

South East Local Enterprise Partnership: South East Growing Places Fund (GPF)

Introduction and background – GPF Round 2

The Growing Places Fund (GPF) was established by the Department for Communities and Local Government (DCLG) and the Department for Transport (DfT) in 2011 to unlock economic growth, create jobs and build houses in England. GPF operates as a recyclable loans scheme. In the case of South East Local Enterprise Partnership (SELEP) a total of £49.2m GPF was made available, of which £48.7m GPF has been already allocated. Repayments are now being made on these original loan investments, creating the opportunity for reinvestment of GPF through Round 2. Through GPF Round 2, SELEP seeks to invest up to £9.317m (amount of GPF available over the next three years to 2019/20), in projects which require capital loan investment.

The process for the allocation and award of GPF includes three stages:

- *Stage 1 – Expression of interest*
- *Stage 2 – Scheme prioritisation*
- *Stage 3 – SELEP Accountability Board funding decision*

In Stage 2 (scheme prioritisation), schemes selected by the Federated Areas will be required to develop and submit a Strategic Outline Business Case (SOBC) which provides the strategic, economic, financial and deliverability evidence in support of the proposal. Applicants who have applied for GPF for projects which have been assessed as having the potential to progress (Stage 1) are invited to complete the following document (comprised of 10 sections) which sets out the prioritisation process (Stage 2).

Loan agreements

SELEP will allocate GPF primarily through loan agreements with the County Council/ Unitary Authorities, who will then enter agreements with scheme promoters.

Primary Loan Agreements will be entered into between Essex County Council (Accountable Body for SELEP), the 'Lender' and the applicant authority, the 'Borrower' (County or Unitary Authorities).

The Primary Loan Agreement will include:

- *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 - Interest will be charged at two percent below the Public Works Loan Board (PWLB) or zero, (whichever is higher) at the point of the loan agreement being entered into. The rate will be fixed at the point of the loan agreement being entered into and will be fixed through the duration of the agreement. Based on the current PWLB interest rate, GPW will be awarded with zero percent interest;*
- *Missed repayment fine - A late repayment fine will be incurred if the project fails to make loan repayments as per the schedule agreed within each Project's Loan Agreement. This fine will be equivalent to the charging of interest at market rate from the point of default on the loan repayment; and*
- *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.

Growing Places Fund (GPF) Business Case Template

1. Scheme summary

Scheme promoter:

South Essex College of Further & Higher Education

Project Name:

Centre for Advanced Engineering (CAE)

Federated Board Area:

Essex

Lead County Council/Unitary Authority:

Essex

Development Location:

28 & 30 Stephenson Road, Eastwood, Essex. SS9 5LY

Project Description:

South Essex College is the largest FE provider in Essex with some 13,000 learners annually. With an annual turnover in excess of £50m and campus sites in Southend, Basildon and Thurrock, it is a key provider to the South Essex area. The CAE centre is at the core of the College's curriculum and estates plans moving forward.

The CAE centre is the first and critical project in a suite of three developments facilitated through the College disposing of its existing Basildon (Nethermayne) campus, in partnership with wider Homes and Communities Agency (HCA) land to Redrow Homes PLC. The wider scheme involves land, delivery and / or funding for :

- Creation of the new £12m CAE centre in Eastwood providing circa 8,000m² (GIA) state of the art advanced automotive, electronic, process engineering and technical construction facilities in new freehold premises.
- Creation of a new Basildon town centre facility for the College providing a town centre base with specialism in digital technologies on the new market square development.
- Development of 725 new homes on the existing Nethermayne site, [REDACTED].
- Land and funding for a new primary school on the site.
- A state of the art new permanent base for the equestrian centre (delivered).
- A new market in Basildon town centre on the St Martin's Square site.
- £500k contribution towards sports facilities in the Basildon area.
- Two acres of serviced land with dedicated access to facilitate expansion of St Lukes Hospice.
- A new, safer, serviced and finished air ambulance landing site closer to Basildon hospital.

Critical to all the above is delivery of the CAE. Not only does it provide much needed enhanced state of the art facilities for students in its academic delivery areas - which collate closely to regional and local employer market information – [REDACTED]

Project Development Stages:

Key dates from the project programme developed for the scheme are noted in the table below. Further information can be provided if required.

Project development stages			GPF funding required
Stage	Partners	Status	✓ or ✗
Nethermayne disposal	HCA, Redrow Homes, Basildon Council	Outline planning 2014, conditional sale agreement 2015, phase 1 unconditional April 2016. [REDACTED]	✗
Site Acquisition	Southend Council Irwin Mitchell Barclays Brightside (owners)	Conditional contracts agreed. Target unconditional contracts end January 2018	✓
Design Development	Gibberd Architects Mott Macdonald Academy QS Attol Blue PM Irwin Mitchell	Stage 2 design completed. Further design development post contract execution.	✗
Town Planning	Southend Council	Change of use application approved	✗
No 30 works tender	Design team	[REDACTED]	✗
No 30 construction	Contractor (tba)	[REDACTED]	✗
No 30 occupation		[REDACTED]	✗
No 28 works tender	Design team	[REDACTED]	✗
No 28 construction	Contractor (tba)	[REDACTED]	✗
No 28 occupation		[REDACTED]	✗

GPF required:

£2,000,000 (Two million pounds) is sought to be used as part of the acquisition and fit out costs for the new site (£12,005,400 as shown in Section 4)

2. Strategic fit

Policy and Strategic Context:

[Please specify how the overall scheme aligns with the policy and strategic context, including local policies, strategies and investment plans, SELEP Strategic Economic Plan (SEP) objectives and SELEP emerging Skills Strategy; max. 1 page.]

South Essex College is the largest FE College in Essex, with some 13,000 learners annually. It has an annual turnover in excess of £50m and campus sites in Thurrock, Basildon and Southend. Southend and Thurrock Campuses are new and deliver a curriculum to meet the skills needs identified locally and regionally.

The development of the new facility on the border of Southend and Basildon will provide specialist facilities in Advanced Automotive and Electronic/Process Engineering, alongside Construction Technicians through both Apprenticeships and workshop based delivery of Levels 3, 4 and 5.

It will also provide vacant possession of the present Basildon Campus to support the development of 725 new homes, a Primary School and a new College Campus in Basildon Town Centre focused on Digital Technologies.

Need for Investment

SELEP's vision statement seeks "significant economic growth" within priority sectors that will "drive the growth of our economy". Their Economic Plan identifies improving our skills base as a key priority. The proportion of residents with higher level (4+) skills is low (28% against 35% nationally).

The LEP's priorities include increasing the talent pool for priority sectors (including Advanced Engineering and Construction) and improving productivity. There is a clear focus on increasing the number of apprentices, particularly at higher levels and encouraging FE Colleges to specialise and to create facilities to meet industry skills need.

Engineering is a significant sector in Greater Essex, with a circa 49,500 employees in 2016 and 15,500 vacancies in Essex.

According to UKCES Engineering and Technology had the highest ratio of skills shortage vacancies of any of 25 occupational groups. At 43% it is double the average. Electronics and Process Engineering is expected to see a 50% increase over the next 3 years.

The ESB evidence base identifies the highest occupations in demand as Plant and Machine Operatives, Engineering Technicians, Electrical & Electronic Engineering, Vehicle and Metal Goods Maintenance and Repair, alongside Computer Aided Design.

The Construction Industry is predicted to grow locally with up to 50,000 new homes planned, with as many as 20,000 new jobs being available up to 2020. The most vacancies in 2016 were Electrical Engineers (804), Electricians and Electrical Fitters (598) and Electric and Electronic Trades.

Basildon has 3,000 people employed in the Automotive industry across only 10 companies. It has a high concentration of Engineering Companies including Case New Holland, Selex Galileo and Ford Motor Company. Southend has Ipeco Holdings Ltd. and KeyMed and Olympus. There is also significant employment growth at both DP World Logistics Park and at Tilbury Port.

The new planned facility will contribute to all of the skills demands outlined above. It will deliver programmes for young people and adults who wish to upskill or retrain, alongside a wide range of apprenticeship opportunities, particularly at Levels 3, 4 and 5.

Need for Intervention:

The overall scheme is noted by College partners, including Essex County Council, as one of the most important schemes in the County. Ultimately the entire scheme is self-funding in overall capital terms but the overall project cash flow has periods of deficit. Receipts are received from Redrow over the period 2016 to 2027 with payments to Basildon Council (market relocation), HCA (Treasury land return) and the College from those receipts. [REDACTED]

The College already has significant (£20m+) loan debt with Barclays following the development of the new Southend and Thurrock campus sites. Barclays nor any other commercial banks will lend further to the College, and were they minded to any further indebtedness would need to be signed off by Barclays.

Through good relationships the College has managed to secure a facility agreement with Southend Council which has been agreed by Barclays as it is specific to the CAE centre and isolated from all other borrowing and security. [REDACTED] This in turn will lead to a poorer student experience in at the CAE and other centres which could, potentially, put the success of the CAE and other sites at risk.

Impact of Non-Intervention (Do nothing):

SELEP objectives are to support the creation of jobs, homes, skills and strategic connectivity as well as the environment, economy and society. The CAE, wider Nethermayne scheme, and all associated sub-projects deliver to all of these objectives which is rare for a single scheme. The wider scheme cannot proceed without CAE proceeding as noted earlier.

If GPF funding were not obtained the College would need to decide whether to proceed on the basis of the Southend Council facility. Should the College proceed the interest payments would require the College to make requisite revenue savings. Property and other fixed asset costs are fixed so savings would need to be found from staff costs and educational consumables. [REDACTED] The College has already undertaken several rounds of restructuring, redundancies and cost efficiencies so further reductions would directly impact on educational delivery, the number of students who could attend in the first years and the successful growth of the CAE and other sites. This negative student experience may also impact on student recruitment, retention and success rates, and thereby on subsequent employment and development prospects. This in turn would put the operation of the CAE and other proposed centres themselves at risk.

[REDACTED]

Funding Options:

[Please demonstrate the need for GPF by providing evidence that all reasonable private sector funding options have been exhausted and no other public funding streams are available for or fit the type of scheme that is being proposed; max. 0.5 pages.]

The College has a £21.5m revolving credit facility (RCF) with Barclays Bank which was renegotiated in 2017. Following the Further Education Strategic Area Review and the proposed insolvency regime from 2019 the banks attitude to lending to the sector has changed significantly.

The £21.5m was lent to assist the College in redeveloping the campus in Grays, Thurrock. The new College campus cost £45m to construct and the lending was on the basis of revenue streams and ability to repay debt over ten years. Any new borrowing must now provide between 140 and 200% security on an alternative market use basis for the assets.

The campus in Thurrock was revalued on this basis for the bank debt renegotiation and was given a new value of [REDACTED]. Together with the campus in Southend and a satellite site, the College has been able to provide the bank with [REDACTED] coverage of the £21.5m existing facility. The College now does not have further assets sufficient to attract new borrowing from the traditional banks.

In order to proceed with this CAE project the College has worked with local authority partners to find a way to finance the purchase of the site. CAE is in the Southend on sea borough council authority. Southend is prepared to lend the [REDACTED] required to purchase the site and has requested at least [REDACTED] security. The interest rate from Southend is [REDACTED] which equates to an annual charge [REDACTED].

3. Infrastructure requirements

Infrastructure Requirements:

The CAE centre meets a regional and local need for skills and employment in the automotive, engineering and construction industries. The College currently offers some provision at the Nethermayne campus and limited provision in Southend due to the nature of buildings and space available. Through curriculum planning, including discussions with employers and use of LMI information the College has developed plans for a state of the art facility located equidistant to Southend and Basildon serving both conurbations and the wider South Essex catchment area.

Using professional advisors the College explored a range of options to deliver the facility with agents searching for land and building acquisition solutions. Single location industrial scale facilities of the size required are scarce. The College's advisors identified, over the course of eighteen months, very few existing buildings. Similarly vacant sites with good transport links in high visibility locations were equally rare with development costs a multiple of acquisition and refurbishment costs.

Working with agents Ayers & Crucks the Stephenson Road site initially materialised as the opportunity to lease No 30 alone. The College and agents met with the landlords / landowners and managed to negotiate the potential to acquire the freehold of Nos 28 and 30 comprising circa three acres of land with circa 8,000m² of constructed industrial space.

Due diligence and design confirmed the buildings could be properly and efficiently refurbished to provide the requisite academic, workshop and support spaces together with 170 parking spaces and opportunities for amenity and future sports development on the adjacent Oakwood Park. Design work and costs have been developed to RIBA stage 2 in conjunction with senior curriculum staff to meet the current and future direction of automotive and process engineering. Designs will be finalised once the site is formally acquired.

Delivery of the CAE centre not only provides desperately needed facilities to develop automotive and process engineers alongside building services technicians for the future, it also unlocks the wider Nethermayne scheme allowing development of housing, schools, community facilities, hospice expansions and other regenerative benefits to Basildon.

Plans showing the location of the proposed CAE centre and RIBA stage 2 proposed floorplans are included in the appendices to this paper.

4. Cost and funding

Total Project Cost and Funding Required:

The gross total project cost budget for the CAE scheme is £12,005,400 inclusive of VAT but exclusive of interest costs should the College proceed with the Southend Council Facility. Ultimately the full cost of the scheme will be met from private finance through the Redrow sale agreement. In terms of the GPF funding, however, this would equate to £10,005,400 (83%) private / College funding and £2,000,000 (17%) GPF funding.

Scalability

£2.0m is being sought to support this project which does deliver a number of SELEP's objectives and will support the whole LEP in addressing the provision of further education. So, while this project will score strongly in that regard we could look at a scenario with SELEP where a reduced sum may be offered due the number of projects that may come forward exceeding the funding available. This project

is vital to the provision of further education across South Essex and so a reduced level of funding will be equally useful in securing the onward provision of skills training in Essex. The project deliverables, outputs and outcomes will not change as a result of a reduced funding offer, but there will be a marginal increase in project costs due to the cost of alternative finance.

Cost breakdown:

[For the stages of development where GPF is sought please provide a breakdown of the associated costs, including any overheads, contingency, quantified risk allowances etc., as per the table below. Add row for each cost]

Cost type	Expenditure profile						Total
	17/18 £000	18/19 £000	19/20 £000	20/21 £000	21/22 £000	22/23 £000	
Capital							
Due diligence	██████						██████
Land acquisition		██████					
Fit out costs			██████				
FF&E				██████			
DM, PM & QS					██████		
Design / professional fees							
Contingency							
Legal Fees							
VAT							
Non-capital [For example revenue liabilities for scheme development and operation]							
QRA							
Monitoring and Evaluation	Incl.	Incl.	Incl.				
Total cost	7,407.7	4,465.7	132				12,005.4
Inflation (%)	Incl.	Incl.	Incl.				

Funding breakdown:

[Please specify the total project funding and breakdown, as per the table below.]

Funding source	Funding security	Funding profile						Total
		17/18 £000	18/19 £000	19/20 £000	20/21 £000	21/22 £000	22/23 £000	
Redrow sale contract	Unconditional Dec 2017 with future payments linked to that date.	█	█	█				█
Capital source 2...								
GPF	Subject to bid	█	█					█
Southend Council		█	█					█
Non-capital source 2...								
Total funding available		█	█	█				█

5. Deliverability

Planning, Approvals and Specialist Studies:

The College has successfully obtained a change of use planning consent from industrial / office to education use from Southend Council. The conditional permission (reference 16/02284/FULM) was issued on 14th March 2017. No further planning permissions or studies are required.

Procurement:

Attol Blue are the College's appointed project managers for the CAE and wider schemes flowing from the Nethermayne sale. Attol Blue will comply with the College's procurement strategy which is fully EU and UK compliant. The preferred route for fit out and new build schemes is a two stage JCT design and build contract with a guaranteed maximum price mechanism which offsets risk and cost overrun to the contractor whilst sharing cost savings or benefits. Packages are tendered with the College having the ability to insert "wild card" sub-contractors into packages if required.

The College has extensive experience in delivering schemes of equal or larger scale and complexity on time and to budget including :

- 26,000m² Luker Road, Southend campus opened for £52m in 2004 on time and budget;
- 3,000m² Thurrock Learning campus (£5m) semi-permanent building in 2009
- 15,000m² Thurrock campus redevelopment (£42m) opened in 2014
- 7,500m² Forum II building in Southend in conjunction with Southend Council opened in 2014
- 1,500m² construction skills centre in Basildon opened in 2016
- Summer works programmes from £400k to £2m each year within the College sites.

Property Ownership and Legal Requirements:

The two building sit on a single site owned by Brightside Ltd a commercial landlord and developer. The College have agreed conditional contracts with Brightside to acquire the freehold interest of the site and buildings conditional on vacant possession and some limited mezzanine floor removal (fire compliance) which is the responsibility of Brightside prior to completion.

Brightside have signed declarations from the tenant of No 30 acknowledging it will vacate and waiving protected tenancy rights. It is understood all tenants in No 28 are on monthly licences and therefore do not have secured tenancy rights.

Due diligence has been undertaken by the College's legal advisors Irwin Mitchell and surveyors Calford Seaden. Both areas of due diligence conclude there are no significant issues with condition matters being picked up through the College's refurbishment programme.

Equality:

No Equalities Impact Assessment has yet been carried out for the construction phase. However, the design of the building and its external features will ensure best practice in providing access for people with impairments within the context of planning policy. Tendering contractors will be required to submit equality and diversity policies and practices which will form part of the assessment matrix.

Finalisation of the precise curriculum offer, through discussion with employers, will also involve an Equalities Impact Assessment for teaching, learning and assessment.

The College ensures the requirements of relevant legislation related to age, disability, race, gender, religion or belief, sexual orientation, gender reassignment, pregnancy and maternity, marriage and civil partnership are fully complied with. We Actively advance a culture of celebrating diversity and will maintain an inclusive learning environment of mutual tolerance for all. This includes raising the awareness of what is expected of learners, employees and users of the College whilst they study or work at the College and also provides the opportunity for learners to discuss issues and concerns if they feel that their expectations are not being fully met. Direct and/or indirect discrimination will not be tolerated.

A specific EIA for CAE has not been completed however we implement effective policies and procedures throughout the College for dealing with harassment, bullying and victimisation of all learners and staff. We also implement effective processes for monitoring and equality analysis in relation to the nine strands comprising age, disability, race, gender, religion or belief, sexual orientation, gender reassignment, pregnancy and maternity or marriage and civil partnership.

Our Impact Assessment will include a range of actions to encourage women to undertake Engineering and Construction programmes, where they are significantly under-represented.

To monitor the outcomes the College will annually publish an Equality and Diversity report on the findings of its monitoring processes and equality analysis, its advancement of equality and diversity through its work with staff and the delivery of learning informed with appropriate statistics on staff and learners. Additionally the College will continue to embed the process of assessing the impact of its curriculum, its policies, processes, plans and procedures in order that no individual or group possessing protected characteristic/s, is disadvantaged, discriminated against, victimised or subject to prejudice.

6. Expected benefits

Overall Project Impacts:

[Please specify the expected impacts of the overall project in terms of 'direct' outputs (jobs, homes and other outputs arising from the project) and 'indirect' outputs.

Direct outputs should be presented in ‘gross’ terms and ‘net’ terms after making adjustments for additionality factors¹, as per the table below.

Please describe the basis for these estimates and specify if the realisation of benefits is contingent on further investment not yet secured, max 0.5 pages.]

Outputs / Outcomes		2018/19	2019/20	2020/21	2021/22	2022/23	2023+	Total
Direct Outputs (gross terms)	<i>Learners (exc apprentices)</i>	216	336	480	640	800	896	896
	<i>Apprentices</i>	54	84	120	160	200	224	224
	<i>Jobs for delivery of learning</i>	11	19	27	38	45	56	56
	<i>Sustained job outcomes for apprentices</i>	0	45	71	102	136	170	170
Direct Outputs (net terms, after considering additionality)	<i>[Jobs, Homes, floorspace, new learners assisted etc.]</i>							
Indirect Outputs (gross terms)								
Indirect Outputs (net terms, after considering additionality)								

The Role of GPF in Benefit Realisation:

[Provide evidence that without GPF support the project would not proceed, would proceed at slower rate or would have fewer impacts and benefits than estimated; max. 0.5 pages].

If the College were to proceed with the project having to utilise the funding options described in section 2 above the additional cost would [REDACTED]. If the GPF application is successful and the loan is repaid in March 2022 from the receipts from the disposal of the site it would save the project [REDACTED].

The saving equates to the annual cost of 41 jobs supporting this project. Without the benefit of the loan the benefits will not be able to grow as quickly as projected.

The CAE project is the first stage in the re-provision of the Basildon Campus at Nethermayne. [REDACTED] sales receipt to be paid over the next ten years. The unconditional sales contract releases [REDACTED] in promissory notes for the next two years and the balance paid in instalments up to 2027.

Value for Money (VfM):

[The VfM category should be presented as a summary of the project benefits in relation to project costs. Where the overall project has already had a VfM assessment undertaken the promoter should include this and provide an evidence on the potential for GPF to support or, if applicable, enhance the VfM of the overall project. Where no previous VfM assessment has been undertaken, promoters should follow the relevant appraisal guidance (DCLG Appraisal Guidance² - page 28 or the DfT Value for Money

¹ Additionality is the extent to which something happens as a result of an intervention that would not have occurred in the absence of the intervention (see [Homes and Communities Agency, Additionality Guidance, 2014](#))

² [DCLG Appraisal Guide](#)

Framework³) and define both the overall VfM and the GPF contribution. This should be proportionate to the size of the overall project and the GPF ask; max. 0.5 pages. Please note the following:

- for projects requesting funding towards the upper limit of the recommended GPF loan (£2m) a quantified Value for Money assessment will be required
- the VfM should be based on the overall assessment of both monetised and non-monetised impacts.]

The College is disposing of its site at Nethermayne in Basildon and reprovding the education offer across three projects. The GPF is sought to facilitate one of the strands of the reprovision and manage the cahflow gap between the receipts for the disposal of the site. Nethermayne and adjacent land owned by the Homes and Communities Agency (HCA) has been sold to Redrow for [REDACTED]

There are other significant added benefits from the redevelopment of the Nethermayne site in addition to the Colleges reprovision:

1. A new two form entry primary school
2. 2 acres of land gifted to St Lukes Hospice to enable it to expand
3. A new purpose built landing facility for Essex Air ambulance
4. Permanent Equestrian Centre opened at Barleylands, safeguarding equestrian centre jobs (2017).
5. New Market in Basildon safeguarding market traders' jobs (2018)

The £2.0m GPF sought is 17% of the overall project cost for CAE. The remaining 83% is private investment as it is from the Redrow receipt. GPF is a loan and not a grant and therefore once repaid the CAE project is 100% private funded.

Using an evidence base of costs prepared by new economy the benefits from the project are

	Advanced Automotive Engineering	Process Engineering	Construction and Building Services	Annual Totals	Lifetime socio economic impact (40 years) per learner	Total lifetime socio economic impact (40 years)
	from 2018 to 2023	from 2018 to 2023	from 2019 to 2023			
14-16 Year olds	20	-	25	45	34,120	1,535,400
16-19 Year olds (full time programmes)	180	60	120	360	50,000	18,000,000
Adults (upskilling)	208	60	200	468	50,000	23,400,000
16-18 Apprenticeships	55	20	60	135	90,800	12,258,000
Adult Apprenticeships	40	22	50	112	90,800	10,169,600
Total Numbers	503	162	455	1,120	-	65,363,000

³ [DfT value for money framework](#)

The fiscal value is calculated using the up-front costs of supporting qualification attainment, and the change in tax revenues (increase in income tax, national insurance contributions and VAT payments) associated with qualification attainment.

- 14 -16 year olds - Average of Truancy (£1,048 p.a.) and Exclusion (£658 p.a.) cost to welfare system multiplied by 40 year lifetime
- 16 - 19 year olds - Average of L2 and L3 (BTECT, C&G and NVQ)
- Adults upskilling - Average of L2 and L3 (BTECT, C&G and NVQ)
- 16 - 18 Apprenticeships - Average of L2,3 and 4 apprenticeship
- Adult Apprenticeships - Average of L2,3 and 4 apprenticeship

Source: <http://www.neweconomymanchester.com/our-work/research-evaluation-cost-benefit-analysis/cost-benefit-analysis/unit-cost-database>

The College has completed a Net Present Value appraisal for the project using the ESFA financial model. Over twenty years this delivers a positive NPV of [REDACTED]. Using the SELEP cost of capital calculator reveals a figure of [REDACTED]. Given the loan equates to 1/6th of the overall £12m cost, dividing the NPV by six and then again by the [REDACTED] results in a BCR of 5.23 for the project which is considered excellent value for money.

Alternatively dividing the £65,363,000 figure calculated in the table above by six and then by the cost of capital delivers an even better ratio of 23.25.

7. Contribution to the Establishment of a Revolving Fund

GPF Repayment:

The loan will be repaid via Redrow receipt payments from the sale contract of the Nethermayne contract. Phase 2 of the contract is scheduled to go unconditional before the end of 2017 and all payments beyond that point are linked in time to that point with no other conditional stages or gateways.

Should unconditional dates be delayed the College would look to negotiate earlier payment with Redrow through the contract or engage with Southend Council for any period beyond March 2022.

GPF Repayment Schedule:

Repayment of the loan will be via a single payment from the Redrow receipts as noted above.

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
GPF Repayment (Capital)	0	0	0	2,000,000	0	2,000,000

Financial Viability:

GPF Loan repayment is to be funded by payments from Redrow which are outlined in the contract that the college has with them for the development of the Nethermayne site in Basildon.

Complete repayment of the GPF loan is contingent on payment four with earlier payments committed to the Council's relocation of the market and the College's redevelopment of the town centre. The GPF has been attributed to the CAE strand of the overall Nethermayne Strategy [REDACTED]

[REDACTED] It is not possible to use payments before payment four to pay down the loan as these are committed to the other strands of delivery which are equally critical.

[REDACTED]

8. Risks

Risk Register:

The risk register and associated commentary is provided in Appendix A to this paper.

9. State aid

State Aid:

The State Aid rules only apply in relation to funding of activities which amount to "economic activity" and as a general rule both the European Commission and the Court of Justice of the European Union have indicated that the provision of public education, where funded primarily by the State, in a non-economic activity and thus falls outside of the ambit of the State Aid rules. This means that public support of such activities at any level (even 100%) is potentially permissible under the State Aid rules.

10. Monitoring and evaluation

Monitoring and Evaluation:

The College Deputy Principal/CEO and his finance staff will undertake financial monitoring and management. This will be reported to the funding partners, along with the achievement of key milestones, in line with contractual agreements, to the Board of Governors of the College, and through the College's annual accounts to the Department of Business, Industry and Skills.

Delivery of the scheme will be coordinated by the College's Vice Principal Corporate Resources who has over twenty years experience in the private sector of developing, managing and delivering complex property and construction schemes in the private, higher and further education sectors. He is supported by an internal head of capital projects together with external advisors led by the College's appointed external project management company.

Learner enrolments and achievements will be monitored by the College in line with its Learning and Teaching Strategy which will set rigorous key performance indicators to monitor and evaluate the quality of learning, learner recruitment, retention and success.

The Evaluation Plan will comprise two elements:

- the achievement of the key objectives and key milestones of the project. The project will be evaluated against the stated aim, objectives and outputs which will be the key performance indicators for the scheme. Progress against key milestones will be reported to the partners funding the scheme in accordance with Funding Agreements. Evaluation will involve partners and stakeholders
- a continuous self-assessment of the teaching , learning and assessment carried out in the centre. All learner outcomes, quantitative and qualitative will be reported annually in the College Self-Assessment Report, which is shared with funding bodies and Ofsted. The section on the CAE centre will be compiled with the benefit of opinions and experiences from those involved and will be disseminated to partners.

Dissemination of information will take place in two main phases:

- **During the project**, to inform employer, schools, partners and other stakeholders of the construction of the centre, its location and the curriculum it will deliver and of its strategic link to employers, Apprenticeships and employment opportunities at the Airport. This will be to build up a constituency of support for the new CAE.
- **Post project completion**; to provide information to a wider audience of future end-users of the centre, to decision/policy-makers and to supporters and interested parties, including teaching professionals, to the wider automotive, process engineering industries and employer representatives.

Dissemination activities will include:

- The media – print, television, radio using the marketing teams of all immediate partners
- Social media
- Conferences and seminars e.g. the Association of Colleges

11. Declaration (To be completed by applicant)

<i>Has any director/partner ever been disqualified from being a company director under the Company Directors Disqualification Act (1986) or ever been the proprietor, partner or director of a business that has been subject to an investigation (completed, current or pending) undertaken under the Companies, Financial Services or Banking Acts?</i>	Yes / No
<i>Has any director/partner ever been bankrupt or subject to an arrangement with creditors or ever been the proprietor, partner or director of a business subject to any formal insolvency procedure such as receivership, liquidation, or administration, or subject to an arrangement with its creditors</i>	Yes /No
<i>Has any director/partner ever been the proprietor, partner or director of a business that has been requested to repay a grant under any government scheme?</i>	Yes / No

If the answer is “yes” to any of these questions please give details on a separate sheet of paper of the person(s) and business(es) and details of the circumstances. This does not necessarily affect your chances of being awarded SELEP funding.

I am content for information supplied here to be stored electronically, shared with the South East Local Enterprise Partnerships Independent Technical Evaluator, Steer Davies Gleave, and other public sector bodies who may be involved in considering the business case.

I understand that a copy of the main Business Case document will be made available on the South East Local Enterprise Partnership website one month in advance of the funding decision by SELEP Accountability Board. The Business Case supporting appendices will not be uploaded onto the website. Redactions to the main Business Case document will only be acceptable where they fall within a category for exemption, as stated in Appendix E.

Where scheme promoters consider information to fall within the categories for exemption (stated in Appendix E) they should provide a separate version of the main Business Case document to SELEP 6 weeks in advance of the SELEP Accountability Board meeting at which the funding decision is being taken, which highlights the proposed Business Case redactions.

I understand that if I give information that is incorrect or incomplete, funding may be withheld or reclaimed and action taken against me. I declare that the information I have given on this form is correct and complete. Any expenditure defrayed in advance of project approval is at risk of not being reimbursed and all spend of Local Growth Fund must be compliant with the Grant Conditions.

I understand that any offer may be publicised by means of a press release giving brief details of the project and the grant amount.

<i>Signature of applicant</i>	
<i>Print full name</i>	<i>Angela O’Donoghue</i>
<i>Designation</i>	<i>Principal & Chief Executive</i>

The lead County Council/ Unitary Authority should also provide a signed S151 Officer Letter to support the submission – see example letter in Appendix B

Appendix A – Risk register

Description of Risk	Impact of Risk	Risk Owner	Risk Manager	Likelihood of occurrence (Very Low/ Low/Med/ High/ Very High) (1/2/3/4/5) *	Impact (Very Low/ Low/ Med/ High/ Very High) (1/2/3/4/5) **	Risk Rating	Risk Mitigation	Residual Likelihood/Impact Scores
				[e.g. Medium 3]	[e.g. Very Low 1]	[Likelihood of occurrence multiplied by Impact]		
Failure to secure GPF funding	College either elect not to proceed or proceed with Southend Council facility and associated operational issues	College – Anthony McGarel, Deputy Principal & Chief Executive	Steve Smith, Vice Principal Corporate Resources Iain Bell, Attol Blue – Project Manager	3	4	12	Without GPF Funding the College would need to determine whether to proceed with the Southend Council facility and associated impact on operations, or to not proceed with the scheme and wider Nethermayne project.	12
Failure to receive planning consent	College can acquire and undertake works but cannot occupy	College – Steve Smith, Vice Principal Corporate Resources	Iain Bell, Attol Blue – Project Manager	1	5	5	Planning consent achieved. Satisfaction of pre-commencement and pre-occupation conditions known to College and team with actions included on programme and in cost plan	5

Failure to achieve private sector investment	College left with sufficient funds to acquire the site but not complete the fit out / refurbishment works.	College – Anthony McGarel, Deputy Principal & Chief Executive	Steve Smith, Vice Principal Corporate Resources	1	5	5	<p>Conditional contracts with Redrow were exchanged in 2015 with Phase 1 becoming unconditional in April 2016 and corresponding payment of £14m. Phase 2 is scheduled to go unconditional before the end of 2017 with limited conditions precedent.</p> <p>Reserved matters for relevant phases now achieved with other matters in the control of Redrow and public sector partners.</p> <p>Delays or failure to go unconditional at all would lead to remarketing of the Nethermayne site or, ultimately, resale of the Stephenson Road site.</p>	3
Building conditions lead to delays or increased costs.	Construction delays or increased cost.	College - Steve Smith, Vice Principal Corporate Resources	Iain Bell, Attol Blue – Project Manager	2	3	6	<p>Significant due diligence including building surveys, M&E surveys and full legal due diligence undertaken with identified matters included in refurbishment works, costs and programmes. Residual risk relates to items requiring intrusive surveys.</p> <p>The College has until 2020 to vacate Nethermayne so can stay in occupation if works are delayed by excessive timescales.</p>	4
Delays in procuring the	Delay to occupation of	College - Steve Smith,	Iain Bell, Attol Blue –	1	4	4	<p>College team are experienced at procuring contractors for small and</p>	3

contractor	the facilities.	Vice Principal Corporate Resources	Project Manager				large scale projects. All contracts are below EU thresholds and front end tender / contract documents already exist. Soft market testing will begin once building acquisition occurs.	
Construction costs exceed budget	Cost / funding imbalance.	College - Steve Smith, Vice Principal Corporate Resources	Iain Bell, Attol Blue – Project Manager	2	3	6	All project activities will be subject to tendered prices with appropriate contingencies taking a guaranteed maximum price approach when procuring contractors. All costs will be reviewed and monitored by cost consultants.	6
Contractor Programme slippage	Unforeseen events on site or poor contractor / sub-contractor management leads to works delays	College - Steve Smith, Vice Principal Corporate Resources	Iain Bell, Attol Blue – Project Manager	2	3	6	The programme plan is based upon recent experience of a construction project of similar size and complexity. The project manager and delivery team will follow a programme consistent with good practice and experience and will track and monitor progress across the life cycle of the project.	6
Contractor insolvency	Delays and cost risk through termination of existing contractor and appointment of new	College - Steve Smith, Vice Principal Corporate Resources	Iain Bell, Attol Blue – Project Manager	1	4	4	Assurance will be given by the due diligence process that the College will carry out as part of the appointment process and a performance bond could be secured.	3

Delays to Redrow payment	Delays in repayment of GPF Funding	College – Anthony McGarel, Deputy Principal & Chief Executive	Steve Smith, Vice Principal Corporate Resources	2	4	8	<p>Delays could occur either through phase 2 unconditional date, Redrow financial difficulties or contractual dispute.</p> <p>Should contracts be delayed the College would look to negotiate accelerated payment with Redrow. Redrow failure or failure to renegotiate would lead to the College engaging with Southend Council or alternative funders at that time.</p>	6
Brightside delays to acquisition completion	Delayed completion of site leads to delayed occupation and / or cost increases	Steve Smith, Vice Principal Corporate Resources	Iain Bell, Attol Blue – Project Manager	3	2	6	<p>Once contracts are exchanged the College can elect to complete prior to the works being completed and pursue Brightside for costs. Alternatively the College could delay occupation for an academic year as it does not have to vacate Nethermayne until 2020.</p>	4

* *Likelihood of occurrence scale: Very Low (1) more than 1 chance in 1000; Low (2) more than 1 chance in 100; Medium (3) more than 1 chance in 50; High (4) more than 1 chance in 25; Very High (5) more than 1 chance in 10.*

** *Impact scale: Very Low (1) likely that impact could be resolved within 2 days; Low (2) potential for a few days' delay; Medium (3) potential for significant delay; High (4) potential for many weeks' delay; Very High (5) potential for many months' delay.*

Appendix B – Funding commitment

Draft S151 Officer Letter to support Business Case submission – Growing Places Fund

Dear Colleague

In submitting this project Business Case, I confirm on behalf of Essex County Council that:

- The information presented in this Business Case is accurate and correct.
- The funding has been identified to deliver the project and project benefits, as specified within the Business Case. Where sufficient funding has not been identified to deliver the project, this risk has been identified within the Business Case and brought to the attention of the SELEP Secretariat through the SELEP quarterly reporting process.
- The risk assessment included in the project Business Case identifies all substantial project risks known at the time of Business Case submission.
- The delivery body has considered the public sector equality duty and has had regard to the requirements under s.149 of the Equality Act 2010 throughout their decision making process. This should include the development of an Equality Impact Assessment which will remain as a live document through the projects development and delivery stages.
- The delivery body has access to the skills, expertise and resource to support the delivery of the project
- Adequate revenue budget has been or will be allocated to support the post scheme completion monitoring and benefit realisation reporting
- The project will be delivered under the conditions of the Loan Agreement which will be agreed with the SELEP Accountable Body, including the repayment of the Growing Places Fund loan in accordance with an approved repayment schedule.

I note that the Business Case will be made available on the SELEP website one month in advance of the funding decision being taken, subject to the removal of those parts of the Business Case which are commercially sensitive and confidential as agreed with the SELEP Accountable Body.

Yours Sincerely,

S151 Officer