

<b>Report title:</b> Growing Places Fund update	
<b>Report to Accountability Board</b>	
<b>Report author:</b> Helen Dyer, SELEP Capital Programme Officer	
<b>Date:</b> 29 <sup>th</sup> March 2019	<b>For:</b> Information
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<b>SELEP Partner Authority affected:</b> All	

## **1. Purpose of report**

- 1.1. To update the SELEP Accountability Board (the Board) on the latest position of the Growing Places Fund (GPF) Capital Programme.

## **2. Recommendations**

- 2.1. The Board is asked to:
  - 2.1.1. **Note** the updated position on the GPF programme;
  - 2.1.2. **Note** the accelerated repayment schedule for the Bexhill Business Mall Project;
  - 2.1.3. **Note** the amended draw down schedule for the Colchester Northern Gateway Project;
  - 2.1.4. **Note** the amended draw down schedule for the Eastbourne Fisherman's Quayside and infrastructure development Project.

## **3. SELEP Growing Places Fund investments**

- 3.1. In total, £49.210m GPF was made available to SELEP for investment as a recyclable loan scheme. To date, GPF has either been invested or has been allocated for investment in a total of 21 capital infrastructure projects, as detailed in Appendix 1. In addition, a small proportion of GPF revenue funding was allocated to Harlow Enterprise Zone (£1.244m) and the remaining proportion has been ring-fenced to support the activities of SELEP's Sector Groups (known as the Sector Support Fund); as agreed by the Strategic Board.
- 3.2. The allocation of GPF to the new projects within GPF Round 2 is on the condition that funding will only be awarded to these projects by the Board or transferred to the lead authority if sufficient GPF is available through the repayments of GPF loans from Round 1 projects. As such, on a quarterly basis, updates are provided to the Board on the latest position for GPF

projects in terms of delivery progress and any risks to the repayments of GPF loans.

#### 4. GPF repayments

- 4.1. The loan repayment schedule for each GPF project is agreed within the credit agreement in place between Essex County Council, as Accountable Body, and the lead County/ Unitary Authority for each project. A copy of the expected repayment schedule is set out in Appendix 2 of that Agreement.
- 4.2. Repayments are now being made on the initial GPF Round 1 investments, with £17.672m having been repaid to date. All repayments due in 2018/19 were received prior to the end of March 2019.
- 4.3. During 2019/20 repayments will continue to be made on initial GPF Round 1 investments, with some of the GPF Round 2 projects also starting to make repayments. In total, £10.607m is scheduled for repayment in 2019/20 as set out in Appendix 2.

#### 5. GPF cash flow

- 5.1. Table 1 below sets out the current cash flow position based on the planned GPF investment and the GPF available for investment though loan repayments. This assumes that the repayments are made in accordance with the approved repayment schedules and takes into account the amended drawdown schedules for the Colchester Northern Gateway Project (as set out in section 7 below) and the Eastbourne Fisherman's Quayside and infrastructure development Project (as set out in section 8 below).

**Table 1: GPF Cash Flow Position assuming all approved repayment schedules are met**

£	2018/19	2019/20
GPF available at the outset of year	7,312,602	13,663,002
GPF Round 1 planned investments	-	63,000
GPF Round 2 planned investments	2,417,000	4,877,000
Position before GPF repayments are made	4,895,602	8,723,002
GPF repayments expected	8,767,400	10,606,600
Carry Forward	13,663,002	19,329,602

- 5.2. As all GPF repayments were made in line with the approved repayment schedules during 2018/19 there will be no gap between the amount of GPF available in 2019/20 and the project draw-down schedule.

## **6. Bexhill Business Mall**

- 6.1. The Bexhill Business Mall project was awarded £6m GPF through the earlier rounds of GPF, now referred to as GPF Round 1, for the delivery of a new managed workspace facility in Bexhill.
- 6.2. The project has now been completed and has delivered 2,345m<sup>2</sup> of high-quality office space with the potential to facilitate up to 299 jobs. This workspace represents the first major development in the Bexhill Enterprise Park, which is in the A259/A21 growth corridor.
- 6.3. The building (Glovers House) is now fully let and has led to the creation of 98 jobs to date. This number is expected to continue to rise over the coming months.
- 6.4. As part of the last project update East Sussex County Council indicated that Sea Change Sussex have now sold Glovers House and are therefore looking to make an early final loan repayment against the project, subject to East Sussex County Council discharging the charge secured over its land, which has been approved under delegated authority with the papers being drawn up for signing by both parties.
- 6.5. To date repayments totalling £1.025m have been made against this project. The final repayment of £4.975m was due to be made in March 2020. It is now expected that this repayment will be made in early 2019/20, approximately one year ahead of schedule.
- 6.6. The Board are asked to **note** the accelerated repayment schedule for the Bexhill Business Mall project.

## **7. Colchester Northern Gateway**

- 7.1. The Colchester Northern Gateway project is part of the overall Colchester Northern Gateway Vision which is to create a high quality, highly sustainable housing, employment, and leisure destination at one of the primary gateways to the town centre.
- 7.2. The wider Colchester Northern Gateway project will deliver:
- 7.2.1. The relocation of the existing Colchester Rugby club site to land north of the A12 which will unlock residential land for up to 560 homes;

- 7.2.2. On site infrastructure improvements facilitating the development of the Sports and Leisure Hub on the A12 north land which includes the relocated Rugby club facility;
  - 7.2.3. Associated onsite and offsite highway improvements; and
  - 7.2.4. Delivery of the new homes which can act as a catalyst to the remaining employment land.
- 7.3. The Colchester Northern Gateway project was considered by the Board in February 2018 and was awarded a £2m GPF allocation. This allocation will be used to bridge a funding gap which if not addressed could have resulted in development opportunities not being realised.
- 7.4. The project Business Case indicated that the GPF funding would be drawn down in its entirety in 2018/19. This was subsequently amended to show draw down of £1.35m in 2018/19, with the balance being drawn down in 2019/20.
- 7.5. The latest project update indicates that site set up works are complete and that the main works for buildings and associated infrastructure start in April 2019.
- 7.6. Despite the progress on the project, as it stands loan agreements are not yet in place in relation to this project, meaning that it has not been possible for any funding to be drawn down to date. As a result, a revised funding draw down schedule has been provided, as shown in Table 2 below:

**Table 2: updated draw down profile for the Colchester Northern Gateway project**

	2019/20	2020/21	Total
Draw down required	£1,350,000	£650,000	£2,000,000

- 7.7. Despite the amendments to the draw down profile the project is still expected to meet the agreed repayment schedule. The loan agreement will be updated to reflect this revised draw down profile before it is signed.

## **8. Eastbourne Fisherman's Quayside and infrastructure development project**

- 8.1. The Eastbourne Fisherman's Quayside and infrastructure development project sought GPF funding for the build of a Fisherman's Quay in Sovereign Harbour, to develop local seafood processing infrastructure to support long term sustainable fisheries and the economic viability of Eastbourne's inshore fishing fleet.

- 8.2. The project aims to protect the fishing fleet in Sovereign Harbour, safeguarding up to 72 fishing jobs and over £2m revenue per year, as well as the resulting impacts on the local economy.
- 8.3. The Board approved the allocation of £1.15m to the project in December 2017. The project Business Case indicated that the GPF funding would be drawn down in 2017/18 (£0.5m) and 2018/19 (£0.65m), however, as the GPF loan agreement was not in place by the end of the 2017/18 financial year this was revised to facilitate draw down of the entire project allocation in 2018/19.
- 8.4. Subsequently, in February 2019 the Board were informed of a further change to the draw down schedule for the project. It was noted that progress had been made towards delivering the stated outputs, with the terms of the lease agreement negotiated and awaiting ratification. However, it was not possible to engage a contractor to undertake the required construction work until the agreement was ratified. It was expected that construction would commence in 2018/19 and continue into 2019/20, with an amended draw down profile provided which indicated draw down in 2018/19 (£575,000) and 2019/20 (£575,000).
- 8.5. The latest project update confirms that whilst the lease agreement was ratified on 7<sup>th</sup> February 2019 as expected, it has not been possible to commence construction during 2018/19 as planned due to the preferred contractor entering administration. Work is ongoing to engage an alternative contractor to deliver the project, however, due to the delay caused work will now not commence onsite until 2019/20. As a result, a revised funding draw down schedule has been provided, as shown in Table 3 below:

**Table 3: updated draw down profile for the Eastbourne Fisherman's Quayside and infrastructure development project**

	2018/19	2019/20	Total
Draw down required	-	£1,150,000	£1,150,000

- 8.6. Despite the amendments to the draw down profile the project is still expected to meet the agreed repayment schedule, with full repayment expected by the 2020/21 financial year, as a European Maritime and Fisheries Fund grant has been secured in order to ensure repayment of the GPF.

## **9. Growing Places Fund Project Delivery to Date**

- 9.1. Ten GPF projects have now been completed, with the benefits of this infrastructure investment starting to be realised. It is reported that 1,592 jobs have been delivered through investment in commercial space and new business premises, as set out in Table 4 below.
- 9.2. Additional benefits are expected to be delivered through the completion of the remaining GPF projects and through the follow-on investment which has been unlocked through the infrastructure delivered with GPF investment. It is

expected in many cases that there will be a time lag between spend of the GPF investment and benefit realisation due to the use of the GPF funding to enable wider development at the project location.

- 9.3. A RAG rating has been introduced to assess how the completed projects are progressing towards delivering the jobs and homes outcomes stated within the Business Case. To date, it can be seen that the Chelmsford Urban Expansion project has significantly exceeded the number of homes stated within the project Business Case, and that the Charleston Centenary project has met the forecast jobs figure for the project.
- 9.4. Other completed GPF projects, including North Queensway and Harlow West Essex, are yet to report any jobs or homes outcomes as a result of the GPF investment.
- 9.5. There are also a number of completed projects which are demonstrating progress towards meeting the outcomes defined in the Business Case but have not yet reached the forecast.
- 9.6. These RAG ratings will be updated in advance of each Board meeting, based on the GPF project update reports submitted by local areas.

**Table 4 - Monitoring of GPF project outcomes**

Name of Project	Outcomes defined in Business Case		Outcomes delivered to date	
	Jobs	Houses	Jobs	Houses
Round 1 GPF Projects				
Priory Quarter Phase 3	440	0	240	0
North Queensway	865	0	0	0
Rochester Riverside	402	450	402	489
Chatham Waterfront	211	159	211	115
Bexhill Business Mall	299	0	98	0
Parkside Office Village	169	0	135	0
Chelmsford Urban Expansion	2,105	365	0	919
Grays Magistrates Court	200	0	89	0
Sovereign Harbour	299	0	220	0
Workspace Kent	198	0	91	0
Harlow West Essex	4,000	1,200	0	0
Discovery Park	130	250	0	0
Live Margate	0	66	0	32
Round 2 GPF Projects				
Colchester Northern Gateway	81	450	0	0
Charleston Centenary	6	0	6	0
Eastbourne Fisherman	4	0	0	0

Name of Project	Outcomes defined in Business Case		Outcomes delivered to date	
	Jobs	Houses	Jobs	Houses
Centre for Advanced Engineering	56	0	0	0
Fitted Rigging House	300	0	100	0
Javelin Way Development	311	0	0	0
Innovation Park Medway	307	0	0	0
No Use Empty Commercial	16	28	0	0
<b>Totals</b>	<b>10,399</b>	<b>2,968</b>	<b>1,592</b>	<b>1,555</b>

Key:

	Projects which have been completed and which have delivered the jobs or homes outcomes as defined in the Business Case.
	Projects which have been completed and which have shown some progress towards delivering the jobs or homes outcomes as defined in the Business Case.
	Projects which have been completed but which have not yet shown any progress towards delivering the jobs or homes outcomes as defined in the Business Case.
	Projects which are ongoing/yet to start and would therefore not be expected to be delivering jobs and homes outcomes in line with the figures defined in the Business Case.

- 9.7. It is apparent from Table 4 that benefits are now being realised for some of the GPF round 2 projects, including Charleston Centenary and the Fitted Rigging House project.
- 9.8. In the latest project update it was noted that an additional three companies have signed contracts to take up tenancies in the Fitted Rigging House at the Chatham Historic Dockyard. It is expected that these tenants will move in from May 2019, which will prompt a significant increase in the number of jobs created.
- 9.9. At the February meeting the Board approved the accelerated draw down of funding for the No Use Empty Commercial project in Kent. It is noted in the latest project update that the project is progressing well, with seven of the twenty homes in contract due to complete in May 2019. Furthermore, whilst one commercial unit has already been returned to use, work on three further commercial units is due to complete in May 2019.

## 10. Financial Implications (Accountable Body Comments)

- 10.1. The 2019/20 forecast cashflow position indicates that there is sufficient funding available to meet the agreed investments due in this financial year. This assumes that all repayments are made as planned.

- 10.2. Although non-repayment of the majority of loans has been identified as low risk, it should be noted that any repayments not made in line with their approved profile will put at risk the funding required for the GPF programme to be maintained as an effective recyclable loan scheme. As such, it is recommended that all GPF repayment risks continue to be monitored as part of the regular GPF updates reported to the Board.
- 10.3. It is noted that actual delivery of jobs and homes reported continues to be out of line with the expected levels identified in the business cases for many projects; it is recommended that an evaluation of why delivery of expected outcomes is lower than expected and that this should form part of the on-going monitoring and, where appropriate, be used to inform future business case estimations of growth.
- 10.4. It is recommended that consideration is given to commencing the next round of funding allocations during 2019/20, to enable the timely reinvestment of uncommitted GPF repayments.

## **11. Legal Implications (Accountable Body Comments)**

- 11.1. Each award approved by the Board is supported by a Loan Agreement, which sets out the terms and conditions of the loan, and sets out the repayment schedule. Where changes are proposed to the repayment schedules, then where an agreement is in place, a Deed of Variation will be required to amend the agreement and place the revised repayment schedule within the terms of the Agreement.
- 11.2. There is currently no Loan Agreement in place for the Northern Gateway project, and this is currently being finalised by Essex County Council and Colchester Borough Council. Accordingly the proposed changes will be captured as part of the final drafting of that agreement.
- 11.3. The Agreements stipulate that the dates provided within the Drawdown Schedule are the earliest date by which a request to draw down the instalments can be made by the recipient authority. Accordingly changes to those dates and instalment values will require a deed of variation to the agreement currently in place, to ensure that the new Drawdown Schedule is brought within the terms of the Agreement.

## **12. Equality and Diversity implications (Accountable Body Comments)**

- 12.1. Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:
  - a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act;



- b) Advance equality of opportunity between people who share a protected characteristic and those who do not;
- c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

12.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

12.3. In the course of the development of the project Business Case, the delivery of the Project and the ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision-making process and where possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

### **13. List of Appendices**

13.1. Appendix 1 – Growing Places Fund Project Summary

13.2. Appendix 2 – Growing Places Fund Repayment Schedule

### **14. List of Background Papers**

14.1. Accountability Board Agenda Pack 31st March 2017

**(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)**

<b>Role</b>	<b>Date</b>
<b>Accountable Body sign off</b>  Stephanie Mitchener  (On behalf of Margaret Lee, S151 Officer, Essex County Council)	04/04/19