



## LEAD MEMBER FOR STRATEGIC MANAGEMENT AND ECONOMIC DEVELOPMENT

**DECISIONS** to be made by the Lead Member for Strategic Management and Economic Development, Councillor Keith Glazier

**TUESDAY, 23 JANUARY 2018 AT 12.30 PM OR AT THE CONCLUSION OF THE GOVERNANCE MEETING, WHICHEVER IS THE LATER**

**COMMITTEE ROOM - COUNTY HALL, LEWES**

### **AGENDA**

- 1 Decisions made by the Lead Cabinet Member on 26 September 2017 (*Pages 3 - 4*)
- 2 Disclosure of Interests  
Disclosure by all Members present of personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.
- 3 Urgent items  
Notification of any items which the Lead Member considers urgent and proposes to take at the appropriate part of the agenda.
- 4 East Sussex Credit Union request for subordinated loan (*Pages 5 - 12*)  
Report by the Chief Executive
- 5 Local Growth Fund - Amendments to spend profiles 2017/18 (*Pages 13 - 20*)  
Report by the Director of Communities, Economy and Transport
- 6 Growing Places Fund - loan agreements (*Pages 21 - 24*)  
Report by the Director of Communities, Economy and Transport
- 7 Any urgent items previously notified under agenda item 3

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15 January 2018

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## **LEADER AND LEAD MEMBER FOR STRATEGIC MANAGEMENT AND ECONOMIC DEVELOPMENT**

DECISIONS made by the Leader and Lead Member for Strategic Management and Economic Development, Councillor Keith Glazier, on 26 September 2017 at County Hall, Lewes

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Councillor Elkin spoke on item 4 (see minute 10)

### 8 DECISIONS MADE BY THE LEAD CABINET MEMBER ON 11 JULY 2017

8.1 The Lead Member confirmed as a correct record the minutes of the meeting held on 11 July 2017.

### 9 REPORTS

9.1 Reports referred to in the minutes below are contained in the minute book.

### 10 JOINT WASTE AND RECYCLING COMMITTEE

10.1 The Lead Member considered a report by the Director of Communities, Economy and Transport, together with an amendment to recommendation (4).

#### DECISIONS

10.2 **RESOLVED** to (1) approve associated changes to the Constitution of the Joint Waste Committee at Appendix 1;

(2) approve the formation of the Joint Waste and Recycling Committee and adopt its Constitution at Appendix 2;

(3) agree that the existing East Sussex County Council member and substitute for the Joint Waste Committee be nominated as member and substitute for the new Joint Waste and Recycling Committee; and

(4) authorise the Assistant Chief Executive to make minor amendments to the Constitution, in consultation with the Chairman of the Joint Waste Committee.

#### Reasons

10.3 To enable a clear distinction between matters concerning the current Joint Waste Contract and the future procurement decisions for Hastings Borough Council, Rother District Council and Wealden District Council a new Joint Waste and Recycling Committee will be established. The new committee will operate concurrently to the existing Joint Waste Committee and meet consecutively so although some additional administration work will be required, matters concerning the current Contract and matters concerning procurement and the future delivery of services will be handled separately.

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<b>Report to:</b>	<b>Leader and Lead Member for Strategic Management and Economic Development</b>
<b>Date of meeting:</b>	<b>23 January 2018</b>
<b>By:</b>	<b>Chief Executive</b>
<b>Title:</b>	<b>East Sussex Credit Union request for subordinated loan.</b>
<b>Purpose:</b>	<b>To consider granting a subordinated loan of £150,000 to East Sussex Credit Union (ESCU).</b>

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## RECOMMENDATIONS:

**The Leader and Lead Member for Strategic Management and Economic Development is recommended to offer ESCU a £150,000 subordinated loan from Council reserves.**

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## 1 Background

1.1 East Sussex Credit Union (ESCU) has asked East Sussex County Council for £150,000 in the form of a repayable subordinated loan to enable it to assist more residents in the County facing greatest hardship to deal with immediate financial issues and build up savings to help them manage future economic challenges better. Investing in East Sussex Credit Union will contribute to ESCC achieving its overarching priority of helping people help themselves.

1.2 The Credit Union anticipates that the roll out of Universal Credit (UC) across East Sussex will mean that more people are managing limited finances themselves and would benefit from the services the Credit Union can offer. The rollout began in Hastings in December 2016 and has now been implemented in Bexhill and Rother. The current planned roll out to further Jobcentres was Eastbourne in October 2017 and then Lewes and Newhaven in June 2018. As Wealden District covers a large area UC starts on different dates depending on postcodes and the individual Job Centre roll out.

1.3 In April 2016 ESCU received a subordinated loan of £250,000 from Brighton & Hove City Council for the benefit of residents in the city. Given that East Sussex County Council residents make up 32% of the total ESCU membership, with growth at 39% and potential membership in terms of population at 67%, ESCU is looking to ESCC to proportionately match fund this investment with a subordinated loan of £150,000.

## 2 Supporting information

2.1 It is unclear at this point exactly how many people will be affected by the roll out of UC in East Sussex. However, Hastings & Rother Credit Union (HRCU) gained 500 new members in the first 6 months - these are people who did not have a named bank account to have their UC paid into (unbanked), as is now required. This unplanned increase in demand led to delays in UC recipients getting their money.

2.2 ESCU has the benefit of learning from Hastings & Rother Credit Union about the importance of preparation for the rollout of Universal Credit. It will use the loan to provide a range of services including: zero interest loans to bridge the wait for the first universal credit payment; a basic bank account via a prepaid card for the unbanked; financial support for initial account opening charges and rent payment processing for landlords of universal credit claimants. The loan will help underpin ESCU's work with district /borough councils to support some of the most financially vulnerable residents in the county. It will contribute to early prevention work in this area that local authorities have limited resources to undertake. More information on the work planned in East Sussex is set out in Appendix 1 of the supporting background document attached to this report. ESCU and HRCU are in formal consultation about working more closely together with the potential outcome of shared resources/services/ merger. It is anticipated that out of this consultation process will come a coherent and robust credit union service to all residents of East Sussex including residents of Hastings & Rother.

2.3 A subordinated loan is lent for a minimum 5 years and 1 day. It is important to note that this loan comes with a risk. If ESCU were to go into liquidation repayment of the debt would be made only after the repayment of members' shares. ESCC can advise on the day it would like the loan settled when the loan is granted.

2.4 Local authorities have invested in credit unions in this way because, although forgoing an interest rate in a bank account, they invest for a social return. In Economic terms, research by Salford University on behalf of Leeds City Council found that for every £1 the council invested in credit unions, there was a £9 benefit in retained income for the local economy.

2.5 Should agreement be given it is suggested that the £150,000 could come from Council reserves and be paid back at the end of the 5 year period. The only cost to the council would be the income foregone from being able to invest the £150,000 over this 5 year period. This would amount to an estimated loss of in the region of £1,000 annually (based on cash deposits).

### **3 Conclusion and recommendations**

3.1 The Leader and Lead Member is asked to agree the proposal to offer ESCU a £150,000 subordinated loan from Council reserves.

**Becky Shaw**  
**Chief Executive**

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### **BACKGROUND DOCUMENTS**

East Sussex Credit Union Subordinated Loan Application

## East Sussex Credit Union

### Subordinated Loan Application to East Sussex County Council

#### Purpose of Application

To secure support from East Sussex County Council, in the form of a repayable subordinated loan for £150,000 for East Sussex Credit Union to enable the Credit Union to assist more residents in the County facing greatest hardship, to deal with immediate financial issues and build up savings to better manage future economic challenges.

#### How a subordinated loan will benefit ESCC

As local authority budgets are diminishing, yet need for support is increasing, this is a way of investing, to support people who are suffering financial hardship, without giving revenue grants. Investing in a subordinated loan to ESCU will allow it to expand its operations while retaining the investment as an asset on the council's balance sheet. It enables reserves that would usually be invested and earning minimal interest, to be invested ethically in the credit union whilst simultaneously contributing to ESCC's financial inclusion agenda. Investing in East Sussex Credit Union will contribute to ESCC achieving its four overarching priority outcomes by 2020: driving economic growth; keeping vulnerable people safe; helping people help themselves; and making best use of resources, as published in the Council Plan. In Economic terms, research by Salford University on behalf of Leeds City Council found that for every £1 the council invested in credit unions, there was a £9 benefit in retained income for the local economy.<sup>1</sup>

#### Brighton & Hove City Council has invested in ESCU

In April 2016 ESCU received a subordinated loan of £250,000 from Brighton & Hove City Council for the benefit of residents in the city. Given that East Sussex Credit residents make up 32% of the total ESCU membership, with growth at 40% and potential membership in terms of population at 67%, ESCU is looking to ESCC to proportionately match fund this investment with a subordinated loan of £150,000. With this investment, the growth rate of new members from East Sussex will accelerate.

#### About East Sussex Credit Union

East Sussex Credit Union (ESCU) is a local savings and loans co-operative. It became East Sussex Credit Union in 2008. The Credit Union serves those who live and work in East Sussex, Brighton & Hove. ESCU aims to provide a high quality, sustainable and easy to access savings and loans co-operative, which is responsive to the needs of its members and actively combats the detrimental effects of poverty and financial exclusion.

ESCU has a current membership of over 6,300, savings of over £2.8 million (£730,000 from East Sussex members) and loan balances of £2 million, 35% of ESCU's lending in the last year is to people who are most in need.

When compared against interest rates offered by doorstep and payday lenders, it is estimated that ESCU has saved East Sussex residents £330,000 in interest in the past year. This means that the borrowers have more money available to spend in the local economy.

ESCU is regulated and authorized by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) and savings are 100% guaranteed by the Financial Services Compensation Scheme.

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<sup>1</sup> Chris Evans (MP), 5/7/2013, quoting from Economic impact and regeneration in city economies: The case of Leeds, October 2009

## What is a subordinated Loan?

A subordinated loan is lent for a minimum 5 years and 1 day. The loan debt is subordinated to the interest of the members i.e. in the event of liquidation; repayment of the debt would be made only after the repayment of members' shares. ESCU depreciates it over the 5 years so it can be paid back or rolled forward at the end of the period. Local authorities have invested in credit unions in this way because, although forgoing a low interest rate in a bank account, they invest for a social return, as set out below. Other local authorities that have given subordinated loans to support their local credit unions include Worthing and Adur, the London Borough of Islington and Brighton & Hove City Council. Recommendations from Fairness Commissions often include support for credit unions. This is an alternative to revenue/ grant funding as ESCC will have the option to have the loan returned or rolled forward at the end of the 5 year period.

## Why now?

Nationally we are in a period of high debt, low levels of savings and increased stress on household incomes, 35% of households have no savings and 11% have less than £1,500<sup>2</sup> 'CPI inflation was 2.3% in February 2017 and is forecast to rise further. This is at a time when real earnings growth is projected to stagnate (OBR 2017), and the value of most working-age benefits is frozen (for both working and non-working households, for four years from April 2016). This will result in eroded purchasing power and people already struggling to cover the cost of essentials slipping further behind'.<sup>3</sup>

A Shelter/Yougov study found with high housing costs and many people having little or no personal savings to fall back on, three million working families could be just one paycheque away from losing their home.<sup>4</sup>

In times of households having minimal savings, increasing debt and squeezed incomes as well as rollout of Universal Credit, the services of a credit union are even more vital to offer safe savings, affordable loans and help on managing money. People, who are managing to save, borrow sensibly and manage their loan repayments are less likely to need advice and support from council and other public services to deal with their financial and other issues. ESCU offers a long term solution to help people get into a savings habit (even whilst borrowing, with our Saver Loans) build their credit history with affordable loans, and gain access to other services such as prepaid VISA cards, with a basic bank account that requires no credit check.

ESCU's offer aligns with ESCC Council Plan page 9 on strategic commissioning – 'Our strategic approach means investing in long-term and preventative solutions rather than short-term fixes that are more expensive overall. We will focus on early intervention to reduce demand and dependency on public services'. With local authority budgets (including the Discretionary East Sussex Support Scheme – DESSS) being cut, ESCU can help by working in partnership to deliver preventative measures that local authorities now have limited resource to do. This will reduce the burden on public services in the long term, by encouraging savings as buffer funds for 'Just about Managings' (working families and individuals on low incomes with high housing costs) so that they do not fall into high interest debt, rent arrears or homelessness. ESCU can also help people on low incomes build credit history by repaying small loans when they need them, and by offering the Engage prepaid card as a budgeting tool to help people put money aside for priority bills.

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<sup>2</sup> themoneycharity.org.uk July 2017

<sup>3</sup> Joseph Rowntree Foundation Universal Credit briefing Rising prices putting pressure on living standards

<sup>4</sup> Family resources survey 2014/15, published in Households below average income Table 5.9db, DWP, June 2016.



## **The Local picture**

There are currently 19 Lower Super Output Areas (LSOAs) in East Sussex (within the 10% most deprived areas in the nation) concentrated in Hastings, Rother and Eastbourne. This is followed up by a further 19 areas that fall within the second decile of the National Index of Multiple Deprivation, which are spread across the county and include rural areas.

'25% of people in Sussex (excluding Brighton & Hove) lives in rural areas, much higher than the England average (17.6%). People living on low incomes in rural areas continue to face significant disadvantage'<sup>5</sup>

## **East Sussex Credit Union in East Sussex**

In 2014 to 2016 ESCU was awarded £90k from the East Sussex Business Innovation fund to establish an office, a volunteer network, new jobs and membership growth in East Sussex. This was largely achieved and its legacy, as well as an improved digital service, has resulted in 40% of all joiners now coming from East Sussex and 37% of all loans now being issued to residents of East Sussex. ESCU has continued to develop links with partners. ESCU works in partnership with SCDA, Citizens Advice, other voluntary sector organisations, housing associations church groups, transition town groups, advice networks, local employers, and with youth agencies - helping young people become financially included and banked. ESCU also provides accounts and prepaid card facilities to businesses and community groups in East Sussex now holding over £40,000 in savings.

An example of this is, our work with the Salvation Army in Eastbourne to set up prepaid cards for their clients - some of the most vulnerable in the town. This gives their clients an account to have benefits paid into. In 6 months 30 people have been signed up, this helps them get income, maintain housing, and improves their wellbeing. This work reduces demand on public services as they are becoming more financially capable. ESCU would like to build on partnership working like this to provide early intervention to help people maintain their independence. A subordinated loan will help ESCU take the risk to do more partnership working.

## **Roll out of Universal Credit across East Sussex**

A key change for the most financially vulnerable and their ability to manage finances at this time, is the roll out of Universal Credit across East Sussex. This started in Hastings in December 2016 and has now been implemented in Bexhill and Rother. The results and impacts of this are now being reported by the DWP. The current planned roll out to further Jobcentres is Eastbourne in October and Lewes & Newhaven in June 2018.

For all new Universal Credit claims there is a 7-day waiting period where no money will be paid. There is also a standard 5 week wait for processing, based on the idea that newly unemployed claimants will have a month's final salary to tide them over. Many claimants are accustomed to being paid weekly or fortnightly. All claims must be submitted and managed on line. Some claimants, not used to applying on line, complete applications incorrectly and have their applications rejected. They have to re apply/appeal and wait a further 5 weeks.

In Hastings the Full System Roll-out started in December 2016:

- 6500+ people applied for Universal Credit in Hastings,
- 39% of UC claimants are in work (10% of all claimants are self employed so likely to have variable incomes which are reassessed on a monthly basis).
- Hastings & Rother Credit Union gained 200 new members in the first 12 months - these are people who did not have a named bank account to have their Universal Credit paid into (unbanked), as is now required. This unplanned increase in demand led to delays in Universal Credit recipients getting their money.

This is why ESCU has been working hard to prepare for the rollout across East Sussex. ESCU is currently talking to district and borough councils in East Sussex, the DWP and partners across the county about how it can work with them to minimise the impacts of the Universal Credit rollout across the county on household finances. ESCU has the benefit of learning from Hastings & Rother Credit Union about the importance of preparation for this change. Options being discussed are zero interest loans to bridge the standard 5 week wait for the first universal credit payment, a basic bank account via a prepaid card for the unbanked, financial support for initial account opening charges and rent payment processing for landlords of universal credit claimants.

### **What ESCU will deliver**

By giving a subordinated loan to ESCU it will be better able to serve the residents of East Sussex in promoting financial inclusion, enabling ESCU to extend smaller loans to residents in East Sussex and improving access to credit union services across the county. See Appendix 1 for further details on this.

### **Hastings & Rother Credit Union (HRCU)**

ESCU and HRCU have been sharing information and in particular learning from the rollout of universal credit. ESCU has benefitted by being able to plan and work with partners ahead of the rollout across the rest of East Sussex because of this shared learning. The two credit unions are in consultation about working more closely together with the potential outcome of shared resources/services/ merger. It is anticipated that out of this consultation process will come a coherent and robust credit union service to all residents of East Sussex including residents of Hastings & Rother.

### **Conclusion**

East Sussex Credit Union has made significant progress over the past five years, more than doubling its membership, boosting savings, tripling the amount on loan to members, helping borrowers to manage their loans, and putting itself at the heart of tackling financial exclusion in the county. It is capable of much faster development and greater impact with the security of additional capital. The timing is now ideal. ESCU is well placed to tackle the challenges that universal credit poses to the most financially vulnerable. The investment will be used to enable ESCU to confidently increase the pace of development and take controlled risks; assessed and managed within its tried and tested risk framework. This will result in:

- A stronger, significant credit union confidently committed to a long-term role in East Sussex, with partners to develop the range of financial services, providing wider community access.
- A digital offer increasing accessibility and support for those in most need in East Sussex.
- A greater contribution to the East Sussex economy through support for businesses, particularly smaller and developing businesses that are a key feature of the local economy.
- Help for even more people within the County to develop their ability, confidence and independence in managing their finances by payment services, encouraging prudence, a savings habit and the wise use of loans, for the benefit of members and families.

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## Appendix 1

### How a subordinated loan will benefit ESCU and what it will deliver

A £125,000 subordinated loan invested in East Sussex Credit Union (ESCU) will make a significant difference to the organisation and to the county. ESCU's regulators FCA & PRA require that in order for credit unions to carry out additional activities which include loans over £15,000 which ESCU is already providing and / or have over 10,000 members or £10 million in shares it must have at least a 10% capital to assets ratio. When ESCU received the £250,000 subordinated loan from Brighton & Hove City Council its capital to asset ratio jumped from 9% to 16%. However, over five years this has to be written down in the accounts in preparation for repayment. A subordinated loan from ESCC would bolster this over a longer period, so that ESCU can move on to the next stage in its path of growth. This will allow ESCU to continue to expand financial inclusion activities across the county. Confidence of stronger reserves rather than relying on short term funding allows ESCU to contribute to longer-term partnership working and make a sustained impact on residents' lives. This money will benefit the county by enabling the delivery of a key strategic objective - the promotion of financial inclusion. This funding will give ESCU sufficient reserves to enable it to speed progress to sustainability by:

- Increasing its capital to assets ratio - this is one of the key ratios monitored by our regulators PRA and FCA
- Increasing its loan to assets ratios from 54% to 62% - the more money out on loan the more in dividends or interest rebates can be issued to our members.
- Increasing loan interest income by 33% in over the next 2 years by diversifying the loan book.
- Move ESCU's core business to becoming sustainable to within 2 years, thereby reducing its reliance on grants.

### What ESCU will deliver in East Sussex

A subordinated loan will help underpin ESCU's work with district /borough councils to support some of the most financially vulnerable residents in the county, it will contribute to early prevention work in this area that local authorities have limited resources to undertake. ESCU will also:

- Build into its strategic plan increasing financial inclusion in East Sussex into the future, work to promote the value of savings to help local people
- Look to extend financial inclusion activities in the county, such as offering supported budget accounts to those affected by welfare reform, and develop the partnership network across the county for and innovating to create new joint projects such as the Eastbourne Salvation Army example.
- Take the risk to extend the offer of small loans by 60%, make them core business and engage members and potential members affected by high interest lenders, low income and welfare reform.
- Improve access to credit union services for the hardest to reach members including those in rural areas by increased use of partnership working supported by an accessible digital presence
- Target the 'in work poor' / 'just about managing' via extending our payroll deduction provision specifically healthcare, medical, facilities workers and, admin workers, drivers, engineers, cleaners and support workers.
- Work with local youth support agencies and services to develop the offer of prepaid cards including cards for 'young looked after' people – this gives vulnerable young people access to savings and debit card facilities

- Extend partnership working to pool resources and knowledge for greatest impact for residents including with local banks such as Lloyds and Halifax on loan signposting schemes.
- Work more closely with Hastings and Rother Credit Union to provide services across the county.
- Provide a stimulus to the local economy by increased services to local businesses

**Report to:** Lead Member for Strategic Management and Economic Development

**Date:** 23 January 2018

**By:** Director of Communities, Economy and Transport

**Title:** Local Growth Fund – Amendments to spend profiles 2017/18

**Purpose:** To seek approval for the reallocation of funds within the East Sussex Local Growth Fund programme.

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**RECOMMENDATIONS:** The Lead Member is recommended to:

- (1) Approve the additional allocation of Local Growth Fund grant monies to Sea Change Sussex, subject to the approval of the South East Local Enterprise Partnership’s Accountability Board, to fund the completion of the North Bexhill Access Road and the Queensway Gateway Road;**
  - (2) Approve the additional allocation of Local Growth Fund to Phase 1 of the Eastbourne Town Centre Movement and Access Package, subject to the approval of the South East Local Enterprise Partnership’s Accountability Board, to fund the completion of the Eastbourne Town Centre Improvement Scheme (Terminus Road);**
  - (3) Endorse the acceleration of spend in 2017/18 on the Eastbourne and South Wealden Walking and Cycling Package and the Devonshire Park Quarter Redevelopment, as agreed by the South East Local Enterprise Partnership’s Accountability Board; and**
  - (4) Delegate authority to the Director of Communities, Economy and Transport to approve the terms of any amended agreements and to take all other necessary actions in respect of recommendation 1 above.**
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## **1 Background Information**

1.1 In March 2014 the South East Local Enterprise Partnership (SE LEP), which comprises businesses, local authorities and education leaders across East Sussex, Essex, Kent, Medway, Southend and Thurrock, submitted their proposals to Government for a Growth Deal to drive economic expansion in the area over the next 6 years up to 2021. Within this was a specific growth plan for East Sussex focussed around its three growth corridors – Newhaven, A22/A27 Eastbourne/South Wealden and the A21/A259 Bexhill/Hastings Growth Corridor.

1.2 The North Bexhill Access Road (NBAR) comprises a 2.4km single carriageway road link between the A269 and the Bexhill Hastings Link Road (BHLR) with a roundabout at each end and further central roundabout. The business case for £16.6m was approved by the South East LEP’s Accountability Board on 13 November 2015. The road will unlock planned employment growth in North Bexhill identified under Policy BX3 of the 2006 Rother Local Plan with capacity for circa 38,000sqm of employment generating floor space. The Access Road also provides the road infrastructure to unlock the proposed urban extension in North East Bexhill with potential to directly unlock land for up to 780 new homes.

1.3 The Queensway Gateway Road (QGR) comprises a single carriageway road between the A21 Sedlescombe Road North and Queensway. The road will connect via a new roundabout with Queensway south of its junction with the Ridge West, crossing the Hollington Stream valley on an embankment and then utilising the existing alignment of Whitworth Road to join the A21 at a new roundabout north of the existing Sainsbury's store. Junction Road will be closed to traffic as part of the scheme. The Gateway Road includes a central roundabout to facilitate access to the employment sites allocated in the adopted Hastings Local Plan Planning Strategy to the north and south of the road. The business case for £15m was approved by the South East LEP's Accountability Board on 20 March 2015. Following a redesign of the scheme, the budget for the project was amended to £6m. The road will facilitate approximately 12,000sqm of employment space on these sites, creating around 900 jobs.

1.4 Phase 1 of the Eastbourne Town Centre Improvement Scheme (ETCIS) is specifically focussed on the key town centre corridor of Terminus Road, Gildredge Road and Cornfield Road. This area includes a number of bus stops and retail frontages, and will complement the Arndale Centre extension to be completed in late 2018, by supporting the towns move to providing a stronger image and identity as a major retail centre. The project includes bus stop relocation, new bus stops integrating with rail, footway widening, improved pedestrian crossing facilities, and upgrading of the public realm with new street furniture and bus shelters. This scheme has a £6.25m budget and is funded through a mixture of LGF (48%), development contributions (4.8%), ESCC (40%) and Eastbourne Borough Council (7.2%).

1.5 Eastbourne and South Wealden Walking and Cycling Package (ESWWCP) is a series of interventions and developments designed to improve sustainable transport and access for non-motorised highway users. The current project focusses on the phase 3 development of the Horsey Way walking and cycle path, which will eventually look to better connect the Town Centre with Sovereign Harbour.

1.6 The Devonshire Park Quarter Redevelopment (DPQR) is the construction of a new welcome building as part of the large scale refurbishment and improvement of facilities including the Lawn Tennis Club, Theatres and surrounding public realm. The ambition of this scheme is to significantly increase the attractiveness of Eastbourne as a corporate event and conferencing destination, taking advantage of a growing market place.

## **2 Supporting Information**

### NBAR

2.1 NBAR and QGR are funded entirely through SE LEP Local Growth Fund (LGF) programme contributions and are being delivered by Sea Change Sussex (SCS). SCS is a company limited by guarantee and is a key delivery partner for the County Council and other local partners. Hastings Borough Council, Rother District Council and the County Council collectively hold a 19.9% share of the company, the University of Brighton 30.1% and local businesses the remaining 50%. The County Council has appointed the Lead Cabinet Member for Economy as a Director of the Company. SCS is a not-for-profit economic development and regeneration company, working to expand the area's economy and business community by working with the County Council and other key partners.

2.3 The works have proceeded largely on programme with completion of the road expected in the spring of 2018. However, the project has incurred some unexpected additional costs, which have meant that the original budget now requires supplementing.

2.4 These additional costs relate to the diversion of utilities, specifically the undergrounding of powerlines and fibre optic cables, which have greatly exceeded initial expectations, even with value engineering undertaken. Original budget cost estimates were provided by both UK Power Networks (UKPN) and BT Openreach to underground or divert existing lines along the alignment of the new road. When more detailed designs have been undertaken by the utility providers these costs have increased substantially. There have also been a number of unexpected private water and electricity feeds used by local farmers that the developer has

had to divert or replace. In August 2017, a large quantity of illegally dumped asbestos was discovered and the costs for removal have been significant.

2.5 To mitigate the impact of the road development on nearby residents, additional noise bunds have been included within the design. This has meant significant amounts of earth material have needed to be moved to new locations along the road where mitigation is required. Extensive additional works have also been included within the design to ensure a minimal impact on the local environment, and wildlife and their habitats. The additional cost incurred has meant that the development will meet the highest ecological standards, ensuring conservation of the local area and proliferation of local plant species. ***It is now estimated that an additional budget of £2m is required to ensure completion of the road.***

#### QGR

2.6 This project experienced initial delays due to challenges in the planning process, including two applications for judicial review. To ensure that the project was delivered as early as possible and avoid further slippage CA Blackwells were commissioned to start land remediation work in December 2016, resulting in lost days and additional preliminary costs due to challenging winter ground conditions.

2.7 The Southern Water strategic fresh water main that serves much of St Leonards runs across the site half way up the western hill where the construction of the embankment was due to take place. In the original budget forecast it was anticipated that this pipe would simply be diverted by Southern Water at minimal cost. However, due to the material make up of the pipe and therefore the costs involved in realignment, Southern Water insisted upon the inclusion of an accessible concrete archway under the embankment. This has added significant time and cost to the construction of the embankment.

2.8 The relocation of Bartlett's SEAT car showroom at the eastern end of the proposed road alignment has been identified as an additional cost risk. The original budget was based on the dealership being able to finance the bulk of their own relocation to the North Queensway Business Park with compensation made available to the land owners. The dealership has not been able to secure the necessary funding to fully finance this move so additional allocation is required within the budget to ensure a continuation of this business.

2.9 A recent tender exercise for the final phases of the work has returned estimates much higher than originally anticipated. Work is being undertaken with the contractor to minimise costs through improved programming and reducing the time on site. ***The combination of these factors has meant that an estimated additional £6m is required to ensure the completion of the road.***

#### ETCIS

2.10 Following public consultation on the original design it became clear that local bus service providers were not satisfied with the initial proposal to relocate the bus stops in Cornfield Road. This led to a redesign of the scheme and a broadening of the scope to include the relocation of the eastbound bus stops to Gildredge Road with the westbound stops remaining in Cornfield Road.

2.11 The delivery of this scheme is tied in with the works at the Arndale Centre and needs to be complete in time for the re-opening of the shopping centre at the end of 2018. ***Following a tender exercise, an additional £2m is required to ensure a sufficient budget is secured to complete the scheme within the timeframes.***

## ESWWCP & DPQR

2.12 Delivery of these schemes has progressed well and they are both now well into the construction phase. This has presented an opportunity to advance the spend into this financial year. This will help mitigate slippages elsewhere in the East Sussex and wider SE LEP programme. ***There is the potential to accelerate £750k spend on ESWWCP whilst increasing the LGF allocation to DPQR by £1.6m in 2017/18.***

### **3 Proposed Way Forward**

3.1 Project progress, spend, and forecast budgets are regularly monitored through a robust programme management process. This is supported by an internal oversight group of senior officers that meets quarterly to scrutinize each of the projects. Project risks are highlighted at an early stage and mitigation actions taken where possible. ESCC in its role as local accountable partner will continue to monitor all projects within the growth programme and report, as requested, to the SE LEP.

3.2 As part of the ongoing programme management process, opportunities for efficiencies and value engineering have been identified in two other LGF funded projects. The Hastings and Bexhill Movement and Access Package (HBMAP) currently sits in the programme with a £12m allocation over the remaining 4 years of the programme. In addition, the A22/A27 Junction Improvement (A27JI) has been allocated £4m over the financial years of 2019/20 and 2020/21.

3.3 The HBMAP was originally included in the programme as two separate £6m projects to address walking and cycling and junction improvements in the Hastings and Bexhill area. The rationale for combining the schemes was to deliver better value for money by adopting a joined up, strategic approach to development. Following the production of the full outline business case, which will be presented to the Accountability Board in February 2018, it has been determined that it is possible to achieve the stated outputs and outcomes for this package for only £9m.

3.4 In September 2017, Highways England announced a package of smaller scale interventions on the A27 east of Lewes which will be funded from the £72m allocation in Highway England's Roads Investment Strategy 2015 - 2020. Incorporated into these proposals were interventions that were originally identified to be carried out under the A27JI, in particular the improvement in capacity of the A277/A2270 signalised junction to support the planned housing and employment growth in the Eastbourne and South Wealden growth area. A number of elements under the original package will still be required – A27/A22 roundabout and the A22/Dittons Road roundabout both north of Stone Cross - and can be delivered for approximately £1m.

3.5 It is proposed that the £6m made available from the HBMAP and the A27JI be transferred to the NBAR and QGR budgets to partially cover the projected additional spend. The remaining £2m of the projected requirement for the NBAR and QGR projects will be covered by SCS using reserves held by them.

3.6 Once the final tender is returned in January 2018 and the project budget is known, it is proposed that the additional requirement for the ETCIS be sourced from within the current LGF programme. The recommendation is that the required funds are re-allocated from the later years allocation of the ESWWCP. The business case for the next phase of this scheme is currently under development and there is scope for efficiencies to be made within this scheme to retain the core outputs and outcomes pledged within the Growth Deal.

3.7 On 18 September 2017 Team East Sussex (TES) approved an amended profile of spend for the East Sussex LGF programme. ~~Page 16~~ formally approved on 17 November



2017 by the SE LEP's Accountability Board. This was due to slippages in the ETCIS which could be mitigated by advancing spend on phase 1 of the ESWWCP and the DPQR. In addition, the NBAR, QGR and ETCIS LGF profiles and allocations were all considered at the recent TES meeting held on 11 December 2017 and were supported in principle, subject to formal consideration and approval by the county council's Lead Member for Strategic Management and Economic Development at this meeting.

3.8 Table 1 below shows the current LGF profile and allocations whilst Table 2 shows the proposed LGF profile and allocations on the basis of the reallocated funds outlined in paragraphs 3.1 to 3.7.

**Table 1 – Current profile and allocations**

Scheme Name	LGF Spend Profile						
	2015/16 Actual Spend	2016/17 Actual Spend	2017/18	2018/19	2019/20	2020/21	Total
Queensway Gateway Road	1.419	1.121	3.46				6
North Bexhill Access Road	6.41	4.6	5.59	2			18.6
Hastings and Bexhill Movement and Access Package			1.352	3.648	3.5	3.5	12
East Sussex Strategic Growth Package			6.3	1.9			8.2
Hailsham / Polegate / Eastbourne Movement and Access corridor			1.5	0.6			2.1
Eastbourne and South Wealden LSTF walking & cycling package	0.6	0.37	0.88	1.75	2.5	2.5	8.6
Eastbourne town centre LSTF access & improvement package		0.55	2.45	0	1	2	6
A22/A27 Junction improvements					2	2	4
Swallow Business Park	0.505	0.895					1.4
Strategic Site Investment Package (formerly 'Sovereign Harbour Innovation Park')	0.53	1.17					1.7
Devonshire Park Quarter Redevelopment			3.4	1.6			5
Newhaven Flood Alleviation Scheme	0.3	0.8	0.4				1.5
Housing Regeneration Project (Hastings)			0.667				0.667
<b>Totals</b>	<b>9.764</b>	<b>9.506</b>	<b>27.944</b>	<b>13.905</b>	<b>4.7</b>	<b>7.948</b>	<b>73.767</b>

**Table 2 – Recommended Profile and Allocations**

Scheme Name	LGF Spend Profile						Total
	2015/16 Actual Spend	2016/17 Actual Spend	2017/18	2018/19	2019/20	2020/21	
Queensway Gateway Road	1.419	1.121	5	2.46			10
North Bexhill Access Road	6.41	4.6	5.59	2			18.6
Hastings and Bexhill Movement and Access Package			1.352	2	2.2	3.448	9
East Sussex Strategic Growth Package			6.3	1.9			8.2
Hailsham / Polegate / Eastbourne Movement and Access corridor			1.5	0.6			2.1
Eastbourne and South Wealden LSTF walking & cycling package	0.6	0.37	1.63	1	1.5	1.5	6.6
Eastbourne town centre LSTF access & improvement package		0.55	0.505	3.945	1	2	8
A22/A27 Junction improvements						1	1
Swallow Business Park	0.505	0.895					1.4
Strategic Site Investment Package (formerly 'Sovereign Harbour Innovation Park')	0.53	1.17					1.7
Devonshire Park Quarter Redevelopment			5				5
Newhaven Flood Alleviation Scheme	0.3	0.8	0.4				1.5
Housing Regeneration Project (Hastings)			0.667				0.667
<b>Totals</b>	<b>9.764</b>	<b>9.506</b>	<b>27.944</b>	<b>13.905</b>	<b>4.7</b>	<b>7.948</b>	<b>73.767</b>

#### 4 Conclusion and Reasons for Recommendations

4.1 The North Bexhill Access Road and the Queensway Gateway Road are two of the major strategic Local Growth Fund Deal schemes to come forward in East Sussex and their delivery is key to unlocking employment space and create jobs in the A21/A259 Bexhill/Hastings growth corridor. Equally, the improvement of Terminus Road in Eastbourne Town Centre is critical to improving public transport, vehicular and non motorised user access to and from the town centre. It is also a key improvement that complements the significant private sector investment in the Arndale Centre extension.

4.2 It is important for East Sussex to take advantage of the flexibility available in the SE LEP's Accountability and Assurance Framework to continue to drive forward sustainable economic growth and deliver schemes as early as possible. As such, it is recommended that we accelerate spend on ESWWCP and DPQR to mitigate slippage elsewhere in the programme.

4.3 It is important that all of these strategically important schemes are delivered and that sufficient budgets are made available for their completion. As part of the requirements under the SE LEP Accountability and Assurance Framework, the Lead Member is therefore recommended to approve the re-allocation of LGF monies and reprofiling of spend as outlined in Table 2 above, subject to final approval by the SE LEP's Accountability Board at its meeting to be held on 23 February 2018.

RUPERT CLUBB

Director of Communities, Economy and Transport

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Local Members

All

Background Documents

None

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**Report to:** Lead Member for Strategic Management and Economic Development

**Date:** 23 January 2018

**By:** Director of Communities, Economy and Transport

**Title:** Growing Places Fund – Loan Agreements

**Purpose:** To seek approval for the County Council to enter into loan agreements to transfer the Growing Places Fund monies as approved by the South East Local Enterprise Partnership to Eastbourne U10 Community Interest Company and Charleston House.

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**RECOMMENDATIONS:** The Lead Member is recommended to:

- (1) Approve loan funding, to the value of £1.15m to Eastbourne U10 Community Interest Company to fund the delivery of the Eastbourne Fisherman’s Quay project;**
- (2) Approve loan funding, to the value of £0.12m to Charleston Trust to fund the delivery of the of the Charleston Centenary project, subject to the approval by the South East Local Enterprise Partnership (SE LEP) Accountability Board;**
- (3) Delegate authority to the Director of Communities, Economy and Transport to agree the terms of, and enter into, the loan agreement with Essex County Council as the SE LEP’s accountable body, necessary to secure the funding; and**
- (4) Delegate authority to the Director of Communities, Economy and Transport to approve the terms of any agreements and to take all other necessary actions in respect of recommendations 1 and 2 above.**

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## **1. Background Information**

1.1 The South East Local Enterprise Partnership (SE LEP), comprises business, local authority and education leaders across East Sussex, Essex, Kent, Medway, Southend and Thurrock.

1.2 Growing Places Fund (GPF) was originally launched in 2011 by DCLG and DfT as a ‘recyclable loan scheme’. SE LEP was allocated approximately £50m to fund projects commensurate with the GPF criteria. Essex County Council (ECC), as the lead accountable body, issues funds on a project by project basis to the relevant upper tier authority through loan agreements. It is then the responsibility of the upper tier to defray funds to the project promoter, monitor progress, and secure repayment.

1.3 East Sussex has already benefitted from almost £20m of GPF investment from Round One. These were invested in four projects, outlined in the table below, and were delivered by Sea Change Sussex. All of the original GPF projects in Round One have been completed and are now making repayments back to the SE LEP.

<b>Name of Project</b>	<b>Total GPF Investment</b>	<b>Total Project Cost</b>	<b>GPF Repaid to LEP to Date</b>
Priory Quarter, Hastings - Phase 3	£7m	£7m	£0.065m
North Queensway Innovation Park	£1.5m	£1.5m	£1m
Glovers House - Bexhill Enterprise Park	£6m	£6m	£0.225m
Pacific House - Sovereign Harbour Innovation Park	£4.6m	£6m	£0.025m

1.4 With the original schemes beginning to pay back those loans, the SE LEP decided to recycle the monies by opening a new funding Round Two. The SE LEP Strategic Board on 3 March 2017 agreed the approach to re-investment of these funds meaning that £9.3m was made available for reinvestment over the next three years.

1.5 Loans will mainly be between £250k and £2m, capital only, repayable by March 2022 (with penalties for late repayment) and with an interest rate 2% below the Public Works Loan Board (PWLB) from the point of the contract being signed, for the full fixed-term period of the project, which at the moment will make it interest free. Projects seeking under £250k are able to apply but will need to be considered against other priority projects that meet the criteria. All risk on the GPF investments is held by the fund itself (managed by the Lead Authority Essex County Council) and the granting of loans exposes the Upper Tier Authorities to no financial risk or obligation to underwrite should the loanees default on repayments.

## **2. Supporting Information**

2.1 In June 2017 the SE LEP launched a call for projects in line with the agreed investment approach. Each of the four federated boards was entitled to endorse bids not exceeding 50% of the value of the available fund (£4.65m). Prioritisation of schemes was then conducted by the SE LEP team with assistance from the Independent Technical Evaluator (ITE) based on the strategic outline business cases submitted.

2.2 Team East Sussex (TES), as the local federated board of the SE LEP, received seven bids from a range of project promoters. Following a local evaluation TES agreed to endorse four, which were submitted to the SE LEP for consideration by the ITE. These four schemes had a total ask of £4.245m.

2.3 Following a review by the SE LEP's ITE, two schemes from East Sussex were identified for recommendation to the SE LEP Strategic Board. These were the Eastbourne Fisherman's Quay project (£1.15m) submitted by Eastbourne U10 Community Interest Company (CIC) and the Charleston House Centenary project (£0.12m) submitted by Charleston Trust.

2.4 The Eastbourne U10 CIC sought forward funding to finance the construction of fisheries processing infrastructure, which has been awarded grant funding under the European Maritime and Fisheries Fund (EMFF). Eastbourne fishermen have been awarded a grant to cover 80% of the costs of the construction of phase 1 as well as the necessary processing equipment. Eastbourne fishermen have also been awarded a grant and loan under the County Council's East Sussex Invest 4 programme. The repayments from the EMFF are quarterly or bi-annual once ongoing works and purchases have been invoiced. The GPF will be used in the first year to cover that forward funding and also to cover the land purchase (already agreed) on which the buildings

will be situated (and where the fishermen currently land their catch and store their gear on the quayside). This scheme was ranked very highly by the ITE in the first prioritisation.

2.5 A full outline business case, with appropriate economic appraisal, was presented to the ITE in November 2017 and approved for funding by the SE LEP Accountability Board on 15 December 2017. The loan will be paid in two instalments based on monies available through the GPF with £0.5m in 2017/18 and £0.65m in 2018/19.

2.6 Charleston Trust is an internationally recognised arts organisation constrained by its infrastructure. New galleries, an auditorium, restaurant, fully accessible infrastructure and new education and learning facilities will empower growth and enable them to have a sustainable future. Fully aligned to the strategic aims and priorities being driven forward by Culture East Sussex (CES), a sub board to Team East Sussex (TES), the East Sussex Growth Strategy (2014-2020) led by TES and the County Council's core priority of 'driving sustainable economic growth', the Charleston Centenary Project will further strengthen the county's cultural offer, and act as a catalyst for direct and indirect jobs, tourism and inward spend into the regional economy. A £120k loan was required for the purchase of additional and enhanced catering equipment to ensure that Charleston is able to enter the lucrative wedding offer and business conference markets and ensure its longer term sustainability.

2.7 A full outline business case with relevant economic appraisal will be considered at the SE LEP Accountability Board on 23 February 2018. Should they approve the scheme then the loan will be paid in a single lump sum of £120k in 2017/18.

### **3 Conclusion and Reasons for Recommendations**

3.1 The development of the Eastbourne Fisherman's Quay is vital to the long term viability of the local fishing fleet and safeguards over 70 local jobs. Because of the grant award from the EMFF the risk of default on repayment is low and considered a safe investment by the SE LEP.

3.2 Although a small amount of the overall project cost, the £120k loan to Charleston Trust is key to unlocking a secure, long term revenue source. The low value of the loan means that this scheme represents a low risk investment by the SE LEP as the organisation is able to make the repayments.

3.3 The Lead Member is therefore recommended to approve the awarding of Growing Places Fund loans of £1.15m to Eastbourne U10 CIC and £0.12m to Charleston Trust, and delegate authority to the Director of Communities, Economy and Transport to agree the terms of the legal agreements with Essex County Council (as the lead accountable body for the SE LEP) and the project delivery partners, and take all other necessary actions.

**RUPERT CLUBB**

Director of Communities, Economy and Transport

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