

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

Date of meeting: 10 July 2018

By: Director of Communities, Economy and Transport

Title: Local Growth Fund – 2017/18 Financial Year Statement

Purpose: To present the final spend statement for 2017/18 financial year and approve the Local Growth Fund programme for 2018/19

RECOMMENDATIONS: The Lead Cabinet Member is recommended to:

- 1) Note the final 2017/18 spend for the Local Growth Fund programme and the amount of funds that were re-profiled into the East Sussex County Council Capital Programme, as per Option 4 in the SE LEP Assurance Framework; and
 - 2) Agree the final scheme profiles for the Local Growth Fund programme in the 2018/19 financial year.
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1. Background Information

Local Growth Fund – East Sussex allocations

1.1 In March 2014, the South East Local Enterprise Partnerships (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 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 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 January 2017, the Government announced the outcome of the third round of Growth Deal submissions with the County Council securing a further £13.2m allocated to two major projects.

2017/18 Local Growth Fund Programme

1.3 On 11 July 2017 the Lead Member for Strategic Management and Economic Development approved the allocation of £25.99m for the 2017/18 financial year profiled across ten projects.

1.4 As part of our ongoing programme management process throughout the financial year, we identified additional funding requirements in three schemes, currently in the delivery stage of the projects.

1.5 On 23 January 2018 Lead Member approved an additional £2m LGF allocation to the Eastbourne Town Centre Improvement Scheme (ETCIS) following a redesign, increasing the scope of the project. This increased scope included relocating some of the existing bus stops to Gildredge Road.

1.6 An additional £2m LGF was also allocated to the North Bexhill Access Road to address additional and unexpected costs related to utilities and ecological requirements.

1.7 An additional £4m LGF was allocated to the Queensway Gateway Road, which has seen costs increase primarily due to the additional infrastructure required by Southern Water to maintain the existing strategic fresh water pipe that serves St Leonards. This additional funding was also matched with a further £2m from Sea Change Sussex, the developer delivering the road.

1.8 All additional funds were reallocated from elsewhere within the East Sussex LGF programme but will not reduce the expected economic benefits outlined in the SE LEP growth deal.

LGF Spending Conditions

1.9 The conditions of the service level agreement between the Accountable Body for the SE LEP (Essex County Council) and the local partner, the County Council, insists that all LGF monies must be spent in the financial year in which they were drawn down. Amendments were introduced for the

2017/18 financial year in which LGF grant is drawn down quarterly in advance rather than the entire year's expected budget being transferred at the beginning of the year, as had happened previously.

1.10 The SE LEP Accountability and Assurance Framework (AAF) provides a range of mitigation options to address potential slippage in local programmes. The options are:

- 1) Bring forward LGF spend on schemes already in this year's 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
- 5) Unclaimed funds retained by SE LEP for use in later years

2. Supporting Information

2017/18 LGF Programme

2.1 A total of £7.375m from four different schemes was carried forward from the 2016/17 LGF programme into the 2017/18 financial year. As per the AAF this money should be used first, prior to claiming further funds for that particular scheme.

2.2 The Eastbourne Town Centre Improvement Scheme carried over £1.945m from 2016/17 which was originally due to be spent in the 2017/18 financial year. However due to delays in the start of construction and the appointment of a contractor this scheme has only spent £245k. The remaining £1.7m will be carried forward into 2018/19 without the need to undergo the Option 4 process. This has been reported to the SE LEP as part of the annual return declaration. All other funds from the 2016/17 financial year were spent within the 2017/18 year.

2.3 £22.68m was spent across 10 projects in 2017/18 against a baseline budget of £25.9m. £7.375m in funds were carried forward from 2016/17 and ESCC have drawn down £17.7m from the LEP in 2017/18. Due to delays in the commencement in construction for two projects (HPE Movement and Access Transport Scheme, East Sussex Strategic Growth Package), £0.699m funds that were drawn down in 2017/18 and in need of mitigation using Option 4 as outlined in paragraph 1.10 above. Additionally there is £1.7m that was drawn down in 2016/17, that will be applied as slippage without the need for any of the above mitigation options needing to be addressed again in this financial year. The final spend and the mitigation totals are detailed in Table 1 below.

Table 1 – 2017/18 LGF Programme: Final Spend and Mitigation

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

Scheme	Total LGF Allocation (at 31/03/2018)	2017/18 Final Spend	LGF Carried forward from 2016/17	Grant Drawn Down in 2017/18	Transfer to ESCC Capital Programme (mitigation option 4)	Unused funds slipped without mitigation (as mitigated in previous financial years)
Newhaven Flood Defences	£1,500,000	£400,000	£0	£400,000	£0	£0
Hailsham/Polegate/Eastbourne Movement and Access Transport scheme	£2,100,000	£254,000	£0	£790,000	£536,000	£0
Eastbourne and South Wealden Walking and Cycling package	£6,600,000	£1,629,590	£379,590	£1,250,000	£0	£0
Queensway Gateway Road	£10,000,000	£5,000,000	£3,459,797	£1,540,203	£0	£0
North Bexhill Access Road and Bexhill Enterprise Park	£18,600,000	£5,589,580	£1,590,000	£3,999,580	£0	£0
Hastings and Bexhill Movement and Access Package	£9,000,000	£345,000	£0	£384,000	£39,000	£0
Eastbourne town centre improvement scheme	£8,000,000	£245,000	£1,945,190	£0	£0	£1,700,190
Coastal Communities Housing Intervention Hastings	£666,667	£666,667	£0	£666,667	£0	£0
East Sussex Strategic Growth Project	£8,200,000	£3,550,000	£0	£3,674,000	£124,000	£0
Devonshire Park Quarter Redevelopment	£5,000,000	£5,000,000	£0	£5,000,000	£0	£0
TOTALS	£69,666,667	£22,679,837	£7,374,577	£17,704,450	£699,000	£1,700,190

2018/19 LGF Programme

2.4 With Devonshire Park Quarter Regeneration, Newhaven Flood Alleviation Scheme, and Coastal Communities Housing schemes all having received the entirety of their LGF funding these will be removed from the 2018/19 programme. However as delivery and outputs/outcomes of these schemes go into future years through other funding sources, there is a requirement for the County Council to

continue to monitor progress through their standard programme management processes, including the officer-led internal oversight group and attendance at project meetings.

2.5 No new schemes will be coming into the programme in 2018/19, however business cases will be submitted to the SE LEP for phase 2 of the Eastbourne Town Centre Improvement Scheme, Phase 2 of Eastbourne and South Wealden Walking and Cycling package, and the A22/A27 Junction Improvement scheme which is due for delivery in 2020/21.

2.6 Table 2 below shows the proposed spend profile for the 2018/19 financial year, including 7 schemes and taking into account the mitigation options outlined above.

Table 2 – 2018/19 LGF Programme – proposed spend profile

Scheme	Total LGF Allocation (at 31/03/2018)	LGF Spent to date	2018/19 LGF Profile (including 2017/18 slippage)	Future Years Spend
Hailsham/Polegate/Eastbourne Movement and Access Transport scheme	£2,100,000	£254,000	£600,000	£1,246,000
Eastbourne and South Wealden Walking and Cycling LSTF package	£6,600,000	£2,600,000	£805,000	£3,195,000
Queensway Gateway Road	£10,000,000	£7,540,203	£2,459,797	£0
North Bexhill Access Road and Bexhill Enterprise Park	£18,600,000	£16,599,580	£2,000,420	£0
Hastings and Bexhill Movement and Access Package	£9,000,000	£345,000	£2,012,000	£6,643,000
Eastbourne town centre LSTF access & improvement package	£8,000,000	£794,810	£4,205,190	£3,000,000
East Sussex Strategic Growth Project	£8,200,000	£3,550,000	£4,650,000	£0
TOTALS	£62,500,000	£31,683,593	£16,732,407	£14,084,000

2.7 To mitigate risk on spend, accelerate delivery and ensure desired outcomes we have put into practice a range of programme management steps to address corrective action with internal and external project partners. This has included embedding ESCC programme management into the individual project structures as well as establishing an internal County Council officer-led LGF Governance Group.

3 Conclusion and Reasons for Recommendations

3.1 We have experienced slippage in four of the projects in the 2017/18 LGF programme

1. Hailsham/Polegate/Eastbourne Movement and Access Transport scheme;
2. Hastings and Bexhill Movement and Access Package;
3. Eastbourne town centre improvement scheme; and
4. East Sussex Strategic Growth Project

In most cases this slippage is of a short term nature with spend occurring in the early quarters of the 2018/19 financial year.

3.2 It is recommended that the Lead Cabinet Member notes the final outturn spend in 2017/18 and approves the allocated budgets for the individual projects in the 2018/19 LGF programme including the use of the funds that were offset against the East Sussex County Council capital programme under mitigation option 4.

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Local Members

All

BACKGROUND DOCUMENTS

None