

Report to: Lead Cabinet Member for Strategic Management and Economic Development

Date of meeting: 11 July 2017

By: Director of Communities, Economy and Transport

Title: Local Growth Fund – 2016/17 Financial Year Statement

Purpose: To present the final spend statement for 2016/17 financial year and approve the Local Growth Fund programme for 2017/18

RECOMMENDATIONS: The Lead Cabinet Member is recommended to:

- (1) Note the final 2016/17 spend for the Local Growth Fund programme and the amount of funds that were re-profiled into the East Sussex County Council Capital Programme, as per Option 4 in the SE LEP Assurance Framework; and**
 - (2) Agree the final scheme profiles for the Local Growth Fund programme in the 2017/18 financial year.**
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1. Background Information

Local Growth Fund – East Sussex allocations

1.1 In March 2014, the South East Local Enterprise Partnerships (SE LEP), which comprises businesses, local authorities and education leaders across East Sussex, Essex, Kent, Medway, Southend and Thurrock, submitted their proposals to Government for a Growth Deal to drive economic expansion in the area over the 6 years up to 2021. Within this was a specific growth plan for East Sussex focussed around its three growth corridors – Newhaven, A22/A27 Eastbourne/South Wealden and the A21/A259 Bexhill/Hastings Growth Corridor.

1.2 The SE LEP's initial Growth Deal was agreed in July 2014 with an additional Growth Deal agreed in February 2015. Within East Sussex, over £70m of Local Growth Fund (LGF) money has been secured to date towards economic growth and infrastructure projects. In January 2017, the Government announced the outcome of the third round of Growth Deal submissions with the County Council securing a further £13.2m allocated to two major projects. £5m was granted to the Devonshire Park Quarter (DPQ) Redevelopment, which is being delivered by Eastbourne Borough Council (EBC) and £8.2m for the East Sussex Strategic Growth Package (ESSGP) delivered by Sea Change Sussex (SCS).

2016/17 Local Growth Fund Programme

1.3 On 24 May 2016 the Lead Member for Strategic Management and Economic Development approved the allocation of £16.88m for the 2016/17 financial year profiled across seven projects.

1.4 As part of our ongoing programme management process, we identified in-year underspends in four LGF schemes; the Queensway Gateway Road (QGR), the North Bexhill Access Road (NBAR), the Eastbourne Town Centre Access and Improvement Package (ETCAIP), and the Eastbourne and South Wealden Walking and Cycling Package (ESWWCP).

1.5 Delays in the planning process and the discharging of planning conditions led to delays in construction commencing on the QGR scheme. The topography of the site and working environment has also meant that land remediation works have taken longer than initially programmed.

1.6 Changes to the design of NBAR as part of a value engineering exercise have meant delays due to seeking amendments to the extant planning permission. Should the change be accepted by the local planning authority then the new design will include a culvert through an embankment for the Combe Haven rather than requiring the construction of a bridge.

1.7 The ETCAIP has experienced delays due to an extended consultation process regarding the relocation and access to bus stops as part of the Terminus Road improvements associated with the extension to the Arndale shopping centre. The detailed design is close to completion with tenders expected to go out in the late summer 2017. Works are now programmed to start in early 2018, but will need to tie into the timescales in which the Arndale shopping centre is working to regarding their extension plans.

1.8 The second tranche of ESWWCP projects has experienced delays due to the discovery of Japanese knotweed along the route of the Sovereign Harbour to Town Centre cycle route on the section between Lottbridge Drove and Langney Rise roundabout (Phase 3).

LGF Spending Conditions

1.9 The conditions of the grant handed down by government to the Accountable Body for the SE LEP (Essex County Council), and in turn the local partner, the County Council, insist that all LGF monies must be spent in the financial year in which they were allocated. As such, £7.375m from across the above four LGF schemes required mitigation action.

1.10 The SE LEP Accountability Board, on 12 February 2016, agreed amendments to the Accountability and Assurance Framework (AAF) which authorised the use of four mitigation options to avoid underspend in the LGF programme. These mitigation options are also incorporated into the new SE LEP Assurance Framework approved in February 2017. The options were:

- 1) Bring forward LGF spend on schemes already in the 2016/17 programme;
- 2) Bringing forward future year's schemes to spend in the current financial year;
- 3) Transfer LGF spend on schemes between partner authorities;
- 4) Re-profile spend between LGF projects and own Council Capital Programme Projects.

2. Supporting Information

2016/17 LGF Programme

2.1 In order to mitigate slippage, the Lead Cabinet Member at his decision making meeting on 21 February 2017 agreed the acceleration of one scheme - the East Sussex Strategic Growth Package (ESSGP) - under option 2 above, in to the 2016/17 financial year. It was anticipated at that time that £0.3m of spend would be achievable on the ESSGP within 2016/17. However the development of a grant agreement was slightly delayed and no spend was achieved on this scheme before the end of the financial year.

2.2 Therefore, a total of £7.375m of remaining underspend from the four LGF schemes was re-profiled into the East Sussex County Council Capital Programme in accordance with the mitigation option 4 outlined in paragraph 1.10 above. The final spend and the mitigation totals are detailed in Table 1 below.

Table 1 – 2016/17 LGF Programme: Final Spend and Mitigation

*figures provided below relate only to LGF investment and do not include other scheme contributions

| Scheme | Total LGF Allocation | 2016/17 Allocation (after previous mitigation) | Grant Drawn Down in 2016/17 (inc previous year's slippage) | 2016/17 Final Spend | Transfer to ESCC Capital Programme (mitigation option 4) |
|---|-----------------------------|---|---|----------------------------|---|
| Queensway Gateway Road (Round 1) | 6,000,000 | 4,281,000.00 | 4,280,797.40 | 1,121,000.00 | £3,159,797.40 |
| Strategic Site Infrastructure (Round 1) | 1,700,000 | 1,170,000.00 | 1,170,000.00 | 1,170,000.00 | £- |
| Newhaven Flood Alleviation Scheme (Round 1) | 1,500,000 | 800,000.00 | 800,000.00 | 800,000.00 | £- |
| Swallows Business Park (Round 2) | 1,400,000 | 895,001.00 | 895,001.00 | 895,001.00 | £- |

| Scheme | Total LGF Allocation | 2016/17 Allocation (after previous mitigation) | Grant Drawn Down in 2016/17 (inc previous year's slippage) | 2016/17 Final Spend | Transfer to ESCC Capital Programme (mitigation option 4) |
|--|-----------------------------|---|---|----------------------------|---|
| Eastbourne and South Wealden Walking and Cycling Package (Round 1) | 8,600,000 | 750,000.00 | 750,000.00 | 370,410.00 | £379,590.00 |
| Coastal Communities Housing Scheme (Hastings) (Round 2) | 666,666 | 65,000.00 | - | - | £- |
| North Bexhill Access Road (Round 1) | 16,600,000 | 6,190,000.00 | 6,190,000.00 | 4,600,000.00 | £1,590,000.00 |
| East Sussex Strategic Growth Package (Round 3) | 820,000.00 | 300,000.00 | 300,000.00 | - | £300,000.00 |
| Eastbourne Town Centre Access and Improvement (Round 1) | 6,000,000 | 2,495,000.00 | 2,495,000.00 | 549,810.00 | £1,945,190.00 |
| TOTALS | | 16,946,001.00 | 16,880,798.40 | 9,506,221 | £7,374,577.40 |

2017/18 LGF Programme

2.3 As well as the ESSGP there are three other new schemes to be incorporated into the East Sussex LGF programme for the 2017/18 Financial Year; the Hailsham/Polegate/Eastbourne Movement and Access Corridor (LGF Round 1); the Hastings and Bexhill Movement and Access Package (LGF Round 1) and the Devonshire Park Quarter (DPQ) re-development scheme (LGF Round 3) in Eastbourne. Each of these, with the exception of the Hastings and Bexhill Movement and Access Package has been approved by the SE LEP Accountability Board, following the development of a detailed business case.

2.4 Table 2 below shows the proposed spend profile for the 2017/18 financial year, including 9 schemes and taking into account the mitigation options outlined above.

Table 2 – 2017/18 LGF Programme – proposed spend profile

| Scheme | Total Scheme LGF Contribution | 17/18 LGF Profile (including Option 4 slippage) |
|--|--------------------------------------|--|
| Queensway Gateway Road | £6,000,000 | £3,459,797.40 |
| North Bexhill Access Road | £16,600,000 | £5,590,000.00 |
| Eastbourne and South Wealden Walking and Cycling | £8,600,000 | £879,590.00 |

| Scheme | Total Scheme LGF Contribution | 17/18 LGF Profile (including Option 4 slippage) |
|---|--------------------------------------|--|
| Newhaven Flood Alleviation Scheme | £1,500,000 | £400,000.00 |
| Eastbourne Town Centre Access and Improvement Scheme | £6,000,000 | £2,450,190.00 |
| Hailsham/Polegate/Eastbourne Movement and Access Corridor (Round 1) | £2,100,000 | £1,500,000.00 |
| Hastings and Bexhill Movement and Access Package (Round 1) | £12,000,000 | £1,352,000.00 |
| Coastal Communities Housing Scheme (Hastings) | £666,666 | £666,666.00 |
| East Sussex Strategic Growth Package (Round 3) | £8,200,000 | £6,300,000.00 |
| Devonshire Park Quarter (DPQ) re-development (Eastbourne) (Round 3) | £5,000,000 | £3,400,000.00 |
| TOTAL | | £25,998,243.40 |

2.5 To mitigate risk on spend, accelerate delivery and ensure desired outcomes we have put into practice a range of programme management steps to address corrective action with internal and external project partners. This has included embedding ESCC programme management into the individual project structures as well as establishing an internal ESCC Officer LGF Governance Group.

3 Conclusion and Reasons for Recommendations

3.1 Due to the reasons outlined above, we have experienced slippage on spend in 2016/17 on five of the projects in the LGF programme. In most cases this slippage is of a short term nature with spend occurring in the early quarters of the 2017/18 financial year. A rigorous assessment of projects has been undertaken through our programme management approach which has led to a more realistic forecasting of spend profiles for the 2017/18 financial year.

3.2 It is recommended that the Lead Cabinet Member notes the final outturn spend in 2016/17 and approves the allocated budgets for the individual projects in the 2017/18 LGF programme including the use of the funds that were transferred into the East Sussex County Council capital programme under mitigation option 4.

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LOCAL MEMBERS

All

BACKGROUND DOCUMENTS

None