

**Report to:** Lead Member for Strategic Management and Economic Development  
**Date of meeting:** 28 July 2020  
**By:** Director of Communities, Economy and Transport  
**Title:** Growing Places Fund Round 3 Loan Funding Agreements – The Observer Building Hastings (Phase 1) and Barnhorn Green Commercial and Healthcare Development (Phase 1).  
**Purpose:** To seek approval of loan funding from the South East Local Enterprise Partnership's Growing Places Fund Round 3 to The Observer Building Hastings (Phase 1) project and the Barnhorn Green Commercial and Healthcare Development (Phase 1) project.

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

1. Approve loan funding to the value of £1.75m to White Rock Neighbourhood Ventures Ltd to fund the delivery of the Observer Building Hastings (Phase 1) project, subject to the approval by the South East Local Enterprise Partnership (SELEP) Accountability Board;
  2. Approve loan funding to the value of £1.75m to Rother District Council to fund the delivery of the Barnhorn Green Commercial and Healthcare Development project (Phase 1), subject to the approval by the South East Local Enterprise Partnership (SELEP) Accountability Board;
  3. Delegate authority to the Director of Communities, Economy and Transport and the Chief Finance Officer to agree the terms of, and enter into, the tripartite loan agreement with SELEP Ltd. and Essex County Council as the Accountable Body for SELEP Ltd., necessary to secure the funding;
  4. Delegate authority to the Director of Communities, Economy and Transport and the Chief Finance Officer to agree the terms of, and enter into the loan agreements, with White Rock Neighbourhood Ventures Ltd in relation to the £1.75m loan funding for the Observer Building and Rother District Council in relation to the £1.75m loan funding for the Barnhorn Green Commercial and Health Development; and
  5. Delegate authority to the Director of Communities, Economy and Transport and the Chief Finance Officer 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 (SELEP), comprises business, local authority and education leaders across East Sussex, Essex, Kent, Medway, Southend and Thurrock.

1.2 The Growing Places Fund (GPF) was launched in 2011 by DCLG and DfT as a 'recyclable loan scheme'. SELEP was allocated approximately £50m to fund projects commensurate with the GPF criteria. To date, a total of £54.4m has been invested in 21 projects across the South East, which has grown thanks to the recyclable nature of the fund. 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 over £20m of GPF investment from Rounds One and Two. These were invested in six East Sussex projects as set out in Appendix 1.

## **2. Supporting Information**

### GPF Assessment Prioritisation Process

2.1 On 4 October 2019 the SELEP Strategic Board agreed the approach for the prioritisation of the next round of GPF funding. An open call for GPF projects was issued on 8 October 2019 for capital projects which required between £250,000 and £3.5m of low interest loan investment with projects being considered through a three stage process.

2.2 In December 2019 Team East Sussex (TES) in conjunction with SELEP's Independent Technical Evaluator (ITE) assessed eight expressions of interest against the SELEP GPF3 eligibility criteria and East Sussex local strategic priorities. Consequently, TES endorsed six projects to be taken forward to Stage 2. The six successful East Sussex projects submitted their Strategic Outline Business Cases (SOBCs) on 24 January 2020 to SELEP's ITE for assessment. The outcome of the assessment was used to inform the SELEP's prioritisation of all the potential GPF schemes across its geography for reporting to the SELEP Investment Panel.

2.3 Prior to the Covid 19 pandemic, the outcome of the GPF3 prioritisation process was to be considered at the Investment Panel meeting on 17 April (Stage 3). This meeting was postponed giving the Board more time to consider the most effective use of the available funding to support the local economy in recovering from the impacts of the virus. Consequently, GPF3 scheme promoters were asked to provide information of their scheme's current status, any potential impacts of Covid-19 on project delivery and how their project would help support the economic recovery. This was used to inform a prioritisation of projects for consideration by the Strategic Board and Federated Areas. The SELEP's proposed GPF3 prioritisation was presented to the Team East Sussex meeting on 8 June 2020 ahead of the LEP's Strategic Board meeting on 12 June 2020. TES endorsed that equal strategic importance be given to two projects in East Sussex - the Observer Building in Hastings and the Barnhorn Green Commercial and Health Development in Bexhill.

2.4 At the SELEP's Strategic Board meeting on 12 June 2020, it was resolved to split the available funding between these two East Sussex projects thus enabling both to secure funding and proceed with a phased delivery approach. The final agreed pipeline included the Observer Building (Phase 1) £1.75m, and Barnhorn Green Commercial (Phase 1) £1.75m in joint second on the prioritised list with the remaining Phase 2 elements of each project – a further £1.61m for the Observer Building and a further £1.75m for Barnhorn Green in joint eighth position on the list.

#### Observer Building – White Rock Neighbourhood Ventures Ltd

2.5 The Observer Building in Hastings has been empty and increasingly derelict for 35 years. The project will transform the building into a highly productive mixed-use development including leisure and retail uses on the lower three floors, a wide range of workspaces including studios, offices and open space, 16 capped-rent flats and a public roof terrace and bar with fantastic sea, castle and town views. The scale, ambition and connectivity of this community-led local redevelopment, alongside the £2m Trinity Triangle Heritage Action Zone (2020-24), will transform the immediate area and the wider Hastings town centre.

2.6 The loan funding of £1.75m will deliver Phase 1 of the development and support the renovation of a total of 1,174 sqm of the building. It will directly support the first 18-20 estimated jobs and six enterprises while preparing the building for Phase 2 which will deliver a further 1,039 sqm of commercial space (Mezzanine and First Floor) as well as preparing the residential shell on the 2nd and 3rd floors. The construction itself will yield 10 gross construction job-years (7 x net to GPF) for the overall project.

2.7 An updated full outline business case, with appropriate economic appraisal, will go through a Gate Review assessment with SELEP's ITE in July 2020 and considered for a funding decision by the SELEP Accountability Board on 18 September 2020. Because of a comprehensive financial review of the White Rock Neighbourhood Ventures Ltd (WRNV Ltd) and the high credit scoring of the organisation the risk of default on repayment is low and considered a safe investment by the SELEP.

#### Barnhorn Green Commercial and Health Development - Rother District Council

2.8 The Barnhorn Green Commercial and Health Development project delivered by Rother District Council (RDC) is an allocated employment and health zone adjacent to a large housing development in west Bexhill. The site has outline planning permission for 2,750 sqm B1a office space, alongside 750 sqm B1c light industrial space and a 700 sqm D1 doctors' surgery. As the

developer, Rother District Council (RDC) are seeking to fully develop the site as a means to address long standing viability challenges for commercial development in the Bexhill area.

2.9 The loan funding of £1.75m will deliver Phase 1 which comprises the Medical Centre GP Surgery for 10 x FTE GPs and 2,750sqm B1 (c) light industrial floor space delivering 90 net additional jobs by December 2022.

2.10 An updated full outline business case, with appropriate economic appraisal, will go through a Gate Review assessment with SELEPs ITE in September 2020 and considered for a funding decision by the SELEP Accountability Board on 20 November 2020. As a local authority Rother District Council (RDC) are able to access borrowing through the Public Works loan Board (PWLB) to offset their capital programme meaning that this scheme represents a low risk investment by the SELEP as RDC are able to make the repayments.

#### GPF Loan Agreement terms

2.11 The GPF funding operates as a low interest rate loan. Interest will be charged to the respective delivery partner on GPF loans at two percent below the Public Works Loan Board (PWLB) Fixed Loan Maturity Rate or zero percent – whichever is higher. The exact rate of interest is determined on the day that the credit agreement between Essex County Council, as the SELEP Accountable Body, and the lead County/Unitary Authority, in this case the County Council, is finalised. The credit agreement will set out the agreed loan repayment schedule for the project. If the project fails to meet the agreed repayment schedule detailed within the credit agreement, interest will be charged at the full PWLB interest rate from the point of default on the loan repayment. Any interest charges will be paid by the delivery partner.

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

3.1 The development of the Observer Building in Hastings is vital to safeguard and develop the mixed use building in the town centre supporting the local area through addressing both social and economic difficulties. The Barnhorn Green commercial and health development project in west Bexhill is key to unlocking housing growth, jobs and primary healthcare expansion. Delivery of the surgery will also unlock and enable over 700 other dwellings in the immediate area. The availability of loan funding from the SELEPs GPF will enable the delivery of the first phases of both these developments.

3.2 The Lead Member is recommended to approve the awarding of £1.75m Growing Places Fund loan monies to White Rock Neighbourhood Ventures Ltd to fund the delivery of the Observer Building Hastings (Phase 1) project, subject to the approval by the SELEP Accountability Board; and £1.75m to Rother District Council to fund the delivery of the Barnhorn Green Commercial and Healthcare Development project (Phase 1), subject to the approval by the SELEP Accountability Board.

3.3 The Lead Member is also recommended to delegate authority to the Director of Communities, Economy and Transport and the Chief Finance Officer to agree the terms of the legal agreements with SELEP Ltd., Essex County Council (as the Lead Accountable Body for SELEP Ltd.) and East Sussex County Council (as the Upper Tier Authority) and, in turn between East Sussex County Council and the two project delivery partners; White Rock Neighbourhood Ventures Ltd and Rother District Council and take all other necessary actions in respect of the recommendations above.

RUPERT CLUBB

Director of Communities, Economy and Transport

Contact Officer: Marwa Al-Qadi

Tel. No. 01273 336439

Email: [marwa.al-qadi@eastsussex.gov.uk](mailto:marwa.al-qadi@eastsussex.gov.uk)

Local Members

Councillors Godfrey Daniel and Earl-Williams

BACKGROUND DOCUMENTS

None