

Report title: Growing Places Fund update	
Report to Accountability Board	
Report author: Helen Dyer, SELEP Capital Programme Officer	
Date: 17 th May 2019	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 £250,000 reduction in GPF allocation to the Fitted Rigging House Project and the associated amended repayment schedule;
 - 2.1.3. **Note** the amended draw down schedule for the Innovation Park Medway (southern site enabling works) Project;
 - 2.1.4. **Note** the update on the Discovery Park Project.

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 to the new projects within GPF Round 2 is on the condition that funding will only be awarded to these projects by the Board or transferred to the lead authority if sufficient GPF is available through the repayments of GPF loans from Round 1 projects. As such, on a quarterly basis, updates are provided to the Board on the latest position for GPF projects in terms of delivery progress and any risks to the repayments of GPF loans.

4. GPF repayments

- 4.1. The loan repayment schedule for each GPF project is agreed within the credit agreement in place between Essex County Council, as Accountable Body, and the lead County/ Unitary Authority for each project. A copy of the expected repayment schedule is set out in Appendix 2.
- 4.2. Repayments are now being made on the initial GPF Round 1 investments, with £17,672,433 having been repaid to date. All repayments due in 2018/19 were received prior to the end of March 2019.
- 4.3. During 2019/20 repayments will continue to be made on initial GPF Round 1 investments, with some of the GPF Round 2 projects also starting to make repayments. In total, £10,606,600 is scheduled for repayment in 2019/20 as set out in Appendix 2.

5. GPF cash flow

- 5.1. Table 1 below sets out the current cash flow position based on the planned GPF investment and the GPF available for investment though loan repayments. This assumes that the repayments are made in accordance with the agreed repayment schedules and takes into account the amended drawdown schedule for the Innovation Park Medway Project (as set out in section 7 below). Table 1 also takes into account the revised repayment schedule for the Fitted Rigging House Project (as set out in section 6 below), which has arisen as a result of a reduction in the amount of GPF funding required to deliver the Project, which the Board are being asked to approve as part of this report.

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

£	2019/20	2020/21
GPF available at the outset of year	13,663,002	20,059,602
GPF Round 1 planned investments	63,000	-
GPF Round 2 planned investments	4,147,000	1,130,000
Position before GPF repayments are made	9,453,002	18,929,602
GPF repayments expected	10,606,600	7,758,000
Carry Forward	20,059,602	26,687,602

- 5.2. As shown in Table 1 total GPF drawdown of £4,210,000 is forecast for 2019/20, with a further £1,130,000 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.
- 5.3. As all GPF repayments were made in line with the approved repayment schedules during 2018/19 there will be no gap between the amount of GPF available in 2019/20 and the project drawdown schedules (as set out in Appendix 3).

6. Fitted Rigging House

- 6.1. The Fitted Rigging House project was awarded £800,000 GPF in April 2018, for the conversion of a Grade 1 former industrial building, at the Chatham Historic Dockyard, into commercial office space and public benefit space. It was anticipated that the project would create 3,473m² of new office space, which would house businesses offering up to 350 jobs.
- 6.2. The conversion is now nearing completion and has created 3 large tenant spaces, 5 small business units, a new office for the Chatham Historic Dockyard Trust and a new library, archive and volunteer centre.
- 6.3. To date, three tenants have taken occupation of their allocated space within the Fitted Rigging House, creating a total of 150 jobs. A fourth tenant will be taking occupation by the end of May 2019. Tenants have been confirmed for the remaining four business units, with the building expected to be fully occupied by October 2019.
- 6.4. In 2018/19, £550,000 of the £800,000 GPF award was drawn down and has been fully spent. The remaining £250,000 was scheduled for drawdown in 2019/20.
- 6.5. The Chatham Historic Dockyard Trust have indicated that the remaining balance of the GPF allocation is no longer required for the project. This is due to the conversion of the Fitted Rigging House being delivered at a lower cost than anticipated, as the budgeted contingency was not required.
- 6.6. As the works are drawing to a conclusion, with final completion expected in October 2019, there is now relative certainty around the final costs of construction which puts the Chatham Historic Dockyard Trust in a position to be able to make this decision with confidence.
- 6.7. As demonstrated above, the reduction in GPF ask will not impact on the scope of the project or the outcomes and benefits offered by it.
- 6.8. As a result of the reduction in GPF funding required the Chatham Historic Dockyard Trust have provided an updated repayment schedule for the project. Table 2 below shows the original and revised repayment schedule:

Table 2: Repayment schedule for the Fitted Rigging House project

	2019/20	2020/21	2021/22	Total
Original schedule	200,000	300,000	300,000	800,000
Revised schedule	200,000	300,000	50,000	550,000

- 6.9. The Board are asked to approve both the reduced GPF allocation to the Fitted Rigging House and the amended repayment schedule for the project.

7. Innovation Park Medway (southern site enabling works)

- 7.1. The Innovation Park Medway (southern site enabling works) project was considered by the Board in September 2018 and was awarded £650,000 GPF funding. This funding was sought to deliver enabling works on the southern site at Innovation Park Medway.
- 7.2. Innovation Park Medway has also been awarded £9.619m LGF funding, through rounds 2, 3 and 3b (subject to Business Case approval in September 2019). This funding will be used to bring forward development on the northern site of the Innovation Park, whilst the GPF funding will be spent solely on the southern site.
- 7.3. The vision for Innovation Park Medway is to attract high GVA businesses focused on the technological and science sectors – particularly engineering, advanced manufacturing and digital creative industries. These businesses will deliver high value jobs in the area and 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.
- 7.4. The GPF project Business Case indicated that £120,000 of the GPF allocation would be drawn down in 2018/19, with the balance of £530,000 being drawn down in 2019/20.
- 7.5. The latest project update indicates that the funding drawdown will now be split across three financial years, as shown in Table 3:

Table 3: Drawdown profile for the Innovation Park Medway (southern site enabling works) project

	2018/19	2019/20	2020/21	Total
Original profile	120,000	530,000	-	650,000
Amended profile	120,000	50,000	480,000	650,000

- 7.6. In the original project Business Case the completion date for the enabling works was given as December 2019. The latest project update shows a

revised completion date of September 2020, hence the change in drawdown schedule.

- 7.7. Medway Council have noted that the original project programme was estimated and following engagement with consultants has been updated to reflect a more realistic delivery timetable. Delivery of the enabling works is now expected to commence in April 2020, with completion in September 2020.
- 7.8. Compared to the original Business Case there may be some delay in benefit realisation, based on the new delivery timetable, however, a significant risk to the realisation of these benefits has now been removed. At the time of Business Case submission there remained a risk to development on the southern site due to the proposed development site being on an active flightpath to/from Rochester Airport.
- 7.9. Planning permission has now been granted for the LGF funded improvements to the airport infrastructure at Rochester Airport, allowing these works to progress. Delivery of these works will facilitate closure of the second runway on the airport site, which will mean that the southern site is no longer on an active flightpath and will therefore remove the current CAA building height restrictions that the site is subject to. This will allow construction of taller buildings on the site which will contribute towards delivering the jobs outcomes indicated within the Business Case.
- 7.10. Medway Council have also reported high levels of interest in occupying the southern site and are therefore confident that the site will be immediately developed for commercial use following completion of the enabling works.
- 7.11. Despite the amendments to the draw down profile the project is still expected to meet the agreed repayment schedule, with this being a consideration within the Delivery and Investment Plan for the Innovation Park Medway site. This plan will be considered by Medway Council's Cabinet in June and Full Council in July this year. If following these meetings there is any change to the repayment schedule this will be brought to the September Board meeting for consideration.
- 7.12. The Board is asked to note the change to the drawdown profile for the Innovation Park Medway (southern site enabling works) project.

8. Discovery Park

- 8.1. The Discovery Park is a business park in Sandwich, which was historically developed and used by Pfizer as a research facility before being redeveloped in 2000. Discovery Park is now rented out to a number of businesses focusing mainly on the life science, pharmaceutical and bio-technology sectors.

- 8.2. Through early rounds of the GPF the Discovery Park was awarded £5.3m to assist with the further redevelopment of the site through improving the utilisation of empty or underused spaces.
- 8.3. The underlying idea behind the development of the site is to create a mixed-use site that complements the current commercial properties. To facilitate the redevelopment of the site there is a requirement for a new road to be built across the southern half of the site and for work to be carried out to prepare the mostly unused land for utilisation. The GPF funding was awarded to bring forward these works.
- 8.4. To date the entire £5.3m GPF allocation was transferred to Kent County Council in 2017/18, however, none of the funding has been reported as spent.
- 8.5. Discovery Park have provided an update which indicates that a change of project scope may be required. This change request may come as a result of a change to the development proposal, following an increase in the flood risk at the site. Work is ongoing by a flood consultant to determine the impact of any changes in flood risk to the site.
- 8.6. A full project update, including an updated Business Case reflecting the change in scope, will be brought to the September Board meeting for consideration. At this stage, the Board will be asked to consider whether the revised proposal still meets with the original objectives or if a new project is being brought forward, which will require consideration by the Strategic Board.
- 8.7. According to the agreed repayment schedule for the Discovery Park project the first repayment of £408,000 is due at the end of 2019/20. Given the current status of the project it is expected that this repayment will not be made in accordance with the agreed schedule. A revised repayment schedule will be brought to the September Board meeting as part of the updated Business Case for consideration. The impact of the revised repayment schedule on the overall GPF cashflow will be considered.
- 8.8. If the Board do not agree the change request for the Discovery Park project in September, the £5.3m GPF transferred to Kent County Council will need to be returned to SELEP in full.

9. Growing Places Fund Project Delivery to Date

- 9.1. Ten GPF projects have now been completed, with the benefits of this infrastructure investment starting to be realised. It is reported that 1,778 jobs have been delivered through investment in commercial space and new business premises, as set out in Table 4 below.
- 9.2. Additional benefits are expected to be delivered through the completion of the remaining GPF projects and through the follow-on investment which has been

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

- 9.3. A RAG rating has been introduced to assess how the completed projects are progressing towards delivering the jobs and homes outcomes stated within the Business Case. To date, it can be seen that the 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.
- 9.4. North Queensway and the Centre for Advanced Engineering projects have both been completed, however, no job outcomes have been reported to date. It has been noted in the latest updates for both projects that these figures are still been calculated. An update is expected for the September Board meeting.
- 9.5. The Chelmsford Urban Expansion project has been completed, however, no jobs outcomes have been reported to date. The latest project update indicates that no employment development has come forward for Beaulieu Business Park, which has in place planning permission for 40,000sqm of commercial space, to date. However, it has been reported that there has been some growth within Chelmsford Business Park and Springfield Business Park, which has seen some new commercial floorspace constructed. This growth has not been quantified in terms of jobs created in the project update.
- 9.6. 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 Grays Magistrates Court and Sovereign Harbour.
- 9.7. These RAG ratings will be updated in advance of each Board meeting, based on the GPF project update reports submitted by local areas.

Table 4 - Monitoring of GPF project outcomes

Name of Project	Outcomes defined in Business Case		Outcomes delivered to date	
	Jobs	Houses	Jobs	Houses
Round 1 GPF Projects				
Priory Quarter Phase 3	440	0	240	0
North Queensway	865	0	0	0
Rochester Riverside	402	450	25	0
Chatham Waterfront	211	159	211	0
Bexhill Business Mall	299	0	98	0
Parkside Office Village	169	0	200	0
Chelmsford Urban Expansion	2,105	365	0	919

Name of Project	Outcomes defined in Business Case		Outcomes delivered to date	
	Jobs	Houses	Jobs	Houses
Grays Magistrates Court	200	0	144	0
Sovereign Harbour	299	0	220	0
Workspace Kent	198	0	91	0
Harlow West Essex	4,000	1,200	390	200
Discovery Park	130	250	0	0
Live Margate	0	66	0	32
Round 2 GPF Projects				
Colchester Northern Gateway	81	450	0	0
Charleston Centenary	6	0	6	0
Eastbourne Fisherman	4	0	0	0
Centre for Advanced Engineering	56	0	0	0
Fitted Rigging House	300	0	150	0
Javelin Way Development	311	0	0	0
Innovation Park Medway	307	0	0	0
No Use Empty Commercial	16	28	3	0
Totals	10,399	2,968	1,778	1,151

Key:

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

- 9.8. It is apparent from Table 4 that benefits are also now being realised for some of the GPF round 2 projects, including Charleston Centenary and the Fitted Rigging House project.
- 9.9. A number of projects have reported positive outcomes beyond delivery of jobs and homes, including:
- 9.9.1. The conversion of Grays Magistrates Court into business space was part of a wider Grays South regeneration project which was aimed at revitalising Grays town centre. It has been reported that the

refurbishment of the building and the additional people working in and visiting the premises has had a positive impact on the town centre.

9.9.2. The infrastructure works delivered to improve access within the Harlow Enterprise Zone have been completed. This has resulted in traffic flow improvements, improved connectivity for movements of traffic in and through Harlow and improved safety with updated highway conditions.

9.9.3. The completion of the café-restaurant as part of the Charleston Centenary project has enhanced potential for secondary spend and has provided a new attraction to the Charleston site which is independent of the house.

10. Financial Implications (Accountable Body Comments)

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

10.2. Although non-repayment of the majority of loans has been identified as low risk, it should be noted that any repayments not made in line with their approved profile will put at risk the funding required for the GPF programme to be maintained as an effective recyclable loan scheme. As such, it is recommended that all GPF repayment risks continue to be monitored as part of the regular GPF updates reported to the Board.

10.3. It is noted that the Discovery Park project is not progressing as originally planned and, on that basis alone, it would appear extremely unlikely that the scheduled 2019/20 repayment will be achieved. It is important that the project update report, due to be presented at the September 2019 Board meeting, is delivered as planned to enable timely consideration of how the £5.3m allocated funding should best be applied.

10.4. 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.

10.5. It is recommended that consideration is given to commencing the next round of funding allocations during 2019/20, to enable the reinvestment of £26m uncommitted GPF repayments by the end of 2020/21.

11. Legal Implications (Accountable Body Comments)

- 11.1. Each award of GPF approved by the Board is supported by a Loan Agreement between Essex County Council, as Accountable Body and the respective local authority with responsibility of the delivery of the project. Where changes to the project are made it is essential that these are reflected within those Agreements. Accordingly if approved the changes proposed within this report will be subject to a Deed of Variation which will be prepared by the Accountable.

12. Equality and Diversity implications (Accountable Body Comments)

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

13. List of Appendices

- 13.1. Appendix 1 – Growing Places Fund Project Summary
- 13.2. Appendix 2 – Growing Places Fund Repayment Schedule
- 13.3. Appendix 3 – Growing Places Fund Drawdown Schedule

14. List of Background Papers

- 14.1. Accountability Board Agenda Pack 31st March 2017

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

Role	Date
Accountable Body sign off Stephanie Mitchener (On behalf of Margaret Lee, S151 Officer, Essex County Council)	23/5/19