

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

Date of meeting: 21 February 2017

By: Director of Communities, Economy and Transport

Title: Local Growth Fund – Amendments to Spend profiles for 2016/17 and 2017/18

Purpose: Agree and approve changes to the Local Growth Fund re-profiling and re-allocation of spend for 2016/17 and 2017/18

RECOMMENDATIONS: The Lead Cabinet Member is recommended to:

- (1) Approve the actions to mitigate underspend in the 2016/17 Local Growth Fund programme and the re-profiling of funds between schemes within approved local tolerances;**
 - (2) Approve the re-allocation of spend on the East Sussex Strategic Growth Package by commencing the project in the 2016/17 financial year, as per Option 2 in the Assurance Framework;**
 - (3) Note the forecast final 2016/17 spend for the Local Growth Fund programme and the amount of funds requested to be re-profiled into the East Sussex County Council Capital Programme, as per Option 4 in the Assurance Framework;**
 - (4) Agree the individual scheme re-profiles for the Local Growth Fund programme in the 2017/18 financial year; and**
 - (5) Delegate authority to the s.151 Officer and the Director of Communities, Economy and Transport to confirm the final spend of Local Growth Fund monies in 2016/17 to the South East Local Enterprise Partnership and re-allocate all unspent funds to other schemes within the County Council's Capital Programme, as per Option 4 in the Assurance Framework.**
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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 six 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 SE LEP's initial Growth Deal was agreed in July 2014 with an additional Growth Deal agreed in February 2015. Within East Sussex, over £70m of Local Growth Fund ('LGF') money has been secured to date towards economic growth and infrastructure projects. In July 2016 a bid for £25m across 5 projects was submitted as part of round three of Growth Deal submissions.

1.3 On 24 May 2016 Lead Member for Strategic Management and Economic Development approved the allocation of £16.88m for the 2016/17 financial year profiled across seven projects.

1.4 As part of our ongoing programme management process, we have identified in-year underspends in three LGF schemes; the Queensway Gateway Road ('QGR'), the Eastbourne Town Centre Access and Improvement Package ('ETCAIP') and the Eastbourne and South Wealden Walking and Cycling Package ('ESWWCP').

1.5 Delays in the planning process and the discharging of planning conditions have led to delays in construction commencing on the QGR scheme. This has resulted in slippage of £2.881m which will now be spent early in the 2017/18 financial year.

1.6 The ETCAIP has experienced delays due to an extended consultation process regarding the relocation and access to bus stops as part of the Terminus Road improvements associated with the extension to the Arndale shopping centre. The detailed design was completed in January 2017 with tenders expected to go out in May 2017. Works are now programmed to start in July 2017, but will need to tie into the timescales in which the Arndale shopping centre are working to regarding their extension plans.

1.7 The second tranche of ESWWCP projects has experienced delays due to the discovery of Japanese knotweed along the route of the Sovereign Harbour to Town Centre cycle route on the section between Lottbridge Drove and Langney Rise roundabout (Phase 3).

1.8 The conditions of the grant handed down by government insist that all LGF monies must be spent in the financial year in which they were allocated. As such, £5.026m from across the above three LGF schemes will require mitigation action.

1.9 The SE LEP Accountability Board, on 12 February 2016, agreed amendments to the Accountability and Assurance Framework (AAF) which authorised the use of four mitigation options to avoid underspend in the LGF programme. These mitigation options are also incorporated into the new Assurance Framework (2017) to be considered by the Lead Member for approval at an earlier agenda item of this meeting. The options were:

- 1) Bring forward LGF spend on schemes already in the 2016/17 programme;
- 2) Bringing forward future year's schemes to spend in the current financial year;
- 3) Transfer LGF spend on schemes between partner authorities;
- 4) Re-profile spend between LGF projects and own Council Capital Programme Projects.

2. Supporting Information

2016/17 LGF Programme

2.1 Section 4.5.1 of the new SE LEP Assurance Framework (2017) and Section 7 of the Service Level Agreement ('SLA) with Essex County Council as the Lead Accountable Body ('LAB') allows for amendments to East Sussex project profiles to be made locally within a tolerance of 10% of the project's LGF funding, with approval sought from the County Council as the Local Accountable Body.

2.2 To assist in mitigating the forecast underspend it is recommended that we accelerate the start of the East Sussex Strategic Growth Package (ESSGP) by commencing site enabling works. The scheme, to be considered for approval at an earlier agenda item of this meeting, is to be delivered by Sea Change Sussex ('SCS') and incorporates the development of B1(a) and B1(c) office and light commercial space at designated sites across the county. SCS have predicted that this scheme can spend £0.3m in this financial year if approved. To remain within local tolerance levels we would re-allocate these funds from the QGR scheme.

2.3 The lifetime costs of all the schemes remain the same as was disclosed in the programme profile approved by the Lead Cabinet Member on 24 May 2016. Therefore the £0.3m that will be transferred into the ESSGP scheme for the 2016/17 financial year will be re-allocated back to the QGR for the 2017/18 financial year.

2.4 Therefore, a total of £4.726m of remaining underspend from the three LGF schemes will be re-profiled into the County Council's Capital Programme in accordance with the mitigation option 4 outlined above. The final spend and the mitigation totals are detailed in Table 1 below.

Table 1 – 2016/17 LGF Programme: Final Forecast Spend and Mitigation

*figures provided below relate only to LGF investment and do not include other scheme contributions

Scheme	Total LGF Allocation	2016/17 Allocation	Forecast 2016/17 Spend	Transfer to ESSGP (mitigation option 2)	Transfer to ESCC Capital Programme (mitigation option 4)
Queensway Gateway Road	£6,000,000	£4,581,000	£1,700,000	£300,000	£2,581,000
Strategic Site Infrastructure	£1,700,000	£1,170,000	£1,170,000	£0	£0
Newhaven Flood Alleviation Scheme	£1,500,000	£800,000	£800,000.	£0	£0
Swallows Business Park	£1,400,000	£895,001	£895,001	£0	£0
Eastbourne and South Wealden Walking and Cycling Package	£8,600,000	£750,000	£400,000	£0	£350,000
Coastal Communities Housing Scheme (Hastings)	£666,666	£65,000	£65,000	0	0
North Bexhill Access Road	£16,600,000	£6,190,000	£6,190,000.00	£0	£0
Eastbourne Town Centre Access and Improvement	£6,000,000	£2,495,000	£700,000	£0	£1,795,000
TOTALS		£16,946,001	£11,885,001	£300,000	£4,726,000

2017/18 LGF Programme

2.5 As well as the ESSGP there are three other new schemes to be incorporated into the East Sussex LGF programme for the 2017/18 Financial Year; the Hailsham / Polegate / Eastbourne Movement and Access Corridor (LGF Round 1); the Hastings and Bexhill Movement and Access Package (LGF Round 1) and the Eastbourne Devonshire Park Re-development (DPRS) scheme (LGF Round 3). Each of these will require approval by the SE LEP Accountability Board, following the development of a detailed business case. They will be presented to Lead Cabinet Member for inclusion into the County Council's capital programme at a later date.

2.6 Table 2 below shows the proposed spend profile for the 2017/18 financial year, including 9 schemes and taking into account the mitigation options outlined above.

Table 2 – 2017/18 LGF Programme – proposed spend profile

Scheme	Total ESCC Capital Programme Scheme Allocation (including all contributions)	17/18 LGF Profile
Queensway Gateway Road	£2,881,000	£2,881,000
North Bexhill Access Road	£4,000,000	£4,000,000
Eastbourne and South Wealden Walking and Cycling	£850,000*	£850,000
Newhaven Flood Alleviation Scheme	£400,000	£400,000

Eastbourne Town Centre Access and Improvement Scheme	£5,085,000	£2,300,000
Hailsham / Polegate / Eastbourne Movement and Access Corridor	£2,100,000	£2,100,000
Hastings and Bexhill Movement and Access Package	£2,143,000	£1,500,000
Coastal Communities Housing Scheme (Hastings)	£601,666	£601,666
East Sussex Strategic Growth Package	£6,000,000	£6,000,000
Eastbourne Devonshire Park Re-development	£3,400,000	£3,400,000
TOTAL		£24,032,666

*Higher than indicated in Council Plan due to reallocated funds from 2016/17

3 Conclusion and Reasons for Recommendations

3.1 Following a review of the delivery of East Sussex's 2016/17 Local Growth Fund schemes, a total of £5.026m was identified as at risk of underspend and in need of mitigation. It is important for East Sussex to take advantage of the flexibility awarded in the mitigation options available in the Assurance Framework to continue to drive forward economic growth and deliver schemes as early as possible. It is recommended that Lead Cabinet Member approves the acceleration of the East Sussex Strategic Growth Package, the use of the outlined mitigation options 2 and 4 above and the 2017/18 spend profile for the LGF programme. It is also recommended that Lead Cabinet Member delegates authority to the s.151 Officer and the Director of Communities, Economy and Transport to re-allocate all unspent LGF funds to other schemes within the County Council's Capital Programme, as per Option 4 in the Assurance Framework.

RUPERT CLUBB

Director of Communities, Economy and Transport

Contact Officer: Ben Hook

Tel. No. 01273 336408

Email: ben.hook@eastsussex.gov.uk

Local Members

All

Background Documents

None