

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

Date: 5 February 2016

By: Director of Communities, Economy and Transport

Title: Funding Agreement with Environment Agency for the Newhaven Flood Alleviation Scheme

Purpose: To seek approval for the County Council to enter into legal agreements to transfer the Local Growth Fund monies approved by the South East Local Enterprise Partnership to Environment Agency to deliver the Newhaven Flood Alleviation Scheme

RECOMMENDATIONS: The Lead Member is recommended to:

- (1) Approve grant funding to the value of £1.5m to Environment Agency to fund the delivery of the Newhaven Flood Alleviation Scheme; and**
 - (2) 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 recommendation 1 above.**
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1. Background Information

1.1 In March 2014, the South East Local Enterprise Partnership (SE LEP), which comprises businesses, local authorities and education leaders across East Sussex, Essex, Kent, Medway, Southend and Thurrock, equally alongside the Coast 2 Capital Local Enterprise Partnership (C2C LEP) submitted their proposals to Government for a Growth Deal to drive economic expansion in the area over the next 6 years up to 2021.

1.2 One of the East Sussex Local Growth Fund (LGF) schemes identified in both LEP's Strategic Economic Plans as integral to the growth plans for the Newhaven Maritime and Clean Tech Growth Corridor was the Newhaven Flood Alleviation Scheme (NFAS). The NFAS, which comprises flood defences works to the east and west banks of the tidal Ouse in Newhaven was identified in the Environment Agency's 'River Ouse to Seaford Head Strategy' approved in 2012.

1.3 Both LEP's Growth Deals were agreed in July 2014 with a further Growth Deal agreed in February 2015. Within East Sussex, over £71m has been secured to date towards infrastructure projects, which will bring forward new jobs and homes across the county. A total of £3m LGF monies, £1.5m from SE LEP and £1.5m from Coast to Capital, have been secured through the respective Growth Deals towards the delivery of the NFAS. This will augment a further £10m from the Environment Agency (EA), who are responsible for leading and managing the overall scheme. The SE LEP's Local Growth Fund £1.5m funding contribution is to be spent on early scheme interventions including design, procurement, investigations, surveys and initial construction materials in the delivery of the overall NFAS project.

1.4 The NFAS would reduce the flood risk to over 1,060 existing residential and 476 commercial properties. It will directly create some 1,460 jobs, open up 98,241sq ft of commercial floor space and enable the delivery of 494 new homes. In addition, without the flood defence scheme, the further creation of 3,540 jobs and 78,759 sq ft of commercial floor space would not go ahead in the growth corridor.

1.5 The EA as the project sponsor submitted the NFAS business case, this has been considered by both LEPs in order to ensure the scheme represented good value for money. Following assessment by SE LEP's Independent Technical Evaluator (ITE), the business case was approved by the SE LEP's Strategic Board on 12 June 2015. C2C LEP was satisfied that the full and detailed appraisal undertaken by Government in order to secure the EA's financial contribution to the project meant that the scheme represented good value for money. The scheme is programmed to start in early 2016 and completed by 2019.

1.6 At the Lead Member's decision making meeting on 15 September 2015, the Lead Member resolved to agree the re-profile of the South East Local Enterprise Partnership's Local Growth Fund allocation of £1.5m for the Newhaven Flood Alleviation Scheme within the agreed arrangements under the South East Local Enterprise Partnership's Accountability and Assurance Framework. The original

funding allocation was for £0.75m of spend in 2015/16 and £0.75m in 16/17; the revised funding profile agreed by the Lead Member at his decision making meeting was £0.4m in 15/16, £0.7m in 16/17 and £0.4m in 17/18.

2. Supporting Information

2.1 The EA established in 1996, is an executive non-departmental public body, sponsored by the Department for Environment, food and Rural Affairs (DEFRA). The EA work to create better places for people and wildlife, and support sustainable development with a core priority of managing risk of flooding. The NFAS is designed to manage the risk of coastal flooding for 55 years, given current sea level rise estimates.

2.2 In light of the comprehensive spending review (CSR) on 25 November 2015, the County Council sought confirmation on the match funding from the EA and that the NFAS remains a high priority. The EA responded by confirming that their overall funding for the 6-year plan of flood and coastal erosion works has been confirmed by Government. Moreover, specifically on NFAS the EA have also confirmed this continues to remain a high priority, compared to other projects due to the healthy value of match funding, impact and quality assurance used to prioritize their funding for schemes.

2.3 The terms of the grant agreements will be in accordance with those between Essex County Council, as SELEP's Lead Accountable Body, and the County Council, as the 'local' accountable body for the delivery of the scheme; SELEP's accountability framework was considered by the Lead Member at his decision making meeting on 2 June 2015. The County Council will be using its general power of competence under the Localism Act 2011, and all other enabling powers, to make the grants to the Environment Agency.

2.4 The Flood Alleviation Scheme will constitute general infrastructure under Article 56 of the General Block Exemption Regulation, referring to Investment Aid for Local Infrastructure. This provides exemption for financial support for the construction or upgrade of local infrastructures that contribute at the local level to improving the business and consumer environment and modernising and developing the industrial base. Therefore, there are no state aid issues with issuing the grant to the Environment Agency.

3. Conclusion and Reasons for Recommendations

3.1 The Newhaven Flood Alleviation Scheme is one of the Local Growth Deal schemes to come forward in East Sussex and its delivery will help unlock new housing, employment space and create jobs across the Newhaven Clean Tech and Maritime Growth corridor.

3.2 The Environment Agency is a key delivery partner for the County Council in achieving its ambitions for driving economic growth in Newhaven. The awarding of the grant of £1.5m will enable the Environment Agency to deliver the package of flood alleviation measures, subject to the approval of the SE LEP's Accountability Board, bringing forward greater viability towards unlocking key strategic sites in Newhaven for commercial and housing opportunities.

3.3 The Lead Member is therefore recommended to approve the awarding of the grant to the Environment Agency and delegate authority to the Director of Communities, Economy and Transport to agree the terms of the legal agreements between the County Council and Environment Agency, and take all other necessary actions.

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LOCAL MEMBERS

Councillors Butler and Charlton

BACKGROUND DOCUMENTS

South East Local Enterprise Partnership - Strategic Economic Plan, March 2014

<http://southeastlep.com/our-local-growth-deal-and-strategic-economic-plan>

South East Local Enterprise Partnership - Growth Deal, July 2014 <http://southeastlep.com/growth-deal>