole of the SEMLEP region.	Limited geographic spread of projects across the LGF Programme.	The LGF Programme provides for a broadly balanced programme of delivery across the region.	The LGF Programme provides for a balanced programme of delivery, prioritising project delivering region-wide impacts.
The programme complements and strengthens SEMLEP's existing LGF programme.	Limited consideration of existing LGF investing.	LGF Programme does not duplicate existing LGF investments.	LGF Programme activity supports projects that address under-provision in the existing programme.
The programme is deliverable and reflects a risk profile that is satisfactory to the SEMLEP board.	Programme level delivery risk are significant and are not acceptable to the SEMLEP board.	Some project level risks are identified, but these are considered to be manageable within the overall programme. For example, the programme is not dependent on a small number of projects with significant risk.	Risks at a project level are considered to be manageable and there is limited risk at a programme level to consider.



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