

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

**Date of meeting:** 24 May 2016

**By:** Director of Communities, Economy and Transport

**Title:** Local Growth Fund – Amendments to Spend profiles for 2015/16 and 2016/17

**Purpose:** To seek approval for the changes made to 2015/16 Local Growth Fund profiles and the use of mitigation options to avoid the underspend and loss of external funds; and agree the individual scheme profile allocations for the Local Growth Fund programme in 2016/17

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

- (1) Endorse the actions taken to mitigate underspend in the 2015/16 Local Growth Fund programme and the re-profiling of funds between schemes within approved local tolerances;**
  - (2) Note the final 2015/16 spend for the Local Growth Fund programme and the amount of funds re-profiled into the East Sussex County Council Capital Programme; and**
  - (3) Agree the individual scheme profile allocations for the Local Growth Fund programme in the 2016/17 financial year.**
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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, 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 The SE LEP's initial Growth Deal was agreed in July 2014 with a further Growth Deal agreed in February 2015. Within East Sussex, over £71m of Local Growth Fund (LGF) money has been secured to date towards economic growth and infrastructure projects.

1.3 In 2015/16, a total of £11.35m was initially allocated to three approved schemes in East Sussex - (i) £10m for Queensway Gateway Road (QGR), (ii) £0.75m for Newhaven Flood Alleviation Scheme (NFAS) and (iii) £0.6m for Eastbourne and South Wealden Walking and Cycling Packages (ESWWCP).

1.4 As part of the County Council's ongoing programme management process, the Environment Agency who are delivering the NFAS advised that there were technical problems with part of the scheme, which would result in a delay in implementing the scheme and the overall spend profile (to be delivered across three years not two) and on the level of 'in year spend' resulting in £350k less being required in 2015/16. In addition, delays in the planning decision on the QGR, as well as the identification of alternative engineering options for delivering the scheme which drove down the overall scheme cost meant only £3m of the £10m was required in 2015/16. A total of £7.35m required re-allocation.

1.5 On 3 November 2015, the Lead Cabinet Member for Strategic Management and Economic Development approved amendments to the spend profile of the existing LGF programme schemes and accelerated spend on three other approved LGF schemes. The Lead Member resolved to reallocate £7.35m of the 15/16 LGF allocation with £5.4m for the North Bexhill Access Road (NBAR); £0.7m towards a Strategic Infrastructure Investment (SII) package and £1.25m for Swallow Business Park (SBP). The re-profiling of the programme and acceleration of schemes was approved by the SE LEP Accountability Board on 12 February 2016. A summary of all the East Sussex LGF schemes is at Appendix 1.

1.6 The SE LEP Accountability Board also on 12 February 2016 agreed amendments to the Accountability and Assurance Framework (AAF) which authorised the use of four mitigation options to avoid underspend in the LGF programme. The options were:

- 1) Bring forward LGF spend on schemes already in the 2015/16 capital programme;

- 2) Bringing forward 2016/17 schemes to spend in 2015/16;
- 3) Transfer LGF spend on schemes between partner authorities;
- 4) Re-profile spend between LGF projects and own Council Capital Programme Projects.

1.7 The Accountability Board granted pre-approval for the above Option 4 for any further underspend on 2015/16 projects, the use of which had been approved locally by the East Sussex County Council Capital Strategic Asset Board on 7 January 2016.

## 2. Supporting Information

### 2015/16 LGF Programme

2.1 Section 3.3.3 of the AAF and Section 7 of the Service Level Agreement (SLA) with Essex County Council as the Lead Accountable Body (LAB) allows for amendments to project profiles to be made locally within a tolerance of 10% of the project's LGF funding.

2.2 Of the six active schemes in 2015/16, four have been unable to spend the full LGF allocation. There are various reasons for delays in each scheme:

- i) Queensway Gateway Road – Delays in the planning approval process
- ii) Newhaven Flood Alleviation Scheme – Late identification of technical problems and attributable spend
- iii) Swallow Business Park – Delays in final Government approval after the 12 February SE LEP Accountability Board prevented earlier works on site
- iv) Strategic Site Infrastructure package - Delays in final Government approval after the 12 February SE LEP Accountability Board

2.3 Where there were identified scheme underspends, all allowable funds were re-allocated to the NBAR scheme, which had the potential to overspend within the 2015/16 financial year. To ensure maximum spend of LGF money within the financial year the 2015/16 profiles of the approved schemes were amended within the local tolerance levels in line with mitigation option 2 above and in agreement with finance colleagues. The lifetime costs of all the schemes remain the same as was disclosed in the programme profile approved by the Lead Cabinet Member on 3 November 2015. Therefore the additional £1.01m that was transferred into the NBAR scheme for the 2015/16 financial year will be re-allocated back to the original schemes for the 2016/17 financial year. Table 1 below shows the profile changes made.

Table 1 – 2015/16 LGF Programme: Spend Profile Changes

Scheme	Original 2015/16 profile (£m)	15/16 Profile from 3 November 2015 (£m)	10% of project value (£m)	Transfer to NBAR (£m)	Final Amended 15/16 Profile (£m)
Queensway Gateway Road	10	3	0.6	0.6	2.4
Strategic Site Infrastructure	-	0.7	0.17	0.17	0.53
Newhaven Flood Alleviation Scheme	0.7	0.4	0.15	0.1	0.3
Swallow Business Park	-	1.25	0.14	0.14	1.1
Eastbourne Walking and Cycling	0.6	0.6	0.86	-	0.6
North Bexhill Access Road	-	5.4	1.6	1.01	6.41

<b>Scheme</b>	<b>Original 2015/16 profile (£m)</b>	<b>15/16 Profile from 3 November 2015 (£m)</b>	<b>10% of project value (£m)</b>	<b>Transfer to NBAR (£m)</b>	<b>Final Amended 15/16 Profile (£m)</b>
(NBAR)					

2.4 A total of £1.585m of remaining underspend from two schemes has been re-profiled into the East Sussex County Council Capital Programme in accordance with the mitigation option 4 outlined above. The final spend and the mitigation totals are detailed in Table 2 below.

Table 2 – 2015/16 LGF Programme: Final Spend and Mitigation

<b>Scheme</b>	<b>Amended 15/16 Profile</b>	<b>Actual 15/16 Spend</b>	<b>Transfer to ESCC Capital Programme (mitigation option 4)</b>
Queensway Gateway Road	£2,400,000.00	£1,419,202.60	£980,797.40
Strategic Site Infrastructure	£530,000.00	£530,000.00	£0.00
Newhaven Flood Alleviation Scheme	£300,000.00	£300,000.00	£0.00
Swallows Business Park	£1,110,000.00	£504,998.09	£605,001.91
Eastbourne Walking and Cycling	£600,000.00	£600,000.00	£0.00
North Bexhill Access Road	£6,410,000.00	£6,410,000.00	£0.00
<b>TOTALS</b>	<b>£11,350,000.00</b>	<b>£9,764,200.69</b>	<b>£1,585,799.31</b>

2.5 The £1.585m to be transferred to the County Council's Capital programme represents only 14% of the 2015/16 East Sussex LGF allocation. This compares favourably to our LEP partners Kent and Essex who reported 19.4% and 26% respectively. East Sussex County Council and Team East Sussex partners have been successful in taking advantage of mitigation options to accelerate 3 schemes and deliver earlier economic growth for the county.

#### *2016/17 LGF Programme*

2.6 In March 2016, confirmation was received from Government that the LGF grant for 2016/17 to be paid to SE LEP will total £82.27m and was received in April. For 2016/17, there is over-programming of £2.6m across the LEP area; however, no further profile amendments are expected.

2.7 The LEP Secretariat has confirmed that the proposed East Sussex programme will be fully funded for the 2016/17 financial year. East Sussex will receive £15.295m, along with the £1.585m re-allocated from the County Council's Capital Programme. The 2016/17 funding is allocated across seven active LGF schemes - the six 2015/16 schemes will continue into 2016/17 as well as the first phase of the Eastbourne Town Centre Movement and Access Package (ETCMAP) commencing. The business case for the £3m spend on the first phase of the ETCMAP was approved at the SE LEP Accountability Board on 8 April 2016. This will be delivered over two years with £2.495m in 2016/17; the total allocation for the ETCMAP is £6m over 5 years. Table 3 below shows the full 2016/17 spend profile for the Local Growth Fund programme.

Table 3 – 2016/17 LGF Programme – proposed spend profile

<b>Scheme</b>	<b>16/17 Profile</b>
Queensway Gateway Road	£4,580,797.40
North Bexhill Access Road	£6,190,000.00
Strategic Site Infrastructure	£1,170,000.00
Newhaven Flood Alleviation Scheme	£800,000.00

Swallows Business Park	£895,001.91
Eastbourne Walking and Cycling	£750,000.00
Eastbourne Town Centre Package	£2,495,000.00
TOTAL	£16,880,799.31

### 3 Conclusion and Reasons for Recommendations

3.1 Following a review of the delivery of East Sussex's 2015/16 Local Growth Fund schemes, a total of £1.595m was identified as at risk of underspend and in need of mitigation. It is important for East Sussex County Council and Team East Sussex to take advantage of the flexibility afforded in the mitigation options available in the Accountability and Assurance Framework to drive forward economic growth and deliver schemes as early as possible.

3.2 The Lead Member is therefore recommended to endorse the actions taken to mitigate underspend on the 2015/16 LGF programme as set out in paragraphs 2.1 to 2.4. The Lead Member is also recommended to agree the individual scheme profile allocations for the Local Growth Fund programme in the 2016/17 financial year.

RUPERT CLUBB  
Director of Communities, Economy and Transport

Contact Officer: Richard Dawson  
Tel. No.01273 482305  
Email: Richard.dawson@eastsussex.gov.uk

#### LOCAL MEMBERS

All

#### BACKGROUND DOCUMENTS

None