

Report to: Lead Member for Strategic Management and Economic Development
Date of meeting: 9 May 2019
By: Director of Communities, Economy and Transport
Title: Local Growth Fund and Growing Places Fund – Confirmed Spend for 2018/19 and Forecast for 2019/20
Purpose: To present the final spend statement for 2018/19 financial year and approve the Local Growth Fund and Growing Places Fund programmes for 2019/20

RECOMMENDATIONS: The Lead Cabinet Member is recommended to:

- (1) Note the final 2018/19 spend for the Local Growth Fund programme and the amount of funds re-profiled into the East Sussex County Council Capital Programme;**
 - (2) Note the final 2018/19 spend for the Growing Places Fund programme and the amount of funds re-profiled into the East Sussex County Council Capital Programme;**
 - (3) Agree the confirmed scheme spend profiles for the Local Growth Fund programme for the 2019/20 financial year; and**
 - (4) Agree the confirmed scheme spend profiles for the Growing Places Fund programme for the 2019/20 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 (SELEP), 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 SELEP's initial Growth Deal was agreed in July 2014 with additional Growth Deals agreed in February 2015, April 2016 and January 2017. Within East Sussex, over £80m of Local Growth Fund (LGF) money has been secured to date towards economic growth and infrastructure projects. In February 2019, The SELEP Accountability Board approved further LGF allocation to East Sussex. In March 2019, SELEP announced the outcome of a further round of the Growth Deal, The Local Growth Fund Round 3B, with East Sussex County Council ("ESCC") securing a further £5.358m of Local Growth Fund monies allocated to three major projects.

1.3 On 10 July 2018 the Lead Member for Strategic Management and Economic Development approved the allocation of £16.73m LGF for the 2018/19 financial year profiled across seven projects.

LGF Spending Conditions

1.4 The conditions of the service level agreement between the Accountable Body for the SELEP (Essex County Council) and the local partner, ESCC, means 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 and continue to be applied in 2018/19, 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.

1.4.1 The SELEP Accountability and Assurance Framework (AAF) provides a range of mitigation options to address potential slippage in local programmes. The five 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.

Growing Places Fund – East Sussex allocations

1.5 The Growing Places Fund (GPF) was originally launched in 2011 by the Department for Communities and Local Government (DCLG) and Department for Transport (DfT) as a 'recyclable loan scheme'. SE LEP was allocated approximately £50m to fund projects, commensurate with the GPF criteria. Essex County Council (ECC), act as the lead accountable body, issuing funds on a project by project basis to the relevant local partner (upper tier authority) through loan agreements. It is then the responsibility of the upper tier to enter into legal agreements, defray funds to the project promoter, monitor progress, and secure repayment.

1.6 East Sussex has already benefitted from almost £20m of GPF investment from Round One. This was invested in 4 projects, all of which have been completed and are now making repayments back to SELEP. In November 2017 SELEP Strategic Board agreed to a GPF Round Two to prioritise the re-investment of £9.3m GPF until 2019/20 in eight new GPF projects. East Sussex successfully secured a further investment of £1.27m for two projects Eastbourne Fisherman (£1.15m) and the Charleston Centenary project (£0.12m).

GPF Spending Conditions

1.7 Loans will mainly be between £0.25m 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. The loan repayment schedule for each GPF project is agreed within the credit agreement in place between Essex County Council, as Lead Accountable Body, and the local partner (upper tier authority) for each project.

1.8 The allocation of GPF to new projects within GPF Round 2 is on the condition that funding will only be awarded to these projects by the SE LEP Accountability Board or transferred to the lead authority if sufficient GPF is available through the repayments of GPF loans from Round 1 projects. SELEP-wide, repayments are now being made on the initial GPF Round 1 investments. All repayments due in 2018/19 were received prior to the end of March 2019. As all GPF repayments were made in line with the approved repayment schedules during 2018/19 there will be no gap between the amount of GPF available in 2019/20 and the project draw-down schedule.

1.9 All risk on the GPF investments is held by the fund itself (managed by Essex County Council as the Lead Accountable Body) and the granting of loans exposes the local partner (upper tier authorities) to no financial risk or obligation to underwrite should the borrowers default on repayments. However, it is clearly important to ensure that the GPF monies are repaid into the overall pot to enable the fund to continue to be recycled onto other schemes.

1.10 As outlined in the SELEP Accountability and Assurance Framework (AAF); where a project is unable to spend the full amount of GPF which has been allocated and transferred to the partner authority within a financial year, the partner authority may carry forward the GPF within Partner accounts, subject to approval by the LEP's Accountability Board.

2. Supporting Information

2018/19 LGF Programme

2.1 £1.7m of the total £8.0m allocated to the Eastbourne Town Centre Movement and Access Package (ETCMAP) formerly known as the Eastbourne Town Centre Improvement Scheme (ETCIS) which was not drawn down in 2017/18 from the SELEP was carried forward into 2018/19 without the need to undergo the Option 4 process. This was reported to the SELEP as part of the annual return declaration.

2.2 £10.48m was spent across 7 projects in 2018/19 against a baseline budget of £16.77m, no funds were carried forward from 2017/18 and ESCC have drawn down £12.59m from the LEP in 2018/19. Due to delays in delivery for four projects – Hailsham-Polegate-Eastbourne Movement

and Access Corridor (HPE MAC), East Sussex Strategic Growth Package (ESSGP), Hastings and Bexhill Movement and Access Package (H&BMAP) and Queensway Gateway Road (QGR) - £2.11m of LGF funds that were drawn down in 2018/19 were needing to apply the mitigation Option 4 available under the SELEP AAF. The remaining £4.18m was not drawn down from the LEP and will therefore be re-profiled into the 19/20 budget 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 (Appendix 1).

2019/20 LGF Programme

2.3 With North Bexhill Access Road having received the entirety of their LGF funding this scheme will now be removed from the 2019/20 programme. However a number of other LGF schemes continue to be delivered using other funding sources and therefore ESCC will need to continue to monitor their delivery and outputs/outcomes through our standard programme management processes, including the officer-led internal oversight group, CET capital board and Capital Strategic Asset Board, alongside attendance at individual project meetings.

2.4 Business cases were approved by SELEPs Accountability Board in February 2019 for Phase 2 of the Eastbourne Town Centre Improvement Scheme and Phase 2 of the Eastbourne and South Wealden Walking and Cycling package, due to commence in 2019/20. The A22/A27 Junction Improvement scheme which was due for delivery in 2020/21 has been removed from the LGF programme.

2.5 In addition, three new schemes will also be coming into the Local Growth Fund programme in 2019/20 from the successful award of funds from the recent LGF Round 3b programme. Full Business cases are being submitted to SELEP for Bexhill Enterprise Park North, Plumpton College Skills for Rural Business and Sidney Little Road Business Incubator hub, which are due to deliver before March 2021. A report seeking approval to enter into the necessary grant agreements with the three scheme promoters for these new schemes is considered elsewhere on the agenda.

2.6 Table 2 (Appendix 2) shows the proposed spend profile for the 2019/20 financial year across 9 schemes, which include the three new LGF schemes and taking into account the mitigation options outlined in paragraph 1.5 above.

2018/19 GPF Programme Update

2.7 The Priory Quarter Phase 3 (Havelock House) scheme in Hastings has recently sold which therefore accelerated an early full repayment of the £6.870m GPF loan in Q4 of 2018/19 before the planned payback by March 2021.

2.8 The North Queensway project, the construction of a new junction and preliminary site infrastructure works, has been completed. However, there has been a slow uptake on the lease of the industrial space. This has resulted in a risk of delayed repayment of the outstanding £0.5m GPF. The SELEP Accountability Board agreed to defer the GPF repayment to 2019/20.

2.9 Bexhill Business Mall scheme (Glovers House) has recently sold which has further accelerated full repayment of the outstanding GPF loan (£4.975m), payment will be made in the early quarters of 2019/20, approximately one year ahead of schedule.

2.10 The Sovereign Harbour Innovation Mall (Pacific House, Eastbourne) scheme is now complete and has delivered 2,345m² of high quality office space. This is currently 88% let and has delivered 220 jobs. Due to high uptake, on time loan repayments are expected to be made as scheduled.

2.11 The Charleston Trust received a GPF loan of £0.12m from SELEP for Phase 2 of the Centenary Project – this element of the scheme has now been delivered.

2.12 Work will now not commence onsite for the Eastbourne Fisherman's Quayside and Infrastructure Development project until 2019/20. As a result, a revised funding drawdown schedule was approved on 12 April 2019 at the SELEP Accountability Board, which is shown in Table 3 (Appendix 3). Delayed drawdown will not impact repayment schedule.

2019/20 GPF Programme

2.13 Following the completion and accelerated repayment of the Priory Quarter Phase 3 scheme in Hastings this will now be removed from the 2019/20 programme. Bexhill Business Mall will also be removed from the programme following repayment of £4.975m in 2019/20. Eastbourne Fisherman's scheme is expected to draw down the entire £1.15m GPF funds in Quarter 1 and the build is still anticipated to be delivered within the agreed timescales. The planned GPF drawdown and repayment schedule is demonstrated in Table 4 (Appendix 4).

3 Conclusion and Reasons for Recommendations

3.1 East Sussex have been successfully delivering across both the Local Growth Fund and Growing Places Fund projects, with some areas of short-term slippage experienced in 2018/19. This occurred on the following six projects in the 2018/19 LGF programme:

1. Queensway Gateway Road
2. Hailsham/Polegate/Eastbourne Movement and Access Transport scheme;
3. Hastings and Bexhill Movement and Access Package;
4. Eastbourne And South Wealden Walking And Cycling Package;
5. Eastbourne Town Centre Improvement scheme; and
6. East Sussex Strategic Growth Programme

In most cases this slippage is of a short term nature with spend occurring in the early quarters of the 2019/20 financial year.

3.2 East Sussex made a full early GPF repayment from the Priory Quarter Phase 3 scheme to the GPF Programme. SELEP will therefore be bringing forward a further round of the GPF monies enabling East Sussex to secure further investment.

3.3 It is recommended that the Lead Cabinet Member notes the final outturn spend in 2018/19 and approve the allocated budgets for the individual projects in the 2019/20 LGF programme, including the use of the funds that were offset against the East Sussex County Council capital programme under mitigation Option 4.

3.4 It is also recommended that the Lead Cabinet Member notes the final outturn in 2018/19 for GPF and approve the allocated budgets for the individual projects in the 2019/20 GPF programme.

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Local Members

All

BACKGROUND DOCUMENTS

None

Appendix 1: Table 1 – 2018/19 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 All Years	2018/19 Final Spend	LGF Carried forward from 2017/18	Grant Drawn Down in 2018/19	Transfer to ESCC Capital Programme (mitigation option 4)	Unused funds slipped without mitigation (as mitigated in previous financial years)
North Bexhill Access Road	£18,600,000	£2,000,000	£0	£2,000,000	£0	£0
Queensway Gateway Road	£10,000,000	£890,000	£0	£2,460,000	£1,570,000	£0
East Sussex Strategic Growth Package	£8,200,000	£4,300,000	£0	£4,526,000	£226,000	£0
Hastings Bexhill Movement & Access Package	£12,000,000	£796,000	£0	£888,000	£92,000	£0
Eastbourne/South Wealden Walking and Cycling Package	£6,600,000	£498,000	£0	£721,000	£223,000	£0
Hailsham/Polegate /Eastbourne Movement and Access Corridor	£2,100,000	£0	£0	£0	£0	£0
Eastbourne Town Centre Movement and Access Package	£8,000,000	£2,000,000	£0	£2,000,000	£0	£0
TOTAL	£65,500,000	£10,484,000	£0	£12,595,000	£2,111,000	£0

Appendix 2: Table 2 – 2019/20 LGF Programme: Proposed Spend Profile

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

Scheme	Total LGF Allocation (at 31/03/2019)	LGF Spent to date	2019/20 LGF Profile (including 2018/19 slippage)	Future Years Spend (20/21)
Queensway Gateway Road	£10,000,000	£8,430,000	£1,570,000	£0
Hastings and Bexhill Movement and Access Package	£9,000,000	£1,141,000	£4,411,000	£3,448,000
East Sussex Strategic Growth Project	£8,200,000	£7,944,014	£255,986	£0
Hailsham/Polegate/Eastbourne Movement and Access Corridor	£2,100,000	£318,000	£1,782,000	£0
Eastbourne and South Wealden Walking and Cycling package	£6,600,000	£3,036,000	£2,064,000	£1,500,000
Eastbourne Town Centre Movement and Access Package	£8,000,000	£4,495,000	£1,505,000	£2,000,000
Bexhill Enterprise Park North	£1,940,000	£0	£1,940,000	£0
Plumpton College – Rural Skills for Business Post Brexit	£2,918,000	£0	£2,383,900	£534,100
Sidney Little Road Business Incubator Hub, Hastings	£500,000	£0	£500,000	£0
TOTALS	£49,258,000	£25,364,014	£16,411,886	£7,482,100

Appendix 3: Table 3 - 2018/19 GPF Programme: Drawdown and Repayment Schedule

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

	Funds Advanced			Repayments			Balances at end of Year	
	Prior Years	2018/19	Total	Prior Years	2018/19	Total	Prior Years	2018/19
	£M	£M	£M	£M	£M	£M	£M	£M
Priory Quarter Phase 3	7.000		7.000	0.130	6.870	7.000	6.870	0.000
North Queensway	1.500		1.500	0.500	0.000	0.500	1.000	1.000
Bexhill Business Mall	6.000		6.000	0.525	0.500	1.025	5.475	4.975
Sovereign Harbour	4.600		4.600	0.225	0.300	0.525	4.375	4.075
Charleston Centenary		0.120	0.120	0.000	0.000	0.000	0.000	0.120
	19.100	0.120	19.220	1.380	7.670	9.050	17.720	10.170

Appendix 4: Table 4 – 2019/20 GPF Programme: Proposed Drawdown and Repayment Schedule

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

	Funds Advanced			Repayments			Balances at end of Year	
	Prior Years	2019/20	Total	Prior Years	2019/20	Total	Prior Years	2019/20
	£M	£M	£M	£M	£M	£M	£M	£M
Priory Quarter Phase 3	7.000		7.000	7.000	0.000	7.000	0.000	0.000
North Queensway	1.500		1.500	0.500	1.000	1.500	1.000	0.000
Bexhill Business Mall	6.000		6.000	1.025	4.975	6.000	4.975	0.000
Sovereign Harbour	4.600		4.600	0.525	0.475	1.000	4.075	3.600
Charleston Centenary	0.120		0.120	0.000	0.053	0.053	0.120	0.067
Eastbourne Fisherman	0.000	1.150	1.150	0.000	0.900	0.900	0.000	0.250
	19.220	1.150	20.370	9.050	7.403	16.453	10.170	3.917