

Report to Accountability Board	Forward Plan reference number: FP/AB/156
Date of Accountability Board Meeting:	15 th June 2018
Date of report:	25 th May 2018
Title of report:	Growing Places Fund update
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1. Purpose of report

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

2. Recommendations

- 2.1. The Board is asked to:

- 2.1.1. **Note** the updated position on the GPF programme

3. SELEP Growing Places Fund investments

- 3.1. In total, £49.210m GPF was made available to SELEP for investment as a recyclable loan scheme. To date, GFP has either been invested or is allocated for investment in a total of 20 capital infrastructure projects, as detailed in Appendix 1. In addition, a small proportion of GPF revenue funding was allocated to Harlow Enterprise Zone (£1.244m) and the remaining proportion has been ring-fenced to support the activities of SELEP's Sector Groups (known as the Sector Support Fund); as agreed by the Strategic Board.
- 3.2. The allocation of GPF to the new projects within GPF Round 2 is on the condition that funding will only be awarded to these projects by the Board if sufficient GPF is available through the repayments of GPF loans from Round 1 projects. As such, on a quarterly basis, updates are provided to the Board on the latest position for GPF projects in terms of delivery progress and any risks to the repayments of GPF loans.

4. GPF repayments

- 4.1. The loan repayment schedule for each GPF project is agreed within the credit agreement in place between Essex County Council, as Accountable Body, and the lead County/ Unitary Authority for each project. A copy of the expected repayment schedule is set out in Appendix 2.

- 4.2. Repayments are now being made on the initial GPF Round 1 investments, with £7,405,033 having been repaid to date. The payments in 2017/18 were in line with the expected repayments, except for the re-profiling which was agreed with the Board in February 2018 and some minor slippages in payments from Q4 2017/18 to Q1 2018/19 due to administrative issues in the payments being made.

5. GPF cash flow

- 5.1. Table 1 below sets out the current cash flow position based on the planned GPF investment and the GPF available for investment though loan repayments.
- 5.2. Based on the expected repayment of £3.283m GPF during 2018/19, there is expected to be sufficient GPF available to fund all GPF Round 1 and 2 projects in 2019/20, subject to GPF repayments being made as set out in Appendix 1.
- 5.3. At the end of 2019/20, GPF repayments are expected to total £12.061m. This will create the opportunity for further investment in infrastructure projects from 2020/21 onwards.

Table 1 GPF Cash Flow Position

£	2018/19	2019/20
GFP available at the outset of year	6,747,602	4,970,602
GPF Round 1 planned investments	363,000	1,200,000
GPF Round 2 planned investments	4,697,000	3,247,000
Position before GPF repayments are made	1,687,602	523,602
GPF repayments expected	3,283,000	11,538,250
Carry Forward	4,970,602	12,061,852

6. Growing Places Fund Project Delivery to Date – GPF Round 1 Projects

- 6.1. Eight GPF Round 1 projects have now been completed, with the benefits of this infrastructure investment starting to be realised. It is reported that 1,693 jobs have been delivered through investment in commercial space and new business premises, as set out in Table 2 below.

Table 2 Monitoring of GPF Round 1 project outputs

Name of Project	Outputs defined in Business Case		Outputs delivered to date	
	Jobs	Houses	Jobs	Houses
Priory Quarter Phase 3	440	0	74	0
North Queensway	865	0	0	0
Rochester Riverside	402	450	402	489
Chatham Waterfront	211	115	211	115
Bexhill Business Mall	125	0	150	0
Parkside Office Village	169	0	135	0
Chelmsford Urban Expansion	2,105	0	365	0
Grays Magistrates Court	200	0	89	0
Sovereign Harbour	299	0	180	0
Workspace Kent	198	0	87	0
Harlow West Essex	4,000	1,200	0	0
Discovery Park	130	250	0	0
Live Margate	0	66	0	3
Totals	9,144	2,081	1,693	607

- 6.2. To date, the expected benefits of GPF investment in enabling the delivery of new jobs and houses have not fully materialised or have not been reported through the update reporting to SELEP on Round 1 projects. However, for specific projects, such as the Rochester Riverside Project, Chatham Waterfront and Workspace Kent the number of jobs reported to SELEP as delivered as a result of GPF investment has increased during the last quarter.
- 6.3. Furthermore, for projects such as Rochester Riverside, it is now expected that the scale of planned developed enabled through the GPF loan will exceed the original benefits stated in the Business Case, with the project set to deliver 1,400 new homes, 1,200sqm of commercial space, a new school, hotel and new open space.
- 6.4. Through the update reporting to SELEP, delivery risks to some specific projects have been identified. The Eastbourne Fisherman project has been awarded £2m GPF through Round 2. However, Carillion were sole owners of the Sovereign Harbour Ltd. This has now been sold to Premier Marina's Ltd and discussions are now being held in relation to the lease. The outcome of these local discussions will be reported to the Board at the next meeting.
- 6.5. In addition, for the North Queensway project, the construction of a new junction and preliminary site infrastructure works, has been completed. However, there has been a slow uptake on the lease of the industrial space. This creates a risk to the GPF repayment of an outstanding £0.5m GPF, although the board has previously agreed to defer the GPF repayment to

2019/20. In addition, it creates a delay and risk to the realisation of benefits through the project. Efforts will now be made to remarket the site to seek business interest in the site.

- 6.6. Appendix 1 provides a project delivery update and risk assessment for each GPF Round 1 project. As GPF Round 2 projects come forward for approval by the Board and credit agreements are established for these projects, update reports will also be sought for GPF Round 2 projects.

7. Financial Implications (Accountable Body Comments)

- 7.1 The current forecast position for the GPF loan scheme indicates that there is low risk of insufficient funding being available to meet the agreed investments as at present repayments are largely being made in line with the agreed profile.
- 7.2 Although non-repayment of the majority of loans has been identified as low risk, it should be noted that any repayments not made in line with their approved profile will put at risk the funding required for the GPF programme to be maintained as an effective recyclable loan scheme. As such, it is recommended that all GPF repayment risks continue to be monitored as part of the regular GPF updates reported to the Board.
- 7.3 It is noted that actual delivery of jobs and homes is not in line with the expected levels identified in the business cases for many projects; where this has occurred, it is recommended that evaluation of why this is the case should form part of the on-going monitoring and, where appropriate, be used to inform future business case estimations of growth.

8. Legal Implications (Accountable Body Comments)

- 8.1 The Accountable Body has loan agreements in place with each County or Unitary Council for their respective GPF projects; each agreement includes a repayment profile that is required to be adhered to. Any changes to the Project or the repayment schedule will require further approval by the Board.

9. Staffing and other resource implications (Accountable Body Comments)

- 9.1 None

10. Equality and Diversity implications (Accountable Body Comments)

Role	Date
Accountable Body sign off Stephanie Mitchener On behalf of Margaret Lee	6/6/18

11. List of Appendices

11.1 Appendix 1 – Growing Places Fund Project Summary

11.2 Appendix 2 – Growing Places Fund Repayment Schedule

12. List of Background Papers

12.1 None

(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)