

Solent LEP

Local Growth Deal Update – Review of Outline Business Case (OBC) Submissions

17th May 2016

1. Introduction

AECOM were commissioned to collate the information provided from Outline Business Cases (OBC) submitted to Solent LEP prior to and on 12th and 13th May 2016. AECOM developed a bespoke template¹ for capturing the details of each scheme and completed some initial analysis on the basis of the “face value” of information provided by the applicants. This analysis of submissions included:

- a) the alignment with LEP strategic areas;
- b) the location of the schemes;
- c) the potential aggregate and average impacts and costs across the submissions; and
- d) the start timing of each project (which generally aligns with when an initial tranche of LGF monies are required).

Further due diligence of these OBCs will be completed separately including assessment against Solent LEP’s prioritisation matrix and against SoS CLG guidance.

2. Conflict of Interest Disclosure

AECOM have a development advisory role to Southampton Solent University in connection with the “Partial Relocation of Warsash Maritime Academy” scheme. AECOM has a conflict management approach which has been agreed with Solent LEP and used to manage these conflicts in earlier business case assessments.

¹ Drawing on the guidance in the SoS for Communities and Local Government letter to Solent LEP (12 April 2016).

3. Overview of OBC Submissions

The LEP has received a total of 40 Outline Business Cases from the following 32-34² applicants:

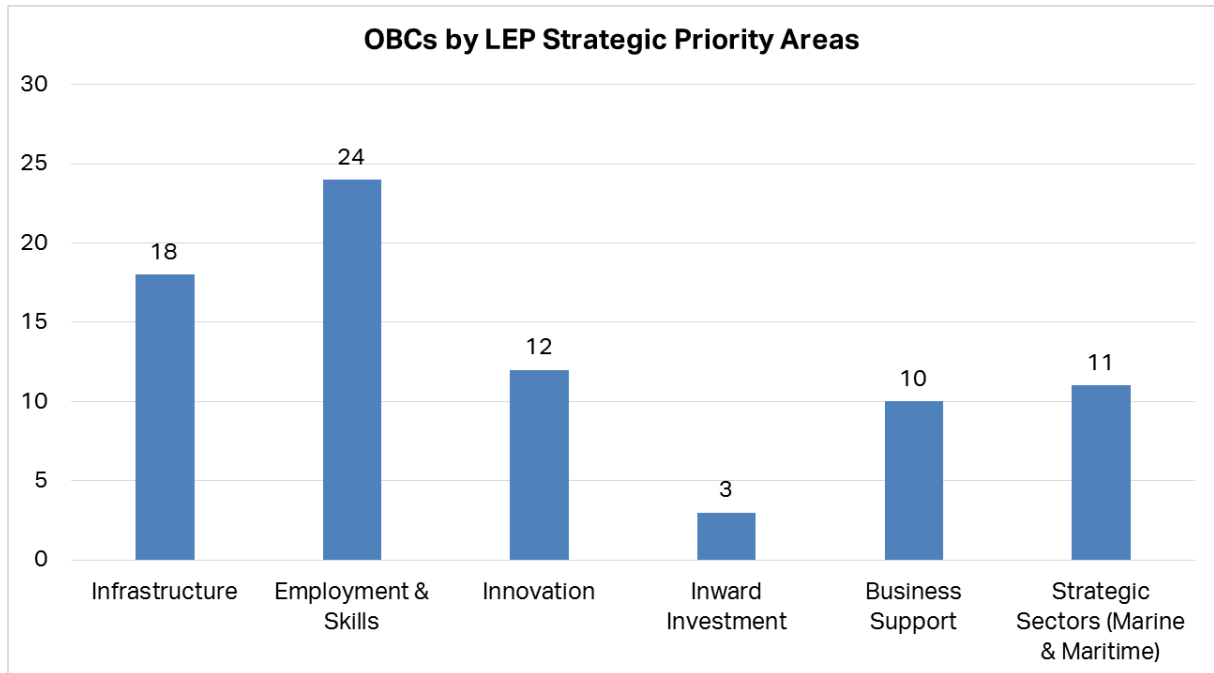
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|---------------------------------------|------------------------------------------------------------------------|
| 1. BAE Systems | 20. Polymer Sciences Ltd |
| 2. Barton Peveril Sixth Form College | 21. Portsmouth City Council |
| 3. Brockenhurst College | 22. Portsmouth City Council (Eastern Solent Coastal Partnership) |
| 4. Captec Ltd | 23. Solent Refit Ltd |
| 5. East Hampshire District Council | 24. Solent Transport (with Southampton City Council as Lead Authority) |
| 6. Eastleigh College | 25. Solent Transport (with Portsmouth City Council as Lead Authority) |
| 7. Fareham Borough Council | 26. South Downs College |
| 8. Fareham College | 27. Southampton City Council |
| 9. Fawley Waterside Ltd. | 28. Southampton Solent University |
| 10. Hampshire County Council | 29. St Vincent 6th Form College |
| 11. Havant Borough Council | 30. Supermarine Investments Limited |
| 12. HCA | 31. University Hospital Southampton NHS Foundation Trust |
| 13. Highbury College, Portsmouth | 32. University of Portsmouth |
| 14. Isle of Wight College | 33. University of Southampton |
| 15. Isle of Wight Council | 34. WS Group |
| 16. MJH Development | |
| 17. National Oceanography Centre | |
| 18. Offsite Build Group | |
| 19. Perpetuus Tidal Energy Centre Ltd | |

Of the 40 OBC submissions, 11 OBCs have come from the private sector, nine from Further Education (FE) or Sixth Form Colleges, eight from Local Authorities (Boroughs, Districts and Unitaries), five from universities, five from the County Council and Solent Transport together. There are also bids from the NHS and the HCA.

Three projects were submitted as “commercial in confidential” and these are identified in annex 2a.

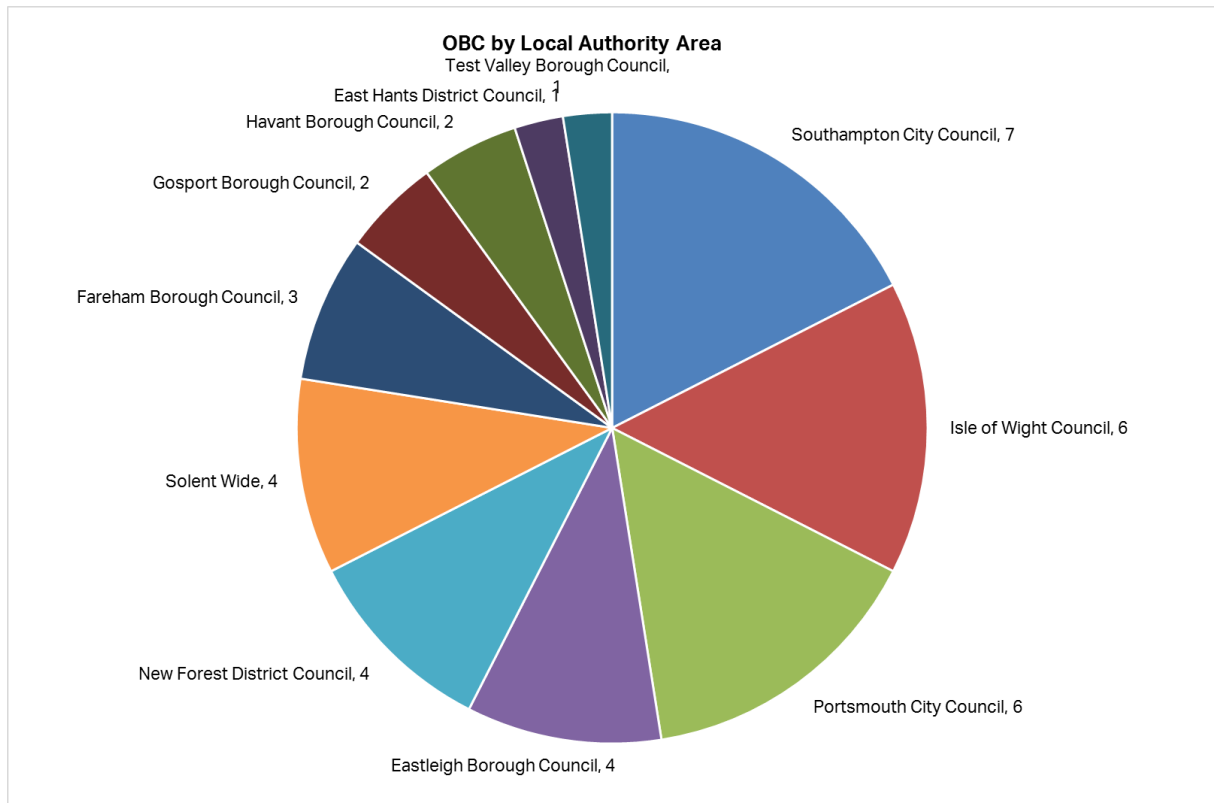
There was a good spread across the LEP’s five of the Strategic Priority Areas with about half of all proposed projects investment in infrastructure or the generation of employment and skills. Fewer projects aligned with inward investment outcomes.

² The two Solent Transport bids have Portsmouth and Southampton as lead authorities. One PCC bid is under the Eastern Solent Coastal Partnership banner.



NB. A project can align with more than one Strategic Priority Area

There were OBCs with a primary delivery location in all Local Authority areas across the Solent LEP area with the exception of Winchester City Council. The impacts of four proposed projects were “Solent wide” although many of the larger projects will have cross boundary and sub-regional impacts. The highest number of bids were in Southampton (7), followed by Portsmouth and the Isle of Wight (both 6).



In total the submitted OBCs would have the potential to bring forward 26,800 new direct jobs (at a gross OBC level), 29,600 new indirect jobs and deliver or support the delivery of 29,900 houses. While in aggregate 677,500 jobs would be safeguarded, this is affected by some very large Solent-wide transport schemes and also double counting with the same jobs being safeguarded in different projects. Nearly 540,000 sqm of new employment or education floorspace would be brought forward. Just under 1,000 apprenticeships would be provided and 2,600 new learners would result from the potential portfolio.

On average³ a proposed project creates 670 direct jobs and 740 indirect jobs.

Impacts	Total	OBC Average (40)
New Direct Jobs (gross)	26,756	669
New Indirect Jobs (gross)	29,552	739
Safeguarded Jobs	677,472	16,937
New Housing (units)	29,922	748
Education / Employment Floorspace (sqm)	539,614	13,490
Estates Improved (sqm)	32,160	804
Skills: Apprenticeships	997	25
Skills: Learners	2,621	66

NB Safeguarded jobs are the total across all submitted OBCs and so will involve substantial duplication and also be affected by specific schemes (e.g. one transport OBC reports safeguarding 483,600 jobs).

³ It should be noted that the range of outcome categories vary by project and as some very high impacts are claimed for specific projects that averages will be affected by these outliers and should be viewed with caution.

The total investment value across 39⁴ OBCs assessed at “face value” is £1 billion with £226.6 million requested as LGF support, about 22% of all costs⁵. In terms of leverage this suggests that every £1 of LGF is leveraging £3.46 of other local funding (e.g. public, private and other combined). This is slightly below Solent LEP’s target ratio of 4:1.

Just under £396 million of private funding has or could be triggered across the 39 OBCs, amounting to 39% of all investment costs. In terms of private sector leverage this suggests that every £1 of LGF could leverage £1.75 of private funding. The public/other leverage is very similar with every £1 of LGF leveraging £1.71 (£387.2 million in total),

The “average” proposed OBC stage project is around £26 million, requiring £5.8 million of LGF (22%) with the remaining funds coming from private and public/other local sources (about £10 million each).

Six projects have provided formal Benefit Cost ratios to show their potential impacts and four projects have attempted to calculate their local GVA impact.

Funding / Costs	Total (39)	OBC Average (39)
Total Cost	£1,009,863,574	£25,893,938
LGF Request	£226,552,125	£5,809,029
Local Contribution (Public and Private)	£783,061,449	£20,078,499
Local %	78%	
Private Sector Contribution	£395,911,449	£10,151,576
Private Sector £	39%	
Leverage: All local (public / other + private) £ per £1 LGF	£3.46	
Leverage: private sector £ per £1 LGF	£1.75	
Leverage: Public / other £ per £1 LGF	£1.71	

⁴ Inadequate financial detail was provided for one OBC to allow its inclusion in the analysis and a number of OBCs have financial totalling errors in their submissions.

⁵ The LEP has a minimum local funding target of 30% at the project level.

Three quarters of projects have a start date in 2016/17, which normally requires LGF spend in that year. Eleven projects would not start until 2017/18 or later.

