

Report title: Growing Places Fund Update	
Report to Accountability Board on 18th September 2020	
Report author: Helen Dyer, SELEP Capital Programme Officer	
Date: 27 th August 2020	For: Decision
Enquiries to: Helen Dyer, Helen.dyer@southeastlep.com	
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.

2. Recommendations

- 2.1 The Board is asked to:
- 2.1.1 **Note** the updated position on the GPF programme;
 - 2.1.2 **Approve** the revised repayment schedule for the Eastbourne Fisherman's Quay and Infrastructure Development project and agree that, despite repayments not being made in line with the original repayment schedule, no interest will be charged on the loan.

3. Background

- 3.1 In total, £49.21m 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 27 capital infrastructure projects, as detailed in Appendix A. In addition, a small proportion of GPF revenue funding was allocated to Harlow Enterprise Zone (£1.244m) and a further £2m 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 a portion of the GPF funding to enable delivery of interventions which will support economic recovery post COVID-19. It was agreed that £10m of GPF would be repurposed as set out in Table 1.

Table 1: Repurposed GPF funding

Purpose of funding	Value
To establish a revenue reserve to support the SELEP Secretariat operating budget during financial years 2021/22 and 2022/23	£1,000,000
To establish an extended Sector Support Fund programme to operate in 2020/21 and 2021/22	£1,000,000
To establish a COVID-19 Skills Fund to support COVID-19 recovery	£2,000,000
To establish a COVID-19 SME Business Support Fund to support COVID-19 recovery	£2,400,000
To establish an LGF COVID-19 LGF Contingency Fund that would underwrite the risks to the LGF programme that have arisen due to the changes to the payment of the capital grant by HM Government	£3,600,000
Total	£10,000,000

- 3.3 Subsequent to this decision being taken by the Strategic Board, HM Government have confirmed the payment of the final third of SELEP's 2020/21 LGF allocation and therefore the £3.6m within the LGF COVID-19 Contingency Fund has been returned to the GPF pot for reinvestment in pipeline projects.
- 3.4 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 risks to the repayment of the GPF loans

4. Current Position

COVID-19 Impacts

- 4.1 The impact of the COVID-19 pandemic and the associated social distancing measures introduced by Government have resulted in a severe shock to our economy. Whilst the full impact is not yet known, the existing 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 Through recent reporting on the GPF projects, it is apparent that there are a number of high-level risks which will have an impact across the GPF programme. The key overarching risks highlighted are:
- 4.2.1 **The effect of social distancing measures on construction practices** – these measures are resulting in extended construction periods and unknown delays to the completion of projects, which in turn will have an impact on the ability of the scheme promoter to repay the GPF funding in line with the agreed repayment schedule.

- 4.2.2 **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 impact on the property market is not known meaning that a number of risks have been identified including realisation of project benefits, project delivery and repayment of the GPF loan.
- 4.2.3 **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. Whilst the Government are encouraging landlords to be flexible during this period, there is currently no support being offered to landlords to help mitigate the impact on their cash flow position thus raising a significant risk to the repayment of the GPF funding.
- 4.3 GPF project risks will continue to be monitored over the coming months as the wider impacts of the COVID-19 pandemic become evident. This may result in currently unidentified risks being highlighted in future Board reports.

Cash Flow Position

- 4.4 Through the latest round of GPF reporting, risks to repayment schedules for eight projects have been identified predominantly as a result of the impact of the COVID-19 pandemic. The agreed GPF repayment schedules are set out in Appendix B.
- 4.5 Scheme promoters are working to understand the impacts of COVID-19 on their projects and their intended repayment mechanism. It is therefore expected that revised repayment schedules for five of these projects will be brought forward for consideration by the Board at the November 2020 Board meeting. It is expected that a revised repayment schedule for the Javelin Way Development project will be brought to the Board for consideration in February 2021. A revised repayment schedule for the Eastbourne Fisherman's Quay and Infrastructure Development Project is set out within this report.
- 4.6 No update reporting has been received in relation to the Centre for Advanced Engineering project since the onset of the COVID-19 pandemic and therefore

it is unknown if the repayment schedule is likely to be impacted. To be prudent a repayment risk has been flagged until further information is provided.

- 4.7 Table 2 below sets out the current cash flow position based on the planned GPF investment and the GPF available for re-investment through loan repayments. The cash flow is based on the assumption that the six projects at the top of the GPF round 3 project pipeline, agreed by the Strategic Board in June 2020, will receive Board approval during the course of 2020/21.
- 4.8 This cash flow reflects the assessment of repayment risk set out in Appendix D and assumes repayments in 2020/21 against the three projects currently showing no repayment risk. This will continue to be monitored and updated in accordance with updates from scheme promoters.
- 4.9 A proposed change to the repayment schedule for the Eastbourne Fisherman's Quay and Infrastructure Development project is set out in this report. This change will result in an initial repayment being made in 2020/21, and therefore this change has been included in Table 2.
- 4.10 As repayment risks have been identified against all other projects which are due to make repayments in 2020/21, these repayments have not been included in the cash flow position at this time. Once revised repayment schedules have been considered and agreed by the Board, they will be added into the updated cash flow position.
- 4.11 Revised repayment schedules for the Charleston Centenary and Fitted Rigging House projects were approved at the July Board meeting. These revised repayment schedules have been incorporated into the cash flow set out in Table 2.

Table 2: GPF Cash Flow Position

£	2020/21	2021/22
GPF available at the outset of year	25,347,202	14,367,202
GPF funding repurposed	6,400,000	-
GPF available for investment	18,947,202	14,367,202
GPF Round 1 planned investments	0	0
GPF Round 2 planned investments	3,055,000	0
GPF Round 3 planned investments	5,320,000	9,250,000
Position before GPF repayments are made	10,572,202	5,117,202
GPF repayments expected	3,795,000	2,394,042
Carry forward	14,367,202	7,511,244

- 4.12 As shown in Table 2 total GPF drawdown of £8.375m is forecast for 2020/21. Sufficient GPF funding is currently being held to meet these drawdown requirements. It is expected that by the end of 2020/21 all currently approved Round 1 and 2 GPF projects will have drawn down their full allocation of funding. The drawdown schedule for the GPF programme is set out in Appendix C.

Growing Places Fund Round 3 Projects

- 4.13 On 12th June 2020 the Strategic Board agreed a GPF prioritised pipeline of projects, which will be used to inform the allocation of any available GPF funding during 2020/21, 2021/22 and early 2022/23. The agreed project pipeline is set out in Table 3.

Table 3: GPF prioritised pipeline of projects

Project	Federated Area	GPF ask (£)	Cumulative total (£)
Green Hydrogen Generation Facility	KMEP	3,470,000	3,470,000
Observer Building, Hastings (Phase 1)	TES	1,750,000	5,220,000
Barnhorn Green Commercial and Health Development (Phase 1)	TES	1,750,000	6,970,000
Wine Innovation Centre	KMEP	600,000	7,570,000
Leigh Port Quay Wall (Cockle Wharf)	OSE	3,500,000	11,070,000

Herne Relief Road – Bullockstone Road Improvement Scheme	KMEP	3,500,000	14,570,000
No Use Empty Commercial South Essex	OSE	1,000,000	15,570,000
No Use Empty Commercial Phase II	KMEP	2,000,000	17,570,000
Observer Building, Hastings (Phase 2)	TES	1,616,500	19,186,500
Barnhorn Green Commercial and Health Development (Phase 2)	TES	1,750,000	20,936,500
No Use Empty Homes Initiative	KMEP	2,500,000	23,436,500

- 4.14 In June 2020, there was sufficient GPF funding available to allocate funding to the top 5 projects on the pipeline. During the course of this Board meeting, the Board will be asked to approve the GPF allocation to the Green Hydrogen Generation Facility, Observer Building Hastings (Phase 1) and Wine Innovation Centre projects. Funding decisions on the Barnhorn Green Commercial and Health Development and Leigh Port Quay Wall (Cockle Wharf) projects will be sought at the November 2020 Board meeting.
- 4.15 Following the decision by HM Government to transfer the final third of SELEP's 2020/21 LGF allocation, the £3.6m repurposed to establish an LGF COVID-19 LGF Contingency Fund has been returned to the GPF pot for reinvestment. As a result, there is now sufficient funding available to support the delivery of the Herne Relief Road – Bullockstone Road Improvement Scheme. It is expected that the Board will be asked to approve this GPF allocation in November 2020.

5. Growing Places Fund Project Delivery to Date

- 5.1 A deliverability and risk update is provided for each GPF project in Appendix A. A high delivery risk has been identified for the Innovation Park Medway (southern site enabling works) project, as the adoption of the Local Development Order (LDO) is required prior to commencement of the GPF southern site works. Adoption of the LDO is subject to statutory consultee comments being satisfactorily addressed, including comments raised by Highways England.
- 5.2 A high risk in relation to delivery of project outcomes has been identified for the Workspace Kent project. Whilst 147 jobs have been created or safeguarded as a result of the project to date, there is concern that the COVID-19 pandemic will result in delays in realising the remaining jobs outcomes. This is expected as loan recipients seek to safeguard and protect their current workforce during this crisis and as they seek to recover and become more resilient. It is therefore anticipated that new job creation will be delayed as a result of the pandemic.

- 5.3 A high risk in relation to repayment of the GPF loan has been identified in relation to the following projects: Workspace Kent, Javelin Way Development, North Queensway and Sovereign Harbour. The scheme promoters are currently working to fully understand the impacts of the COVID-19 pandemic on their projects and their intended repayment mechanisms. This understanding will inform revised repayment schedules which will be brought to the Board for consideration in November 2020 and February 2021.
- 5.4 Ten GPF projects have now been completed, with the benefits of this infrastructure investment starting to be realised. It is reported that 2,803 jobs have been delivered through investment in commercial space and new business premises, as set out in Appendix E.
- 5.5 Additional benefits are expected to be delivered through the completion of the remaining GPF projects and through the follow-on investment which has been unlocked through the infrastructure delivered with GPF investment. It is expected in many cases that there will be a time lag between spend of the GPF investment and benefit realisation due to the use of the GPF funding to enable wider development at the project location.
- 5.6 A RAG rating is being used, on Appendix E, to assess how the completed projects are progressing towards delivering the jobs and homes outcomes stated within the Business Case. To date, it can be seen that the Parkside Office Village project has exceeded the number of jobs stated within the project Business Case, and that the Charleston Centenary project has met the forecast jobs figure for the project.
- 5.7 The North Queensway project has been completed, however, due to slower uptake of land than originally anticipated no jobs outcomes have been delivered to date. Steps are being taken by the scheme promoter to accelerate development at the site.
- 5.8 There are also a number of completed projects which are demonstrating progress towards meeting the outcomes defined in the Business Case but have not yet reached the forecast, including Harlow West Essex and Sovereign Harbour.
- 5.9 Due to the COVID-19 pandemic a number of projects have raised risks in relation to the realisation of these benefits. In most cases it is expected that the project benefits will still be realised, however, this is now likely to be over a longer time period than originally anticipated. This is for a number of reasons, including extended construction programmes, likely impact on the tourism sector, uncertainty regarding the effect on the property sales and rental market and the as yet unknown long-term impact on the economy and the viability of businesses. The Board will be updated on the likely impact on the realisation of the expected benefits across the GPF programme at the November Board meeting.

6. Eastbourne Fisherman's Quay and Infrastructure Development Project

- 6.1 The Eastbourne Fisherman's Quay and Infrastructure Development Project was awarded £1.15m GPF in December 2017. The funding was awarded to support the build of a Fisherman's Quay in Sovereign Harbour, to develop local seafood processing infrastructure to support long term sustainable fisheries and the economic viability of Eastbourne's inshore fishing fleet. Further information on the project can be found in Appendix F.
- 6.2 As set out in Appendix F, the project has encountered a number of issues which have significantly delayed progress. However, following resolution of these issues, work commenced onsite on 27th July 2020 and it is expected that the project will be complete by the end of April 2021.
- 6.3 £1,000,000 of European Maritime and Fisheries Fund (EMFF) grant funding has been secured to support the delivery of the project. The grant must be claimed in arrears and therefore the majority of the GPF funding is being used as a bridging loan.
- 6.4 As a result of the delays experienced by the project, the timescales for the drawdown of the grant have also been affected and this has been reflected in the revised repayment schedule. It should be noted that the grant funding is still secure and therefore repayment of the GPF loan is not at risk.
- 6.5 The remaining balance of the GPF funding (£250,000) will be repaid using the increased revenues generated as a result of the delivery of the project. Following completion of the project the fishing fleet will be able to process and sell fish at the site, which will result in increased revenues and will provide the foundation for future growth of the industry in Eastbourne.
- 6.6 The proposed revised repayment schedule is set out in Table 4 below.

Table 4: Proposed revised repayment schedule for Eastbourne Fisherman's Quay and Infrastructure Development Project

£	2020/21	2021/22	2022/23	Total
Repayment schedule				
Current repayment schedule	1,150,000	-	-	1,150,000
Revised repayment schedule	225,000	675,000	250,000	1,150,000

7. Financial Implications (Accountable Body Comments)

- 7.1 The 2020/21 forecast cashflow position indicates that there is enough funding available to meet the agreed GPF investments due at present in this financial year including the three funding decisions coming forward at this meeting.

- 7.2 The Board are advised to note that in consideration of the reprofiling request and the further repayment risks that are highlighted, that a delay in the amount of GPF repaid by existing projects, as a result of re-profiled repayment schedules, will reduce the amount of GPF available for reinvestment in 2021/22.
- 7.3 If an existing GPF project is put forward for a change to its repayment schedule, under the terms of the credit agreement with Essex County Council, the lead County/Unitary Authority is required to provide assurance that there is reasonable justification for a delay in repayment and that the project is still viable in the longer term to make the repayments in full.
- 7.4 If any loan is confirmed by the lead County/Unitary Authority as not repayable in part or in full due to failure, or part failure, of the project, under the terms of the credit agreement with Essex County Council and, the Board will be updated and asked to agree that the balance is written off. The Board will not be asked to make this decision until there is certainty that the funding cannot be recovered. The status of the at-risk projects and all GPF projects in train are being closely monitored by SELEP.
- 7.5 A total of £14.367m (table 2) GPF is expected to be available by the end of the 2020/21 for reinvestment into the pipeline; this is on the assumption that repayments are made in line with current expectations. This total does not include £2.376m of repayments which are flagged at high risk at this time, as a contingency.
- 7.6 There is a continued risk that scheduled repayments by existing projects will not be made as planned due to difficulties experienced by projects as a result of COVID-19. At its June 2020 meeting the Strategic Board agreed to offer flexibility to delay GPF repayments for existing projects due to the impact of COVID-19, therefore, it is likely that there will be a further reduction in the amount of GPF repaid by existing projects in 2020/21.
- 7.7 In June 2020 the Strategic Board agreed to utilise the available GPF in 2020/21 of £22.3m (value is prior to scheduled repayments being made) in response to the COVID-19 pandemic and allocate £12m to a prioritised list of GPF projects. The pot to be utilised for funding the GPF prioritised list of projects has subsequently increased by £3.6m in August 2020 following the receipt of the final third of LGF from BEIS, and therefore LGF project allocations are fully funded, resulting in the contingency fund of £3.6m (table 1) no longer being required and automatically reallocated to invest in the GPF pipeline.
- 7.8 It is noted that actual delivery of jobs and homes reported to date remained 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. This should continue to form part of the on-going monitoring with reasons for under delivery explained fully to the Board. This is critical due to the Covid-19 situation and to help monitor the economic

impact of the crisis on the SELEP region and project outcomes. Where appropriate, these reviews should be used to inform future business case estimations of growth to ensure there is not a pattern of over-ambition.

8. Legal Implications (Accountable Body Comments)

- 8.1 The Growing Places Fund is provided by the Accountable Body to the partner authorities for each project under a loan agreement. Revising a repayment schedule for a project under a GPF loan agreement will be subject to the terms of the loan agreement and Accountability Board approval.

9. Equality and Diversity implications (Accountable Body Comments)

- 9.1 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:
- 9.1.1 Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act;
 - 9.1.2 Advance equality of opportunity between people who share a protected characteristic and those who do not;
 - 9.1.3 Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 9.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 9.3 In the course of the development of the project business case, 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.

10. List of Appendices

- 10.1 Appendix A – GPF Project Update
- 10.2 Appendix B – GPF Repayment Schedule
- 10.3 Appendix C – GPF Drawdown Schedule
- 10.4 Appendix D – Assessment of GPF Repayment Risk for 2020/21
- 10.5 Appendix E – Monitoring of GPF Project Outcomes
- 10.6 Appendix F – Eastbourne Fisherman's Quayside and Infrastructure Development Project Background Information

11. List of Background Papers

- 11.1 Strategic Board Agenda Pack 12th June 2020, including decision to repurpose an element of the GPF funding to support economic recovery post COVID-19.

(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 Peter Shakespear (On behalf of Nicole Wood, S151 Officer, Essex County Council)	 08/09/20