

<b>Report to:</b>	<b>Leader and Lead Member for Strategic Management and Economic Development</b>
<b>Date of meeting:</b>	<b>26 February 2025</b>
<b>By:</b>	<b>Director of Communities, Economy and Transport</b>
<b>Title:</b>	<b>South East Local Enterprise Partnership (SELEP) Funded Capital Programme Financial Statement - Confirmed Spend for 2023/24 and Forecast for 2024/25</b>
<b>Purpose:</b>	<b>To present the Local Growth Fund, Growing Places Fund and Getting Building Fund spend for 2023/24 and the forecast for 2024/25</b>

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**RECOMMENDATIONS:** The Leader and Lead Member is recommended to:

- (1) Note the final 2023/24 spend for the Local Growth Fund programme;**
  - (2) Note that no spend took place for the Getting Building Fund programme for the 2023/24 and 2024/25 financial years;**
  - (3) Note the final 2023/24 spend for the Growing Places Fund programme;**
  - (4) Agree the confirmed scheme spend profiles for the Local Growth Fund programme for the 2024/25 financial year; and**
  - (5) Agree the confirmed scheme spend profiles for the Growing Places Fund programme for the 2024/25 financial year.**
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## **1. Background Information**

### The dissolution of SELEP

1.1 The Government's Levelling Up White Paper published in 2022 set out its commitment to extending devolution across England, empowering local leaders and integrating Local Economic Partnership (LEP) functions into local democratic institutions. In March 2023, Government announced that it was 'minded to' discontinue funding for LEPs from April 2024 onwards. In light of this on 7 July 2023, the South East Local Enterprise Partnership (SELEP) Strategic Board made the decision to close operations.

1.2 Government issued guidance on the LEP transition on 4 August 2023, announcing it would not continue to fund the national network of Local Enterprise Partnerships (LEPs) from 2024/25 and stating that their functions should be integrated into Upper Tier Local Authorities (UTLAs).

1.3 SELEP operations closed on 31 March 2024, with responsibilities transitioning to UTLAs from April 2024. Work is currently ongoing to manage the final stages of the formal transition.

1.4 To manage these new responsibilities, the County Council has developed a new East Sussex Local Growth Assurance Framework to provide local scrutiny, checks, balances and accountability to the public and to the UK Government on both SELEP legacy, as well as any new, local growth projects and programmes.

1.5 This new assurance framework proposes that, going forward, SELEP legacy programme updates will be presented to the Lead Member for Strategic Management and Economic Development every 6 months. Similarly, growth programme project monitoring updates will continue to be provided to central Government (Ministry of Housing, Communities and Local Government (MHCLG)) until further notice, but with the absence of SELEP, this will now be fulfilled directly by the County Council's Major Projects and Growth Team.

## Local Growth Fund

### *East Sussex allocations*

1.6 In March 2014, the 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 3 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 District and specifically Newhaven.

1.7 Since July 2014, £97.7m of Local Growth Fund (LGF) monies has been secured which has been invested in 26 projects in East Sussex towards economic growth and infrastructure projects, including that awarded via the SELEP's 2020 LGF Covid Response Fund.

### *Spending Conditions*

1.8 Up to the closure of SELEP, the management of the LGF was undertaken through a Service Level Agreement (SLA), 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', meant that all LGF monies had to be spent in the financial year in which they were drawn down. The LGF grant was drawn down quarterly in advance rather than the entire year's expected budget being transferred at the beginning of the year.

1.9 The SELEP local Accountability and Assurance Framework ([version approved June 2022](#)) provided a range of mitigation options to address potential slippage in local programmes. The 5 options were:

- 1) Bring forward LGF spend on schemes already in this year's programme;
- 2) Bringing forward future years' 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.

1.10 31 March 2021 marked the end of the official Government SELEP Growth Deal period. 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 used 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

### *East Sussex allocations*

1.11 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'. SELEP was initially allocated approximately £50m to fund projects commensurate with the GPF criteria. ECC, acting as the lead accountable body, issued funds on a project-by-project basis to the relevant local partner (upper tier authority) through loan agreements. It was 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.

1.12 Over the first three funding rounds, East Sussex benefitted from over £23.5m of GPF which has been invested in 8 projects in the county.

### *GPF Spending Conditions*

1.13 GPF was intended as capital loans mainly 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 was agreed within the credit agreement in place between ECC, as lead accountable body, and the local partner (upper tier authority) for each project.

1.14 All risk on the GPF investments was 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 borrowers default on repayments subject to reasonable endeavours shown to recover the funds.

1.15 Where a project was 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 was permitted to carry forward the GPF within partner accounts, subject to approval by the SELEP's Accountability Board.

### Getting Building Fund

#### *East Sussex allocations*

1.16 In June 2020 the MHCLG issued a call for projects through 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).

1.17 In July 2020 MHCLG approved a final SELEP package of 34 GBF projects to the value of £85 million. This included 8 initial East Sussex schemes with a GBF allocation of £11,179,793, however, 2 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.

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

1.19 At the Strategic Board meeting on 19 March 2022, 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.

1.20 At the SELEP Strategic Board meeting on 21 October 2022, a further £0.4m was secured by East Sussex as part of the creation of new GBF pipeline. £315,000 was awarded to the 'Observer Building' (at the November 2022 Accountability Board meeting) and £84,100 to the 'Seven Sisters Country Park Visitor Infrastructure Uplift' (at the January 2023 Accountability Board meeting) for additional phases of each project. As a result, in 2023/24 there was a total of approximately £6.1m of GBF funding allocated across 8 projects in East Sussex.

### *GBF Spending Conditions*

1.21 ECC, as the lead accountable body for SELEP, issued GBF funds on a project-by-project basis to the relevant local upper tier (county/unitary) authority. Each upper tier authority then acted as local accountable body, responsible for defraying the funds to the individual projects and monitoring progress.

1.22 The terms of this arrangement were set out in an SLA between SELEP Ltd, ECC, and the relevant upper tier authority, which allowed project funding and accountability to be devolved. The SLA for management of the GBF followed 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**

### The Local Growth Fund

#### *2023/24 Programme*

2.1 Appendix 1 sets out the final spend and mitigation for the 2023/24 LGF programme. £126,671.55 was spent across 3 projects in 2023/24 against a baseline budget, £8.097m of which had been carried forward from 2022/23. This includes an accounting amendment of – (Minus) £222,369.09 against the ‘Hastings Bexhill Movement and Access Package’ project which was to correct previously stated expenditure that did not occur. 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 £7.971m was profiled to be spent over 2024/25 and future financial years as outlined in Appendix 3. This figure represented the forecasted spend at the beginning of the 2024/25 financial year.

2.3 At the SELEP Accountability Board meeting on 22 September 2023, SELEP agreed that a proposed change of scope could be implemented for the ‘Hailsham/Polegate/Eastbourne Movement and Access Package’ project. At the same meeting, the Board agreed to the updated completion date for this project which moved to March 2026.

2.4 At the SELEP Accountability Board meeting on 16 February 2024, SELEP agreed to an updated completion date of May 2026 for the ‘Eastbourne Town Centre Local Sustainable Transport Funding (LSTF) Access and Improvement Package’ project.

#### *2024/25 Programme*

2.5 Appendix 3 shows the proposed spend profile for the 2024/25 and 2025/26 financial years and taking into account the mitigation options outlined above.

### Growing Places Fund

2.6 The end of year balances for 2023/24 is at Appendix 4 and the planned repayment schedule for 2024/25 is at Appendix 5.

2.7 At the SELEP Accountability Board meeting on 13 April 2023, SELEP agreed to a revised repayment schedule of the GPF loan for the Eastbourne Fishermen’s Quayside and Infrastructure Development project up to 2034/35.

2.8 At the SELEP Strategic Board meeting on 13 October 2023, SELEP agreed on the disaggregation of the GPF funding at the end of 2023/24 as part of the SELEP transition. The agreed approach was that the entire GPF funding pot (including existing GPF loans and the funding held by ECC as the Accountable Body) would be disaggregated to the 6 UTLAs on a per capita basis to support investment into local economic growth.

2.9 At the SELEP Accountability Board meeting on 12 January 2024, SELEP agreed the removal of the ‘Barnhorn Green Commercial and Health Development’ project from the GPF programme.

2.10 At the SELEP Accountability Board meeting on 16 February 2024, SELEP agreed to extend the repayment terms of the GPF loan for the ‘Pacific House’ project to March 2026.

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

### Getting Building Fund

#### *2023/24 Programme*

2.12 All of the Getting Building Fund (GBF) projects in East Sussex had completed spend of their GBF grants by the end of 2022/23. Appendix 7 sets out the final spend for the 2023/24 programme with £0 spent by projects in 2023/24.

2.13 Further details on each of the GBF projects is outlined in Appendix 8.

## *2024/25 Programme*

2.14 Due to the completion of GBF projects in East Sussex, no GBF funding is currently forecast to be spent in 2024/25 or beyond. Both the 'Observer Building' and 'Seven Sisters Country Park Visitor Centre Infrastructure Uplift' projects completed drawing down GBF in financial year 2022/23 and were the last to do so, ensuring all funds allocated to ESCC were utilised by that time.

2.15 The updated spend profile for the 2024/25 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 has 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 2023/24 financial year.

3.2 It is recommended that the Leader and Lead Member notes the final outturn spend in 2023/24 and approves the allocated budgets for the individual projects in the 2024/25 LGF programme.

3.3 In addition, it is recommended that the Leader and Lead Member notes the final outturn in 2023/24 for GPF and approves the allocated budgets for the individual projects in the 2024/25 GPF programme.

3.4 It is also recommended that the Leader and Lead Member notes the final outturn spend in 2023/24 for GBF.

### **RUPERT CLUBB**

Director of Communities, Economy and Transport

Contact Officer: Ben Phillips

Tel. No. 07566 297632

Email: [ben.phillips@eastsussex.gov.uk](mailto:ben.phillips@eastsussex.gov.uk)

### Local Members

All

### BACKGROUND DOCUMENTS

None