

Report to: Lead Member for Strategic Management and Economic Development
Date of meeting: 13 July 2021
By: Director of Communities, Economy and Transport
Title: Growing Places Fund Round 3 Loan Funding Agreement – The Observer Building Hastings (Phase 2)
Purpose: To approve the loan funding from the South East Local Enterprise Partnership’s Growing Places Fund Round 3 to The Observer Building Hastings (Phase 2) project

RECOMMENDATIONS: The Lead Cabinet Member is recommended to:

1. Approve loan funding, to the value of £1.62m to White Rock Neighbourhood Ventures Ltd as the project delivery body to fund the delivery of the Observer Building Hastings (Phase 2) project, subject to the approval of the business case by the South East Local Enterprise Partnership Accountability Board and the provision of the loan by SELEP Ltd to the County Council for the funding;
 2. Delegate authority to the Director of Communities, Economy and Transport to agree the terms of, and enter into, the loan agreement with SELEP and Essex County Council as the Accountable Body for SELEP Ltd., necessary to secure the funding;
 3. Delegate authority to the Director of Communities, Economy and Transport to agree the terms of, and enter into, the loan agreement with White Rock Neighbourhood Ventures Ltd in relation to the £1.62m loan funding for the Observer Building; 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 to 3 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 the then Department for Communities and Local Government and Department for Transport 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 authority 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 1 and 2. These were invested in six East Sussex projects as set out in Appendix 1.

2 Supporting Information

GPF Round 3 Prioritisation Process

2.1 On 4th October 2019 the SELEP Strategic Board agreed the approach for the prioritisation of GPF Round 3 funding as sufficient monies had been returned to the recyclable loan pot. On 8 June 2020, the local prioritisation of projects was considered by Team East Sussex (TES), the East Sussex local federated board for SELEP. 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.

2.2 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 of £1.75m each and proceed with a phased delivery approach on the understanding that Phase 2 of

each project would come forward once sufficient funds had been returned to the overarching GPF pot.

Observer Building – White Rock Neighbourhood Ventures Ltd

2.3 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, 15 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.

2.4 On 28 July 2020, the Lead Member for Strategic Management and Economic Development resolved to approve GPF 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. The Phase 1 business case for the Observer Building and award of the allocated loan funding was approved by the SELEP Accountability Board on 18 September 2020. At the SELEP Accountability Board on 16 October 2020, the project also secured a further £1.71m grant funding through the Government's Getting Building Fund (GBF) to support delivery of Phase 1b of the project.

2.5 As a prioritised scheme on the SELEP's GPF pipeline, the SELEP has provisionally allocated a second tranche of loan funding of £1.62m from its GPF to deliver Phase 2 of the Observer Building project. In January 2021 the project, like many other infrastructure schemes following the impact of the Covid-19 pandemic and post-Brexit cost-increases, received higher tender returns which created an increased funding gap. The loan funding will support the shortfall in the post-tender and post-value engineering contract price for the redevelopment of the lower four floors for commercial workspace and leisure uses. In doing so, it will enable the transition towards delivering significant elements of Phase 2 of the project, particularly the external shell works, as well as provide refinancing of an extended loan from the Architectural Heritage Fund that has allowed the project to move to contract and start on site. Moreover, it will create the conditions for a successful application to the Homes England Affordable Homes Programme to unlock the final funding to bring forward and complete 15 new homes.

2.6 An updated full outline business case, has undergone the two stage Gate Review assessment with SELEP's Independent Technical Evaluator (ITE). The outline business case will be considered for a funding decision by the SELEP Accountability Board on 2 July 2021. Due diligence has been undertaken to provide a comprehensive financial review of the White Rock Neighbourhood Ventures Ltd (WRNV Ltd) and the high credit scoring of the organisation enables the County Council to advise that the risk of default on repayment is low and considered a safe investment by the SELEP.

GPF Loan Agreement terms

2.7 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. Previous Growing Places Fund loan funding of £1.75m and £1.71m Getting

Building Fund monies have been secured from SELEP and Government respectively to deliver Phases 1a and 1b of the project.

3.2 As a prioritised pipeline scheme, the SELEP has allocated a further £1.62m from its recyclable Growing Places Fund to Phase 2 of the Observer Building project. The Lead Member is recommended to approve the awarding of £1.62m Growing Places Fund loan monies to White Rock Neighbourhood Ventures Ltd to fund the delivery of the Observer Building Hastings (Phase 2) project, subject to the approval of the business case by the SELEP Accountability Board on 2 July 2021.

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 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 project delivery partner, White Rock Neighbourhood Ventures Ltd, and take all other necessary actions in respect of the recommendations above.

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Local Members

Councillor Daniel

BACKGROUND DOCUMENTS

None

East Sussex GPF project schedule:

	Name of Project	Total GPF Investment	Total Project Cost	GPF repaid to date
Growing Places Fund Round One (GPF1)	Priory Quarter, Hastings - Phase 3	£7m	£7m	£7m
	North Queensway Innovation Park	£1.5m	£1.5m	£1m
	Glovers House - Bexhill Enterprise Park	£6m	£6m	£6m
	Pacific House - Sovereign Harbour Innovation Park	£4.6m	£6m	£0.825m
Growing Places Fund Round Two (GPF2)	Charleston Centenary	£0.12m	£7.6m	£0
	Eastbourne Fisherman's Quayside and infrastructure development project	£1.15m	£1.46m	£0.225m
Growing Places Fund Round Two (GPF3)	Observer Building in Hastings (Phase 1)	£1.75m	£4.38m	£0m
	Barnhorn Commercial and Health Development project (Phase 1)	£1.75m	£10m	£0m
	Observer Building in Hastings (Phase 2)	£1.62m (pending approval)	£4.38m	£0m