

COUNTY COUNCIL – 20 MARCH 2025

QUESTIONS FROM MEMBERS OF THE PUBLIC

Question 1 – Bernard Brown, Battle, East Sussex.

CONTEXT STATEMENT

PUBLIC QUESTION TO THE LEADER OF THE COUNCIL

All data used and quoted in this context statement are fully verifiable and are on the public record - not necessarily just those of ESCC. Claims of commercial sensitivity do not apply.

Since 2021 questions have been raised, in the public interest, about the management of a series of Service Level Agreements made by ESCC related to projects with East Sussex Energy Infrastructure and Development Ltd operating under the trading name of Sea Change Sussex. These questions could have been used to constructively improve the management of these projects. Regrettably they provoked responses of obfuscation and denial. Today gives the opportunity to put these matters right.

It is a matter of public record that a Director of the Council publicly stated “the Queensway Gateway Road is not our project.” ESCC was admonished by SELEP, the body responsible for distributing Central Government funds used in this project and was instructed not to repeat such claims. It said, without qualification, ESCC was responsible for the delivery of the projects covered by these Service Level Agreements. The QGR was scheduled to open in November 2016. There has been massive disruption and the people of Battle are still suffering intolerable congestion as a result. And the project remains incomplete at today’s date, 10 March 2025 even with new delivery partners and the Service Level Agreement remains unfulfilled.

Since 2011 more than £57.6 million of public money has been paid to Sea Change Sussex.

These projects were supposed to produce 6000 NEW jobs by 2025. Even allowing for Covid, 3032 of these NEW jobs should have been in place by 2022. The actual number in March 2025 of audited NEW jobs created is less than 350. The original planned cost per job created was circa £19000. The actual cost is close to £250,000 per job.

On average the projects were delivered 20 months late and budgets were exceeded by more than £9.5million.

ESCC officers are on record as saying these projects were justified as “the market had failed”.

As an example, in 2013, the Queensway Innovation Park project was stated to be essential to “open up the site to meet the high-demand for self-build plots for light industrial units’ and would create 865 new jobs. In the 12 years since the infrastructure project was completed, using £1.9m of public money, not one unit has been built, not one new job has been created.

Perhaps “the market” knew better than a Council Officer what manufacturers and industry really needed.

Because ESEID Ltd/ Sea Change Sussex is a Private Limited Company questions about it’s operations, finances and governance cannot be asked at Council meetings. But the conduct of the Council’s relationship to the Company can be subject to public questioning. Members of Place Scrutiny attempted to examine these matters but a successful coalition of Administration and Officers kicked these concern into the most distant of long grass.

Along with Hastings Borough Council and Rother District Council, ESCC are “Members” of the Company with the right to appoint a Director to the Board.

Cllr Bennett was appointed as the ESCC Director from 30 June 2021

ESCC had been registered as a person with **significant control** way back in April 2016

Cllr Bennett resigned as a Director on 16 October 2024

East Sussex County Council registered on 4 February 2025 it had relinquished it’s position to be a person of **significant control** on from 21 January 2025.

Pacific House at Sovereign Harbour was held ‘in stock’ on the Balance Sheet by Sea Change Sussex at a value of £7,232,000. It cost more than £7.9 m (including site access infrastructure) to build in 2015 (£10.7m at 2025 prices). It is a fact Sea Change Sussex failed to maintain repayment of the loans to ESCC (for onward repayment to SELEP) when due in 2022. Despite two years of extra time no payments were made. The loans were secured by way of a charge on the property. On 9 November the outstanding loans of £6,625,000 were discharged by transferring ownership of Pacific House to ESCC. It is noted this was on 9 November, just three weeks after Cllr Bennett’s resignation as a Director from the Company.

ESCC effectively paid £6,625,000 for Pacific House. Attempts to sell the building for £5m for two years had failed, indicating it’s true value being less than £5m. This transaction means ESCC is immediately incurring a loss of £1,625,000 on the transaction. No amount of creative accounting, no amount of mellifluous claims of investing for the future can hide this fact. The ESCC Taxpayer has paid £6,625,000 for a property worth less than £5,000,000. To add another dimension ESCC is still liable to repay £3.575m to the other Upper Tier Authorities involved in the granting of this loan to ESCC by SELEP. Another Sea Change Sussex “success story” which ESCC have failed to manage. A project justified because “the market failed”. The

true and full costs are unknown and the taxpayer is prevented from knowing the full picture as items regarding this project have been made “exempt”.

At the Governance meeting of 10 December a decision was made to appoint the Director of Communities, Economy and Transport as the ESCC nominated Director of East Sussex Energy Infrastructure and Development Ltd. This has not been implemented (at 10 March 2025) and ESCC has no Director on the board of the Company.

It has been claimed this company was a primary partner of ESCC in development projects. Accordingly it is in the public interest to know why Cllr Bennett’s resignation has not been publicly announced or explained; it is in the public interest to know why the decision to appoint the Director of Communities, Economy and Transport as the ESCC Director on the Company has not been implemented; it is in the public interest to know why it was decided for East Sussex County Council to cease to be a person of significant control of the company on 21 January 2025 and why this has not been reported publicly to Members; it is in the public interest to know the justification for paying £6,625,000 for a building proven to have a market value of less than £5,000,000 as this has not been presented to members nor to those eventually picking up the bill, the council taxpayer.

With this catalogue of failures It is unclear why the Council Taxpayer should have any confidence that the changes in local government following the planned reorganisation will produce any better results for the taxpayer in developing so called infrastructure projects.

Question to the Leader of the Council - 20 March 2025

East Sussex County Council has incurred a significant financial liability due to Sea Change Sussex failing to repay loans granted to fund the construction of the building known as Pacific House. The resignation of an ESCC Councillor from the Board of this company, nor the reason for the resignation, has not been publicly announced. At the December Governance meeting the decision was made for the

Director C,E & T would take up this role. This decision has not been implemented.

The decision of ESCC to cease to be a person of Significant Control from 21 January has not been recorded in any traceable public report or document of the Council. Will the Leader take this opportunity to give a clear update on these matters to the people picking up the tab for these failures - the Council Taxpayers of East Sussex.

Answer by the Leader of the Council

Thank you for the question and I will address the County Council’s response in two parts the first covering the outstanding loan repayments on Pacific House and the second referring to the County Council’s relationship with the Sea Change Sussex board and company.

1) On Pacific House:

We do not recognise the figure of £6,625,000 quoted as being paid by the County Council for Pacific House.

Sea Change Sussex received £4.6m, of the total £6m budget, for the project from the South East Local Enterprise Partnership (SELEP) in the form of a Growing Places Fund (GPF) loan in 2014. Eastbourne Borough Council contributed £1.25m of the remaining budget via a loan. The GPF programme was set up and funded by the Ministry for Housing, Communities and Local Government (formerly the Department for Communities and Local Government) and the Department for Transport (DfT).

Following completion of the project, £1.025m of the GPF loan was repaid by Sea Change Sussex to SELEP.

As part of the original GPF loan agreement, the County Council took ownership of the asset and responsibility for repaying the outstanding £3.575m of this loan to the other former members of SELEP (which has since been dissolved). Repayments totalling £1,424,000 have been made over the 2024/25 financial year, leaving an outstanding balance of £2.151m to be repaid over 2025/26.

The property is an on going concern that the County Council will manage going forwards as per the decisions made at the Lead Member for Resources and Climate Change meeting on behalf of Councillor Bennett by Councillor Standley on the 14 January 2025.

2) On Sea Change Sussex Board and company

Firstly, with regards to the resignation of an East Sussex County Councillor from the Board a letter was issued to SCS in October 2024 with reasons but not disclosed to the public as exemptions apply under the Freedom of Information Act with reference to Section 40 (2) Third Party Personal data and Section 43(2) information whose disclosure would, or would be likely to, prejudice the commercial interests of any legal person (an individual, a company, the public authority itself or any other legal entity).

Secondly, with regards to the appointment of future directors of the Company, based on the number of current directors of ESEID, the Company's Articles of Association now limits the number of directors representing the local authority members to just one between the three authorities (Rother District Council, Hastings Borough Council and ESCC). As Cllr Bayliss from Rother District Council was appointed as a director of the Company on 17 December 2024 it was not open to the other authorities to appoint a new director. Currently the local authority members are in conversation about the appointment of a long term director to the company.

Thirdly, East Sussex Energy Infrastructure and Development Limited (known as Sea Change Sussex) (**ESEID** or the **Company**) is responsible for the filing, maintenance and accuracy of its own company records. This includes ESEID's Register of Persons of Significant Control (PSC) which appears in the records at Companies House (**PSC Register**). It would have been the decision of the Company and its advisers (not ESCC) as to whether ESCC's name was originally included in the PSC Register. ESCC was not involved in the decision to change the Company's PSC Register.