

From: Roger Gough, Leader of Kent County Council
Stephanie Holt-Castle, Director, Growth and Communities

To: Growth, Economic Development and Communities Cabinet Committee – 22 November 2022

Subject: **Further investment of Getting Building Funding (GBF) in third-party projects**

Decision No: 22/00098

Past Pathway of Paper: N/A

Future Pathway of Paper: For decision by Leader of Council

Electoral Divisions: Ashford Central, Dover Town, Ramsgate, and Sandwich

Summary: In June 2020, the Government made a call to Local Enterprise Partnerships for shovel-ready schemes that were able to spend during the pandemic, as a way to stimulate economic recovery and help mitigate the impact that COVID-19 has had on employment levels.

The Government subsequently awarded £85m of Getting Building Funding (GBF) to the South East Local Enterprise Partnership (SELEP), with which SELEP has funded thirty-four projects from across East Sussex, Kent, Medway, Thurrock, Southend and Essex.

The SELEP Accountability Board has recently removed one of East Sussex's GBF projects and one of Essex's GBF projects from this programme due to deliverability concerns. This has resulted in a further £3.3175m of GBF becoming available to be reallocated to alternative projects by SELEP. There is also a possibility that other GBF projects outside of Kent and Medway may need to return their GBF allocation in the future.

The SELEP Strategic Board met on 21st October 2022 to agree a GBF reserve project pipeline. This reserve project pipeline includes four Kent-based projects.

A key decision is therefore required to enable grant agreements to be entered into by Kent County Council, should the SELEP Accountability Board award funding to these Kent-based GBF projects.

Recommendation(s):

The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse or make recommendations to the proposal that the Leader of the Council:

Agrees that the Getting Building Funding (GBF) will be used to support the Kent-based projects that are awarded additional GBF by the South East Local Enterprise Partnership's Accountability Board; and

delegates to the Section 151 Officer the authority to sign on KCC's behalf a deed of variation to the original grant agreement or equivalent, where this is required to draw down funds following business case approval as shown at Appendix A.

1. Introduction

- 1.1 In 2020, the Government made a call to Local Enterprise Partnerships (LEP) for shovel-ready schemes that were able to spend during the pandemic, as a way to stimulate economic recovery and help mitigate the impact that COVID-19 has had on employment levels.
- 1.2 Consequently, the South East Local Enterprise Partnership (SELEP), via the Kent and Medway Economic Partnership (KMEP), wrote to local stakeholders (including Kent County Council) asking for their shovel-ready scheme suggestions. All forthcoming proposals were then submitted to Government, via SELEP, in June 2020. The accumulated total of these SELEP suggestions equalled £573m.
- 1.3 In July 2020, the Government informed SELEP that it would receive £85million of 'Getting Building Fund' (GBF) to deliver 'shovel-ready' schemes. GBF is capital grant funding.
- 1.4 The Government asked SELEP to prioritise its original scheme suggestions for inclusion within the £85m funding envelope.

2. Kent-based schemes already awarded Getting Building Funding

- 2.1 At its meeting in July 2020, the SELEP Strategic Board confirmed seven Kent-based projects would be included within the £85m ask of Government. Of these, three are delivered directly by Kent County Council, and the remaining four are delivered by third-party promoters.
- 2.2 The names of these projects are:
 - Digitally Connecting Rural Kent & Medway
 - Thanet Parkway Railway Station
 - Javelin Way Development
 - First + Second Floors, Building 500, Discovery Park
 - The Meeting Place, Swanley
 - New Performing & Production Digital Arts Facility
 - Romney Marsh Employment Hub
- 2.3 These seven GBF projects were discussed with the Growth, Economic Development, and Communities Cabinet Committee in 2020, before the Leader took the Kent County Council key decisions no. 20/00085 and 20/00086.
- 2.4 In December 2020, a further £323,204 of GBF became available for reallocation by SELEP to a new GBF project. This is because one of the original SELEP GBF projects reduced its GBF ask by that sum.

- 2.5 At its meeting in December 2020, the SELEP Strategic Board decided to provisionally award the £323,204 to the St George's Creative Project in Gravesham. A full business case for the project was subsequently presented to and endorsed by the SELEP Accountability Board in February 2021.
- 2.6 This project was discussed with the Growth, Economic Development, and Communities Cabinet Committee in January 2021, before the Leader took the following Kent County Council key decision 21/00005 to enable the project to progress.
- 2.7 In autumn 2021, a further £3.5m of GBF became available for reallocation by SELEP to new GBF projects. This was because an East Sussex GBF project (Fast Track Business Solutions for the Hastings Manufacturing Sector) was unable to proceed due to deliverability issues and returned its allocation.
- 2.8 At its meetings in December 2021 and February 2022, the SELEP Accountability Board awarded the £1,400,000 to the Amelia Scott Project in Tunbridge Wells, and £1,009,000 to the Techfort Project in Dover, as these projects were on SELEP's original reserve project pipeline.
- 2.9 These projects were discussed with the Growth, Economic Development, and Communities Cabinet Committee in January 2022, before the Leader took the Kent County Council key decision 22/00120 to enable the projects to progress.
- 2.10 An overview of all ten Kent-based GBF projects can be found in appendix A.

3. New funding opportunity

- 3.1 More GBF funding has now become available to allocate to projects by SELEP. This is because the SELEP Accountability Board has removed the Riding Sunbeams project (in East Sussex), and the Laindon Place project (in Essex) from the GBF programme due to deliverability concerns.
- 3.2 As a result of these two projects being removed from the GBF programme, £3.3175m has become available for SELEP to reallocate to other projects.
- 3.3 SELEP exhausted its original pipeline of reserve GBF projects in 21/22, consequently it must create a new pipeline of projects in order to allocate this £3.3175m, plus any more GBF funding that could potentially become available in the future.

4. SELEP's creation of a new GBF reserve pipeline & reallocation of funding

- 4.1 The SELEP Strategic Board met in June 2022 to decide which projects could apply for this reallocated GBF funding.
- 4.2 The outcome of this meeting was that SELEP chose to allow only existing GBF projects, still in construction, to apply for more GBF and be considered for inclusion on the pipeline.
- 4.3 The existing projects can apply for the GBF because:

- a) The project has experienced a cost increase due to the impacts of the COVID-19 pandemic, Brexit, or high inflation levels, OR
- b) The project wants to support a further phase of delivery (i.e. project extension).

4.4 All Kent-based existing GBF projects were offered the opportunity to apply for this additional funding. Applications were received from project promoters for the following projects:

Existing project seeking additional GBF	KCC Ward where project delivered	Project Promoter	Amount of additional GBF sought	Original GBF allocation
Discovery Park	Sandwich	Discovery Park Ltd	£250,000	£2.5m – All this funding was spent by 30 Sept 22
Javelin Way	Ashford Central	Kent County Council	£235,728	£578,724 – All this funding was spent by 31 March 22
Techfort	Dover Town	Dover Citadel Ltd	£850,000	£1,009,000 – This funding is still being spent, as the project only received authorisation to progress in mid-Feb 22.
Thanet Parkway	Ramsgate	Kent County Council	£875,000	£11,999,000 – All this funding was spent by 31 March 22

4.5 Here is the rationale why these Kent-based projects sought extra GBF funding:

Discovery Park:

The project has experienced a cost increase due to the impacts of the COVID-19 pandemic, Brexit, and/or inflation.

Since the project inception both labour and material costs have increased significantly. The project and design team have worked closely to identify potential savings and to mitigate against cost overruns. A number of savings have already been achieved by utilising existing infrastructure and sourcing alternative materials where there is no impact on the overall quality of the project. The team has managed to keep costs close to the original budget, however, there are areas of the project where compromises are being considered. The team has also had to revise plans given recent energy price increases to ensure the scheme operates at maximum efficiency. If awarded, the additional £250k would allow the project promoter to fit-out a specialist CAT3 facility for hazardous microbiological research.

Javelin Way:

The project has experienced a cost increase due to the impacts of the COVID-19 pandemic, Brexit, and/or inflation.

The contract was entered into just as Covid started to hit and the pandemic resulted in further unforeseen costs of £104,269. These costs resulted from a requirement to have higher levels of cleanliness and cleaning across the site in line with government guidance. Social distancing limited the number of trades that could operate alongside each other reducing efficiencies and staff welfare facilities had to be increased.

Unforeseen inflation costs of £131,459 also hit the project during the period of the construction. The largest increases were in the following items: hot-rolled steel frame and cladding that rose 26.4%; windows rose 36.46%; doors, screens and roller shutters which rose over 36% and pre-cast concrete which rose 56.48% between 21/01/21 (value of original quote) to 29/10/21 (value of revised quotes).

Techfort:

The project wants to support a further phase of delivery (i.e. project extension).

Phase 2 of this project would see the refurbishment of casemates no. 53 and 54 at The Citadel (a unique historical asset) to be used by creative businesses. In total, 4,366 sqft in casemate 53 would become a recording studio and associated amenities, and 3,786 sqft in casemate 54 would become a gallery, market, and workshop. Phase 2 of the project is expected to deliver 19 new jobs and 4 traineeships if funded.

Thanet Parkway:

The project has experienced a cost increase due to the impacts of the COVID-19 pandemic, Brexit, and/or inflation.

Thanet Parkway entered its delivery phase in 2020, with planning consent granted in September 2020 during the COVID-19 pandemic. This allowed the enabling works to progress ahead of the design and construction contracts (station delivery and level crossing/signalling) with Network Rail being negotiated and signed in 2021. So far, the station and car park works are substantially complete; the remaining works relate to the upgrade of two adjacent level crossings. The project has been impacted by inflationary pressures. An example of these inflationary pressures include: an additional £330k required due to increases in the cost of steel by £114k, £117k increase for the acoustic barrier, and £76k increase in the cost of hoarding.

4.6 The SELEP Strategic Board met on 21 October 2022 to determine which projects will receive the funding. The Board agreed this new pipeline of projects will be funded using the £3.3175m:

Position on SELEP's GBF pipeline	Project	Local Authority Area	GBF value
1	Innovation Park Medway	Medway	£400,000
2	Extension of the full-fibre broadband rollout in Essex	Essex	£477,256

3	Tindal Square	Essex	£450,000
4	Thanet Parkway	Kent	£875,000
5	Javelin Way	Kent	£235,728
6	Observer Building	East Sussex	£315,000
7	To be confirmed – The Strategic Board agreed that either the ‘Extension of LFFN project’ in South Essex or the ‘Jaywick Market Place project’ in Essex should receive this last allocation. The Essex businesses and councillors were asked to meet to agree which of these projects proceeds.	South Essex or Essex	Remainder of £3.3175m

4.7 In addition to the projects above that will be funded by SELEP (subject to the Accountability Board granting approval on 25th November 22), the SELEP Strategic Board also agreed a new reserve pipeline of projects that will be used should any further GBF become available due to other GBF projects experiencing deliverability concerns and returning funding. This reserve pipeline, that is currently unfunded, is as follows:

Position on SELEP's GBF pipeline	Project	Local Authority Area	GBF value
1	Seven Sisters Country Park Visitor Infrastructure Uplift	East Sussex	£84,100
2	Discovery Park Incubator	Kent	£250,000
3	Tending Bikes and Cycle Infrastructure	Essex	£300,200
4	Techfort Phase 2	Kent	£850,000
5	Enterprise Centre for Horizon 120 Business and Innovation Park	Essex	£907,124

4.8 Consequently, there should be sufficient funding for Thanet Parkway and Javelin Way projects to receive an enhanced contribution in November 22. Officers are closely monitoring the situation to see if opportunities become available in the future for Discovery Park and Techfort to receive more funds.

5. Legal and Financial Implications

5.1 SELEP required Kent County Council to enter into a grant agreement with Essex County Council (which is SELEP's accountable body) for all schemes awarded GBF by SELEP within KCC's administrative boundary. The grant agreements gave Kent County Council the legal and financial responsibility for ensuring the proper use and administration of the funding in accordance with the terms and conditions. For all third-party projects (such as Discovery Park and Techfort), a back-to-back grant agreement between Kent County Council and the third-party project promoter has been signed.

5.2 A deed of variation will now be required to amend the value of the GBF grant for any project awarded extra funding by the SELEP Accountability Board. A proposed record of decision is appended to this paper which would enable these deeds of variation to be signed.

- 5.3 If Kent County Council chooses to not sign the deed of variation for the GBF projects selected by the SELEP Strategic Board, the GBF funding could be either (i) retained by central government or (ii) reallocated to other projects by the SELEP Strategic Board.
- 5.4 The Government originally specified that the GBF must be spent by 31 March 2022. Subsequently, the Government has granted SELEP an extension so that the remaining GBF must be spent by 31 March 2023.

5. Policy Framework

- 5.1 The GBF investment will help Kent County Council to deliver against its objectives within Framing Kent's Future. Specifically, the capital grant investment will help deliver against its Levelling up Kent, Infrastructure for Communities, and Environmental step change priorities.

6. Equalities Information & Data Protection

- 6.1 Each project must produce an Equalities Impact Assessment as part of the development of these business cases required for SELEP Accountability Board approval. A Data Protection Impact Assessment is not required, as personal data is not included in the grant agreements or project business cases.

7. Conclusions

- 8.1 This key decision is required to enable deeds of variation to be entered into so that additional Government funding may be secured for these projects. Due to the terms and conditions of the Government's Getting Building Fund and SELEP's rules and criteria, this funding can only be spent on these specific projects.

9. Recommendation(s)

- 9.1 The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse or make recommendations to the proposal that the Leader of the Council:

Agrees that the Getting Building Funding (GBF) will be used to support the Kent-based projects that are awarded additional GBF by the South East Local Enterprise Partnership's Accountability Board; and

delegates to the Section 151 Officer the authority to sign on KCC's behalf a deed of variation to the original grant agreement or equivalent, where this is required to draw down funds following business case approval as shown at Appendix A.

10. Appendices and background documents:

- Appendix A – Proposed Record of Decision
- Appendix B – Overview of the ten Kent-based GBF projects

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