

ACCOUNTABILITY BOARD

10:30	Friday, 26 July 2024	Committee Room 1 County Hall, Chelmsford, CM1 1QH
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The meeting will be open to the public either in person, online or by telephone. Details about this are on the next page.

Quorum: 5 (to include 4 voting members)

Membership

Simon Cook
Cllr Kevin Bentley
Cllr Roger Gough
Cllr Harinder Mahil
Cllr Keith Glazier
Cllr Lee Watson
Cllr Daniel Cowan
Vacant
Vacant

Chair
Essex County Council
Kent County Council
Medway Council
East Sussex County Council
Thurrock Council
Southend-on-Sea City Council
Further Education/ Skills representative
Higher Education representative

For information about the meeting please ask for:

Lisa Siggins, Secretary to the Board

Telephone: 033301 34594

Email: democratic.services@essex.gov.uk

Essex County Council and Committees Information

All Council and Committee Meetings are held in public unless the business is exempt in accordance with the requirements of the Local Government Act 1972.

Members of the public will be able to view and listen to any items on the agenda unless the Committee has resolved to exclude the press and public from the meeting as a result of the likely disclosure of exempt information as defined by Schedule 12A to the Local Government Act 1972.

How to take part in/watch the meeting:

Board members: should be attending in person at Committee Room 1 County Hall, Chelmsford, CM1 1QH. Members that have arranged in advance to attend virtually as a non-voting participant will have received a personal email with their login details for the meeting. Contact Amy Ferraro -Governance Officer SELEP if you have not received your login.

Officers and members of the public:

Online:

You will need the Zoom app which is available from your app store or from www.zoom.us. The details you need to join the meeting will be published as a Meeting Document, on the Meeting Details page of the Council's website (scroll to the bottom of the page) at least two days prior to the meeting date. The document will be called "Public Access Details".

By phone:

Telephone from the United Kingdom: 0203 481 5237 or 0203 481 5240 or 0208 080 6591 or 0208 080 6592 or +44 330 088 5830.

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In person:

Committee Room 1 County Hall, Chelmsford, CM1 1QH. You will be asked to sign in and to not speak during the meeting without the express permission of the Chair. Late arrivals will not be guaranteed entry to the meeting.

Accessing Documents

If you have a need for documents in, large print, Braille, on disk or in alternative languages and easy read please contact the Democratic Services Officer before the meeting takes place. For further information about how you can access this meeting, contact the Democratic Services Officer.

The agenda is also available on the Essex County Council website, www.essex.gov.uk From the Home Page, click on 'Running the council', then on 'How decisions are made', then 'council meetings calendar'. Finally, select the relevant committee from the calendar of meetings.

Please note that an audio recording may be made of the meeting – at the start of the meeting the Chair will confirm if all or part of the meeting is being recorded.

Pages

1	Welcome and Apologies for Absence	
2	Minutes of the previous meeting	5 - 17
	To approve the minutes of the meeting held on 16 February 2024.	
3	Declarations of Interest	
	To note any declarations of interest to be made by Members in accordance with the MembersCode of Conduct	
4	Questions from the public	
	In accordance with the Policy adopted by the SELEP, a period of up to 15 minutes will be allowed at the start of every Ordinary meeting of the Accountability Board to enable members of the public to make representations. No question shall be longer than three minutes, and all speakers must have registered their question by email or by post with the SELEP Secretariat (hello@southeastlep.com) by no later than 10.30am on the Monday morning before the meeting. Please note that only one speaker may speak on behalf of an organisation, no person may ask more than one question and there will be no opportunity to ask a supplementary question.	
	On arrival, and before the start of the meeting, registered speakers must identify themselves to the Governance Officer for an in-person meeting, or the host of the meeting if it is being held virtually.	
	A copy of the Policy for Public Questions is made available on the SELEP website	
5	Getting Building Fund Update	18 - 35
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7 SELEP Finance update

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8 Date of Next Meeting

To note that no further meetings are scheduled.

9 Urgent Business

To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.

Exempt Items

(During consideration of these items the meeting is not likely to be open to the press and public)

The following items of business have not been published on the grounds that they involve the likely disclosure of exempt information falling within Part I of Schedule 12A of the Local Government Act 1972. Members are asked to consider whether or not the press and public should be excluded during the consideration of these items. If so it will be necessary for the meeting to pass a formal resolution:

That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

10 Urgent Exempt Business

To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency.

Minutes of the meeting of the SELEP Accountability Board, held at MidKent College, Maidstone Campus, Oakwood Park, Tonbridge Road, Maidstone Kent ME16 8AQ on Friday, 16 February 2024

Present:

Simon Cook	Chair
Cllr Lee Scott	Essex County Council
Cllr Roger Gough	Kent County Council
Cllr Keith Glazier	East Sussex County Council
Cllr Lauren Edwards	Medway Council
Cllr Andrew Jefferies	Thurrock Council

Also Present:

Chris Broome	Sea Change Sussex
Bernard Brown	Member of the public
Lee Burchill	Kent County Council
Paul Chapman	Essex County Council
Alex Colbran	East Sussex County Council
Gary Crooks	Thurrock Council
Howard Davies	SELEP
Richard Dawson	East Sussex County Council
Helen Dyer	SELEP
Sunny Ee	Medway Council
Amy Ferraro	SELEP
Jill Fisher	East Sussex County Council
Jessica Jagpal	Medway Council
George McCullough	Thurrock Council
Stephanie Mitchener	Essex County Council (as delegated S151 Officer for the Accountable Body)
Susan Moussa	Essex Legal Services
Piers Meyler	Local Democracy Reporter
Rebecca Newby	East Sussex County Council
Lorna Norris	Essex County Council
Vivien Prigg	Essex County Council
Tim Rignall	Southend-on-Sea City Council
Helen Russell	SELEP

Freya Shelley	Southend-on-Sea City Council
Lisa Siggins	Essex County Council
Tristian Smith	Essex County Council
Emma Taylor	DLUHC
Gregory Wilkinson	DLUHC
Andrew Willet	Southend-on-Sea City Council

1 Welcome and Apologies for Absence

- Cllr Tony Cox
- Cllr Kevin Bentley substituted by Cllr Lee Scott
- Thomas Wolfenden

2 Minutes of the previous meeting

The minutes of the meeting held on Friday 12 January 2024 were agreed as an accurate record.

3 Declarations of Interest

There were none.

4 Questions from the public

Helen Russell, Chief Executive Officer SELEP, advised the Board that one public question had been received, she read the question and the response.

Question from Mr Bernard Brown

Pacific House Repayment of GPF loan

In the report to the Board Meeting 16/2/24 the history of the project is reported in Paras 6.9 to 6.11. Loan was granted March 2014; Projected Completed June 2015; (para 6.10 page 49) as completed in June 2015 with a 93% occupancy rate in November 2023; loan to be repaid by March 2022; final payment deferred to 2023: repayment deferred again to 2024.

In reports to the board from 09/21 to 09/23 No Risk to the repayment schedule was reported.

If the loans were used only for the purposes described, Pacific House cost at least £6m to build.

Despite reports by Sea Change Sussex of 90%+ occupancy rates no sale of the property has been achieved at an asking price of £5m - £1m less than build cost - after 17 months of marketing. This suggests a Commercial Failure paid for from taxpayer funds.

Sea Change Sussex owes the public purse £3.575m. Before agreeing to defer payment again why does the Board not insist on a part repayment from revenues of the last 24 months. Why is the Board continuing to fund a Private Sector Company?

Response:

The primary Growing Places Fund loan agreement for the Sovereign Harbour project sits between Essex County Council (as Accountable Body for SELEP) and East Sussex County Council. This is the only agreement that the Board is able to influence. As Sea Change Sussex are not party to this agreement, it is not possible for the Board to require Sea Change Sussex to make a partial repayment from rental income received.

Sea Change Sussex are party to a separate agreement with East Sussex County Council in respect of the loan for this Project and this sets out the payments to be made from Sea Change Sussex to East Sussex County Council and it would be under this agreement to determine whether partial payments can be required.

East Sussex County Council have provided the following response in respect of their agreement with Sea Change Sussex:

The extension of the repayment period of the loan into 2023/24 was to enable Sea Change Sussex to undertake the necessary marketing required to secure a sale of the building and consequently repay the outstanding Growing Places Fund loan in full. As such there were no other part repayments agreed upon or expected from Sea Change Sussex throughout the year and there is no mechanism in the loan agreement to request this outside the agreed repayment schedule.

5 SELEP Operations Update

The Accountability Board (the Board) received a report from Keri Lawrence, SELEP Governance Officer, which was presented by Helen Russell, the purpose of which was for the Board to be updated on the operational activities carried out by the Secretariat to support both this Board and the Strategic Board. The report included an update on the SELEP transition arrangements, risk management, compliance with the Assurance Framework and performance against governance KPIs.

Helen highlighted the key points within the report which included an update on the transition of SELEP activities and the associated risks as set out in Sections 4 and 6 of the report.

Resolved:

1. **To Note** the update on the transition of the LEP and the integration of its activities into Local Authorities at Section 4 of the report;

2. **To Note** the Risk Register at Section 6 of the report and at Appendix A;
3. **To Note** the update on Assurance Framework compliance monitoring at Section 7 of the report and at Appendix B;
4. **To Note** the update on Governance KPIs at Appendix C of the report.

6 Growing Places Fund Programme Update

The Board received a report from Helen Dyer, SELEP Capital Programme Manager, the purpose of which was to update 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.

Helen advised the Board that since the report was published confirmation had been received that the Fitting Rigging House project would be making the required GPF repayment by 31 March 2024.

The Board were advised that the report revisited the request from East Sussex County Council to revise the repayment schedule for the Sovereign Harbour project. Following the discussion at the last meeting, the report outlined options which sought to achieve the greatest level of parity possible across the SELEP area for disaggregation of the SELEP GPF funding, in the context of the remaining Sovereign Harbour repayment.

Cllr Lee Scott advised that Essex County Council would be prepared to support the recommended option, subject to the addition of a provision requiring additional security against the loan. Cllr Scott spoke in support of the option outlined in the report which suggested that any payment of residual revenue funding that may be owing to East Sussex County Council following the closure of SELEP could be withheld until the first repayment against the Sovereign Harbour project is made (in September 2024).

Cllr Keith Glazier offered his thanks to all officers and partners involved in reaching the position outlined in the report. Cllr Glazier asked the Board to not penalise East Sussex County Council by applying security to the loan as proposed by Cllr Scott.

Cllr Glazier reiterated that East Sussex County Council were not in a position to be able to make the remaining GPF repayment owing against the project prior to the end of 2023/24 but confirmed that East Sussex County Council's Section 151 Officer had agreed that six monthly payments could be made, regardless of the status of Pacific House. Therefore, the recommended option presented no risk to the impacted Upper Tier Local Authorities.

The Chair also offered his thanks to all officers involved for their hard work in preparing the report.

The Board took a vote on Cllr Scott's proposal regarding the application of security to the loan, as set out above, with two Board members supporting the proposal and three Board members voting against it. Consequently, the original recommendation as set out in the report (decision 2 below) was agreed.

Resolved:

1. **To Note** the updated position on the GPF programme.
2. **To 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 5 of the report 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.
3. **To 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 6.57.7 of the report and shall be paid to the impacted Upper Tier Local Authorities in accordance with section 6.57.7 of the report.
4. **To Note** that decisions 5 and 7 below 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 Guidance issued in respect of transitioning LEP functions to Local Authorities, as set out in sections 8.8 and 8.9 of the report.
5. **To Agree** the disaggregation of the GPF funding in accordance with the approach outlined in Section 7 of the report and with the figures set out in Table 7 of the report. Noting that:
 - 5.1. the figures in Table 7 of the report are based on the assumption that all remaining repayments due by 31 March 2024 are made as required;
 - 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
 - 5.3. the decisions in Agenda Item 13 in respect of GPF are agreed by the Board.
6. **To 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 of the report and the interest provisions set out in 2.1.3 of the report.

7. **To 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 of the report, 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.

8. **To 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.

7 Getting Building Fund Programme Update

The Board received a report from Helen Dyer, the purpose of which was for the Board to consider the overall position of the Getting Building Fund (GBF) capital programme. The report included an update on those projects which have received approval for retention of GBF funding beyond March 2022, provided an update on High risk projects and provided an update on GBF spend to date.

Cllr Lauren Edwards provided assurance of Medway Council's commitment to the Innovation Park Medway project and indicated that the project was only going to be placed on hold for a short period whilst work was undertaken to explore the best options for its future delivery.

Cllr Glazier queried whether there were any issues that the Board needed to be aware of in relation to the GBF projects sitting with Thurrock Council, in light of the lack of reporting provided in advance of the meeting. Helen indicated that it was understood that both Thurrock projects had been fully delivered and the GBF funding had been spent in full and therefore there were no issues for the Board to be aware of.

Resolved:

1. **To Note** the current forecast spend across the GBF programme for the 2023/24 financial year of £8.01m, as set out in Table 1 of the report.

2. **To Note** the deliverability and risk assessment, as set out in Appendix C of the report.

8 Local Growth Fund Programme Update

The Board received a report from Helen Dyer, the purpose of which was for the Board to consider the overall position of the Local Growth Fund (LGF) capital programme, as part of SELEP's Growth Deal with Government.

Resolved:

1. **To Agree** the reported LGF spend on project delivery in Q1, Q2 and Q3 2023/24 of £1.422m excluding DfT retained schemes and increasing to £1.552m including DfT retained schemes, as set out in Table 1 and Appendix A of the report.

2. **To Agree** the updated completion date for the following project which has experienced a delay of more than 6 months:

2.1. Eastbourne Town Centre LSTF Access and Improvement Package – project completion delayed from May 2024 to May 2026.

3. **To Note** the intention for East Sussex County Council to bring forward a change of scope for the Eastbourne and South Wealden Walking and Cycling Package and note that, following the dissolution of SELEP, this change will be managed through East Sussex County Council governance processes.

4. **To Note** the deliverability and risk assessment, as set out in Appendix B of the report.

5. **To Note** the list of outstanding post scheme completion Monitoring and Evaluation reports, as set out in Appendix D of the report.

9 Stanford le Hope/London Gateway and Grays South LGF project update

The Board received a report from Helen Dyer, the purpose of which was to provide the Board with an update on the Stanford le Hope/London Gateway and Grays South Local Growth Fund (LGF) projects which have been identified as High risk.

The Board were asked to consider the updated Business Case for the Stanford le Hope/London Gateway project which, following significant cost increases, seeks to demonstrate ongoing compliance with the SELEP Assurance Framework.

In addition, the Board were asked to consider a Change Request in relation to the Grays South project which was seeking approval for an extension to the delivery programme.

The Board were advised that, as required, an updated Business Case had been submitted for the Stanford le Hope/London Gateway project. The Business Case demonstrates that the project continues to offer High value for money and provides a greater level of assurance with regard to project delivery. However, a number of risks and uncertainties remain which may impact on project delivery.

The Stanford le Hope/London Gateway funding package, as detailed in the Business Case, includes the use of £5.4m unspent LGF which is currently allocated to the Grays South project. Thurrock Council were seeking approval for the funding to be temporarily transferred between the projects (an Option 4 swap) to allow the Stanford le Hope project to progress in the short term and had provided a commitment to seeking alternative funding sources to enable the return of capital funding of the same value to the Grays South project in future to support delivery. Whilst this does comply with the requirements of the SELEP Assurance Framework, it presents a risk as the Grays South project is at an early stage of development and a significant amount of work still needs to be undertaken to demonstrate that the proposed scheme is viable.

The Board were advised that required sign off from Thurrock Council's Section 151 Officer had not yet been received in respect of either project and therefore the decisions would need to be caveated, meaning that Thurrock Council would be unable to implement the decisions taken by the Board until the required assurances had been provided. An additional recommendation was agreed to reflect the position (decision 3 below).

Cllr Andrew Jeffries gave assurances that he believed that the required sign offs from Thurrock Council's Section 151 Officer would be forthcoming.

Cllr Roger Gough sought clarification as to the position should the required Section 151 Officer sign offs not be received. It was confirmed that in this situation, a further Board meeting would be required to revisit the decisions made.

Given the level of risk identified within the report, Cllr Gough sought clarification as to where responsibility for managing these risks would sit moving forward if the Board were to agree the recommendations set out in the report. Susan Moussa provided confirmation that the Transition Agreement, which it is intended will be put in place between all 6 Upper Tier Local Authorities and potentially DLUHC, would set out requirements with respect to ongoing monitoring and reporting on projects. In addition, there would be a direct relationship between Thurrock Council and DLUHC with respect to their LGF programme.

Cllr Gough noted that one set of recommendations had been put forward, rather than options for Board consideration. Helen indicated that the Board could choose not to agree the recommendations set out in the report but noted that this would likely have significant implications for both projects, including the risk that the funding is lost and the projects are removed from the LGF programme. Helen confirmed that given the timing of the decision, there were no other realistic options which supported project delivery, which could be put forward for Board consideration.

Resolved:

1. **To Note** the update on delivery of the Stanford le Hope/London Gateway and Grays South projects.

2. **To Agree** that, following consideration of the updated Business Case, the £7.5m LGF funding allocation can be retained against the Stanford le Hope/London Gateway project, subject to the following also being agreed:

2.1. **To Agree** that the delivery programme for the Grays South project can be extended following the decision by Thurrock Council to explore alternative scheme proposals. Noting that the expected project completion date is now September 2028.

2.2. **To Agree** that Thurrock Council can employ an Option 4 Capital Swap allowing £5.4m of the currently unspent LGF allocation awarded to the Grays South project to be temporarily transferred to the Stanford le Hope/London Gateway project to support project delivery. Noting that Thurrock Council have committed to returning capital funding of the same value to the Grays South project at a later date to enable project delivery.

3. **To Note** that the decisions taken at this meeting cannot be implemented until the required assurances have been received from the Section 151 Officer at Thurrock Council.

10 **LGF High Risk Project Update**

The Board received a report from Howard Davies, SELEP Capital Programme Officer, the purpose of which was for the Board to receive an update on the current delivery status of five Local Growth Fund (LGF) projects which have been identified as High Risk; A28 Sturry Link Road, Beaulieu Park Station, A28 Chart Road, Purfleet Centre, and A127 Fairglan Junction Improvements.

The Board were advised that all five projects have remaining risks which need to be addressed as project delivery progresses and it is intended that provisions will be included in the Transition Agreement with respect to on-going monitoring of project delivery with DLUHC from April 2024.

Resolved:

1. **To Note** that there are on-going risks across all of the projects set out in this report that will extend beyond the end of SELEP. Provisions are to be implemented in the Transition Agreement that will set out arrangements for on-going monitoring of project delivery with the Department for Levelling Up Housing and Communities (DLUHC) from April 2024. The following is highlighted to note for each project:

A28 Sturry Link Road

To Note that there remain significant risks to the project, however, progress has been made on a number of identified issues but mitigations are required to be put in place by Kent County Council to ensure successful delivery.

Beaulieu Park Station

1. **To Note** that a significant risk in relation to the Homes England HIF funding has been fully mitigated by the signing of the Deed of Variation and delivery of the project continues.

2. **To Note** that risks remain in relation to further delays and cost escalation, but that Essex County Council will closely monitor these.

A28 Chart Road

To Note that, although there remains a significant risk to the project, Kent County Council has provided assurances that they remain committed to its delivery and will need to ensure that satisfactory mitigation plans are in place and continue to be monitored.

Purfleet Centre

To Note that, although there remains a significant risk to the project and realisation of the benefits, Thurrock Council has provided assurances that they remain committed to its delivery and will need to ensure that satisfactory mitigation plans are in place and continue to be monitored.

A127 Fairglen Interchange

To Note that approval of the full Business Case cannot be confirmed by Department for Transport until the agreed tender costs are included, and that the new tender process is due to complete in June 2024.

11 A13 Widening LGF Project Update

The Board received a report from Howard Davies the purpose of which was for the Board to receive an update on the Value for Money assessment for the A13 Widening Local Growth Fund (LGF) project (the Project).

The Board were advised that, based on information currently available, it was not possible to assure that the Project continues to offer High value for money at this time. It was noted that, given that the Project is practically complete, no decision in respect of potential Value for Money concerns is required from the Board under the SELEP Assurance Framework but the Board were asked to note the position.

Resolved:

1. **To Note** that following practical completion of the Project, the latest available information indicates that it may no longer demonstrate Value for Money in accordance with the requirements of the SELEP Assurance Framework.

2. **To Note** that as part of the monitoring and evaluation process following Project completion, Thurrock Council is required to keep the anticipated benefits under review to assess whether the outcomes set out in the Business Case are realised.

12 Monitoring and Evaluation Update

The Board were advised that further work is required to ensure that the outputs and outcomes data received from local areas is robust and therefore this report will now be considered at the Strategic Board meeting on 22 March 2024.

13 Legal and Finance Update

The Board received a report from Lorna Norris, Senior Finance Business Partner and Susan Moussa, Supervising Associate Solicitor, the purpose of which was for the Board to note the arrangements to be entered into (subject to governance by each council) and to take decisions on the funding due to be held by the SELEP Accountable Body (Essex County Council) at the end of March 2024.

Cllr Glazier acknowledged the hard work of officers and offered his thanks to all those involved in establishing arrangements which enable the closure of SELEP in accordance with the Strategic Board decision. This was echoed by the other Board members present, with an acknowledgement of the challenging environment within which SELEP has been operating in recent years.

Resolved:

1. **To Note** the Councils and Department for Levelling Up, Housing and Communities are expected to enter into a Transition Agreement (as set out in paragraph 4.2 and 4.4 of the report) to formalise the arrangements in respect of integration of the LEP functions and for the Accountable Body to defray the funding in line with paragraphs 2.1.5 and 2.1.6 of the report.

2. **To Agree** the 2023/24 forecast outturn position set out in Table 1 of the report, noting that this includes the planned movements in reserves set out in Table 4 of the report.

3. **To Agree** that an appropriation can be made from the Redundancy Reserve in 2023/24 to plan to meet the cost of redundancies arising in respect of employees in the SELEP Secretariat that, following consultation due to the closure of SELEP, are unsuccessful in securing an alternative role, noting that:

3.1. This will impact on the 2023/24 final outturn position for SELEP; and

3.2. Sufficient funding has been provisioned within the reserve to meet the redundancy costs.

4. **To Agree** that the final outturn position for SELEP, including for each reserve, can be agreed by the Section 151 Officer of the Accountable Body following preparation of the 2023/24 accounts in accordance with proper practices, noting that the accounts will be subject to External Audit.

5. **To Agree** that once (i) the Transition Agreement has been signed by all six upper tier local authority partners and (ii) the Department for Levelling Up,

Housing and Communities releases and discharges Essex County Council from all liabilities as Accountable Body of SELEP for projects outside of administrative Essex and each upper tier local authority takes on responsibility for projects within their administrative areas prior to 1 April 2024, the Accountable Body can transfer to the respective upper tier local authority partner(s) of SELEP the following:

5.1. The balance of funding in the SELEP Operational Reserve at the 31 March 2024 to be transferred to the six local authority partners in accordance with the approach agreed by the Board in January 2024, that is exemplified in Table 5 of the report.

5.2. In accordance with the principle agreed at the January 2024 Board meeting, transfer to any of the six upper tier local authority partners, the redundancy liability, up to the 31 March 2025, in respect of the employment of current permanent members of the SELEP Secretariat, in a capacity supporting the close down of SELEP or the continuation of LEP functions; noting that sufficient funding has been provisioned within the Redundancy Reserve, as set out in Table 4 of the report, to meet this cost.

5.3. Transfer to Essex County Council the final balance of the Future Commitments reserve to meet costs arising in 2024/25 in respect of the close down costs for SELEP; noting that the costs will be impacted by the outcome of the on-going SELEP Secretariat staff consultation process, that is not yet known and the balance on the reserve will be adjusted accordingly; but the forecast in Table 4 of the report is expected to be the maximum amount required.

5.4. Transfer to Essex County Council the balance of the Risk Reserve, as forecast in Table 4 of the report to meet any risks arising as a consequence of being the Accountable Body, only if known risks remain unmitigated and DLUHC has not fully released and discharged Essex County Council from all liabilities arising from its role as the Accountable Body for SELEP by 31 March 2024.

5.5. Transfer any residual uncommitted reserves following the dispersal of funds in accordance with 5.1 to 5.4 above to the six upper tier local authority partners in accordance with the approach agreed by the Board in January 2024, to allocate on the same basis as the Operational Reserve, as exemplified in Table 5 of the report.

5.6. Transfer the Growing Places Fund balance held by the Accountable Body at 31 March 2024, as set out in Table 3 of the report, in accordance with the approach agreed by the Board under Agenda item 6, noting that the balance held will be impacted by the decision under that item in respect of the Sovereign Harbour Project and should not all payments due to be repaid be received by 31 March 2024.

6. **To Agree** that subject to the Transition Agreement being signed by all six

upper tier local authority partners and the Department for Levelling Up, Housing and Communities releases Essex County Council as Accountable Body from responsibility for projects outside of administrative Essex and that each upper tier local authority takes on responsibility for projects within their administrative area, the Accountable Body is not required to recover any Growing Places Fund Loan repayments due after the 31 March 2024 and that the current recyclable Loan Scheme is ended; noting that specific provisions may be agreed in respect of the Sovereign Harbour Project under Agenda item 6, which will be incorporated into the Transition Agreement.

7. **To Note** that for SELEP to close it must have a zero balance sheet and all monies held by Essex County Council as Accountable Body will be allocated in accordance with the decisions of the Board, at the close of 2023/24 subject to the conditions set out in this report, which will result in a zero balance sheet.

14 Date of Next Meeting

The Board noted that no further meetings were scheduled.

The Chair echoed the comments made by the other Board members with respect to the amount of work and effort which has gone in to making the transition of LEP activities as straightforward as possible, particularly in light of the challenging circumstances. The Chair also thanked Board members for their input and participation during Accountability Board meetings.

Report title: Getting Building Fund update	
Report to: Accountability Board	
Report author: Helen Dyer, SELEP Programme Closure Lead	
Meeting date: 26 July 2024	For: Decision
Enquiries to: helen.dyer@essex.gov.uk	
SELEP Partner Authority affected: All	

1. Purpose of report

- 1.1. The purpose of this report is to provide the Accountability Board (the Board) with an update on the Innovation Hub: Diversification of Chatham Town Centre project and to consider whether the Getting Building Fund (GBF) funding should remain allocated to the project.
- 1.2. In July 2023, the SELEP Strategic Board agreed the approach to allocating the available GBF funding, including a number of criteria which needed to be met. At the time of funding award, it was understood that the Innovation Hub: Diversification of Chatham Town Centre project met all of the agreed criteria, however, it has subsequently been confirmed that this was not the case. Allocation of funding to the project was therefore not in line with the agreed governance process as set out in the SELEP Assurance Framework.
- 1.3. It is the expectation of MHCLG that decisions made by the Board in respect of the GBF are in line with the requirements of the Local Assurance Framework which in turn reflects the National Local Growth Assurance Framework (NLGAF). It is also their expectation that the Accountable Body sets out explicitly where there has been any non-compliance in order for Board members to make fully informed decisions.
- 1.4. Given the impending transition of the SELEP Capital Programme to the Upper Tier Local Authorities and new Accountable Body arrangements, it is important that the status of the funding currently awarded to the Innovation Hub: Diversification of Chatham Town Centre project is clarified.
- 1.5. Given that it has been confirmed that the Innovation Hub: Diversification of Chatham Town Centre project did not meet part of the criteria agreed by the Strategic Board, this report also outlines options with respect to the funding currently awarded to the project.

2. Recommendations

- 2.1. The Board is asked to:
 - 2.1.1. **Agree** the removal of £300,000 GBF funding from the Innovation Hub: Diversification of Chatham Town Centre project. Noting that this funding continues to be held by Essex County Council (as Accountable Body for SELEP).

- 2.1.2. **Agree** that Essex County Council (as Accountable Body for SELEP) can determine the reallocation of the residual GBF funding through the GBF prioritised project pipeline, with the funding being awarded to the next project on the pipeline which can demonstrate ongoing compliance with the criteria agreed by the Strategic Board in July 2023.

3. Background

- 3.1. The primary purpose of the GBF funding was to help to support economic recovery following the COVID-19 pandemic. As a result, there was an expectation from Central Government that supported projects would be subject to short delivery programmes and that delivery of project benefits would also be realised in the short-term.
- 3.2. In January 2023, the Board took the decision to remove the Swan Modular Housing Factory project from the GBF programme requiring the return of the full £4.53m GBF allocation awarded to the project.
- 3.3. The GBF prioritised project pipeline agreed by the Strategic Board in October 2022 supported the partial reallocation of the returned funding but this exhausted the pipeline. Consequently, in July 2023, the Strategic Board agreed a process for developing a new prioritised project pipeline to support the reallocation of the remaining available funding.
- 3.4. Projects were required to meet the following criteria to ensure that reallocation of the funding remained in line with the Government vision and to ensure that full spend of the GBF funding is achieved at the earliest opportunity.
 - 3.4.1. Projects must support the activities outlined in the SELEP Economic Recovery and Renewal Strategy.
 - 3.4.2. Projects must demonstrate that they are shovel ready and that they are subject to a short delivery programme, with full spend of the GBF funding to be achieved within 12 months of receipt of funding approval from the Board.
 - 3.4.3. There should be no barriers to delivery, such as outstanding permissions or consents. Any remaining barriers to delivery will render the project ineligible for receipt of GBF funding.
 - 3.4.4. Projects must demonstrate a robust need for investment with particular reference to the challenges created as a result of the COVID-19 pandemic.
 - 3.4.5. Project Business Cases must demonstrate High value for money or compliance with one of the exemptions outlined within the SELEP Assurance Framework.
 - 3.4.6. Projects must demonstrate that a full funding package is in place to support delivery.
 - 3.4.7. Business Cases must demonstrate that consideration has been given to the impact of high inflation and interest rates on forecast costs.
- 3.5. Following an open call for projects and initial prioritisation by the four Federated Boards, 15 projects were put forward for consideration by the SELEP Investment Panel. The

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Investment Panel met on 1 December 2023 and agreed the new GBF prioritised project pipeline.

- 3.6. With a view to accelerating completion of GBF spend, an additional Board meeting was held on 12 January 2024. During this meeting, the Board agreed the award of funding to the five projects which were at the top of the new project pipeline, including Tech Hub Flexible Workspace Gravesend, Mercury Rising 2 Colchester, Maidstone Business Suite: Phase 2, The Victoria Centre Southend and Innovation Hub: Diversification of Chatham Town Centre.
- 3.7. Variation Agreements have now been put in place and all GBF funding has been released to the relevant Upper Tier Local Authorities for all projects, other than the Innovation Hub: Diversification of Chatham Town Centre project. As detailed in Section 4 of this report, the required Variation Agreement has not yet been put in place with Medway Council and therefore the £300,000 GBF awarded to the project continues to be held by Essex County Council (as Accountable Body for SELEP).

4. Innovation Hub: Diversification of Chatham Town Centre

- 4.1. The Innovation Hub: Diversification of Chatham Town Centre project will deliver a new, flexible, SME-focused employment workspace alongside provision of business support services on the first floor of the Pentagon Shopping Centre in Chatham town centre. The workspace will deliver increased employment opportunities and a dedicated workspace to allow local businesses to develop and sustain growth, while also supporting the diversification and viability of Chatham town centre.
- 4.2. The project was awarded £300,000 GBF funding in January 2024. The delivery of the project is also supported through funding from the Future High Streets Fund and from Medway Council. Work has commenced onsite to deliver the Innovation Hub, with the workspace expected to open in Autumn 2024.
- 4.3. As outlined in Section 3 of the report, the Strategic Board agreed that projects seeking GBF funding should have no barriers to delivery, such as outstanding permissions or consents. It was also agreed that any remaining barriers to delivery would render the projects ineligible for receipt of GBF funding.
- 4.4. The original Business Case received from Medway Council stated that 'planning permission is not required as the change of use can be secured by Permitted Development Rights. Consideration is being given as to whether planning permission is required for the proposed ventilation system which will be ascertained on the completion of RIBA Stage 3 in September 2023. If required then this would be secured in advance of any anticipated funding award in December 2023.'
- 4.5. Following an initial review by the Independent Technical Evaluator (ITE), Medway Council submitted an updated Business Case in November 2023. This Business Case stated that 'planning permission is not required as the change of use can be secured by Permitted Development Rights. There is no outstanding planning permission to be sought to deliver the scheme.' Based on this update, the project was determined to have no barriers to delivery and was therefore included in the GBF prioritised project pipeline following prioritisation by the Investment Panel on the 1 December 2023.

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- 4.6. In January 2024, the Board awarded the available GBF funding to the first five projects on the pipeline, including the Innovation Hub: Diversification of Chatham Town Centre project. No notification was provided to SELEP or Essex County Council (as Accountable Body for SELEP) to advise of any changes to the Business Cases prior to funding award.
- 4.7. Subsequent to the award of funding to the project, SELEP and Accountable Body officers became aware of two planning applications which were submitted to Medway Council in early December 2023 in relation to the Innovation Hub. The first planning application was submitted on 3 December 2023 and considered 'external changes to windows and doors and installation of new vents to part of first floor level to facilitate occupation by an Innovation Hub'. The second planning application was submitted on 4 December 2023 and considered 'change of use from commercial, business and service (Use Class E) to an Innovation Hub (Use Class E (g)(i)) to facilitate occupation of part of the first floor of the Pentagon Centre.'
- 4.8. Whilst both planning applications have now been determined and consent granted (on the 31 January and 16 February respectively), the submission and timing of these planning applications raised concerns as to whether all the criteria agreed by the Strategic Board had been met by the project at the point of prioritisation and whether the project was eligible for receipt of GBF funding. To address these concerns, the Section 151 Officer of the Accountable Body wrote to Medway Council requesting an explanation as to how the project met the criteria for funding at the time of prioritisation.
- 4.9. In their response, Medway Council provided assurances that the information within the final Business Case (Gate 2 submission) had been accurate at the point of submission and was based on advice provided by their Planning Consultant. However, their Planning Consultant subsequently updated their advice (in November 2023) and confirmed that planning applications would be required – both in relation to the change of use and the windows/doors and vents. Medway Council acknowledged that, due to a change in Project Manager, the need to update SELEP on the change in planning status was overlooked and that the information was not passed on. Medway Council also acknowledged that the planning applications were not submitted until December 2023, and therefore the criteria agreed by the Strategic Board were not fully met at the point of prioritisation.
- 4.10. For ease of reference, a summary of key dates is shown in Table 1 below.

Table 1: Summary of key dates – Innovation Hub: Diversification of Chatham Town Centre

Activity	Lead Party	Date(s)
Process for reallocation of GBF funding agreed by Strategic Board	SELEP/Strategic Board	7 July 2023
Open call for projects launched	SELEP/Federated Boards	20 July 2023
Gate 1 Business Case submissions received	Scheme promoters/Federated Boards	1 September 2023
Federated Board led local prioritisation of project submissions completed	Federated Boards	22 September 2023
Gate 2 Business Case submissions received (exact date determined by Federated Boards)	Scheme promoters	Late October/early November 2023
Revised advice received from Medway Council Planning Consultant and Project Management hand over.	Medway Council	November 2023
Investment Panel meeting	SELEP/Investment Panel	1 December 2023
Internal Project Manager hand over	Medway Council	December 2023
Submission of planning application covering changes to windows and doors and installation of new vents	Medway Council	3 December 2023
Submission of planning application covering change of use	Medway Council	4 December 2023
Award of funding to GBF projects agreed by Accountability Board	SELEP/Accountability Board	12 January 2024
Determination of planning application covering changes to windows and doors and installation of new vents	Medway Council	31 January 2024
Determination of planning application covering change of use	Medway Council	16 February 2024
Clarification sought from Medway Council with respect to eligibility for receipt of funding	Essex County Council (as Accountable Body for SELEP)	1 May 2024
Response received from Medway Council	Medway Council	10 May 2024

- 4.11. In summary, Medway Council have acknowledged that post submission of the Business Case there were new and outstanding planning consents in relation to the Innovation Hub: Diversification of Chatham Town Centre project as at 1 December 2023, when the Investment Panel met to agree the new prioritised project pipeline. If SELEP had been made aware of the planning status of the project, it would not have been included within the pipeline and would therefore not have been considered for award of funding at that time.
- 4.12. Both planning applications have now been determined and Medway Council have given assurances that project delivery is on track and that the GBF funding is expected to be spent in full by September 2024.
- 4.13. The £300,000 GBF awarded to the project continues to be held by Essex County Council (as Accountable Body for SELEP) and the required Variation Agreement which adds the

Innovation Hub: Diversification of Chatham Town Centre project to Medway's GBF programme has not been put in place.

5. Options available to the Board

5.1. Option 1 as set out below is the recommended option:

5.1.1. **Agree** the removal of £300,000 GBF funding from the Innovation Hub: Diversification of Chatham Town Centre project. Noting that this funding continues to be held by Essex County Council (as Accountable Body for SELEP).

5.1.2. **Agree** that Essex County Council (as Accountable Body for SELEP) can determine the reallocation of the residual GBF funding through the GBF prioritised project pipeline, with the funding being awarded to the next project on the pipeline which can demonstrate ongoing compliance with the criteria agreed by the Strategic Board in July 2023.

5.2. As set out in this report, the Strategic Board agreed the process for reallocating the available GBF in July 2023, and this included a number of criteria which were designed to ensure that the use of the GBF funding remained in line with Government's vision for the fund. One of the key criteria, designed to ensure that there were no delays in spend of the GBF funding, was that there should be no barriers to delivery, including outstanding permissions and consents. It was also agreed that the existence of any barriers to delivery would render a project ineligible for receipt of GBF funding. It was made clear to Federated Boards and Upper Tier Local Authorities throughout the prioritisation process that any outstanding planning consents needed to be secured in advance of the Investment Panel meeting if the project in question was to be included on the pipeline. It is acknowledged that this conversation was not had with Medway Council but this was due to the Business Case for the Innovation Hub: Diversification of Chatham Town Centre project indicating that there were no outstanding planning requirements.

5.3. It is clear from the information provided by Medway Council, and outlined in this report, that the project did not meet the full criteria agreed by the Strategic Board at the point of prioritisation. It is acknowledged that this was a genuine mistake on Medway Council's part, however, if SELEP were aware of the planning status of the project, Investment Panel would have been advised that the project did not meet the full criteria agreed by Strategic Board and was therefore not being considered for inclusion within the pipeline. In light of this position, and in line with the Strategic Board's agreed criteria, it is recommended that the funding is removed from the Innovation Hub: Diversification of Chatham Town Centre project.

5.4. All projects within the prioritised project pipeline were assessed against the same criteria – both by the relevant Federated Board (in this case, the Kent and Medway Economic Partnership (KMEP)) and by the SELEP Secretariat. No other projects which were prioritised by the Federated Boards were considered to have any barriers to delivery. Two projects were subject to outstanding planning consents at the point of Business Case submission, but both planning applications were determined in advance of Investment Panel.

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- 5.5. It is important to note that the prioritisation undertaken by KMEP was based on the information available to them at that time and there is no suggestion that KMEP were aware of the change in advice provided by Medway Council's Planning Consultant prior to this meeting. It is acknowledged that removing funding from this project reduces the level of investment in the KMEP area.
- 5.6. It should be noted that as it stands the project is now in full compliance with all the criteria agreed by the Strategic Board, with all necessary permissions in place and building work nearly complete. The removal of funding this close to completion puts Medway Council in a very difficult financial position, particularly as they currently have an Exceptional Financial Support (EFS) agreement in place with Government. It cannot be assumed that the budget gap will be easily mitigated and this poses a risk to the final completion of the project.
- 5.7. If the Board take this recommended option forward the next step would be for the funding to be reallocated through the prioritised project pipeline that was agreed by Investment Panel. The pipeline includes alternative projects which demonstrated compliance with the criteria agreed by Strategic Board at the time of prioritisation (1 December). It is acknowledged that the status of these projects may have changed since the pipeline was established but due diligence will be carried out by the Accountable Body to ensure that the funding is reallocated in accordance with the expectations of Strategic Board.
- 5.8. In light of the recommendations set out in this report, it is intended that initial discussions will be held with the Basildon Boom project (the project at the top of the remaining GBF project pipeline as set out in Appendix A) in advance of the Board meeting with a view to establishing whether the project continues to meet the criteria agreed by Strategic Board. It is also important to consider whether the project would continue to progress in accordance with the Business Case which has been reviewed by the ITE, and to understand whether funding from alternative sources, which may negate the need for GBF investment, has been secured.
- 5.9. Should it be determined that the Basildon Boom project is no longer appropriate for receipt of GBF funding or is no longer able to progress in accordance with the plans outlined in the GBF Business Case, Essex County Council (as Accountable Body for SELEP) will work through the remaining pipeline projects in order of priority until compliance with the Strategic Board criteria and the SELEP Assurance Framework can be confirmed. Consideration will also need to be given to the level of GBF investment sought by each project (if the Basildon Boom project is not considered appropriate for receipt of funding) – with seven of the ten projects remaining on the GBF pipeline seeking investment greater than £300,000. There is not expected to be any further GBF funding returned to SELEP for reallocation, and therefore award of funding to any of these seven projects would be subject to confirmation that the remaining balance of the original GBF allocation sought can be secured from alternative sources.
- 5.10. Given the timing, and the imminent transition of the SELEP Capital Programme to the six Upper Tier Local Authorities and three new Accountable Bodies, it is not possible to revisit the prioritisation process or to consider alternative applications for use of the funding. The Strategic Board has held its' final meeting and steps have been taken to dissolve SELEP Ltd. Investment Panel is a sub-committee of the Strategic Board and therefore, in light of the closure of SELEP Ltd, it is not possible to call another meeting of the Panel.

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Furthermore, the contract between SELEP and the ITE has now ended meaning there is no scope for any further Business Cases to be reviewed. It is also important to note that the instigation of a new process would undoubtedly result in a delay in the spend of the remaining GBF funding.

- 5.11. In light of the impending closure of SELEP Ltd. and the transition of the SELEP Capital Programme to the six Upper Tier Local Authorities and three new Accountable Bodies, it is important that the status of the funding currently awarded to the Innovation Hub: Diversification of Chatham Town Centre project is determined as soon as possible. Accordingly, Essex County Council (as Accountable Body for SELEP) will work at pace to identify the next project on the pipeline which continues to meet the criteria agreed by Strategic Board and the requirements of the SELEP Assurance Framework.
- 5.12. The Board can then either:
 - 5.12.1. agree to hold a further meeting to award the funding; or
 - 5.12.2. agree that Essex County Council (as Accountable Body for SELEP) can determine the reallocation of the residual GBF funding through the GBF prioritised project pipeline, with the funding being awarded to the next project on the pipeline which can demonstrate ongoing compliance with the criteria agreed by the Strategic Board in July 2023.
- 5.13. It is recommended that the Board agree that Essex County Council (as Accountable Body for SELEP) can agree to award the funding due to the administrative challenges of holding a further meeting due to the closure of SELEP.
- 5.14. It will be necessary for Government to agree the changes to the GBF programme. This will be managed through the established Project Change Request process which was introduced at the outset of the GBF funding stream. Government have previously advised that the addition of new projects to the GBF programme requires ministerial approval. Given the recent General Election, there may be a delay in securing the required approvals. However, early engagement with MHCLG officers will take place to determine whether there is an alternative route through which any required approvals can be sought given the extenuating circumstances.
- 5.15. A Variation Agreement will then be put in place and the funding will be released to the relevant Upper Tier Local Authority. This will allow the Position Statements which are due to accompany the Transition Agreement to be completed.
- 5.16. Option 2: **Agree** Retention of funding against the Innovation Hub: Diversification of Chatham Town Centre project
 - 5.16.1. This option is not the recommended option as it is not in compliance with the requirements of the SELEP Assurance Framework as the project was not eligible for funding at the point of prioritisation or funding award.
 - 5.16.2. It is noted that the project does now comply with the criteria with both planning consents for the project now secured and project delivery is on track.

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- 5.16.3. It is recognised that removal of the award of funding will mean that Medway Council will need to seek alternative funding to enable delivery as set out in the Business Case. As noted earlier the Council has an ESF agreement with Government because of severe financial pressures and it cannot be assumed that alternative funding is available, potentially risking the completion of the project.
- 5.17. The role of the Board according to the SELEP Assurance Framework is to provide the accountability structure for decision-making and approval of funding within the overarching vision of the Strategic Board. Any alternative decision made, such as retention of funding against the Innovation Hub project, will not be in line with part of the process and criteria agreed by the Strategic Board at the time of prioritisation and funding award and will therefore need to be justified as an exception with consideration given to the potential implications of the decision.
- 5.18. The progress of the project, the benefits and outputs delivered on completion and the suitability of the project against the wider criteria of the GBF, as set out in Section 6 of this report, could form part of any such consideration.
- 5.19. By exception, flexibility and pragmatism has been exercised by the Board in the past when considering other reports, such as the options report in respect of the Sovereign Harbour Growing Places Fund project which was presented to the Board in January 2024. This report contained recommendations which sat outside the requirements of the SELEP Assurance Framework; however, this was due to the decisions being linked to the closure of SELEP and the need to disaggregate the funding held by Essex County Council (as Accountable Body). These options were not presented to the Board as a means to address issues of non-compliance with decisions taken by the Strategic Board.
- 5.20. For any funding to be transferred by Essex County Council (as Accountable Body for SELEP), it is a requirement to ensure compliance with the terms of the Service Level Agreements which are in place to ensure that all grant funding is administered in accordance with the requirements of the SELEP Assurance Framework and the conditions of the grant.

6. Project Progress and Benefits

- 6.1. Medway Council received £1.7m from the Future High Streets Fund and secured a further £1.8m Capital contribution from its own funds to deliver the Innovation Hub in the Pentagon Shopping Centre.
- 6.2. The Innovation Hub will deliver an SME-focused employment workspace. This will lead to increased employment opportunities in Medway, providing 242 jobs within 3 years of operation.
- 6.3. The modern, exciting, and professional office space is being created to support small start-up businesses, and help them grow, as well as supporting Medway's skills agenda, and economic growth. The hub will provide:
 - 6.3.1. co-working space
 - 6.3.2. hot-desk space

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- 6.3.3. private offices
 - 6.3.4. meeting rooms, with an app booking system
 - 6.3.5. free business support and networking
 - 6.3.6. High Speed internet with IT support
- 6.4. Medway Council has appointed a third-party operator, Edgility Ltd. (in partnership with Kiln) to run the facility once it is fully operational in Autumn 2024. Officers are working closely with the operator to market the Innovation Hub which has been named Ascend.
- 6.5. A marketing campaign is underway and the Ascend website has been launched and can be found at: <https://ascendcoworking.com>.
- 6.6. To date, 27 enquiries have been received, including interest for office space from the National Institution for Health Research, a 12-person team funded by the Department for Health and Social Care, who are looking to relocate into Medway.
- 6.7. Form Ltd. were appointed as the Principal Contractor in February 2024, to undertake the fit out and M&E works. Construction works on site are progressing well and are due to complete in Autumn 2024, with an opening event in October.
- 6.8. A recruitment campaign for a Community Manager is due to commence in July. The Community Manager will manage the day-to-day operations.
- 6.9. Edgility Ltd has also submitted three bids for additional funding from another source to support Artificial Intelligence (AI). Each bid is for £20,000, with £5,000 match funding. If successful, the bids could help to support a Training Academy, and a startup incubator/lab space for new businesses, as well as supporting existing businesses to prototype or take new technologies to the market.
- 6.10. Medway Council's Economic Development team will be providing one-to-one face-to-face to all pre-start business and start-ups through 'Intelligent Linking'. A high specification IT system tailored to support high-intensity tech-oriented businesses has been agreed and will be procured imminently.
- 6.11. At present, the project is progressing well, complies with all GBF criteria and there are no outstanding barriers to delivery. The original project was assessed by the ITE as offering High value for money, and if it was re-assessed would likely still achieve this with a high confidence in delivery, given that there have been no changes, and it is due to complete within two months.

7. Financial Implications (Accountable Body comments)

- 7.1. 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. GBF is a capital grant awarded by Government and is subject to the following condition:

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The grant may be used only for the purposes that a capital receipt may be used for, in accordance with regulations made under section 11 of the Local Government Act 2003.

- 7.2. This condition requires that the grant is used to fund Capital expenditure; no end date for use of the grant is included within the conditions, however, it was the expectation of Government that it was used to fund the GBF projects and that it would be defrayed in full by the end of March 2022. Should the funding not be utilised in accordance with the conditions, Government may request return of the funding.
- 7.3. Service Level Agreements (SLAs) are currently in place with each Partner Authority for the transfer and management of GBF; the SLAs set out the requirement for Partner Authorities to provide regular update reports to SELEP and the Accountable Body in the timescales and format specified by the SELEP Secretariat, to inform the updates to the Board and Government. These updates support the required assurances for the Board and the Accountable Body that the funding is being used in accordance with the agreed Business Case and that anticipated benefits are being realised as expected.
- 7.4. As set out in the report, the Accountable Body will continue to hold the £300,000 of GBF that has been awarded to the Innovation Hub: Diversification of Chatham Town Centre project until the required Variation Agreement can be progressed.
- 7.5. It is disappointing that this project has since been identified as ineligible for the funding as it did not meet part of the agreed criteria at the time of award albeit all planning permissions are now in place. Whilst it is appreciated that the advice from the Council's Planning Consultant changed following submission of the Business Case and that it was an oversight to not pass this information onto SELEP, Medway Council are subject to a continuing duty to provide key information in respect of their funding applications and, in this instance, this duty has not been fulfilled.
- 7.6. It is a requirement of the Assurance Framework that funding is awarded in accordance with the criteria agreed by the Strategic Board; furthermore, the Assurance Framework sets out that it is the role of the S151 Officer of the Accountable Body to assess compliance with the Assurance Framework in all operations and decisions of SELEP; any areas of non-compliance are required to be reported to MHCLG. As set out in section 1.3, it is the expectation of MHCLG that decisions made by the Board in respect of the GBF are in line with the requirements of the Local Assurance Framework which in turn reflects the NLGAF.
- 7.7. A GBF prioritised project pipeline is in place for award of the funding. Should the Board agree to the recommendations as set out in the report, it will be necessary to ensure that funding criteria can still be adhered to by the respective project prior to any decision to award funding. All projects on the pipeline were assessed by the ITE prior to prioritisation and were estimated to represent high value for money although the assessment identified only medium confidence of this for some projects. The assessment for the next project on the pipeline estimated that the project would represent high value for money with a medium certainty of achieving this.
- 7.8. For the Accountable Body to determine the award of the funding to an alternative project requires approval of the Board; any funding awarded in this respect will be required to meet the criteria for the funding agreed by Strategic Board.

8. Legal Implications (Accountable Body comments)

- 8.1. In accordance with reasonable and transparent decision-making requirements, a decision to depart from the stated funding criteria would need to be fully considered and supported by clear and rational reasons.
- 8.2. Any prior decisions to permit an exception does not create a precedent requiring an exemption to be given; the circumstances of each matter considered are different. The considerations would need to take into account the specific circumstances of the case.
- 8.3. Decisions must factor in the obligations set out in the Assurance Framework.

9. Equality and Diversity Implications

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

10. List of Appendices

- 10.1. Appendix A – GBF Prioritised Project Pipeline
- 10.2. Appendix B - CGI Images of the Innovation Hub and photographs of construction

11. List of Background Papers

- 11.1. [Strategic Board report](#) from 7 July 2023 – Approach to Getting Building Fund and Growing Places Fund funding
- 11.2. [Investment Panel report](#) from 1 December 2023 – GBF Prioritised Project Pipeline
- 11.3. [Accountability Board report](#) from 12 January 2024 – Getting Building Fund Funding Decisions

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

Role	Date
Accountable Body sign off Stephanie Mitchener (on behalf of Nicole Wood, S151 Officer, Essex County Council)	18.07.2024

Appendix A: GBF Prioritised Project Pipeline

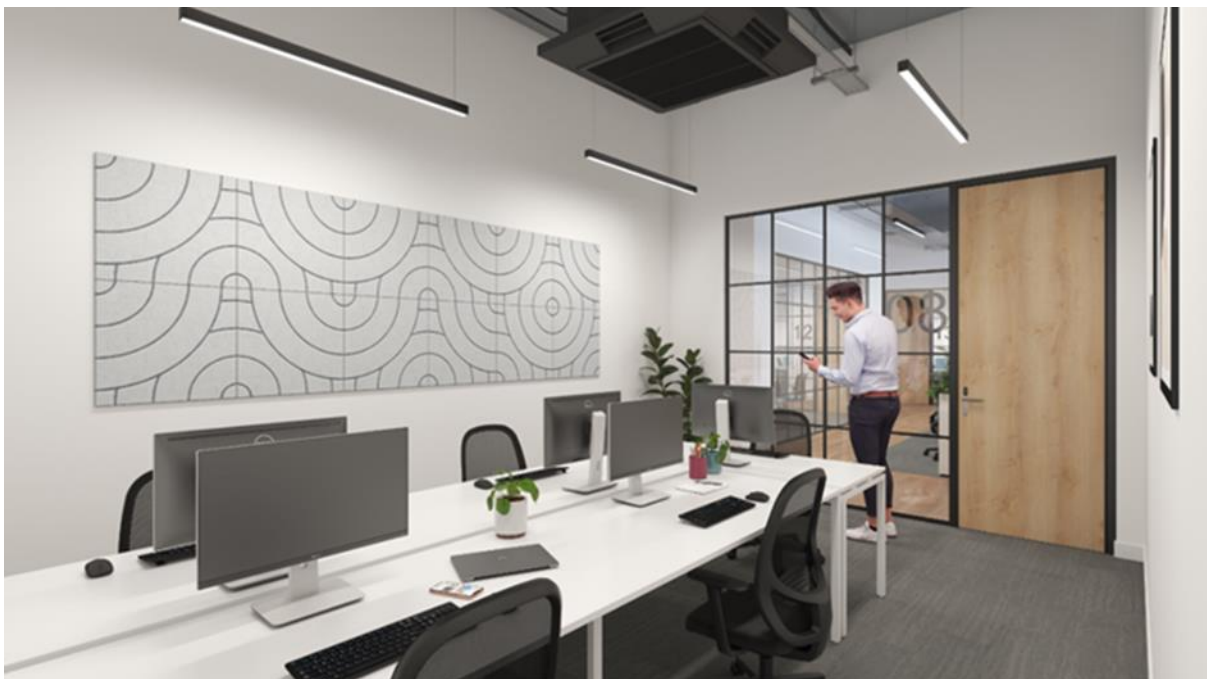
Project Name	Federated Area	GBF Ask	Cumulative Total
Basildon Boom	OSE	£300,000	£300,000
Camber Sands Welcome Centre	TES	£691,973	£991,973
High Street Pop Up Parks, Southend	OSE	£276,045	£1,268,018
Flightpath Phase 3	SEB	£500,000	£1,768,018
Enabling 5G in Dover and East Kent	KMEP	£465,000	£2,233,018
No Use Empty (Residential), Southend	OSE	£1,000,000	£3,233,018
Renewable Heating Systems for the Creative Media Centre, Hastings	TES	£253,000	£3,486,018
No Use Empty (Commercial), South Essex	OSE	£1,100,000	£4,586,018
Tunbridge Wells Town Hall co-working space	KMEP	£400,000	£4,986,018
A249 Bearsted Road Highway Improvement Scheme	KMEP	£500,000	£5,486,018

Appendix B: CGI Images of the Innovation Hub, and current construction photos

CGI images



Reception Area



Office Space



Meeting Room

Construction photos







Forward plan reference number: FP/AB/738, FP/AB/739 and FP/AB/740

Report title: Stanford le Hope/London Gateway and Grays South LGF Project Update	
Report to: Accountability Board	
Report author: Helen Dyer, SELEP Programme Closure Lead	
Meeting date: 26 July 2024	For: Decision
Enquiries to: helen.dyer@essex.gov.uk	
SELEP Partner Authority affected: Thurrock Council	

1. Purpose of report

- 1.1. The purpose of this report is to provide the Accountability Board (the Board) with an update on the Stanford le Hope/London Gateway and Grays South Local Growth Fund (LGF) projects. Both projects are being delivered by Thurrock Council.
- 1.2. The Board received an update on both projects at the last Board meeting (February 2024) and were presented with an updated Business Case for the Stanford le Hope/London Gateway project. Whilst acknowledging the significant level of risk which remained, the Board took a series of decisions which allowed both projects to remain in the LGF programme and to progress to delivery. However, it was noted that these decisions could not be implemented until assurances had been received from the Thurrock Council Section 151 Officer with respect to ongoing compliance with the LGF Grant Conditions which require the funding to be spent on capital expenditure.
- 1.3. Subsequent to the meeting, the Section 151 Officer of Thurrock Council provided the SELEP Secretariat and the Accountable Body with some assurances but has indicated that she is currently unable to provide the full level of assurance sought at the last Board meeting. Consequently, the decisions taken at the last Board meeting in respect of both projects cannot yet be implemented. This report provides an update in respect of the assurances required for each project and the decisions needed from the Board to allow them to progress with the next steps towards delivery.

2. Recommendations

- 2.1. The Board is asked to:
 - 2.1.1. **Note** that with respect to the Stanford le Hope/London Gateway project, the Section 151 Officer of Thurrock Council has provided the required assurances, as set out in section 3.7, to the Section 151 Officer of the Accountable Body, meaning that delivery of the project can proceed as agreed, including the temporary transfer of £5.4m of LGF from the Grays South project, subject to the full funding package of the Stanford le Hope project being agreed in October 2024.

- 2.1.2. **Note** that with respect to the Grays South project, it has not yet been possible for the Section 151 Officer of Thurrock Council to provide the required assurances to the Accountable Body due to further work required to agree the preferred delivery option which will determine the historic and future funding position.
- 2.1.3. **Note** that the Section 151 Officer of the Accountable Body will continue to engage with the Section 151 Officer of Thurrock Council to ensure that the required assurances can be provided.
- 2.1.4. **Note** that following the closure of SELEP, Essex County Council is expected to retain accountability for the LGF allocated to on-going projects within the Greater Essex area, including the Stanford le Hope/London Gateway and Grays South projects.
- 2.1.5. **Note** the intention for a Greater Essex Partnership Board to be established as a Local Authority Joint Committee following the transition of LEP functions to Upper Tier Local Authorities and to ensure on-going monitoring and oversight of delivery of the SELEP legacy capital programmes within Greater Essex.
- 2.1.6. **Agree** that should the required assurances not be received by the Section 151 Officer of the Accountable Body in respect of the Grays South project that future decision making in respect of that project can be undertaken by the Accountable Body; noting that the intention is to determine any decisions required via the proposed joint committee arrangements planned for the Greater Essex Partnership Board.

3. Background

- 3.1. The Board has received regular updates on the Stanford le Hope/London Gateway and Grays South projects. Both projects have experienced significant challenges which have delayed delivery, with rising costs and the well-publicised financial position of Thurrock Council being of particular concern. Despite these challenges, Thurrock Council remain committed to delivering both projects.
- 3.2. At the [February 2024](#) meeting, the Board received a full update on both projects and were presented with the updated Business Case for the Stanford le Hope/London Gateway project which had been developed by Thurrock Council in response to an increase in costs which raised concerns regarding the project's ability to continue to offer High value for money. The report also detailed a request from Thurrock Council to temporarily transfer £5.4m of the currently unspent LGF funding awarded to the Grays South project to the Stanford le Hope/London Gateway project in order to allow delivery of the project to progress in the short-term. Thurrock Council provided a commitment to return funding of the same value to the Grays South project in future years to support delivery of that project. This movement of funds was proposed in light of the decision by Thurrock Council to revisit the scope of the Grays South project, and with consideration of the plan to commence work onsite at Stanford le Hope station in October 2024 (as reported in February 2024).
- 3.3. The report identified that significant risks to delivery remain, including the need to develop a new scope for the Grays South project, the need for planning consent for the Stanford le Hope/London Gateway project expiring prior to work commencing onsite, the need to

undertake procurement to appoint a contractor to deliver both schemes and the associated risk of further cost increases and uncertainty with respect to some elements of the proposed funding package for Stanford le Hope/London Gateway. Given that Thurrock Council have concluded that the original proposals for the Grays South project are no longer viable, there are significant unknowns with respect to this project, and there is an ongoing need for a revised Business Case to be produced to demonstrate that the revised scheme proposals offer value for money, are affordable and deliverable.

- 3.4. It was noted within the report that assurances had been sought from the Thurrock Council Section 151 Officer with respect to ongoing compliance with the LGF Grant Conditions but that these assurances had not yet been received. Specifically, assurance was sought that 'in the event that any historic expenditure becomes abortive revenue spend, there is sufficient other capital expenditure within the project to confirm that the requirement to only apply the LGF funding to capital expenditure can still be met and that appropriate records of any required adjustments will be maintained and provided, if requested to do so, to the Accountable Body.'
- 3.5. Following consideration of the report, the Board took the following decisions in February 2024:
- 3.5.1. **Note** the update on delivery of the Stanford le Hope/London Gateway and Grays South projects.
- 3.5.2. **Agree** that, following consideration of the updated Business Case, the £7.5m LGF funding allocation can be retained against the Stanford le Hope/London Gateway project, subject to the following also being agreed:
- 3.5.2.1. **Agree** that the delivery programme for the Grays South project can be extended following the decision by Thurrock Council to explore alternative scheme proposals. Noting that the expected project completion date is now September 2028.
- 3.5.2.2. **Agree** that Thurrock Council can employ an Option 4 Capital Swap allowing £5.4m of the currently unspent LGF allocation awarded to the Grays South project to be temporarily transferred to the Stanford le Hope/London Gateway project to support project delivery. Noting that Thurrock Council have committed to returning capital funding of the same value to the Grays South project at a later date to enable project delivery.
- 3.5.3. **Note** that the decisions taken at this meeting cannot be implemented until the required assurances have been received from the Section 151 Officer at Thurrock Council.
- 3.6. Subsequent to the meeting, the incoming Section 151 Officer at Thurrock Council indicated that she was unable to provide the assurances requested at that time. This was in part due to the fact that Thurrock Council had not yet undertaken an exercise to identify potential abortive costs and therefore the scale of costs under consideration was unknown. Other factors included uncertainty with respect to the funding package for both projects and the early stage of development of the Grays South project.

- 3.7. Following engagement with the Accountable Body to clarify requirements, Thurrock Council have undertaken a review of the spend to date on both projects, with a view to identifying any potential abortive costs and have provided the following updates:

Stanford le Hope/London Gateway

- 3.7.1. The review of spend to date has identified spend to date of £13.8m, which includes LGF spend of £7.5m; the Council has confirmed that they are confident that this spend is not considered to be abortive, provided that the scheme is delivered as planned;
- 3.7.2. Thurrock Council remain committed to delivery; this commitment is subject to gaining the necessary governance approval from Cabinet and funding approval from the Commissioner and the Ministry of Housing, Communities and Local Government (MHCLG) – this decision is due to be taken to Thurrock Council Cabinet in October 2024.
- 3.7.3. Thurrock Council is undertaking a Gateway Review of the project to identify the optimum scheme that will form part of the funding approval bid. The objective is to review all elements of the project and agree on a scheme which delivers operational and funding requirements whilst reducing the Council's financial exposure.
- 3.7.4. Should the project not progress, Thurrock Council risks abortive costs totalling £13.8m; in this circumstance, under the Service Level Agreement (SLA) which is in place, Thurrock Council have acknowledged that they would be expected to repay the £7.5m LGF to Essex County Council (as the Accountable Body for SELEP).

Grays South

- 3.7.5. Thurrock Council have undertaken a review of spend to date against the project and have identified a risk that a portion of the LGF spend could be considered to be abortive, where the work undertaken cannot be applied to the alternative scheme proposals which are currently in development.
- 3.7.6. Further work needs to be undertaken by Thurrock Council to identify the scale of abortive costs, as the development of alternative scheme proposals progresses.
- 3.7.7. In the event of abortive costs being identified, options for reinvesting the LGF funding allocated to these abortive costs within the project can be considered, but not confirmed at this juncture until the overall project costs and funding package are established. Thurrock Council have acknowledged that they would be expected to repay any LGF not reinvested into the project to Essex County Council (as the Accountable Body for SELEP).
- 3.8. As Thurrock Council have not been able to provide the Section 151 Officer of the Accountable Body with the required assurances, the decisions taken at the February Board meeting in respect of both projects cannot be fully implemented yet, and further monitoring is required.

- 3.9. Under the SELEP Assurance Framework and the terms of the LGF SLA in place with Thurrock Council, on-going monitoring and future decisions with respect to recovery of LGF funding would have been taken by the Board; however, as set out at the February meeting, due to the closure of SELEP, alternative arrangements will need to be in place. At the February Board meeting, it was anticipated that full responsibility for monitoring delivery of the on-going SELEP legacy capital programmes, including the projects considered in this report, would fall to the respective Upper Tier Local Authority (UTLA), in receipt of the SELEP funding, with oversight from the Department for Levelling Up Housing and Communities (DLUHC) (now MHCLG). However, as has been reported to the SELEP Strategic Board, MHCLG have subsequently requested that alternative arrangements are implemented, with the establishment of three new Accountable Bodies across the SELEP geography.
- 3.10. The primary difference is that following agreement by the six UTLAs to adopt the future Accountable Body arrangements specified by MHCLG, via a Transition Agreement, both projects discussed in this report will be subject to ongoing monitoring by a Greater Essex Partnership. The projects will remain subject to the same level of scrutiny as they have faced through the Board, via the introduction of a new Joint Committee – which will include Essex County Council, Thurrock Council and Southend-on-Sea City Council. Any decisions which would historically have been presented to the Board will be considered by the new Joint Committee, including any project changes and the revised Business Case for Grays South (once developed).
- 3.11. MHCLG have requested that Essex County Council are the Accountable Body for the Greater Essex area, which includes both Southend-on-Sea City Council and Thurrock Council. It is intended that this new arrangement will be formalised in the Transition Agreement that will effect the transfer of LEP functions to the UTLAs. Whilst these new arrangements are being implemented, Essex County Council will continue in its existing role as Accountable Body for the whole of the SELEP area.
- 3.12. If Thurrock Council are unable to provide the full assurances required to the Section 151 Officer of the Accountable Body with respect to the Grays South project, prior to completion of the Transition Agreement, the Board are requested to agree the recommendation to enable future decision making in respect of the project to be undertaken by the Accountable Body; noting that the intention is to determine any decisions required via the proposed joint committee arrangements planned for the Greater Essex Partnership Board.

4. Options available to the Board

- 4.1. There are two options available to the Board. Option 1, which is the recommended option, is as follows:
- 4.1.1. **Agree** that should the required assurances not be received by the Section 151 Officer of the Accountable Body in respect of the Grays South project that future decision making in respect of that project can be undertaken by the Accountable Body; noting that the intention is to determine any decisions required via the proposed joint committee arrangements planned for the Greater Essex Partnership Board.

- 4.2. This option recognises the importance of both projects to Thurrock and allows both projects to progress to delivery, whilst remaining subject to an appropriate level of external scrutiny. However, it is acknowledged that significant risks to delivery remain for both projects.
- 4.3. For example, there is a risk that the optimum scheme for Stanford le Hope/London Gateway will differ from that set out in the Business Case agreed by the Board at the February 2024 meeting. This may mean, dependent upon the scale of the change, that Thurrock Council need to submit a project change request detailing the proposed changes to the Greater Essex Partnership for consideration or that Thurrock Council need to produce an updated Business Case which demonstrates that the revised scheme proposals are deliverable, affordable and offer value for money. This possible outcome is likely to result in a further delay to project delivery.
- 4.4. In addition, the funding package for the current Stanford le Hope/London Gateway scheme assumes the temporary transfer of £5.4m unspent LGF funding from the Grays South project. The transfer of funding to the Stanford le Hope/London Gateway project assists in bridging a funding gap on the project, supports delivery in the short-term whilst work continues to progress the revised Grays South proposals and allows the acceleration of LGF spend in line with Government expectations. Assurances have been provided by Thurrock Council that they will seek to return funding of the same value to the Grays South project in future years, however, the source of this funding is not yet known. In addition, there is a risk that the new Grays South proposals may not be viable or may not offer value for money and therefore may not proceed to delivery. If this situation arose, the status of the full LGF allocation awarded to the Grays South project would need to be considered by the Greater Essex Partnership Board.
- 4.5. In respect of the Grays South project, Thurrock Council have been unable to provide assurances with respect to ongoing compliance with the LGF Grant Conditions. A breakdown of LGF spend to date has been provided, alongside an acknowledgement that some of this expenditure is likely to be abortive. However, Thurrock Council have not yet undertaken an exercise to quantify the level of abortive costs associated with the project, as the alternative proposals for the scheme are currently being developed. These proposals are required before a robust assessment can be made as to whether work previously undertaken remains relevant to the new scheme.
- 4.6. Uncertainty with respect to ongoing compliance with the LGF Grant Conditions, coupled with the clear need for a new Business Case to be developed to demonstrate that the revised scheme proposals are deliverable, affordable and offer value for money, does mean that the Grays South project remains very high risk. However, the need for the project (as set out in the original Business Case) still stands – Network Rail have indicated their intention to close the level crossing in Grays town centre due to safety concerns and Thurrock Council were given formal notice of this intention in January 2016. The formal notice gives Network Rail the right to start proceedings to close the level crossing at any point from three years of the letter being issued and therefore proceedings could commence at any time. Thurrock Council are regularly engaging with Network Rail with respect to the revised scheme proposals, and therefore this may reduce the risk of Network Rail starting proceedings prior to the new Grays South scheme being implemented.

- 4.7. The formal notice from Network Rail did not include a commitment to provide an alternative route across the railway line following the closure of the level crossing. There is an existing footbridge over the railway line next to the level crossing, however, the design of the footbridge limits accessibility and would restrict the movement of any person with any mobility issues. Failure to provide a suitable alternative to the level crossing would exacerbate the existing divide within the town centre arising as a result of the level crossing.
- 4.8. This option is, therefore, recommended as it supports the intention to close SELEP and the Board, whilst ensuring that, under the new Accountable Body arrangements, the Grays South project will continue to be monitored by the Accountable Body and, once established, the Greater Essex Partnership Board. This will ensure that the same level of scrutiny is applied to the project as has been applied by SELEP and the Board. Whilst this doesn't mitigate the identified risks, it does provide assurance that the project will continue to be scrutinised to ensure that the LGF funding is spent in accordance with the decisions of the Board and with an expectation to deliver high value for money.
- 4.9. The second option available to the Board (Option 2) is to retain oversight of delivery of the project by the Board. This would enable the Board to have visibility of future progress and to effect future decisions accordingly.
- 4.10. As detailed elsewhere in this report, sufficient evidence has been provided by Thurrock Council to provide confidence that, subject to the project progressing to delivery, the LGF Grant Conditions have been met for the Stanford le Hope/London Gateway project. Whilst acknowledging that the project does remain subject to delivery risks, there is no evidence that the project is no longer deliverable, the revised Business Case demonstrates that the project continues to offer High value for money in accordance with the requirements of the SELEP Assurance Framework and there are plans in place for ongoing monitoring of the project by the planned Greater Essex Partnership. It is therefore considered that there are no robust grounds for recommending that the project requires continuation of Board oversight at this time.
- 4.11. The position is somewhat different for the Grays South project. Thurrock Council are currently unable to confirm ongoing compliance with the LGF Grant Conditions. LGF spend on the project has been detailed but an assessment of the level of abortive costs included within this spend has not yet been concluded – although it has been acknowledged that there are likely to be abortive costs due to the planned change in project scope. In addition, the project has reverted to the feasibility stage and work is being undertaken to develop new scheme proposals. As there is not currently an agreed Business Case in place for the project, the requirement for on-going monitoring is clear and there remains a risk that LGF may need to be clawed-back should an affordable and deliverable option not be identified through the alternative scheme development work currently being undertaken by Thurrock Council. However, it is important to remember that the need for the project remains and there remains a commitment from Thurrock Council to deliver a revised scheme which addresses this need.
- 4.12. If this option is preferred by the Board, consideration will need to be given to the support and operation of the Board given the closure of SELEP. However, due to the expectation of MHCLG that on-going oversight of project delivery is transferred to the new local Accountable Body arrangements alongside the transfer of LEP functions to UTLAs, this

option is not recommended. The establishment of the new Joint Committee across Greater Essex is expected to effect the same level of scrutiny and oversight as is currently afforded by the Board.

- 4.13. Moving forward activity on the Grays South project will be closely monitored and scrutinised by the Greater Essex Partnership Board to ensure that LGF Grant Conditions are met and that value for money is achieved. However, if the Board did choose to agree this option, the position would be reflected in the position statements which will accompany the Transition Agreement.

5. Next Steps

- 5.1. The status of both projects and the need for further decisions to be taken and oversight to be provided by the Greater Essex Partnership, and Essex County Council as the Accountable Body, will be reflected in the position statements which will accompany the final Transition Agreement which will formalise the transfer of the SELEP Capital Programme to the six Upper Tier Local Authorities and three new Accountable Bodies.
- 5.2. The Section 151 Officer of the Accountable Body will continue to work collaboratively with the Section 151 Officer of Thurrock Council to ensure that the appropriate assurances are received in respect of the Grays South project or that decisions are brought forward to determine the way forward for the project, which may include clawback of the LGF funding, if appropriate to do so.
- 5.3. Completion of the Transition Agreement to reflect the three new Accountable Bodies required by MHCLG and the finalisation of the position statements for each of the SELEP legacy Capital Programmes that will form part of the Agreement.

6. Financial Implications (Accountable Body comments)

- 6.1. 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. LGF is a capital grant awarded by Government and is subject to the following condition:

The grant may be used only for the purposes that a capital receipt may be used for, in accordance with regulations made under section 11 of the Local Government Act 2003.

- 6.2. This condition requires that the grant is used to fund Capital expenditure; no end date for use of the grant is included within the conditions, however, it was the expectation of Government that it was used to fund the LGF projects and that it would be defrayed in full by the end of March 2020. Should the funding not be utilised in accordance with the conditions, Government may request return of the funding.
- 6.3. All LGF in respect of the two projects considered in this report has been transferred to Thurrock Council, as the Project Lead Authority; the funding has been transferred under the terms of an SLA which makes it clear that funding can only be used in line with the agreed terms. It is also clear that ensuring sufficient funding is secured to support delivery of the projects is the responsibility of Thurrock Council.

- 6.4. A number of key risks continue to be identified in respect of both projects, however, Thurrock Council has demonstrated a commitment to delivering both projects and solutions continue to be investigated by the Council to ensure delivery.
- 6.5. With respect to the two projects considered by this report, the updates provided by Thurrock Council to support the decision making to the February 2024 meeting did not include the required assurances that spend incurred to date on the projects continues to meet the conditions of the grant. Assurances were sought from the Section 151 Officer of Thurrock Council that for either project, there will be sufficient alternative Capital expenditure that the LGF can be reapplied against to ensure the grant conditions can be met. As has been set out in this report, assurance has not yet been provided in full, however the following has been confirmed by the Section 151 Officer of Thurrock Council:

6.5.1. *A review of spend to date in respect of the Stanford le Hope/London Gateway project has confirmed that no abortive costs have been identified; however, it is noted that should the funding to complete delivery of the project not be agreed, and the completion of the project not taken forward, this places a risk that all spend to date would become abortive.*

In this circumstance, the Accountable Body would work with Thurrock Council to agree the arrangements for recovery of the funding. However, it is noted that the Council have confirmed that they are still reviewing options to ensure delivery of the project, with a Gateway Review currently underway.

6.5.2. *A review of the spend to date in respect of the Grays South project is currently underway, however, Thurrock Council are, as yet, unable to provide the required assurances that the spend can continue to be applied to the project as the options analysis to determine the way forward for this project is still in progress. If any design work or other preparation works will no longer meet the new requirements for the project, they may become abortive costs – the Council have confirmed that this is likely to be the case for some costs.*

In this circumstance, the Accountable Body will work with Thurrock Council to look at options to ensure that the conditions of the grant can continue to be met; this may include committing to reinvest into the project the equivalent value of the abortive costs as Capital spend, as has been agreed for other LGF projects by the Board.

- 6.6. As the update provided to the Section 151 Officer of the Accountable Body has not fully provided the required assurances that the conditions of the LGF have been met with respect to the Grays South project and on-going risks remain in respect of both projects, the decisions agreed at the February Board meeting cannot be fully implemented and on-going monitoring is required. Thurrock Council have recognised that they will need to have addressed the outstanding uncertainties in respect of potential abortive costs to inform their forthcoming Cabinet decisions in respect of both projects.
- 6.7. MHCLG have requested that Essex County Council take on the Accountable Body role in respect of the SELEP legacy Capital programmes in Greater Essex (encompassing Essex County Council, Southend-on-Sea City Council and Thurrock Council). To support this

arrangement, the three councils are working together, with an intention to establish a Greater Essex Partnership Board as a Local Authority Joint Committee. To ensure that the Accountable Body can fulfil its responsibilities in this respect, the intention is to establish similar operating arrangements to those of this Board to assure the same level of scrutiny and oversight to delivery and decision making as is currently in place, to the extent that resources allow.

- 6.8. This arrangement will enable on-going oversight to be provided to the two projects considered in this report and therefore the Accountable Body is content to support the recommendations as set out.

7. Legal Implications (Accountable Body comments)

- 7.1. Reporting requirements and grant funding conditions for the LGF expenditure are still ongoing despite the cessation of Local Enterprise Partnerships. A legal agreement amongst the UTLAs will be prepared. The agreement will require that all LGF funds are used in accordance with the grant terms and conditions. The agreement will also require the UTLAs to comply with any and all reporting requirements as notified to them by MHCLG.

8. Equality and Diversity Implications

- 8.1. 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:

8.1.1. Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act

8.1.2. Advance equality of opportunity between people who share a protected characteristic and those who do not.

8.1.3. Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

- 8.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

- 8.3. In the course of the development of the project business case, the delivery of the Project and the ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and where possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

9. List of Appendices

- 9.1. Appendix A – Stanford le Hope/London Gateway LGF project update
9.2. Appendix B – Grays South LGF project update

10. List of Background Papers

- 10.1. [Revised Stanford le Hope/London Gateway Business Case](#)

10.2. [Stanford le Hope/London Gateway and Grays South LGF project update report to Accountability Board – February 2024](#)

(Any request for background papers listed here should be made to the person named at the top 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)	12/06/2024

Appendix A – Stanford le Hope/London Gateway project update

The Stanford le Hope/London Gateway project seeks to deliver a new railway station at Stanford le Hope which offers increased capacity and a new transport interchange outside the station which will connect bus, rail, cycle, taxi and pedestrian modes of travel.

It is expected that these works will help to unlock the next phase of development at London Gateway/Thames Enterprise Park. In addition, the works will provide improvements to public transport infrastructure and service reliability to new housing developments and to major employment growth in the local area.

A total of £7.5m LGF was awarded to Thurrock Council in February 2017 to support delivery of the project and this allocation has been spent in full.

Previous updates to the Board have highlighted significant cost increases which have arisen since the Business Case was approved, with costs rising from £12.05m in February 2017 to £29.09m in November 2021. The original Business Case demonstrated High value for money with a Benefit Cost Ratio (BCR) of 9.4:1. However, due to the scale of the cost increase identified between February 2017 and November 2021 (£17.04m), there is a requirement for submission of an updated Business Case to demonstrate that the project continues to offer High value for money and that the requirements of the SELEP Assurance Framework continue to be met.

A revised Business Case has now been submitted by Thurrock Council and it was subject to a review by the Independent Technical Evaluator (ITE) prior to the February 2024 Board meeting. The Business Case indicates that the forecast project cost has increased further to £34.71m and also demonstrates that the project currently offers a BCR of 2.09:1 – which meets the requirements of the SELEP Assurance Framework. However, it should be noted that the approach to calculating the BCR has changed since submission of the original Business Case (initially consideration was given to the value of the jobs created through the project, but the revised iteration assesses the project as a transport scheme) and therefore the BCR's are not comparable. Furthermore, it should be noted that, through completion of sensitivity testing (set out in the Business Case), the BCR has been shown to be quite susceptible to change and should therefore be revisited as the project progresses towards delivery – despite the inclusion of a substantial risk and contingency allowance within the budget.

The Business Case outlines the intention for Network Rail to take over direct delivery of the project from Thurrock Council moving forwards. This approach, although not yet formalised, provides greater assurance of project delivery as Network Rail have substantial experience of delivering similar schemes.

However, the Business Case does also highlight that uncertainties remain which could impact on project delivery. The planning application in relation to the transport interchange has not yet been determined and the timeline for determination is unclear. In addition, the planning consent for the new train station expires in July 2024. Given the update on project delivery detailed below, it seems very unlikely that

construction will commence onsite prior to the existing consent expiring. It is unclear whether Thurrock Council have taken any steps to address this risk. However, based on the programme provided at the last Board meeting, there is sufficient time for a new planning application to be submitted and determined prior to construction work commencing onsite.

Finally, in relation to the Business Case, it should be noted that further work is required to finalise the funding package. Funding needs to be secured through either Retained Business Rates from the Freeport or capital borrowing by Thurrock Council. In addition, Thurrock Council are seeking to temporarily transfer £5.4m of unspent LGF funding awarded to the Grays South project to the Stanford le Hope/London Gateway project to support project delivery.

If the temporary transfer of funding to the project is not actioned, a funding gap will remain which will impact on the ability of the project to progress to delivery. It is noted that there are limited other options available to Thurrock Council at the current time due to their financial position and the additional restrictions which are in place due to the issuing of the Section 114 notice.

Following their review, the ITE concluded that the project offers High value for money with a Medium certainty of achieving this.

At the last meeting, it was confirmed that a preferred option for the transport interchange had been selected and a planning application had been submitted. In addition, it was noted that detailed design has not yet been completed for either the new train station or the transport interchange. It is understood that the design elements will be taken forward by Network Rail, subject to their role in the project being formalised through an Implementation Agreement. It was also noted that further work was required to confirm the funding package but an indicative funding package was detailed.

The most recent update on the project provided by Thurrock Council indicates that a Gateway Review of the project has recently been procured. The aim of the review is to identify the optimum scheme, which is both affordable and deliverable, whilst also meeting the scheme objectives. Understandably given their current position, Thurrock Council are also seeking to reduce their financial exposure. The review is expected to take four weeks to complete.

It is expected that the outcome of the review and an update on the project will be presented to Thurrock Council Cabinet in October 2024. Following the Cabinet meeting there should be greater certainty with respect to both delivery and the funding package. In normal circumstances, it would be recommended that the project be returned to the Board for further consideration once the outcome of the Gateway Review and the Cabinet meeting were known. However, bringing the project forward for further consideration would significantly delay the completion of the Transition Agreement and the formal transfer of the SELEP Capital Programme to the new Accountable Body arrangements which was originally expected to be complete at the end of March 2024.

Thurrock Council have provided Essex County Council (as Accountable Body for SELEP) with a breakdown of capital spend to date, which exceeds the value of the LGF funding awarded to the project. In addition, Thurrock Council have indicated that they are confident that expenditure on the project is not abortive and will therefore continue to be capitalised. This evidence provides assurance that, as it stands, the LGF Grant Conditions have been met subject to the project being delivered.

Appendix B – Grays South project update

The Grays South project forms part of the Grays South Regeneration Area (GSRA) scheme which consists of a number of interventions designed to support the economic and social vitality of Grays Town Centre. The LGF funding was specifically sought to support the creation of an underpass to replace the existing level crossing and for the creation of a public square at each end, designed to provide active urban spaces suited to a wide range of events, markets and similar activities.

A total of £10.84m LGF was awarded to Thurrock Council in February (£3.7m) and November 2019 (£7.1m) to support delivery of the new underpass and associated public realm. Thurrock Council have confirmed that £5.2m of the LGF funding has been spent supporting project delivery to date, leaving £5.6m unspent.

Spend of the remaining LGF funding was placed on hold by the Board in April 2023 due to deliverability and affordability concerns. It was agreed that LGF spend should remain on hold until it could be demonstrated that the project continued to comply with the requirements of the SELEP Assurance Framework. Thurrock Council have not yet been able to demonstrate that the project meets the requirements of the SELEP Assurance Framework and therefore spend of the funding remains on hold.

As has been reported previously, following a review of the Grays South project, Thurrock Council have concluded that the project should not be delivered in its current form as it no longer offers value for money for Thurrock Council and no longer supports future growth forecasts. However, there is an ongoing need to address significant safety concerns posed by the existing railway crossing and therefore Thurrock Council are developing an alternative 'station quarter' scheme. This scheme will focus on delivering a new bridge over the railway line as part of a wider mixed-use development containing a new station, homes and commercial space.

Since the last Board meeting, the focus of Thurrock Council has been on developing the alternative proposals for the project, with a view to presenting the scheme to Cabinet in October 2024. Thurrock Council have confirmed that they have held productive conversations with Network Rail regarding the alternate scheme proposal.

In light of the decision to develop alternative scheme proposals, an updated delivery programme was provided at the last Board meeting. This programme indicated that delivery of the project would complete in September 2028. This programme was based on the scheme being presented to Cabinet in July 2024, whereas this is now not expected to be achieved until October. This may result in a small delay to the delivery programme, however, given the early stage of development, the programme is indicative at this stage and remains subject to change as the project progresses.

Thurrock Council are seeking to employ an Option 4 Capital Swap – allowing £5.4m of the unspent LGF funding to be temporarily transferred to the Stanford le Hope/London Gateway project to support project delivery. This is being considered as the Stanford le Hope project is ready to progress to delivery (subject to the outcome of the Gateway Review, confirmation of the funding package and completion of detailed design), whilst the Grays South project remains at the

feasibility stage. Temporarily transferring the funding between projects would bridge the currently identified funding gap on the Stanford le Hope project. Thurrock Council have provided assurances that funding of the same value will be returned to the Grays South project in future years to support project delivery.

Whilst this assurance has been provided, it is important to remember that the Grays South project is at an early stage of development, with a significant amount of work still to be undertaken to demonstrate that the proposed scheme is viable. This does present a potential risk to the future return of funding to the Grays South project.

Given that the Grays South project has effectively returned to the feasibility stage, there are a number of remaining risks to delivery which will need to be addressed. This includes the need to develop a new Business Case which demonstrates that the new scheme proposals are deliverable, affordable and offer value for money, the determination of forecast project costs and confirmation of a full funding package, securing all required consents and permissions and acquisition of any required land or property.

Whilst Thurrock Council have provided a breakdown of how the £5.2m LGF funding has been spent, there is an acknowledgement that some of the spend is likely to be abortive due to the change in direction of the scheme. As it stands, Thurrock Council are unable to quantify the abortive costs due to the early stage of project development. It is expected that confirmation of the level of abortive spend will be provided by Thurrock Council once the new scheme proposals have been agreed. Consequently, and in light of the fact that there is not currently a forecast total project cost or funding package, the Section 151 Officer of Thurrock Council is unable to provide any assurances with respect to ongoing compliance with the LGF Grant Conditions at this time. However, they have stressed that there is an ongoing commitment to deliver a scheme which addresses the safety issues arising from the level crossing.

Report title: SELEP Provisional 2023/24 Revenue Outturn and 2024/25 Budget	
Report to Accountability Board	
Report author: Lorna Norris, Senior Finance Business Partner	
Date of Meeting: 26 July 2024	For: Decision
Enquiries to: lorna.norris@essex.gov.uk	
SELEP Partner Authority affected: Pan SELEP	

1. Purpose of Report

- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider the provisional outturn position for the SELEP Revenue budget for 2023/24 and to agree a budget for 2024/25 following the delay in the closure of SELEP.
- 1.2 Essex County Council (ECC) is the Accountable Body for SELEP and as such is responsible for managing the funding for the LEP in accordance with the decisions of the Board.

2. Recommendations

- 2.1 The Board is asked to:
- 2.1.1 **Note** the provisional revenue net cost of services for 2023/24 of £172,000 set out in Table 1;
- 2.1.2 **Approve** the provisional outturn position for the SELEP revenue budget for 2023/24 in Table 1, including the net contribution from the Operational Reserve of £66,031;
- 2.1.3 **Approve** the movement in reserves set out in Table 5;
- 2.1.4 **Note** the draft summary statements for the 2023/24 accounts in Appendix A which will be subject to external audit and final approval by the S151 Officer of the Accountable Body by October 2024.
- 2.1.5 **Approve** the 2024/25 Budget, including the planned use of Reserves and Capital Balances in Tables 7 to 9 respectively.
- 2.1.6 **Approve** that the final outturn position and use of reserves for 2024/25 can be agreed by the S151 Officer of the Accountable Body following completion of the Transition Agreement.
- 2.1.7 **Note** that the residual revenue reserves will be allocated to the respective upper tier local authority partners, in accordance with the

decisions taken at the February 2024 Board meeting, following completion of the Transition Agreement.

3 SELEP Revenue Provisional Outturn 2023/24

- 3.1 Table 1 details the provisional revenue outturn position for SELEP in financial year 2023/24; this demonstrates a net cost of services of £172,000, to be funded from reserves. In addition to the Secretariat budget, this table includes all spend funded by the revenue funds set out in Table 3.
- 3.2 The overall net movement compared to the budgeted position is £337,000; this is summarised in Table 2. The primary reason for the underspend relates to higher than budgeted external interest received on the capital balances held and invested by the Accountable Body on behalf of SELEP; this is due to higher than anticipated capital balances held through 2023/24 in respect of the Growing Places Fund (GPF) and the Getting Building Fund (GBF); and improving interest rates through the year has attracted a higher than anticipated balance on the external interest received.
- 3.3 The planned closure of SELEP has meant that all opportunities to minimise spend where possible has also helped realise an improved outturn position.
- 3.4 Due to the planned closure of SELEP, it has been necessary to account for actual and planned redundancy costs (or contributions to partners to meet future redundancy costs where Secretariat staff have transferred to new roles to support delivery of LEP functions in partner authorities) – these costs have been funded by appropriations from the Redundancy Reserve, resulting in a net nil impact on the overall revenue outturn compared to budget.

Table 1: 2023/24 Provisional Revenue Outturn

	Provisional Outturn £000	Latest Budget £000	Variance £000	Variance %
Staff salaries and associated costs	722	691	31	4%
Staff non salaries	7	7	(0)	-4%
Recharges (incl. Accountable Body)	196	93	103	112%
Redundancy & associated support costs	121	-	121	-
Total staffing	1,047	791	255	32%
Meetings and admin	73	91	(18)	-20%
IT and Data Tools	46	3	43	1710%
Chair and Deputy Chair Allowance including oncosts	-	3	(3)	-100%
Consultancy and project work	23	62	(39)	-63%
COVID-19 Support Programmes	39	134	(95)	-71%
Grants and contributions to third parties	402	402	-	-
Total other expenditure	583	694	(111)	-16%
Total expenditure	1,630	1,485	144	10%
Grant income	(725)	(725)	-	-
Contributions from partners	-	-	-	-
External interest received	(733)	(110)	(623)	567%
Total income	(1,458)	(835)	(623)	75%
Net cost of services	172	650	(478)	-74%
Funds transferred (to)/from the Operational Reserve (not charged to services)				
Funds transferred from Earmarked Reserves	(106)	(247)	141	-
Net Deficit (Surplus) on provision of services	66	403	(337)	-84%
Net Contributions to/(from) Operational reserves	(66)	(403)	337	-84%
Final net position	-	-	-	0%

Note: Table may not sum due to rounding

Table 2: Summary of Movements in the Provisional Outturn compared to Budget

	£'000
Latest Budgeted Contribution from the Operational Reserve	403
Movements in Net Cost of Services	
Staff Salaries and Accountable Body Recharges	255
Reduction in Covid Support Programme costs	(95)
IT and Data Tools	43
Consultancy and project work	(39)
Other net movements	(20)
Increase in external interest received	(623)
Total Movement in Net Cost of Services	(478)
Movement in Contributions to the Operational Reserve	141
Total Net Movements	(337)
Proposed Updated Net Contribution (to) / from the Operational Reserve	66

- 3.5 In 2023/24, SELEP only received two government grants; core funding of £250,000 to support the operations of SELEP; and Growth Hub funding of £475,000 which was a specific grant, with associated conditions for use. These funds were fully utilised in year to support service delivery; the associated costs and income are incorporated into Table 1 and summarised in Table 3.

Table 3: 2023/24 Revenue Funds Summary

Fund	Funding Brought Forward £000	Forecast Funding Received £000	Forecast Funding Applied £000	Funding Repurposed to Reserves £000	Funding Carried Forward £000
Growth Hub - Core Funding Grant	-	(475)	475	-	-
SELEP Core and GBF Capacity Grants	-	(250)	250	-	-
Total Grant Income Applied	-	(725)	725	-	-
Covid-19 Skills Fund	(134)	-	39	95	-
Total Revenue Funding Applied	(134)	(725)	764	95	-

3.6 Covid-19 Recovery Funds

- 3.6.1 The Covid-19 recovery programmes initiated by SELEP were largely delivered by the outset of 2023/24, with only the evaluation phase for the Skills support fund due to be completed in 2023/24. £134,000 of the fund remained to support the final programme costs in 2023/24; however, only £39,000 was required, with the remaining funding appropriated to the Operational Reserve, as set out in Table 5.

3.7 **Capital Funds Update**

- 3.7.1 In addition to the revenue funds set out in Table 3, the Accountable Body administers the capital funds in Table 4 on behalf of SELEP; the investments through grants or loans are to support economic growth across the SELEP region and to support the Covid-19 recovery. The notes below the table set out the position for each fund.
- 3.7.2 The funds held by the Accountable Body on behalf of SELEP, were invested by the Council's Treasury Management team during 2023/24 in accordance with the agreed policies; the associated external interest received was used to support the revenue Budget of SELEP – see section 3.2.

Table 4: Capital Funds Administered by SELEP in 2023/24

Fund	Fund balance brought forward £000	Forecast Funding Received / Repaid £000	Forecast Funding Applied £000	Provisional Outturn Fund Balance Carried Forward £000
Local Growth Fund (LGF) (DLUHC)	-	-	-	-
Local Growth Fund (LGF) (DfT)	-	-	-	-
Growing Places Fund (GPF)	(12,360)	(1,740)	1,000	(13,100)
Getting Building Fund (GBF)	(3,791)	-	3,491	(300)
Total Funds	(16,151)	(1,740)	4,491	(13,400)

Notes to Table 4 (a detailed update was provided to the February 2024 Board meeting on each programme; it was also agreed that due to the closure of SELEP, any fund balances held following the closure of SELEP would be disaggregated via a Transition Agreement using the mechanism agreed by the Board):

- 3.7.3 **Local Growth Fund (LGF)** – all remaining LGF was transferred to delivery partners by the end of 2021/22. However, circa £35m of the total LGF allocation is being spent by partners from 2023/24 onwards, with on-going commitments of delivery, monitoring and evaluation to SELEP and the Accountable Body.
- 3.7.4 **Local Growth Fund (LGF) (DFT)** – all remaining LGF was transferred to delivery partners by the end of 2021/22. However, circa £13.6m of the total DFT LGF allocation is planned to be spent by partners from 2023/24 onwards, with on-going commitments of delivery, monitoring and evaluation to SELEP and the Accountable Body. This includes an allocation that remains to be received in relation to the A127 Fairglen project of £13.5m, which is subject to final approval by the Secretary of State for Transport.
- 3.7.5 **Growing Places Fund (GPF)** – GPF was operated as a recyclable loan scheme with a balance carried forward into 2023/24 of £12.36m, of which, £1.0m was allocated to approved projects and £1.74m was returned to the fund; this left a balance of £13.1m at the end of 2023/24.

At the February 2024 meeting, it was agreed that due to the anticipated closure of SELEP, the fund would be disaggregated on a broadly per capita basis, when repayments due and the balance held by the Accountable Body were taken into account.

This decision included agreement that the repayment that had been due in 2023/24 in respect of the Sovereign Harbour project in East Sussex of £3.575m, could be delayed and repaid to the agreed UTLA partners, in accordance with the agreed profile across 2024/25 and 2025/26.

- 3.7.6 **Getting Building Fund (GBF)** - During 2022/23, the cancellation of a number of GBF projects saw the return of £15.4m to the Accountable Body for reallocation; of this amount, £3.791m was carried forward into 2023/24 and awarded to projects on the agreed pipeline; of this amount, £300,000 continues to be held by the Accountable Body – further details on the allocation of this funding are set out in agenda item 5.

3.8 Reserves

- 3.8.1 The provisional outturn position for 2023/24 is for a net contribution from the Operational reserve of £66,031 (see Table 1).
- 3.8.2 Table 5 summarises the impact on the Operational Reserve of the outturn position set out in Table 1, with a net reduction of £15,000, leaving a

balance of £1.546m at the end of March 2024 to support the transition to new arrangements.

- 3.8.3 The Board agreed in January 2024 that any residual balance in the Operational Reserve would be distributed on a per capita basis to the six Upper Tier Local Authority (UTLA) Partners. An exemplification of the Allocation of the Provisional Outturn Operational Reserve, on the agreed per Capita basis, is set out in Table 6.
- 3.8.4 The Earmarked Reserves set out in Table 5 were agreed to be established by the Board to be applied for specific purposes and have previously been agreed by the Board to be allocated as follows:
- 3.8.4.1 **The Covid-19 reserves** were implemented to set the funds aside to enable delivery of skills and business support schemes that would aid the economic recovery from the Covid-19 Pandemic. These schemes have concluded in 2023/24; the final costs of the Skills programme was less than anticipated with a balance of £95,000 being returned to the Operational Reserve. There is no residual balance against these reserves to be allocated.
- 3.8.4.2 **The Redundancy Reserve** was established to meet any Redundancy liabilities of the SELEP Secretariat; following the Secretariat consultation that took place during Q4 2023/24 and the decisions on application of the reserve in February 2024, funding has been transferred to the revenue account to meet the known or anticipated redundancy costs that have been accounted for in 2023/24 (and included in Table 1); additionally, in line with the agreement to meet redundancy costs for roles supporting the close down of SELEP or the continuation of LEP functions in 2024/25, funding for these costs have been transferred into the Future Commitments Reserve to enable the Accountable Body to plan to meet these commitments in 2024/25, as agreed by the Board in February 2024. Any residual balance from the reserve, that is not required for this purpose has been transferred to the Operational Reserve.
- 3.8.4.3 **The Future Commitments reserve** was established to ensure sufficient funds would be available to meet any on-going commitments of the Accountable Body. An estimate of the potential costs into 2024/25 is forecast to be greater than had been anticipated due to the additional costs arising from the continuation of SELEP activities into this year (see section 3.10);
- 3.8.4.4 **The Risk Reserve** was established to meet the risks arising to Essex County Council as a consequence of being the Accountable Body for SELEP. Essex County Council is currently engaging with MHCLG to secure the release of any obligations not agreed to be retained in respect of its role as the Accountable Body for SELEP; this is expected to be managed through the Transition Agreement. This is a requirement due to the planned closure of the LEP which will mean

that the Council is unable to continue to work with the Board to undertake the role as set out in the SELEP Assurance Framework. It was agreed by the Board that the risk reserve will be transferred to Essex County Council until the Authority's Section 151 Officer is satisfied that any risks are fully mitigated and confirmation has been received from MHCLG that the County Council has been released in respect of its obligations as the Accountable Body for SELEP.

- 3.8.5 The Board agreed in January 2024 that any residual reserves held by the Accountable Body, not required for their allocated purpose would be subsequently allocated on a per Capita basis, in accordance with the approach agreed for the Operational Reserve.
- 3.8.6 The Board agreed at the February Board meeting, subject to the completion of the Transition Agreement that will support the closure of SELEP and transfer of responsibilities to the respective UTLA partners, that the Accountable Body could distribute the reserves, in accordance with the agreed mechanisms.
- 3.8.7 It should be noted that all decisions taken by the Board in January/February 2024 in respect of the reserve balances held at the close of SELEP would be subject to completion of the Transition Agreement. The Transition Agreement sets out the duties and obligations, roles and responsibilities of the Councils in respect of the LEP functions and to release ECC as Accountable Body of SELEP and pass on responsibilities to each new Accountable Body and/or UTLA in respect of projects within their respective administrative areas.

Table 5: 2023/24 Provisional Outturn Reserves Summary

Reserve	Opening Balance Apr '23	Contributions	Withdrawals	Provisional Closing Balance Mar '24	Net Movement in Reserves
	£'000	£'000	£'000	£'000	£'000
Operational Reserve	(1,561)	(118)	132	(1,546)	15
Reserves Earmarked for future use					
Covid-19 Skills Support Fund	(134)	-	134	-	134
Covid-19 Business Support Fund	-	-	-	-	-
Redundancy Reserve	(210)	-	210	-	210
Future Commitments Reserve	(423)	(187)	-	(610)	(187)
Risk Reserve	(975)	-	-	(975)	-
Total Reserves	(3,302)	(305)	476	(3,132)	172

Note: Table may not sum due to rounding

Table 6: Exemplification of the Allocation of the Provisional Outturn Operational Reserve Balance on a per capita basis

Local Authority	Population (as per 2021 census)	Forecast Operational Reserve allocation £'000
East Sussex	545,847	198
Essex	1,503,521	546
Kent	1,576,069	572
Medway	279,773	102
Southend	180,686	66
Thurrock	176,000	64
Total	4,261,896	1,546

3.9 SELEP Accounts 2023/24

3.9.1 The SELEP Accounts for 2023/24 are being prepared by the Accountable Body and incorporate the provisional revenue outturn position, the application of revenue and capital Grants and use of reserves. The summary draft statements for the accounts are included in Appendix A; these will form part of the full accounts that will be subject to an external audit review through the summer period; any issues or amendments arising from this audit will be agreed by the S151 Officer of the Accountable Body, as agreed by the Board in February 2024.

3.10 Closure of SELEP

3.10.1 The reported adjustments proposed to the February 2024 meeting of the Board anticipated that all adjustments made would realise a zero balance sheet for the funds held by ECC on behalf of SELEP at the close of 2023/24. This position was not possible to achieve due to the delay in the closure arrangements for SELEP; work is now underway, alongside the development of the Transition Agreement, to enable close down, as soon as practically possible, in 2024/25. It remains the intention, however, on the completion of the Transition Agreement, to effect the decisions made at the February Board meeting, whilst taking into account that some costs are necessarily being incurred into 2024/25.

3.10.2 As costs had not been anticipated into 2024/25, no budget was agreed prior to the start of the financial year to support spend. Table 7 sets out the proposed budget position that sets out the expected spend for this financial year. The budget includes provision for the costs of the Secretariat that have been incurred in 2024/25, including redundancy costs/contributions to redundancy costs; the costs of the final Board meetings and third party support for meetings and communications of SELEP; and the costs of the Accountable Body to support close down of

the LEP.

- 3.10.3 The budget is proposed to be funded from a contribution from the Future Commitments Reserve, that was set aside for this purpose; and a withdrawal from the redundancy provision established as part of the 2023/24 year end closedown process, to fund the anticipated redundancy costs and contributions.

Table 7: Proposed Revenue Budget for 2024/25

	Proposed Budget
	£000
Staff salaries and associated costs	77
Staff non salaries	1
Recharges (incl. Accountable Body)	157
Redundancy & associated support costs	66
Total staffing	301
Meetings and admin	27
Consultancy and project work	9
Total other expenditure	36
Total expenditure	337
Grant income	-
Total income	-
Net cost of services	337
Funds transferred (to)/from the Operational Reserve (not charged to services)	
Funds transferred from Earmarked Reserves	(271)
Funds transferred from Redundancy Provision	(66)
Net Deficit (Surplus) on provision of services	-
Net Contributions to/(from) Operational reserves	-
Final net position	-

- 3.10.4 Table 8 sets out the proposed reserves movements and final balances, assuming the final net costs align to the proposed budget. As set out above, these residual revenue balances will be distributed following completion of the Transition Agreement, in accordance with the decisions of the Board at the February 2024 meeting.
- 3.10.5 The proposed 2024/25 revenue budget has been calculated based on the anticipated costs to be incurred during this year. However, there remains uncertainty with respect to the final timing and arrangements of the transition agreement, so there remains a potential risk that the costs will increase. The Board are therefore recommended to allow the Section 151 Officer of the Accountable Body to agree the final outturn position and application of reserves in 2024/25, to ensure that the costs of the Accountable Body are met. In this circumstance, any additional costs will

be funded from the Reserve for Future Commitments prior to use of any other reserves.

Table 8: 2024/25 Proposed use of Reserves and Provisions Summary

Reserve	Opening Balance Apr '24	Contributions	Withdrawals	Closing Balance Pre final Appropriations	Net Movement in Reserves Pre closure adjustments	Agreed application of the recommended appropriation of the balance of the reserve at the close of SELEP *	Closing Balance Post final Appropriations
	£'000	£'000	£'000	£'000	£'000		£'000
Operational Reserve	(1,546)	(271)	271	(1,546)	-	Allocated to Partner Authorities on a per Capita Split (see table 6)	-
Reserves Earmarked for future use							
Future Commitments Reserve	(610)		271	(339)	271	Allocated to support the SELEP close down costs of the Accountable Body	-
Risk Reserve	(975)	-	-	(975)	-	Allocated to the Accountable Body to mitigate any costs arising as a direct consequence of it's role as the Accountable Body for SELEP, until there is assurance that no risks remain	-
Total Reserves	(3,132)	(271)	542	(2,861)	271		-
Provision for Redundancy Costs	(66)		66	-	66		-
Total Reserves and Provisions	(3,197)	(271)	608	(2,861)	337		-

* This is assumed to be following implementation of the Transition Agreement

3.10.6 Table 9 assumes that the remaining Capital balances held will be distributed during 2024/25, as follows:

- 3.10.6.1 Growing Places Fund (GPF) – to be disaggregated in accordance with the decisions made at the February 2024 meeting (see section 3.7.5);
- 3.10.6.2 Getting Building Fund (GBF) – to be allocated by the Accountable Body in accordance with the approach agreed in agenda item 5.

Table 9: Proposed use of Capital Balances held in 2024/25

Fund	Fund balance brought forward	Proposed Funding Received / Repaid	Funding to be Allocated	Funding agreed to be Redistributed	Forecast Fund Balance Carried Forward
	£000	£000	£000	£000	£000
Local Growth Fund (LGF) (DLUHC)	-	-	-	-	-
Local Growth Fund (LGF) (DFT)	-	-	-	-	-
Growing Places Fund (GPF)	(13,100)	-	-	13,100	-
Getting Building Fund (GBF)	(300)	-	300	-	-
Total Funds	(13,400)	-	300	13,100	-

3.10.7 For clarity, no income is anticipated to be received by SELEP in 2024/25 to support the proposed budget; this is because funding contributions received in prior years to support SELEP functions, e.g. the Core grant and Growth Hub funding, are now expected to be received directly from Government by the proposed three new Accountable Bodies in the UTLAs within the SELEP region, to support delivery of the transitioned LEP functions.

4 Financial Implications (Accountable Body comments)

4.1 This report has been authored by the Accountable Body and the financial implications are set out within the main report.

5 Legal Implications (Accountable Body comments)

- 5.1 Following Government's decision to cease funding LEPs, to integrate the LEP functions including legacy arrangements into each UTLA, the six UTLAs are to enter into a Transition Agreement between the six UTLAs and MHCLG. MHCLG have indicated that they are willing to be a party to this agreement, subject to formal confirmation. Each UTLA will be required to take a decision separately to approve entering into the Transition Agreement.
- 5.2 The Board have agreed that subject to entering this Agreement, the residual funding following the closure of SELEP can be disaggregated in accordance with the mechanisms agreed by the Board – these mechanisms are to be incorporated into the Transition Agreement.

6 Equality and Diversity implication

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

7 List of Appendices

- 7.1 Appendix A – Summary draft statements for the 2023/24 SELEP accounts

8 List of Background Papers

- 8.1 Accountability Board Finance and Legal Update paper from February 2024: [Accountability Board - The South East Local Enterprise Partnership \(southeastlep.com\)](https://southeastlep.com)

8.2 Accountability Board Finance Update paper from January 2024: [Accountability Board - The South East Local Enterprise Partnership \(southeastlep.com\)](https://southeastlep.com)

(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	12/06/2024
(On behalf of Nicole Wood, S151 Officer Essex County Council)	

Appendix A: Summary draft statements for the 2023/24 SELEP accounts

The following statements are taken from the draft SELEP Statement of Accounts that are being prepared for the financial year 2023/24. The Accounts remain subject to external audit and final approval by the Section 151 Officer of the SELEP Accountable Body (Essex County Council); the draft statements are provided here to enable oversight by the SELEP Accountability Board prior to the anticipated closure of SELEP and the Board.

The Statement of Accounts summarises the Partnership's transactions for the 2023/24 financial year, and its position as at 31 March 2024. They have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, insofar as that is applicable to the activities of the Partnership, supported by International Financial Reporting Standards (IFRS) and statutory regulations.

Following the completion of the Audit and sign-off of the Accounts, the full statements will be published.

DRAFT

Movement in Reserves Statement

For the years ended 31 March 2023 and 31 March 2024

	Notes	Usable Reserves			Unusable Reserves			Total Unusable Reserves	Total Reserves	
		General Fund Balance	Capital Grants Unapplied Account	Other Earmarked Reserves	Total Usable Reserves	Capital Adjustments Account	Financial Instruments Adjustment Account			Accumulating compensated absences Adj A/C
		£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 31 March 2022		(1,302)	-	(3,422)	(4,724)	-	1,270	23	1,293	(3,431)
Movement in Reserves during 2022/23										
Deficit on Provision of Services		1,899	-	-	1,899	-	-	-	-	1,899
Total Comprehensive Income and Expenditure		1,899	-	-	1,899	-	-	-	-	1,899
Adjustments between accounting basis & funding under regulations		(2,158)	-	1,680	(478)	-	242	10	252	(226)
(Increase) / decrease in 2022/23		(259)	-	1,680	1,421	-	242	10	252	1,673
Balance at 31 March 2023		(1,561)	-	(1,742)	(3,303)	-	1,512	33	1,545	(1,758)
Movement in Reserves during 2023/24										
Deficit on Provision of Services		(123)	-	-	(123)	-	-	-	-	(123)
Total Comprehensive Income and Expenditure		(123)	-	-	(123)	-	-	-	-	(123)
Adjustments between accounting basis & funding under regulations		138	-	157	295	-	(280)	(15)	(295)	(0)
(Increase) / decrease in 2023/24		15	-	157	172	-	(280)	(15)	(295)	(123)
Balance at 31 March 2024		(1,546)	-	(1,585)	(3,131)	-	1,232	18	1,250	(1,881)

Comprehensive Income and Expenditure Statement

2022/23				Notes	2023/24			
Gross expenditure £000	Grants £000	Other Income £000	Net Expenditure £000		Gross expenditure £000	Grants £000	Other Income £000	Net Expenditure £000
7,525	(5,437)	(146)	1,942	Cost of Services	5,106	(4,216)	-	890
242	-	(285)	(43)	Financing and Investment Income and Expenditure	(280)	-	(733)	(1,013)
7,767	(5,437)	(431)	1,899	(Surplus) / Deficit on provision of services	4,826	(4,216)	(733)	(123)

Cash Flow Statement

2022/23	Notes		2023/24
£000			£000
18,258		Operating activities	1,426
(18,258)		Investing activities	(1,426)
-		Financing activities	-
-		Net (increase) / decrease in cash and cash equivalents	-
-		Cash and cash equivalents at 1st April	-
-		Cash and cash equivalents at 31st March	-

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