

Report to: **Lead Cabinet Member for Strategic Management and Development**
Date: **15 May 2014**
Report by: **Director of Communities, Economy and Transport**
Title of report: **Sea Change Sussex Funding**
Purpose of report: **To seek approval for the County Council to issue grant and loan funding to Sea Change Sussex**

RECOMMENDATIONS: The Lead Member is recommended to:

- (1) Approve grant funding to the value of £530k to Sea Change Sussex;**
 - (2) Approve loan funding to the value of £1.6m to Sea Change Sussex; and**
 - (3) Delegate authority to the Director of Communities, Economy and Transport to approve the terms of any agreements, and to take all other necessary actions, in respect of recommendations 1 and 2 above.**
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1 Financial Appraisal

1.1 Approval is sought for the County Council to provide the following funding to Sea Change Sussex: (i) a grant of £530k for the Enviro21 Innovation Park in Hastings; (ii) a loan of £800k for land acquisition at Sovereign Harbour in Eastbourne; and (iii) a loan of £800k as a contribution for the construction of a gateway road in North East Bexhill to unlock the North East Bexhill Business Park.

1.2 The **£530k GRANT** is a one-off payment as part of the Sustainable Development grant, committed at the establishment of Sea Change Sussex and held in the infrastructure reserve by the County Council. The grant is to fund the early development of wind turbine and other renewable energy technology, initially at the Enviro21 Innovation Park, a 'sustainable' business location in South Queensway, Hastings but extended as a feature across other East Sussex business locations being developed by the company, including the Bexhill Enterprise Park. The award is compatible with the rules on State Aid regulations as in the County Council is permitted to give aid of up to 65% of the eligible costs incurred for the investment in the promotion of energy from renewable sources (Article 23 of the General Block Exemption Regulation).

1.3 The first **£800k LOAN** is to part-fund the purchase of the employment land at Sovereign Harbour in Eastbourne being developed by Sea Change Sussex to provide in excess of 10,000 square metres of business space on the now-designated Sovereign Harbour Innovation Park (SHIP). This loan, and the further loan, will not be state aid as Sea Change Sussex will be paying a commercial rate of interest under terms of the loans.

1.4 The site is to be the location of the Harbour Innovation Mall, a scheme now funded by GPF through the South East Local Enterprise Partnership (LEP) and underwritten by East Sussex County Council. The Harbour Innovation Mall obtained detailed Planning Permission on 4 March 2014 and the tendered contract will be issued on conclusion of the land purchase. This loan, along with a similar £850k contribution from Eastbourne Borough Council, will allow the acquisition of the larger employment site on which the Innovation Mall will be situated, employment land that has waited for 23 years to see employment uses brought forward. The site is the subject of terms with the current owner, Sovereign Harbour Ltd, a wholly owned subsidiary of Carillion.

1.5 The second **£800k LOAN** will allow Sea Change Sussex to award tenders for the construction of the North East Bexhill Gateway Road (NEBGR). This will not be state aid as Sea Change Sussex will be paying a commercial rate of interest under terms of the loan. The scheme is part of Sea Change's development of the North East Bexhill Employment Sites, which includes construction of the Bexhill Business Mall, a project funded by GPF through the South East LEP and underwritten by East Sussex County Council.

1.6 The road provides a roundabout junction on the Bexhill-Hastings Link Road delivering an arm to the west, and it connects to Wrestwood Road providing access to the Bexhill Enterprise Park and the Bexhill Business Mall. Planning permission for the Gateway Road was granted by Rother District Council in September 2013 and the scheme is now on site, with an estimated completion date of November 2014.

1.7 The Bexhill Enterprise Park obtained outline planning permission on 10 January 2014 and has been tendered and terms adjusted with the preferred contractor. The contract will be awarded as soon as the full road contract is awarded and planning permission granted.

1.8 The initial loan towards the main NEBGR contract will be for £500k, with a further £300k retained for Section 278 works, and the detailed financial terms and conditions relating to the loans will be agreed with Sea Change and in accordance with the Council's financial procedure rules will require Council approval. Further background as to the proposed funding contains exempt information and is contained in a later report on the agenda.

2 Background

2.1 *Sea Change Sussex* is a not-for-profit economic development and regeneration company, working to expand the area's economy and business community by working with the County Council and other key partners. *Sea Change Sussex's* ten-year development programme has initially focussed on the Hastings, Bexhill and Eastbourne areas of East Sussex but over time they plan to extend work to other parts of the county.

2.2 *Sea Change Sussex* is working to secure significant business growth, including over 6,000 new jobs by 2022. A central part of this is the development of 900,000 sq ft of commercial premises to create thriving business communities in four main areas: Sovereign Harbour in Eastbourne, the Priory Quarter business district in Hastings town centre, the North Queensway Innovation Park in north-west Hastings and extensive sites in north-east Bexhill (being made accessible by the forthcoming Bexhill-Hastings Link Road).

2.3 *Sea Change Sussex* is a delivery partner for the County Council and the Council is represented on the board of directors. The Council has a well-established and very successful relationship with *Sea Change Sussex* in implementing economic development projects. The County Council will be using its general power of competence under the Localism Act 2011, and all other enabling powers, to make the grant, and provide the loans to *Sea Change Sussex*.

3 Supporting information

3.1 *Sea Change Sussex* has a noteworthy record of project delivery in East Sussex and has secured GPF funding for several projects through the South East LEP. Schemes at Priory Quarter and North Queensway in Hastings were among the first GPF-funded schemes to get underway in the entire country, far ahead of any other GPF scheme in the South East.

3.2 The Bexhill Business Mall is also well underway as a major project for both East Sussex and the South East LEP, and remains programmed for completion by May 2015. Unlocking the employment sites in north-east Bexhill will help to deliver "economic regeneration benefits to a deprived community in the south east", a key factor informing the Chancellor's decision to provide the £56m funding for the Bexhill-Hastings Link Road.

3.3 Sovereign Harbour Innovation Mall was originally given 'GPF-Pipeline' status by the South East LEP, but agreement to bring this forward and award funding has now been granted (Mar 2014). The County Council has already given agreement to underwrite the GPF loan, and the Mall remains programmed for completion by May 2015.

4 Conclusion and reason for recommendation

4.1 Each of the above schemes will contribute positively to the economic growth of the county. The funding will enable *Sea Change Sussex* to deliver these projects, and it is therefore recommended that the County Council approves these allocation of the funds identified, and delegates authority to the Director of Communities, Economy and Transport to agree the terms of the agreements, and any other necessary actions.

RUPERT CLUBB

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