

Report title: Growing Places Fund update	
Report to Accountability Board	
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Date: 20 th January 2020	For: Decision
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SELEP Partner Authority affected: All	

1. Purpose of report

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

2. Recommendations

- 2.1. The Board is asked to:

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

- 2.1.2. **Approve** the revised repayment schedule for the North Queensway project

- 2.1.3. **Approve** the revised repayment schedule for the Workspace Kent project

- 2.1.4. **Approve** the revised repayment schedule for the Eastbourne Fisherman's Quay and infrastructure development project

- 2.1.5. **Note** the revised drawdown schedule for the Eastbourne Fisherman's Quay and infrastructure development project

- 2.1.6. **Note** the removal of the Discovery Park project from the GPF programme

- 2.1.7. **Note** the increase in GPF funding available for reallocation through GPF Round 3

3. SELEP Growing Places Fund investments

- 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 21 capital infrastructure projects, as

detailed in Appendix 1. In addition, a small proportion of GPF revenue funding was allocated to Harlow Enterprise Zone (£1.244m) and the remaining proportion (£2m) 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 funding to the new projects within GPF Round 2 is on the condition that funding will only be awarded to these projects by the Board or transferred to the lead authority if sufficient GPF is available through the repayment of GPF loans from Round 1 projects. The same condition will apply to any funding awarded through GPF Round 3. As such, on a quarterly basis, updates are provided to the Board on the latest position of the 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 £27.647m having been repaid to date.
- 4.3. In Q4 2019/20 repayments will continue to be made on initial GPF Round 1 investments, with some of the GPF Round 2 projects also starting to make repayments. In total, £14.222m is scheduled for repayment in 2019/20, including repayments which have already made in relation to the Bexhill Business Mall and Discovery Park projects, as set out in Appendix 2.

5. GPF cash flow

- 5.1. Table 1 below sets out the current cash flow position based on the planned GPF investment and the GPF available for investment though loan repayments. This assumes that the repayments are made in accordance with the agreed and proposed repayment schedules.
- 5.2. Proposed changes to repayment schedules for a number of projects, including the North Queensway, Workspace Kent and Eastbourne Fisherman's Quay and infrastructure development projects are set out in this report. These changes have been taken into account in Table 1.
- 5.3. In addition, this report provides an update on the Discovery Park project, with the £5.3m GPF allocation to the project having been returned to SELEP by Kent County Council for reallocation through the current GPF round 3. The cancellation of the project has been taken into account in Table 1.

Table 1: GPF Cash Flow Position assuming approved repayment schedules are met and taking into account proposed changes and project cancellations set out in this report

£	2019/20	2020/21
GPF available at the outset of year	13,663,002	24,250,202
GPF Round 1 planned investments	63,000	-
GPF Round 2 planned investments	3,572,000	1,705,000
Position before GPF repayments are made	10,028,002	22,545,202
GPF repayments expected	14,222,200	7,432,400
Carry Forward	24,250,202	29,977,602

- 5.4. As shown in Table 1 total GPF drawdown of £3.635m is forecast for 2019/20, with a further £1.705m expected to be drawn down in 2020/21. It is expected that by the end of 2020/21 all currently approved GPF projects will have drawn down their full allocation of funding. The drawdown schedule for the GPF programme is set out in Appendix 3.
- 5.5. As all GPF repayments were made in line with the approved repayment schedules during 2018/19 there is no gap between the amount of GPF available in 2019/20 and the project drawdown schedules (as set out in Appendix 3).

6. North Queensway – Proposed revised repayment schedule

- 6.1. The North Queensway project has received GPF investment totalling £1.5m, which has been used to fund junction improvements and preliminary site infrastructure works to prepare the site for development. It is expected that completion of the GPF works will enable the development of a new business park providing serviced development sites with the capacity for approximately 16,000m² (gross) of high quality industrial and office premises.
- 6.2. The GPF funded aspects of the project have been delivered, the GPF has been invested in full and to date repayments totalling £1.0m have been made to SELEP. However, the repayment of the remaining £500,000 remains outstanding.
- 6.3. In March 2017, the Board agreed a revised repayment schedule for the project. This change delayed repayment of the remaining £500,000 from 2016/17 to 2017/18. This was due to the commercial development at the site

not progressing at the expected rate. At that time a risk was identified that further delays to the repayment of the GPF might occur until the commercial space was delivered, as the revenue stream required to enable the final GPF repayment relied on the delivery of this space. This risk did materialise and, in February 2018, the Board were asked to consider a further revision to the repayment schedule delaying the final repayment until 2019/20. The Board took the decision to approve this revised repayment schedule.

- 6.4. A further delay to the repayment of the final £500,000 of GPF funding has now been identified. The development of the site has been delayed as a result of challenges in securing planning consent for the commercial development due to concerns raised by statutory consultees; particularly in relation to drainage issues. Whilst there is high demand from third party developers and occupiers, the challenges in securing planning consent has deterred private sector investment in the site.
- 6.5. Sea Change Sussex, as the delivery organisation for the project, is therefore intending to carry out further site enabling works. This will provide additional infrastructure to address these challenges to enable the stalled development to progress. These infrastructure works include the installation of a pumping station and provision of mains drainage, water and electricity supplies to the site.
- 6.6. Sea Change Sussex are currently working with the utility companies in respect of finalising capacities/costings, with a view to going out to tender for these works in early February 2020. It is anticipated that works will start onsite in mid-April 2020, with the programme for the utility works expected to be a maximum of 6 months.
- 6.7. This additional infrastructure investment is being taken forward by Sea Change Sussex using their own reserves. Sea Change Sussex are also now taking forward a planning application for 4,000m² of industrial accommodation on part of the site to help accelerate the process. This will enable Sea Change Sussex to either sell off development plots as originally envisaged, sell completed buildings or generate rental income in order to make the final GPF repayment.
- 6.8. As extra time is required to complete these additional infrastructure works at the site, Sea Change Sussex have requested that repayment of the final £500,000 is delayed from 2019/20 until 2020/21. Negotiations for the sale of the development plots will be carried out in parallel with these drainage and electrical works to enable plot sales to be concluded once the utility works have been completed. As such, Sea Change Sussex consider the repayment of the final £500,000 of GPF investment at the end of 2020/21, to be achievable based on current market conditions.
- 6.9. As the commercial space has not been developed at the pace originally expected within the GPF application to SELEP, the impact of the project in terms of creating new jobs has also been delayed. Demand for the

commercial space at North Queensway is high, and Sea Change Sussex has received interest from over 40 companies who are seeking industrial premises in the area. It is therefore anticipated that the project benefits will still be delivered, but at a slower pace than originally expected.

- 6.10. The delay to the final repayment of the GPF investment in the North Queensway project will reduce the amount of GPF funding available for reinvestment in 2020/21. However, it will increase the amount of funding available for investment in 2021/22, therefore having no net impact on the total amount of GPF funding available for reinvestment through GPF round 3.
- 6.11. The revised repayment schedule proposed by Sea Change Sussex is set out in Table 2 below, alongside the previous changes considered by the Board in relation to this project.

Table 2 – North Queensway Revised repayment schedule (£m)

	Repaid to date	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Original	1.000	0.500					1.500
Revised Mar 2017	1.000		0.500				1.500
Revised Feb 2018	1.000				0.500		1.500
Updated Nov 2019	1.000					0.500	1.500

- 6.12. At the Strategic Board meeting in March 2018, it was agreed that *‘where delays are identified to a project’s GPF repayment schedule on more than one occasion, this should be brought to the attention of the Strategic Board prior to the recommendation being made to the Accountability Board for approval of any further slippages.’*
- 6.13. In line with this decision, the proposed revised repayment schedule was considered by the Strategic Board at their meeting on 6th December 2019. The Strategic Board resolved to endorse the revised repayment schedule for this project. As a result, the Board are now also being asked to consider the proposed change to the repayment schedule for the North Queensway project.

7. Workspace Kent – Proposed revised repayment schedule

- 7.1. The Workspace Kent Project is a project aimed at unlocking jobs and employment opportunities by enabling increased provision of business incubator space and other workspace. The GPF loan is managed by Kent County Council as a Challenge Fund open to private developers, public sector and third parties, in order to bring forward business premises that would otherwise not be developed.

- 7.2. The Workspace Kent project was brought forward in 2012 during the early rounds of the GPF and was awarded a £1.5m GPF allocation. A loan agreement was put in place in May 2015 between Essex County Council, as the Accountable Body for SELEP, and Kent County Council but as the agreement was put in place prior to the implementation of the current Governance processes it did not set out explicit repayment dates for the loan. Loan repayment dates are, however, specified in the agreements between Kent County Council and the loan recipients.
- 7.3. Over the life of the project a number of variations to the repayment schedule were considered by the Board whilst Kent County Council completed contract negotiations with the loan recipients.
- 7.4. In February 2019, the Board considered an extended repayment schedule which took into account the loan repayment dates set out in the agreements between Kent County Council and the loan recipients. This repayment schedule was approved by the Board and was set as the baseline repayment schedule for the project, and therefore the basis for future monitoring. It was noted that any further updates to the repayment schedule would be managed in accordance with the agreed governance processes applied to all GPF projects and would therefore require a decision from the Board.
- 7.5. The latest update on the project indicates that a further change to the repayment schedule is required.
- 7.6. Through the Workspace Kent programme five projects have been supported. To date, four projects have been completed and the fifth project is due to start shortly. However, a significant risk has been identified in relation to the repayment of one of the loans provided by Kent County Council. The loan recipient is currently behind on their repayments, and despite Kent County Council taking steps to renegotiate the repayment schedule in line with income received by the business, documentation has been submitted in relation to an individual voluntary arrangement (IVA).
- 7.7. Kent County Council has now submitted a Proof of Debt Form in response to the IVA, outlining the value of the loan still owing. The balance outstanding on the loan is £18,767 and there is a risk that this will become a bad debt. Kent County Council are waiting to hear whether all or some of the remaining balance on the loan will be repaid through the IVA. Until the outcome of the IVA is known, whilst a repayment risk will be highlighted, the repayment schedule for the project will continue to indicate full repayment of the GPF loan.
- 7.8. Under the terms of the credit agreement between Essex County Council, as Accountable Body for SELEP, and Kent County Council should the £18,767 become a bad debt, 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 by Kent County Council.

- 7.9. In addition to this risk to repayment, Kent County Council have also agreed a minor adjustment to the repayment schedule with one of the other loan recipients. This change has been made to assist with the cash flow of the loan recipient and has been implemented to minimise the risk of default.
- 7.10. In light of the risk to repayment and the agreed adjustment to one of the loan repayment schedules, Kent County Council are seeking an amendment to the agreed repayment schedule for the project, as set out in Table 3.

Table 3: Repayment schedule for the Workspace Kent project (£)

	Pre 19/20	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	Total
Baseline	1,032,433	145,600	78,000	8,400	8,400	8,600	9,600	11,200	197,767	1,500,000
Updated	1,032,433	144,200	76,400	8,400	8,400	8,600	9,600	11,200	200,767	1,500,000

- 7.11. Due to the nature of the project and Kent County Council's commitment to work with the loan recipients to minimise the risk of non-repayment whilst also taking steps to protect the viability of the recipient businesses, there are likely to be further changes requested to the repayment schedule for the project. In line with agreed governance processes, these changes will first be considered by the Strategic Board before the Board are asked to approve the proposed changes.

8. Eastbourne Fisherman's Quay and Infrastructure Development – Proposed revised repayment and drawdown schedules

- 8.1. The Eastbourne Fisherman's Quayside and infrastructure development project sought GPF funding for the build of a Fisherman's Quay in Sovereign Harbour, to develop local seafood processing infrastructure to support long term sustainable fisheries and the economic viability of Eastbourne's inshore fishing fleet.
- 8.2. The project aims to protect the fishing fleet in Sovereign Harbour, safeguarding up to 72 fishing jobs and over £2m revenue per year, as well as the resulting impacts on the local economy.
- 8.3. The Board approved the allocation of £1.15m to the project in December 2017, however, the project has encountered a number of issues which have significantly delayed progress.
- 8.4. The Business Case considered by the Board in December 2017, set out the intention for the Eastbourne under 10m Fisherman's Community Interest Company (Eu10CIC) to purchase the land at Sovereign Harbour where the Fisherman's Quay was to be constructed.

- 8.5. The required land was owned by Carillion, and before the land purchase could be completed Carillion went into liquidation in January 2018. During the liquidation process, the land was sold to Premier Marinas Ltd.
- 8.6. Following this purchase, Premier Marinas entered into discussions with the Eu10CIC regarding the potential for a long leasehold on the site, which would allow the Fisherman's Quay to be constructed thereby protecting the fishing fleet in Sovereign Harbour.
- 8.7. Whilst agreement was reached between Premier Marinas and the Eu10CIC in relation to the leasehold for the site, significant delays have been encountered in relation to formalising and signing the lease. This was initially as a result of ongoing legal discussions regarding the terms of the lease; however, these discussions have been completed and agreement has been reached. It was therefore expected that the lease would be signed in November 2019.
- 8.8. The latest update provided on the project indicates that due to delays in processing Premier Marinas title rights by the Land Registry office, following their purchase of the land from Carillion, it has still not been possible for the lease to be completed. The required documentation was received from the land registry office on 16th January 2020, and as a result both parties are now moving as quickly as possible to achieve completion of the lease.
- 8.9. In the meantime, the Eu10CIC have been working towards discharging all pre-planning obligations to ensure that work can commence onsite as soon as possible after the lease is signed.
- 8.10. Whilst work has been ongoing to progress the lease for the use of the land, the Eu10CIC have been taking all possible steps to ensure the project progresses as quickly as possible, including appointing a construction contractor which would have allowed the project to progress in line with expected timescales. Unfortunately, the preferred contractor entered administration in early 2019 and the Eu10CIC had to appoint an alternative contractor to deliver the project. This issue has now been resolved and a contractor is in place and ready to commence construction as soon as the lease is in place and all the pre-planning obligations discharged.
- 8.11. The latest project update received provided an amended delivery programme. It is now expected that work will commence onsite in February 2020 and will run until October 2020.
- 8.12. Due to the delays encountered by the project, the Eu10CIC are seeking a revision to their drawdown and repayment schedules as set out in Table 4 below.

Table 4: Drawdown and repayment schedules for the Eastbourne Fisherman's Quay and Infrastructure Development project

£m	2017/18	2018/19	2019/20	2020/21	Total
Drawdown schedule					
Original drawdown schedule	0.5	0.65	-	-	1.15
Drawdown schedule as reported to November Board	-	-	1.15	-	1.15
Updated drawdown schedule	-	-	0.575	0.575	1.15
Repayment schedule					
Original repayment schedule	-	-	0.9	0.25	1.15
Updated repayment schedule	-	-	-	1.15	1.15

- 8.13. The Eu10CIC have secured a grant from the European Maritime and Fisheries Fund (EMFF). This funding has been awarded for the construction of the Fisherman's Quay, however, the EMFF grant will only be released to the Eu10CIC upon provision of evidence of spend. Therefore, the GPF funding is required to forward fund these works, with the EMFF grant being used to repay the GPF loan. As a result, the full repayment of the GPF loan in 2020/21 appears realistic, subject to the lease being signed in the near future enabling the works to commence onsite.
- 8.14. It is noted in the project update that the scope of the project and the expected project outcomes are unchanged as a result of the delays to delivery.
- 8.15. The delay to the initial repayment of the GPF investment in the Eastbourne Fisherman's Quay and Infrastructure Development project will reduce the amount of GPF funding available for reinvestment in 2020/21. However, it will increase the amount of funding available for investment in 2021/22, therefore having no net impact on the total amount of GPF funding available for reinvestment through GPF round 3.

9. Discovery Park – removal from the GPF programme

- 9.1. Discovery Park is a multi-business science park, which offers high quality laboratory, office and manufacturing facilities. It occupies the former Pfizer site in Sandwich (Kent), and benefits from Enterprise Zone status. The landowners have plans to bring forward residential development, alongside the commercial facilities, on part of the site.
- 9.2. The Discovery Park project was awarded £5.3m GPF in 2014, for the delivery of enabling infrastructure to support the planned residential development on the site. It was proposed that 250 homes would be built on the site.

- 9.3. The Board received an update on the delivery of the Discovery Park project in September 2019. Delivery of the project has been significantly delayed due to a number of factors including changes in land ownership and concerns raised by the Environment Agency regarding the flood risk at the site.
- 9.4. In September 2019 the Board were asked to consider whether to continue to support the GPF investment in the project or to reallocate the £5.3m assigned to the project through the current round of GPF funding (round 3). The Board resolved to continue to support the delivery of the project, subject to the following conditions:
 - 9.4.1. If Kent County Council have not entered into a legal agreement with the project promoter by 31st January 2020, the GPF must be returned in 2019/20 to Essex County Council (as the Accountable Body for SELEP) for investment in new GPF pipeline projects; and
 - 9.4.2. Before entering into a legal agreement with the Midos Group (landowner) for the transfer of the loan, Kent County Council must provide the SELEP Accountable Body with confirmation that:
 - 9.4.2.1. the £5.3m loan will only be spent on capital;
 - 9.4.2.2. the expenditure of the GPF does not constitute State Aid;
 - 9.4.2.3. the GPF will be spent on contracts which are competitively procured in accordance with the UK and EU procurement guidelines and regulations, to the extent reasonably expected by a private sector company.
- 9.5. In November 2019, the Board received a further update on the project from Kent County Council, as Upper Tier Local Authority for the project. This report provided an update on progress towards meeting the conditions agreed at the September 2019 Board meeting. In addition, it set out Kent County Council's intention to charge interest on the loan to ensure that the GPF funding did not constitute State Aid and to charge an administration fee to cover the costs associated with facilitating this loan.
- 9.6. The update also sought an extension to the deadline agreed by the Board in September 2019, for Kent County Council to have entered into a legal agreement with the project promoter from 31st January 2020 to 31st March 2020.
- 9.7. The report also noted Kent County Council's intention to write to the project promoter to inform them of the intention to charge market rate interest and an administration fee. It was indicated that a deadline of 1st December 2019 would be given for the project promoter to confirm if they wished to progress with the GPF loan.
- 9.8. The Board agreed to the recommendations within the report in relation to the charging of interest and the extension of the deadline for Kent County Council to enter into a legal agreement with the project promoter. The Board also

agreed that if confirmation was not received from the project promoter by 1st December 2019 that they wished to progress with the GPF loan, that the project would be removed from the GPF programme and that the funding must be repaid to Essex County Council, as Accountable Body for SELEP, by 31st January 2020.

- 9.9. Following the November Board meeting Kent County Council received confirmation from the project promoter that, in light of the additional conditions and charges applied, they did not wish to progress with the GPF loan. Following this decision, the project has been removed from the GPF programme and the £5.3m GPF allocated to the project has been repaid in full by Kent County Council, to Essex County Council, as Accountable Body for SELEP.

10. Growing Places Fund Project Delivery to Date

- 10.1. A deliverability and risk update is provided for each GPF project in Appendix 1. 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. An update on the delivery of Innovation Park Medway, including the GPF and Local Growth Fund aspects of the project is provided under agenda item 9.
- 10.2. A high repayment risk has been identified for the Workspace Kent project, as one of the loan recipients has fallen behind on their repayment schedule. A full update on this risk is provided in section 7 of this report.
- 10.3. Ten GPF projects have now been completed, with the benefits of this infrastructure investment starting to be realised. It is reported that 1,777 jobs have been delivered through investment in commercial space and new business premises, as set out in Table 5 below.
- 10.4. 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.
- 10.5. Through the regular GPF reporting, updates are sought on the wider outcomes realised as a result of the GPF investment. It has been noted that the Grays Magistrates Court GPF project, which involved the conversion of the Magistrates Court into business space, was part of a wider Grays South regeneration project which aimed to revitalise Grays town centre. Following

the conversion of the building, the additional people working in and using the premises have positively impacted the town centre.

- 10.6. The project update for the Charleston Centenary indicates that completion of the project has enhanced the potential for secondary spend and offers a new attraction to the Charleston site which is independent of the house, potentially appealing to a wider market.
- 10.7. A RAG rating is being used 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.
- 10.8. 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. Sea Change Sussex are taking steps to accelerate development at the site, as set out in section 6 of this report.
- 10.9. 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.
- 10.10. A mechanism adopted in some cases to facilitate repayment of the GPF funding, is the sale of assets delivered through the GPF investment. For example, as outlined in the Growing Places Fund update report to the September Board meeting, the Sovereign Harbour project received £4.6m of GPF funding for the delivery of high-quality office space in Eastbourne. The GPF investment enabled the delivery of Pacific House, which offers 2,345sqm of office space. Initial repayments against the GPF loan have been made through rental receipts, however, in order to make the final larger repayment the intention is that Pacific House will be sold.
- 10.11. Whilst this approach ensures that the GPF funding is repaid, it does present an issue with the ongoing monitoring of the project post-completion. Once the building has been disposed of, the scheme promoter no longer has access to data regarding the number of jobs created through the delivery of the office space, meaning that the project outcomes can no longer be updated. As a result of this issue, the figures reported below for the Priory Quarter (Havelock House) and Bexhill Business Mall (Glover's House) projects reflect those last reported by the scheme promoter prior to the sale of the respective buildings.
- 10.12. The No Use Empty Commercial project continues to make good progress towards delivery of the benefits outlined in the project Business Case. To date 18 jobs have been created through the project, which exceeds the anticipated 16 new jobs as set out in the Business Case. 17 homes have been delivered to date, against an original forecast of 28. In addition, it has been noted that

15 commercial units have now been contracted to be brought back into use. This significantly exceeds the forecast of 8 commercial units which was set out in the Business Case.

10.13. These RAG ratings will be updated in advance of each Board meeting, based on the GPF project update reports submitted by local areas.

Table 5 - Monitoring of GPF project outcomes

Name of Project	Outcomes defined in Business Case		Outcomes delivered to date	
	Jobs	Houses	Jobs	Houses
Round 1 GPF Projects				
Priory Quarter Phase 3	440	0	240	0
North Queensway	865	0	0	0
Rochester Riverside	1,004	374	25	94
Chatham Waterfront	211	159	0	0
Bexhill Business Mall	299	0	98	0
Parkside Office Village	127	0	270	0
Chelmsford Urban Expansion	600	4,000	0	919
Grays Magistrates Court	200	0	206	0
Sovereign Harbour	299	0	218	0
Workspace Kent	198	0	116	0
Harlow West Essex	4,000	1,200	390	200
Discovery Park	Project removed from GPF programme			
Live Margate	0	66	0	38
Round 2 GPF Projects				
Colchester Northern Gateway	81	450	0	0
Charleston Centenary	6	0	6	0
Eastbourne Fisherman	4	0	0	0
Centre for Advanced Engineering	56	0	0	0
Fitted Rigging House	300	0	190	0
Javelin Way Development	311	0	0	0
Innovation Park Medway	307	0	0	0
No Use Empty Commercial	16	28	18	17
Totals	9,324	6,277	1,777	1,268

Key:

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

10.14. It is apparent from Table 5 that benefits are also now being realised for some of the GPF round 2 projects, including Charleston Centenary and the Fitted Rigging House project.

11. GPF Round 3

- 11.1. On 4th October the Strategic Board agreed the approach for the prioritisation of the next round of GPF funding (round 3). Following agreement by the Board, the open call for GPF projects was issued on 8th October.
- 11.2. The agreed approach consists of three stages, as set out below:
- 11.2.1. Stage 1 – Federated Area assessment, sifting and prioritisation of projects based on Strategic Fit, using information from the Expression of Interest form;
 - 11.2.2. Stage 2 – Independent Technical Evaluator (ITE) assessment and scheme prioritisation by the SELEP Investment Panel, based on the Strategic Outline Business Case;
 - 11.2.3. Stage 3 – SELEP Accountability Board funding decision.
- 11.3. Stage 1 of the GPF process was completed in December 2019 when each Federated Board met to discuss the Expressions of Interest (EOI's) submitted for their area, to agree the local prioritisation of projects based on Strategic Fit and to decide which projects should progress to Stage 2 of the process.
- 11.4. Following the conclusion of each Federated Board meeting, the SELEP Secretariat were provided with prioritised lists of those proposed GPF projects which each Board felt should progress to Stage 2 of the process. Table 6 provides an overview of the EOI's received by each Federated Board and those projects which were prioritised for progression to Stage 2.

Table 6 – Summary of all GPF Expressions of Interest received and those projects which have been prioritised for progression to Stage 2 of the process

Federated Board	No of EOI's submitted	Total GPF ask in all EOI's	No of EOI's progressing to Stage 2	Total GPF ask of prioritised projects
KMEP	18	£32.7m	10	£19.2m
OSE	4	£5.1m	3	£4.75m
Success Essex	2	£4.8m	2	£4.8m
TES	8	£23.4m	6	£18.6m
Total	32	£66m	21	£47.35m

- 11.5. All projects which progressed to Stage 2 of the process were invited to produce a Strategic Outline Business Case, which was due for submission to SELEP by 24th January 2020. Of the 21 projects which progressed to Stage 2, 19 submitted Business Cases for consideration.
- 11.6. Stage 2 will initially be led by the ITE and will involve an independent assessment of all Strategic Outline Business Cases. Discussions will be held with scheme promoters, following the completion of an initial assessment by the ITE, to allow clarification questions to be addressed and to provide the opportunity for the scheme promoters to respond to the initial feedback from the ITE.
- 11.7. The ITE will then produce their final assessment of the projects, and this will be presented to the Investment Panel alongside the prioritised lists produced by the Federated Boards based on Strategic Fit. Federated Boards will be given the opportunity to respond in writing to the final assessment presented by the ITE.
- 11.8. An Investment Panel meeting has been scheduled for 17th April 2020 in order to agree the SELEP wide prioritised list of GPF projects.
- 11.9. In line with usual governance processes, the final funding decision will be made by the Board. It is envisaged that the first GPF funding decision will be presented to the Board in July 2020.
- 11.10. At the start of the GPF round 3 process, it was indicated that £20.724m of GPF funding would be available for reinvestment through the process, with £15.595m available in 2020/21 and the remaining £5.129m available in 2021/22. As a result of the cancellation of the Discovery Park project, and the updated repayment schedules for the North Queensway, Workspace Kent and Eastbourne Fisherman's Quay and Infrastructure Development projects, the amount of GPF available for reinvestment and the split between 2020/21 and 2021/22 has changed, as set out in Table 7.

- 11.11. The level of GPF funding available for reinvestment will continue to be reviewed in light of any further changes to agreed repayment schedules.

Table 7 – GPF funding available for reinvestment

	2020/21	2021/22	Total
GPF available for reinvestment (as set out in GPF round 3 Guidance Note)	£15.595m	£5.129m	£20.724m
GPF available for reinvestment (taking into account changes outlined in this report)	£19.163m	£6.318m	£25.481m

12. Financial Implications (Accountable Body Comments)

- 12.1. The 2019/20 forecast cashflow position indicates that there is sufficient funding available to meet the agreed GPF investments due in this financial year. This assumes that all repayments are made as planned and considers the proposed repayment scheduling outlined in this report.
- 12.2. 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.
- 12.3. If the loan detailed in this paper under 7.6. and 7.7. relating to the Workspace Kent project becomes a bad debt, under the terms of the credit agreement between Essex County Council, as Accountable Body for SELEP, and Kent County Council, 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 by Kent County Council. This will reduce the GPF pot by £18,767 available for reinvestment.
- 12.4. It is noted that actual delivery of jobs and homes reported remains 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. 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.
- 12.5. It is noted that the next round of GPF funding allocations during 2019/20 has begun. A total of £25.481m (table 7) is expected to be available for reinvestment. This is an increase of £4.8m compared to £20.724m which had been agreed by Strategic Board in October 2019 to be allocated in the next funding round. This increase is due to the return of Discovery Park funding of £5.3m which has now been cancelled and allows for the payment rescheduling of certain projects.

13. Legal Implications (Accountable Body Comments)

- 13.1. Each award of GPF approved by the Board is supported by a Loan Agreement, which sets out the terms and conditions of the loan, and sets out the repayment schedule. Where changes are proposed to the project and/or repayment schedules, where an agreement is in place, a Deed of Variation will be required to amend the agreement and place the revisions within the terms of the Agreement.
- 13.2. The Agreements stipulate that the dates provided within the Drawdown Schedule are the earliest date by which a request to draw down the instalments can be made by the recipient authority. Accordingly changes to those dates and instalment values will require a deed of variation to the agreement currently in place, to ensure that the new Drawdown Schedule is brought within the terms of the Agreement.

14. Equality and Diversity implications (Accountable Body Comments)

- 14.1. Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:
 - a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act;
 - b) Advance equality of opportunity between people who share a protected characteristic and those who do not;
 - c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 14.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 14.3. In the course of the development of the project Business Case, the delivery of the Project and the ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision-making process and where possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

15. List of Appendices

- 15.1. Appendix 1 – Growing Places Fund Project Summary
- 15.2. Appendix 2 – Growing Places Fund Repayment Schedule

15.3. Appendix 3 – Growing Places Fund Drawdown Schedule

16. List of Background Papers

- 16.1. Accountability Board Agenda Pack March 2017 (previous North Queensway amended repayment schedule decision)
- 16.2. Accountability Board Agenda Pack February 2018 (previous North Queensway amended repayment schedule decision)
- 16.3. Strategic Board Agenda Pack March 2018 (decision regarding consideration by Strategic Board for GPF projects which have submitted revised repayment schedules on more than one occasion)

(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 Stephanie Mitchener (On behalf of Nicole Wood, S151 Officer, Essex County Council)	 06/02/2020