

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

Date of meeting: 29 November 2022

By: Director of Communities, Economy and Transport

Title: SELEP Funded Capital Programme Financial Statement - Confirmed Spend for 2021/22 and Forecast for 2022/23

Purpose: To present the Local Growth Fund, Growing Places fund and Getting Building Fund spend for 2021/22 and the forecast for 2022/23

RECOMMENDATIONS: The Leader is recommended to:

- (1) Note the final 2021/22 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 2021/22 spend for the Getting Building Fund programme and the amount of funds re-profiled into the East Sussex County Council Capital Programme;**
 - (3) Note the final 2021/22 spend for the Growing Places Fund programme and the amount of funds re-profiled into the East Sussex County Council Capital Programme;**
 - (4) Agree the confirmed scheme spend profiles for the Local Growth Fund programme for the 2022/23 financial year;**
 - (5) Agree the confirmed scheme spend profiles for the Getting Building Fund programme for the 2022/23 financial year; and**
 - (6) Agree the confirmed scheme spend profiles for the Growing Places Fund programme for the 2022/23 financial year.**
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1. Background Information

Local Growth Fund (LGF)

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 Since July 2014, over £90m of Local Growth Fund (LGF) monies has been secured towards economic growth and infrastructure projects in East Sussex. On 13 July 2021 the Leader and Lead Member for Strategic Management and Economic Development approved the allocation of £12.1m LGF for the 2021/22 financial year profiled across nine projects.

2020 LGF Covid Response Fund

1.3 At its Strategic Board meeting on 2 October 2020, SELEP agreed to utilise the unallocated LGF monies to create a LGF Covid Response Fund and that existing LGF projects, with a genuine need and justification of a funding gap, should submit a case for securing additional monies.

1.4 Two East Sussex existing LGF projects with an identified funding gap and which met the SELEP's Covid Response Fund criteria submitted applications for additional monies through the LGF Covid Response Fund: the Eastbourne Fisherman's Quayside and Infrastructure Development (£0.36m), and the Plumpton College Rural Skills for Business Post Brexit (£1.49m). The SELEP approved the allocation of these monies at its Accountability Board on 12 February 2021 and the Leader and Lead Member resolved to enter into the respective legal agreements at his decision making meeting on 4 March 2021.

Spending Conditions

1.5 The management of the LGF is undertaken through a Service Level Agreement (SLA) with SELEP, which was updated and approved by the Leader and Lead Member for Strategic Management and Economic Development in July 2020. The conditions of the SLA between SELEP Ltd, Essex County Council (ECC), 'as the accountable body' and the local partner 'the County Council', means that all LGF monies must be spent in the financial year in which they were drawn down. The LGF grant is drawn down quarterly in advance rather than the entire year's expected budget being transferred at the beginning of the year.

1.6 The SELEP local Accountability and Assurance Framework ([version approved June 2022](#)) 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 SELEP for use in later years

1.7 The 31 March 2021 marked the end of the official Government-SELEP Growth Deal period. In advance, the SELEP Strategic Board had previously agreed that where a project is reporting LGF spend beyond 31 March 2021, the monies would be transferred to the respective local authority for spend across their wider capital programme. During the subsequent financial years, local authorities will use their own capital programme to fund spend on the LGF project. SELEP also provided the option for local authorities to ring-fence grant funding allocated to projects that had been deemed a high risk for delivery.

Growing Places Fund (GPF)

East Sussex allocations

1.8 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'. SELEP was initially 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 authorities to enter into legal agreements to defray funds to the project promoter, monitor progress, and secure repayment.

1.9 Over the first three funding rounds, East Sussex benefitted from over £23.5m of GPF which has been invested in eight projects in the county.

GPF Spending Conditions

1.10 Capital loans will mainly be between £0.25m and £3.5m, repayable by March 2026 (with penalties for late repayment) and with an interest rate 2% below the Public Works Loan Board (PWLb) or 0% whichever is higher 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 ECC, as lead accountable body, and the local partner (upper tier authority) for each project.

1.11 All risk on the GPF investments is held by the fund itself (managed by ECC) and the granting of loans exposes the local partner (upper tier authorities) to no financial risk or obligation to underwrite should the borrower's default on repayments subject to reasonable endeavours shown to recover the funds. 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.

1.12 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 SELEP's Accountability Board.

Getting Building Fund (GBF)

East Sussex allocations

1.13 In June 2020 the Ministry of Housing, Communities and Local Government (MHCLG) issued a call for projects through Local Enterprise Partnerships (LEPs) to help aid economic recovery in the wake of the Covid-19 pandemic, to be funded through its new £900m Getting Building Fund (GBF).

1.14 In July 2020 MHCLG approved a final SELEP package of 34 GBF projects to the value of £85 million. This included eight East Sussex schemes with a GBF ask of £11,179,793.

1.15 At the 12 March 2021 Strategic Board meeting a GBF reserve pipeline was agreed to prioritise projects for unallocated and returned GBF monies, at which a further £0.24m was secured by East Sussex for the 'Charleston Access Road: removing the barrier to growth' project.

1.16 At the 19 March 2022 Strategic Board meeting a further £0.3m was secured by East Sussex from a second GBF reserve pipeline to reallocate further returned GBF monies; £0.1m for the 'Food Street' project and £0.2m for the 'Seven Sisters Country Park Visitor Infrastructure Uplift' project.

GBF Spending Conditions

1.17 Essex County Council (ECC), as the lead accountable body for SELEP, issues GBF funds on a project-by-project basis to the relevant local upper tier (county/unitary) authority. That upper tier authority then acts as local accountable body, responsible for defraying the funds to the individual projects and monitoring progress.

1.18 The terms of this arrangement are set out in a Service Level Agreements (SLA) between SELEP Ltd, ECC, and the relevant upper tier authority, which allows project funding and accountability to be devolved. The SLA for management of the GBF follows the same structure as the LGF SLA and as such the Leader and Lead Member for Strategic Management and Economic Development resolved at his meeting on 24 November 2020 to delegate authority to the Director of Communities Economy and Transport and the Chief Finance officer to agree the terms of and enter into the GBF SLA.

2. Supporting Information

Local Growth Fund

2021/22 Programme

2.1 Appendix 1 sets out the final spend and mitigation for the 2021/22 LGF programme. £7.7m was spent across nine projects in 2021/22 against a baseline budget, as referred to in section 1.2, of £12.1m. £17.8m was carried forward from 2020/21. Further details on each of these projects and the current status of all the projects in the LGF programme is outlined at Appendix 2.

2.2 The remaining £12.08m has been profiled as spend over 2022/23 and 2023/24 financial years.

2022/23 Programme

2.3 At the SELEP Strategic Board meetings on 1 October 2021 and 18 March 2022, SELEP approved spend beyond 30 September 2021 for two East Sussex projects: Bexhill Enterprise Park North and Bexhill Creative Workspace. At the 19 November 2021 SELEP Accountability Board meeting, SELEP approved a further extension to the Hailsham – Polegate – Eastbourne Movement and Access Transport scheme to March 2023.

2.4 Appendix 3 shows the proposed spend profile for the 2022/23 and 2023/24 financial years across the ten LGF projects and taking into account the mitigation options outlined in paragraph 1.6 above.

Growing Places Fund

2.5 The end year balances for 2021/22 is at Appendix 4 and the planned GPF drawdown and repayment schedule for 2022/23 is at Appendix 5.

2.6 The Phase 1 Eastbourne Fishermen Quayside and Infrastructure Development project received approval from SELEP of their confirmed revised repayment profile at the 3 July 2021 Accountability Board meeting and it was also agreed that, despite repayments not being made in line with the original repayment schedule, no interest will be charged on the loan.

2.7 As part of the re-allocation of GPF funding to projects, the business case for the second tranche of GPF funding for Phase 2 of The Observer Building, project (£1.62m) was approved for GPF funding at the 2 July 2021 SELEP Accountability Board.

2.8 Further details on each of the existing and new GPF projects is set out at Appendix 6.

Getting Building Fund (GBF)

2021/22 Programme

2.9 As highlighted in sections 1.13 – 1.18 of this report, in total, ten East Sussex projects have received Getting Building Fund monies to a value of over £11.5m.

2.10 However, two projects were removed from the GBF programme in 2021/22 – Fast Track Business Solutions (due to unforeseen delays in the planning and approvals processes, decision taken at the November 2021 SELEP Accountability Board) and Riding Sunbeams (due to insurmountable technical issues, decision taken at the May 2022 SELEP Accountability Board but with this known before the end of the 21/22 financial year). Any funding received for these projects was returned to SELEP. This left eight GBF projects in East Sussex with a total value of over £5.6m.

2.11 Appendix 7 sets out the final spend and mitigation for the 2021/22 programme. £2.73m was spent across five projects in 2021/22, all of which completed their grant spend in the calendar year - Winter Garden, Eastbourne; The Observer Building, Hastings (Phase 2a), Charleston Access Road, Lewes, Sussex Innovation Falmer – Covid Secure Adaptations, Lewes and; Creative Hub, Lewes in 2021/22.

2.12 Initially it was envisaged that all GBF schemes would need to spend their GBF allocation by 31 March 2022, but a decision was taken at the July 2021 SELEP Accountability Board to allow projects to continue past this deadline providing that they met criteria outlined by the board.

2.13 As a result of this, a further decision was taken at the February 2022 SELEP Accountability Board to transfer any outstanding GBF grant held by ECC to local partner accountable bodies by the end of the 21/22 financial year. East Sussex were transferred the remaining £1.005m.

2.14 The UTC Maritime & Sustainable Technology Hub, Food Street and Seven Sisters Visitors Infrastructure Uplift projects had not signed their grant agreement by the end of financial year 2021/22 and were therefore unable to draw down their GBF allocations. This is due to the Food Street and Seven Sisters projects not being added to the GBF programme until late in the 2021/22 financial year and the UTC project experiencing extensive unforeseen delays. £1,094,093.00 of the GBF grant for these three projects was carried forward into 2022/23 under the terms of the SELEP SLA.

2.15 Further details on each of the GBF projects and the current status of spend and delivery is outlined in Appendix 8.

2022/23 Programme

2.16 There are three remaining GBF projects that are due to complete spend of their grant in 22/23 - UTC, Food Street and Seven Sisters Visitors Centre projects.

2.17 The proposed spend profile for the 2022/23 financial year is detailed in Appendix 9.

3 Conclusion and Reasons for Recommendations

3.1 Taking into consideration the ongoing impact of Covid on the delivery of capital infrastructure programmes, East Sussex have continued to be successful in delivering over £60m of funding across the Local Growth Fund, Getting Building Fund and Growing Places Fund projects by the close of 2021/22.

3.2 It is recommended that the Leader notes the final outturn spend in 2021/22 and approves the allocated budgets for the individual projects in the 2022/23 LGF programme.

3.3 In addition, it is recommended that the Leader notes the final outturn in 2021/22 for GPF and approves the allocated budgets for the individual projects in the 2022/23 GPF programme.

3.4 It is also recommended that the Leader notes the final outturn spend in 2021/22 and approves the allocated budgets for the individual projects in the 2022/23 GBF programme, including the use of the funds that were offset against the East Sussex County Council capital programme under capital swap mitigation option available in the SELEP Accountability and Assurance Framework.

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Local Members

All

BACKGROUND DOCUMENTS

None