

Report to	<b>Lead Cabinet Member for Strategic Management and Economic Development</b>
Date	<b>25 June 2014</b>
Report By	<b>Director of Communities, Economy and Transport</b>
Title of Report	<b>SeaChange Sussex Funding</b>
Purpose of Report	<b>To seek approval for the County Council to provide SeaChange Sussex with funding equivalent to the amount secured from the South East Local Enterprise Partnership in advance of expenditure</b>

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**RECOMMENDATIONS: The Lead Member is recommended to:**

- (1) agree to loan funding to the value of £4m to SeaChange Sussex in advance of expenditure for the Bexhill Innovation Mall; and**
  - (2) delegate authority to the Director of Communities, Economy and Transport in consultation with the Chief Finance Officer to take any action he considers appropriate to give effect to or in consequence of, recommendation 1 including determining the terms of, and entering into, any further agreements necessary to be entered into with Essex County Council (ECC)/Seachange.**
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## **1. Financial Appraisal**

1.1 The Bexhill Innovation Mall (BIM), estimated to cost £6m, is being funded by the Growing Places Fund (GPF) through the South East Local Enterprise Partnership (SELEP). The GPF operates on a rolling fund basis and the funds are therefore provided on a loan basis becoming repayable after the completion of each project. As many projects are being undertaken by delivery partners independent of Local Authorities, Essex County Council (ECC) as accountable body have required upper tier authorities to underwrite each loan. The Lead Member for Economy gave approved for this in relation to the BIM at his meeting on 17 April 2013 on the basis that we would be able to recover our investment, should it prove necessary, from the assets created.

1.2 Since that time it has become clear that the phasing of payments anticipated and relied upon by SeaChange Sussex, our delivery partner for the BIM, mean that we would be making payments in advance of or 'forward funding' expenditure. This exposes the County Council to some increased financial risk, as until such time as the project is completed the asset may not provide sufficient security.

1.3 In reaching the recommendation set out in this report to approve the forward funding of the £4m required in 2014/15 we have sought to minimise the risks by understanding:

- the financial position of SeaChange Sussex, their profit and loss account and cashflow position;
- the progress of the project and its deliverability; and
- the likelihood of generating funds to meet the repayment requirements.

1.4 In addition considerable due diligence about the viability of the project was carried out through the initial assessment process by both ECC as accountable body and ourselves.

1.5 Notwithstanding the risk mitigations above we are also proposing to take a charge over the land for the BIM to cover the amounts ESCC has loaned Seachange. This charge will be completed prior to release of the loan in keeping with the funding agreements with

ECC and SeaChange. However during the early part of the project the value of the land and works executed may not be sufficient to cover the amount of the loan and any interest (and any other monies that the ESCC may be require to repay ECC under its funding agreement with them). In relation to SeaChange Sussex's other assets, where we do not have a charge should the company be wound up we will have to take our place among any other unsecured creditors that there may be.

1.6 Some further reassurance is provided to ESCC by having a County Councillor on the Board at SeaChange to ensure financial propriety is observed at all times. In addition, an internal governance team will be established comprising representatives from Legal, Finance and CET to help ensure County Council oversight as well as providing advice, support to the County Councillor on the SeaChange Board. This will include advice on financial governance to provide assurance of the financial capability of SeaChange to deliver its business plan. An annual monitoring report will also be provided to Cabinet setting out the Company's progress in delivering their business plan

1.7 It should be remembered that in accordance with our earlier agreement to underwrite the loan we remain liable until such time as the repayments are made in full.

## **2. Background information**

2.1 Since the launch of the Government's Growing Places Fund (GPF) the South East Local Enterprise Partnership (SELEP) has been allocated approximately £50m to fund projects commensurate with the GPF criteria. ECC has been established as the accountable body, issuing funds on a project by project basis to the relevant authority (or 'borrower') primarily through loan agreements, who then secure repayment via various forms of reimbursement.

2.2 SELEP following an assessment process has approved funding for a number of projects in East Sussex amounting to over £19m, achieved in partnership between the County Council and SeaChange Sussex.

2.3 SeaChange Sussex is a company limited by guarantee, is a key delivery partner for ESCC. Hastings Borough Council, Rother District Council and ESCC hold 19.9% of the Company, University of Brighton 30.1% and local business the remaining 50%. ESCC has appointed the Lead Member for Economy as a Director of the Company. SeaChange Sussex has a noteworthy record of project delivery in East Sussex, and the Priory Quarter project in Hastings was the first GPF project to commence construction in the country. Other projects include the creation of the Innovation Centre, the Creative Media Centre, the Sussex Exchange and Lacuna Place in Hastings.

2.4 SeaChange Sussex is a not for profit economic development and regeneration company, working to expand the area's economy and business community by working with ESCC and other key partners. SeaChange's ten year development plan has initially focussed on the Hastings, Bexhill and Eastbourne areas but over time they plan to extend work to other parts of East Sussex. Appendix 1 summarises progress made by SeaChange in delivering all East Sussex GPF projects.

2.5 One of those projects referred to para 1.2 is the Bexhill Innovation Mall (BIM), which will be constructed on the employment land that is being unlocked by the Bexhill to Hastings Link Road, and on 17 April 2013 the Lead Member for Economy agreed the recommendations for the County Council to underwrite the BIM proposal to the value of £6m, arising from a successful bid to SELEP. A copy of this report and appendices, which contains the details of the project is provided at Appendix 2.

2.6 A central part of SeaChange Sussex's governance arrangements, financial propriety and their compliance with the Companies Act obligations, is their ability to pay liabilities where they fall due. Seachange Sussex maintains that failure to demonstrate, when inviting

its board of directors to accept tenders for building contracts, that they hold up front all of the sums necessary to meet contractual financial obligations would result in a failure of the test of remaining a going concern. SeaChange have indicated that they are not prepared to enter into a contract unless they receive the funding in full which would of course fundamentally jeopardise delivery of the project.

2.7 We are now seeking approval to provide funding in advance of expenditure to SeaChange Sussex to the value of the amounts set out in the drawdown schedule agreed by ESCC, SeaChange Sussex and ECC. For the BIM, this equates to £4m for 2014/15. The drawdown profile for all years of all SELEP and ESCC approved projects GPF projects is attached to this report at Appendix 3.

2.8 It is highly unlikely that SELEP will be allocated any additional GPF funding by Government, although through the anticipated Local Growth Funding (LGF) we are hopeful of securing funding through SELEP's Strategic Economic Plan (*or Growth Deal with Government*) which will effectively take its place, by providing a new source from which to secure funds to deliver other projects in SeaChange Sussex's business plan.

### **3. Conclusion and Reason for Recommendation**

3.1 SeaChange Sussex is a strategic partner to ESCC, and the GPF projects it is delivering will contribute positively to the economic regeneration and growth of the county. The provision of loan funding in advance of expenditure by ESCC will enable SeaChange Sussex to continue to operate and trade effectively, albeit that this presents a risk to ESCC. It is therefore recommended that the Lead Cabinet Member supports the proposal to provide loan funding in advance of expenditure to SeaChange Sussex.

RUPERT CLUBB

Director of Communities, Economy and Transport

Contact Officer: James Harris

Tel. No. 01273 482158

Local Member: All

### **BACKGROUND DOCUMENTS**

Appendix 1 – SeaChange progress in delivering GPF projects

Appendix 2 - Lead Member for Economy, Growing Places Fund, Item 4, 17 April 2013

Appendix 3 – GPF Drawdown Profile



## **Appendix 1 - SeaChange - summary of GPF progress**

### **Priory Quarter Phase 3**

Since the project started in 2012 all key milestones have been met on time, and so construction of the six-storey office accommodation is now nearing completion - on target for the end of June 2014. Marketing (for single business or multiple-occupancy) has been underway since 2013, so the office space will be lettable immediately upon completion.

### **North Queensway, Hastings**

This project also started in 2012, with the actual junction works being completed at the end of 2013. Clearance of the site's protected habitat started in February 2014, and so infrastructure works are now progressing on target (this phase of the work was actually delayed by one year as a result of Natural England refusing a licence to remove the habitat until a Section 106 agreement had been secured with the planning authority - all now completed). Utilities are to follow, and the project is on course for completion at the end of December 2014.

### **Bexhill Business Mall**

Work began on this project in September 2013, with land acquisition and pre-development activity being completed at the end of that year; ecology and archaeology work is now complete / nearing completion (as at May 2014). Planning consent was granted in January 2014; tenders for the construction of the three-storey office accommodation have been received and are currently awaiting acceptance. A 'haul road' has been laid in parallel to the North East Bexhill Gateway Road (NEBGR) in order to enable construction-access for the Business Mall prior to completion of the NEBGR. Marketing is already underway, and the build is currently scheduled for completion in May 2015.

### **Sovereign Harbour Innovation Mall**

This project was finally awarded GPF funding in March 2014, but as at mid-June 2014 funding agreements with SELEP's accountable body are still incomplete. SeaChange has already acquired the Sovereign Harbour Innovation Park (in which the Innovation Mall is to be built), secured planning permission, managed pre-commencement and secured a building tender (SeaChange has also engaged with the contractor in order to maintain the tender for acceptance during the funding delays). All necessary planning consents are agreed but construction obviously cannot commence until the funding agreements are in place. The most recent Project Programme (May 2014) schedules a completion date of August 2015.



Report to	<b>Lead Cabinet Member for Economy</b>
Date	<b>17 April 2013</b>
Report By	<b>Director of Economy, Transport and Environment</b>
Title of Report	<b>Growing Places Fund</b>
Purpose of Report	<b>To seek approval for the County Council to underwrite the proposal arising from the successful East Sussex bid to the Government's Growing Places Fund</b>

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**RECOMMENDATIONS: The Lead Member is recommended to**

- (1) Support and underwrite the proposal to secure funding for the project set out in the report from the Growing Places Fund;**
  - (2) Delegate authority to the Director of Economy, Transport and Environment to agree the terms of, and enter into, the loan agreement with Essex County Council as the South East Local Enterprise Partnership's accountable body, necessary to secure the funding; and**
  - (3) Delegate authority to the Director of Economy, Transport and Environment to take any action, including agreeing the terms of and entering into any agreements with East Sussex Energy and Infrastructure Development Limited, trading as Sea Change Sussex, he considers appropriate to give effect to or in consequence of recommendations 1 and 2**
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**1. Financial Appraisal**

1.1 Since the launch of the Government's Growing Places Fund (GPF) in December 2011, the South East Local Enterprise Partnership (SELEP) has been allocated approximately £50m to fund projects commensurate with the GPF criteria. Essex County Council (ECC) has been established as the accountable body, issuing funds on a project by project basis to the relevant authority (or 'borrower') primarily through loan agreements, who then secure repayment via various forms of reimbursement.

1.2 As of March 2013 two tranches of GPF funding have been allocated, with a total of 12 projects progressing past the 'heads of terms' stage and a further 12 projects being held in a 'pipeline'. Following an assessment of the pipeline in February 2013, the SELEP Board agreed to bring forward a further 6 schemes from the pipeline at its meeting of 15 March 2013, subject to a due diligence process, and this includes one project from East Sussex to construct the Bexhill Innovation Mall (the Board paper is included at Appendix A to this report, and contains a summary of the pipeline assessment).

1.3 The due diligence process has been designed as a single process to satisfy the needs of both SELEP (and ECC as accountable body) and the relevant authority or 'borrower'. Once Heads of Terms are agreed, the County Council will enter into a Primary Loan Agreement with Essex County Council. It is recommended that the County Council make this undertaking conditional upon a subsidiary agreement being put in place between the County Council and the works provider, in this case the East Sussex Energy & Infrastructure Development Limited (ESEID), trading as Sea Change Sussex. We cannot progress to agree Heads of Terms until formal confirmation of the County Council's willingness to underwrite the proposal.

1.4 The successful East Sussex scheme is the *Bexhill Business Mall* - a £6m loan to construct a new business centre providing over 3000 square metres of high quality managed office and workshop space in North East Bexhill. The business case is included at Appendix B to this report, the end of which sets out the repayment mechanism and profile. The bid forms part of Sea Change Sussex's business plan and will make a positive contribution toward the economic regeneration and growth of the county.

1.5 The bid represents an acceptable level of risk to the County Council as a 'borrower', principally on the basis that should it be successful following due diligence, a subsidiary agreement between the County Council and Sea Change Sussex will effectively indemnify the County Council against any financial risk.

## **2. Supporting Information**

2.1 The purpose of the South East Growing Places Fund is to unlock growth across the SELEP area. Government has recognised the crucial role of infrastructure in supporting housing and economic growth, and accordingly GPF has been designed to unlock stalled projects by providing investment capital to stimulate growth.

2.2 East Sussex has already benefitted from the first round of GPF: Priory Quarter in Hastings secured £7m and North Queensway in Hastings secured £1.5m. Both of these projects are now underway, far ahead of any other GPF scheme in the South East. Eric Pickles MP visited Hastings in November 2012 to formally launch the Priory Quarter project, one of the first GPF schemes to be launched in the entire country.

2.3 The approval of the Bexhill Business Mall project is another vote of confidence in the ability of East Sussex to deliver and gives us an opportunity to secure £6m of funding for a scheme which has demonstrated that it can be taken forward quickly, with certainty of delivery, a short repayment term, and proposes to deliver around 300 direct jobs.

2.4 GPF is intended to be used to support the delivery of homes and/or jobs in the short term; contribute to the delivery of the Local Enterprise Partnership's strategic priorities; and establish a sustainable revolving fund. The government has already indicated that future rounds of GPF may be considered, but the nature of the 'revolving fund' means that all pipeline schemes will be brought forward in time over a series of tranches, regardless of possible future Government allocations. This was agreed by the SELEP Board at its meeting of 15 March 2013.

2.5 East Sussex currently has two additional projects in the pipeline: the Harbour Innovation Mall in Eastbourne (£6m) and Phase 4 of Priory Quarter in Hastings (£11m).

## **3. Conclusion and Reason for Recommendation**

3.1 The Bexhill Business Mall will contribute positively to the economic regeneration and growth of the county, and securing GPF funding will facilitate early delivery of the project. A subsidiary agreement with ESEID (Sea Change Sussex) will indemnify the County Council against any financial risk, and it is therefore recommended that the Lead Cabinet Member supports and underwrites the bid.

RUPERT CLUBB

Director of Economy, Transport and Environment

Contact Officer: James Harris

Tel. No. 01273 482158

Local Member: Councillors Kenward, Ensor, Hughes, Gadd & Maynard

### BACKGROUND DOCUMENTS

None





**BOARD MEETING**

Friday 15<sup>th</sup> March 2013

Agenda Item: 4

Pages: 17

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**INVESTMENT CHOICES  
GROWING PLACES FUND & ENTERPRISE ZONES**

**Purpose**

1. The purpose of this paper is to:
  - a. Update the Board on the results of the appraisal of the projects remaining in the Growing Places Fund pipeline;
  - b. Update the Board on the submissions made by the two *existing* Enterprise Zones for investments;
  - c. Provide investment choices for the Board across both the GPF pipeline and the Enterprise Zone proposals to be funded by the remainder of the GPF; and
  - d. Propose an approach for handling the projects remaining in the pipeline.

**Recommendations**

2. The Board is invited to:
  - i. **Note** the approach in prioritising projects for the remaining GPF allocation and the opportunity of prioritising Enterprise Zones investment, giving consideration to the underlying principles;
  - ii. **Delegate** to the Executive Group in May the detail of eligible expenditure to be netted off the uplift in business rates from Harlow EZ due to the SELEP;
  - iii. **Select** the preferred investment options for the remaining Growing Places Fund grant, **endorsing** the 24<sup>th</sup> May cut-off date; and
  - iv. **Endorse** the proposed approach for the projects remaining in the pipeline.

**Background**

3. At their meeting held on 8<sup>th</sup> February, the Executive Group was informed that an independent review of all Growing Places Fund (GPF) pipeline projects was underway. The pipeline currently exceeds the headroom and a prioritisation process was required to identify those projects that should be taken forward with the remaining investment available. The prioritisation was developed to identify those projects that are capable of being taken forward *quickly* and with *certainty of delivery*, and to those offering repayment within 5 years.
4. Concurrently, the SE LEP invited proposals for investments from existing Enterprise Zones and there is the opportunity to use *some* of the Growing Places Fund to fulfil our objectives of supporting the success of the Zones.
5. To enable Board members to consider the wider implications of investments beyond the pipeline of GPF projects *investment choices* have been prepared using the information currently available with both GPF pipeline and Enterprise Zone investments factored in.

**Growing Places Fund Pipeline**

6. There are currently 12 projects in the pipeline for the GPF totalling some £48m. The details of the projects can be seen at Annex 1. As part of the Round 2 analysis, seven projects were earmarked as pipeline and at the Executive Group meeting held on 7<sup>th</sup> September 2012 project sponsors were invited to complete business cases without providing full appraisal detail.

7. Following the introduction of timeout dates by the Board at their meeting on 7<sup>th</sup> December 2012, 5 projects previously agreed by the Board for investment moved into the pipeline due to delays.
8. These 12 projects have a total investment value of £48m<sup>1</sup> which far exceeds the headroom remaining on the fund. The consultancy Genecon was appointed to carry out an appraisal of the pipeline in line with the process agreed with Executive Group.
9. The projects were first appraised against a number of criteria to assess whether projects were ready to take forward. The detail and results of the gateway scoring assessment can be found at Annex 2. These criteria were introduced to ensure that planning consents, property rights and other funding arrangements were in place and were designed to pick up the issues that have caused delays on earlier rounds of GPF allocations.
10. Only two of the projects appraised did not pass the gateway appraisal; the A28 Roundabout at Ashford and the Canvey Enterprise Centre. Therefore these projects will not be taken forward at this time and will be held in a longer term pipeline.
11. The MedTech Campus\* Harlow project changed materially in the week prior to appraisal. A full assessment was not made and partners recognise that further development work is required: this project is also identified as forming part of the Harlow EZ proposal.
12. Projects were scored relative to each other with the lowest overall score ranked 1, with highest priority. The key project metrics and scorings can be found in the appendices.
13. The final rankings were:

Ranking	Project
1	Bexhill Business Mall
2	Canterbury Sturry Road
3=	Dartford Northern Gateway
3=	Colchester Connectivity
3=	Grays Magistrates Court
6	Ebbsfleet Valley
7	Aylesham Village Expansion
8	Harbour Innovation Mall
9	Priory Quarter Phase 4
10	MedTech at Harlow*

## Enterprise Zones

<sup>1</sup> Investment sought has decreased on some projects resulting in a drop in the value of the pipeline

14. At the SELEP Board meeting in October 2012 progress was reported on the two Enterprise Zones in the South East: Discovery Park at Sandwich; and Enterprise West Essex at Harlow. The Board was also informed of discussions with the Department of Business, Innovation & Skills (BIS) and DCLG which clearly indicated that it was the responsibility of the LEPs to ensure the success of the EZs in their area. The Board agreed that investment proposals would be invited from the *existing* Enterprise Zones, which would be considered by the Board in Q1 2013, with consideration for new EZs following thereafter.
15. In December the Secretariat set up a workshop with interested parties and experts to look at best practice and different approaches to developing EZs. Following on from this, invitations were subsequently issued from the SELEP on 9<sup>th</sup> January 2013 for further investment in the two existing EZs and for proposals for new EZs. The deadline for submission for the former was 18<sup>th</sup> February and 4<sup>th</sup> March for the latter.
16. It was agreed at the Executive Group meeting on 8<sup>th</sup> February 2013 that as the Board had expressed a desire to ensure the success of our existing Enterprise Zones, options for investment of GPF monies into *existing* Enterprise Zones would be overlaid in order for the Board to make investment choices in March.
17. Confirmation was also received on the 7<sup>th</sup> March from DCLG that additional broad ranging support will also be made available from HMG to support EZs and a copy of that correspondence is attached in the appendices. Drawing support from these national sources may reduce the need for GPF resources and this will be worked through for both Discover Park and Harlow proposals.
18. The SELEP received investment proposals from both of the *existing* Enterprise Zones by the submission date and an outline of the types of activities for which investment is sought are outlined below.

#### Discovery Park

Discovery Park, Dover	
Proposed investment: a <b>repayable capital loan</b> to support the development of physical infrastructure on site.	
Approximate total requirement per annum	£1.6 mill
Approximated total requirement 2013/14 to 2017/18	£8 mill
Repayment proposed	£8 mill to be fully repaid 2017/18 to 2021/22 with interest proposed at the EU reference rate to overcome state aid issues if necessary

19. The proposal from KCC and Dover District Council is indicative at this stage. However, further work is in-hand and a range of capital investment proposals will be worked through during the coming few weeks to adhere to the framework we use for GPF (including due diligence appraisal undertaken by KCC and the LEP prior to contracting). KCC has confirmed the principle at this stage that they would be prepared to underwrite investments coming forward.

***The Board is asked to delegate final investment decisions covering Discovery Park to the Executive Group on the 24<sup>th</sup> May 2013, should the Board chose to prioritise this for investment.***

Enterprise West Essex, Harlow	
<p>Proposed investment: a range of capital investments including a <b>MedTech campus</b> (referred to above), an <b>advanced manufacturing / engineering skills centre</b>, and major capital <b>transport</b> investment totalling some £37m (see detailed appendices); along with the following range of revenue investments:</p> <p><b>Sector/stakeholder engagement</b>– to undertake business liaison, establish business networks and governance arrangements</p> <p><b>Commercial development</b> - consultancy advice to evaluate development options for bringing forward development on the EZ.</p> <p><b>Progressing M11 Junc 7a</b> - financial expert consultancy support to increase the pace of the work necessary in advance of developing the scheme for a new jct. 7a</p> <p><b>Business rate discount recovery</b> - consultancy support to develop an agreement for the set-up, retention and reimbursement plan of business rates uplift between Harlow DC and the SELEP</p> <p><b>Broadband</b> - technical and business consultancy support to determine options for improving the access and reliability of broadband for businesses on the EZ, to evaluate these and to seek SMEs to invest</p> <p><b>Business support package</b> - to target sectors including MedTech, ICT and advanced manufacturing, to support and optimize clustering opportunities</p> <p><b>MedTech campus</b> - consultancy support to further develop the capital investment proposal for the refurbishment of the London Road building for a MedTech Innovation Centre</p> <p><b>Advanced manufacturing/engineering skills training facility</b> - consultancy support required to develop a capital investment proposal</p> <p><b>Key worker housing</b> – to undertake an in-depth analysis of accommodation needs for discussions with potential developers</p>	
Approximate total requirement per annum	Ave of £807k pa revenue over 5 years (plus capital spend against projects)
Approximate total requirement 2013/14 to 2017/18	£4.035 mill revenue (plus £37 mill capital spend against projects)
Repayment proposed	None for the £4.035m revenue. To be detailed for the £37 mill capital projects

***The Board is asked to welcome and note the significant work that has been undertaken by Harlow in preparing this investment proposal.***

20. The proposal from Harlow relates to a series of significant revenue investments to improve capacity in order to bring forward the necessary capital investments to bring forward employment space and foster confidence in the private sector. Their request for £4.035m revenue would therefore constitute a **grant** rather than a repayable loan. GPF monies have not yet been used by the SELEP in this manner before (despite demands), and this would represent a departure from normal practice, but in view of the priority assigned to the success of the EZ, the Board may feel it should be flexible.
21. Officers have worked extremely hard in a condensed timeframe to pull together the proposals but due to the limited opportunity to appraise in detail the revenue grant request from Harlow in the context of

their revised implementation plan being submitted to DCLG by the end of March, and to explore what we understand to be potential matched funding opportunities with ECC, an investment recommendation covering the whole revenue grant of £4.035 million at this time is difficult to make. Equally, the LEP does not have that amount of revenue available in the fund.

22. However, in order to maintain momentum, at this stage an **exceptional case** is made to:
- Ring-fence an amount of revenue funds for Harlow EZ; and
  - Award a revenue grant of *up to* £200k for the coming year in the first instance, with opportunity for that to be reviewed and extended as needed for a further 4 years depending on the demands locally. This would make potentially available a total of upto £1 million of revenue in grant that would not be recoverable.
23. The rationale for identifying £200K is two-fold: (a) this is the total annual costs for the LEP secretariat which has been used as a benchmark; and (b) a review of the proposal from Harlow in the context of recent discussions with DCLG and the letter received 7<sup>th</sup> March 2013. These funds would be used to enhance local capacity, to explore all other funding opportunities, and to bring forward capital projects for consideration for GPF funds as they are increased by HMG, or as the fund replenishes.
24. The Board may wish to make an exception in awarding a grant because:
- Grants are eligible under the terms of GPF awarded to SELEP by DCLG;
  - It reflects the particular need of this EZ in order to make it a success;
  - The high priority assigned by the SELEP to accelerate the delivery of the EZ;
  - The high priority assigned by DCLG and HMG to SELEP to deliver the job targets made in our EZ submission to DCLG in September 2011;
  - The profile and reputation for the SELEP ensuring the success of the EZ; and
  - The potential future revenue stream from the EZ which will provide a self-sustaining funding route for the SELEP.
25. The Board may also consider whether we should, at this stage, ring- fence a capital allowance based on Harlow's proposal<sup>2</sup>. In this case it appears that the MedTech Campus at £2 million would be the front-runner for delivery. Other potential capital investments detailed in the appendix include £15 million for an advanced engineering and manufacturing skills centre; £6million for housing; £3 million for road improvements; and £10 million towards jct. 7a on the M11.

***The Board is invited to consider:***

- 1. The principle of ring-fencing an amount of revenue funds for Harlow EZ as described in para 22, i.e. at a total of up to £1 million over a 5 year period;***
- 2. Allocating GPF monies to Harlow on a grant basis as an exceptional case; and***
- 3. Ring-fencing £2 million to support MedTech as a repayable capital loan, as described in para 25, and in line with the approach for used for Discovery Park i.e. with final decisions delegated to the Executive Group on the 24<sup>th</sup> May.***

***The Board is also asked to delegate to the Chairman and Director detail of the revenue grant, should the Board chose to prioritise this for investment. An update would be provided to the Executive Group in May.***

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<sup>2</sup> For completeness the Board is reminded that £3.5 million GPF has already been awarded to Harlow EZ for access improvements to the site.

26. The Board previously discussed on 7<sup>th</sup> December 2011 the issue of Harlow District Council recouping EZ 'set up costs' and 'reasonable' on-going management costs for the EZ from the business rate uplift that was to be payable to the SELEP. The Board demonstrated strong favour and approved this proposal. However, the Board did not explicitly agree at that time to allow the cost of offering business rate discounts to appropriate businesses moving on to the EZ to also be recouped from the uplift prior to being passed on to the SELEP.

***The Board is asked to confirm its agreement to the above and to delegate to the Executive Group the decision about the specific 'set up' and 'reasonable on-going management' costs that Harlow can deduct from the business rate uplift due to the SELEP.***

### **Exploring Other Sources of Funding**

27. Since receipt of these investment proposals, the Government has issued a prospectus for the Local Infrastructure Fund, which was the £474 million announced in the 2012 Autumn Statement for 'upfront infrastructure investment and other site preparation works to support economic growth, jobs and homes'. £59 million of this is to be 'made available to support infrastructure in a limited number of Enterprise Zones'. The Expression of Interest form for proposals was made available from 7<sup>th</sup> March, with the closing date for submission 3<sup>rd</sup> April. Decisions are expected to be made in the summer. DCLG, the LEP secretariat, and ECC have all offered support to help develop a bid which may fund some of the request made to SELEP for capital investment.

28. Regional Growth Fund Round 4 was launched by the Government on 17<sup>th</sup> January for the remaining £350 million available. A further £100 million was also announced on 13<sup>th</sup> February in an Exceptional Regional Growth Fund (eRGF), which can be allocated at any appropriate time and will be allocated outside the normal RGF process although objectives remain the same. The deadline for the submission of a bid is 20<sup>th</sup> March and any RGF decisions are expected to be announced in July. An 'Expression of Interest' meeting with BIS over a possible programme bid submission suggested that an RGF 4 bid around the Discovery Park Enterprise Zone is more likely to be successful than one that includes Enterprise West Essex, Harlow (due to the metrics used in assessing the bids) although there would still be significant hurdles to overcome. We also understand DCLG has advised both Dover District Council and KCC to explore GPF rather than pursuing RGF4.

### **Investment Choices**

29. The strategic importance of the Enterprise Zones to the South East LEP must not be underestimated. The successful delivery of Enterprise Zones was the first responsibility given to LEPs following their inception and a number of communications in recent times has reinforced this message. To that end the Board may wish to use some of the remaining Growing Places Fund to invest in the proposals outlined above. Should this approach be taken, then this would reduce the number of GPF pipeline projects that could be taken forward at this time.

30. Following allocations made for Rounds 1 and 2 there remains £17.7m of GPF available before the earlier schemes begin to repay from financial year 2015/16 onwards. A number of options have been identified for the Board to make decisions upon.

### **Option 1**

31. It is proposed that £1.8 million per annum for the coming five years be set aside to support existing EZs in line with the detail above, plus £2 million for MedTech.

32. The remaining GPF funds would be used to support the top five ranked projects from the GPF pipeline appraisal as detailed below. The cash flows that will be agreed as part of due diligence will ensure that the fund will not be put into a deficit position.

Investment	Positives	Negatives
<p>Ring fenced £1.8m per annum for 5 years for Discover Park and Harlow EZ</p> <p>Plus £2m ring-fenced funding for MedTech capital at Harlow EZ</p> <p>Plus funding for following 5 GPF projects:</p> <ul style="list-style-type: none"> <li>• Bexhill Innovation Mall</li> <li>• Grays Magistrates Court</li> <li>• Dartford Northern Gateway</li> <li>• Canterbury: Sturry Road</li> <li>• Colchester Connectivity</li> </ul>	<ul style="list-style-type: none"> <li>• Focusses funding into EZ's reflecting strategic importance of their success</li> <li>• Allows five projects to come forward from pipeline with good spread across the LEP area</li> <li>• Allows Harlow additional time and opportunity to revise and update the Medtech Harlow GPF project, and others, to reflect the recent changes in the project</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced number of pipeline projects funded</li> <li>• Up to £1 mill of funding to Harlow would be a grant rather than a loan reducing the fund for future rounds of applications</li> </ul>

**Option 2**

33. Rather than prioritising and ring fencing monies for the Enterprise Zones, the GPF could be used solely to fund projects in the pipeline. This would allow one further project to come forward, in addition to those identified in Option 1 above.

Investment	Positives	Negatives
<p>Funding for following GPF projects:</p> <ul style="list-style-type: none"> <li>• Bexhill Innovation Mall</li> <li>• Grays Magistrates Court</li> <li>• Dartford Northern Gateway</li> <li>• Canterbury: Sturry Road</li> <li>• Colchester Connectivity</li> <li>• Ebbsfleet Valley</li> </ul>	<ul style="list-style-type: none"> <li>• Six of the 10 remaining pipeline projects are funded</li> <li>• New projects could be brought forward in 2015/16</li> <li>• SELEP continues to support Enterprise Zones to find other funding streams including any future allocations of GPF</li> </ul>	<ul style="list-style-type: none"> <li>• Considerable risk that two Enterprise Zones aren't able to find alternative funding sources within a reasonable timescale and their future success is undermined</li> <li>• The SELEP is perceived to be not supportive of the Enterprise Zones</li> <li>• Only one further pipeline project can be funded</li> </ul>

### Option 3

34. Given the number of delays in progressing projects in rounds 1 and 2 to date, there is an option to over-programme for the pipeline project. The 'over-programming' would be on an approval basis only. The Board would authorise 'in principle' all remaining projects in the pipeline to be considered alongside any other new proposals that come forward. Tranches of projects based on the prioritisation rankings would be invited to commence the due diligence, with over-programming element not exceeding 10% of the total value of the fund at any one time.
35. Within in each tranche, project sponsors would commence due diligence on the basis that the projects will be funded on relative merit. If there is insufficient funding available in any one year, the project would have to either accept a part-funding arrangement or delay until funding was available, following receipt of repayments from earlier projects.
36. No credit agreements or arrangements would be entered into that would take the GPF into a deficit position at any time. A clear cut off would be required to identify where funds are effectively ring-fenced for any project and it is proposed that this be in the agreement of Heads of Terms by both parties.

Investment	Positives	Negatives
<p>Ring fenced £1.8m per annum for 5 years for Discovery Park (and Harlow EZs</p> <p>Plus £2m ring-fenced funding for MedTech capital at Harlow EZ</p> <p>Pipeline and other projects brought forward in tranches that over-programme by no more than 10%. Investment recommendations prepared on relative merit.</p> <p>When funds are exhausted projects will have to wait for the fund to replenish to proceed to Heads of Terms.</p> <p>The first tranche would consist of the top six ranked projects (which would capture all those identified in option 2).</p>	<ul style="list-style-type: none"> <li>• Puts funding into EZ's reflecting strategic importance of their success</li> <li>• Provides local capacity to bring forward capital projects in Harlow</li> <li>• The original tranche would allow for 6 pipeline projects to be brought forward</li> <li>• Project sponsors would be encouraged to move forward to Heads of Terms as soon as possible</li> <li>• Project sponsors would be encouraged to find additional sources of funding if part payment is only available</li> <li>• Projects with a lower priority ranking could move ahead of those ranked higher if able to move through due diligence quicker</li> </ul>	<ul style="list-style-type: none"> <li>• Projects could be severely delayed whilst waiting for the fund to replenish</li> </ul>



***The Board is asked for their preferred choice of the options above (all investments decisions are made pending appropriate due diligence and appraisal processes and would be subject to agreeing detailed timings on amounts and drawdown)***

#### **Time Out**

37. As we have found the inclusion of a deadline helpful in accelerating projects through contracting stages, we are proposing to use the 24<sup>th</sup> May Executive Group meeting as the cut-off date for Heads of Terms to be agreed on the GPF investments the Board approves today. If this date is not adhered to, the funds allocated will be made available to support alternative projects. Similarly, for the EZ investments, we will want to have received business cases and full appraisals in sufficient time in order to make investment recommendations to the Executive Group on the 24<sup>th</sup> May.

***The Board is asked to endorse the cut-off date.***

#### **Remaining Projects**

38. Following the decision by the Board, there may be up to five projects remaining in the pipeline. These projects have been through a detailed appraisal process but do not currently rank as highly as others. In addition, there are two projects that are facing delays through either planning requirements or partner organisations, but the projects themselves have already been approved as a good strategic fit with the SE LEP priorities.

39. The current contracting model for GPF has been discussed and a commitment made to improve flexibility and appraise alternative contracting models, working closely with Essex County Council as Accountable Body. This piece of work is yet to begin, but as we continue to press for further GPF allocations be made by Central Government, there will be a need to move quickly and allocate the funds in a timely manner. To this end it is proposed that the pipeline is held and projects bought forward on relative merit should further funding be granted in 2012/13 and if an over-programming approach is adopted. If further funding is not made at the end of financial year 2012/13, it is suggested that the current pipeline of projects be reconsidered in light of any changes to the contracting model and alongside any future projects coming forward, as the fund replenishes.

***The Board is invited to endorse this approach for remaining projects***

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Author: Susan Priest, Katharine Harvey & Suzanne Bennett  
Position: SELEP Secretariat  
Contact details: 01245 431820  
Date: 8th March 2013



## GPF Pipeline Projects

Project		Applicant	Amount requested	Description	Project Outputs
<i>Round 1</i>					
North Colchester Connectivity	Essex County Council	£4,500,000 (see Note 1)	A dedicated rapid transit bus way to unlock key housing and jobs growth in north Colchester	3,000 homes and 3,500 jobs (see Note 2)	
Ashford, A28 Roundabout	Kent County Council	£3,600,000	First element of a series of transport infrastructure improvements which will unlock employment and housing at Ashford's Chilmington Green urban extension (5,750 homes).	2,300 of the 5,750 homes will be brought forward by the project	
Dartford Northern Gateway	Kent County Council	£2,500,000 - £2,945,000 (see Note 3)	Providing flexible grown on employment space as a second phase of the Base incubator and business centre in Dartford.	108 jobs	
Ebbsfleet Valley	Kent County Council – subsidiary agreement with Land Securities	£4,000,000	Improvements to Southfleet Road as enabling infrastructure for the first phase of Ebbsfleet Valley. Helping to unlock development at Eastern Quarry and providing access to the Station Quarter North at Ebbsfleet.	1,500 homes and new jobs at Station Quarter (see Note 2)	
<i>Round 2</i>					
Sturry Road , Canterbury	Kent County Council - subsidiary agreement with Canterbury Development Syndicate	£629,000	Enabling infrastructure (access and services) to unlock a trades counter/ employment site of 4,244 sq m on the outskirts of Canterbury	84 jobs	
<i>Round 2b</i>					
Aylesham Village Expansion, Phase 1	Kent County Council	£3,000,000 (See note 4)	Highways and landscaping infrastructure to bring forward the Aylesham village expansion project. The GPF investment will support provision of 799 homes in Phase 1 (1,200 new homes in total).	799 homes in Phase 1 (27% affordable). 420 jobs (see Note 2)	
Bexhill Business Mall	East Sussex County Council - subsidiary agreement with Seachange Sussex	£6,000,000	Business centre providing 3,024 sq m of high quality managed office and workshop space to provide a flagship project to launch the development of NE Bexhill strategic employment site.	299 jobs (see Note 2)	
Canvey Enterprise Centre	Essex County Council	£2,100,000	Enterprise centre forming a gateway facility for a new 20,000 sq m business park on land owned by the HCA	185 jobs (see Note 2)	
Grays Magistrates Court	Thurrock Council	£1,400,000	Conversion of the former the Magistrates Court at the top of Grays High Street into office accommodation. Will create c 1,115 sq m of managed workspace for start up and small businesses.	60- 100 jobs (see Note 2)	

Project	Applicant	Amount requested	Description	Project Outputs
Harbour Innovation Mall, Eastbourne	East Sussex County Council - subsidiary agreement with Seachange Sussex	£6,000,000	Innovation centre providing 3,024 sq m of high quality managed office and workshop space at Sovereign Harbour, Eastbourne	299 jobs (see Note 2)
Med Tech @ Harlow	Essex County Council	£2,700,000 (see Note 5)	Innovation centre (2,800 sq m) within the EZ and forming part of the MedTech campus aiming to develop a cluster of successful medical technology companies	300 jobs (see Note 2)
Priory Quarter Phase 4 Hastings	East Sussex County Council - subsidiary agreement with Seachange Sussex	£11,000,000	New high quality offices (3,345 sq m) forming Phase 4 of the Priory Quarter masterplan in Hastings town centre.	287 jobs (see Note 2)

Notes:

- 1: Amount requested reduced from £5,100,000
- 2: Estimates which are to be confirmed as part of appraisal process
- 3: Amount to be confirmed as part of appraisal process
- 4: Amount requested reduced from £5,500,000
- 5: Amount requested reduced from £7,100,000

## Summary of GENECON's Gateway Scoring Assessment

	GPF request	CRITERIA AND SCORING							OVERALL ASSESSMENT
		Consents	Property rights	Other funding	Strategic fit	Upper tier			
1. Canterbury, Sturry Road	£0.629m	P	P	P	P(Q)	P(Q)	P(Q)	PASS	
2. Ebbfleet Valley	£4m	P	P	P	P	P	P(Q)	PASS	
3. A28 Roundabout, Ashford	£3.8m	F	F	F	P	P	F	FAIL	
4. Aylesham Village Expansion (P1)	£3m	P	P	P	P(Q)	P(Q)	P(Q)	PASS	
5. Dartford Northern Gateway	£2.5m	P	P	P(Q)	P	P	P	PASS	
6. Colchester Connectivity	£4.5m	P	P	P	P	P	P(Q)	PASS	
7. Canvey Enterprise Centre	£2.1m	F	F	F	P	P	F(Q)	FAIL	
8. Medtech at Harlow	£2.7m	P(Q)	F(Q)	P(Q)	P	P	P(Q)	PASS (Q)	
9. Grays Magistrates Court	£1.4m	P	P	P	P	P	P	PASS	
10. Priory Qtr Phase 4, Hasting s	£1.1m	P	P	P	P	P	P	PASS	
11. Bexhill Business Mall	£6m	P	P	P	P	P	P	PASS	
12. Harbour Innovation Mall	£6m	P	P	P	P	P	P	PASS	

## Key Project Metrics

Projects Passing Gateway	GPF request (millions)	DELIVERY IMMEDIACY		NPV Recovery Rate	OUTPUTS		LEVERAGED INVESTMENT			VFM	
		Project start (on site)	Project completion		Homes	Direct (£m)	Indirect (£m)	Total (£m)	CPJ	CPH	
1. Canterbury Sturry Road	£0.829m	Q2 2013	2015/18	91%	84	-	£4.3m	-	£4.3m	£7,488	£0
2. Ebbsfleet Valley	£4m	Q4 2013	2021	88%	13	1500	£129m	-	£129m	£0	£2,887
3. Aylesham Village Expansion	£3m	Q2/3 2013	2022	81%	23	799	£55m	-	£55m	£0	£3,755
4. Dartford Northern Gateway	£2.5m	Q2 2013	2014	85%	108	-	£4m	-	£4m	£27,315	£0
5. Colchester Connectivity	£4.5m	Q4 2013	2014	79%	0	3300	£12.0m	£75.1m	£763m	£0	£1,364
6. Grays Magistrate Court	£1.4m	Q2 2013	2014	87%	90	-	£0.337m	-	£0.337m	£7,568	£0
7. Medtech at Harlow	£2.7m	2014	2014	Not known	230	-	-	-	-	£11,739	£0
8. Priory Qtr Phase 4, Hastings	£1.1m	Q4 2013	2015	82%	287	-	£1.5m	£5m	£6.5m	£38,328	£0
9. Bexhill Business Mall	£8m	Q2/3 2013	Q4 2014	85%	299	-	£2.9m	£10m	£12.9m	£20,087	£0
10. Harbour Innovation Mall	£8m	Q2/3 2013	Q2 2014	84%	299	-	£2.2m	-	£2.2m	£20,067	£0

49

## Project Scores

Projects	GPF request (millions)	DELIVERY IMMEDIACY		NPV	OUTPUTS		LEVERAGE INVESTMENT (Double)	VFM		STRATEGIC FIT FOR LEP
		Project start on site (Double points)	Outputs		Direct Jobs	Homes		CPJ	CPH	
<b>Projects Passing Gateway</b>							<b>Total (£m)</b>			<b>Strategic fit with LEP Priorities (Double points)</b>
1. Canterbury Sturry Road	£0.629m	2	5	1	7	4	12	1	4	20
2. Ebbsfleet Valley	£4m	14	9	2	9	2	4	8	2	10
3. Aylesham Village Expansion	£3m	8	8	8	8	3	6	8	3	12
4. Dartford Northern Gateway	£2.5m	6	1	4	5	4	14	7	4	14
5. Colchester Connectivity	£4.5m	14	10	9	10	1	2	8	1	4
6. Grays Magistrate Court	£1.4m	4	2	3	6	4	18	2	4	16
7. Medtech at Harlow	£2.7m	18	6	10	4	4	20	3	4	2
8. Priory Qtr Phase 4, Hastings	£11m	18	7	7	3	4	10	6	4	8
9. Bexhill Business Mall	£6m	10	3	4	1	4	8	4	4	6
10. Harbour Innovation Mall	£6m	10	3	6	1	4	16	4	4	18

## Aggregated project scores and ranking

Projects Passing Gateway	TOTAL SCORES	PROJECT RANKINGS	TOTAL SCORES	PROJECT RANKINGS
	(without Strategic for LEP)		(with Strategic for LEP)	
1. Canterbury Sturry Road	36	1	58	2
2. Ebbsfleet Valley	50	6	60	6
3. Aylesham Village Expansion	52	7	64	7
4. Dartford Northern Gateway	45	4	59	3=
5. Colchester Connectivity	55	8	59	3=
6. Grays Magistrate Court	43	3	59	3=
7. Medtech at Harlow	69	10	71	10
8. Priory Qtr Phase 4, Hastings	59	9	67	9
9. Bexhill Business Mall	38	2	44	1
10. Harbour Innovation Mall	48	5	66	8





Department for  
Communities and  
Local Government  
Local Enterprise Partnership Chairs

Copied to Enterprise Zone Board leads  
and Enterprise Zone officer contacts

6<sup>th</sup> March 2013

Dear Colleagues

### Enterprise Zone update

Following recent meetings that I have held with many of you on Enterprise Zones, I just wanted to reflect on our discussions and clarify some points.

We know that good progress has been made, with all 24 Zones having got their key processes in place. And we know there have been some successes in terms of attracting investment since they opened for business last April.

Notwithstanding these achievements, the Government is clear that more needs to be done to accelerate progress and create the jobs our economy needs. To this end, Ministers have asked that every Zone realises its potential in the short and long term, with a specific focus on securing development by 2015. To ensure this happens, we are:

- Targeting the £59m infrastructure funding announced at Autumn Statement on sites with growth potential. We published the Local Infrastructure Fund Prospectus<sup>3</sup> on 25<sup>th</sup> February, and welcome early bids ahead of the request for responses by 7 April;
- Putting together a support package of commercial and marketing expertise which Zones will be able to access to address specific delivery issues;
- Assembling land and property experts to support LEPs where they do not have the specific business skills on their Boards needed to drive delivery;
- Working closely with UKTI to ensure that they provide the support and advice needed to target inward investment at, and effectively market, Enterprise Zones abroad;
- Exploring financial models that can help make development viable, specifically financial guarantees; and
- Working with other Departments to identify what more Government can do in respect to transport, planning, sectoral focus and broadband.

<sup>3</sup> See <https://www.gov.uk/government/publications/local-infrastructure-fund-prospectus>. HCA are publishing the EoI form on 7<sup>th</sup> March at [www.homesandcommunities.co.uk/ourwork/LIF](http://www.homesandcommunities.co.uk/ourwork/LIF). The closing date for submissions is 3<sup>rd</sup> April, although early bids are welcome before then.

We are renewing our commitment to help ensure that Enterprise Zones are at the heart of your economic ambitions. We will be intensifying our engagement with you and colleagues over the coming months, so that we act as gateway into Whitehall to remove any related barriers to your Zone's progress.

We want to work closely with you to get Enterprise Zone delivery plans and revised job targets (up to 2015) in place by the end of this month, followed by marketing, communications and investment strategies in June. This is a challenging timescale, and my team is already working with your colleagues to identify what this means in practice. In particular, we need your help to develop a comprehensive overview of viability across the Enterprise Zone Programme, building upon the site viability work that was undertaken over the Autumn. So my team will be contacting Enterprise Zone officers shortly to set out what we're looking for in terms of delivery plans, specifically the site-level information that we need.

For those of you I have yet to meet, including Board Enterprise Zone leads, I look forward to our discussions in the coming weeks. I fully recognise the scale of the challenge to deliver these ambitions, particularly how we work together to secure development by 2015. With this in mind, I will be looking to maintain close working links with you to ensure that Enterprise Zones succeed.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'C. Francis'.

Cathy Francis

**Deputy Director  
Local Economies, Regeneration and European Programmes**



## SOUTH EAST GROWING PLACES FUND

### PREPARING THE BUSINESS CASE – GUIDANCE NOTES FOR SHORTLISTED AND PIPELINE PROJECTS

Projects selected by the Executive Group of the South East Local Enterprise Partnership (SELEP) at its meeting on 7 September 2012 as ‘shortlisted’ or ‘pipeline’ projects have been invited to submit a business case as part of the second stage of the project evaluation process.

The business case for ‘shortlisted’ projects ONLY will be subject to an appraisal commissioned by upper tier authorities. An appraisal of the business case for ‘pipeline’ projects will be undertaken when it is clear that there is sufficient financial headroom within the fund to support these projects.

These guidance notes have been prepared in two parts. Part A provides guidance for the applicant and Part B provides guidance for the appraiser.

#### Part A: Notes for Applicants

Good practice demands that the business case (and the appraisal of it) should be “5-case” compliant – i.e. that the business case should reflect HM Treasury’s “five case model” comprising a **strategic** case, an **economic** case (looking at the relative costs, benefits, value for money and risks of different options), a **commercial** case (understanding the deal, and the underpinning evidence to support it), the **financial** case (for the preferred option) and a **management** case (including governance, work programme, risk management plan and monitoring arrangements).

There is no need to repeat information already provided as part of the Expression of Interest, but there is an opportunity to expand where it may be helpful to so. It is important that supporting evidence is provided. A check list of evidence required is provided at Annex B.

If there are any variances from the details provided within the Expression of Interest it is important that there are highlighted in the relevant box under ‘Project Details’ , together with an explanation for any changes.

Detailed notes are provided as follows:

NOTE: THE APPLICANT ONLY NEEDS TO COMPLETE THE BOXES WHICH ARE LEFT UNSHADED. THE APPRAISER (FOR SHORTLISTED PROJECTS ONLY) WILL COMPLETE THE BOXES SHADED GREY.

#### Section 1

1.1: This can be based on B1 to B3 of the Expression of Interest.

## **Section 2**

2.1: This can be based on A7 of the Expression of Interest.

2.2 (Table 1): By “gross” we mean the total outputs generated, without any adjustment for deadweight, leakage, displacement or multiplier effects.

Estimation of direct jobs from commercial/industrial space: Please explain what evidence on **employment densities** (e.g. sq. m per job) has been used to derive job estimates. A useful source of information is recent guidance on Employment Densities published by the HCA. Employment density evidence normally represents all jobs, including part-time jobs as well as full-time jobs. In Section 2, the jobs should be expressed as **Full-Time Equivalent (FTE) jobs**, with a working assumption that 2 part-time jobs = 1 FTE.

<http://www.homesandcommunities.co.uk/employment-densities-guide-2nd-ed>

‘Direct’ outputs are those directly dependent on the intervention or delivered by it. For example, if the funding is supporting the provision of business space the jobs accommodated in that space can be considered to be direct outputs. If the funding is supporting a new road opening up an initial phase of an employment then again the jobs accommodated in this phase can be treated as outputs. Further outputs arising for example from future phases of development or spin off in the wider economy should be treated as indirect outputs.

2.3 (Table 2) and 2.6 (Table 5): For the gross direct jobs and housing outputs, please indicate when these will be delivered (based on anticipated year of occupancy for jobs and practical completion of housing units)

2.5: Please provide a reasoned argument for what would happen to the delivery of the project, and the employment, housing and other outputs dependent upon it, in the absence of any Growing Places Fund investment.

2.7 (Table 6): Table 6 uses Tables 4 and 5 and compares this with the performance of the preferred option.

2.11: Please provide a discussion of at least two other front-running options which were considered prior to arriving at the preferred option described in Section 2.1. These alternative options might take the form of different land uses; different infrastructure options to deliver the same outputs; or different procurement methods for delivering the same infrastructure and outputs.

For each option discussed in this section, please provide as a minimum the following commentary (no quantitative analysis is required):

- a) summary description of the option
- b) how the performance of the option varies from the approach taken in the preferred option – performance might be considered, for example, in relation to issues such as cost, timescale, level of risk, level of outputs, quality of outputs
- c) why the option was rejected as unsuitable. If a formal options analysis/appraisal was conducted, please provide some summary details of the approach taken and the key indicators which were considered in arriving at a formal judgement on the preferred option.

### **Section 3**

3.1: Confirmation that the primary loan will be based on the standard form of Credit Facility (see notes below) between the Essex CC and the borrowing authority.

3.2: An explanation of how the sub-ordinate loans and repayment would work in practice including:

- details of how these are linked to income streams related to the project (e.g. S.106 agreements, business rates uplift etc.)
- details of where risks (financial, programme, reputational) are being carried

**Notes on Credit Facilities:** SELEP has determined that it will allocate GPF primarily through loan agreements with local authorities, who will then secure repayment through landowners/developers via planning agreements or other forms of reimbursement. Where a sufficiently compelling case is presented SELEP may provide support for non- standard projects, either in terms of the type of project or the financing structure.

**Primary Loan Agreements will be entered into between Essex County Council (accountable body for SELEP), the 'Lender' and the applicant authority, the 'Borrower' (normally a County or Unitary authority).**

**Dialogue between upper and lower tier authorities is encouraged to ensure projects brought forward are strategic in nature, liabilities for repayment are covered and that the accountable body is not exposed to undue risks.**

The Primary Loan Agreement will contain 'standard terms' including:

- A capped facility for capital expenditure;
- A definition of the works (infrastructure);
- Drawdown conditions based on certification of works;
- A loan term;
- Drawdown profile;
- Repayment profile;
- A finance rate - may be charged if there the loan involves State Aid
- Monitoring requirements

Where appropriate Primary Loan Agreements will be conditional upon a subsidiary agreement being entered into between the Borrower and a third party – for example a developer or infrastructure providing for works to be undertaken and/or contributions based on planning agreements, tariffs or CIL.

**The Primary Loan Agreement will provide a contractual obligation for the Borrower to repay the loan according to the repayment profile.**

3.3 Describe the further steps that need to be taken to firm up on financial projections and timings.

#### **Section 4**

4.1: Financial information should be presented in the template provided in Annex B.

4.3: Clearly quote the evidence on which all financial information is based.

4.5: Provide details of other funding in Annex B.

4.7: Provide confirmation (with reasons) that by supporting this project the Growing Places Fund will not be providing State Aid.

#### **Section 5**

5.1: For example, Project Board, Senior Responsible Owner (SRO), any sub-committee structures.

5.2: Describe any in-house/external appointments.

5.3: Attach a project programme or a simple table setting out major delivery milestones – from now until practical completion of final outputs. Include any critical tasks that will be needed to realise benefits post-construction, e.g. marketing, the use of other incentives etc. to attract occupiers in target sectors.

5.4: Describe the *top 10 risks: cause, risk event, consequence, risk evaluation (likelihood and impact) and risk management. Note this is to be prepared from the perspective of the Borrower (upper tier authority).*

#### **Part B: Notes for Appraisers**

NOTE: THIS PART IS ONLY RELEVANT TO THE SHORTLISTED PROJECTS. THE APPRAISER SHOULD ONLY COMPLETE THE BOXES SHADED GREY. THE APPLICANT SHOULD HAVE COMPLETED THE BOXES LEFT UNSHADED.

The SELEP want to adopt a consistent approach towards appraisal across all projects to provide the necessary assurance **both** to the accountable body (on behalf of the LEP), as lender, **and** to the upper tier authorities, as borrowers, that a robust appraisal process has been adopted. There is a wish to avoid separate appraisal processes, however there is a need for both the 'lender' and the 'borrower' to undertake due process and satisfy themselves on the costs, benefits, risks and value for money.

Each upper tier authority is charged with the task of preparing an appraisal on projects which the SELEP has approved to progress. The appraisal should follow the template attached to these notes. Any changes to the project information presented in the Expressions of Interest should be highlighted.

The appraisal should be undertaken by a suitably qualified independent person. To assist the process and to promote consistency and high standards of appraisal the SELEP has made available a limited resource to provide **appraisal support**. If you require guidance in the first instance please contact Zoe Myddelton at South East LEP Secretariat (tel: 01245 434104).

In terms of defining and evaluating options, the approach draws heavily on the decisions which have arrived at a 'preferred' option. The quantitative analysis therefore focuses on the costs and benefits of this option versus a reference or 'do nothing' case. For the most part, as projects supported by GPF are stalled, the same outputs may be expected to be delivered, the difference being that GPF allows the projects to be accelerated. The appraisal therefore has been designed to quantify this acceleration and give due weight to it.

In distinguishing the roles of the LEPs and the upper tier authorities the appraisal will need to capture the benefits for the LEP area as a whole and as a sub-set of this the unitary area concerned with each project. The appraisal will also need to be consistent with the requirements DCLG have laid down for reporting, particularly in relation to capturing outputs.

The conventional approach for the treatment of costs is to look at the 'gross' costs of the intervention representing a contingent liability in accounting terms. In this case as the primary loans are due to be repaid in full this does not give a fair reflection of the cost of the project to the public purse. Therefore an additional metric has been provided which treats the costs as the present value of the loan less the present value of the repayments.

The requirement for a suitably qualified independent person to certify that the terms of the loan are fair and reasonable, both from the lender's and the borrower's perspectives, puts an onus on the appraiser to consider the terms of the loan in the round and the risks being borne by each party. It needs to provide ECC comfort that loans will be repaid within an appropriate timescale reflecting the characteristics of each project. It also needs to provide the upper tier authority comfort that the repayment terms fairly reflect the risk it is taking on through subordinate agreements (where these apply).

## **Section 1**

1.2: Provide a commentary on the project's strategic fit.

Table 1: Normally the **construction jobs** involved in delivering a project are not counted as benefits as they are considered to be part of the project inputs i.e. necessary to enable the project. However, with the fiscal stimulus a number of government departments are claiming as benefits the construction jobs created from their capital infrastructure investment can also be taken into account. To count one job, please use full-time equivalent "job-years" rather than employment units. For example, construction jobs are temporary jobs, not permanent jobs, and usually last for one year. So for a construction project running during 10 years and employing 1,500 per year, the full-time equivalent job-years = 15,000 (1,500 jobs each year over 10 years). Similarly, if the project employs 100 people working for a period of 6 months, then the full-time equivalent job-years = 50.

The method being adopted for estimating construction job years is as follows:

Step 1: Estimate total construction spend

Step 2: Multiply total construction spend by 35% as an estimate of the labour element of construction spend

Step 3: Divide the figure derived from Step 2 by £131, 993 (Average UK Turnover per employee in construction sector, source 2009 ABS). This provides the estimate of construction job years.

2.4 (Table 3): In the absence of any bespoke evidence for the project, a useful source of benchmark evidence for leakage and displacement is the BIS/CEA additionality benchmarks<sup>1</sup> and for multiplier effects we recommend the EP/HCA Additionality Guide<sup>2</sup>. For this purpose, please use the “local area” or “sub-regional” levels in these benchmark documents as a proxy for Upper tier level; and “regional” as a proxy for SELEP level.

2.5 For guidance on issues to consider in approaching this analysis, please refer to the CWA/OffPAT guidance on “the role of the Reference Case in project appraisals” and specifically the treatment of land and property projects in Annex 1 of this guidance<sup>3</sup>.

2.8: In the absence of Growing Places Fund investment, the working assumptions about end use and thus displacement, leakage etc. may be exactly the same (e.g. if the sectors are similar) – but where sectors of employment are different, it may be appropriate to use different displacement and potentially different leakage and multiplier assumptions.

2.9 (Table 8): Completes the formal quantitative output and value for money analysis at the SELEP level in relation to employment outputs. Where the project is producing both direct jobs and housing units, then costs should be apportioned. Where information is available on the anticipated costs of servicing the different areas, then this should be used. Where no such information is available, then costs should be apportioned based on the relative land area for employment uses vs residential.

For the Present Value of GPF net costs please draw on Table 10 in the financial case (Section 4). (Where there are other public sector costs being incurred, a table modelled on Table 10 should also be provided in Section 4 and this can be drawn on for a Present Value of Net Public Sector cost in Table 8)

2.10 (Table 9): Completes the formal quantitative output and value for money analysis at the SELEP level in relation to housing outputs. The same points above about cost apportionment and about using cost data from Section 4 also apply here.

### **Section 3**

3.4: Provide a commentary on the commercial case.

### **Section 4**

4.2: Costs should be in real 2012 prices, and shown as ‘gross’ costs and ‘net’ costs both undiscounted and discounted to 2012 Present Values. As GPF is a loan fund which is due to be repaid on an undiscounted basis the net cost would be expected to be nil. Only by applying a discounting factor are we able to estimate the time cost value of the resource from the public sectors perspective.

Where ‘other’ public sector funding is provided this table should be repeated for the total public sector costs.

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<sup>1</sup> [http://www.ceaevaluation.co.uk/files/BIS\\_Additionality\\_file53196.pdf](http://www.ceaevaluation.co.uk/files/BIS_Additionality_file53196.pdf)

<sup>2</sup>

[http://collection.europarchive.org/tna/20100911035042/http://englishpartnerships.co.uk/docdownload.aspx?doc=Additionality%20Guide\\_0.pdf&pid=E6B323D899F74AE381E392234B7AF5FD](http://collection.europarchive.org/tna/20100911035042/http://englishpartnerships.co.uk/docdownload.aspx?doc=Additionality%20Guide_0.pdf&pid=E6B323D899F74AE381E392234B7AF5FD)

<sup>3</sup> [http://www.colin-warnock.co.uk/files/OffPAT\\_Ref\\_Case\\_PAN\\_07-05.pdf](http://www.colin-warnock.co.uk/files/OffPAT_Ref_Case_PAN_07-05.pdf)



Use 2012 (current day) prices and apply a discount rate of 3.5% per annum for the discounted costs.

4.2: This can be based on D1 and D6 of the project pack. It is important for the appraiser to pass comment on the quality and relevance of the evidence which is provided.

4.3: Part of the assessment of value of money reflects the time it take to repay the loan. As GPF is a revolving fund shorter loan periods will enable the fund to be recycled more frequently thus enabling more outputs too be realised. Table 11 provides an assessment of this feature.

### **Annex A**

For each item on the check list provide a commentary on the robustness of the evidence presented and the residual risks to both the LEP/accountable body (lender) and to the upper tier authority (borrower).

### **Annex B**

The figures presented in Annex B should be reviewed and scrutinised.

## BUSINESS CASE TEMPLATE

NOTE: THE APPLICANT ONLY NEEDS TO COMPLETE THE BOXES WHICH ARE LEFT UNSHADED. THE APPRAISER (FOR SHORTLISTED PROJECTS ONLY) WILL COMPLETE THE BOXES SHADED GREY.

### Project Details

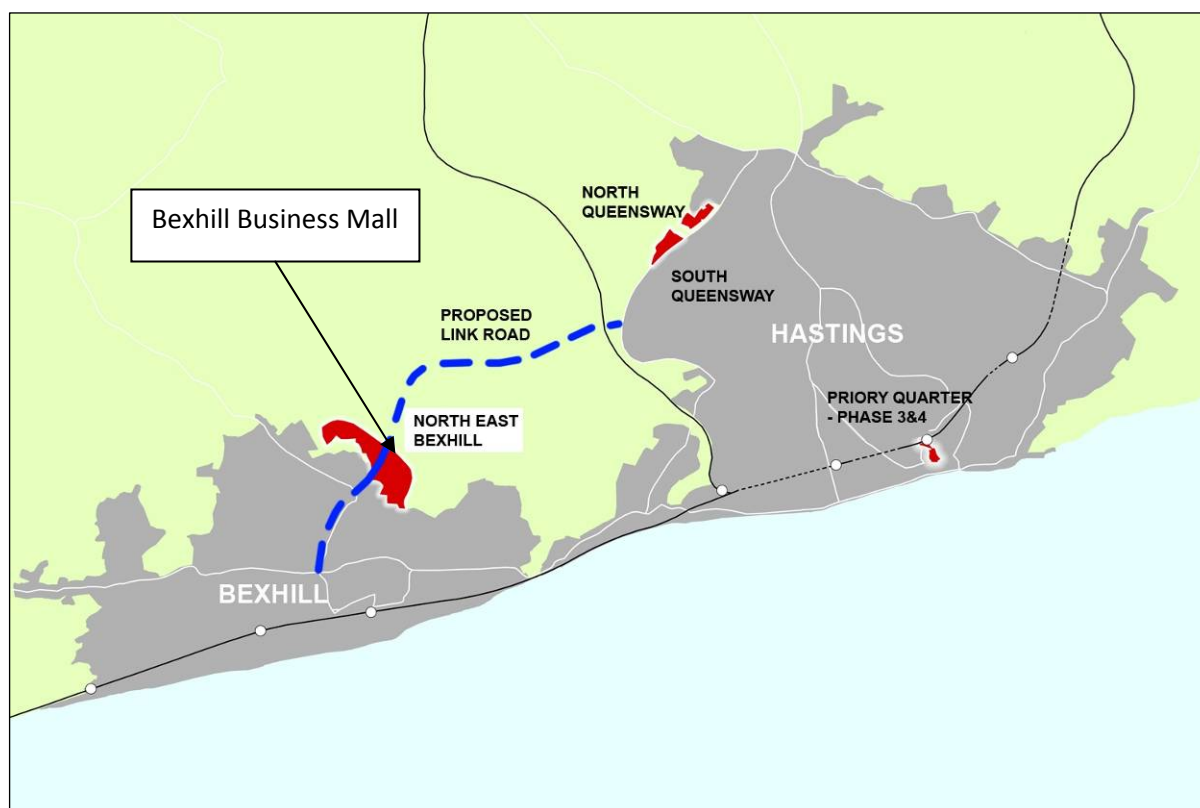
<i>Project Title</i>	<b>Bexhill Business Mall</b>
<i>The contracting authority (the Borrower) – upper or lower tier or unitary</i>	East Sussex County Council
<i>Lead Point of contact</i>	John Shaw, Chief Executive Sea Change Sussex
<i>Contact email</i>	<a href="mailto:johnshaw@seachangesussex.co.uk">johnshaw@seachangesussex.co.uk</a>
<i>Contact telephone</i>	01424 858287
<i>Location of the project including which Local Authority Area(s) it falls within</i>	North East Bexhill  Local Authority Area(s): Rother District Council  East Sussex County Council
<i>How much funding is sought from the Growing Places Fund?</i>	£6,000,000
<i>Highlight any changes to the information provided in the Expression of Interest</i>	<p>There are no material changes in the information presented within this Business Case compared with the information presented previously in the Expression of Interest. The GPF loan request has increased from £5.5m to £6m, reflecting an additional contingency amount of £0.5m. We consider it prudent to increase our building cost contingencies to reflect our current experience of major construction contracts, particularly the cost of materials and to include the installation costs of new green energy technologies which were not included within the costs presented within the EOI.</p> <p>Since the EOI stage, we are able to import more confidence into the scheme from sustained pre-development activity since the Expression of Interest. Bexhill Business Mall has evolved into a “shovel ready” mature project with a clear timeline to a programmed practical completion date of December 2014. Bexhill Business Mall now benefits from:</p> <ul style="list-style-type: none"> <li>• Bexhill Hastings Link Road go-ahead for East Sussex County Council</li> <li>• Land assembly concluded</li> <li>• Advanced design and pre-application negotiations with planning and highways authorities</li> <li>• Tender procurement underway</li> </ul>

## 1. Strategic Case

*1.1 Outline how the project fits with the LEP Vision and objectives; the policy and strategic context (local policies, strategies, local investment plan etc); state who are the key partners in the project*

The Bexhill Business Mall is strategically located to deliver maximum economic impact in an area of contrasts – the highest concentration of manufacturing employment and employment growth in the most deprived community in the South East. The project seeks to deliver a new 2,490 square metre (NIA) managed workspace facility as the first phase of a potential wider pipeline of employment land supply facilitated by the delivery of the Bexhill Hastings Link Road. GPF investment will directly deliver the physical construction of the facility and will therefore directly create new employment opportunities within indigenous, inward moving and new start-up businesses.

The plan below identifies the location of Bexhill and specifically, the location of the NE Bexhill employment site and the Bexhill Business Mall and its strategic relationship to the Bexhill Hastings Link Road which is due for completion by December 2014. It also highlights the locations of SCS' other key projects which include the development of Priory Quarter in Hastings Town Centre and the strategic North and South Queensway employment sites to the north of Hastings Town Centre.



The project fully aligns with and supports the SE LEP's vision and objectives and also the wider policy/strategy base at all spatial scales. Details of this alignment are summarised below.

#### **a) South East Local Enterprise Partnership (SELEP)**

##### *Fit with SE LEP vision*

The SELEP has a mission statement to **“create the most enterprising economy in England”**. Within the next 20 years the LEP is aiming to have achieved the following as part of its vision:

- *The creation of an additional 250,000 - 300,000 new jobs by established and new businesses.*
- *All coastal and rural communities matching the prosperity of the small cities and market towns.*
- *Formerly deprived areas making significant progress towards becoming thriving communities*
- *Unemployment to be below the average for other prosperous regions.*

The Bexhill Business Mall project has the potential to contribute towards all of the above objectives through the direct provision of a high quality workspace facility to create high value employment opportunities in a deprived coastal part of the LEP area. As well as new direct jobs, the Innovation Centre will be a critical catalytic first investment in assisting to open up the wider NE Bexhill employment site.

##### *Fit with SE LEP strategic objectives*

The SELEP has defined 4 strategic objectives and the Bexhill Business Mall is directly aligned with **Objective 2 – “Promote investment in our Coastal Communities”**. The LEP recognises the significant deprivation that some of its coastal communities face, but also the considerable unrealised potential and the possibility of significant economic growth. The LEP strategy identifies key strategic growth opportunities in low-carbon technologies, creative and cultural industries, manufacturing, engineering and business services and points to Bexhill as an important location for investment as part of this opportunity. Bexhill Business Mall unlocks transformational investment potential for East Sussex coastal communities.

#### **b) Strategic Importance of the NE Bexhill Employment Area**

The 2012 Budget Report makes specific reference to the Government's intention to provide **“£56m of funding support to enable the delivery of the Bexhill Hastings Link Road (BHLR), to facilitate economic regeneration in a deprived area of the South East”**. This is strategic national government level funding supporting economic growth in this part of the South-East.

A key part of the rationale/case-making argument that was presented for the BHLR is that it will open up strategic employment sites around NE Bexhill, providing the Bexhill and Hastings area with its next 15 to 20 years of strategic employment land supply. Capacity has been estimated at 51,000 sqm of employment floorspace, accommodating an estimated 3,500 gross jobs across 17 hectares of land, with additional available land to support significant residential development (potentially in excess of 2,000 homes). The Rother District Local Development Framework recognises the strategic importance of NE Bexhill as an employment area. The North East Bexhill site is recognised in both Hastings and Rother planning policies as being the critical land supply which will drive economic growth in both districts.

The Rother District LDF refers to the NE Bexhill Masterplan and identifies the critical opportunity that this area presents to create significant job growth in Bexhill, stating that the employment land

should be developed "as early as possible". This is a response to the limited supply of business sites and premises locally which is felt to be holding back not only indigenous business growth, but also inward investment opportunities, with many people having to commute away from Bexhill for work.

The future economic growth of the area is heavily dependent upon the delivery of the North East Bexhill employment area. The proposal to undertake a direct development of a high quality business centre in NE Bexhill would be seen as a first investment helping open up the initial phases of commercial development. The Bexhill Business Mall and associated infrastructure is expected to act as the catalyst for the first phases of the NE Bexhill employment site and by directly supporting its delivery, GPF investment can be used to help facilitate the development of a significant number of strategic employment sites in this currently underperforming and deprived local economy. Hastings and Bexhill remains one of the most deprived communities in the South East, with Hastings being in the top 10% most deprived nationally. However, there have been positive signs of change over the past five to six years, and the area now has a number of business sectors with the potential for growth, including high value manufacturing/precision engineering, business/financial services and creative/cultural industries.

It has been assessed that the Bexhill Hastings Link Road enabled sites identified in North East Bexhill in all major policy documents will deliver nearly £1 billion of net cumulative GVA benefits to the East Sussex economy by 2028; Bexhill Business Mall starts that journey now.

#### **c) Sea Change Sussex Business Plan 2012-2017**

Sea Change Sussex (SCS) is the delivery vehicle for major capital development projects leading the economic regeneration and growth of Hastings, Bexhill and East Sussex. It is a not for profit company whose members include the business community, voluntary sector, local authorities and the University of Brighton.

Its intention is to spread the economic footprint across East Sussex. The initial focus from existing resources is to progress the pre development works to unlock a £60million programme during 2012 – 17 delivering 3,500 jobs focused on the Priory Quarter Central Business District in Hastings and strategic employment sites in Queensway (north Hastings employment area) and North East Bexhill which will be unlocked by the Bexhill to Hastings Link Road (BHLR) announced in the 2012 Budget statement. The ambition is to unlock a further 3,000 jobs over the period 2017-2022 by a further extension of this development activity.

The Bexhill Business Mall project is identified within the SCS Business Plan as a key flagship initiative which seeks to capitalise upon the opportunities presented by the BHLR to provide a much needed workspace facility in the local area, whilst also having the potential to catalyse the development of the wider NE Bexhill strategic employment area. The Bexhill Business Mall has moved from being a Sea Change Sussex Business Plan proposal to an enabled project ready for implementation when development finance can be secured.

#### **d) East Sussex Economic Development Strategy, April 2012**

The East Sussex Economic Development Strategy sets the following Vision:

*"By 2021, East Sussex will have a stronger, more resilient, inclusive and balanced economy, built on an expanded private sector base in a county recognised for its distinctive character and excellent connectivity."*

The Strategy identifies 7 strategic priorities to deliver the Vision. Strategic Priorities 1 and 4 are particularly relevant to the Bexhill Business Mall project and these are set out below:

**Strategic Priority 1: Right environment to attract new businesses, retain existing ones and foster enterprise, job creation and innovation** – the strategy recognises the need to encourage further business investment and growth, suggesting that the County should build on existing businesses whilst also encouraging higher-value added niche sectors which could help boost productivity in the county if further developed e.g. finance and business services, advanced manufacturing and engineering, and environmental technologies.

**Strategic Priority 4: Upgrade the provision of commercial premises - ensure workspace is sufficient, appropriate, sustainable and flexible** – the strategy identifies that this is key to attracting, retaining and growing businesses and jobs. It identifies the potential to explore the use of alternative/innovative funding mechanisms where there are viability issues with site/building development. It suggests a need to provide business appropriate incubator space and move on premises to allow for ‘property escalation’ to encourage business growth and to increase the potential for attracting higher growth and high value-add businesses to the area. In terms of a spatial focus, it points to *key development sites across East Sussex, in particular Sovereign Harbour, Hastings town centre, the A21 corridor (Enviro 21), N/NE Bexhill (following the construction of the Link Road); Newhaven and Eastbourne/ south Wealden.*

The Strategy recognises the County’s strengths in terms of its diversified private sector base, high levels of self-employment and space for new employment sites. Importantly, it highlights that there is an insufficient supply of business premises and many of those that do exist are not appropriate to the needs of businesses.

#### **e) Hastings & Bexhill Economic Development and Inclusion Strategy 2008 -2013 (Hastings & Bexhill Task Force)**

The Strategy sets the strategic objective of creating “*an inclusive, successful and sustainable economy in Hastings and Bexhill*” by: increasing business activity and creating employment opportunities; providing a range of local job opportunities and increasing average earnings; raising skills and aspirations and achieve and maintain environmentally-sustainable prosperity. It recognises that Hastings is still the most deprived town in the South East and is the 29th most deprived area in the country.

The Strategy points to the progress being made with the development of new offices in Hastings town centre and business parks on the outskirts, including NE Bexhill. It highlights the Five Point Plan target of 1 million square feet of education and commercial space. The completion of a new business centre on the NE Bexhill site relates directly to Specific Aim 1.1.2, which seeks to **expand the provision of business accommodation, affordable and high quality premises, start-up and move-on accommodation and managed workspace**. It also refers to the following: “*to ensure future supply of employment space, the proposed link road between Bexhill and Hastings is vital to open up new land for business use within the major mixed-use development allocations at North-East Bexhill – offering the potential to create many new jobs for people from both towns, as well as from the wider area*”.

#### **f) Local Planning Policy Context**

##### **i) Rother District Local Development Framework**

The Local Development Framework is currently being prepared by the Council to provide the basis for delivering the spatial planning strategy for the district. The Core strategy DPD is due to be adopted by January 2013 and the Development and Site Allocations DPD in July 2014. A Proposed Submission Core Strategy was prepared in August 2011 which, subject to final examination, will be the version that is adopted in 2013. This identifies the following of relevance to the Bexhill Business

#### Mall project:

The Strategy refers to the May 2010 Employment Strategy and Land Update which suggests that the Hastings/Bexhill area remains one of areas of greatest need for regeneration and that economic activity needs to be strongly fostered in order to achieve future prosperity. It refers to the activity of the local regeneration company, Sea Space (now Sea Change Sussex) and envisages that a large part of further employment land supply will be by implementation of mixed-use development sites at North East Bexhill, already identified in the Local Plan. In the Hastings and Bexhill area, the Strategy identifies the need to increase economic activity and investment and to increase employment opportunities. It recognises the challenges in the local commercial property market and suggests that the allocation of sites is not enough to bring about development. It refers to the need for focus on retaining and improving the effective use of existing employment sites, supplemented as appropriate by new allocations at suitable locations as part of mixed-use developments.

The Strategy identifies a need to promote the economic growth of Bexhill through encouraging growth in new and established local firms, especially in high value-added sectors, prioritising development for employment purposes, increasing the supply of land and premises and promoting efficient infrastructure. It supports the current development strategy for a major urban extension to the north east of the town and regards this as the most appropriate location for urban expansion of the town, as it secures vital new business land in an accessible location. Policy BX2 within the Strategy refers to a total requirement of 60,000 square metres of new business floorspace to be developed in Bexhill by 2028, largely focused on new strategic employment areas associated with construction of the Link Road. This represents 60% of the overall employment floorspace allocation for the whole of the Rother District. It also refers to the potential for the Link Road to facilitate the development of c.2,250 new homes in NE Bexhill in the plan period to 2028.

#### **ii) Rother District LDF – Background Evidence – Hastings and Rother Employment Strategy and Land Review Update (August 2011)**

Prepared jointly by Hastings Borough Council and Rother District Council to inform the LDF processes, this identifies a requirement for an additional 100,000 sqm of additional business floorspace in the Rother District by 2028. It recognises that the area to the North East of Bexhill offers the strategic opportunity for significant business investment in the Rother District and that this will also meet some of the employment needs arising in Hastings. North East Bexhill delivers 60% of the employment land supply for Hastings and Rother to 2028.

#### **iii) NE Bexhill Supplementary Planning Document (SPD)**

Rother District Council adopted a Supplementary Planning Document in 2009 focusing on a masterplan for North East Bexhill, building on policies within the adopted 2006 Local Plan. This identifies the following of relevance to the Bexhill Business Mall:

- The employment land will be well related to the Link Road and will provide the main location for business development in the medium to long term;
- The principle is to promote significant business investment and job creation at the earliest opportunity;
- The development should create significant job growth in Bexhill, which is regarded as vital to improve job opportunities and to increase the quality of life and future prosperity of local people.
- Many people have to commute out of Bexhill for work, while the limited supply of business sites

and premises constrains the growth of local firms.

- An evaluation of the market potential of the business land within the allocation areas indicates that there is pent-up local demand. Also, high quality, modern business sites, which the town currently lacks, may help attract investment into the area.

From 2002 North East Bexhill has been identified as a priority in land use and economic policies and strategies for Hastings, Rother, East Sussex and the wider South East. Multi agency actions for infrastructure and economic development delivery give the South East Local Enterprise Partnership the opportunity to implement these priorities.

### **g) Key Project Partners**

The project will be managed and delivered by Sea Change Sussex (SCS)). SCS is a not for profit organisation seeking to promote economic development across East Sussex. Its members include the following:

- Hastings, Bexhill and East Sussex Business Association Ltd
- East Sussex County Council, Hastings Borough Council and Rother District Council
- University of Brighton
- Voluntary Sector

SCS has a dedicated team of professional staff and in its predecessor guise as Sea Space, has already delivered over 40,000 sqft of managed workspace across East Sussex over the past 7 years, including two phases of the Creative Media Centre in Hastings Town Centre and the Innovation Centre Hastings, between them now home to more than 80 businesses and more than 90% occupied.

### *1.2 Commentary on strategic fit.(to be completed by appraiser)*

## **2. The Economic Case - options analysis**

### *2.1 Description of the preferred option.*

The preferred option is for GPF to support the delivery of a new flagship Business Mall at NE Bexhill, capitalising upon the strategic employment land supply that will be directly unlocked as a result of the construction of the Bexhill Hastings Link Road, which having secured Government funding, is programmed for completion by December 2014. The new Bexhill Business Mall will be open by January 2015, will provide a range of flexible and serviced office and R&D/workshop units to create opportunities for both local business start-ups and expansions as well as inward investment to the area. The Bexhill Business Mall will provide 2,490 square metres (26,800 square feet) of net lettable floorspace in a 3,024 square metre (32,550 square feet) building (GIA), with the potential to directly



support in the region of 300 new gross jobs and 50-60 small high growth businesses.

The Bexhill Business Mall will comprise 63 workspace units in total, 54 of which will be flexible B1a office-based units (27 units at c.60 square metres and 27 units at c.30 square metres to suit a wide range of business needs). The remaining 9 units will comprise c.30 square metre R&D/studio workshops (B1a/B1c), each with their own external access. Flexibility is a key principle in the building's design so that some of the floors will be easily convertible for single office occupier use if required, thereby assisting to mitigate project and GPF loan repayment risk. The Bexhill Business Mall will also comprise a central atrium which will serve as an informal meeting/networking/breakout area with its own high quality café-bar. Experience elsewhere shows that this sort of space is critical for maximising innovation, collaboration and networking opportunities between companies often leading directly to the creation of new company ventures. The designs for this promote maximum flexibility so that this area can also be utilised for business functions and events. This part of the building will also include a large cinema-type projector screen to promote the use of the building for conferences/events as well as a 'state of the art' 3D printing machine, fully connected to the University of Brighton IT network, to enable businesses to develop and model new products and prototypes.

The Bexhill Business Mall will also be an exemplar model in sustainability terms and its green credentials will include heating via a ground source heat pump and a biomass boiler and also the provision of photovoltaic panels on the roof. Detailed designs for the Business Business Mall have already been prepared (see below) and these have formed the basis for the costings presented in section 4.3:



A schedule of accommodation for the Bexhill Business Mall is presented below:

Floor	Square Feet	Square Metres
Lower ground floor north wing	5360	498
Ground floor north wing	5360	498
Ground floor south wing	5360	498
First floor north wing	5360	498
First floor south wing	5360	498
Total	26,800	2490

The site is recognised in local planning policy as a key strategic employment area and the proposals represent a key opportunity to promote the quick delivery of employment opportunities and economic regeneration outcomes and critically, to facilitate the wider development of the future strategic employment land supply for not only Hastings and Bexhill but for East Sussex more widely. Letters of support for the new Business Centre from Hastings Borough Council and East Sussex County Council are appended to this Business Case.

Trinity College Cambridge currently owns the freehold of the site but Heads of Terms between the College and SCS have been agreed which allow for the transfer of the freehold ownership of the site to SCS once it has delivered the NE Bexhill Gateway Road to open up the site. The £2.75m cost associated with the construction of the Gateway Road will be funded through a combination of secured SCS internal funds, a secured ESCC capital contribution and recently awarded Regional Growth Fund (RGF) grant funding for strategic infrastructure. SCS intends to submit an outline planning application for this by February 2013. Assuming an Environmental Impact Assessment (EIA) is not required then a planning decision should be determined by May 2013. If an EIA is insisted upon, then it is anticipated that this will introduce a 3 month delay on the planning decision which SCS will manage carefully. SCS then intends to submit a planning application for the proposed Bexhill Business Mall itself, which assuming it is submitted in May, could be determined by September 2013. Given the policy focus on strategic employment uses for this area, it is not considered that planning will be a major risk to the delivery of the proposals.

The total cost of delivering the Bexhill Business Mall is £6m and this is being sought as loan funding from the SELEP Growing Places Fund. SCS has also committed to investing £0.1m of annual revenue funding support from its own internal sources for each of the first four years of the Centre's operation to fund wider business support activity (total investment of £0.4m). This is in recognition of the need for more than just a property product to support new business start-ups in their early years and will assist in promoting the sustainability of the new Business Centre and the wider growth of new businesses across Hastings and Bexhill.

The project is aiming to respond to a gap in the local commercial property market for this type of property product. The two managed workspace facilities which SCS has previously delivered (as Sea Space) over the last 7 years in Hastings are at over 90% occupancy and far exceeded take-up expectations with both being over 50% occupied within their first year of operation and with SCS now with a waiting list for entry. Together, these provide high quality business accommodation supporting c.500 jobs. Demand at the new Bexhill Business Mall is anticipated from both indigenous existing and start-up businesses as well as small high growth businesses relocating from outside of East Sussex to this attractive coastal location as part of a wider lifestyle choice.

Evidence from centres elsewhere points to the significant wider benefits of this type of facility upon local and regional economies, not least through the dynamic supply chains that are created as a result of increased business collaboration highlighted above. SCS has developed a profitable and sustainable business model for this type of workspace facility which it is aiming to replicate at the Bexhill Business Mall, therefore mitigating project risk.

An innovative approach to the design and management of the Business Centre is proposed which will achieve economies of scale through shared operation of two existing managed workspace facilities in Hastings. A shared management model will promote operational efficiencies which in turn will enable the Bexhill Business Mall to reach a profitable position more quickly, thus reducing the risk from a GPF loan repayment perspective.

2.2 Table 1 should be completed for the preferred option.

<b>Table 1: Preferred option – gross outputs</b>					
	<b>FTE Construction job years</b>	<b>Commercial/industrial space created (sq. m) (broken down by Use Class)</b>	<b>Gross FTE jobs accommodated</b>	<b>Gross homes provided</b>	<b>Other (specify) (add further columns as necessary)</b>
Outputs which are directly dependent on or delivered by the project which GPF is supporting	120 construction jobs pa for 1 year build period  Based on total construction spend of £4.95m, over 1 year. Using OffPAT 2009 construction job calculation guidance note, and an	2,490 sqm (NIA) of new B1a office floorspace	299*	n/a	n/a

	average mid point range co-efficient across infrastructure and private commercial, this equates to 24.3 jobs per £1m of construction spend per annum. Annual construction spend = £4.95m multiplied by 24.3 = 120 construction jobs pa for 1 year build period				
Other, indirect outputs which may be facilitated by this project	N/A	n/a	n/a	n/a	n/a
<b>Total outputs supported by the project</b>	120 construction jobs pa for 1 year build period	<b>2,490 sqm (NIA) B1a floorspace</b>	299	n/a	n/a

\* Applying an employment density ratio of 1 job per 7.5 sq m and prudently assuming a maximum 90% occupancy rate at any point in time (note this has been modified from the HCA's Employment Density Guide (2010) which allows B1 (a) Serviced Offices at 1 job per 10 sq m. However, SCS' experience is that the Creative Media Centre and the Innovation Centre in Hastings are more intensively occupied, given the predominance of small units (some as small as 15 sq m). Taking the known metrics for the Innovation Centre of 24,000 sq ft and 336 employees, this equates to 1 job per 6.6 sq m. If virtual tenants are included as well, this falls further to around 1 job per 6 sq m, therefore the ratio of 1 job per 7.5 sqm is considered 'realistically' prudent).

*Appraisers comments:*

2.3 The following table should be completed for the preferred option.

<b>Table 2: Preferred option – timing of gross <u>direct</u> outputs</b>	
	<b>Gross <u>direct</u> FTE jobs accommodated</b>
	<b>Gross <u>direct</u> homes provided</b>

2012/13	0	n/a
2013/14	0	n/a
2014/15	0	n/a
2015/16	83	n/a
2016/17	50	n/a
2017/18	33	n/a
2018/19	50	n/a
2019/20	83	n/a
Etc.		n/a
<b>Total gross direct jobs or homes</b>	<b>299</b>	<b>n/a</b>

Appraisers comments:

2.4 For the **direct** employment outputs, please provide the following analysis.

	<b>i) Upper tier level</b>	<b>ii) SE LEP area level</b>
<b>a) Gross FTEs accommodated</b> (one figure)	299	
b) % of gross FTEs which will be taken by residents living outside i) the Upper tier and ii) the SE LEP area	17.3%	10.4%
c) Number of gross FTEs which will be taken by residents living outside i) the Upper tier and ii) the SELEP area (b x a)	51	31
<b>d) Gross local FTEs(a – c)</b>	<b>248</b>	<b>268</b>
e) % of gross local FTEs which will, through product market displacement/competition effects, be offset by reductions in productive capacity elsewhere in the economy	43.1%	35.6%
f) Number of gross local FTEs lost through product market displacement effects (e x d)	106	95
<b>g) Net local FTEs before multiplier effects (d-f)</b>	<b>142</b>	<b>173</b>
h) Combined supply/income multiplier	1.29	1.44
<b>i) Net local FTEs after multiplier effects (g x h)</b>	<b>183</b>	<b>249</b>

2.5 No GPF investment option (the reference case).

Complete the following tables for the No GPF investment option:

	<b>Gross FTE jobs accommodated</b>	<b>Gross homes provided</b>	<b>Other (specify)</b>	<b>Other (specify)</b>
Direct outputs arising from the project which GPF is supporting	0	n/a	n/a	n/a
Indirect outputs which may be facilitated by this project	0	n/a	n/a	n/a
<b>Total jobs, homes or other</b>	<b>0</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

<b>outputs supported by the project</b>				
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*Appraisers comments:*

2.6 Please complete Table 5, showing when these gross direct outputs would be delivered.

**Table 5: No GPF Investment (reference case) option – timing of gross direct outputs**

	<b>Gross <u>direct</u> FTE jobs accommodated</b>	<b>Gross <u>direct</u> homes provided</b>
2012/13	0	n/a
2013/14	0	n/a
2014/15	0	n/a
2015/16	0	n/a
2016/17	0	n/a
2017/18	0	n/a
2018/19	0	n/a
2019/20	0	n/a
Etc.	0	n/a
<b>Total gross direct jobs or homes</b>	<b>0</b>	n/a

*Appraisers comments:*

2.7 Please complete Table 6.

**Table 6: Comparison of No GPF investment outputs with preferred option outputs**

	<b>Gross <u>direct</u> FTE jobs accommodated</b>	<b>Gross <u>direct</u> homes provided</b>
a) No. of preferred option outputs which would still be delivered at the <u>same time</u> under the No GPF investment option	0	n/a
b) No. preferred option outputs which would be <u>delayed by 1-5 years</u> in the absence of any GPF investment	0	n/a
c) No. of preferred option outputs which would be <u>delayed by 6 years or more</u> in the absence of any GPF investment (but which would still be delivered at some point in the future)	0	n/a
<b>Total</b>	<b>0</b>	n/a

*Appraisers comments:*

*Provide a supporting commentary with justification for the assumptions being made.*

Under the 'No GPF Investment' option (i.e. the reference case), it is considered that no job outputs would be delivered in relation to the proposed project at any point in the future. The rationale for this is that even in a prosperous market, this type of specialist managed workspace facility as a property product is rarely funded and delivered solely by the private sector given the higher levels of risk and greater difficulty of securing private sector finance given the typically poorer quality covenants associated with the occupying companies. Often, such a facility will also take a number of years to reach break-even point, although this is not anticipated here given SCS' experience in Hastings, a waiting list of companies looking for accommodation, and the potential for SCS to share overhead cost with its existing facilities improving profitability, and therefore the ability to make GPF repayments even in the project's early years of operation.

However, for a private sector developer reliant upon raising equity or bank finance, the prevailing economic/market conditions and in this particular location (i.e. the first phase of development in a deprived coastal location in East Sussex) the level of risk, or certainly the perceived level of risk increases. This makes it extremely unlikely that a private sector developer would be able to obtain the necessary development finance to deliver the proposals and even if it was able to secure this, the perceived risks may well outweigh the perceived financial benefits of investment. It is considered therefore, that in the absence of GPF investment, the market failure that is associated with this type of development will result in the market being highly unlikely to deliver such a facility. SCS is no different to a private sector developer in this context, in that although it may be prepared to accept a lower rate of return if it could secure wider economic development outcomes, in the absence of GPF investment, it would not be able to secure the necessary development finance required to secure Board approval to proceed.

Without GPF, at the current time, there is not any other form of public sector investment support that could provide the capital financing necessary to deliver the Bexhill Business Mall, certainly in the short-medium term. It is considered that it could take some time for the economic conditions to improve to the extent where local authorities are able to grant fund or provide loan funding for projects such as this. In the absence of GPF, it is therefore considered that the proposed project would be highly unlikely to be developed in the foreseeable future. This would then fail to build upon the momentum that has been established locally through various highly successful economic development initiatives (e.g. the Innovation Centre Hastings and the Priory Quarter developments) and the ability to maximise the economic opportunity of the new Link Road for Hastings and Bexhill could be compromised.

One of the primary aims of GPF is to provide financial assistance to stimulate the delivery of infrastructure projects unlocking private sector job creation in the short to medium term. This is exactly what this project is seeking to achieve through the use of GPF.

*Appraisers comments:*

2.8 For the **direct** employment outputs in the No GPF investment option, please complete Table 7.

**Table 7: No GPF investment (reference case) option – from gross to net local employment outputs**

	<b>i) Upper tier level</b>	<b>ii) SE LEP area level</b>
<b>a) Gross FTE jobs accommodated</b> (one figure)	0	
b) % of gross FTEs which will be taken by residents living outside i) the Upper tier and ii) the SE LEP area*	n/a	n/a
c) Number of gross FTEs which will be taken by residents living outside i) the Upper tier and ii) the SELEP area (b x a)	n/a	n/a
<b>d) Gross local FTEs (a – c)</b>	n/a	n/a
e) % of gross local FTEs which will, through product market displacement/competition effects, be offset by reductions in productive capacity elsewhere in the economy*	n/a	n/a
f) Number of gross local FTEs lost through product market displacement effects (e x d)	n/a	n/a
<b>g) Net local FTEsbefore multiplier effects (d-f)</b>	n/a	n/a
h) Combined supply/income multiplier*	n/a	n/a
<b>i) Net local FTEsafter multiplier effects (g x h)</b>	<b>0</b>	<b>0</b>

2.9 Please complete Table 8.

<b>Table 8: Net additional jobs (FTEs) and value for money</b>	
a) Net direct local FTEsincluding multiplier effects from preferred option (row i from Table 3)	249
b) Net direct local FTEsincluding multiplier effects from No GPF Investment option (row i from Table 7)	0
<b>c) Net additional direct FTEs(narrow definition – before account of timing additionality) (a minus b)</b>	<b>249</b>
d) Number of preferred option direct FTEswhich are brought forward by 1-5 years multiplied by 0.25 (this being the weight which we are giving to acceleration of outputs by 1-5 years) (Table 6, row b x 0.25) multiplied by Table 3 row I divided by row a (i.e. the net additionality ratio for FTEs), i.e. ((Table 6 row b x 0.25) x (Table 3 row i/row a))	0
e) Number of preferred option direct FTEswhich are brought forward by 6-10 years multiplied by 0.5 (this being the weight which we are giving to acceleration of outputs by 6-10 years) (Table 6 row c x 0.5) multiplied by Table 3 row I divided by row a (i.e. the net additionality ratio for FTEs), i.e. ((Table 6 row c x 0.5) x (Table 3 row i/row a))	0
<b>f) Net additional direct jobs after taking into account timing additionality</b>	<b>249</b>
<b>Present Value of GPF net cost associated with employment outputs (as per Section 4 Financial Case)</b>	<b>£883,865</b>
<b>(Where applicable) Present Value of total public sector net cost associated with employment outputs (as per Section 4 Financial Case)</b>	<b>n/a</b>
<b>PV GPF net cost per net additional job</b>	<b>£3,550</b>
<b>(Where applicable) PV public sector net cost per net additional job</b>	<b>n/a</b>

2.10 Please complete Table 9.

<b>Table 9: Net additional homes and value for money</b>	
a) Gross direct homes from preferred option	n/a



b) Gross direct homes from No GPF Investment option	n/a
<b>c) Net additional homes (a minus b)</b>	n/a
d) Number of preferred option direct homes which are brought forward by 1-5 years multiplied by 0.25 (this being the weight which we are giving to acceleration of outputs by 1-5 years) (Table 6, row b x 0.25)	n/a
e) Number of preferred option direct homes which are brought forward by 6-10 years multiplied by 0.5 (this being the weight which we are giving to acceleration of outputs by 6-10 years) (Table 6 row c x 0.5)	n/a
<b>f) Net additional homes after taking into account timing additionality</b>	n/a
<b>PV GPF net cost associated with housing outputs</b>	n/a
<b>(Where applicable) PV public sector net costs associated with housing outputs</b>	n/a
<b>PV GPF net cost per net additional home</b>	n/a
<b>(Where applicable) PV public sector net cost per net additional home</b>	n/a

### 2.11 Other options considered

Two additional options have been considered as part of identifying a preferred option. These are presented below:

#### **Option 1 – Scale Option – A larger/smaller facility is delivered than that being proposed**

##### **a) Summary description**

The preferred option proposes a 26,800 square foot (NIA) facility and under this option the viability/deliverability of a 10,000 square foot variation in net lettable floorspace either side of this was considered – i.e. a 16,800 square foot facility and a 36,800 square foot facility. The purpose of this was to ensure that the optimum scale of facility is being proposed in accordance with the local property market characteristics and the availability/repayment of funding.

##### **b) Option performance**

###### **Smaller facility – 16,800 square foot**

The capital build costs of delivering a smaller facility will be lower given that there is 10,000 square feet less floorspace under this option. However, the cost will remain fairly significant given that it still proposes a 16,000 square foot (NIA) new build. The main difficulty associated with this option is the likely operational viability issues that could arise given the reduced scale. This type of facility needs to be of a certain scale to reach a ‘break even’ point and then move into operational surplus reasonably quickly to achieve financial sustainability. Based on some indicative business planning, it is clear that at 16,000 square feet, given the fixed costs that are associated with the proposed facility and the reduced number of units and therefore reduced rental income, even when it is well occupied, the facility would struggle to reach a break even point and would not be financially sustainable. Even assuming it could manage this, the level of operating profit generated would be likely to be insufficient to repay the GPF loan in a timely manner. With fewer units available to let, a lower number of businesses would be able to occupy the facility and it would fail to satisfy the level of market demand that is considered to be present for this type of product in this location. This could have a detrimental impact upon the dynamics of the local economy and businesses could be forced to look elsewhere for available/suitable accommodation for their needs.

### **Larger facility – 36,800 square feet**

The capital build costs associated with a larger build option would be higher for obvious reasons. This option would require SCS to request a larger GPF amount to fund this additional capital cost and there would be additional risks associated with the repayment of this given the challenges that letting this additional floorspace could create. There is a risk that, although there is identified demand for the proposed facility, a larger facility could take an additional, say 2 years to reach 90% occupancy. This will impact upon the ability of the project to generate sufficient income and capital value via refinancing to repay the additional GPF loan that would be required to deliver a facility of this scale. Therefore, despite the fact that a larger facility could provide opportunities for enhanced delivery of employment opportunities, the scale of property product would be likely to delay its ability to reach a position of full occupation, certainly in the timescales required to make GPF repayments in a timely manner.

#### **c) Reason for rejection**

The high levels of risk associated with a variation in the scale of the proposed facility were the principle reasons for the rejection of this option, as outlined above. Both the larger and smaller variations would be likely to result in operational viability/sustainability issues which would impact upon the ability of the project to repay the GPF investment in a timely manner.

### **Option 2 – Alternative Land-Use Option – Development of more generic B2 industrial units**

#### **a) Summary description**

This option considered the potential for GPF to support the direct development of more generic, lower quality B2 industrial units instead of a specialist, high quality managed workspace facility focusing on B1a and B1c uses. More generic B2 uses are envisaged as part of the wider development of the NE Bexhill strategic employment area.

#### **b) Option performance**

The capital build cost of this option would be likely to be lower and the GPF loan requirement would therefore be less. Furthermore, it could be argued that the level of risk around take-up could be lower under this option given the characteristics of the local property market. However, there are several performance issues to note with regards to this option. Firstly, occupiers in the industrial sector often prefer to build their own units to meet their individual needs and specifications, particularly in the current market where occupiers are increasingly seeking individually specified units for owner occupation as part of longer term financial planning (due to the low returns on capital in the investment market). There is therefore a risk that the delivery of generic B2 floorspace may not adhere to specific occupier requirements. The 2011 East Sussex Business Survey identified that a significant majority of East Sussex businesses are micro-businesses (1-10 employees) and that 'small' premises (i.e. < 1,000 sq. ft.) are likely to be in most demand.

Secondly, the level/density of employment outputs associated with generic industrial units would be lower than under the preferred option and the 'value' of these in GVA terms could also be lower. Thirdly, it is envisaged that the majority of the NE Bexhill Employment Land will come forward for more generic B2 uses and there is therefore potentially significant land availability for this purpose.

The delivery of this type of development is not typically constrained by elements of market failure (assuming there are no major abnormal costs of development) and so it is not considered that GPF investment would be best utilised for such. The delivery of the Link Road will further assist to enhance the market attractiveness of these sites for more generic industrial uses.

**c) Reason for rejection**

This option was rejected on the basis of the above points. The delivery of generic B2 industrial units is not typically constrained by elements of market failure to the extent that a specialist managed workspace facility is. It is therefore considered far more preferable to use GPF to address a critical market failure and to let the private sector develop out more generic B2 industrial floorspace in due course in accordance with market demand and planning policy for this area which has allocated a significant quantum of land for this use class. The level and quality of outputs under this option would also be likely to be lower compared with the preferred option and this option would also fail to address the gap in the market for high quality managed workspace, which could have potentially detrimental impacts on the local economy, if businesses are forced to relocate to find suitable and available business accommodation.

*Appraisers commentary on other options considered*

### **3. The Commercial Case**

*3.1: Confirmation that the primary loan will be based on the standard terms of the Credit Facility.*

ESCC has confirmed that the primary loan will be based on the standard terms of the Credit Facility.

*3.2: Provide an explanation of how sub-ordinate loans (if applicable) and repayment would work in practice.*

Sub-ordinate loan drawdown and repayment would be based on the existing arrangements between ESCC and SCS as established during GPF Round 1. SCS has agreed a procedure with ESCC in relation to GPF loan investment in PQ3 and the principles of this would apply to this project, although written confirmation of the specific details of this project and loan drawdown/repayment would need to be agreed between ESCC and SCS.

*3.3: What further steps need to be taken to firm up on financial projections and timings?*

SCS, as the project promoter, will continue to progress with a robust design/construction tendering process for all elements of the proposed project to ensure that financial projections and timings reflect current market rates. It will also design and implement an appropriate monitoring framework as the project progresses to enable the performance of the proposed facility to be closely monitored and reported on a say, quarterly basis, over the initial build up period to confirm its ability to repay the GPF loan and to flag any potential repayment issues from an early stage to enable appropriate measures to be implemented.

### 3.4 Appraisers comments on the commercial case

## 4. Financial Case

4.1: Please complete the table in Annex B.

4.2 Please enter cost data in Table 10.

a) Total Gross Costs Undiscounted (based on Drawdown Schedule)	£6,000,000
b) Total Repayments Undiscounted (based on Repayment Schedule)	£6,000,000
<b>c) Total Net Costs Undiscounted a) – b)</b>	<b>£0</b>
d) Present Value of total Gross Costs (Discounted) (based on Drawdown Schedule)	£5,650,350
e) Present Value of Total Repayments (Discounted) (based on Repayment Schedule)	£4,766,484
<b>f) Present value of Total Net Costs (Discounted) d) – e)</b>	<b>£883,865</b>

4.3 Please confirm that assumptions relating to income and costs are based on market rates stating sources of evidence

### Costs

The projected capital build and operating costs of the proposed Business Centre are based upon evidenced estimates provided by the applicant Sea Change Sussex (SCS). SCS and its predecessor, Sea Space, have over 7 years' experience of developing and operating similar business centres in this geographical area. It developed and operates the Innovation Centre and the Creative Media Centre in Hastings. It therefore has a very strong grasp of the capital and revenue cost implications of developing, setting up and operating a new business centre such as the one proposed for North East Bexhill. SCS has based the projected costs for the NE Bexhill Business Centre on the recently tendered costs for the development of Priory Quarter Phase 3 to ensure that they are as up to date as possible. SCS has its own in-house qualified and highly experienced project managers who will ensure that the project costs remain within budget and it will seek external verification of the assumed costs by an independent cost consultant if required at any point as part of the GPF appraisal/due diligence process. A summary breakdown of the project's capital costs is presented

below:

Predevelopment Costs - Design and Procurement (incl. contingency)	£500,000
Development costs – Works, Fees, Utilities (incl. contingency)	£5,330,000
Project Management Costs	£135,000
Marketing Costs	£35,000
<b>TOTAL COST</b>	<b>£6,000,000</b>

SCS has also committed to providing £0.4m of revenue funding to deliver business support to occupiers within the Centre in its early years of operation in addition to the above.

### **Income/Revenue**

The economic programme of flexible employment space brought forward by SCS' predecessor delivery vehicle Sea Space has delivered more than 40,000 square feet of managed business space for small and micro-businesses over the last seven years. This includes two phases of the Creative Media Centre in Hastings town centre, now supporting more than 40 businesses and c. 130 jobs and 42 businesses and 35 'virtual tenants' in the Innovation Centre located in the North Hastings employment area, supporting c. 370 jobs. Both of these business centres are operating at in excess 90% occupancy, and in terms of initial take-up, original business cases had assumed 25% take-up by the end of Year 1, 50% by the end of Year 2. The experience was however that both hit 50% within their first 12 months of operation.

Demand continues to grow for this type of serviced workspace provision generating numerous enquiries from high growth companies across all sectors. As the existing Centres are currently at almost maximum capacity there is a real lack of this type of space for businesses which will stifle new economic growth if this is not urgently addressed. Hence SCS are very confident that a new business centre, kick-starting development at North East Bexhill, would equally be taken up quickly. Critically, there are tenant waiting lists at SCS' existing Business Centres in Hastings and SCS already receives upwards of 20 enquiries per annum from businesses requesting units in these. SCS is confident that following the provision of further new high quality small business accommodation, this number of enquiries would increase given the latent demand that exists for this type of property product.

SCS has sought independent property market advice from Bray Fox Smith Chartered Surveyors to underpin the income assumptions presented within this Business Case. The remainder of this section summarises Bray Fox Smith's analysis of the Bexhill Business Mall potential and opportunity.

### **Catalytic role of the Business Centre**

Bray Fox Smith's view is that the NE Bexhill Business Mall will be critical to the success of the wider North East Bexhill Business Park unlocked as a result of the BHLR, which will ultimately provide a range of office and industrial accommodation to meet a wide spectrum of occupier needs. They suggest that it will provide the critical mass to kick start the wider development by providing high quality, flexible office accommodation to a market which lacks any genuine alternatives. Their view is that developing the Business Mall as a first phase will help attract smaller local and regional businesses into the area which can then expand over time to complement the larger occupiers who

will be attracted as the Business Park matures. In the absence of the Business Centre as a catalyst, Bray Fox Smith suggest that the demand profile will not be satisfied and that the wider Business Park will struggle to create the critical mass required within the desired timescales.

**Market supply/demand review**

Bray Fox Smith identify that there has been a lack of any significant new office development in the southern M25 market in recent years which has resulted in a shortage of good quality grade A offices, as the existing stock has been taken up. Whilst there is still a reasonable supply of poorer quality office accommodation, they consider that the majority of this cannot satisfy the needs of modern occupiers and without new development the potential for future expansion and inward investment will be severely restricted.

Bray Fox Smith identify that commercial development in Bexhill to date has been limited due to its poor communications, but that this will be addressed by the opening up of the Bexhill Hastings Link Road (BHLR). They point to the fact that the current supply of office accommodation in Bexhill is limited and that which does exist is predominantly older office stock, often located above retail uses, and the most significant occupier is Hastings Direct who own a large freehold in the town. They report that there are no other office schemes of significance in the town and the lack of development, coupled with poor road communications, has restricted the ability to expand the office sector.

Bray Fox Smith have reviewed the existing supply, which is limited to a handful of small suites of 1,000 square feet or less and since the start of 2010 there have been less than 10 lettings ranging in size from 200 square feet to a freehold sale of 2,369 square feet with rental levels less than £10.00 per square foot. Bray Fox Smith report that the only comparable Grade A office development in East Sussex has been SCS’ previous development in the Priory Quarter central business district of Hastings where £16.50 per square foot was achieved from 2009. At Priory Quarter, SCS’ experience was that with these rents being the lowest in the South East for Grade A office space, adjusting quoting rentals was never a factor in concluding negotiations or in representing the scheme to property professionals.

Bray Fox Smith suggest that this is in contrast to the success of the Creative Media and Innovation Centres set up in neighbouring Hastings which has attracted a wide range of SME’s and currently has occupancy rates in excess of 90%. The success of these centres should form a blue print for future growth in areas where demand has previously proved fragile and will encourage opportunities for local expansion as well as appealing to regional companies who struggle to find appropriate flexible accommodation in the wider locality.

**Occupier take-up and rental income assumptions**

SCS has developed an operational cashflow for the proposed facility which has made assumptions regarding occupier take-up and projected rental incomes. This assumes a net rent of £17/sqft (i.e. excluding service charge) and the following take up profile:

Year 1	Year 2	Year 3	Year 4 onwards
25%	50%	65%	90%

Bray Fox Smith have reviewed the above take-up assumptions and is confident that these take-up levels can be achieved and that this is a conservative profile which will be improved upon, particularly given the fact that and Innovation Centre and Creative Media Centre (CMC) in Hastings both achieved 50% occupancy in Year 1 and are both currently running at 90% with tenant waiting lists.

Bray Fox Smith have also reviewed the rental income assumptions within the operational cashflow prepared by SCS, which are based on a net rent of £17 per square foot (i.e. excluding service charge, rates, utilities and central overheads). Given the lack of transactional evidence and competing facilities in the immediate area, they have relied on rental evidence for similar quality offices in the surrounding area upon which to validate this rental assumption. They report rents for similar new quality new buildings at Priory Quarter in Hastings achieving rents of £16.50 per square foot (such as Lacuna Place and One Priory Square), whilst the older Innovation Centre and Creative Media Centre, offered smaller suites from 2005 on more flexible licenses and established the principle of all inclusive occupancy charges (of £20 - £27 per square feet) for a range of unit types from workshops to offices. As the Bexhill Business Mall will provide new office accommodation and benefit from more efficient running costs, Bray Fox Smith considers that the gross occupational charge of £29 per square foot will be sustainable which, after deducting the operating costs shows a net “rental” element of £17 per square foot. In conclusion, Bray Fox Smith’s analysis demonstrates that a rental income of £17 per square foot is supported by both previous rental evidence and the anticipated net occupational costs shown on the cash flow forecasts.

Bray Fox Smith therefore considers a net rent of £17 per square foot for the Business Centre to be achievable. Furthermore, their analysis is that Hastings and Bexhill has some of the lowest Grade A rents in the South East and that these are expected to increase over the next 10 years as the area becomes more established as an office location and the occupational market improves. Therefore by adopting a rental value of £17 per square foot, they consider there to be a significant “in-built” contingency factor as these rents should increase over time.

Given the relatively small size of the suites and short term nature of the licences and leases that will be granted Bray Fox Smith is supportive of the SCS assumption that the rent free periods will be minimal, ranging from 3 months to 6 months, depending on the length of term.

**Capital value assumptions**

Bray Fox Smith suggest that yields in the current investment market have softened as a result of the exceptional economic circumstances that prevail and therefore in order to assess appropriate yields by 2019/20, they should have regard to longer term average yields rather than present day figures. Assuming the building is let on 3 to 5 year leases, they are of the opinion that a yield in the region of 7.5% (which is reflective of a normal investment market) could be applied to the base rent to achieve the capital value required. Based on the full rental value of £455,600, a yield of 7.5% and deducting purchaser’s costs of 5.5%, Bray Fox Smith estimate the capital value of the completed scheme at 2019/20 to be £5.74 million. Given that early repayment of the loans is liable to reduce the outstanding debt from the initial borrowings of £6m to £4.5m, they report that this valuation should achieve repayment through sale or refinancing.

*4.4 Please complete Table 11, timing of repayments.*

Table 11 Repayments to ECC/SELEP		Tick
Repayment less than 3 years	Good	
Repayment 3 to 6 years	Medium	✓*
Repayment 7 years plus	Poor	

*\* all but £0.725m of the GPF loan will be repaid within 6 years of the GPF drawdown through a combination of rental income and capital refinancing/disposal (i.e. 88% of the GPF loan will be repaid within 6 years of being drawn down). A cautious approach has been adopted in terms of the loan*

repayment and an alternative approach could be to assume that the capital refinancing/disposal of the completed scheme occurs a year earlier (i.e. in 2018/19) and that 100% of the GPF loan is therefore repaid within 6 years of drawdown. The independent property market appraisal advice sought as part of this application would also support this approach.

*Other funding*

4.5 Please clearly set out the other funding sources including the status/certainty of these. Show how the other funding contributes to income in the table in Annex B.

4.6 Leverage, please complete Table 12.

<b>Table 12 Leverage</b>	
<b>GPF investment</b>	<b>£6,000,000</b>
<b>Other Public Funding levered</b>	<b>£0</b>
<b>Private Funding levered</b>	<b>£400,000</b>
<b>Total Other Public Funding and Private Funding levered</b>	<b>£400,000</b>
<b>Ratio of GPF to Other Public Funding levered</b>	<b>n/a</b>
<b>Ratio of GPF to Private Funding levered</b>	<b>1:0.07</b>
<b>Ratio of GPF Total Other Public Funding and Private Funding levered</b>	<b>1:0.07</b>

*4.5 Terms of the Loan.*

The following question should be answered by a suitably qualified person:

Are the terms of the loan from the Borrowers (upper tier authority) perspective fair and reasonable?

Yes

*(Delete as appropriate)*

Are the terms of the loan from the Lenders (Essex CC) perspective fair and reasonable?

Yes

*(Delete as appropriate)*

*Please provide justification for the responses provided.*

*Please provide details of the qualifications, experience and position of the person who has provided the responses.*



#### 4.7 State Aid

GPF will not be providing State aid through supporting this project. The loan is to be provided at 0% interest and the loan interest foregone utilising the EC Reference Rate over a 5 year period does not accumulate to more than 20% of the total eligible project costs. SCS is defined as a small enterprise and benefits from exemption under the General Block Exemption Regulation (GBER) (800-2008EC).

#### *Appraisers commentary on the financial case*

## 5. The Management Case

Please provide details of the following:

### 5.1 Governance arrangements.

The delivery vehicle for Growing Places Fund Round 2 projects is East Sussex Energy, Infrastructure and Development Ltd trading as Sea Change Sussex. The company is limited by guarantee (company number 07632595) and is not for profit. The members of the company are:

Hastings, Bexhill and East Sussex Business Association Ltd	50%
East Sussex County Council	)
Rother District Council	) 19.9%
Hastings Borough Council	)
University of Brighton	19.9%
Voluntary Sector	10.2%

Governance of the company is regulated by its Articles of Association which set out, among other matters, the membership, operation and conduct of the Board and its meeting requirements. The Board is currently chaired by Professor Julian Crampton, Vice Chancellor of University of Brighton. Currently, general meetings take place every 2 – 2.5 months with the AGM approving the annual accounts (to 31<sup>st</sup> March 2012) having taken place on May 25<sup>th</sup> 2012.

The financial transactions of the company are regulated by the current Financial Regulations and Scheme of Delegation approved by the Board on 11<sup>th</sup> January 2012. Basically, all significant contractors are selected by competitive tendering and are the subject of Board approval.

Financial payments are made by the tried practice of purchase orders and payments authorised on compliance and financial checks by the appropriate staff. Financial monitoring and management accounts are provided from a computer-based system (Access Dimensions, approved by HMRC and Institute of Chartered Accountants) which allows flexible interrogation. The system is specifically designed for project accounting. Each Board meeting receives an 'income and expenditure' report which also informs bank balances. Separately, 'expenditure commitments' are identified to the Board informing the project and extent of financial commitments relating thereto. These sets of information identify the source of funding and the expenditure incurred on a project by project basis against that funding commitment. From 1<sup>st</sup> April 2013 a further report will be added showing 'all years/project life' expenditure. The accounts are annually audited externally (currently by Reeves & Co) and corporate legal advice is provided to the Board on a regular basis (currently by Pinsent Masons).

Sea Change Sussex therefore believes that its current governance and financial controls are fit for purpose for the requirements of the Growing Places Fund.

#### *5.2 Project management arrangements.*

The project manager will be Sea Change Sussex (SCS). It will be managed on a daily basis by Clive Taylor at SCS, an experienced project manager in this type of capital development project. John Shaw of SCS will act as Project Director. SCS has prepared a comprehensive Project Execution Plan (PEP), which outlines the key project management and delivery arrangements and a high level of review of this has been undertaken as part of this appraisal in order to provide an answer to this question.

SCS has already appointed and worked alongside the following consultants as part of the project:

- Procter and Matthews - architects
- Peter Brett Associates – civil engineering advice re road access and drainage
- Delta Green – advice on sustainable aspects of engineering design

Moving forward, it will appoint external consultants in relation to the following areas to support project development:

- Ecologist
- Architect
- Services Engineering
- CDM Co-ordinator
- Quantity Surveyor
- Fire Consultant
- Project Management/Employers' Agent
- Clerk of Works

The PEP identifies the following key project management tasks to be undertaken:

- Monitor and review the project through all stages and report regularly to the Employer on the status of the Project (monthly report required in a form to be advised by the Employer); obtain

decisions needed and with the Employer's approval amend the development proposals;

- Maintain and update as necessary the development budget and cashflow; provide reports as required by the Employer's finance department on the financial status of the project and update Employer project monitoring systems as necessary;
- Initiate action in the event that any aspect of the Project appears to be likely to fail to achieve the Employer's objectives, public organisations, budget and programme. Agree suitable corrective action and monitor its implementation;
- Throughout the project brief and manage consultants and contractors on their duties, the Project procedures and the Project as necessary to achieve the project brief and so that all parties and individuals understand what is needed to achieve the Employer's objectives;
- Establish communication, reporting and authorisation procedures to operate between Employer, Project Manager, Consultants and Contractors;
- Develop with the team a detailed Project Brief to include all relevant objectives, statutory duties, constraints and their relevant priorities;
- Develop and maintain a Project Execution plan (PEP).

The following project controls will be applied during the project lifetime:

- Monthly progress reports will be provided;
- Appropriate meeting structures will be implemented;
- An issues log and risk management plan will be produced and reviewed at appropriate intervals;
- Compliance reviews of Development Framework and Cost plan will be held at regular intervals;
- A Request For Information and a Change Control system will be put in place;

It is considered that for the purposes of this appraisal, appropriate project management mechanisms have been put in place.

### 5.3 Programme/Gantt chart

An outline programme is presented below as per the Project Execution Plan:

Milestone	Anticipated Date / Milestone	Status
Feasibility works re road	7 <sup>th</sup> Nov 2012	Complete

alignment and the development of the facility		
Site investigation works	21 <sup>st</sup> Dec 2012	Pending
Prepare OJEU notice for architect/structural engineer	16 <sup>th</sup> Nov 2012	Pending
Shortlist selection	21 <sup>st</sup> Jan 2013	Pending
Architect/structural engineer contract award	18 <sup>th</sup> Mar 2012	Pending
Prepare OJEU notice for building contract	16 <sup>th</sup> Apr 2013	Pending
Shortlist selection	14 <sup>th</sup> May 2013	Pending
Submit building planning application	23 <sup>rd</sup> May 2013	Pending
Planning committee decision	18 <sup>th</sup> Jul 2013	Pending
Building contract award	4 <sup>th</sup> Oct 2013	Pending
Start on site	25 <sup>th</sup> Oct 2013	Pending
Build completion	29 <sup>th</sup> Dec 2014	Pending

*5.4 Appraisers comments on management case*

5.4 Please complete risk analysis.

Risk identification		Risk evaluation			Risk management		
Risk ID ref	Risk event	Impact score (1-5)	Likelihood score (1-3)	Overall risk score (I x L)	Action plan	Owner	Timescale for action
1	Lack of occupier demand for units in the facility and therefore recipient is unable to repay GPF loan	5	1	5	Sea Change Sussex will develop and implement a marketing strategy/programme in order to market the Bexhill Business Mall to potential occupiers. Property market work has already been undertaken which demonstrates the likely occupier demand. Previous similar developments undertaken by SCS in Hastings were over 50% let by the end of year 1 and are now both at 90% occupancy levels	SCS	Ongoing
2	Units take longer than anticipated to let and loan repayments are delayed	4	2	8	As above	SCS	Ongoing
3	Completed scheme is unable to be refinanced to repay the balance of the GPF loan	5	1	5	Independent property market advice has been sought in relation to the likely timing and value of the disposal of the completed scheme. This confirms that through a combination of rental income and capital refinancing, it has the potential to generate sufficient income to repay the loan in full in a timely manner (90% of loan will be repaid within 6 years of loan draw down date). Sea Change Sussex will seek to promote the occupancy of the building to maximise rental income and thus the capital value that it could receive. Flexibilities will also	SCS	Ongoing

4	Planning permission for the access road/workspace facility is not granted	5	1		be built into the design and build process so that 3 floors of the building can be made available for single occupier use if take-up for small business units does not come forward	SCS	Ongoing
				5	NE Bexhill is identified as a strategic employment site within the emerging LDF. SCS has already held initial discussions with the local planning authority and will continue to do so up to the point where it applies for consent.		
5	Actual build costs exceed projected costs	3	1		SCS has already delivered two similar centres in this geography and also has experienced project managers as part of its delivery team. A contingency has also been included as part of the cost plan.	SCS	Ongoing
				3			
6	Capability and experience of Sea Change Sussex to manage the project	5	1		Sea Change Sussex formed out of ESEID and before that, SeaSpace. It has an established Board and an experienced project management/delivery team which have significant experience of delivering capital development projects across the Hastings and Bexhill area. It has already successfully delivered similar types of property products in Hastings and will seek to build upon the experience of delivering these projects	SCS	Ongoing
				5			
7	Abnormal ground conditions and service requirements	3	1	3	Full site investigation works are due to be undertaken by SCS prior to any works commencing on site	SCS	Ongoing

*5.5 Appraisers comment on risks analysis*

## 6. Conclusions

Please provide a summary with conclusions on:

*How strong is the strategic contribution of this project for the SELEP?*

*Does the project overall represent good value for money ? How have you arrived at this judgement?*

*In terms of repayment timescale how has the project been assessed (good/medium/poor)?*

*Are the terms of the Credit Facility considered to be fair and reasonable to both the Borrower and the Lender?*

*Are the levels of risk acceptable and capable of being managed?*



### Due Diligence Process

The appraisal process should include a technical due diligence review by the upper tier authority. This Form has been designed to capture information required, evidence provided and to inform an assessment of residual risks for both the upper tier authority and the accountable body representing the LEP. It is presented as a guide and check list to help upper tier authorities appraise projects which they are supporting.

In conducting due diligence, the appraiser will need to analyse the proposition supported where appropriate by 'expert' financial, legal and technical advice. The depth of analysis should be proportionate to the size and nature of the prospective investment. The process should ask critical objective questions, to understand all the factors that will generate a successful project and outcome for the LEP and the upper tier authorities.

The due diligence process should also reflect the terms of the agreement and exposure to risk that the LEP through the accountable body is taking on and the risk that the upper tier authorities are taking on. Risks that the upper tiers may be exposed to will depend on any subordinate loans put in place which may in turn transfer risk on for example to a landowner or developer. For the LEP/accountable body agreements will take the form of repayable credit facilities including contractual requirements to repay according to a pre-agreed timescale. The financial risk exposure to market factors is consequently more limited than in circumstances where, for example, repayment by an upper tier authority is linked to development milestones triggering S106 or CIL payments. There is risk exposure in the latter case to market factors which would need to be assessed as part of the due diligence process.

These notes describe three key elements of the due diligence process as follows:

### ***Financial appraisal***

SELEP will not fund projects which could be funded from other sources and be able to go ahead without investment from the Growing Places Fund. SELEP will provide only the minimum funding required to allow the project to progress. The financial appraisal stage, therefore, will seek (from both the LEP/accountable body and upper tier authority's perspective) to:

- Appraise the project financial position and test underlying assumptions, particularly with regard to project costs and project revenues;
- Confirm the amount of funding applied for is the minimum funding needed to unlock the development and that other sources of funding have been explored;
- Evaluate the potential for recovery of the investment through loan repayment, interest, or in special circumstances, a share of returns, overage, or other models;
- Understand pricing and marketing strategies for the project; and
- Understand and consider the financial, commercial and market risks associated with the project;

The table below should be completed.

<b>Factors</b>	<b>Evidence provided</b>	<b>Assessors Comments</b>	<b>Residual risks to the Accountable Body/LEP</b>	<b>Residual risks to the upper tier authority</b>
<b>Costs</b>		<b>Prompt: Are the cost estimates appropriate for the stage of scheme design and prepared professionally. Is the level of contingency reasonable?</b>		
What is the overall project cost (Qualifying Expenditure) Check costs associated with necessary planning contributions and obligations (e.g. S106, CIL, S278) – are these correctly reflected				
Does the cash flow profile of costs reflect the build				

<b>Factors</b>	<b>Evidence provided</b>	<b>Assessors Comments</b>	<b>Residual risks to the Accountable Body/LEP</b>	<b>Residual risks to the upper tier authority</b>
programme? Interest Rate		See below under <i>Financial Standing</i>		
Are there any critical cost risks?				
<b>Revenue</b>		<b>Prompt: Are these in line with market rates?</b>		
What are projected sales values				
Are there any critical sales risks?				
Confirm that the build and sales programmes are reflected in the cash flow profile of revenue?				
What is the status of other funding sources?				
Are there any critical revenue risks?				
Is the amount of GPF applied for the minimum amount necessary to enable the project to proceed?				
Have other forms of funding been explored?				
Are there any critical risks relating to repayment of the loan?				

### ***Financial standing***

Non-public sector applicants will be required to undergo a thorough review of their financial standing in order to provide an assessment of credit worthiness and collateralisation. The upper tier authority will consider the most appropriate form of security to protect its investment, which may involve the use of charges and guarantees.

The financial standing should be recorded in the table below:

<b>Factors</b>	<b>Details</b>	<b>Assessors Comments</b>	<b>Residual risks to the Accountable Body/LEP</b>	<b>Residual risks to the upper tier authority</b>

<b>Factors</b>	<b>Details</b>	<b>Assessors Comments</b>	<b>Residual risks to the Accountable Body/LEP</b>	<b>Residual risks to the upper tier authority</b>
<b>Financial standing</b>				
Borrower – address, status, if private company number				
Guarantor (if applicable)		<i>What is required?</i>		
Security (value an type) provided (if applicable)		<i>What is required?</i>		
Rate of interest (where appropriate)		<i>Reflecting EC Reference Rate plus a Margin</i>		

### **Deliverability**

The appraiser should test the key project assumptions:

- The ability to (re)start on site including a review of title, planning and site constraints;
- The development programme and underlying assumptions

<b>Factors</b>	<b>Evidence provided</b>	<b>Assessors Comments</b>	<b>Residual risks to the Accountable Body/LEP</b>	<b>Residual risks to the upper tier authority</b>
<b>Deliverability</b>				
What planning and other consents are required?				
Is the land under the control of the project promoter and if not what is the property acquisition strategy?				
When will key milestones be achieved? Full Planning Approval Contractor appointed Primary infrastructure completed Start of project Completion of project				
Is the pre-contract period reasonable for a development of this nature?				
Delivery of outputs – number of jobs, homes and other outputs and timing				

<p>– are these realistic estimates? What are the key risks to the programme</p>				
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**Annex B**

Project Promoter Summary Cashflow to be completed by recipient of GPF funding											
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
<b>CAPITAL</b>											
Project costs											
Pre-development (planning/design/tender)		500,000									500,000
Development (Build/Professional fees/Utilities/Marketing/PM)		1,250,000	4,000,000	250,000							5,500,000
<b>Total capital costs (Balance)</b>		1,750,000	4,000,000	250,000							6,000,000
<b>GPF Capital Drawdown</b>		1,750,000	4,000,000	250,000							6,000,000
Centre Occupancy				25%	50%	65%	90%	90%			
<b>GPF Capital Repayment</b>				25,000	200,000	300,000	500,000	4,975,000			6,000,000
- centre operating surplus				25,000	200,000	300,000	500,000	500,000			1,525,000
- centre refinancing								4,475,000			4,475,000
<b>Net Position (Balance less GPF Capital Drawdown plus GPF Capital Repayment)</b>		(1,750,000)	(4,000,000)	(225,000)	200,000	300,000	500,000	4,975,000			0
<b>REVENUE</b>											
Revenue costs – wider business support activities				100,000	100,000	100,000	100,000	0			400,000
Revenue income/funding – SCS contribution				100,000	100,000	100,000	100,000	0			400,000
<b>Balance</b>				0	0	0	0	0			0
<b>GPF Revenue Drawdown</b>				0	0	0	0	0			0
<b>GPF Revenue Repayment</b>				0	0	0	0	0			0
<b>Net Position (Balance less GPF Revenue Drawdown plus GPF Revenue Repayment)</b>				0	0	0	0	0			0

**NOTE**

The above costs present the Business Mall costs only. In addition, further investment of £3m is being levered into the construction of the Gateway Access Road (funded from a mix of RGF, ESCC, and SCS funding) which is critical Trigger investment for securing the transfer of land from Trinity College Cambridge to SCS.

**IMPORTANT NOTE:**

- The net position should never be in deficit, when in surplus GPF can be repaid
- The above cashflow is not intended to act as a detailed project analysis; it needs to demonstrate that the Growing Places Fund repayment criteria can be met
- Detailed data, evidence and reports to support the cashflow figures should be provided as part of the due diligence process






	2012 / 13	2013 / 14	2014 / 15	2015 / 16	2016 / 17	Total
Priory Quarter - Phase 3 Hastings	1,425,000	4,825,000	715,000	35,000		7,000,000
North Queensway, Hastings	1,270,000	230,000				1,500,000
Bexhill Business Mall		1,750,000	4,000,000	250,000		6,000,000
Sovereign Harbour, Eastbourne			4,600,000			4,600,000