

Growing Places Fund Update Report

Forward Plan reference numbers: FP/AB/728, FP/AB/729 and FP/AB/730

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| Report title: Growing Places Fund Update | |
| Report to: Accountability Board | |
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| Meeting date: 16 February 2024 | For: Decision |
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| SELEP Partner Authority affected: All | |

1. Purpose of report

- 1.1 The purpose of this report is to update the SELEP Accountability Board (the Board) on the latest position of the Growing Places Fund (GPF) Capital Programme and to seek agreement on the disaggregation of the GPF funding which will be actioned following the dissolution of SELEP.
- 1.2 The report sets out details of a request from East Sussex County Council for a revision to the GPF repayment schedule for the Sovereign Harbour project and outlines options in respect of minimising the impact of the proposed repayment change on all SELEP partner authorities for Board consideration.

2. Recommendations

- 2.1 The Board is asked to:
 - 2.1.1 **Note** the updated position on the GPF programme.
 - 2.1.2 **Agree** a two year extension (to 31 March 2026) to the Sovereign Harbour repayment term, subject to East Sussex County Council providing repayments every six months starting from September 2024 to the impacted Upper Tier Local Authorities, in accordance with the updated repayment schedule in Table 3 and with a requirement that if the sale of Pacific House is completed before 31 March 2026, East Sussex County Council will pay the outstanding balance (if any) owed on the loan within thirty (30) days of completion.
 - 2.1.3 **Agree** that no interest will be charged during the two-year extension to the Sovereign Harbour repayment term on the remaining balance owed on the loan subject to payments being made when due. Should repayments not be made, interest shall be charged in accordance with section 6.57.6 and shall be paid to the impacted Upper Tier Local Authorities in accordance with section 6.57.7.

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- 2.1.4 **Note** that the decisions 2.1.5 and 2.1.7 for disaggregation of the GPF are not in accordance with the SELEP Assurance Framework as they will bring to an end the recyclable loan scheme. In taking these decisions, the Board is placing reliance on the Government Guidance¹ issued in respect of transitioning LEP functions to Local Authorities, as set out in sections 8.8 and 8.9.
- 2.1.5 **Agree** the disaggregation of the GPF funding in accordance with the approach outlined in Section 7 of this report and with the figures set out in Table 7. Noting that:
- 2.1.5.1 the figures in Table 7 are based on the assumption that all remaining repayments due by 31 March 2024 are made as required;
 - 2.1.5.2 the approach to the disaggregation of the GPF funding currently allocated to the Sovereign Harbour project will be dependent upon the option chosen by the Board at this meeting; and
 - 2.1.5.3 the decisions in Agenda Item 13 in respect of GPF are agreed by the Board
- 2.1.6 **Note** that the existing credit agreement in respect of the Sovereign Harbour Loan between Essex County Council, as Accountable Body, and East Sussex County Council will be incorporated into the proposed Transition Agreement, which will also incorporate the amendments to the repayment schedule set out in 2.1.2 and the interest provisions set out in 2.1.3.
- 2.1.7 **Agree** that with the exception of the Sovereign Harbour loan repayments, the GPF loan repayments due to be repaid by the respective Upper Tier Local Authority to the Accountable Body from 1 April 2024, as set out in Appendix B will be retained by the Upper Tier Local Authority that is due to repay. Noting that the retention of the loan repayment by the Upper Tier Local Authority borrower shall be incorporated into the proposed Transition Agreement.
- 2.1.8 **Agree** that if any Upper Tier Local Authority defaults on the repayment of their Growing Places Fund loan that is due by 31 March 2024, interest shall be charged in accordance with the terms of their funding agreement and interest shall be defrayed on a per capita basis based on the 2021 census population data.

3. Background

¹ [Guidance for Local Enterprise Partnerships \(LEPs\) and local and combined authorities: integration of LEP functions into local democratic institutions - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/guidance-for-local-enterprise-partnerships-leps-and-local-and-combined-authorities-integration-of-lep-functions-into-local-democratic-institutions)

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- 3.1 In total, £45.477m GPF was made available to SELEP for investment as a recyclable capital loan scheme. To date, GPF has either been invested or has been allocated for investment in a total of 28 capital infrastructure projects. In addition, a proportion of GPF revenue funding was allocated to Harlow Enterprise Zone (£1.244m) and a further £1.5m was ring-fenced to support the activities of SELEP's Sector Working Groups (known as the Sector Support Fund) as agreed by the Strategic Board.
- 3.2 In June 2020, the Strategic Board took the decision to repurpose £6.4m of the GPF funding to enable delivery of interventions which would support economic recovery post COVID-19. In addition, in November 2021 the Board agreed that £18,767 of the GPF loan awarded to the Workspace Kent project could be written off as a bad debt due to the dissolution of the recipient company. These decisions have reduced the balance of the GPF fund to £39.058m.
- 3.3 It was intended that a new round of GPF funding would be launched in 2023/24. However, following the announcement by Central Government that core funding would not be provided to LEPs after 2023/24 and that LEP functions should be integrated into Local Authorities, alternative proposals for use of the available GPF funding were presented to the Strategic Board at their meeting in October 2023. These options sought to achieve a level of parity across the SELEP area when considering both the unallocated funding and the remaining balance owed on existing GPF loans. The Strategic Board agreed to endorse the following option:
 - 3.3.1 Disaggregate the fund to each Upper Tier Local Authority as a total of their existing GPF loan allocations and their proportion of the funding currently held by the Accountable Body and accept that total parity has not been achieved.
- 3.4 Implementation of this approach and agreement of the split of funding between Upper Tier Local Authorities is subject to a decision by the Board at this meeting. In addition, the Board are asked to consider the implications of the request to revise the repayment schedule for the Sovereign Harbour project on the adopted approach (Section 6 of this report).
- 3.5 It is intended that the transfer of responsibility for the GPF programme will be formalised through a Transition Agreement which is currently being drafted by Essex County Council (as Accountable Body for SELEP). The Transition Agreement will be accompanied by a Position Statement, which sets out the most up to date position in respect of each of the GPF projects. A draft Position Statement is provided at Appendix E. The Position Statement will be subject to a full review by the SELEP Secretariat following this meeting and will be shared with Upper Tier Local Authorities for their consideration prior to being formalised as part of the Transition Agreement.

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- 3.6 The proposals set out in this report are conditional on the partners entering into the Transition Agreement.

4. Current Position

COVID-19 Impacts

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

Cash Flow Position

- 4.3 Scheme promoters have been working to understand the impacts of COVID-19 on their projects and their intended repayment mechanism since the onset of the COVID-19 pandemic. To date, COVID-19 related revised repayment schedules have been approved by the Board in relation to eleven GPF projects.
- 4.4 Table 1 below sets out the current cash flow position based on the planned GPF investment in 2023/24 and the repayments which are expected to be received prior to the dissolution of SELEP. Following the removal of the Barnhorn Green project at the last Board meeting in January 2024 there is only one project which is yet to draw down their GPF funding allocation. The Board agreed a revised repayment schedule for the No Use Empty South Essex project in June 2023, and this is in the process of being formalised through a Deed of Variation. As soon as the Deed of Variation has been executed by all parties, Southend-on-Sea City Council will be able to seek drawdown of their GPF funding allocation.
- 4.5 The drawdown schedule for the GPF programme is set out in Appendix C.
- 4.6 Repayments forecast for 2023/24 reflect the latest repayment schedules approved by the Board. Should any Upper Tier Local Authority default on a repayment against any of their GPF loans which is due to be made by 31 March 2024, interest will be charged in accordance with the terms of the GPF loan agreement and interest paid shall be defrayed to other Upper Tier Local Authorities on a per capita basis as applicable.
- 4.7 The existing GPF repayment schedules are set out in Appendix B.

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- 4.8 To assist with options development in relation to the GPF funding currently held by Essex County Council (as the Accountable Body for SELEP), early confirmation regarding the ongoing achievability of repayments due in 2023/24 was sought. Initially no projects identified a significant risk to repayment in 2023/24, however, subsequently (as reported in January 2024) a significant repayment risk was identified in relation to the Sovereign Harbour project. Following a discussion at the last Board meeting, the proposed revised repayment schedule for the Sovereign Harbour project has once again been brought forward for Board consideration at this meeting, alongside options which seek to minimise the impact of this change on all local authority partners (as set out in Section 6 of this report).
- 4.9 It should be noted that the required GPF quarterly reporting was not provided by Medway Council in advance of this meeting, and therefore the information included within this report and the accompanying appendices may not reflect the latest position. The Fitted Rigging House project in Medway is due to make a £100,000 repayment prior to the end of March 2024. Failure by Medway Council to provide the required reporting or to provide separate confirmation that this repayment is still expected to come forward presents a concern – particularly in light of the decisions being taken at this meeting with respect to the disaggregation of the GPF funding. As there are no further opportunities for a revision to the repayment schedule to be considered by the Board, repayment must be made in line with the agreed repayment schedule or Medway Council will enter a default position with respect of the loan which is will have implications for the release of their per capita share of the GPF funding and SELEP revenue funding at the end of 2023/24 and will trigger the charging of interest in accordance with the terms of the GPF Loan Agreement. This will be reflected in the Transition Agreement and will be applicable to all loans that are due to be repaid by 31st March 2024.

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Table 1: GPF Cash Flow Position

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|---|------------|
| £ | 2023/24 |
| GPF available at the outset of year | 12,359,744 |
| GPF funding repurposed | - |
| GPF available for investment | 12,359,744 |
| GPF Round 1 planned investments | 0 |
| GPF Round 2 planned investments | 0 |
| GPF Round 3 planned investments | 1,000,000 |
| Position before GPF repayments are made | 11,359,744 |
| GPF repayments expected | 1,740,000 |
| To be disaggregated (assuming all expected repayments received) | 13,099,744 |

5. Growing Places Fund Project Delivery to Date

- 5.1 A deliverability and risk update is provided for each GPF project in Appendix A.
- 5.2 Eight projects have a High (red) overall project risk, including the Green Hydrogen Generation Facility, Centre for Advanced Engineering, Eastbourne Fisherman's Quayside and Infrastructure Development, North Queensway, Innovation Park Medway (southern site enabling works), Observer Building Hastings Tranche 1 and 2 and Sovereign Harbour projects.
- 5.3 Two new High-risk projects have been identified since the last Board meeting – Eastbourne Fisherman's Quayside and Infrastructure Development and Innovation Park Medway (southern site enabling works). An update on each of these projects is set out below.
- 5.4 The position with respect of the other six projects remains broadly as reported at the last meeting. An update on each of these projects is set out in Appendix F.
- 5.5 Delivery of the Eastbourne Fisherman's Quayside and Infrastructure Development project has completed. However, as has been reported to the Board previously, the Community Interest Company (CIC) which delivered the project has experienced significant challenges with respect to the repayment of the loan. This risk was previously mitigated through the agreement of a revised repayment schedule in April 2023 which allowed repayment to be made over an extended period of time, with the final repayment due in 2034/35.

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- 5.6 The most recent quarterly reporting submission indicates that current cash flow projections and continued operational and financial restrictions mean that, at the present time, the CIC is not in a position to be able to consider making any repayments in the near future. The update does outline an ongoing commitment to repay the loan, however, it appears likely that the agreed repayment schedule will not be met.
- 5.7 The first repayment is not due until 2024/25 and therefore no action is recommended at this time but the status of the repayment schedule will need to continue to be monitored by East Sussex County Council.
- 5.8 The Innovation Park Medway (southern site enabling works) project has not previously been identified as being High risk as the GPF-funded works have been delivered, the GPF loan has been repaid in full and Medway Council had provided a clear route to realisation of forecast project outcomes. However, whilst Medway Council have not provided an update on the project in advance of this meeting, a Medway Council Cabinet paper has been published in respect of the Innovation Park Medway project as a whole. This report indicates that the intended development route for the southern site is no longer considered to be viable. It was intended that Medway Council would bring forward two plots on the southern site using their own funding, however, following a tender process, construction costs have been confirmed to be higher than anticipated. In addition, interest rate rises have impacted on the ability of the Council to borrow the funding required to bring forward the site.
- 5.9 As set out in the Cabinet report, Medway Council officers are now proposing (subject to agreement by Medway Council Cabinet on 13 February 2024) that delivery of the Innovation Park Medway project (both northern and southern sites) is paused whilst a review of development options is undertaken. This proposal raises significant concerns in respect of the ability of the project to realise the forecast project benefits.
- 5.10 There are a number of medium risks (amber) identified across a number of projects, primarily in relation to repayment and realisation of project outcomes. The repayment risks stem from the ongoing global economic uncertainty and impacts on the property market. There remain concerns regarding benefit realisation due to the impact on the property market and local economy of the COVID-19 pandemic. These risks will need continue to be monitored by respective partners post closure of SELEP.

6. Sovereign Harbour – proposed revised repayment schedule

Context and history

- 6.1 Following the announcement from Government that core funding of LEPs will cease from April 2024 and that LEP activities should be integrated into Local Authorities, a significant amount of work was undertaken to consider the

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options available for deployment of the unallocated GPF funding post March 2024. This work was based on the following underlying assumptions:

- 6.1.1 That full repayment of existing GPF loans will be made with repayments due in 2023/24 being made to Essex County Council (as the Accountable Body for SELEP) and future repayments made to either the incoming Accountable Body or the relevant Upper Tier Local Authority (depending upon the option selected by the Strategic Board) – this assumption was based on the reporting submitted to SELEP and the Board in September 2023 by the respective Local Authorities.
- 6.1.2 That no further approvals will be required from Government.
- 6.1.3 That there will be a desire to achieve the best level of parity possible when considering future use of the funding.
- 6.2 The Strategic Board chose to endorse the option set out at Section 3.3.1. of this report which requires the disaggregation of the GPF funding to the six Upper Tier Local Authorities at the end of 2023/24.
- 6.3 Whilst the Strategic Board identified a shared desire to achieve parity across the SELEP area with regard to the disaggregation of the funding, it was acknowledged that the endorsed approach did not achieve total parity but that the level of parity achieved was acceptable.
- 6.4 Indicative figures regarding the split of GPF funding between the six Upper Tier Local Authorities for each of the overarching options were provided to the Strategic Board. The indicative figures for the chosen option are set out in Table 2 below.

Table 2: Split of GPF funding between Upper Tier Local Authorities (assuming all repayments due in 2023/24 are received by the Accountable Body) reflecting local retention of repayments against existing GPF loans (post 2023/24) and funding currently held by the Accountable Body

| Local Authority | Population (as per 2021 census) | Per capita share of total GPF pot £m | Remaining balance owed on existing GPF loans at 31.03.2024 £m | Difference between per capita share and remaining balance owed £m | Funding to be transferred at 1 April 2024 (indicative figure) £m |
|-----------------|---------------------------------|---|--|--|---|
| East Sussex | 545,847 | 5.002 | 4.232 | 0.771 | 0.698 |
| Essex | 1,503,521 | 13.779 | 2.000 | 11.779 | 11.578 |
| Kent | 1,576,069 | 14.444 | 14.802 | -0.358 | 0.000 |
| Medway | 279,773 | 2.564 | 0.350 | 2.214 | 2.177 |
| Southend | 180,686 | 1.656 | 1.000 | 0.656 | 0.632 |
| Thurrock | 176,000 | 1.613 | 0.000 | 1.613 | 1.589 |
| Total | 4,261,896 | 39.058 | 22.384 | 16.675 | 16.675 |

- 6.5 Subsequent to the October 2023 Strategic Board meeting, East Sussex County Council advised the SELEP Secretariat and the Accountable Body that it was highly unlikely that the £3.575m repayment due against the

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Sovereign Harbour project would be paid prior to 31 March 2024 as required under the current repayment schedule.

- 6.6 Re-profiling of the repayment due against the Sovereign Harbour project will impact on the level of GPF funding held by the Accountable Body which can be deployed to each Upper Tier Local Authority at the end of 2023/24.
- 6.7 Options in relation to the Sovereign Harbour project have been presented to both the Strategic Board and the Board for consideration at recent meetings. However, to date no decision has been taken as to how the impact of the proposed revised repayment schedule on the disaggregation of the GPF funding should be managed. At the January 2024 meeting, the Board agreed 'not to agree any of the options set out in the Board report and for officers to undertake further option development work with a view to achieving the best level of parity possible for the disaggregation of the SELEP GPF funds, in the context of the remaining Sovereign Harbour repayment.'
- 6.8 Subsequent to the Board meeting, further option development work has been undertaken and three broad options are set out in this report for Board consideration.

Proposed revised repayment schedule

- 6.9 The Sovereign Harbour project was awarded £4.6m GPF in March 2014. The funding was awarded to support the delivery of high-quality office space (Pacific House) in Eastbourne, which was expected to facilitate up to 299 jobs.
- 6.10 Delivery of the project completed in June 2015 and, as at November 2023, Pacific House was reporting a 93% occupancy rate.
- 6.11 At the time of funding award, it was indicated that the loan would be repaid between 2016/17 and 2021/22. The project has been subject to a number of repayment schedule changes, with the most recent change agreed by the Board in April 2023. The revised repayment schedule required full repayment of the remaining balance owing on the loan (£3.575m) by 31 March 2024. The Board also agreed that interest would not be charged on the loan at that time, subject to compliance with the revised repayment schedule.
- 6.12 East Sussex County Council have been advised by Sea Change Sussex that their agent is continuing to market Pacific House with a view to completing a sale before 31 March 2024, which would allow repayment of the GPF loan in accordance with the agreed repayment schedule. However, Sea Change Sussex have also indicated that it is unlikely that they will be able to conclude an open market sale of the property before 31 March 2024 at a price which would be sufficient to pay off all outstanding debt. This is due to ongoing challenging market conditions which are affecting the UK property market.
- 6.13 Previous repayments made against the GPF loan have been funded through rental income generated through the operation of the building. Despite the

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high level of occupancy currently reported (93%), East Sussex County Council have confirmed that it is not possible to make any repayments on this basis in 2023/24.

- 6.14 The terms of the loan agreement (completed in 2014) between East Sussex County Council and Sea Change Sussex state that if full repayment is not made by the stated longstop date (31 March 2024) then Sea Change Sussex will, after receiving written notice from East Sussex County Council, transfer the property to East Sussex County Council at market value minus the outstanding debt in accordance with the condition of sale. In light of this clause, East Sussex County Council instructed a property valuation to be undertaken by specialist consultants to inform their decision making. East Sussex County Council officers have been considering the outcome of the valuation and the options presented since April 2023.
- 6.15 In addition, in September 2023, East Sussex County Council commissioned a commercial consultant to facilitate discussions with Sea Change Sussex. The consultant has explored options with Sea Change Sussex with regard to their plans to either refinance, seek a sale or be required to transfer Pacific House to East Sussex County Council in order to settle the GPF loan.
- 6.16 If Sea Change Sussex are unable to complete a sale of the building, East Sussex County Council have indicated to SELEP that they will serve notice to Sea Change Sussex to transfer possession of the building to the Council after the 1st April 2024. East Sussex County Council have confirmed that they have not yet given notice, but have requested that Sea Change Sussex prepare an updated 'Lease information package' (detailed information on all the current leases within the building) and the 'Deed of Variation' for East Sussex County Council to determine next steps with respect to the transfer of the building. East Sussex County Council have yet to receive the detailed tenancy schedule for Pacific House. Without the detailed tenancy schedule, any valuation of the building will need to be heavily caveated and will need to be based on a number of assumptions. A delay in providing this information will impact on the timeline for East Sussex County Council for serving notice for the transfer of the building.
- 6.17 Upon receipt of this information, East Sussex County Council will undertake all required due diligence and will seek a joint property valuation with Sea Change Sussex to ensure that agreement can be reached on the Market Value of Pacific House. Assuming the building cannot be sold by 31 March 2024, East Sussex County Council have indicated that they will not be in a position to repay the £3.575m GPF loan in accordance with the existing repayment schedule.
- 6.18 A revised repayment schedule which delays repayment of the remaining balance owed on the loan to March 2026 was brought forward by East Sussex County Council. The requested revised repayment schedule is set out in

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Table 3 below and considers the Sovereign Harbour project in isolation, rather than in the wider context of the disaggregation of the GPF funding.

Table 3: Requested revised repayment schedule for the Sovereign Harbour project

| | Repaid to date (£m) | 2023/24 (£m) | 2024/25 (£m) | 2025/26 (£m) | Total (£m) |
|-------------------------------------|---------------------|--------------|--------------|--------------|-------------------|
| Existing repayment schedule | 1.025 | 3.575 | 0 | 0 | 4.600 |
| Proposed revised repayment schedule | 1.025 | 0 | 0 | 3.575 | 4.600 |

- 6.19 The update provided by East Sussex County Council in respect of this project provides some evidence of progress since the last repayment schedule change was considered by the Board, however, much of the update mirrors that provided in April 2023 when there was confidence that it would be possible for the final repayment to be made in March 2024. The latest update suggests that there are potentially a greater number of considerations which need to be addressed before the final GPF repayment can be made than were previously identified.
- 6.20 Furthermore, it has now been noted by East Sussex County Council, that Sea Change Sussex obtained a further loan of £1.4m from Eastbourne Borough Council to support project delivery. It is understood that this loan remains outstanding and therefore consideration needs to be given by East Sussex County Council and Sea Change Sussex as to how this loan will also be repaid. East Sussex County Council have started conversations with Eastbourne Borough Council in this regard but the existence of a second loan increases the risk that it won't be possible to secure full repayment of the GPF loan by 31 March 2024.
- 6.21 Under the terms of the loan agreement in place between Essex County Council (as Accountable Body for SELEP) and East Sussex County Council, extending the repayment schedule triggers the charging of interest on the remaining balance of the loan. In March 2023, it was agreed that interest would not be charged on the remaining balance of the loan at that time, subject to repayment being made in accordance with the new repayment schedule. As repayment is very unlikely to be made in accordance with the current schedule, interest would once again be chargeable on the loan.
- 6.22 If an extension to the loan is not approved and the loan is not repaid, then the default mechanisms within the contract will be triggered and interest will be applied to the loan in line with the terms within the loan agreement.

Options available to the Board

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6.23 At the request of the Board, further option development work has been undertaken and three broad options are set out in this report for consideration. All options have been developed with a view to achieving the best level of parity possible for the disaggregation of the GPF funding, in the context of the remaining Sovereign Harbour repayment. These options solely consider the Sovereign Harbour project, with the remaining GPF funding being disaggregated in accordance with the approach agreed by the Strategic Board in October 2023, as set out in Section 7 of this report.

Option A – Revision to the repayment schedule for the project is agreed by the Board, alongside an ongoing requirement that full repayment of the GPF loan will be made by East Sussex County Council

6.24 This option provides the opportunity for the Board to agree a revision to the repayment schedule for the Sovereign Harbour project. If this option is pursued, the Board will be asked to agree the terms of the revision to the repayment schedule, with particular consideration to the following:

6.24.1 The duration of the extension to the existing repayment schedule

6.24.2 Whether interest should be charged on the remaining balance of the loan

6.24.3 Any other conditions that the Board may wish to apply to the loan.

6.25 Whilst East Sussex County Council have proposed a two-year extension to the repayment schedule, there are other options available to the Board which would allow for the remaining repayment to be made in a shorter timeframe – such as 6 months or 1 year. A shorter extension to the repayment schedule would require East Sussex County Council to explore alternative repayment mechanisms to ensure that repayment can be made in accordance with the decision of the Board.

6.26 The proposed revised repayment schedule put forward by East Sussex County Council requires full repayment of the remaining balance owing on the loan in one instalment. However, the possibility of staged repayments over the duration of the extension agreed could be considered.

6.27 In April 2023, the Board took the decision to not charge interest on the remaining balance of the loan subject to the loan being repaid in accordance with the revised repayment schedule. As a further revision to the repayment schedule is now being sought, consideration needs to be given as to whether interest should be charged on the loan. Under this option, it is proposed that the interest rate applied to the loan is rebased to be in line with Round 3 of the GPF fund with interest charged at the current Public Works Loan Board (PWLB) interest rate less 2%.

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- 6.28 As it stands, no specific conditions have been applied to the Sovereign Harbour GPF loan. However, the Board may wish to consider whether any additional obligations should be placed on East Sussex County Council in relation to the loan moving forward. The Board could, for example, request that East Sussex County Council provide security on the remaining balance of the loan. GPF loans have historically been issued without requiring the application of security. However, given the impending dissolution of SELEP and the removal of the Board which is the mechanism through which changes to GPF loans are managed, provision of security on the loan would reduce the level of risk faced by the impacted Upper Tier Local Authorities (Essex County Council, Medway Council, Southend-on-Sea City Council and Thurrock Council) (known as 'impacted UTLAs') with respect to future repayments to be made against the loan.
- 6.29 Under this option, the decisions taken by the Board would be implemented through the inclusion of additional terms within the Transition Agreement (covering the transfer of SELEP activities to Upper Tier Local Authorities).
- 6.30 The Transition Agreement would state that East Sussex County Council will directly repay the impacted UTLAs their per capita share of the outstanding repayment (as set out in Table 4 of column E). Whilst the majority of the GPF funding will be disaggregated at the end of 2023/24, the timing of the final GPF payment will be dependent upon the duration of the extension to the Sovereign Harbour repayment schedule which is agreed by the Board.

Table 4: Option A – Indicative split of GPF funding between Upper Tier Local Authorities

| Local Authority | Population (as per 2021 census) | Per capita share of total GPF pot | Indicative share of total GPF pot Pre Sovereign Harbour repayment * | Indicative allocation on repayment of Sovereign Harbour Project loan | Percentage difference between per capita share and total indicative share | Allocation on repayment of Sovereign Harbour project loan assuming full repayment (included in column c) |
|-----------------|---------------------------------------|--------------------------------------|--|--|---|--|
| | | a £m | b £m | c £m | d % | e £m |
| East Sussex | 545,847 | 5.002 | 7.807 | 4.958 | 99% | 0.727 |
| Essex | 1,503,521 | 13.779 | 11.557 | 13.558 | 98% | 2.001 |
| Kent | 1,576,069 | 14.444 | 14.802 | 14.802 | 102% | 0.000 |
| Medway | 279,773 | 2.564 | 2.151 | 2.523 | 98% | 0.372 |
| Southend | 180,686 | 1.656 | 1.389 | 1.629 | 98% | 0.241 |
| Thurrock | 176,000 | 1.613 | 1.353 | 1.587 | 98% | 0.234 |
| Total | 4,261,896 | 39.058 | 39.058 | 39.058 | | 3.575 |

- 6.31 This option requires East Sussex County Council to repay the remaining balance owed on the GPF loan as required under the existing loan agreement. The Transition Agreement is proposed to incorporate the terms of the existing agreement between East Sussex County Council and Essex County Council.
- 6.32 It is also intended that the Transition Agreement will require East Sussex County Council to provide regular updates to the impacted UTLAs on the project detailing progress towards making the required repayment.

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- 6.33 Whilst this option requires repayment of the remaining balance owed on the Sovereign Harbour loan, it may be necessary for East Sussex County Council to identify an alternative repayment mechanism should a short extension (less than 2 years) to the repayment schedule be agreed. This potentially increases the risk of non-repayment in accordance with the revised repayment schedule but it is recommended that this risk is mitigated through the inclusion of appropriate provisions within the Transition Agreement which set out the steps that will be taken should this situation arise.
- 6.34 It is also important to note that this option aligns with the expectations of the existing Sovereign Harbour GPF loan agreement which is in place between Essex County Council (as Accountable Body for SELEP) and East Sussex County Council, with the exception of the change to the repayment schedule.

Option B – Revision to the repayment schedule for the project is agreed by the Board, alongside agreement that East Sussex County Council can offset any costs incurred during the acquisition, holding and disposal of the building against the final repayment

- 6.35 This option, which has been proposed by East Sussex County Council and is their preferred option, also provides the opportunity for the Board to agree a revision to the repayment schedule for the Sovereign Harbour project. However, under this option, there would be no flexibility as to the duration of the extension allowed, with the Board asked to agree the 2 year extension requested by East Sussex County Council.
- 6.36 Under this option, East Sussex County Council have proposed that the impacted UTLAs will receive a proportion of the remaining per capita share. The level of funding received would be determined by the sale price achieved for Pacific House by East Sussex County Council.
- 6.37 In addition, East Sussex County Council are proposing to offset any costs they incur during the acquisition, holding (including major repairs) and disposal of the building against the final repayment.
- 6.38 It is important to note that under this option, if the net sale proceeds (sales price minus East Sussex County Council costs) are less than the outstanding balance owed on the Sovereign Harbour loan, the negative equity will impact on the size of the overall GPF pot and will result in the impacted UTLAs receiving less than a per capita share of the GPF pot.
- 6.39 Due to the nature of this option, it is not currently possible to give an indication as to the level of funding which would be received by each of the impacted UTLAs. Following completion of activities, such as the acquisition and subsequent disposal of Pacific House or the identification of an alternative repayment mechanism if the sale cannot be achieved within the agreed 2 year extension, East Sussex County Council would advise the impacted UTLAs of

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the amount that they are due to receive after adjustments have been made for the stated reductions.

- 6.40 This option assumes that the impact of any reduction in the final repayment made by East Sussex County Council will be shared equally by all impacted UTLAs and East Sussex County Council. This impact will be calculated using the same per capita approach that has been used when considering the disaggregation of the GPF funding. However, other options for managing the impact of any reduction in the final repayment could be considered, including the possibility of the impact being offset against East Sussex County Council's portion of the funding before the impact is felt by any of the other impacted UTLAs.
- 6.41 Under Option B, the decisions taken by the Board would be implemented through an inter-authority agreement with the impacted UTLAs, which would be established by East Sussex County Council. Under the agreement, East Sussex County Council would make direct payments to the impacted UTLAs.
- 6.42 The proposals put forward by East Sussex County Council under this option do not reflect the terms of the existing GPF project loan agreement which is in place between Essex County Council (as Accountable Body for SELEP) and East Sussex County Council and, as such, the proposed inter-authority agreement will also not reflect the terms of the existing loan agreement. The existing loan agreement sets out an expectation of full repayment of the GPF loan and does not allow for the offsetting of costs incurred against future repayments.
- 6.43 It is proposed that the inter-authority agreement would require East Sussex County Council to provide quarterly reporting on the steps being taken to secure ownership of the building and the progress towards disposal of the building.
- 6.44 Whilst this option allows East Sussex County Council to offset their costs and minimises the impact on the Council should the intended repayment mechanism not provide the level of income required to facilitate full repayment of the GPF loan, there are no clear benefits for the impacted UTLAs under this option.
- 6.45 There is a risk that East Sussex County Council will be unable to acquire Pacific House and subsequently dispose of the building at a sufficient sales value (net of costs) to offset the remaining value of the loan. This would result in the impacted UTLAs receiving less than their remaining per capita share of the GPF funding. In addition, it will not be possible for East Sussex County Council to confirm the level of funding to be issued to each of the impacted UTLAs until disposal of the building is complete (or an alternative repayment mechanism has been identified), further increasing the level of uncertainty for those authorities.

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- 6.46 On a more practical level, under this option it is intended that an inter-authority agreement will be put in place between East Sussex County Council and the impacted UTLAs. Consequently, future obligations with regard to this GPF loan will sit outside the Transition Agreement which will consider all other GPF loans. This will add an additional layer of complexity to the formalisation of the transition of LEP activities with all local partners (except for Kent County Council) being subject to two ongoing agreements, rather than the one overarching Transition Agreement as planned. Completion of two agreements will increase the level of legal support required by all parties (with the exception of Kent County Council) thereby potentially increasing costs incurred as part of the transition process.

Option C – Revision to the repayment schedule for the project is refused by the Board, resulting in an ongoing obligation for East Sussex County Council to make the final repayment by 31 March 2024

- 6.47 Under this option, the proposed revised repayment schedule for the Sovereign Harbour project would not be agreed by the Board. Consequently, the current repayment schedule will continue to apply meaning that there would be an ongoing obligation for East Sussex County Council to make the final repayment owing on the Sovereign Harbour project to Essex County Council (as Accountable Body for SELEP) by 31 March 2024.
- 6.48 If this option is pursued, the Board will also be asked to endorse that no further SELEP funding (both revenue and capital) should be released to East Sussex County Council until the remaining repayment has been received. It is important to note that this position will be reflected in the Transition Agreement and will apply equally to all Upper Tier Local Authorities who are due to make GPF repayments in 2023/24.
- 6.49 Should East Sussex County Council be able to make the final £3.575m repayment by 31 March 2024, this will allow the GPF funding to be disaggregated at the end of 2023/24 in accordance with the figures set out in Table 2 above. In this situation, full disaggregation of the GPF funding would be achieved by 31 March 2024. However, as detailed at the January 2024 Board meeting, adoption of this option may result in East Sussex County Council defaulting on the loan.
- 6.50 East Sussex County Council have confirmed that it will not be possible for them to fund this repayment from uncommitted reserves, and they have indicated that the proposal does not allow them the requisite time to consider the impact of additional borrowing within their own governance and decision-making timescales. However, this has been a known ongoing risk for East Sussex County Council where alternative provision could have been planned for.
- 6.51 The Transition Agreement will include clauses which detail the actions to be taken should default occur. However, the impacted ULTAs will immediately

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feel the impact of the default as the level of GPF funding received at the end of 2023/24 will be reduced. In addition, it may not be possible in the short term, to confirm when the remaining repayment will be made and therefore the outstanding funding disaggregated.

- 6.52 Defaulting on the repayment schedule would trigger the charging of interest on the remaining balance owing on the loan. This interest would be payable to Essex County Council (as current Accountable Body for SELEP), as it is expected that under this scenario, the existing loan agreement between East Sussex County Council and Essex County Council would remain in place until full repayment has been made. Provisions would be made within the Transition Agreement with respect of the disaggregation of the funding once the repayment has been made.
- 6.53 Option C is the only option available which has the potential to achieve full disaggregation of the GPF funding at the end of 2023/24 as desired by the Strategic Board. However, as detailed by East Sussex County Council at the last Board meeting, there is a high probability of default if the Board choose to hold the Council to the existing repayment schedule as there is insufficient time to identify an alternative repayment schedule and secure the funding required to facilitate the repayment.
- 6.54 If a default arises, impacted UTLAs will likely be left in a position where there is no agreed repayment schedule for the project thereby further increasing the risk of non-receipt of the remaining per capita share of the GPF funding.
- 6.55 It is important to note that if the Board are minded to not agree any of the options set out in this report, the default position will be to rely on the existing GPF loan agreement which requires full repayment of the balance owed on the Sovereign Harbour loan by 31 March 2024.

Recommended option

- 6.56 Following consideration of the above options and informed by discussions with Senior Officers and Board members, East Sussex County Council have proposed the following option. This option has been developed with a view to providing a positive and measured response to points raised and which supports the continuation of East Sussex County Council's constructive relationship with partner authorities within the SELEP area.
- 6.57 On that basis the recommended option is as follows:
- 6.57.1 A two year extension to the repayment schedule to 31 March 2026 is granted.
- 6.57.2 There is an ongoing obligation for East Sussex County Council to repay the proportion of the outstanding balance on the loan which will be owed to the impacted UTLAs (£2.848m)

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- 6.57.3 East Sussex County Council commit to making repayments every six months, from September 2024, to the impacted UTLAs, rather than repaying the full balance of the loan in one payment.
 - 6.57.4 There is no dependency for the building to be sold to trigger the repayments by East Sussex County Council to the impacted UTLAs.
 - 6.57.5 East Sussex County Council commit to paying any outstanding balance within 30 days of completing the property sale (assuming this happens within the 2 year extension period)
 - 6.57.6 No interest to be charged on the remaining balance owed on the loan during the two year extension to the repayment term, subject to repayments being made when due.
 - 6.57.7 Should repayments not be made, interest shall be charged on the overdue amount from the due date up to the date of actual payment at a rate which is two (2) per cent higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a PWLB Loan. Interest payments shall be defrayed to the impacted UTLAs by East Sussex County Council in accordance with the per capita split derived using the 2021 population census data.
 - 6.57.8 East Sussex County Council has proposed that no security will be sought against the loan; should the Board wish to consider this, an option is set out in 6.60. There are other options that could be considered by the Board as set out in section 9.
 - 6.57.9 Decision to be implemented through the Transition Agreement, including requirement for East Sussex County Council to provide updates every 6 months, from September 2024, detailing progress towards making the required repayment.
- 6.58 This option represents a variation of Option A, as set out above. Whilst Option A requires East Sussex County Council to repay the GPF loan in one payment at the end of the extension period agreed by the Board, the recommended option requires East Sussex County Council to make payments to the impacted UTLAs at six monthly intervals, starting from September 2024. This approach helps mitigate the impact of the repayment schedule change on the impacted UTLAs whilst awaiting disposal of the building by East Sussex County Council.
- 6.59 This option places an obligation on East Sussex County Council to repay the proportion of the outstanding balance on the loan which would become owed to the impacted UTLAs (£2.848m) and if this obligation is not met, interest will be charged on the loan.

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- 6.60 This option is supported by the SELEP Secretariat as it secures the best level of parity possible (subject to repayment by East Sussex County Council). The option can be formalised through the Transition Agreement rather than requiring the creation of a new agreement. The option aims to recognise the positions of both East Sussex County Council and the impacted UTLAs.
- 6.61 An additional consideration for the Board is whether they wish to include any security against the loan. An option in this respect that would not incur any additional cost to East Sussex County Council, providing that the loan is repaid, would be to withhold any payment of residual revenue funding (see Agenda item 13) that may be owing to East Sussex following the closure of SELEP, until the first payment is made (in September 2024). Should East Sussex County Council default on the first payment, this funding will be allocated to the impacted UTLAs as part-payment of the first instalment owed. In the event of non-payment of the first instalment owed by East Sussex County Council in respect of the Sovereign Harbour Project, the interest provisions would still apply from the point of default. When the impacted UTLAs receive the first repayment in respect of the Sovereign Harbour project in or before September 2024, the residual revenue funding will be released to East Sussex County Council within 20 working days, following confirmation from impacted UTLAs of receipt of the payment. The detail of this will be reflected in the Transition Agreement.
- 6.62 A further option with respect to provision of security against the loan that could be considered by the Board would be to require East Sussex County Council to commit property or assets as security against repayment of the loan. However, it is recognised that this is a more difficult to manage and will incur additional costs to implement compared to the option to withhold funding set out in 6.60.
- 6.63 If the recommended option is agreed, the returned funding will be split between the impacted UTLAs in accordance with the figures set out in Table 5.

Table 5: Split of Sovereign Harbour repayment between impacted UTLAs assuming repayments are made at six monthly intervals (i.e. bi-annual), starting in September 2024, by East Sussex County Council

| Local Authority | Allocation on repayment of Sovereign Harbour project loan assuming full repayment (as per column e in Table 4) £m | Bi-annual Repayment over a 2 Year period to March 2026 | | | |
|-----------------|--|--|------------------|----------------------|------------------|
| | | September 2024 £m | March 2025 £m | September 2025 £m | March 2026 £m |
| East Sussex | 0.727 | 0.181 | 0.182 | 0.182 | 0.182 |
| Essex | 2.001 | 0.501 | 0.500 | 0.500 | 0.500 |
| Kent | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Medway | 0.372 | 0.093 | 0.093 | 0.093 | 0.093 |
| Southend | 0.241 | 0.061 | 0.060 | 0.060 | 0.060 |
| Thurrock | 0.234 | 0.057 | 0.059 | 0.059 | 0.059 |
| Total | 3.575 | 0.893 | 0.894 | 0.894 | 0.894 |

6.64 An overview of the three broad options and the recommended option is set out in Appendix G.

7. Disaggregation of the GPF funding to Upper Tier Local Authorities

7.1 As outlined above, following the announcement by Central Government that core funding for LEPs would cease after 2023/24 and that LEP activities should be integrated into Local Authorities, options for the use of the available GPF were presented to the [Strategic Board in October 2023](#). Of the options set out in the report, the Strategic Board chose to endorse the option set out at Section 3.3.1 of this report which requires disaggregation of the GPF funding at the end of 2023/24.:

7.2 In summary, under the endorsed option, the entire GPF funding pot (including existing GPF loans and the funding currently held by the Accountable Body) will be disaggregated to the six Upper Tier Local Authorities on a per capita basis to support investment into local economic growth. The GPF funding will take on a more local focus but there continues to be a strong expectation that the funding will be used for economic growth purposes and that Local Authorities will continue to seek input from businesses when determining local priorities and use of the funding.

7.3 This option requires consideration of the remaining balance owed on existing GPF loans when determining how the funding should be disaggregated. The total remaining value of the GPF funding pot is £39.058m (including existing GPF loans), and therefore this figure, combined with the 2021 census population figures, have been used as the basis for determining a per capita split between the six Local Authority areas.

7.4 The allocation for each Local Authority area has then been adjusted to take into account existing GPF loans, with the remaining balance of their per capita allocation expected to be transferred at the end of 2023/24. This option assumes (subject to Board agreement) that, with the exception of the

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Sovereign Harbour project, any GPF loan repayments which are due to be made after 31 March 2024 to the Accountable Body will be retained by the Upper Tier Local Authority who is party to the loan agreement. It is expected that the Upper Tier Local Authority will use this funding for economic growth purposes. This will have the effect of ending the recyclable loan scheme (see agenda item 13).

- 7.5 As there is a significant variation in the value of the existing GPF loans, some Local Authority areas will not receive any additional GPF funding. In this circumstance, the availability of the GPF funding will be dependent upon the responsible Upper Tier Local Authorities securing return of the balance owed on the existing GPF loans.
- 7.6 Table 6 demonstrates how the funding will be disaggregated following the dissolution of SELEP.
- 7.7 It should be noted that Table 6 has been developed on the assumption that the remaining repayment due on the Sovereign Harbour project will not be received prior to the end of 2023/24 hence the level of disparity shown. Receipt of all other GPF repayments due by 31 March 2024 has been assumed.

Table 6: Split of funding between Upper Tier Local Authorities assuming that all other repayments due in 2023/24 are received

| Local Authority | Population (as per 2021 census) | Per capita share of total GPF pot £m | Remaining balance owed on existing GPF loans at 31.03.2024 £m | Difference between per capita share and remaining balance owed £m | Funding to be transferred at 1 April 2024 £m | Share of total GPF pot held at 1 April 2024 £m | Difference between per capita share and share held at 1 April 2024 £m | Percentage of per capita share held at 1 April 2024 % |
|-----------------|---------------------------------------|--|--|---|---|---|---|--|
| East Sussex | 545,847 | 5.002 | 7.807 | -2.804 | 0.000 | 7.807 | -2.804 | 156% |
| Essex | 1,503,521 | 13.779 | 2.000 | 11.779 | 9.557 | 11.557 | 2.221 | 84% |
| Kent | 1,576,069 | 14.444 | 14.802 | -0.358 | 0.000 | 14.802 | -0.358 | 102% |
| Medway | 279,773 | 2.564 | 0.350 | 2.214 | 1.801 | 2.151 | 0.413 | 84% |
| Southend | 180,686 | 1.656 | 1.000 | 0.656 | 0.389 | 1.389 | 0.267 | 84% |
| Thurrock | 176,000 | 1.613 | 0.000 | 1.613 | 1.353 | 1.353 | 0.260 | 84% |
| Total | 4,261,896 | 39.058 | 25.958 | 13.100 | 13.100 | 39.058 | 0.000 | |

- 7.8 The decision taken by the Board at this meeting in respect of the proposed change to the repayment schedule for the Sovereign Harbour project will influence when and if impacted UTLAs will receive their per capita share of the repayment. If the Board agree the recommended option set out at Section 6.56 of this report, and all repayments are met by East Sussex County Council, the final split of GPF funding between Upper Tier Local Authorities will be as set out in Table 7.

Table 7: Split of funding between Upper Tier Local Authorities assuming the recommended option is agreed and all repayments are made as agreed

| Local Authority | Population (as per 2021 census) | Per capita share of total GPF pot | Indicative share of total GPF pot Pre Sovereign Harbour repayment * | Indicative allocation on repayment of Sovereign Harbour Project loan | Percentage difference between per capita share and total indicative share |
|-----------------|---------------------------------------|--------------------------------------|--|--|---|
| | | a £m | b £m | c £m | d % |
| East Sussex | 545,847 | 5.002 | 7.807 | 4.958 | 99% |
| Essex | 1,503,521 | 13.779 | 11.557 | 13.558 | 98% |
| Kent | 1,576,069 | 14.444 | 14.802 | 14.802 | 102% |
| Medway | 279,773 | 2.564 | 2.151 | 2.523 | 98% |
| Southend | 180,686 | 1.656 | 1.389 | 1.629 | 98% |
| Thurrock | 176,000 | 1.613 | 1.353 | 1.587 | 98% |
| Total | 4,261,896 | 39.058 | 39.058 | 39.058 | |

7.9 The Board are asked to agree that the approach to disaggregating the GPF funding endorsed by Strategic Board can be adopted (as set out in Sections 7.2 to 7.5 of this report) and that the GPF funding should be disaggregated in accordance with the agreed approach as exemplified in Table 6 and assuming approval of the recommendations in Agenda item 13 with respect to the GPF.

8. Financial Implications (Accountable Body Comments)

- 8.1 Essex County Council, as the Accountable Body, is responsible for ensuring that the funding awarded by Government is utilised in accordance with the conditions set for use of the Grant. GPF is a capital grant awarded by Government to be operated as a recyclable loan scheme.
- 8.2 A total of £12.360m GPF was held by the Accountable Body at the start of 2023/24. Of this balance, £9.61m is uncommitted increasing to £14.925m uncommitted balance for 2023/24, should all loan repayments be received in line with current Board decisions and credit agreements in place.
- 8.3 The current economic climate means that there is a continued risk that scheduled repayments by existing projects will not be made as planned due to difficulties experienced as a result of Brexit, COVID-19, and economic uncertainty due to the high levels of inflation. It is a requirement that the respective Local Authority that is the recipient of the loan, monitors the repayment position and advises SELEP and the Accountable Body of any potential risks in this respect, in accordance with the timelines set out in the respective agreements, to enable mitigations to be agreed by the Board in advance of any default in repayment.
- 8.4 East Sussex County Council have reported a risk to the repayment due by 31 March 2024 in respect of the Sovereign Harbour project of £3.575m; in response to this, ESCC have requested a delay in the repayment of the GPF of a further 2 years to March 2026, which will now be after the planned closure

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of SELEP.

- 8.5 The GPF loan for the Sovereign Harbour Project is managed under the terms of a credit agreement in place with Essex County Council as the Accountable Body for SELEP and East Sussex County Council. Under the terms of the agreement, East Sussex County Council are required to repay the loan in accordance with the agreed repayment schedule. An extension to the repayment schedule can be applied through a variation to the Credit Agreement, where this is agreed by the Board, however, as SELEP is planned to close at the end of March, this can be applied through the proposed Transition Agreement (see agenda item 13). In the event that a repayment is not made in line with the agreed terms, the payment goes into default and interest is then chargeable on the loan.
- 8.6 Should the Board not agree to a revised repayment schedule for the Sovereign Harbour project, in the absence of the reciprocal loan repayment from Sea Change Sussex or income from the sale of the building, East Sussex County Council will need to consider alternative mechanisms to meet the required £3.575m repayment to prevent the loan from going into default, which could include funding from uncommitted reserves or borrowing. The mechanism for repayment would be subject to East Sussex County Council's own decision-making processes.
- 8.7 Any decisions made by the SELEP Boards are required to be compliant with the existing governance processes of SELEP until SELEP as a company is formally dissolved and any residual legacy issues are concluded or transitioned to the satisfaction of Essex County Council as the Accountable Body and Government.
- 8.8 Essex County Council is Accountable to the Department for Levelling Up, Housing and Communities (DLUHC) for ensuring that SELEP continues to operate in accordance with the agreed Assurance Framework. In August 2023, the Government issued LEP integration guidance which clarified that:
 - 8.8.1 The management of the ongoing delivery or closure of the programme, alongside existing assets, financial reserves, and loan books should be agreed locally, in line with any pre-existing arrangements between the LEP and its Accountable Body. Use of financial reserves established through the fund should be determined in line with the decision of the relevant Section 151 officer.
 - 8.8.2 The Section 151 officer of the Accountable Body will be required to provide an end of year assurance statement and s151 return providing assurance of compliance with the requirements of the National Local Growth Assurance Framework (NLGAF); and
 - 8.8.3 The NLGAF will remain in force and continue to apply up to a reasonable point before integration. In principle, the LEP should

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adhere to the requirements for as long as they are applicable.

- 8.9 The proposals for disaggregating the GPF fund set out in section 7 are in response to the planned closure of SELEP following the end of Government support for LEPs from 2024/25; this requires reliance to be placed on the guidance set out above and an exceptional decision to be made to allow an exemption from the SELEP Assurance Framework, to proceed with the proposed disaggregation and transfer of Accountability and management of existing loans to the respective Upper Tier Local Authority.
- 8.10 In implementing any option in respect of the GPF programme, the s151 Officer of the Accountable Body will need to be satisfied that no residual risk remains with Essex County Council as the Accountable Body, following the transfer of the fund and closure of the LEP and the Accountability Board.
- 8.11 All costs of the Accountable Body in effecting any of the agreed changes will be expected to be met from the SELEP operational budget and/or reserves, in accordance with the decisions of the Board
- 8.12 There are reported risks with respect to a number of Projects, as set out within section 5 of the report, many of which sight the challenging economic climate as a key contributor to the increased risks. On-going oversight to ensure that risks are mitigated where possible is expected by the respective Lead Local Authority partner in receipt of the GPF loan funding to assure delivery and recovery of any monies due.

9. Legal Implications (Accountable Body Comments)

- 9.1 The Growing Places Fund is provided by the Accountable Body to the partner authorities for each project under a loan agreement. Where a loan has not been repaid in accordance with the repayment schedule set out in the loan agreement, the 2% discount rate of interest will cease to apply and the full Public Works Loan Board Fixed Standard New Loan Interest Rate stated will be applied to the outstanding loan amount with effect from the relevant repayment date.
- 9.2 Reporting requirements and grant funding conditions for the GPF expenditure are still ongoing despite the cessation of Local Enterprise Partnerships. A legal agreement amongst the Upper Tier Local Authorities will be prepared. The agreement will require that all GPF funds are used in accordance with the grant terms and conditions. The agreement will set out the position for partners that are due to repay loans post 1 April 2024 and include ongoing reporting requirements in respect of the Sovereign Harbour project, which will be reported to the impacted UTLAs. The agreement will also require the Upper Tier Local Authorities to comply with any and all reporting requirements as notified to them by DLUHC. Any agreed revised repayment options for Sovereign Harbour will also be included in this agreement.

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- 9.3 In agreeing to the revised repayment plan requested for Sovereign Harbour, due regard must be given to subsidy considerations. East Sussex County Council were requested to provide a legal opinion on whether the loan repayment variation proposals would violate the United Kingdom's subsidy regime. Legal opinion has been provided that the proposed extended payment period with no interest would not contravene the subsidy control regime. Further confirmation was given that the original loan was lawful under State Aid considerations.
- 9.4 The recommended option for agreeing to vary the Sovereign Harbour loan repayment provisions does not include a recommendation that East Sussex County Council should be required to either a) agree to withholding or setoff of payments due to ESCC as their share of the residual revenue funding following the closure of SELEP or b) put up security as consideration for the extended repayment period. The Board should consider this when taking the decision as this means that there are no assets underpinning the new promise to pay nor is there a right of setoff to allow partial recovery of any default or missed payments. Withholding and setoff could be accomplished without the need for legal action. With security and appropriate clauses in the Transition Agreement, the partner authorities who would be receiving the repayments would be able to take possession of those assets in the event of a failure to repay the loan under the revised terms. Without this security, the means of recovery would be through a breach of contract action but, again, without dedicated assets to fulfil the debt.

10. Equality and Diversity implications (Accountable Body Comments)

- 10.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:
- a) eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act;
 - b) advance equality of opportunity between people who share a protected characteristic and those who do not; and
 - c) foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 10.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 10.3 In the course of the development of the project business cases, the delivery of the Project and their ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision-making process and were possible identify

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mitigating factors where an impact against any of the protected characteristics has been identified.

11. List of Appendices

- 11.1 Appendix A – GPF Project Update
- 11.2 Appendix B – GPF Repayment Schedule
- 11.3 Appendix C – GPF Drawdown Schedule
- 11.4 Appendix D – COVID-19 impacts
- 11.5 Appendix E – Draft Position Statement (to be attached to Transition Agreement)
- 11.6 Appendix F – Update on High Risk projects
- 11.7 Appendix G – Sovereign Harbour repayment schedule change – overview of options

12. List of Background Papers

- 12.1 Guidance for LEPS on the integration of LEP functions into local democratic institutions: [Guidance for Local Enterprise Partnerships \(LEPs\) and local and combined authorities: integration of LEP functions into local democratic institutions - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/84444/guidance-for-local-enterprise-partnerships-leps-and-local-and-combined-authorities-integration-of-lep-functions-into-local-democratic-institutions.pdf)

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

| Role | Date |
|--|----------|
| Accountable Body sign off Michael Neumann (On behalf of Nicole Wood, S151 Officer, Essex County Council) | 09/02/24 |

| Growing Places Fund Update Appendix A | | | | Deliverability and Risk | | | | | | |
|--|----------------------------|-------------|---|---|--|---|--|--|---|---|
| Name of Project | Upper Tier Local Authority | GPF Round | Description | Current Status | Delivery Risk | GPF Spend Risk | Repayment Risk | Delivery of Project outcomes | Other Risks | Overall Project Risk |
| Green Hydrogen Generation Facility | Kent | Round Three | <p>The project involves the construction of the UK's largest zero carbon hydrogen production system. This will be situated in Herne Bay, Kent and will be powered by way of a direct connection to the on-land substation for the existing Vattenfall offshore wind farms. The GPF funding will be used to purchase equipment for hydrogen production facility (electrolysers and compressors), specialised tube trailers for storage and distribution of hydrogen and hydrogen refuelling systems which are installed within the SELEP region.</p> | <p>A preferred engineering contractor has been identified and concept engineering design work has been undertaken. Discussions are ongoing with potential suppliers. Site clearance was expected to take place before April 2022, however, this has been delayed to allow time for the design to progress.</p> <p>The wind farm due to be used to support the production of hydrogen needs to be upgraded and safety issues have been identified with some of the wind turbines. Work is ongoing to address this issue but in the meantime, alternative options are being considered by the delivery partner to ensure that the project can progress as planned - although based on current information, this may result in a significant delay in the facility entering use.</p> | The programme has been delayed as a result of COVID-19. In addition, Brexit is likely to impact on delivery timescales for materials and equipment. There is also intense interest in the hydrogen economy which has resulted in longer than expected response times from suppliers. The safety issues identified with the wind turbines are also causing a delay to project delivery. | Construction has been delayed as a result of COVID-19 impacts on engagement with service and equipment suppliers. The risk has been mitigated via an accelerated procurement process. However, issues with the wind turbines continue to delay project delivery, increasing the GPF spend risk. | No repayment risk identified. Increasing levels of demand for green hydrogen in the region is expected to enable timely repayment of the GPF funding. | Project outcomes will be delivered as per the Business Case following project delivery. However, there is currently a significant risk to project delivery. | <p>Risk of fluctuation in the electricity and natural gas markets has materialised, with a similar effect on the market price of hydrogen.</p> <p>Required upgrade to wind turbines and the associated risks identified are delaying delivery of the project.</p> | <p>Construction has been delayed due to COVID-19 impacts and the need to upgrade the existing wind farm.</p> <p>Project outcomes still expected to be delivered as per the Business Case.</p> |
| Centre for Advanced Engineering | Essex | Round Two | <p>Development of a new Centre of Excellence for Advanced Automotive and Process Engineering (CAAPE) through the acquisition and fit out of over 8,000sqm, on an industrial estate in Leigh on Sea. The project will also facilitate the vacation of the Nethermayne site in Basildon, which has been identified for the development of a major regeneration scheme.</p> | <p>Phase 1 completed and operational for start of 2018/19 academic year including motor vehicle and engineering. Phase 2 was completed in November 2018, allowing student enrolment from December 2018. The project was completed on time, to quality and within the revised budget.</p> <p>Revised repayment schedule agreed in November 2021.</p> | Project delivered | GPF funding spent in full | <p>Revised repayment schedule approved by the Board in November 2021. Ability to repay in accordance with this schedule will be considered through annual updates to the Board.</p> <p>An update was provided to the Board at the last meeting which identified significant repayment risks. This risk will be managed by Essex County Council following the closure of SELEP.</p> | <p>Initial project outcomes reported including new learners, apprentices and new jobs created.</p> <p>The College have indicated that the Centre for Advanced Engineering is recovering post COVID-19 and that learner numbers are strengthening, although they remain below pre-COVID levels.</p> | | The project is complete and is showing signs of recovery following the COVID-19 pandemic, however, there is a significant repayment risk which will need to be kept under review. |
| Eastbourne Fisherman's Quayside and Infrastructure Development | East Sussex | Round Two | <p>This capital project has secured £1,000,000 European Maritime and Fisheries Fund (EMFF) grant funding to build a Fishermen's Quay in Sovereign Harbour to develop local seafood processing infrastructure to support long term sustainable fisheries and the economic viability of Eastbourne's inshore fishing fleet.</p> | <p>Work commenced onsite on 27th July 2020 and an official ground breaking ceremony was held on 24th August.</p> <p>GPF funded element of the wider project has been completed.</p> | Project delivered | GPF funding has been spent in full | <p>A revised repayment schedule was agreed by the Board in April 2023. However, there is a significant risk that the revised repayment schedule will not be met. This risk will be managed by East Sussex County Council following the closure of SELEP.</p> | <p>Project has been impacted by Brexit and the COVID-19 pandemic which has resulted in benefits being realised at a slower pace than originally forecast. Challenges have also been encountered meaning the benefits are not safeguarded.</p> | | <p>Delivery of project outcomes has been adversely impacted by new Brexit regulations. In addition, there is a risk that repayment will not be made in line with the agreed repayment schedule.</p> |

| Growing Places Fund Update Appendix A | | | | Deliverability and Risk | | | | | | |
|---|----------------------------|-------------|---|---|--|---------------------------------------|--|---|-------------|---|
| Name of Project | Upper Tier Local Authority | GPF Round | Description | Current Status | Delivery Risk | GPF Spend Risk | Repayment Risk | Delivery of Project outcomes | Other Risks | Overall Project Risk |
| North Queensway | East Sussex | Round One | The project has delivered the construction of a new junction and preliminary site infrastructure in order to open up the development of a new business park providing serviced development sites with the capacity for circa 16,000m ² (gross) of high quality industrial and office premises. | GPF invested, project complete and full repayment made. Following completion of the enabling works, follow on investment has not yet come forward. This is due to a lack of site frontage ownership and delays in negotiating the determination of the option price. The option price has now been determined by a jointly appointed independent valuer which will hopefully unlock the site for development allowing realisation of the forecast project benefits. | GPF funded enabling works complete but delivery of enabled workspace has not yet commenced | GPF funding spent in full | GPF repaid in full | No project outcomes realised to date. | | The GPF funded enabling works have been completed, however, no commercial workspace has been brought forward to date and therefore no benefits have been realised. |
| Innovation Park Medway (southern site enabling works) | Medway | Round Two | The Project is part of a wider package of investment at Innovation Park Medway. The Innovation Park is one of three sites across Kent and Medway which together form the North Kent Enterprise Zone. The vision for Innovation Park Medway is to attract high GVA businesses focused on the technological and science sectors – particularly engineering, advanced manufacturing, high value technology and knowledge intensive industries. These businesses will deliver high value jobs in the area and will contribute to upskilling the local workforce. This is to be achieved through general employment and the recruitment and training of apprentices including degree-level apprenticeships through collaboration with the Higher Education sector. The Project will bring forward site enabling works on the southern site at the Innovation Park. | The Masterplan and Local Development Order (LDO) for Innovation Park Medway have now been adopted by both Medway Council and Tonbridge and Malling Borough Council. The access roads, footpaths, lighting, signage and utilities have been delivered onsite. Marketing of the site is ongoing and enquiries are being reviewed. An update on the project has not been provided by Medway Council, however, the following update has been taken from a report which is being presented to Medway Council Cabinet on 13 February 2024. It has previously been reported that Council funding had been secured to bring forward two plots on the site. However, the procurement process has returned higher than expected construction costs and therefore the Council have concluded that this approach is no longer viable. Medway Council officers are now proposing that development of the site is paused whilst a review of development options is undertaken. | GPF funded enabling works have now been delivered | GPF funding has been spent in full | GPF loan has been repaid in full | The enabling works have been completed but Medway Council have now concluded that the proposed development route is unviable and are proposing that development of the site is paused to allow a review of development options to be undertaken. This presents a significant risk in relation to benefit realisation. | | The GPF funded enabling works have now been delivered and the GPF funding has been repaid in full. Realisation of project outcomes is now dependent upon the outcome of the review of development options proposed by Medway Council. |
| Observer Building, Hastings - Tranche 1 | East Sussex | Round Three | The project will support Phase 1 of the full redevelopment of the 4,000 sqm. Observer Building, which has been empty and increasingly derelict for 35 years, into a highly productive mixed-use building, creating new homes, jobs, enterprise space and support. | Planning permission for the proposed works was granted in September 2020. Following a period of value engineering, works commenced onsite and the majority of the works have now been completed. A number of tenants are now in situ on both the Alley Level and in the first floor office and co-working spaces. | This is a complex project seeking to address the impacts of 35 years of dereliction. Delivery of the GPF funded works is complete and funding has been secured to support development of the remaining floors in the building. | GPF allocation has been spent in full | The repayment schedule currently remains as set out in the Business Case but the ongoing global economic uncertainty and delays to delivery of the wider project present a significant risk which may mean repayment cannot be achieved in line with the current repayment schedule. | It is expected that the Project outcomes will be realised as per the Business Case. | | Project is progressing onsite. GPF funding has been spent in full and project outcomes remain as set out in the Business Case. Repayment risk will be monitored by East Sussex County Council following project completion |

| Growing Places Fund Update Appendix A | | | | Deliverability and Risk | | | | | | |
|---|----------------------------|-------------|--|---|---|--|---|---|-------------|---|
| Name of Project | Upper Tier Local Authority | GPF Round | Description | Current Status | Delivery Risk | GPF Spend Risk | Repayment Risk | Delivery of Project outcomes | Other Risks | Overall Project Risk |
| Observer Building, Hastings - Tranche 2 | East Sussex | Round Three | The project will support the full redevelopment of the 4,000 sqm. Observer Building, which has been empty and increasingly derelict for 35 years, into a highly productive mixed-use building, creating new homes, jobs, enterprise space and support. | Growing Places Fund loan agreement completed in December 2021. Full funding allocation drawn down in January 2022. Additional funding will allow sequential delivery of improvements to the upper floors of the building, reducing the need for scaffolding to be removed and replaced at a later date. GPF funded outputs expected to complete by March 2024, however, further funding will be required to ensure that the full project specification can be delivered. | This is a complex project seeking to address the impacts of 35 years of dereliction. Delivery of the GPF funded works is complete and funding has been secured to support development of the remaining floors in the building. | GPF funding has been spent in full | The repayment schedule currently remains as set out in the Business Case but the ongoing global economic uncertainty and delays to delivery of the wider project present a risk which may mean repayment cannot be achieved in line with the current repayment schedule. | It is expected that the Project outcomes will be realised as per the Business Case. | | Project is progressing onsite. Project outcomes remain as set out in the Business Case. Repayment risk will be monitored by East Sussex County Council following project completion |
| Sovereign Harbour | East Sussex | Round One | The Pacific House project has delivered 2,345m ² of high quality office space with the potential to facilitate up to 299 jobs. This is the first major development in the Sovereign Harbour Innovation Park in the A22/A27 growth corridor. | The Sovereign Harbour Innovation Mall (Pacific House) project is now complete and has delivered 2,345m ² of high quality office space. | Project Complete | GPF funding spent in full | Repayment of the remaining balance owed on the loan was expected to be achieved through the sale of the building but to date the building has not been sold. Consequently, a request for a revised repayment schedule is set out within the Board report for consideration at this meeting. | The building has been completed and high occupancy levels have been reported. | | Project has been delivered and building currently has high occupancy levels. However, there is a need for a revised repayment schedule to be considered by the Board. |
| Workspace Kent | Kent | Round One | The project aims to provide funds to businesses to establish incubator areas/facilities across Kent. The project provides funds for the building of new facilities and refit of existing facilities. | There are four projects within this programme. Of these, two projects have been completed and have repaid in full and one project has agreed a revised repayment schedule with Kent County Council due to the impacts of the COVID-19 pandemic. The remaining project has partially repaid the funding but the company has now been dissolved and there are no further means to recover the outstanding balance. Write off of the outstanding balance owed by this company (£18,767) was agreed by the Board in November 2021. A further project had been approved, however, this project has now been removed from the programme and alternative projects are being considered. | It was previously reported that the GPF funding had all been allocated to approved projects, however, the final project has now been removed from the programme. Alternative options for use of the remaining funding are being considered and discussions are ongoing with 3 potential projects. | The final project (recently approved) has been removed from the programme. There is an increased spend risk until an alternative project has been identified and approved. | Two of the five projects have now completed and repaid in full, with a third partially repaying prior to dissolution of the company. The fourth project restarted repayments in July 2023 following a short repayment holiday. | Two projects repaid in advance of their agreed final repayment date, and therefore the forecast job creation to be achieved within the contractual period of 5 years could not be achieved. Additional outcomes will be delivered as a result of the final project (once identified) and therefore forecast project outcomes should still be achieved. | | The majority of the GPF funding has been invested in projects. Efforts are ongoing to identify a suitable project for investment of the remaining funding. |

| Growing Places Fund Update Appendix A | | | | Deliverability and Risk | | | | | | |
|---------------------------------------|----------------------------|-------------|--|---|--|--|---|--|-------------|---|
| Name of Project | Upper Tier Local Authority | GPF Round | Description | Current Status | Delivery Risk | GPF Spend Risk | Repayment Risk | Delivery of Project outcomes | Other Risks | Overall Project Risk |
| Chatham Waterfront | Medway | Round One | <p>The project will deliver land assembly, flood mitigation and the creation of investment in public space required to enable the development of proposals for the Chatham Waterfront Development.</p> <p>A waterfront development site that can provide up to 175 homes over 6 to 10 storeys with ground floor commercial space.</p> | No update has been provided by Medway Council. | No update has been provided by Medway Council | The GPF Funding has been spent in full | GPF funding repaid in full | Realisation of forecast project outcomes is dependent upon delivery of the wider project. | | It is understood that work is continuing onsite to deliver the wider project which will realise the forecast project outcomes. |
| Colchester Northern Gateway | Essex | Round Two | This development is located at Cuckoo Farm, off Junction 28 of the A12. The overall scheme consists of: relocation of the existing Colchester Rugby club site to land north of the A12 which will unlock residential land for up to 560 homes, providing in total around 35% affordable units and on site infrastructure improvements facilitating the development of the Sports and Leisure Hub. | The GPF supported phase of the project has been completed and the GPF funding has been repaid in full. | There is no delivery risk in relation to the GPF funded element of the project, however, delivery of the wider project has been impacted by delays in bringing forward required highway works. It is now expected that the highway works will commence in Q4 2024 with delivery of planned homes to follow from 2025/26. | GPF funding spent in full. In November 2021, Board approved the reduction in value of the GPF loan to £1.35m | Full repayment of the GPF funding has been made. | Realisation of forecast project outcomes is dependent upon delivery of the wider project. | | GPF funded works delivered and GPF funding repaid in full. However, delivery of wider project and realisation of forecast outcomes impacted by delays in bringing forward the required highway works. |
| Fitted Rigging House | Medway | Round Two | The Fitted Rigging House project converts a large, Grade 1, former industrial building into office and public benefit space initially providing a base for eight organisations employing over 350 people and freeing up space to create a postgraduate study facility elsewhere onsite for the University of Kent Business School. The project also provides expansion space for the future which has the potential to enable the creation of a high tech cluster based on the work of one core tenant and pre-existing creative industries concentrated on the site. The conversion will provide 3,473m ² of office space. | <p>Building works to the project were complete as of 31 March 2020. The building is now fully occupied, with all 8 tenants operating from their new working spaces.</p> <p>Immediate impacts of the COVID-19 pandemic were experienced, resulting in delays to repayment of the GPF loan.</p> | Project complete. | GPF allocation spent in full. | A repayment against the project is expected in March 2024, however, Medway Council have not confirmed whether this repayment will be forthcoming. | The sustainability of tenants is returning to pre COVID-19 levels and therefore there is greater confidence that project outcomes will be achieved and maintained. | | The project has been delivered and it is expected that repayments will be made in line with the agreed repayment schedule although this has not been confirmed by Medway Council. |
| No Use Empty South Essex | Southend | Round Three | The No Use Empty Commercial project aims to return long-term empty commercial properties to use, for residential, alternative commercial or mixed-use purposes. In particular, it will focus on town centres, where secondary retail and other commercial areas have been significantly impacted by changing consumer demand and have often been neglected as a result of larger regeneration schemes. | The Growing Places Loan agreement has now been completed. The GPF funding will be released to Southend-on-Sea City Council following completion of the Deed of Variation which formalises the change to the repayment schedule agreed by the Board in June 2023. | A pipeline of projects has been established. | Required due diligence and legal processes are taking longer than anticipated which may increase the GPF spend risk. | A revised repayment schedule was agreed at the June 2023 Board meeting. | A pipeline of projects has been developed and therefore it is expected that the forecast project outcomes will be achieved. | | GPF funding has not yet been drawn down but a pipeline of projects has been developed demonstrating demand for the No Use Empty scheme. |
| Bexhill Business Mall | East Sussex | Round One | The Bexhill Business Mall (Glover's House) project has delivered 2,345m ² of high quality office space with the potential to facilitate up to 299 jobs. This is the first major development in the Bexhill Enterprise Park in the A259/A21 growth corridor. | <p>Glover's House has been delivered.</p> <p>The building has been sold which allowed full repayment of the GPF loan to be made during 2019/20.</p> | Project Complete | GPF spent in full | GPF funding repaid in full | As the building has now been sold, it is difficult to obtain real-time data regarding the number of jobs created as a result of the project. | | Project completed and GPF repaid in full |

| Growing Places Fund Update Appendix A | | | | Deliverability and Risk | | | | | | |
|--|----------------------------|-------------|---|---|--|--|---|--|---|--|
| Name of Project | Upper Tier Local Authority | GPF Round | Description | Current Status | Delivery Risk | GPF Spend Risk | Repayment Risk | Delivery of Project outcomes | Other Risks | Overall Project Risk |
| Chelmsford Urban Expansion | Essex | Round One | The early phase of development in NE Chelmsford involves heavy infrastructure demands constrained to 1,000 completed dwellings. The fund will help deliver an improvement to the Boreham Interchange, allowing the threshold to be raised to 1,350, improving cash flow and the simultaneous commencement of two major housing schemes. | GPF invested and GPF has been repaid in full. | GPF element of the project complete but delivery of the wider project is continuing. | GPF element of the project complete | GPF element of the project complete and loan repaid in full. | Expected project outcomes not yet delivered. Information is being provided on the number of houses delivered and the number of jobs created. | | GPF element of the project complete |
| Grays Magistrates Court | Thurrock | Round One | The project has converted the Magistrates Court to business space as part of a wider Grays South regeneration project which aims to revitalise Grays town centre. | GPF invested, project complete and repayment made in full. The refurbished building is now in use and having a positive impact in the town centre. | Project Complete | GPF funding spent in full | GPF funding repaid in full | Project outcomes delivered. | COVID-19 is likely to impact on the economy and therefore there may be reduced occupancy of the business space in the short term. | Project delivered. |
| Harlow West Essex | Essex/ Harlow | Round One | To provide new and improved access to the London Road site designated within the Harlow Enterprise Zone. | Project delivered to a reduced scope. | Project Complete | GPF funding spent in full | GPF funding repaid in full | The job and housing outcomes are likely to be delivered over a 7 to 10 year period. As project delivered to a reduced scope, approximately 1,000 less jobs will be delivered as a result of the project. | | GPF element of the project complete. Realisation of forecast project benefits expected over an extended time period. |
| Herne Relief Road - Bullockstone Road improvement scheme | Kent | Round Three | The proposed Herne Relief Road is formed of two sections: the Bullockstone Road Improvement Scheme and a spine road through the proposed Lower Herne Village at Strode Farm. This project seeks to bring forward the Bullockstone Road Improvement Scheme element of the Relief Road. | Delivery of the Bullockstone Road Improvement Scheme is now complete. The spine road through the proposed Lower Herne Village development will be funded and delivered by the developer. | The GPF funded element of the wider project has been delivered. | GPF funding has been spent in full | There is a minor risk that the final development site will be slow to build out, meaning that their S106 contribution may be delayed. This would impact on the repayment of the loan. | It is still expected that the benefits set out in the Business Case will be realised. | | Project has now been delivered. The identified repayment risk will be monitored. |
| Javelin Way development project | Kent | Round Two | The project aims to develop the Javelin Way site for employment use, with a focus on the development of Ashford's creative economy. The project consists of two elements: the construction of a 'creative laboratory' production space and the development of 29 light industrial units. | The project has secured Getting Building Fund investment to bridge a viability gap which has arisen as a result of COVID-19 impacts on the property market. Further GBF funding was awarded to help mitigate the impact of increasing costs. Construction is now complete, and leases are being put in place with tenants for the final 4 industrial units. Official opening of the JVC Building took place on 7 December 2022. | Construction is now complete and the last remaining leases are being finalised. | GPF funding spent in full as construction is now complete. | Revised repayment schedule approved by the Board in February 2021 to mitigate impact on sales value/market for industrial units. | Project outcomes are still expected to be achieved in accordance with the approved Business Case. However, no jobs benefits have been reported to date. It is intended that these figures will be collated following occupation of all the industrial units. | | Construction is now complete and the industrial units are being handed over to tenants/owners. |

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|---------------------------------------|----------------------------|-------------|--|---|--|--|---|---|---|---|
| Name of Project | Upper Tier Local Authority | GPF Round | Description | Current Status | Delivery Risk | GPF Spend Risk | Repayment Risk | Delivery of Project outcomes | Other Risks | Overall Project Risk |
| Live Margate | Kent | Round One | Live Margate is a programme of interventions in the housing market in Margate and Cliftonville, which includes the acquisition of poorly managed multiple occupancy dwellings and other poor quality building stock and land to deliver suitable schemes to achieve the agreed social and economic benefits to the area. | "Phase 1" has been completed. "Phase 2" is underway. Approach to Phase 2 of the project has changed and will now focus on addressing more poor quality building stock, rather than taking forward the site previously reported as acquired by Kent County Council. This change has been implemented following delays in bringing forward the planned work on the acquired site. To date 92 units have been completed and occupied. | There is no identified delivery risk following the change in approach to Phase 2 of the project | The majority of the GPF funding has now been spent | COVID-19 has impacted on the construction sector and the time required to return derelict homes back into use. In addition, the COVID-19 pandemic has had an impact on sales values of homes. A revised repayment schedule was agreed by the Board in November 2020. Repayments continue to be made in accordance with this repayment schedule. | It is expected that benefits realised will be greater than those set out in the Business Case. | | Project is progressing well following change to Phase 2 of the project. Project is expecting to exceed the project outcomes set out in the Business Case. Repayment risk to be monitored by Kent County Council following the closure of SELEP. |
| No Use Empty Commercial Phase II | Kent | Round Three | The No Use Empty Commercial project aims to return long-term empty commercial properties to use, for residential, alternative commercial or mixed-use purposes. In particular, it will focus on town centres, where secondary retail and other commercial areas have been significantly impacted by changing consumer demand and have often been neglected as a result of larger regeneration schemes. | 17 projects have been approved in Canterbury, Dover, Faversham, Folkestone, Herne Bay, Hythe, Margate, Minster, Sheerness, Sittingbourne and Ramsgate. These projects are expected to return 20 empty commercial units back into use and create 52 residential units. Discussions are ongoing regarding 3 potential new projects. Approval for accelerated drawdown of £500,000 GPF originally forecast for drawdown in 2023/24 was granted at the July 2022 Board meeting. | The first 17 projects are in contract. Discussions are ongoing regarding a further 3 projects, which if approved will use all remaining GPF funding. | No identified GPF spend risk. Approval for accelerated drawdown of GPF funding was received at the July 2022 Board meeting. | The project is in the early stages but no repayment risk identified to date. | There was a concern that the impact of COVID-19 on the High Street could result in fewer large commercial premises coming forward for redevelopment. However, the project is progressing well with minimal publicity and developers are considering reducing the size of larger units to convert into more marketable space for independent retail opportunities. | | Project is progressing well and accelerated drawdown of GPF funding has been agreed to support project delivery. |
| No Use Empty Residential | Kent | Round Three | The No Use Empty Initiative seeks to improve the physical urban environment in Kent by bringing empty properties back into use as quality housing accommodation and by raising awareness of the issues surrounding empty properties, highlighting the problems they cause to local communities. This objective is achieved through the provision of short-term secured loans (up to 3 years) to property owners. | The Growing Places Fund loan agreement has now been completed by all parties and the funding released to Kent County Council. There is a healthy pipeline of projects for 2023/24. The first 33 projects under this funding stream are now in contract and will deliver 85 homes. | Delivery of the project is progressing well, and is supported by a strong track record of delivery. | GPF spend commenced in Q1 2022/23 following completion of the contracts relating to the initial projects and has been steadily increasing since. | No repayment risk identified to date. A sizeable proportion of the funding was allocated during 2023/24 which should help mitigate any risk of late repayment against the repayment schedule. | It is expected that benefits will be realised as per the Business Case. | Project experiencing an increase in the volume of loan applications. Risk of delays mitigated through appointment of an additional member of staff. | Project is progressing well. |
| Priory Quarter Phase 3 | East Sussex | Round One | The Priory Quarter (Havelock House) project is a major development in the heart of Hastings town centre which has delivered 2,247m ² of high quality office space with the potential to facilitate up to 440 jobs. | The Priory Quarter (Havelock House) project is now complete and has delivered 2,247m ² of high quality office space. Havelock House has now been sold, which enabled full repayment of the GPF loan prior to the end of 2018/19. | Project Complete | Project Complete | Havelock House has been sold enabling full repayment to be made in 2018/19. | As the building has now been sold, it is difficult to obtain real-time data regarding the number of jobs created as a result of the project. | | Project completed and GPF repaid in full |

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|--|----------------------------|-------------|--|--|--|--|--|--|--|--|
| Name of Project | Upper Tier Local Authority | GPF Round | Description | Current Status | Delivery Risk | GPF Spend Risk | Repayment Risk | Delivery of Project outcomes | Other Risks | Overall Project Risk |
| Barnhorn Green Commercial and Health Development | East Sussex | Round Three | <p>Barnhorn Green is an allocated employment and health zone adjacent to a large housing development in Bexhill. Development of the site is required to ensure that housing growth in the area is sustainable through the provision of jobs and primary healthcare.</p> <p>Outline planning permission has been granted for 2,750 sqm of office accommodation, 750 sqm of light industrial workspace and 700 sqm for a GP surgery.</p> | In January 2024, the Board took the decision to remove the project from the GPF programme. | Project removed from the GPF programme | Project removed from the GPF programme | Project removed from the GPF programme | Project removed from the GPF programme | Project removed from the GPF programme | Project removed from the GPF programme |
| Harlow EZ Revenue Grant | n/a | n/a | | n/a | | | | | | |
| Revenue admin cost drawn down | n/a | n/a | | n/a | | | | | | |

Appendix B - Growing Places Fund Repayment Schedule

| Name of Project | Upper Tier Local Authority | Total Allocation | Total Drawn Down to date | Total Spent to Date | Total Repaid by 31st March 2023 | 2023/24 total | 2024/25 total | 2025/26 total | 2026/27 total | 2027/28 total | 2028/29 total | 2029/30 total | 2030/31 total | 2031/32 total | 2032/33 total | 2033/34 total | 2034/35 total | Total |
|--|----------------------------|-------------------|--------------------------|---------------------|---------------------------------|------------------|------------------|-------------------|------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------------|
| Revenue admin cost drawn down | n/a | 2,000 | 2,000 | 2,000 | | | | | | | | | | | | | | 2,000 |
| Harlow EZ Revenue Grant | n/a | 1,244,000 | 1,244,000 | 1,244,000 | | | | | | | | | | | | | | 1,244,000 |
| Round 1 Projects | | | | | | | | | | | | | | | | | | |
| Priory Quarter Phase 3 | East Sussex | 7,000,000 | 7,000,000 | 7,000,000 | 7,000,000 | - | - | - | - | - | - | - | - | - | - | - | - | 7,000,000 |
| North Queensway | East Sussex | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | - | - | - | - | - | - | - | - | - | - | - | - | 1,500,000 |
| Rochester Riverside | Medway | 4,410,000 | 4,410,000 | 4,410,000 | 4,410,000 | - | - | - | - | - | - | - | - | - | - | - | - | 4,410,000 |
| Chatham Waterfront | Medway | 2,999,042 | 2,999,042 | 2,999,042 | 2,999,042 | - | - | - | - | - | - | - | - | - | - | - | - | 2,999,042 |
| Bexhill Business Mall | East Sussex | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 | - | - | - | - | - | - | - | - | - | - | - | - | 6,000,000 |
| Parkside Office Village | Essex | 3,250,000 | 3,250,000 | 3,250,000 | 3,250,000 | - | - | - | - | - | - | - | - | - | - | - | - | 3,250,000 |
| Chelmsford Urban Expansion | Essex | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | - | - | - | - | - | - | - | - | - | - | - | - | 1,000,000 |
| Grays Magistrates Court | Thurrock | 1,400,000 | 1,400,000 | 1,400,000 | 1,400,000 | - | - | - | - | - | - | - | - | - | - | - | - | 1,400,000 |
| Sovereign Harbour | East Sussex | 4,600,000 | 4,600,000 | 4,600,000 | 1,025,000 | 3,575,000 | - | - | - | - | - | - | - | - | - | - | - | 4,600,000 |
| Workspace Kent | Kent | 1,500,000 | 1,500,000 | 1,437,000 | 1,246,633 | - | - | - | 234,600 | - | - | - | - | - | - | - | - | 1,481,233 |
| Harlow West Essex | Essex/Harlow | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | - | - | - | - | - | - | - | - | - | - | - | - | 1,500,000 |
| Discovery Park | Kent | 5,300,000 | 5,300,000 | - | 5,300,000 | - | - | - | - | - | - | - | - | - | - | - | - | 5,300,000 |
| Live Margate | Kent | 5,000,000 | 5,000,000 | 4,419,600 | 2,500,000 | 1,000,000 | 1,500,000 | - | - | - | - | - | - | - | - | - | - | 5,000,000 |
| Sub Total | | 46,705,042 | 46,705,042 | 40,761,642 | 39,130,675 | 4,575,000 | 1,500,000 | - | 234,600 | - | - | - | - | - | - | - | - | 46,686,275 |
| Round 2 Projects | | | | | | | | | | | | | | | | | | |
| Colchester Northern Gateway | Essex | 1,350,000 | 1,350,000 | 1,350,000 | 1,350,000 | - | - | - | - | - | - | - | - | - | - | - | - | 1,350,000 |
| Charleston Centenary | East Sussex | 120,000 | 120,000 | 120,000 | 40,000 | 40,000 | 40,000 | - | - | - | - | - | - | - | - | - | - | 120,000 |
| Eastbourne Fisherman's Quay and Infrastructure Development | East Sussex | 1,150,000 | 1,150,000 | 1,150,000 | 325,000 | - | 36,400 | 65,200 | 70,000 | 74,800 | 82,400 | 86,400 | 86,400 | 86,400 | 86,400 | 86,400 | 64,200 | 1,150,000 |
| Centre for Advanced Automotive and Process Engineering | South Essex | 2,000,000 | 2,000,000 | 2,000,000 | - | - | - | 1,000,000 | 1,000,000 | - | - | - | - | - | - | - | - | 2,000,000 |
| Fitted Rigging House | Medway | 550,000 | 550,000 | 550,000 | 100,000 | 100,000 | 150,000 | 200,000 | - | - | - | - | - | - | - | - | - | 550,000 |
| Javelin Way Development | Kent | 1,597,000 | 1,597,000 | 1,597,000 | - | 500,000 | 500,000 | 597,000 | - | - | - | - | - | - | - | - | - | 1,597,000 |
| Innovation Park Medway | Medway | 650,000 | 650,000 | 650,000 | 650,000 | - | - | - | - | - | - | - | - | - | - | - | - | 650,000 |
| No Use Empty Commercial Phase I | Kent | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | - | - | - | - | - | - | - | - | - | - | - | - | 1,000,000 |
| Sub Total | | 8,417,000 | 8,417,000 | 8,417,000 | 3,465,000 | 640,000 | 726,400 | 1,862,200 | 1,070,000 | 74,800 | 82,400 | 86,400 | 86,400 | 86,400 | 86,400 | 86,400 | 64,200 | 8,417,000 |
| Round 3 Projects | | | | | | | | | | | | | | | | | | |
| Wine Innovation Centre | Kent | 600,000 | 600,000 | 600,000 | - | 100,000 | 250,000 | 250,000 | - | - | - | - | - | - | - | - | - | 600,000 |
| Green Hydrogen Generation Facility | Kent | 3,470,000 | 3,470,000 | - | - | - | 350,000 | 3,120,000 | - | - | - | - | - | - | - | - | - | 3,470,000 |
| Observer Building, Hastings - Tranche 1 | East Sussex | 1,750,000 | 1,750,000 | 1,750,000 | - | - | - | 1,750,000 | - | - | - | - | - | - | - | - | - | 1,750,000 |
| No Use Empty Commercial Phase II | Kent | 2,000,000 | 2,000,000 | 1,867,000 | - | - | 750,000 | 750,000 | 500,000 | - | - | - | - | - | - | - | - | 2,000,000 |
| No Use Empty South Essex | Southend | 1,000,000 | - | - | - | - | - | - | 1,000,000 | - | - | - | - | - | - | - | - | 1,000,000 |
| Herne Relief Road | Kent | 3,500,000 | 3,500,000 | 3,500,000 | - | - | - | 3,500,000 | - | - | - | - | - | - | - | - | - | 3,500,000 |
| Observer Building, Hastings - Tranche 2 | East Sussex | 1,616,500 | 1,616,500 | 1,616,500 | - | - | - | 1,616,500 | - | - | - | - | - | - | - | - | - | 1,616,500 |
| No Use Empty Residential | Kent | 2,500,000 | 2,500,000 | 1,912,000 | - | - | - | 1,250,000 | 1,250,000 | - | - | - | - | - | - | - | - | 2,500,000 |
| Sub Total | | 16,436,500 | 15,436,500 | 11,245,500 | - | 100,000 | 1,350,000 | 12,236,500 | 2,750,000 | - | - | - | - | - | - | - | - | 16,436,500 |
| Total | | 71,558,542 | 70,558,542 | 60,424,142 | 42,595,675 | 5,315,000 | 3,576,400 | 14,098,700 | 4,054,600 | 74,800 | 82,400 | 86,400 | 86,400 | 86,400 | 86,400 | 86,400 | 64,200 | 71,539,775 |

Appendix C - Growing Places Fund Drawdown Schedule

| Name of Project | Upper Tier Local Authority | Total Allocation | Total drawn down to end 2022/23 | 2023/24 total | Total scheduled for drawdown |
|--|----------------------------|-------------------|---------------------------------|------------------|------------------------------|
| Round 1 Projects | | | | | |
| Priory Quarter Phase 3 | East Sussex | 7,000,000 | 7,000,000 | - | 7,000,000 |
| North Queensway | East Sussex | 1,500,000 | 1,500,000 | - | 1,500,000 |
| Rochester Riverside | Medway | 4,410,000 | 4,410,000 | - | 4,410,000 |
| Chatham Waterfront | Medway | 2,999,042 | 2,999,042 | - | 2,999,042 |
| Bexhill Business Mall | East Sussex | 6,000,000 | 6,000,000 | - | 6,000,000 |
| Parkside Office Village | Essex | 3,250,000 | 3,250,000 | - | 3,250,000 |
| Chelmsford Urban Expansion | Essex | 1,000,000 | 1,000,000 | - | 1,000,000 |
| Grays Magistrates Court | Thurrock | 1,400,000 | 1,400,000 | - | 1,400,000 |
| Sovereign Harbour | East Sussex | 4,600,000 | 4,600,000 | - | 4,600,000 |
| Workspace Kent | Kent | 1,500,000 | 1,500,000 | - | 1,500,000 |
| Harlow West Essex | Essex/Harlow | 1,500,000 | 1,500,000 | - | 1,500,000 |
| Discovery Park | Kent | 5,300,000 | 5,300,000 | - | 5,300,000 |
| Live Margate | Kent | 5,000,000 | 5,000,000 | - | 5,000,000 |
| Sub Total | | 45,459,042 | 45,459,042 | - | 45,459,042 |
| Round 2 Projects | | | | | |
| Colchester Northern Gateway | Essex | 1,350,000 | 1,350,000 | - | 1,350,000 |
| Charleston Centenary | East Sussex | 120,000 | 120,000 | - | 120,000 |
| Eastbourne Fisherman's Quay and Infrastructure Development | East Sussex | 1,150,000 | 1,150,000 | - | 1,150,000 |
| Centre for Advanced Automotive and Process Engineering | South Essex | 2,000,000 | 2,000,000 | - | 2,000,000 |
| Fitted Rigging House | Medway | 550,000 | 550,000 | - | 550,000 |
| Javelin Way Development | Kent | 1,597,000 | 1,597,000 | - | 1,597,000 |
| Innovation Park Medway | Medway | 650,000 | 650,000 | - | 650,000 |
| No Use Empty Commercial Phase I | Kent | 1,000,000 | 1,000,000 | - | 1,000,000 |
| Sub Total | | 8,417,000 | 8,417,000 | - | 8,417,000 |
| Round 3 Projects | | | | | |
| Wine Innovation Centre | Kent | 600,000 | 600,000 | - | 600,000 |
| Green Hydrogen Generation Facility | Kent | 3,470,000 | 3,470,000 | - | 3,470,000 |
| Observer Building, Hastings - Tranche 1 | East Sussex | 1,750,000 | 1,750,000 | - | 1,750,000 |
| No Use Empty Commercial Phase II | Kent | 2,000,000 | 2,000,000 | - | 2,000,000 |
| No Use Empty South Essex | Southend | 1,000,000 | - | 1,000,000 | 1,000,000 |
| Herne Relief Road | Kent | 3,500,000 | 3,500,000 | - | 3,500,000 |
| Observer Building, Hastings - Tranche 2 | East Sussex | 1,616,500 | 1,616,500 | - | 1,616,500 |
| No Use Empty Residential | Kent | 2,500,000 | 2,500,000 | - | 2,500,000 |
| Sub Total | | 16,436,500 | 15,436,500 | 1,000,000 | 16,436,500 |
| Total | | 70,312,542 | 69,312,542 | 1,000,000 | 70,312,542 |

Appendix D – COVID-19 impacts

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

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

Following the closure of SELEP, responsibility for the ongoing monitoring of these risks will wholly sit with the responsible Upper Tier Local Authority.

Project Status

| Term | Definition |
|---|--|
| Not contracted | Project does not have a signed contract in place |
| Contracted – All funding in place and delivery about to start | Where a signed contract is in place and the project is ready to commence |
| On-going delivery | Where the project is ongoing financially and outputs/outcomes are being delivered |
| GPF Spent - Work Ongoing | Where the project has spent all its LGF funding upfront but other match funding is still to be spent as well as outputs/outcomes being delivered |
| Financially complete | Where the project has spent all funding including the LGF and all match funding, and outcomes still being delivered |
| Completed – project complete | Where the project is totally complete both financially and practically with no more outputs/outcomes to report |

NB Project risk RAG rating reflects repayment risk only, and not other potential risks relating to project delivery and outcomes.

Appendix F – Update on High Risk GPF projects

Green Hydrogen Generation Facility

The Green Hydrogen Generation Facility project is an innovative project seeking to construct a zero carbon hydrogen production facility which will be powered via connection to an existing offshore wind farm. Due to the innovative nature of the project, there is a need for a lot of work to be undertaken prior to construction commencing onsite. Whilst progress has been made, a need to upgrade the turbines at the wind farm has been established. Safety issues have been identified in relation to the older wind turbines which need to be addressed before the project can progress using the planned approach. Work is continuing to address the safety issues but, in the meantime, the delivery partner is investigating alternative zero carbon power sources to ensure that the project can progress as planned. Despite the delay in progressing the project, no repayment risks have been identified at the current time.

Centre for Advanced Engineering

The Centre for Advanced Engineering project has delivered approximately 8,300sqm (Gross Internal Area) of space at South Essex College, with cutting edge facilities and workshops to support courses in engineering, motor vehicle maintenance and construction. The project received £2m of GPF funding and, as it stands, the full balance of the loan remains outstanding.

A revised repayment schedule for the project was agreed by the Board in November 2021 and it was agreed that South Essex College should provide annual updates to the Board to provide assurance regarding the ongoing viability of the agreed repayment schedule. The second update was provided to the Board in January 2024 and this detailed a number of significant risks which may impact on the ability of South Essex College to repay the loan in line with the agreed repayment schedule. Repayment of the GPF loan will be subject to sufficient reserves being held at the repayment date, although a significant repayment risk has now been flagged. The first repayment is not due until 2025/26 and therefore no action is recommended at this time but the position at South Essex College will need to continue to be monitored by Essex County Council.

North Queensway

The North Queensway project (in East Sussex) has delivered preliminary site infrastructure and an access road for a new business park as set out in the Business Case. Whilst the GPF loan has been repaid in full, no commercial development has come forward on the site to date and therefore none of the forecast project benefits have been realised. It has been reported that the anticipated follow-on investment, which would support the development of the site, has not come forward to date due to the lack of site frontage ownership and delays in negotiating the option price. It is understood that the option price has now been determined by a jointly appointed independent valuer and that this has been accepted by both parties. It is hoped that this will unlock the site for development allowing realisation of the forecast project benefits.

Observer Building – Tranches 1 and 2

The GPF funding awarded to the project is being used alongside a number of other funding sources to support the full redevelopment of the 4,000 sqm. Observer Building, which has been empty and increasingly derelict for 35 years. The space is being converted into a highly productive mixed-use building, creating new homes, jobs, enterprise space and support.

Delivery of the majority of the planned works (excluding the residential development) is nearing completion but the project has been subject to a number of delays and cost increases due to the impacts of the COVID-19 pandemic and Brexit. The delivery partner has indicated that increasing energy and operating costs coupled with the cost of living crisis are likely to adversely impact on the ability to meet the planned rental income targets.

It is also noted that repayment of the GPF loan was intended to be made through refinancing on long-term mortgages and through a community share offer. However, the current increased cost of mortgages and the reduced capacity of the community to invest, present a challenge to the agreed repayment schedule. Repayment of the GPF loans is not expected until March 2026 and therefore no action is proposed at this time, however, the repayment risk will need to continue to be monitored by East Sussex County Council.

Sovereign Harbour

The Sovereign Harbour project has delivered 2,345sqm of high-quality office space in Eastbourne, which is expected to facilitate up to 299 jobs. The current repayment schedule requires a final repayment of £3.575m to be made prior to the end of 2023/24. East Sussex County Council have now advised that it is highly unlikely that it will be possible for this repayment to be made in accordance with the agreed schedule. Consequently, a request for a revised repayment schedule has been brought forward and is set out for Board consideration in this report.

Appendix G – Sovereign Harbour Repayment Schedule Change – Overview of Options

| | Recommended Option | Option A | Option B | Option C |
|-----------------------|---|---|---|--|
| Description of option | Revision to the repayment schedule for the project is agreed by the Board, alongside an ongoing requirement that repayment of the GPF loan will be made by East Sussex County Council | Revision to the repayment schedule for the project is agreed by the Board, alongside an ongoing requirement that repayment of the GPF loan will be made by East Sussex County Council | Revision to the repayment schedule for the project is agreed by the Board, alongside agreement that East Sussex County Council can offset any costs incurred during the acquisition, holding and disposal of the building against the final repayment | Revision to the repayment schedule for the project is refused by the Board, resulting in an ongoing obligation for East Sussex County Council to make the final repayment by 31 March 2024 |
| Length of extension | Two years to 31 March 2026 | (Proposed Options) | Two years to 31 March 2026 | No extension allowed |
| | | Six months to 30 September 2024 | | |
| | | One year to 31 March 2025 | | |
| | | Two years to 31 March 2026 | | |
| Repayment expected | £3.575m (including East Sussex County Council per capita share) £2.848m (excluding East Sussex County Council per capita share) | £3.575m (including East Sussex County Council per capita share) £2.848m (excluding East Sussex County Council per capita share) | To be determined and could take into account the rental income East Sussex County Council could reasonably expect to receive following transfer of the property to East Sussex County Council from Sea Change Sussex | £3.575m |

Appendix G – Sovereign Harbour Repayment Schedule Change – Overview of Options

| | Recommended Option | Option A | Option B | Option C |
|-------------------------|--|--|--|---|
| Repayment Mechanism | <p>East Sussex County Council to make bi-annual (4 x 6 monthly) payments.</p> <p>Following completion of the sale of Pacific House, East Sussex County Council would pay any balance owed.</p> | <p>East Sussex County Council to explore alternative repayment mechanisms which allow full repayment within the agreed extension period, including PWLB borrowing, noting that they expect to receive rental income on the property on transfer from Sea Change Sussex</p> | <p>Repayment to be made using income generated through the disposal of the building which would be offset to take into account costs incurred by East Sussex County Council. Alternatively, if the building is not sold, alternative repayment mechanisms to be explored</p> | <p>Alternative repayment mechanisms to be explored by East Sussex County Council, which could include PWLB borrowing, to allow full repayment by 31 March 2024</p> |
| Repayment route | <p>East Sussex County Council to directly pay impacted Upper Tier Local Authorities</p> | <p>East Sussex County Council to directly pay impacted Upper Tier Local Authorities</p> | <p>East Sussex County Council to directly pay impacted Upper Tier Local Authorities</p> | <p>East Sussex County Council to pay Essex County Council (as Accountable Body for SELEP) who will disaggregate the funding in accordance with agreed per capita split</p> |
| Application of interest | <p>No interest to be applied</p> | <p>Rebase interest chargeable to be in line with Round 3 of the GPF fund – current PWLB interest rate less 2%</p> | <p>No interest to be applied</p> | <p>No interest to be applied unless East Sussex County Council default on the required repayment and then interest would be chargeable in accordance with the existing loan agreement until repayment is made</p> |

Appendix G – Sovereign Harbour Repayment Schedule Change – Overview of Options

| | Recommended Option | Option A | Option B | Option C |
|--|---|---|---|--|
| Meets expectations of existing loan agreement? | Partial ¹ | Partial ¹ | No | Yes |
| Mechanism for implementation | Inclusion within Transition Agreement being developed by Essex County Council (as Accountable Body for SELEP) | Inclusion within Transition Agreement being developed by Essex County Council (as Accountable Body for SELEP) | Inter-Authority Agreement to be developed by East Sussex County Council | Existing GPF loan agreement to apply and incorporated into the Transition Agreement being developed by Essex County Council (as Accountable Body for SELEP), if required |
| Additional expectations | Provision by East Sussex County Council of bi-annual updates to accompany the staged payments, updating on progress towards the payment of the balance of the loan | Provision by East Sussex County Council of regular updates detailing progress towards making the required repayment | Provision of quarterly reporting by East Sussex County Council on steps being taken to initially secure ownership and progress towards disposal of the building | None |
| Risk Mitigation | Transition Agreement to outline steps to be taken if either the staged repayments, or repayment is not made to impacted Upper Tier Local Authorities within the period agreed | Transition Agreement to outline steps to be taken if repayment is not made within the extension period agreed | | Transition Agreement to include clauses detailing actions to be taken should default occur. |

¹ Only in respect of the existing agreement expects payment by the 31 March 2024.

Appendix G – Sovereign Harbour Repayment Schedule Change – Overview of Options

| | Recommended Option | Option A | Option B | Option C |
|--|---------------------------|--|-----------------|---|
| | | Potential for inclusion of requirement for East Sussex County Council to provide security on the remaining balance of the loan | | No further SELEP funding (both revenue and capital) would be released to East Sussex County Council until the remaining repayment has been received |