

**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**

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**LOCAL MEMBERS**

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