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| Report to: | Leader and Lead Member for Strategic Management and Economic Development |
| Date of meeting: | 15 January 2024 |
| By: | Director of Communities, Economy and Transport |
| Title: | SELEP Funded Capital Programme Financial Statement - Confirmed Spend for 2022/23 and Forecast for 2023/24 |
| Purpose: | To present the Local Growth Fund, Growing Places Fund and Getting Building Fund spend for 2022/23 and the forecast for 2023/24 |

RECOMMENDATIONS: The Leader and Lead Member is recommended to:

- (1) Note the final 2022/23 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 2022/23 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 2022/23 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 2023/24 financial year;
- (5) Note that no spend took place for the Getting Building Fund programme for the 2023/24 financial year; and
- (6) Agree the confirmed scheme spend profiles for the Growing Places Fund programme for the 2023/24 financial year.

1. Background Information

Local Growth Fund (LGF)

East Sussex allocations

1.1 In March 2014, the South East Local Enterprise Partnership (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. In addition, Coast 2 Capital LEP has equally provided growth funding investment into Lewes and specifically Newhaven.

1.2 Since July 2014, £97.7m of Local Growth Fund (LGF) monies has been secured which has been invested in twenty-six projects in East Sussex towards economic growth and infrastructure projects, including that awarded via the SELEP's 2020 LGF Covid Response Fund.

Spending Conditions

1.3 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.

1.4 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

1.5 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

1.6 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.

1.7 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

1.8 Capital loans will mainly be between £0.25m and £3.5m (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.

1.9 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.

1.10 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

1.11 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).

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

however, two projects were removed from the GBF programme in 2021/22 – Fast Track Business Solutions and Riding Sunbeams with any funding received for these projects returned to SELEP.

1.13 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.

1.14 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. As a result, in 2022/23 there was a total of approximately £6.1m of GBF funding allocated across eight projects in East Sussex.

GBF Spending Conditions

1.15 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. Each upper tier authority then acts as local accountable body, responsible for defraying the funds to the individual projects and monitoring progress.

1.16 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

Future of SELEP

2.1 The Government’s Levelling Up White Paper published in 2022 set out its commitment to extending devolution across England empowering local leaders and integrating LEP functions into local democratic institutions. In March 2023, Government announced that it was ‘ minded to’ not continue to fund LEPs from April 2024 onwards. In light of this on 7 July 2023, SELEP’s Strategic Board made the decision to close operations and in the LEP transition Government guidance issued on 4 August 2023, Government announced it would not continue to fund the national network of Local Enterprise Partnerships (LEPs) from 2024/25 stating that their functions should be integrated into Upper Tier Local Authorities (UTLAs). As a result, SELEP operations are scheduled to close by 31 March 2024, with responsibilities transitioning to UTLAs from April 2024. Work is currently ongoing to manage this transition of responsibilities.

Local Growth Fund

2021/22 Programme

2.2 Appendix 1 sets out the final spend and mitigation for the 2022/23 LGF programme. £3.447m was spent across five projects in 2022/23 against a baseline budget, of £6.575m. £10,145m was carried forward from 2021/22. Further details on each of these projects and the current status of all the projects in the LGF programme is outlined at Appendix 2.

2.3 The remaining £6.697m has been profiled as spend over 23/24 and 24/25 financial years.

2022/23 Programme

2.4 At the SELEP Accountability Board meeting in May 2022, SELEP agreed to update the completion date for the Hastings and Bexhill Movement and Access Package project from December 2022 to Summer 2025.

2.5 At the SELEP Accountability Board in July 2022, SELEP agreed updated completion dates for the Eastbourne Town Centre project, from March 2022 to May 2024, and the Eastbourne and South Wealden Walking and Cycling Package project, from December 2022 to December 2024.

2.6 At the SELEP Accountability Board meeting in April 2023 (arranged following the cancellation of the March 2023 meeting), SELEP agreed the updated completion dates for the Hailsham/Polegate/Eastbourne Movement and Access Package project from March 2023 to March 2025.

2.7 Appendix 3 shows the proposed spend profile for the 2022/23 and 2023/24 financial years and taking into account the mitigation options outlined above.

Growing Places Fund

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

2.9 In advance of the May 2022 SELEP Accountability Board, East Sussex County Council (ESCC) were notified by the Eastbourne Under 10m Fisherman's Community Interest Company (CIC) that they were unable to meet the full GPF loan repayment that was due and could only repay £0.1m of the agreed £0.25m. Subsequently, a revised repayment schedule was submitted and approved at the April 2023 SELEP Accountability Board, that extended the repayment date to 2034/35 subject to the additional provision that additional annual updates on the ongoing viability of the repayment schedule are provided by the project. SELEP also agreed to waive interest payments on the outstanding balance subject to compliance with the proposed revised repayment schedule.

2.10 At the April 2023 SELEP Accountability Board, it was also agreed to extend the repayment schedule for the Sovereign Harbour project to 2023/24.

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

Getting Building Fund (GBF)

2022/23 Programme

2.12 Appendix 7 sets out the final spend for the 2022/23 programme with £1.99m spent across four projects in 2022/23. This incorporates funding that was carried over from 2021/22, for the UTC Maritime & Sustainable Technology Hub, Food Street and Seven Sisters Visitors Infrastructure Uplift projects. It also includes additional funding awarded by SELEP as part of the creation of new GBF pipeline, which was approved at the October 2022 SELEP Strategic Board and awarded a further £315,000 to the Observer Building (at the November 2022 Accountability Board) and £84,100 to the Seven Sisters Country Park Visitor Infrastructure Uplift (at the January 2023 Accountability Board) for additional phases of each project.

2.13 This additional funding, as well as the funding carried over for the UTC Maritime & Sustainable Technology Hub, Food Street and Seven Sisters Visitors Infrastructure Uplift projects was all spent by 31 March 2023. This means that all of the GBF projects in East Sussex had completed spend of their GBF grants by the end of 2022/23.

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

2023/24 Programme

2.15 All the remaining East Sussex GBF projects that had not previously completed spend of their grant, or received additional GBF grant funding, completed spend of their grant in 22/23. As a result, no GBF is currently forecast to be spent in 2023/24.

2.16 The updated spend profile for the 2023/24 financial year is detailed in Appendix 9.

3 Conclusion and Reasons for Recommendations

3.1 Taking into consideration the ongoing challenges to the delivery of capital infrastructure programmes, East Sussex County Council have continued to be successful in securing over £127m of funding across the Local Growth Fund, Getting Building Fund and Growing Places Fund projects by the end of the 2022/23 financial year.

3.2 It is recommended that the Leader and Lead Member notes the final outturn spend in 2022/23 and approves the allocated budgets for the individual projects in the 2023/24 LGF programme.

3.3 In addition, it is recommended that the Leader and Lead Member notes the final outturn in 2022/23 for GPF and approves the allocated budgets for the individual projects in the 2023/24 GPF programme.

3.4 It is also recommended that the Leader and Lead Member notes the final outturn spend in 2022/23 for GBF.

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Local Members

All

BACKGROUND DOCUMENTS

None