

Growing Places Fund Update Report

Forward Plan reference numbers: FP/AB/710, FP/AB/711 and FP/AB/712

Report title: Growing Places Fund Update	
Report to: Accountability Board	
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Meeting date: 12 January 2024	For: Decision
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SELEP Partner Authority affected: All	

1. Purpose of report

- 1.1 The purpose of this report is to update the SELEP Accountability Board (the Board) on the latest position of the Growing Places Fund (GPF) Capital Programme.
- 1.2 The report sets out details of the Change Request submitted in relation to the Barnhorn Green Commercial and Health Development project and provides an update on the risks associated with the agreed repayment schedule for the Centre for Advanced Engineering project.

2. Recommendations

- 2.1 The Board is asked to:
 - 2.1.1 **Note** the updated position on the GPF programme.
 - 2.1.2 **Agree** that the Barnhorn Green Commercial and Health Development project should be removed from the GPF programme.
 - 2.1.3 **Note** the update on the Centre for Advanced Engineering project and the risk to the agreed repayment schedule.

3. Background

- 3.1 In total, £45.477m 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 28 capital infrastructure projects. In addition, a proportion of GPF revenue funding was allocated to Harlow Enterprise Zone (£1.244m) and a further £1.5m was ring-fenced to support the activities of SELEP's Sector Working Groups (known as the Sector Support Fund); as agreed by the Strategic Board.
- 3.2 In June 2020, the Strategic Board took the decision to repurpose £6.4m of the GPF funding to enable delivery of interventions which will support economic recovery post COVID-19. In addition, in November 2021 the Board agreed

that £18,767 of the GPF loan awarded to the Workspace Kent project could be written off as a bad debt due to the dissolution of the recipient company. These decisions have reduced the balance of the GPF fund to £39.058m.

- 3.3 Quarterly updates are provided to the Board on the latest position of the GPF projects in terms of delivery progress, realisation of project benefits and any reported risks to the repayment of the GPF loans.
- 3.4 A new prioritised project pipeline was agreed in June 2020. Two projects have subsequently been removed from the pipeline, but funding has been awarded to support delivery of all other pipeline projects. As a consequence, there are currently no projects remaining on the GPF project pipeline.
- 3.5 It was intended that a new round of GPF funding would be launched in 2023/24 and an initial discussion as to the approach for allocating the funding took place at the [Strategic Board meeting on 10 February 2023](#). During this meeting a number of underlying principles for the new round of GPF funding were agreed.
- 3.6 Subsequent to this Strategic Board decision, Central Government made the announcement in the annual Budget that they were minded to not provide any further core funding for LEPs after 2023/24 and that LEP functions should be integrated into Local Authorities. Government conducted an information gathering exercise to inform the next steps towards integration prior to confirming their minded to decision.
- 3.7 Whilst awaiting further information from Government, there was a need to undertake a significant amount of work to establish how SELEP operations could be effectively integrated into Local Authorities, whilst safeguarding key activities which need to be conducted at a regional level. Whilst a further review of options for use of the available GPF funding was undertaken, the decision was taken to await Government guidance prior to taking any further proposals to the Strategic Board. It was, however, concluded that the approach and underlying principles previously considered by the Strategic Board were no longer appropriate given the different context within which SELEP is now operating. Therefore, the previous decision taken by the Strategic Board was reversed at their meeting on [7 July 2023](#).
- 3.8 Alternative proposals for the use of the available GPF funding were presented to the Strategic Board at their meeting in October 2023. These options sought to achieve a level of parity across the SELEP area when considering both the unallocated funding and the remaining balance owed on existing GPF loans. The Strategic Board agreed to endorse the following option:
 - 3.8.1 Disaggregate the fund to each Upper Tier Local Authority as a total of their existing GPF loan allocations and their proportion of the funding currently held by the Accountable Body and accept that total parity has not been achieved.

- 3.9 Implementation of this approach and agreement of the split of funding between Upper Tier Local Authorities will be subject to a decision by the Board in February 2024. However, at this meeting, the Board are asked to consider the implications of the request to revise the repayment schedule for the Sovereign Harbour project on the adopted approach (Agenda Item 8).

4. Current Position

COVID-19 Impacts

- 4.1 The impact of the COVID-19 pandemic and the associated social distancing measures and lockdowns that were introduced by Government have resulted in a severe shock to our economy. The GPF projects are feeling the effects and longer-term risks have been identified which may affect the delivery of the projects, the realisation of expected project benefits and the ability to repay the current GPF loans.
- 4.2 Further information regarding the effects and risks identified as a result of the COVID-19 pandemic is provided in Appendix D.

Cash Flow Position

- 4.3 Scheme promoters have been working to understand the impacts of COVID-19 on their projects and their intended repayment mechanism since the onset of the COVID-19 pandemic. To date, COVID-19 related revised repayment schedules have been approved by the Board in relation to eleven GPF projects.
- 4.4 Table 1 below sets out the current cash flow position based on the planned GPF investment and the GPF available for re-investment through loan repayments. Drawdown forecast for 2023/24 assumes that the Barnhorn Green Commercial and Health Development project will be removed from the GPF programme, as per the recommendation detailed at Section 2.1.2 of this report. Repayments forecast for 2023/24 reflect the latest repayment schedules approved by the Board and reflect the revised repayment schedule proposed for the Sovereign Harbour project (as set out under Agenda Item 8).
- 4.5 The GPF repayment schedules are set out in Appendix B.
- 4.6 To assist with options development in relation to the GPF funding currently held by Essex County Council (as the Accountable Body for SELEP), early confirmation regarding the ongoing achievability of repayments due in 2023/24 was sought. Initially no projects identified a significant risk to repayment in 2023/24, however, subsequently a significant repayment risk has been identified in relation to the Sovereign Harbour project and a revised repayment schedule has been brought forward for Board consideration at this meeting. Details of the proposed revised repayment schedule are set out under Agenda Item 8.

Table 1: GPF Cash Flow Position

£	2023/24	2024/25
GPF available at the outset of year	12,359,744	13,099,744
GPF funding repurposed	-	-
GPF available for investment	12,359,744	13,099,744
GPF Round 1 planned investments	0	0
GPF Round 2 planned investments	0	0
GPF Round 3 planned investments	1,000,000	0
Position before GPF repayments are made	11,359,744	13,099,744
GPF repayments expected	1,740,000	3,576,400
Carry forward	13,099,744	16,676,144

4.7 As shown in Table 1 total GPF Round 3 drawdown of £1.0m is forecast for 2023/24. This £1.0m reflects the last drawdown associated with GPF round 3 projects and sufficient GPF funding is held to meet this drawdown requirement.

4.8 All Round 1 and 2 GPF projects have drawn down their full allocation of funding. The drawdown schedule for the GPF programme is set out in Appendix C.

5. Growing Places Fund Project Delivery to Date

5.1 A deliverability and risk update is provided for each GPF project in Appendix A.

5.2 Seven projects have a High (red) overall project risk, including the Barnhorn Green Commercial and Health Development, Green Hydrogen Generation Facility, Sovereign Harbour, Centre for Advanced Engineering, North Queensway and the Observer Building Hastings Tranche 1 and 2 projects.

5.3 The Barnhorn Green Commercial and Health Development project has been awarded a GPF allocation of £1.75m and this funding continues to be held by Essex County Council (as Accountable Body for SELEP). The project has progressed more slowly than anticipated and changes to the budget, scope and repayment schedule for the project are proposed by Rother District Council (as delivery partner). Further details of the Change Request are provided in Section 6 of this report.

5.4 The Green Hydrogen Generation Facility project is an innovative project seeking to construct a zero carbon hydrogen production facility which will be powered via connection to an existing offshore wind farm. Due to the innovative nature of the project, there is a need for a lot of work to be

undertaken prior to construction commencing onsite. Whilst progress has been made, a need to upgrade the turbines at the wind farm has been established. Safety issues have been identified in relation to the older wind turbines which need to be addressed before the project can progress using the planned approach. Work is continuing to address the safety issues but, in the meantime, the delivery partner is investigating alternative zero carbon power sources to ensure that the project can progress as planned. Despite the delay in progressing the project, no repayment risks have been identified at the current time.

- 5.5 The Sovereign Harbour project has delivered 2,345sqm of high-quality office space in Eastbourne, which is expected to facilitate up to 299 jobs. The current repayment schedule requires a final repayment of £3.575m to be made prior to the end of 2023/24. East Sussex County Council have now advised that it is highly unlikely that it will be possible for this repayment to be made in accordance with the agreed schedule. Consequently, a request for a revised repayment schedule has been brought forward and is set out for Board consideration under Agenda Item 8.
- 5.6 The Centre for Advanced Engineering project has delivered approximately 8,300sqm (Gross Internal Area) of space at South Essex College, with cutting edge facilities and workshops to support courses in engineering, motor vehicle maintenance and construction. The project received £2m of GPF funding and, as it stands, the full balance of the loan remains outstanding.
- 5.7 A revised repayment schedule for the project was agreed by the Board in November 2021 and it was agreed that South Essex College should provide annual updates to the Board to provide assurance regarding the ongoing viability of the agreed repayment schedule. The first update was provided to the Board in November 2022 and identified a number of risks associated with the repayment of the loan. The second update is set out in Section 7 of this report and confirms that some of the identified risks have materialised and that the other risks continue to be monitored. Repayment of the GPF loan will be subject to sufficient reserves being held at the repayment date, although a significant repayment risk has now been flagged. The first repayment is not due until 2025/26 and therefore no action is recommended at this time but the position at South Essex College will need to continue to be monitored by Essex County Council.
- 5.8 The next High risk project is the North Queensway project (in East Sussex), which has delivered preliminary site infrastructure and an access road for a new business park as set out in the Business Case. Whilst the GPF loan has been repaid in full, no commercial development has come forward on the site to date and therefore none of the forecast project benefits have been realised. A further update on the North Queensway project will be provided at the February 2024 Board meeting subject to East Sussex County Council and Sea Change Sussex confirming an agreed position with regard to next steps for securing the forecast project benefits.

- 5.9 The final two High risk projects are the Observer Building Hastings - Tranches 1 and 2. The GPF funding is being used alongside a number of other funding sources to support the full redevelopment of the 4,000 sqm. Observer Building, which has been empty and increasingly derelict for 35 years. The space is being converted into a highly productive mixed-use building, creating new homes, jobs, enterprise space and support.
- 5.10 Delivery of the majority of the planned works (excluding the residential development) is nearing completion but the project has been subject to a number of delays and cost increases due to the impacts of the COVID-19 pandemic and Brexit. The delivery partner has indicated that increasing energy and operating costs coupled with the cost of living crisis are likely to adversely impact on the ability to meet the planned rental income targets.
- 5.11 It is also noted that repayment of the GPF loan was intended to be made through refinancing on long-term mortgages and through a community share offer. However, the current increased cost of mortgages and the reduced capacity of the community to invest, present a challenge to the agreed repayment schedule. Repayment of the GPF loans is not expected until March 2026 and therefore no action is proposed at this time, however, the repayment risk will need to continue to be monitored by East Sussex County Council.
- 5.12 There are a number of medium risks (amber) identified, primarily in relation to repayment and realisation of project outcomes. The repayment risks stem from the ongoing global economic uncertainty and impacts on the property market. There remain concerns regarding benefit realisation due to the impact on the property market and local economy of the COVID-19 pandemic. These risks will need continue to be monitored by respective partners post closure of SELEP.
- 5.13 The usual update on the benefits realised as a result of the GPF investment has not been included within this report. A full review of the forecast benefits and outcomes stated within the original funding applications, including measuring delivery of benefits post project completion, is currently being undertaken. It was anticipated that this review would be completed in advance of this meeting, however, further time is required to complete this piece of work to ensure that the information provided to the Board is fully accurate and robust.

6. Barnhorn Green Commercial and Health Development – project change request

- 6.1 Barnhorn Green is an allocated employment and health zone adjacent to a large housing development in Bexhill, which has been acquired by Rother District Council following a lack of interest from the private commercial development sector.
- 6.2 The ability to deliver new homes in the area has been significantly hindered by a lack of sufficient primary health provision, hence the intention to deliver a new GP surgery on the Barnhorn Green site. The project as set out in the

approved Business Case also includes the provision of new office accommodation and light industrial workspace, suitable for local business start-ups, existing business growth and which will help attract new businesses to the Bexhill area.

- 6.3 In February 2021, the Board approved the award of £1.75m to the Barnhorn Green project. This funding continues to be held by Essex County Council (as the Accountable Body for SELEP). At the time of the funding decision, planning consent was outstanding for the project but this was expected to be confirmed within 5 months of the funding decision. The Board noted that if planning consent was not granted that the project would be removed from the GPF programme, requiring immediate repayment of any funding already drawn down against the project.
- 6.4 An update on the status of the project was provided at the September 2023 Board meeting. This update confirmed that planning permission for the project had been granted, which meant that the project was not automatically removed from the GPF programme. However, it was reported that the project team were struggling with increasing costs due to rising inflation levels and general cost increases following the COVID-19 pandemic and Brexit. As a result, a review of the project budget was being carried out, alongside a re-tendering exercise.
- 6.5 It was also noted that, due to the delay in bringing forward the project, the scope was being revisited to ensure that the workspace delivered met current demand. The Board were also advised that it was likely that the repayment schedule previously agreed for the project would no longer be realistic due to the delays in progressing the project.
- 6.6 In light of this update, the requirement for the Board to consider any proposed changes to the project prior to the release of the GPF funding by Essex County Council (as Accountable Body for SELEP) and the time constraints introduced as a result of the decision by Government to transition LEP activities into Upper Tier Local Authorities at the end of 2023/24, the Board agreed that the project should be brought forward for further consideration and a decision regarding the continued inclusion of the project in the GPF programme at this meeting. To inform this decision, it was agreed that the following documents/information should be provided to the SELEP Secretariat:
 - 6.6.1 A full project update, including confirmation of the decisions from Rother District Council Cabinet in relation to the total project cost, funding package and project scope and an outline of next steps towards project delivery.
 - 6.6.2 A project change request which details all changes being made to the project and which provides confirmation that the project continues to offer High value of money.

- 6.6.3 A revised repayment schedule and confirmation of the intended repayment mechanism (if this has changed since Business Case submission). This should be accompanied by confirmation from East Sussex County Council that they have reviewed the information provided and are satisfied that the repayment mechanism and proposed repayment schedule are both realistic and achievable.
- 6.7 Subsequent to the last Board meeting, Rother District Council have provided additional information which seeks to confirm the status of the project and the changes which are being requested. This information has been summarised below.
- 6.7.1 Project Scope – At the time of funding approval, it was expected that the project would deliver 2,750sqm of office accommodation, 750sqm of light industrial workspace and a medical centre covering 700sqm. As set out above, the scope of the project has been reviewed by Rother District Council to ensure that it meets current market demand. Following this review, Rother District Council have confirmed that the project scope will be amended with the following outputs now expected to be delivered: 2,025sqm of light industrial workspace and a medical centre covering 1,775sqm. Rother District Council have concluded that there is no benefit to including office space within the project scope at this time.
- 6.7.2 Planning Position – It has been confirmed that Rother District Council planning committee resolved to grant planning permission for the proposed works in June 2023. This was subject to completion of a Section 106 agreement and compliance with applied conditions. It is understood that the Section 106 agreement has not yet been completed and therefore the planning decision notice has not yet been issued. Rother District Council indicated that it was expected that the Section 106 agreement would be completed in December 2023 or January 2024 and that this will trigger the release of the decision notice.
- 6.7.3 Procurement Options – Rother District Council have indicated that, following receipt of updated cost estimates, they have taken the decision to develop tender documents for two different delivery options. Under Option A, the full revised scope of the project (as set out at Section 6.7.1 of this report) will be delivered. Under Option B, only the medical centre will be constructed. This decision has been taken as it will facilitate a flexible approach to delivery, allowing the medical centre to progress even if the industrial workspace element of the project needs to be revisited following completion of a procurement process.
- 6.7.4 Forecast Project Benefits – The original Business Case detailed a number of benefits which would be realised as a result of project delivery, including the creation of the 133 jobs (net) and enabling the delivery of 429 new houses. Rother District Council have indicated

that the expected project benefits are not fundamentally changed by the proposed changes to the project. It is noted that delivery of the medical centre unlocks the majority of the benefits, including being essential to the ongoing delivery of housing in the local area. However, it is acknowledged that if Rother District Council choose to progress solely with the medical centre, this will marginally reduce the number of jobs created.

- 6.7.5 Total Project Cost/Funding Package – At the time of Business Case submission, it was expected that the cost of delivering the original project scope would be £10m. This was to be funded through £8.244m of PWLB borrowing, £1.75m from the GPF and £0.006m of Rother District Council funding.
- 6.7.6 Rother District Council have indicated that the total project cost has increased since the award of the GPF funding due to a number of factors, including specific NHS requests with regard to the medical centre, required ecological and utilities works, rising inflation levels and increased material costs. Consequently, it is no longer possible for the full project scope to be delivered within the agreed £10m budget. Rother District Council have indicated that any increase in cost will be funded through additional PWLB borrowing.
- 6.7.7 Programme – At the time of the funding award, it was expected that delivery of the project would be complete by December 2022, with the medical centre and workspace being occupied from January 2023 (subject to fit out). An updated delivery programme has been submitted which demonstrates that construction is now not expected to commence onsite until November 2024. The construction programme is expected to last either approximately 32 weeks for delivery of the medical centre alone or approximately 52 weeks for delivery of the full project scope. This will mean project completion is now expected in either June or November 2025.
- 6.7.8 Repayment Mechanism – The Business Case for the project indicated that it was expected that the GPF loan would be repaid using income generated through the sale of some of the office accommodation delivered through the project. It was noted at the time of the application that it was expected that the industrial workspace would sit within the rental market and would therefore not deliver the scale of income required to facilitate repayment of the GPF. The back-up option, if required, was to refinance the GPF loan through PWLB borrowing allowing full repayment to be made.
- 6.7.9 Following the removal of the office workspace from the project scope, it is now intended that the GPF loan will be fully repaid using PWLB borrowing.
- 6.7.10 Repayment Schedule – The current repayment schedule requires full repayment of the £1.75m GPF loan in 2025/26. Since approval of the

GPF funding award, delivery of the project has been delayed due to a number of factors including the need to develop the designs for the medical centre in partnership with the NHS and CCG to ensure that it meets their needs. As set out above, it is now expected that delivery of the project will not complete until mid to late 2025 (depending upon the delivery option selected) and therefore an extension to the repayment schedule has been requested. The revised repayment schedule requires full repayment of the GPF loan in 2026/27. It has been confirmed that, due to the repayment mechanism adopted, the repayment schedule will be the same regardless of the delivery option selected.

- 6.8 The information provided by Rother District Council has been considered by the SELEP Capital Programme team, Essex County Council (as the Accountable Body for SELEP) and the Independent Technical Evaluator (ITE) and a number of concerns have been identified.
- 6.9 The GPF funding was awarded to support project delivery in February 2021 – close to three years ago. At the time of funding award, there appeared to be a clear direction of travel for the project and it was expected the project delivery would complete in December 2022. However, due to the challenges faced, the project remains in an early stage of delivery which brings with it inherent risks. Procurement has not yet been undertaken which means that it is not possible to confirm the total project cost, although estimated project costs have been provided for both delivery options being developed. In addition, the funding package for the project cannot be confirmed and agreed by Rother District Council Cabinet until the total project cost is known although it is reported that it is intended that any increase in project cost will be funded through PWLB borrowing.
- 6.10 The project Change Request indicates that a further project review and viability assessment will be conducted following the conclusion of the tender process. The need for this assessment stems from viability concerns in relation to the planned industrial workspace. Whilst Rother District Council are confident that the medical centre represents a commercially strong opportunity, the industrial workspace is considered to be marginal due to increasing construction costs and expected low revenue generation. Based on the information provided, it is expected that the medical centre (as a minimum) will be able to progress to delivery but this cannot be definitively confirmed until the project review and viability assessment have been completed. Consequently, it would appear that the project is now subject to greater levels of uncertainty than at the point of GPF funding award.
- 6.11 As detailed above, Rother District Council are currently preparing tender documents in relation to two different delivery options – Option A details the full project scope and Option B brings forward the medical centre only. It is not expected that a decision will be made on the preferred option until the procurement process has completed and the viability of both options has been considered. This is unlikely to be before June 2024.

- 6.12 The importance of delivering the medical centre and unlocking the delivery of new homes is understood, as are the viability concerns associated with the delivery of the planned industrial workspace which have prompted the development of the two delivery options. However, the development of two options introduces uncertainty as to the scope of the project that the Board are being asked to consider and the scale of benefits which will be realised.
- 6.13 It is acknowledged that efforts have been made to provide an indication as to the level of benefits which will be realised under each option but there continues to be a lack of clarity as to the exact scale of benefits which will be realised and the reduction in benefits which will be seen if Option B is progressed, instead of Option A. In the absence of an updated Value for Money assessment, the lack of clarity with regard to the forecast project benefits presents a challenge when considering whether the project continues to offer High Value for Money.
- 6.14 The Business Case indicates that the GPF loan will help 'bring the project back into viability, by saving around £0.4m in avoided borrowing costs' based on the new higher PWLB rates introduced in October 2019, through allowing a reduction in the level of PWLB borrowing required to support delivery. At the time of the funding decision, it was noted that in late November 2020, the PWLB interest rates were reduced thereby weakening this justification for GPF funding to be used to support the delivery of the project. However, it was considered that the reduction in PWLB interest rates offered cost savings in terms of interest charged on the funds borrowed and appeared, therefore, to offer more certainty regarding project viability and successful delivery of the stated outputs. Consequently, the award of GPF funding was agreed by the Board.
- 6.15 Whilst this rationale was accepted at the time of funding award, the position is now different. The PWLB interest rate has increased from 1.16% on the date of funding award to approximately 4.5%. Given the length of time which has passed since completion of the GPF loan agreement between Essex County Council (as the Accountable Body for SELEP), SELEP Ltd. and East Sussex County Council, it will be necessary to re-establish the interest rate which is chargeable on the GPF loan if it remains within the GPF programme. Consequently, based on current interest rates, there will be a requirement to pay interest of approximately 2.5% on the GPF loan.
- 6.16 The charging of interest on the GPF loan, the increased PWLB interest rate and the potential need to borrow a greater level of funding to support project delivery have the potential to impact on the viability of the project. It may be that the award of GPF funding to support project delivery, and the associated reduced interest rate, is no longer sufficient to bring the project back into viability.
- 6.17 Furthermore, Rother District Council have indicated that the GPF loan will now be repaid using PWLB borrowing. This means that the benefit offered through the reduced interest rate will be felt for a shorter period of time than originally anticipated. The Business Case indicated that the intention was that the GPF

loan would be repaid through income generated through the sale of the planned office accommodation. Under this scenario, the project would have benefited from a reduced interest rate for approximately four years.

- 6.18 Under the revised scenario set out in the Change Request, whilst the project will benefit from the reduced interest rate on the GPF loan for a period of approximately three years, ultimately Rother District Council will need to pay the higher PWLB interest rate on the additional £1.75m which will need to be borrowed to repay the GPF loan. Under this scenario, there is potentially greater risk to the overall viability of the project and consideration should be given as to whether there are other funding sources available, such as Section 106 contributions which may have a lesser impact on the viability of the project.
- 6.19 It should also be noted that the need for GPF as a funding source is lessened as Rother District Council can access PWLB borrowing and this funding will still be available once there is greater certainty regarding the ongoing viability of the project.
- 6.20 In summary, the project remains subject to significant uncertainty, including a lack of clarity on project scope, expected benefits and cost. Given the impending dissolution of SELEP, following the decision by Government to not provide any further core funding to LEPs, it is not possible to give Rother District Council any further time to progress the project to better inform a decision by the Board with regard to the continued inclusion of the project in the GPF programme. In any case, based on the programme provided, it appears unlikely that it will be possible for any further clarity to be provided prior to Summer 2024 at the earliest.
- 6.21 East Sussex County Council have advised that they have completed a review of the information provided by Rother District Council including consideration of whether the revised project proposals continue to comply with Subsidy Control requirements. East Sussex County Council acknowledge the recommendations as detailed in this report with regard to removal of the project from the GPF programme.
- 6.22 A review of the Change Request has been undertaken by the ITE. This review has concluded that, given the original Benefit Cost Ratio calculated for the project (5.8:1), it is likely that the project will continue to offer High Value for Money as delivery of the medical centre will unlock the associated housing development. However, there is an acknowledged uncertainty in the absence of updated job creation estimates. The full report of the ITE can be found at Appendix E.
- 6.23 In light of the concerns identified and set out within this report, it is recommended that the Board agree the removal of the project from the GPF programme.

7. Centre for Advanced Engineering – update on the agreed repayment schedule

- 7.1 The Board approved an award of £2m GPF funding to the Centre for Advanced Engineering project in December 2017. To date, none of this loan has been repaid.
- 7.2 South Essex College have delivered the new Centre for Advanced Engineering at their Eastwood Campus. The centre provides approximately 8,300sqm (Gross Internal Area) of space, with cutting edge facilities and workshops to support courses in engineering, motor vehicle maintenance and construction.
- 7.3 The Centre for Advanced Engineering has been operational since late 2018 and has supported South Essex College to deliver a range of practical courses. In October 2023, the College indicated that the project had supported 1,583 new learners and 150 apprentices. South Essex College have indicated that they are also continuing to strengthen the offer to prospective students to meet employer demand. However, the College have reported that the rate of growth has been affected both by the impact of the COVID-19 pandemic on demand and by a lack of suitably qualified staff. Efforts to recruit the required staff are ongoing and the College have indicated that they remain committed to enhancing their offer further in future years.
- 7.4 A revised repayment schedule for the Centre for Advanced Engineering project was agreed by the Board in November 2021. On the recommendation of Essex County Council (as responsible Upper Tier Local Authority for the project), the Board were advised that a formal Continued Confirmation Statement and Reprofiling of the forecast expenditure would be provided by South Essex College on an annual basis so as to provide the Board with ongoing assurance regarding the agreed repayment schedule.
- 7.5 In accordance with this agreement, South Essex College provided their first update on the repayment schedule in November 2022. At that time, whilst the College indicated that they remained committed to repaying the GPF loan, they noted that they were facing a number of significant challenges which also needed to be managed. These challenges included a potential reclassification which would position the College within the public sector (which would present challenges in relation to the College's existing borrowing), increasing utility costs, increasing interest rates, rising inflation and increasing staff costs.
- 7.6 South Essex College have now provided a further update on their position and the implications for the repayment of the GPF loan. This update confirms that the College was reclassified and now sits within the public sector as a central government entity. As a result of this change, the College can no longer realistically access third party, commercial debt. Whilst the College were able to secure a loan from the Department for Education in July 2023 to cover their previous commercial loan, the facility could not be extended to cover the GPF loan. As a result, the College have indicated that the only source of funds available to repay the GPF loan will be future reserves.

- 7.7 The update indicates that the number of students enrolled at the College remains below pre-COVID levels and, as a result, it has not been possible to deliver the growth necessary to generate sufficient reserves to enable any repayment to be made in relation to the GPF loan.
- 7.8 South Essex College also continue to face financial pressures caused by increased interest rates, rising staff costs and required spend on legacy capital projects. It is also noted that, whilst utility costs have reduced since the update was provided to the Board in November 2022, the utility costs for 2023/24 are expected to be twice those incurred in 2021/22.
- 7.9 The College have implemented a number of measures which, in conjunction with the completion of legacy capital projects, will allow their cash balances to rise. The update stresses that the College remains an ongoing concern and that plans are in place to enable a steady strengthening of their financial position. However, it is currently unclear when there will be sufficient reserves held to allow repayment of the GPF loan as the pace of financial improvement will be governed by student numbers and future Government funding levels. This risk is further exacerbated by the terms of the loan from the Department from Education which places a charge over a number of the college sites and requires preferential payment of the loan over any other outstanding debt, such as the GPF loan. In addition, any funds realised through the sale of excess estate will be directed to the Department for Education.
- 7.10 The College acknowledge that there is a significant risk that they will not be in a position to commence GPF loan repayments in 2025/26 as required under the current repayment schedule. However, the loan has been factored into their long-term planning and they remain committed to engaging with SELEP and Essex County Council.
- 7.11 It is clear from this update that South Essex College continue to face a number of significant financial challenges. As acknowledged by the College, these challenges have the potential to have an adverse impact on their ability to meet the agreed GPF repayment schedule. It is positive that plans have been put in place to strengthen the financial position of the College and the success of these plans should be monitored moving forwards.
- 7.12 The first repayment against the Centre for Advanced Engineering project is not due until March 2026, and therefore there is time for these pressures to be managed before the first repayment is due and therefore no action is proposed at this time.
- 7.13 Finally, it should be noted that in line with Government expectations, it is intended that LEP activities (including oversight and decisions with respect to existing GPF loans) will be transitioned to Upper Tier Local Authorities at the end of 2023/24. Consequently, from April 2024, responsibility for the ongoing management and oversight of this loan will sit with Essex County Council. Any future requirements for changes to the agreed repayment schedule will need to be considered through Essex County Council's own governance processes.

8. Financial Implications (Accountable Body Comments)

- 8.1 Essex County Council, as the Accountable Body, is responsible for ensuring that the funding awarded by Government is utilised in accordance with the conditions set for use of the Grant. GPF is a capital grant awarded by Government to be operated as a recyclable loan scheme.
- 8.2 A total of £12.360m GPF was held by the Accountable Body at the start of 2023/24. Of this balance, £9.61m is uncommitted increasing to £14.925m uncommitted balance for 2023/24, should all loan repayments be received in line with current Board decisions and credit agreements in place.
- 8.3 The current economic climate means that there is a continued risk that scheduled repayments by existing projects will not be made as planned due to difficulties experienced as a result of Brexit, COVID-19, and economic uncertainty due to the high levels of inflation. It is a requirement that the respective Local Authority that is the recipient of the loan, monitors the repayment position and advises SELEP and the Accountable Body of any potential risks in this respect, in accordance with the timelines set out in the respective agreements, to enable mitigations to be agreed by the Board in advance of any default in repayment.
- 8.4 East Sussex County Council have reported a risk to the repayment due by 31 March 2024 in respect of the Sovereign Harbour project of £3.575m; in response to this, ESCC have requested a delay in the repayment of the GPF of a further 2 years to March 2026, which will now be after the planned closure of SELEP. This request is considered further in agenda item 8.
- 8.5 There are also reported risks with respect to a number of other Projects, as set out within section 5 of the report, many of which sight the challenging economic climate as a key contributor to the increased risks. On-going oversight to ensure that risks are mitigated where possible is expected by the respective Lead Local Authority partner in receipt of the GPF loan funding.
- 8.6 The recommendation in respect of the Barnhorn Green Commercial and Health Development Project, if agreed, will release £1.75m into the wider GPF loan fund. It is noted that the full information required to secure a recommendation to approve the submitted change request is not in place and there remains significant uncertainty in respect of the delivery of the Project; additionally, there is no longer a clear demonstration of the need for GPF fund intervention, in the absence demonstrating that alternative funding sources such as PWLB and S.106 contributions cannot be secured to support delivery.
- 8.7 In considering the recommendation to remove the Barnhorn Green Project from the GPF Programme, the Board are advised to note the requirements of the SELEP Assurance Framework which makes provision for the Board to agree a change to a project, which includes cancellation. It is noted that not all of the necessary assurances have been provided to secure a recommendation to approve the submitted change request; the report sets out that the project remains subject to significant uncertainty, including a lack of

clarity on project scope, expected benefits and cost, all of which supports the recommendation made.

- 8.8 It is continued to be noted that actual delivery of jobs and homes reported to date remain out of line with the expected levels identified in the business cases for most completed projects and there has been some evaluation of why delivery of outcomes is lower than expected. It is noted that a full review of the forecast benefits and outcomes stated within the original funding applications, including measuring delivery of benefits post project completion, is currently being undertaken with an expectation that it will be reported to the next meeting of the Board. This is critical post pandemic and with current economic pressures from increasing inflation and Brexit related issues, to help monitor the economic impact of the crisis on the SELEP region and project outcomes. Where appropriate, these evaluations should be used to inform future business case estimations of growth to ensure there is not a pattern of over-ambition.

9. Legal Implications (Accountable Body Comments)

- 9.1 The Growing Places Fund is provided by the Accountable Body to the partner authorities for each project under a loan agreement. Where a loan has not been repaid in accordance with the repayment schedule set out in the loan agreement, the 2% discount rate of interest will cease to apply and the full Public Works Loan Board Fixed Standard New Loan Interest Rate stated will be applied to the outstanding loan amount with effect from the relevant repayment date.
- 9.2 Under the agreement, the Borrower is responsible for project monitoring and reporting to the Board and SELEP Strategic Board. The Borrower is required to provide an update on Project risk including those affecting repayment, as set out within this report, and this obligation continues in respect of an update regarding the position to be provided at the next Board meeting.

10. Equality and Diversity implications (Accountable Body Comments)

- 10.1 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; and
 - c) foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 10.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

10.3 In the course of the development of the project business cases, the delivery of the Project and their 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 were possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

11. List of Appendices

11.1 Appendix A – GPF Project Update

11.2 Appendix B – GPF Repayment Schedule

11.3 Appendix C – GPF Drawdown Schedule

11.4 Appendix D – COVID-19 impacts

11.5 Appendix E – Report of the Independent Technical Evaluator

(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)

Role	Date
Accountable Body sign off	
Michael Neumann (On behalf of Nicole Wood, S151 Officer, Essex County Council)	04/01/2024

Growing Places Fund Update Appendix A				Deliverability and Risk						
Name of Project	Upper Tier Local Authority	GPF Round	Description	Current Status	Delivery Risk	GPF Spend Risk	Repayment Risk	Delivery of Project outcomes	Other Risks	Overall Project Risk
Barnhorn Green Commercial and Health Development	East Sussex	Round Three	Barnhorn Green is an allocated employment and health zone adjacent to a large housing development in Bexhill. Development of the site is required to ensure that housing growth in the area is sustainable through the provision of jobs and primary healthcare. Outline planning permission has been granted for 2,750 sqm of office accommodation, 750 sqm of light industrial workspace and 700 sqm for a GP surgery.	The Growing Places Loan agreement has now been completed. No funding has been drawn down to date. The project is facing a number of challenges and a Change Request has been submitted for Board consideration at this meeting. The Change Request seeks agreement to change the project scope, repayment schedule, repayment mechanism, total project cost and scale of benefits expected to be realised.	Delivery of the project has been significantly delayed. Following a review, it is proposed that the scope of the project is amended to reflect changed market demand since the COVID-19 pandemic.	GPF funding has not yet been drawn down by East Sussex County Council. Drawdown of the funding will be determined by the outcome of the decision due to be taken by the Board at this meeting.	A request to revise the repayment schedule has been submitted and is set out within the agenda pack for Board consideration at this meeting.	A request to change the scope of the project has been submitted. Changing the scope of the project will have an impact on the benefits expected to be realised.	Project viability has not yet been confirmed as a tender process needs to be completed.	A project change request has been brought forward for Board consideration.
Green Hydrogen Generation Facility	Kent	Round Three	The project involves the construction of the UK's largest zero carbon hydrogen production system. This will be situated in Herne Bay, Kent and will be powered by way of a direct connection to the on-land substation for the existing Vattenfall offshore wind farms. The GPF funding will be used to purchase equipment for hydrogen production facility (electrolysers and compressors), specialised tube trailers for storage and distribution of hydrogen and hydrogen refuelling systems which are installed within the SELEP region.	A preferred engineering contractor has been identified and concept engineering design work has been undertaken. Discussions are ongoing with potential suppliers. Site clearance was expected to take place before April 2022, however, this has been delayed to allow time for the design to progress. The wind farm due to be used to support the production of hydrogen needs to be upgraded and safety issues have been identified with some of the wind turbines. Work is ongoing to address this issue but in the meantime, alternative options are being considered by the delivery partner to ensure that the project can progress as planned - although based on current information, this may result in a significant delay in the facility entering use.	The programme has been delayed as a result of COVID-19. In addition, Brexit is likely to impact on delivery timescales for materials and equipment. There is also intense interest in the hydrogen economy which has resulted in longer than expected response times from suppliers. The safety issues identified with the wind turbines are also causing a delay to project delivery.	Construction has been delayed as a result of COVID-19 impacts on engagement with service and equipment suppliers. The risk has been mitigated via an accelerated procurement process. However, issues with the wind turbines continue to delay project delivery, increasing the GPF spend risk.	No repayment risk identified. Increasing levels of demand for green hydrogen in the region is expected to enable timely repayment of the GPF funding.	Project outcomes will be delivered as per the Business Case following project delivery. However, there is currently a significant risk to project delivery.	Risk of fluctuation in the electricity and natural gas markets has materialised, with a similar effect on the market price of hydrogen. Required upgrade to wind turbines and the associated risks identified are delaying delivery of the project.	Construction has been delayed due to COVID-19 impacts and the need to upgrade the existing wind farm. Project outcomes still expected to be delivered as per the Business Case.
Sovereign Harbour	East Sussex	Round One	The Pacific House project has delivered 2,345m ² of high quality office space with the potential to facilitate up to 299 jobs. This is the first major development in the Sovereign Harbour Innovation Park in the A22/A27 growth corridor.	The Sovereign Harbour Innovation Mall (Pacific House) project is now complete and has delivered 2,345m ² of high quality office space.	Project Complete	GPF funding spent in full	Repayment of the remaining balance owed on the loan was expected to be achieved through the sale of the building but to date the building has not been sold. Consequently, a request for a revised repayment schedule is set out within the Board report for consideration at this meeting.	The building has been completed and high occupancy levels have been reported.		Project has been delivered and building currently has high occupancy levels. However, there is a need for a revised repayment schedule to be agreed by the Board.
Centre for Advanced Engineering	Essex	Round Two	Development of a new Centre of Excellence for Advanced Automotive and Process Engineering (CAAPE) through the acquisition and fit out of over 8,000sqm, on an industrial estate in Leigh on Sea. The project will also facilitate the vacation of the Nethermayne site in Basildon, which has been identified for the development of a major regeneration scheme.	Phase 1 completed and operational for start of 2018/19 academic year including motor vehicle and engineering. Phase 2 was completed in November 2018, allowing student enrolment from December 2018. The project was completed on time, to quality and within the revised budget. Revised repayment schedule agreed in November 2021.	Project delivered	GPF funding spent in full	Revised repayment schedule approved by the Board in November 2021. Ability to repay in accordance with this schedule will be considered through annual updates to the Board. A number of significant risks to repayment have been identified in the latest reporting submission. Further information on these risks is provided in the Board report.	Initial project outcomes reported including new learners, apprentices and new jobs created. The College have indicated that the Centre for Advanced Engineering is recovering post COVID-19 and that learner numbers are strengthening, although they remain below pre-COVID levels.		The project is complete and is showing signs of recovery following the COVID-19 pandemic, however, there is a significant repayment risk which will need to be kept under review.

Growing Places Fund Update Appendix A				Deliverability and Risk						
Name of Project	Upper Tier Local Authority	GPF Round	Description	Current Status	Delivery Risk	GPF Spend Risk	Repayment Risk	Delivery of Project outcomes	Other Risks	Overall Project Risk
North Queensway	East Sussex	Round One	The project has delivered the construction of a new junction and preliminary site infrastructure in order to open up the development of a new business park providing serviced development sites with the capacity for circa 16,000m ² (gross) of high quality industrial and office premises.	GPF invested, project complete and full repayment made. None of the forecast project benefits have been realised to date. A further update on the project will be provided at a future meeting when East Sussex County Council and Sea Change Sussex have confirmed an agreed position with regard to next steps for securing the forecast project benefits.	GPF funded enabling works complete but delivery of enabled workspace has not yet commenced	GPF funding spent in full	GPF repaid in full	No project outcomes realised to date.		The GPF funded enabling works have been completed, however, no commercial workspace has been brought forward to date and therefore no benefits have been realised.
Observer Building, Hastings - Tranche 1	East Sussex	Round Three	The project will support Phase 1 of the full redevelopment of the 4,000 sqm. Observer Building, which has been empty and increasingly derelict for 35 years, into a highly productive mixed-use building, creating new homes, jobs, enterprise space and support.	Planning permission for the proposed works was granted in September 2020. Following a period of value engineering, works commenced onsite and the majority of the works have now been completed. A number of tenants are now in situ on both the Alley Level and in the first floor office and co-working spaces.	This is a complex project seeking to address the impacts of 35 years of dereliction. Delivery of the GPF funded works is complete and funding has been secured to support development of the remaining floors in the building.	GPF allocation has been spent in full	The repayment schedule currently remains as set out in the Business Case but the ongoing global economic uncertainty and delays to delivery of the wider project present a significant risk which may mean repayment cannot be achieved in line with the current repayment schedule.	It is expected that the Project outcomes will be realised as per the Business Case.		Project is progressing onsite. GPF funding has been spent in full and project outcomes remain as set out in the Business Case. Repayment risk will be monitored following project completion
Observer Building, Hastings - Tranche 2	East Sussex	Round Three	The project will support the full redevelopment of the 4,000 sqm. Observer Building, which has been empty and increasingly derelict for 35 years, into a highly productive mixed-use building, creating new homes, jobs, enterprise space and support.	Growing Places Fund loan agreement completed in December 2021. Full funding allocation drawn down in January 2022. Additional funding will allow sequential delivery of improvements to the upper floors of the building, reducing the need for scaffolding to be removed and replaced at a later date. GPF funded outputs expected to complete by March 2024, however, further funding will be required to ensure that the full project specification can be delivered.	This is a complex project seeking to address the impacts of 35 years of dereliction. Delivery of the GPF funded works is complete and funding has been secured to support development of the remaining floors in the building.	GPF funding has been spent in full	The repayment schedule currently remains as set out in the Business Case but the ongoing global economic uncertainty and delays to delivery of the wider project present a risk which may mean repayment cannot be achieved in line with the current repayment schedule.	It is expected that the Project outcomes will be realised as per the Business Case.		Project is progressing onsite. Project outcomes remain as set out in the Business Case. Repayment risk will be monitored following project completion
Colchester Northern Gateway	Essex	Round Two	This development is located at Cuckoo Farm, off Junction 28 of the A12. The overall scheme consists of: relocation of the existing Colchester Rugby club site to land north of the A12 which will unlock residential land for up to 560 homes, providing in total around 35% affordable units and on site infrastructure improvements facilitating the development of the Sports and Leisure Hub.	The GPF supported phase of the project has been completed and the GPF funding has been repaid in full.	There is no delivery risk in relation to the GPF funded element of the project, however, delivery of the wider project has been impacted by delays in bringing forward required highway works.	GPF funding spent in full. In November 2021, Board approved the reduction in value of the GPF loan to £1.35m	Full repayment of the GPF funding has been made.	Realisation of forecast project outcomes is dependent upon delivery of the wider project.	The site is expected to include some commercial development. As a result of the COVID-19 pandemic, there is likely to be a reduced demand for commercial space and therefore these works may be further delayed.	GPF funded works delivered and GPF funding repaid in full. However, delivery of wider project and realisation of forecast outcomes impacted by delays in bringing forward the required highway works.

Growing Places Fund Update Appendix A				Deliverability and Risk						
Name of Project	Upper Tier Local Authority	GPF Round	Description	Current Status	Delivery Risk	GPF Spend Risk	Repayment Risk	Delivery of Project outcomes	Other Risks	Overall Project Risk
Workspace Kent	Kent	Round One	The project aims to provide funds to businesses to establish incubator areas/facilities across Kent. The project provides funds for the building of new facilities and refit of existing facilities.	<p>There are four projects within this programme. Of these, two projects have been completed and have repaid in full and one project has agreed a revised repayment schedule with Kent County Council due to the impacts of the COVID-19 pandemic. The remaining project has partially repaid the funding but the company has now been dissolved and there are no further means to recover the outstanding balance. Write off of the outstanding balance owed by this company (£18,767) was agreed by the Board in November 2021.</p> <p>A further project had been approved, however, this project has now been removed from the programme and alternative projects are being considered.</p>	It was previously reported that the GPF funding had all been allocated to approved projects, however, the final project has now been removed from the programme. Alternative options for use of the remaining funding are being considered and discussions are ongoing with 3 potential projects.	The final project (recently approved) has been removed from the programme. There is an increased spend risk until an alternative project has been identified and approved.	Two of the five projects have now completed and repaid in full, with a third partially repaying prior to dissolution of the company. The fourth project restarted repayments in July 2023 following a short repayment holiday.	<p>Two projects repaid in advance of their agreed final repayment date, and therefore the forecast job creation to be achieved within the contractual period of 5 years could not be achieved.</p> <p>Additional outcomes will be delivered as a result of the final project (once identified) and therefore forecast project outcomes should still be achieved.</p>		The majority of the GPF funding has been invested in projects. Efforts are ongoing to identify a suitable project for investment of the remaining funding.
Eastbourne Fisherman's Quayside and Infrastructure Development	East Sussex	Round Two	This capital project has secured £1,000,000 European Maritime and Fisheries Fund (EMFF) grant funding to build a Fishermen'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.	<p>Work commenced onsite on 27th July 2020 and an official ground breaking ceremony was held on 24th August.</p> <p>GPF funded element of the wider project has been completed.</p>	Project delivered	GPF funding has been spent in full	Repayment of £0.1m made in March 2022, rather than £0.25m repayment as per agreed schedule resulting in default on the loan. Significantly extended repayment schedule (running to 2034/35) agreed by the Board in April 2023. This will be subject to regular reviews to identify any risks to repayment or opportunities to accelerate repayment.	Project has been impacted by Brexit and the COVID-19 pandemic which has resulted in benefits being realised at a slower pace than originally forecast. Challenges have also been encountered meaning the benefits are not safeguarded.		Delivery of project outcomes has been adversely impacted by new Brexit regulations. In addition, an extended revised repayment schedule has been agreed by the Board following a default on the repayment due in 2021/22.
Innovation Park Medway (southern site enabling works)	Medway	Round Two	<p>The Project is part of a wider package of investment at Innovation Park Medway. The Innovation Park is one of three sites across Kent and Medway which together form the North Kent Enterprise Zone.</p> <p>The vision for Innovation Park Medway is to attract high GVA businesses focused on the technological and science sectors – particularly engineering, advanced manufacturing, high value technology and knowledge intensive industries. These businesses will deliver high value jobs in the area and will contribute to upskilling the local workforce. This is to be achieved through general employment and the recruitment and training of apprentices including degree-level apprenticeships through collaboration with the Higher Education sector.</p> <p>The Project will bring forward site enabling works on the southern site at the Innovation Park.</p>	<p>The Masterplan and Local Development Order (LDO) for Innovation Park Medway have now been adopted by both Medway Council and Tonbridge and Malling Borough Council.</p> <p>The access roads, footpaths, lighting, signage and utilities have been delivered onsite. Marketing of the site is ongoing and enquiries are being reviewed.</p> <p>Council funding has been secured to bring forward two plots and a self-certification planning application has been approved under the LDO for the first plot (office building). A competitive tender process has been carried out to appoint a construction contractor. It is expected that construction will commence in Winter 2023.</p>	GPF funded enabling works have now been delivered	GPF funding has been spent in full	GPF loan has been repaid in full	The enabling works have been completed and the site is currently being marketed. In a change of approach, it is now intended that Medway Council will bring forward the commercial workspace on the site with a view to leasing the space to businesses, rather than businesses building their own workspace.	Lack of interest in leasing the office space could be a risk, however marketing of the site continues, with the first building being designed ready for occupation in Autumn/Winter 2024. Terms are being agreed with the first anchor tenant.	The GPF funded enabling works have now been delivered and the GPF funding has been repaid in full. Realisation of project outcomes is now dependent upon Medway Council bringing forward the commercial workspace on the site.

Growing Places Fund Update Appendix A				Deliverability and Risk						
Name of Project	Upper Tier Local Authority	GPF Round	Description	Current Status	Delivery Risk	GPF Spend Risk	Repayment Risk	Delivery of Project outcomes	Other Risks	Overall Project Risk
No Use Empty South Essex	Southend	Round Three	The No Use Empty Commercial project aims to return long-term empty commercial properties to use, for residential, alternative commercial or mixed-use purposes. In particular, it will focus on town centres, where secondary retail and other commercial areas have been significantly impacted by changing consumer demand and have often been neglected as a result of larger regeneration schemes.	The Growing Places Loan agreement has now been completed. No funding has been drawn down to date as spend of the GBF funding awarded to support project delivery has been prioritised.	A pipeline of projects has been established.	Required due diligence and legal processes are taking longer than anticipated which may increase the GPF spend risk.	A revised repayment schedule was agreed at the June 2023 Board meeting.	A pipeline of projects has been developed and therefore it is expected that the forecast project outcomes will be achieved.		GPF funding has not yet been drawn down but a pipeline of projects has been developed demonstrating demand for the No Use Empty scheme.
Bexhill Business Mall	East Sussex	Round One	The Bexhill Business Mall (Glover's House) project has delivered 2,345m ² of high quality office space with the potential to facilitate up to 299 jobs. This is the first major development in the Bexhill Enterprise Park in the A259/A21 growth corridor.	Glover's House has been delivered. The building has been sold which allowed full repayment of the GPF loan to be made during 2019/20.	Project Complete	GPF spent in full	GPF funding repaid in full	As the building has now been sold, it is difficult to obtain real-time data regarding the number of jobs created as a result of the project.		Project completed and GPF repaid in full
Chatham Waterfront	Medway	Round One	The project will deliver land assembly, flood mitigation and the creation of investment in public space required to enable the development of proposals for the Chatham Waterfront Development. A waterfront development site that can provide up to 175 homes over 6 to 10 storeys with ground floor commercial space.	The frames for all 5 blocks of flats are now complete and work is ongoing to complete the build.	Previously referenced challenges around the roof design and associated construction have been resolved allowing roof construction to commence.	The GPF Funding has been spent in full	GPF funding repaid in full	Realisation of forecast project outcomes is dependent upon delivery of the wider project.		Work is continuing onsite to deliver the wider project which will realise the forecast project outcomes.
Chelmsford Urban Expansion	Essex	Round One	The early phase of development in NE Chelmsford involves heavy infrastructure demands constrained to 1,000 completed dwellings. The fund will help deliver an improvement to the Boreham Interchange, allowing the threshold to be raised to 1,350, improving cash flow and the simultaneous commencement of two major housing schemes.	GPF invested and GPF has been repaid in full.	GPF element of the project complete but delivery of the wider project is continuing.	GPF element of the project complete	GPF element of the project complete and loan repaid in full.	Expected project outcomes not yet delivered. Information is being provided on the number of houses delivered and the number of jobs created.		GPF element of the project complete
Grays Magistrates Court	Thurrock	Round One	The project has converted the Magistrates Court to business space as part of a wider Grays South regeneration project which aims to revitalise Grays town centre.	GPF invested, project complete and repayment made in full. The refurbished building is now in use and having a positive impact in the town centre.	Project Complete	GPF funding spent in full	GPF funding repaid in full	Project outcomes delivered.	COVID-19 is likely to impact on the economy and therefore there may be reduced occupancy of the business space in the short term.	Project delivered.
Harlow West Essex	Essex/Harlow	Round One	To provide new and improved access to the London Road site designated within the Harlow Enterprise Zone.	Project delivered to a reduced scope.	Project Complete	GPF funding spent in full	GPF funding repaid in full	The job and housing outcomes are likely to be delivered over a 7 to 10 year period. As project delivered to a reduced scope, approximately 1,000 less jobs will be delivered as a result of the project.		Further works in the programme are ongoing in Harlow that will help improve the overall viability and attractiveness of the Enterprise Zone.
Herne Relief Road - Bullockstone Road improvement scheme	Kent	Round Three	The proposed Herne Relief Road is formed of two sections: the Bullockstone Road Improvement Scheme and a spine road through the proposed Lower Herne Village at Strode Farm. This project seeks to bring forward the Bullockstone Road Improvement Scheme element of the Relief Road.	Delivery of the Bullockstone Road Improvement Scheme is now complete. The spine road through the proposed Lower Herne Village development will be funded and delivered by the developer.	The GPF funded element of the wider project has been delivered.	GPF funding has been spent in full	There is a minor risk that the final development site will be slow to build out, meaning that their S106 contribution may be delayed. This would impact on the repayment of the loan.	It is still expected that the benefits set out in the Business Case will be realised.		Project has now been delivered. The identified repayment risk will be monitored.

Growing Places Fund Update Appendix A				Deliverability and Risk						
Name of Project	Upper Tier Local Authority	GPF Round	Description	Current Status	Delivery Risk	GPF Spend Risk	Repayment Risk	Delivery of Project outcomes	Other Risks	Overall Project Risk
Javelin Way development project	Kent	Round Two	The project aims to develop the Javelin Way site for employment use, with a focus on the development of Ashford's creative economy. The project consists of two elements: the construction of a 'creative laboratory' production space and the development of 29 light industrial units.	The project has secured Getting Building Fund investment to bridge a viability gap which has arisen as a result of COVID-19 impacts on the property market. Further GBF funding was awarded to help mitigate the impact of increasing costs. Construction is now complete, and leases are being put in place with tenants for the final 4 industrial units. Official opening of the JVC Building took place on 7 December 2022.	Construction is now complete and the last remaining leases are being finalised.	GPF funding spent in full as construction is now complete.	Revised repayment schedule approved by the Board in February 2021 to mitigate impact on sales value/market for industrial units.	Delivery of project outcomes may be delayed depending upon the impact of COVID-19 on the sales of the light industrial units, however, it is still expected that the project outcomes will be as set out in the Business Case.		Construction is now complete and the industrial units are being handed over to tenants/owners. The impact of the COVID-19 pandemic on the ability to meet the project outcomes as set out in the Business Case will be monitored.
Live Margate	Kent	Round One	Live Margate is a programme of interventions in the housing market in Margate and Cliftonville, which includes the acquisition of poorly managed multiple occupancy dwellings and other poor quality building stock and land to deliver suitable schemes to achieve the agreed social and economic benefits to the area.	"Phase 1" has been completed. "Phase 2" is underway. Approach to Phase 2 of the project has changed and will now focus on addressing more poor quality building stock, rather than taking forward the site previously reported as acquired by Kent County Council. This change has been implemented following delays in bringing forward the planned work on the acquired site. To date 92 units have been completed and occupied.	There is no identified delivery risk following the change in approach to Phase 2 of the project	The majority of the GPF funding has now been spent	COVID-19 has impacted on the construction sector and the time required to return derelict homes back into use. In addition, the COVID-19 pandemic has had an impact on sales values of homes. A revised repayment schedule was agreed by the Board in November 2020. Repayments continue to be made in accordance with this repayment schedule.	It is expected that benefits realised will be greater than those set out in the Business Case.		Project is progressing well following change to Phase 2 of the project. Project is expecting to exceed the project outcomes set out in the Business Case. Repayment risk to be monitored.
No Use Empty Commercial Phase II	Kent	Round Three	The No Use Empty Commercial project aims to return long-term empty commercial properties to use, for residential, alternative commercial or mixed-use purposes. In particular, it will focus on town centres, where secondary retail and other commercial areas have been significantly impacted by changing consumer demand and have often been neglected as a result of larger regeneration schemes.	17 projects have been approved in Canterbury, Dover, Faversham, Folkestone, Herne Bay, Hythe, Margate, Minster, Sheerness, Sittingbourne and Ramsgate. These projects are expected to return 20 empty commercial units back into use and create 52 residential units. Discussions are ongoing regarding 3 potential new projects. Approval for accelerated drawdown of £500,000 GPF originally forecast for drawdown in 2023/24 was granted at the July 2022 Board meeting.	The first 17 projects are in contract. Discussions are ongoing regarding a further 3 projects, which if approved will use all remaining GPF funding.	No identified GPF spend risk. Approval for accelerated drawdown of GPF funding was received at the July 2022 Board meeting.	The project is in the early stages but no repayment risk identified to date.	There was a concern that the impact of COVID-19 on the High Street could result in fewer large commercial premises coming forward for redevelopment. However, the project is progressing well with minimal publicity and developers are considering reducing the size of larger units to convert into more marketable space for independent retail opportunities.		Project is progressing well and accelerated drawdown of GPF funding has been agreed to support project delivery.
No Use Empty Residential	Kent	Round Three	The No Use Empty Initiative seeks to improve the physical urban environment in Kent by bringing empty properties back into use as quality housing accommodation and by raising awareness of the issues surrounding empty properties, highlighting the problems they cause to local communities. This objective is achieved through the provision of short-term secured loans (up to 3 years) to property owners.	The Growing Places Fund loan agreement has now been completed by all parties and the funding released to Kent County Council. There is a healthy pipeline of projects for 2023/24. The first 33 projects under this funding stream are now in contract and will deliver 85 homes.	Delivery of the project is progressing well, and is supported by a strong track record of delivery.	GPF spend commenced in Q1 2022/23 following completion of the contracts relating to the initial projects and has been steadily increasing since.	No repayment risk identified to date. A sizeable proportion of the funding was allocated during 2023/24 which should help mitigate any risk of late repayment against the repayment schedule.	It is expected that benefits will be realised as per the Business Case.	Project experiencing an increase in the volume of loan applications. Risk of delays mitigated through appointment of an additional member of staff.	Project is progressing well.

Growing Places Fund Update Appendix A				Deliverability and Risk						
Name of Project	Upper Tier Local Authority	GPF Round	Description	Current Status	Delivery Risk	GPF Spend Risk	Repayment Risk	Delivery of Project outcomes	Other Risks	Overall Project Risk
Priory Quarter Phase 3	East Sussex	Round One	The Priory Quarter (Havelock House) project is a major development in the heart of Hastings town centre which has delivered 2,247m ² of high quality office space with the potential to facilitate up to 440 jobs.	The Priory Quarter (Havelock House) project is now complete and has delivered 2,247m ² of high quality office space. Havelock House has now been sold, which enabled full repayment of the GPF loan prior to the end of 2018/19.	Project Complete	Project Complete	Havelock House has been sold enabling full repayment to be made in 2018/19.	As the building has now been sold, it is difficult to obtain real-time data regarding the number of jobs created as a result of the project.		Project completed and GPF repaid in full
Rochester Riverside	Medway	Round One	The project will deliver key infrastructure investment including the construction of the next phase of the principal access road, public space and site gateways. This development is to be completed over 7 phases and should take approximately 12 years. The scheme will include: 1,400 new homes (25% of which are affordable), a new 1 form entry primary school, 2,200 sqm of new office & retail space, an 81 bed hotel and 10 acres of public open space.	The first housing units were completed in Q2 of 2019, with a total of 461 homes now occupied on the site. Commercial units have also been completed and are fully occupied. Work continues to deliver later phases of residential development.	Delivery of the project is continuing. An ongoing viability assessment is being carried out in relation to future phases of development.	The GPF Funding has already been spent	The GPF funding has been repaid in full.	Realisation of full forecast project outcomes is dependent upon delivery of the wider project. Work is ongoing onsite.		Overall the project is on track to deliver outputs and outcomes.
Charleston Centenary	East Sussex	Round Two	The Charleston Trust have created a café-restaurant in the Threshing Barn on the farmhouse's estate. This work is part of a wider £7.6m multi-year scheme – the Centenary Project – which aims to transform the operations of the Charleston Farmhouse museum.	The GPF funded works on the café-restaurant are now complete and the café-restaurant is open. Immediate impacts of the COVID-19 pandemic were experienced, resulting in delays to repayment of the GPF loan.	Project complete	GPF funds spent	Following impacts of COVID-19, a revised repayment schedule was approved by the Board in July 2020. Repayment plans remain in line with the agreed revised repayment schedule.	Significant benefits have been realised since completion of the Centenary Project. Impacted by COVID-19 pandemic but steps have been taken to try and ensure recovery from 2021 onwards - including use of GBF funding to improve access to the site		Project delivered. Revised repayment schedule agreed as a result of the immediate impacts of the COVID-19 pandemic on the tourism industry.
Fitted Rigging House	Medway	Round Two	The Fitted Rigging House project converts a large, Grade 1, former industrial building into office and public benefit space initially providing a base for eight organisations employing over 350 people and freeing up space to create a postgraduate study facility elsewhere onsite for the University of Kent Business School. The project also provides expansion space for the future which has the potential to enable the creation of a high tech cluster based on the work of one core tenant and pre-existing creative industries concentrated on the site. The conversion will provide 3,473m ² of office space.	Building works to the project were complete as of 31st March 2020. The building is now fully occupied, with all 8 tenants operating from their new working spaces. Immediate impacts of the COVID-19 pandemic were experienced, resulting in delays to repayment of the GPF loan.	Project complete.	GPF allocation spent in full.	The cashflow and reserves position is stable and the repayments have been included in the operating assumptions.	The sustainability of tenants is returning to pre COVID-19 levels and therefore there is greater confidence that project outcomes will be achieved and maintained.		The project has been delivered and it is expected that repayments will be made in line with the agreed repayment schedule.

Growing Places Fund Update Appendix A				Deliverability and Risk						
Name of Project	Upper Tier Local Authority	GPF Round	Description	Current Status	Delivery Risk	GPF Spend Risk	Repayment Risk	Delivery of Project outcomes	Other Risks	Overall Project Risk
No Use Empty Commercial Phase I	Kent	Round Two	The No Use Empty Commercial project aims to return long-term empty commercial properties to use, for residential, alternative commercial or mixed-use purposes. In particular, it will focus on town centres, where secondary retail and other commercial areas have been significantly impacted by changing consumer demand and have often been neglected as a result of larger regeneration schemes.	The project has contracted with 12 projects in Dover, Folkestone and Margate. To date, 15 commercial and 26 residential units have been brought back into use as a result of the project. A further 2 residential units may be delivered at a later date.	Delivery of the project is complete. Delivery of the remaining residential units require further planning approvals and therefore sit outside the scope of the project.	GPF funding spent in full	GPF repaid in full	The project has delivered 30 new jobs and 25 new homes - exceeding the number of outcomes stated in the Business Case.		The project has completed and the GPF funding has been repaid in full.
Parkside Office Village	Essex	Round One	SME Business Units at the University of Essex. Phase 1, 14,032 sqft.; 1,303sqm lettable space, build complete June 2014. Phase 1a 3,743 sqft.; 348 sqm - complete September 2016.	Project complete and GPF funding repaid in full.	Project Complete	GPF funding spent in full	Project Complete and loan repaid in full.	Forecast project benefits now realised		Project Complete and expected project outcomes delivered.
Wine Innovation Centre	Kent	Round Three	This project supports the development of a facility to host a wine innovation centre at the East Malling Estate. This will be the first UK research vineyard and will support Kent's wine sector to develop as a global leader in innovation. The GPF will enable the ground and foundations work as well as installation of utilities and services and construction and fit out of building.	Delivery of the project has now been completed and the GPF funding has been spent in full.	Project complete	GPF funding spent in full	It is expected that repayment will be made in line with the agreed repayment schedule	Initial information on project outcomes provided.		Project delivery is now complete
Discovery Park	Kent	Round One	The proposal is to develop the Discovery Park site and create the opportunity to build both houses and commercial retail facilities.	The project promoter has informed Kent County Council that they no longer wish to proceed with the GPF loan and therefore the project has been removed from the GPF programme. The GPF funding has been repaid in full by Kent County Council and has been reallocated through GPF round 3.	Project removed from the GPF programme	Project removed from the GPF programme	Project removed from the GPF programme	Project removed from the GPF programme	Project removed from the GPF programme	Project removed from the GPF programme
Harlow EZ Revenue Grant	n/a	n/a		n/a						
Revenue admin cost drawn down	n/a	n/a		n/a						

Appendix B - Growing Places Fund Repayment Schedule

Name of Project	Upper Tier Local Authority	Total Allocation	Total Drawn Down to date	Total Spent to Date	Total Repaid by 31st March 2023	2023/24 total	2024/25 total	2025/26 total	2026/27 total	2027/28 total	2028/29 total	2029/30 total	2030/31 total	2031/32 total	2032/33 total	2033/34 total	2034/35 total	Total
Revenue admin cost drawn down	n/a	2,000	2,000	2,000														2,000
Harlow EZ Revenue Grant	n/a	1,244,000	1,244,000	1,244,000														1,244,000
Round 1 Projects																		
Priory Quarter Phase 3	East Sussex	7,000,000	7,000,000	7,000,000	7,000,000	-	-	-	-	-	-	-	-	-	-	-	-	7,000,000
North Queensway	East Sussex	1,500,000	1,500,000	1,500,000	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-	1,500,000
Rochester Riverside	Medway	4,410,000	4,410,000	4,410,000	4,410,000	-	-	-	-	-	-	-	-	-	-	-	-	4,410,000
Chatham Waterfront	Medway	2,999,042	2,999,042	2,999,042	2,999,042	-	-	-	-	-	-	-	-	-	-	-	-	2,999,042
Bexhill Business Mall	East Sussex	6,000,000	6,000,000	6,000,000	6,000,000	-	-	-	-	-	-	-	-	-	-	-	-	6,000,000
Parkside Office Village	Essex	3,250,000	3,250,000	3,250,000	3,250,000	-	-	-	-	-	-	-	-	-	-	-	-	3,250,000
Chelmsford Urban Expansion	Essex	1,000,000	1,000,000	1,000,000	1,000,000	-	-	-	-	-	-	-	-	-	-	-	-	1,000,000
Grays Magistrates Court	Thurrock	1,400,000	1,400,000	1,400,000	1,400,000	-	-	-	-	-	-	-	-	-	-	-	-	1,400,000
Sovereign Harbour	East Sussex	4,600,000	4,600,000	4,600,000	1,025,000	-	-	3,575,000	-	-	-	-	-	-	-	-	-	4,600,000
Workspace Kent	Kent	1,500,000	1,500,000	1,437,000	1,246,633	-	-	-	234,600	-	-	-	-	-	-	-	-	1,481,233
Harlow West Essex	Essex/Harlow	1,500,000	1,500,000	1,500,000	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-	1,500,000
Discovery Park	Kent	5,300,000	5,300,000	-	5,300,000	-	-	-	-	-	-	-	-	-	-	-	-	5,300,000
Live Margate	Kent	5,000,000	5,000,000	4,429,600	2,500,000	1,000,000	1,500,000	-	-	-	-	-	-	-	-	-	-	5,000,000
Sub Total		46,705,042	46,705,042	40,771,642	39,130,675	1,000,000	1,500,000	3,575,000	234,600	-	-	-	-	-	-	-	-	46,686,275
Round 2 Projects																		
Colchester Northern Gateway	Essex	1,350,000	1,350,000	1,350,000	1,350,000	-	-	-	-	-	-	-	-	-	-	-	-	1,350,000
Charleston Centenary	East Sussex	120,000	120,000	120,000	40,000	40,000	40,000	-	-	-	-	-	-	-	-	-	-	120,000
Eastbourne Fisherman's Quay and Infrastructure Development	East Sussex	1,150,000	1,150,000	1,150,000	325,000	-	36,400	65,200	70,000	74,800	82,400	86,400	86,400	86,400	86,400	86,400	64,200	1,150,000
Centre for Advanced Automotive and Process Engineering	South Essex	2,000,000	2,000,000	2,000,000	-	-	-	1,000,000	1,000,000	-	-	-	-	-	-	-	-	2,000,000
Fitted Rigging House	Medway	550,000	550,000	550,000	100,000	100,000	150,000	200,000	-	-	-	-	-	-	-	-	-	550,000
Javelin Way Development	Kent	1,597,000	1,597,000	1,597,000	-	500,000	500,000	597,000	-	-	-	-	-	-	-	-	-	1,597,000
Innovation Park Medway	Medway	650,000	650,000	650,000	650,000	-	-	-	-	-	-	-	-	-	-	-	-	650,000
No Use Empty Commercial Phase I	Kent	1,000,000	1,000,000	1,000,000	1,000,000	-	-	-	-	-	-	-	-	-	-	-	-	1,000,000
Sub Total		8,417,000	8,417,000	8,417,000	3,465,000	640,000	726,400	1,862,200	1,070,000	74,800	82,400	86,400	86,400	86,400	86,400	86,400	64,200	8,417,000
Round 3 Projects																		
Wine Innovation Centre	Kent	600,000	600,000	600,000	-	100,000	250,000	250,000	-	-	-	-	-	-	-	-	-	600,000
Green Hydrogen Generation Facility	Kent	3,470,000	3,470,000	-	-	-	350,000	3,120,000	-	-	-	-	-	-	-	-	-	3,470,000
Observer Building, Hastings - Tranche 1	East Sussex	1,750,000	1,750,000	1,750,000	-	-	-	1,750,000	-	-	-	-	-	-	-	-	-	1,750,000
Barnhorn Green Commercial and Health Development - Phase 1	East Sussex	1,750,000	-	-	-	-	-	-	1,750,000	-	-	-	-	-	-	-	-	1,750,000
No Use Empty Commercial Phase II	Kent	2,000,000	2,000,000	1,969,000	-	-	750,000	750,000	500,000	-	-	-	-	-	-	-	-	2,000,000
No Use Empty South Essex	Southend	1,000,000	-	-	-	-	-	-	1,000,000	-	-	-	-	-	-	-	-	1,000,000
Herne Relief Road	Kent	3,500,000	3,500,000	3,500,000	-	-	-	3,500,000	-	-	-	-	-	-	-	-	-	3,500,000
Observer Building, Hastings - Tranche 2	East Sussex	1,616,500	1,616,500	1,616,500	-	-	-	1,616,500	-	-	-	-	-	-	-	-	-	1,616,500
No Use Empty Residential	Kent	2,500,000	2,500,000	1,598,500	-	-	-	1,250,000	1,250,000	-	-	-	-	-	-	-	-	2,500,000
Sub Total		18,186,500	15,436,500	11,034,000	-	100,000	1,350,000	12,236,500	4,500,000	-	-	-	-	-	-	-	-	18,186,500
Total		73,308,542	70,558,542	60,222,642	42,595,675	1,740,000	3,576,400	17,673,700	5,804,600	74,800	82,400	86,400	86,400	86,400	86,400	86,400	64,200	73,289,775

Appendix C - Growing Places Fund Drawdown Schedule

Name of Project	Upper Tier Local Authority	Total Allocation	Total drawn down to end 2022/23	2023/24 total	Total scheduled for drawdown
Round 1 Projects					
Priory Quarter Phase 3	East Sussex	7,000,000	7,000,000	-	7,000,000
North Queensway	East Sussex	1,500,000	1,500,000	-	1,500,000
Rochester Riverside	Medway	4,410,000	4,410,000	-	4,410,000
Chatham Waterfront	Medway	2,999,042	2,999,042	-	2,999,042
Bexhill Business Mall	East Sussex	6,000,000	6,000,000	-	6,000,000
Parkside Office Village	Essex	3,250,000	3,250,000	-	3,250,000
Chelmsford Urban Expansion	Essex	1,000,000	1,000,000	-	1,000,000
Grays Magistrates Court	Thurrock	1,400,000	1,400,000	-	1,400,000
Sovereign Harbour	East Sussex	4,600,000	4,600,000	-	4,600,000
Workspace Kent	Kent	1,500,000	1,500,000	-	1,500,000
Harlow West Essex	Essex/Harlow	1,500,000	1,500,000	-	1,500,000
Discovery Park	Kent	5,300,000	5,300,000	-	5,300,000
Live Margate	Kent	5,000,000	5,000,000	-	5,000,000
Sub Total		45,459,042	45,459,042	-	45,459,042
Round 2 Projects					
Colchester Northern Gateway	Essex	1,350,000	1,350,000	-	1,350,000
Charleston Centenary	East Sussex	120,000	120,000	-	120,000
Eastbourne Fisherman's Quay and Infrastructure Development	East Sussex	1,150,000	1,150,000	-	1,150,000
Centre for Advanced Automotive and Process Engineering	South Essex	2,000,000	2,000,000	-	2,000,000
Fitted Rigging House	Medway	550,000	550,000	-	550,000
Javelin Way Development	Kent	1,597,000	1,597,000	-	1,597,000
Innovation Park Medway	Medway	650,000	650,000	-	650,000
No Use Empty Commercial Phase I	Kent	1,000,000	1,000,000	-	1,000,000
Sub Total		8,417,000	8,417,000	-	8,417,000
Round 3 Projects					
Wine Innovation Centre	Kent	600,000	600,000	-	600,000
Green Hydrogen Generation Facility	Kent	3,470,000	3,470,000	-	3,470,000
Observer Building, Hastings - Tranche 1	East Sussex	1,750,000	1,750,000	-	1,750,000
Barnhorn Green Commercial and Health Development - Phase 1	East Sussex	1,750,000	-	1,750,000	1,750,000
No Use Empty Commercial Phase II	Kent	2,000,000	2,000,000	-	2,000,000
No Use Empty South Essex	Southend	1,000,000	-	1,000,000	1,000,000
Herne Relief Road	Kent	3,500,000	3,500,000	-	3,500,000
Observer Building, Hastings - Tranche 2	East Sussex	1,616,500	1,616,500	-	1,616,500
No Use Empty Residential	Kent	2,500,000	2,500,000	-	2,500,000
Sub Total		18,186,500	15,436,500	2,750,000	18,186,500
Total		72,062,542	69,312,542	2,750,000	72,062,542

Appendix D – COVID-19 impacts

Through reporting provided on the GPF projects since the onset of the COVID-19 pandemic, it is apparent that there are a number of high-level risks which are having an impact across the GPF programme. The key overarching risks highlighted are:

- **The effect of social distancing measures on construction practices** – these measures have resulted in extended construction periods and unknown delays to the completion of projects and have been further exacerbated by delays to the supply chain and materials shortages. These factors will have an impact on the ability of the scheme promoter to repay the GPF funding in line with the agreed repayment schedule.
- **The impact on the property sales and rental market** – a number of projects are dependent upon the sale or rental of properties delivered using the GPF funding, in order to meet the agreed repayment schedules. At this stage, the ongoing impact on the property market is not fully known meaning that a number of risks have been identified including realisation of project benefits, project delivery and repayment of GPF loans.
- **Income from commercial tenants** – GPF funding is often used to support the development of commercial workspace, which is then rented to businesses to generate the income required to repay the GPF loan. Due to the impacts of COVID-19, scheme promoters of this type of project have expressed a desire to support their commercial tenants during this period. This support is often in the form of rent deferrals or rent holidays. Whilst this support increases the likelihood of their tenants being able to survive the current period of uncertainty, it places significant pressures on the cash flow of the scheme promoters as they see a drop in rental income. There is also a risk that, despite the support offered, businesses will not survive leading to further losses in service charge income and an increase in business rates payable on empty commercial space.

As the country continues to recover from the COVID-19 pandemic, these risks will be monitored to understand their impact on the ongoing project delivery and repayment of the GPF funding.

Independent Technical Evaluator – Business Case Assessment – Q3 2023/24

Independent Technical Evaluator – Business Case Assessment – Q3 2023/24

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1 Independent Technical Evaluation

Overview

- 1.1 Steer was reappointed as the South East Local Enterprise Partnership’s Independent Technical Evaluator in April 2023. It is a requirement of Central Government that every Local Enterprise Partnership subjects its business cases and investment decisions to independent scrutiny.
- 1.2 Recommendations will be made for funding approval by the Accountability Board in line with the South East Local Enterprise Partnership’s own governance.

Method

- 1.3 The review provides commentary on the business cases submitted by scheme promoters, and feedback on the strength of business case, the value for money likely to be delivered by the scheme (as set out in the business case) and the certainty of securing that value for money.
- 1.4 Our role as Independent Technical Evaluator is not to purely assess adherence to guidance, nor to make ‘go’ / ‘no go’ decisions on funding, but to provide evidence to the South East Local Enterprise Partnership Board to make such decisions based on expert, independent and transparent advice. Approval will, in part, depend on the appetite of the Board to approve funding for schemes where value for money is not assessed as being high (i.e. where a benefit to cost ratio is below two to one and / or where information and / or analysis is incomplete).
- 1.5 The assessments are based on adherence of scheme business cases to Her Majesty’s Treasury’s *Green Book: Central Government Guidance on Appraisal and Evaluation*¹, and related departmental guidance such as the Department for Transport’s TAG (Transport Analysis Guidance, formerly WebTAG) or the DLUHC Appraisal Guide. All of these provide proportionate methodologies for scheme appraisal (i.e. business case development).
- 1.6 Pro forma have been developed based on the criteria of *The Green Book*, a ‘checklist for appraisal assessment from Her Majesty’s Treasury, DfT’s TAG, DLUHC’s Appraisal Guide, and other departmental guidance.

¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685903/The_Green_Book.pdf

- 1.7 Individual criteria are assessed and given a ‘RAG’ (Red – Amber – Green) rating, with a summary rating for each dimension. The common understanding of the ratings is as follows:
- **Green:** approach or assumption(s) in line with guidance and practice or the impact of any departures is sufficiently insignificant to the Value for Money category assessment.
 - **Amber:** approach or assumption(s) out of line with guidance and practice, with limited significance to the Value for Money category assessment but should be amended in future submissions (e.g. at Final Approval stage).
 - **Red:** approach or assumption(s) out of line with guidance and practice, with material or unknown significance to the Value for Money category assessment, requires amendment or further evidence in support before gateway can be passed.
- 1.8 The five dimensions of a government business case are:
- **Strategic Dimension:** demonstration of strategic fit to national, Local Enterprise Partnership and local policy, predicated upon a robust and evidence-based case for change, with a clear definition of outcomes and objectives.
 - **Economic Dimension:** demonstration that the scheme optimises public value to the UK economy as a whole, through a consideration of options, subject to cost-benefit analysis quantifying in monetary terms as many of the costs and benefits as possible of short-listed options against a counterfactual, and a preferred option subject to sensitivity testing and consideration of risk analysis, including optimism bias.
 - **Commercial Dimension:** demonstration of how the preferred option will result in a viable procurement and well-structured deal, including contractual terms and risk transfer.
 - **Financial Dimension:** demonstration of how the preferred option will be fundable and affordable in both capital and revenue terms, and how the deal will impact on the balance sheet, income and expenditure account, and pricing of the public sector organisation. Any requirement for external funding, including from a local authority, must be supported by clear evidence of support for the scheme together with any funding gaps.
 - **Management Dimension:** demonstration that the preferred option is capable of being delivered successfully in accordance with recognised best practice and contains strong project and programme management methodologies – this includes the need for a Monitoring and Evaluation Plan and Benefits Realisation Plan.
- 1.9 In addition to a rating across each of the five dimensions, comments are provided against Central Government guidance on assurance – **reasonableness** of the analysis, risk of error (or **robustness** of the analysis), and **uncertainty**. Proportionality is applied across all three areas.
- 1.10 Assessments are conducted by a team of transport and economic planning professionals, and feedback and support are given to scheme promoters throughout the process via workshops, meetings, telephone calls and emails.

Change Requests

- 1.11 This section of the report relates to the Growing Places Fund.
- 1.12 The SELEP Assurance Framework states that any variations to a project’s costs, scope, outcomes or outputs from the information specified in the Business Case must be reported to the Accountability Board. When the changes are expected to have a substantial impact on forecast project benefits, outputs and outcomes as agreed in the business case which may detrimentally impact on the Value for Money assessment, it is expected that the business case should be re-evaluated by the ITE.
- High value for money, Medium / High certainty**
- 1.13 The following scheme is estimated to represent **High value for money** with a **Medium to High certainty** of achieving this level of value for money.
- Barnhorn Green Commercial and Health Development*
- 1.14 Barnhorn Green is an allocated employment and health zone adjacent to a large housing development in Bexhill. The site was purchased by Rother District Council after a lack of interest from the very limited private commercial development sector in the area.
- 1.15 In 2021, Growing Places Fund monies of £1,750,000 were awarded to support delivery of the scheme by 2023: 2,750 square metres of office accommodation, 750 square metres of light industrial space and a 700 square metres NHS GP surgery. It was also expected that the scheme would create 133 net FTE jobs. The total cost of the scheme was expected to be around £10m.
- 1.16 Since 2021, the scheme promoter has reported significant cost escalation owing to:
- Increase in the scale of the proposed NHS GP surgery; from 700 square metres to 1,775 square metres
 - Longer timescales as a result of “planning and ecological pre-commencement conditions” and difficulties negotiating a lease for the NHS GP surgery between the NHS and Rother District Council; meaning delivery is now expected by late 2025
 - Inflation
- 1.17 As a result, they have submitted a change request for the scheme presenting two options to take forward:
- Option A: 2,025 square metres of light industrial space and a 1,775 square metres NHS GP surgery
 - Option B: 1,775 square metres NHS GP surgery only
- 1.18 There is no change from the original GPF ask in either option. GPF monies were awarded via a loan mechanism, and repayment of this loan in full is now expected in financial year 2026/27 rather than 2025/26. This will come from Public Works Loan Board borrowing.
- 1.19 The scheme was originally assessed as having a BCR of 5.8 to 1, indicating Very High value for money. This came from land value uplift benefits to the wider housing development as well as employment benefits. Although the scheme promoter has not provided updated value for money calculations or job creation estimates, it is likely that the scheme’s level of value for money is approximately as before for Option A, and somewhat reduced (but still above 2 to 1) for Option B. This is because delivery of the NHS GP surgery is necessary to unlock the wider housing development.
- 1.20 However, the scheme promoter has explained that “the Medical Centre [...] has a greater degree of certainty over viability” than the light industrial units proposed in Option A and emphasised that the light industrial units have “Greater potential for delays [...] in light of increased costs and the potential need to undertake some re-planning”, so it is clear that they

see Option B as more deliverable. Additionally, as the space for the light industrial units in Option A has been designated for Employment in the Local Plan, there is an intention to go back and develop it separately once it becomes viable, even if Option B is chosen as the solution for this project.

- 1.21 The scheme is therefore still reasonably likely to represent High value for money, noting that there are deliverability concerns around Option A which make Option B a more risk averse proposition at this stage.

Getting Building Fund

- 1.22 Five business cases have been assessed for schemes seeking a Getting Building Fund allocation. Below are our recommendations to the Accountability Board, including key findings from the evaluation process and details of any issues arising.
- 1.23 Where schemes are not yet at full business case stage, there remains some residual risk to value for money and deliverability until all contractor costs are confirmed.
- 1.24 Schemes included in this funding round are all seeking a SELEP / Getting Building Fund allocation of less than £2m, are difficult to appraise proportionately in monetary terms and have presented clear Strategic Cases with additional qualitative benefits. Therefore, Value for Money Exemption 1 has been applied across this funding round. Where scheme promoters have attempted to quantify benefits despite applying an exemption, this has been assessed and weighted appropriately.
- 1.25 All participating scheme promoters have confirmed that they would be able to spend all SELEP / GBF monies by the end of January 2025.

High value for money, High certainty

- 1.26 The following schemes are estimated to represent **High value for money** with a **High certainty** of achieving this level of value for money.

Mercury Rising 2 (£500,000)

- 1.27 The scheme proposes a second-floor extension to the Mercury Theatre in Colchester to provide additional rehearsal, business support and other multi-use space, as well as the acquisition of LED theatrical lighting and digital recording equipment.
- 1.28 The following key outputs and outcomes have been outlined:
- 135 square metres (sqm) of additional rehearsal, business support and other multi-use space
 - 8 full-time equivalent (FTE) jobs facilitated by the Stage Text D/deaf led charity moving into the space
 - 1 net FTE job directly created and 80 gross FTE jobs indirectly created by business support services for an estimated 240 creative businesses over 3 years
 - Improvement of the theatre’s operating model due to increased audiences and reduced utility costs
- 1.29 The scheme shows very strong strategic alignment with SELEP / GBF priorities across a range of areas, including accessibility, business support and job creation, supporting the ‘creative industries’ and decarbonisation (of theatrical lighting equipment). There are no major barriers to delivery; planning permission for the scheme has now been approved.

Tech Hub Flexible Workspace (£370,000)

- 1.30 The scheme proposes “new, high quality, flexible workspace” to be delivered by refurbishing an unoccupied (former WHSmith) retail unit in St George’s Shopping Centre in Gravesend town centre.

- 1.31 The following key outputs and outcomes have been outlined:
- 779 sqm of flexible workspace across 2 floors
 - 39 net FTE jobs indirectly created
 - Diversification of Gravesend town centre and a more vibrant built environment
- 1.32 The scheme shows strong strategic alignment with SELEP / GBF priorities in terms of addressing a particular lack of flexible workspace in Gravesend town centre (and Gravesham more widely) and its focus on addressing the needs of the local ‘tech’ (digital and creative) sector. The business case is well-developed and compliant, including a detailed proposed operating model and a clear explanation of why the scheme could not be delivered without SELEP / GBF monies. The scheme promoter has indicated that there are already third parties interested in occupying the space. There are no major barriers to delivery.

High value for money, Medium / High certainty

- 1.33 The following schemes are estimated to represent **High value for money** with a **Medium to High certainty** of achieving this level of value for money.

Victoria Centre (£600,000)

- 1.34 The scheme proposes the refurbishment of a terrace of 6 empty units on the first floor of the Victoria Shopping Centre in Southend-on-Sea. The units would then be let out by the landlord, Southend-on-Sea City Council, for retail and potentially other uses.

- 1.35 The following key outputs and outcomes have been identified:

- 279 sqm of commercial space
- 11 net FTE jobs directly created
- 14 net FTE jobs indirectly created (the multiplier effect)
- A more vibrant built environment as part of wider regeneration plans for the centre and its surrounding area

- 1.36 The scheme shows strong strategic alignment with SELEP / GBF priorities in terms of stimulating city centre / high street activity, including by facilitating business growth and job creation. However, this relies on there being enough tenant demand to fill the empty units once refurbished, and formal interest to this end hasn’t yet been received. There are no major barriers to delivery.

Maidstone Business Suite Phase 2 (£300,000)

- 1.37 The scheme proposes to deliver ‘grow on’ space to support businesses in the Business Terrace at Maidstone House in Maidstone town centre.

- 1.38 The following key outputs and outcomes have been identified:

- 1,115 sqm of commercial space
- 86 gross FTE jobs directly created

- 1.39 The scheme shows reasonable strategic alignment with SELEP / GBF priorities in terms of facilitating business growth and job creation. The existing site comprises around 700 sqm of commercial space, and construction of a further Phase 1 scheme (funded by Maidstone Borough Council) is imminent; at least 40% of the space created by Phase 1 has already been pre-let. There are no major barriers to delivery.

Innovation Hub Chatham (£300,000)

- 1.40 The scheme proposes new flexible workspace and business support services on the first floor of the Pentagon Shopping Centre in Chatham town centre.

- 1.41 The following key outputs and outcomes have been identified:
- 1,331 sqm of commercial space
 - 100 net FTE jobs directly created in the first year of operation (and up to 242 jobs in total)
 - 30 local businesses / start ups to be provided with business support services in the first year of operation
- 1.42 The scheme shows strong strategic alignment with SELEP / GBF priorities in terms of facilitating skills development, business growth and significant job creation. However, the scheme already has significant match funding in place; SELEP / GBF monies make up less than 10% of the scheme's total value. It is therefore expected that at least some of these benefits could be delivered without funding being awarded. There are no major barriers to delivery.

Table 1.1: Gate 1 & 2 Assessment of Getting Building Fund Business Case(s) for Q3 2023/24

Scheme	SELEP / GBF Allocation	Strategic Dimension Rating	Economic Dimension Rating	Commercial Dimension Rating	Financial Dimension Rating	Management Dimension Rating	Assurance of Value for Money	
							Reasonableness of Analysis	Robustness of Analysis
Mercury Rising 2	£500,000	Green	Amber / Green	Green	Green	Green	Only minor issues have been identified, i.e. some overlap between the scheme's objectives and the application of combined rather than separate inflation and contingency assumptions.	There is some uncertainty around the robustness of the 80 FTE jobs indirectly created estimate as it is a gross rather than net estimate with unclear consideration of additionality.
Tech Hub Flexible Workspace	£370,000	Green	Amber / Green	Green	Green	Green	Only minor issues have been identified, i.e. a need for further detail relating to how stakeholder engagement has influenced scheme design and the application of combined rather than separate inflation and contingency assumptions.	The scheme promoter has attempted to quantify benefits in the Economic Case despite applying an exemption. Although additionality of 60% has been assumed to arrive at the 39 FTE jobs directly created estimate, it is difficult to assure the robustness of this except through post-hoc monitoring and evaluation.
Victoria Centre	£600,000	Green	Green	Green	Amber / Green	Amber / Green	Some gaps remain around the approach to stakeholder engagement, which is particularly important in terms of generating tenant demand for the units, as well as the application of combined rather than separate inflation and contingency assumptions. Changes to the rent arrangements would likely occur after the first 2 years, which could jeopardise the outputs and outcomes of the scheme if disproportionate.	The scheme promoter has attempted to quantify benefits in the Economic Case despite applying an exemption. This has largely been done in a compliant and robust way; however, much is predicated on the level of tenant demand for the units as well as the types of businesses that can be attracted and how many employees they would ultimately bring.
Maidstone Business Suite Phase 2	£300,000	Amber / Green	Amber / Green	Green	Amber / Green	Green	There is some uncertainty around what Phase 1 will provide and whether it reduces the need for intervention in Phase 2. A more detailed capital cost breakdown could be provided, and some gaps remain around the application of combined rather than separate inflation and contingency assumptions. The planned operating model of the scheme should be shared to enable assurance of its commercial viability.	There is some uncertainty around the robustness of the 86 FTE jobs directly created estimate as it is a gross rather than net estimate with unclear consideration of additionality.

Scheme	SELEP / GBF Allocation	Strategic Dimension Rating	Economic Dimension Rating	Commercial Dimension Rating	Financial Dimension Rating	Management Dimension Rating	Assurance of Value for Money	
							Reasonableness of Analysis	Robustness of Analysis
Innovation Hub Chatham	£300,000	Green	Amber / Green	Green	Amber / Green	Green	Some gaps remain around sharing the Demand Study that has been carried out for the scheme, as well as separating out contingency assumptions from the rest of the capital cost estimate. The planned operating model of the building has been shared but is contingent on achieving the forecast occupancy rate of 100%.	There is some uncertainty around the robustness of the 100 FTE jobs directly created in the first year of operation estimate; although it is said to be a net estimate, there is unclear consideration of additionality. 50 jobs are said to be directly attributable to SELEP / GBF monies, but again the basis for this is unclear.

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Steer project/proposal number

22790514

Client contract/project number

-

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Distribution

Client: SELEP

Steer: Project team

Version control/issue number

V1.0 Draft for Client

Date

20 December 2023

