

# 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:**

Chatham Historic Dockyard Trust (CHDT)

**Project Name:**

The Fitted Rigging House – Business Space Development

**Federated Board Area:**

Kent & Medway

**Lead County Council/Unitary Authority:**

Medway Council

**Development Location:**

The Historic Dockyard, Chatham, Kent, ME4 4TE

**Project Description:**

*[Please provide a brief description of the overall proposed scheme; max. 0.5 pages.]*

The Fitted rigging House Project (FRH) converts a large, Grade 1, former industrial building into office and public benefit spaces initially providing a base for 3 organisations employing over 350 people and freeing up space to create a postgraduate study facility elsewhere onsite for the University of Kent's Business School. Should the project not proceed two of the organisations (approx. 300 jobs) are likely to leave Medway and Kent and the viability of the Business School's strategy is weakened. The project forms a critical element of Chatham Historic Dockyard Trust's corporate plan based on a strategy of "preservation through re-use" that generates income to maintain the 80 acre heritage site and maintain its educational purposes, both at the core of Medway's wider regeneration strategy.

Further to these initial ambitions the project also provides expansion space for the future which has the potential to enable the creation of a high tech cluster based on the work of one core tenant and pre-existing creative industries concentrated on the site.

The Fitted Rigging House is a scheme that follows the principles of Chatham Historic Dockyard Trust's (CHDT) business strategy of Preservation through Reuse by bringing our largest remaining underutilised building into sustainable income generating re-use by creating substantial office space for business use as well as providing further public facilities.

The conversion will provide 3,473sqm of office space, of which 2,184sqm is allocated (subject to contract) to two expanding businesses that would otherwise have relocated outside of Medway and potentially the South East of England as they grow. This will both maintain jobs and grow them up to 400 jobs in Medway. The attraction of being located on the Georgian part of the Dockyard with its history of innovation and its presence are a significant factor in this location decision making. Further to this, by relocating its own offices into the space, CHDT is freeing up space to enable the University of Kent Business School to expand into a vacated area to provide 437m<sup>2</sup> of additional space.

The business plan for the project, based on a detailed future cost analysis using real life costs, experience and assessment of income potential from the building, clearly demonstrates that investment in the Fitted Rigging House will generate sufficient, self-generated income for the owner (charity) to ensure that the wider site can be maintained appropriately, safeguarding the existing 500 jobs located

here as well as the visitor attraction with draws 170,000 people per annum to Medway. It will also reduce dependence on public subsidy from Government to zero.

Additionally, CHDT enjoys the support of more than 300 volunteers without whom it could not meet its purposes. This support has grown through deliberate investment in staff support and coordination but has not been matched in terms of physical support services. The project will provide a Volunteer Centre of Excellence including training spaces, welfare facilities and social areas where volunteers can relax and enjoy the recreational elements of volunteering, promoting social further social inclusion.

The project will transform this building from significant liability to an asset for the local community, feeding into local economic development programmes and creating a sustainable future for the building and the wider site via the creation of new rent streams - a “smart endowment” that will also safeguard previous investment in the site, facilitating future preservation and education – our core charitable obligations.

#### Project Development Stages:

*[Please specify the current stage of development confirming the roles of developer, and other partners involved in delivering the scheme e.g. bank, contractor. Please specify the project development stage(s) to be funded through GPF as per the table below. Add additional rows as necessary.]*

Project development stages			GPF funding required
Stage	Partners	Status	✓ or ✗
Phase 1 – Enabling Works	TBC	Complete	No
Phase 2 – External Fabric Repairs	Armour Group	Team in place	Yes
Phase 3 – CHDT Fit Out Works	None – Delivered in-house	Team in place	No
Phase 4 – Shell and Core Works	Buxton Construction	Team in place	Yes
Phase 5 – Fit Out and Relocation Works	Various	Team in place	Yes

**GPF required:**  
£800,000

## 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.]*

The Fitted Rigging House is closely aligned with local policies and strategies within Medway Council including long-term strategies and visions for Medway looking forward to 2035. Aligned with this strategy, the Fitted Rigging House project meets the following key local objectives:

- Destination and Placemaking – through the wider sustainability of the wider site, The Historic Dockyard Chatham is reinforced as a leading element of “Putting Medway On The Map”. Capitalising on Medway’s rich maritime heritage it is increasingly recognised as a successful tourism, cultural and business location partner.
- High Value Jobs and Productivity – through the maintenance and creation of 300+ jobs in a variety of sectors including the creative industries. The project will provide essential business space to growing SME’s that would look to locate outside the SE LEP area if this project does not go ahead.
- Inward Investment – through the wider economic benefit provided by The Historic Dockyard Chatham as a visitor destination, providing c.£16m to the local economy per annum.
- Local Employment – through the retention of 2 growth businesses within the local area (Dovetail Games and Ward Security – both of whom are essential recruiters in Medway).
- Innovation – through the ongoing support to creative industries on-site, both housed in the Fitted Rigging House and the wider site which is secured through the investment in this project.
- Business Accommodation – through the infrastructure put in place as part of this project, providing 3,473sqm of office space to businesses.
- Sector Growth – through the continued encouragement of a mixed-use economy throughout The Historic Dockyard site – focussing on education and creative industries with the potential to develop inter-related clustering.
- Improving Employability – through the creation of additional facilities for the University of Kent that will allow them to expand their School of Business to cater for post-graduate studies and add an additional 200 students to The Historic Dockyard site.

The project meets a number of the SELEP Objectives as outlined in the SELEP Strategic Economic Plan including:

**Sustainable Private Sector Jobs** – This scheme will initially secure over 300 jobs within the Fitted Rigging House for SME private sector organisations with room for expansion.

**Universities and Innovations** – Through development of the Fitted Rigging House, the University of Kent will be expanding their presence within vacated space within The Historic Dockyard, growing their Business School to include post graduate studies and making space for an additional 200 students on site.

Alongside the Joiner’s Shop (42 unit Creative Industries Incubator) on site and a range of both low and high tech creative businesses in other buildings – the creative cluster on the Dockyard is perfectly aligned with the cultural offer of the charity itself. Soon to become a National Portfolio Organisation (NPO) for Arts Council England, the Dockyard is becoming a strong and sustainable creative hub with impacts spreading well beyond its walls.

Creative, cultural and media and the visitor economy – Through investment in The Fitted Rigging House, the wider Historic Dockyard Chatham becomes financially self-sustainable and no longer reliant on central Government funding. This secures the site for the c.170,000 annual visitors to the site and all other users, ensuring appropriate future investment in maintenance and services to meet CHDT's stated commitment to future growth rather than stagnation.. This will facilitate growth in the c.£16m per annum the Historic Dockyard site contributes to Medway's local economy.

The principles of this project are clearly aligned with both local strategic regeneration policy and the wider SELEP policies for growth in the region.

In addition, the project meets the following objectives of the SELEP Growing Places fund:

- Job Creation and Employment
- Accelerated development for the Thames Estuary
- Supports Coastal Communities – The wider Historic Dockyard site contributes an estimated £16m to the local economy per annum (based on independent research)
- Supports culture and tourism – through the financial sustainability of the wider Historic Dockyard site which welcomes 170,000 visitors per annum to the Medway area.
- Social Enterprise – CHDT is a charity that effectively operates as a social enterprise generating substantial income from operating and services that is circulated to support the wider Dockyard community and the wider community. By operating in this way, CHDT is also able to meet its own charitable objectives of preservation and education which include volunteer support, personal development, business support and community engagement.

#### Need for Intervention:

*[Please articulate the underlying issues driving the need for intervention, with reference to the specific market failure that the GPF will address. The request should consider whether the problem reflects a market failure or evidence that the market demand for the proposed project has weakened; max. 0.5 pages.]*

The need for intervention is critical at this point in time for 2 key reasons:

1. Time-Limited Matched Funding – DCMS has provided £1.5m seed-corn funding to this project to unlock the wider financial sustainability of The Historic Dockyard Chatham. This has been critical in supporting the Trust to raise additional funding (£7.6m) to support the development of the Fitted Rigging House but this funding must be spent by the end of the financial year 2017/18. It is therefore critical that this funding is utilised now to ensure this opportunity is not lost, delaying the financial sustainability of the Trust and placing the site to a degree of risk due to the subsequent loss of revenue support from DCMS.
2. Loss of Businesses in Medway – Both anchor tenants that have expressed significant interest in the Fitted Rigging House require new accommodation as a matter of urgency to secure their own growth plans. In both cases, if the Fitted Rigging House is not completed, they will relocate their businesses elsewhere in the UK or potentially overseas.

Both needs for intervention are time critical which has led to the fast track development of the Fitted Rigging House scheme. The loss of businesses in Medway would have huge impact in the local area as both companies are significant employers of local people and the impact of their businesses moving will mean employees will either need to relocate or face the threat of redundancy from their positions.

#### Impact of Non-Intervention (Do nothing):

*[Describe the expected outcome of non-intervention. Promoters should clearly articulate the impacts of not receiving GPF funding and how this is reflected against the SELEP objectives to support the creation of jobs, homes, skills and strategic connectivity as well as the environment, economy and society, if applicable. This section should also highlight whether the project is expected to still go ahead without GPF and whether it is likely to have a reduced impact or a slower impact due to non-intervention; max. 0.5 pages.]*

The Trust has raised a total of £7.65m towards the total project costs of £8.45m. Of this sum well in excess of £5m is classed as “Heritage Deficit”, eg the intrinsic additional costs associated with the stabilisation, repair and methodologies associated with bringing important heritage assets into use. As an essentially “commercial” project this has been a real challenge. The remaining gap of circa £800 K, when funded, relates to investment into conversion to 21st century uses including providing connections to fast broadband and the like. CHDT has very limited reserves at Charity Commission minimum approved levels and as our Corporate Plan makes clear a finally balanced revenue position. From CHDT’s perspective The FRH project is specifically designed to increase organisational financial resilience and reduce risk, thus safeguarding the existing investment on site which supports 500 jobs, 600 students, homes and a large visitor economy that supports Medway’s growth agenda.

CHDT could use its limited reserves, this would reduce them below agreed policy and Charity Commission recommended levels which would inevitably increase risk. To mitigate the impact the Trust would inevitably reduce the scope and quality of project outcomes to reduce costs and risk. This would be to the detriment of the value of future income streams, where rental levels would be restricted or potentially, subject to agreement, tenant investment increased at the cost of future rent flows to compensate. This obviously undermines the value of the project at this critical time for our charity increasing vulnerability and reducing contribution to Medway’s growth.

CHDT could also consider commercial loans but the impact would be similar to that stated above.

The success of this project absolutely depends on the quality of outcomes:

- Consents have only been granted based on quality
- “pre let” tenants have only signed up on the basis of quality and services provided – their commitment would be jeopardised by reduced quality
- “pre let” tenant business plans are predicated on known investment levels – changing pre let agreements to request more investment would jeopardise tenancies.
- The maintenance of the wider site is key to maintaining tenant commitment and growth (all tenants). The cost of interest on commercial loan finance or of reserves would reduce expenditure on critical maintenance to the detriment of future success.

A low cost Growth Fund loan is a sustainable and responsible funding approach for the Trust which is affordable within future business plan scenarios enabling us to deliver a project that will be successful in meeting our objectives and those of tenants as well as fulfilling our financial obligations to invest in the wider site at appropriate levels.

#### **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 Fitted Rigging House project is being undertaken by Chatham Historic Dockyard Trust, a registered charity (no. 292101) and therefore is eligible for a number of charitable grants from statutory sources and from Charitable Trusts and Foundations. However – the nature of the project including outcomes for economic development have made fundraising from traditional sources difficult. A number of

fundes have pledged support (please see below) but the main barrier to securing private sector investment is the “heritage deficit” incurred by undertaking this project within an historic building (Grade I listed). This deficit is, in part, being funded by the Heritage Lottery Fund’s Heritage Enterprise programme which has been set up to replace the need for private sector investment in property development. Interestingly, it is the ‘value’ of the heritage environment, it’s ‘presence’ and creative impact that is the attraction to prospective tenants alongside operational benefits such as security, access etc.

We have explored commercial borrowing from traditional sources (i.e. Bank Loans) and whilst this remains an option, the additional borrowing costs will delay the financial sustainability element of the project for a number of years and costs will lead to a reduction in project scope to the detriment of outcomes.

As mentioned previously, a low cost Growth Fund loan is a sustainable and responsible funding approach for the Trust that is affordable within our current cashflow projections as outlined in the project’s business plan.

### 3. Infrastructure requirements

#### Infrastructure Requirements:

*[If appropriate, please outline the infrastructure requirements for which GPF is sought, and provide evidence and supporting information in the form of location, layout and site plans; max. 3 pages included as an Appendix to this document.]*

All infrastructure to be created, limited to parking requirements for new business tenants, will be incorporated within the costs of the project and taking place on private property – The Historic Dockyard Chatham.

### 4. Cost and funding

#### Total Project Cost and Funding Required:

*[Please specify the total project cost and the percentage already funded through other sources; breaking down the funding in the percentage that is private and public. Please specify the capital funding sought through the GPF and what percentage of the total project cost and project stage cost it represents. Please note that it is recommended projects should seek GPF of between £250,000 and £2,000,000. Projects outside this threshold may be considered by exception where there is an overwhelming strategic case.*

*To ensure a proportionate approach to the scale of funding available, no Federated Area should nominate projects or programmes to SELEP for Stage 2 which, in total, exceed £4.65m (50% of the total GPF pot available for allocation)].*

**Total Project Cost: £8,400,000**

Funding Source	Amount	Public/Private
Heritage Lottery Fund	£4,812,000	Public
DCMS	£1,500,000	Public
DCMS/Wolfson	£100,000	Public
Michael Uren Foundation	£1,000,000	Private
Garfield Weston Foundation	£150,000	Private
CHDT Reserves	£38,000	Private

<b>Total Secured to Date</b>	<b>£7,600,000</b>
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<b>Total Request to SELEP</b>	<b>% of Capital Costs</b>
<b>£800,000</b>	<b>9.5%</b>

**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	
Repair and Conservation Work – Repairs to Historic Fabric	£1,000,000	£252,000	£0	£0	£0	£0	£1,252,000
Building Capital Works – Including New Roof and other “Heritage Deficit”	£3,000,000	£1,648,000	£0	£0	£0	£0	£4,648,000
Misc Capital Costs including fit-out	£0	£1,184,000	£0	£0	£0	£0	£1,184,000
Misc. Other Costs	£0	£25,000	£0	£0	£0	£0	£25,000
Professional Fees	£300,000	£130,000	£0	£0	£0	£0	£430,000
Activity Costs (Training & Evaluation)	£11,000	£50,000	£0	£0	£0	£0	£61,000
<b>Sub-Total cost</b>	<b>£4,311,000</b>	<b>£3,289,000</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£7,600,000</b>
Inflation (%)	£50,000	£50,000	£0	£0	£0	£0	£100,000
Contingency	£350,000	£350,000	£0	£0	£0	£0	£700,000
<b>Total Project Cost</b>	<b>£4,711,000</b>	<b>£3,689,000</b>	<b>£0</b>	<b>£0</b>	<b>£</b>	<b>£0</b>	<b>£8,400,000</b>

**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	
Heritage Lottery Fund	Secured	£2,000,000	£2,812,000					£4,812,000
DCMS	Secured	£1,500,000						£1,500,000
DCMS/ Wolfson	Secured	£100,000						£100,000
Michael Uren Foundation	Secured	£400,000	£200,000	£200,000	£200,000			£1,000,000
Garfield Weston Foundation	Secured	£150,000						£150,000
CHDT Reserves	Secured	£38,000						£38,000
<b>Total funding available</b>		<b>£4,188,000</b>	£3,012,000	£200,000	£200,000			£7,600,000

**5. Deliverability**

**Planning, Approvals and Specialist Studies:**

*[Please provide evidence regarding the planning status of the project by stage, if applicable, and whether any other approvals or specialist studies such as Environmental Impact Assessment are required. Schemes should be ready for delivery. Please include references to planning decisions and reports if available and describe the timescales associated with securing any additional approvals required; max. 0.5 pages.]*

Planning consent has been granted by the local authority (Medway Council) on 28<sup>th</sup> July 2017 and Scheduled Ancient Monument consent has been granted by Historic England on 15<sup>th</sup> July 2017.

CHDT is highly experienced at delivering major adaptive re-use projects on very significant heritage buildings. It has a proven approach to this which is based on absolute risk minimisation, programme and cost certainty. The FRH project development has followed this process and delivery will utilise sophisticated change management and risk control systems.

A fully qualified and highly experienced professional team is already procured and the Trust's own experienced team has worked on the project since inception. Considerable enabling works and design studies are already complete with the aim of risk minimisation:

- Asbestos survey and pre-start removal
- Drainage surveys and pre-start mitigation
- Utility capacities and needs (including Broadband) with enabling works identified completed.
- Conservation Management Plans developed and used to inform Planning and Scheduled Monument Consents
- Building condition and structural survey all feeding into design and tender packaging.
- Desk and intrusive archaeological studies completed and designs based on them
- Tender level design already complete and used in all tender information

- M and E design including “buildability”
- Detailed programming and sequencing
- Detailed cost planning and cash flow planning
- Risk assessment and risk mitigation planning

Tenders packages on critical path issues have been issued and where appropriate appointed in accordance with OJEU procedures.

The project team has already established key risk management protocols including strict change management and procurement procedures.

#### Procurement:

*[Please comment on the proposed procurement route and how opportunities to maximise social value through supporting SME's and local supply chains has been considered; max. 0.5 pages.]*

As a charity in receipt of significant public funding, CHDT operates a rigorous procurement policy across all of its operations. It is regularly monitored and audited. The specialist nature of many contracts within a historic environment means that 'lowest cost' is not always the decision driver. Experience or working in sensitive heritage environments and with traditional methods, quality, proven track record etc. are all assessed in formal procurement procedures meeting public body standards and always ensuring value for money where possible.

CHDT is planning to use a combination of traditional principle contractor procurement for the major Shell and Core works including:

- Roof replacement
- Insulation
- Drainage
- Refurbishment and redecoration of Woodwork
- Core creation
- M&E

This contract will follow the usual requirements for public procurement. The Trust will then employ and manage a range of smaller contractors procured through its approved framework procedures to undertake fit-out; an approach that has been successfully employed across the Historic Dockyard over many years, including the recent fitting-out of the Sail & Colour Loft to provide the Trust's current offices.

The Trust's framework of small contractors is based on public procurement best practice, competitive tender returns and regular price checks to ensure value for money at every stage. Our procurement procedures are regularly monitored by organisations such as the Heritage Lottery Fund, the Department for Culture, Media and Sport (DCMS) and local Government.

The advantages to this approach include the employment of local, highly skilled and experienced operatives who fully understand the nature of working within the Dockyard's historic environment plus the significant saving of both time (highly important for this project given the time-limited nature of our matched funding already in place) and costs when compared to a more traditional method of employing the services of a main contractor for fit-out works. This approach also promotes the use of local businesses and supply chains to support to local economic growth development project.

Procurement to date has included the following contracts:

- Project Manager (including QS services) – Artelia
- Architect – Baynes and Mitchell Architects
- M&E – Chapman BDSP
- Structural Engineering - The Morton Partnership
- Shell & Core Works – Buxton Construction
- External Fabric Works – Armour Group

All contracts procured to date have followed OJEU or formal approved framework methods where appropriate and have followed CHDT procurement guidelines to ensure a balance of quality and price.

#### Property Ownership and Legal Requirements:

*[Please provide evidence of land/property ownership, including the steps being taken and the timescales if land/property is required, and specify any legal requirements that might delay the programme of implementation/development; max. 0.5 pages.]*

The Fitted Rigging House and the associated land that it occupies is fully owned by Chatham Historic Dockyard Trust. No additional land or property needs to be acquired as a result of this project. Deeds of ownership can be made available upon request.

#### Equality:

*[Please state whether an Equality Impact Assessment has been completed for the overall project and state the main outcomes of this assessment. If an Equality Impact Assessment has not yet been completed then please state the expected timescale for completion and how the outcomes of this assessment will be considered in the projects development; max. 0.5 pages.]*

As part of the Heritage Lottery Fund application process, the Trust has undertaken an Equality Impact Assessment to ensure that all elements of the project meet the Trust's usual stringent equal opportunities policies.

In terms of specific policy, the Trust aims to be an equal opportunities site and undertakes to apply objective criteria to assess merit where appropriate – whether it be through direct employment, selection of contractors or any other procurement of services. It aims to ensure that nobody receives less favourable treatment on the grounds of race, colour, national or ethnic origins, sex, sexual orientation or perceived sexuality, marital status, disability, membership or non-membership of trade union, "spent convictions" of ex-offenders, class, age, politics, religion or belief.

As an Arts Council England National Portfolio Organisation (NPO), the Trust has a direct responsibility to ensuring equality against everything we do and we are assessed on our ability to delivery against Arts Council England's extensive criteria for monitoring equality and diversity.

## 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 factors<sup>1</sup>, as per the table below.*

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<sup>1</sup> 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](#))

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	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023+	Total
<b>Direct Outputs (gross terms)</b>		Jobs: 100 Floorspace : 3,473sqm of which 2,184sqm is allocated Learning: 200 new students	Jobs: 150 Floorspace : 3,473sqm of which 2,184sqm is allocated Learning: 200 new students	Jobs: 200 Floorspace : 3,473sqm of which 2,184sqm is allocated Learning: 200 new students	Jobs: 300 Floorspace : 3,473sqm of which 2,184sqm is allocated Learning: 200 new students	Jobs: 300 Floorspace : 3,473sqm of which 2,184sqm is allocated Learning: 200 new students	Jobs: 500 (Estimated) Floorspace: 3,473sqm of which 2,184sqm is allocated Learning: 200 new students	Jobs: 300 Floorspace: 3,473sqm of which 2,184sqm is allocated Learning: 200 new students
<b>Direct Outputs (net terms, after considering additionality)</b>		Jobs: 100 Floorspace : 3,473sqm of which 2,184sqm is allocated Learning: 200 new students	Jobs: 150 Floorspace : 3,473sqm of which 2,184sqm is allocated Learning: 200 new students	Jobs: 200 Floorspace : 3,473sqm of which 2,184sqm is allocated Learning: 200 new students	Jobs: 300 Floorspace : 3,473sqm of which 2,184sqm is allocated Learning: 200 new students	Jobs: 300 Floorspace : 3,473sqm of which 2,184sqm is allocated Learning: 200 new students	Jobs: 500 (Estimated) Floorspace: 3,473sqm of which 2,184sqm is allocated Learning: 200 new students	Jobs: 300 Floorspace: 3,473sqm of which 2,184sqm is allocated Learning: 200 new students
<b>Indirect Outputs (gross terms)</b>		Additional Income to the Trust: £0. Operating Deficit until income generation.	Additional Income to the Trust: £88,337	Additional Income to the Trust: £133,664	Additional Income to the Trust: £193,998	Additional Income to the Trust: £239,338	Additional Income to the Trust: c.£300,000	Additional Income to the Trust: c.£300,000
<b>Indirect Outputs (net terms, after considering additionality)</b>		Additional Income to the Trust: £0	Additional Income to the Trust: £88,337	Additional Income to the Trust: £133,664	Additional Income to the Trust: £193,998	Additional Income to the Trust: £239,338	Additional Income to the Trust: c.£300,000	Additional Income to the Trust: c.£300,000

### 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].*

#### 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 Guidance<sup>2</sup> - page 28 or the DfT Value for Money Framework<sup>3</sup>) 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.]*

To estimate the Gross Value Added (GVA) effects of the Fitted Rigging House-Business Space Development project, BRES and ONS data on employment and GVA in relevant sectors have been used to establish GVA per head, using the most recent confirmed data, at the NUTS 2 level (Kent and Medway). An independent assessment of Value for Money has been undertaken by DC Research (full report included as Appendix D).

Taking into account the activities of the allocated tenants, business jobs are likely to be distributed across relevant sectors as follows:

- Information and communication (32.5%).
- Professional, scientific and technical activities (12.5%).
- Arts, entertainment and recreation (32.5%).
- Administrative and support service activities (22.5%).

GVA per FTE employee for each sector is applied to the net additional direct jobs in Table 2 (contained in full report – Appendix D) and has been calculated over a 10-year period for the purposes of the SELEP application, adjusting for an average occupancy rate of 90% for the project over this period.

Discount of 3.5% has been applied in line with HM Treasury Green Book guidance to generate Net Present Values (NPV) over this time period.

Resulting **GVA impacts generated by these jobs on this basis over 10 years being £22,630,149**, with the profile over 10 years set out in Table 4 below. This shows the amount of GVA generated by the net direct jobs supported by the Fitted Rigging House-Business Space Development project for the local economy.

It has been assumed that space will be available from 2019 onwards, and works will be completed during the 2019/20 financial year.

Taking the total public sector cost of £7,212,000 , this gives a Benefit to Cost Ratio (BCR) for the project of 3.1.

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<sup>2</sup> [DCLG Appraisal Guide](#)

<sup>3</sup> [DfT value for money framework](#)

## 7. Contribution to the Establishment of a Revolving Fund

### GPF Repayment:

*[Please specify how the GPF will be repaid e.g. through developer contributions, and include supporting documentation where appropriate (e.g. draft S106 agreements) as an Annex to this document; max 0.5 pages.]*

GPF funding will be repaid via the rental returns acquired as a result of the successful completion of this project. Based on current business plan assumptions, we are anticipating rental returns of the following levels over the GPF funding period:

Rental Return	2018/19	2019/20	2020/21	2021/22	2022/23
Dovetail Games	£0	£56,000	£86,000	£126,000	£156,000
Ward Security	£0	£16,000	£31,000	£51,000	£66,000
Additional Income (Car Parking, Service Charges etc.)	£0	£80,450	£82,059	£83,701	£85,375
<b>Totals</b>	<b>£0</b>	<b>£152,450</b>	<b>£199,059</b>	<b>£260,701</b>	<b>£307,375</b>

The assumptions above are based on a stepped rental approach for both tenants. There is a shortfall in repayment available in 2019/20 that will be underwritten by CHDT reserves. The above represents a conservative estimate and it is hoped that additional income will be realised once additional tenants are brought on from 2019/20. Contracts for both tenants will be signed once financing for the Fitted Rigging House project is fully secured – including Stage 2 HLF funding and potential support via the SELEP GPF.

*Appendix C Attached: Heads of Terms from 2 Anchor Tenants (Dovetail Games and Ward Security)*

### GPF Repayment Schedule:

*[Please outline the proposed timetable for GPF repayment, committing to repaying the loan before 31st March 2022. The Repayment Profiles should match those in the Financial Viability section]*

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
GPF Repayment (Capital)		£150,000	£200,000	£200,000	£250,000	£800,000

### Financial Viability:

*[Please provide an initial statement highlighting the underlying assumptions and expected viability of the GPF investment; max 0.5 pages. Following this, please include a cashflow that would show both the Drawdown and Repayment Profiles for GPF. All costs and revenues need to be sourced and clearly referenced. If the GPF is expected to unlock further funding that will be used, in part to repay the GPF loan this should be clearly annotated].*

A total of £7.6m has been raised to date to support the Fitted Rigging House project with a small gap of £800k outstanding that is hoped can be funded via the SELEP GPF. Other project funding has been

given in the form of grants so there is no requirement for payback on any of the £7.6m meaning the only loan financing attached to this project would be the potential SELEP GPF. We have attached a cashflow forecast that outlines the proposed drawdown (all occurring in 2018/19 to accommodate the fast-track nature of the project) with repayment commencing from 2019/20 when rental returns for the building start to be realised. The repayment schedule has been proposed based on the expected rental return (three significant allocated tenants have already agreed Heads of Terms that meet the requirement) from the building ensuring that the Trust should not need to use its charitable reserves to repay the funding. Risk is, however, mitigated by the option to use reserves for repayment in extreme circumstances where rental streams and other Trust revenue sources cannot meet repayment requirements. This is highlighted as a risk but the likelihood is classed as very unlikely.

Cashflow forecasts are based on RIBA Stage 3 Cost Plan development undertaken by an experienced Quantity Surveyor working for Artelia (Project Manager) and our own financial management, led by the Trust's Chief Financial Officer. The Trust has delivered a number of projects of this scale in the past and has indeed just completed a £9.6m investment in new entrance facilities which has been completed on budget and to programme.

It should be recognised that this project is an important part of the Trust's future resilience plan that comprises a range of income streams and controllable costs elements which are specifically designed to reduce future financial risks for the whole organisation. Its success, therefore, provides multiple financial and organisational benefits but any temporary underperformance against business projections is not a critical risk. Longer term underperformance would have more profound impacts but as the project fits so well with current operations and strategy such underperformance is not seen as a tangible risk especially in view of market interest already expressed.

## 8. Risks

### Risk Register:

*[Please complete a Risk Register, identifying overall and GPF related project risks, likelihood, impacts and mitigations as per the table in Appendix A.*

*For the most significant project risks provide supporting commentary which considers the implementation risks associated with the project, such as risks associated with not securing GPF and risks to the repayment of GPF.*

*The risk assessment should consider the risks associated with the repayment schedule and mitigation to address this. max. 0.5 pages.]*

A project risk register already exists and is reviewed by the project team and CHDT Board regularly.

A separate risk management exercise will identify the uncertainties that could prevent the project from achieving its objectives and its success criteria. The risk register, risk management plan and risk allowance are owned by the PM and will be reviewed at Monthly Meetings. The client's representative and ultimately the project subcommittee of its Board will be the ultimate owner of strategic risks.

Depending upon the severity and likelihood of risk as reviewed, a specific action plan or plans will be instigated as necessary to remove, mitigate or control risks that have either a high likelihood of occurrence or a high impact on the project.

The Headline Risks can be summarised by the following:

- Funding applications unsuccessful
- Proposed design not achievable within funding allowances secured
- Additional footfall created as a result of increasing the quantity of rentable spaces means

- the scheme is rejected by planners
- Running costs are excessive which impacts of income generating capability
- Spaces created are not attractive to potential Tenants.

As described in Section 1, not receiving a Growth Fund loan is a risk to the project. Although it will be possible to proceed, it is likely that the programme will be delayed, standards reduced, income streams reduced and tenant commitment jeopardised. This impacts on overall project outcomes.

There is a low risk of repayment failure or delay as the Trust would be able to utilise its limited reserves or borrow money commercially in extreme circumstances.

Risk Register is included as Appendix A.

## 9. State aid

### State Aid:

*[Please confirm that by supporting this project the GPF will not be providing State Aid; max 0.5 pages;]*

It is believed that in developing this project, Chatham Historic Dockyard Trust does not receive an advantage that we could normally get from the market – therefore there are no State Aid implications.

The Fitted Rigging House project seeks to find an effective re-use of a large Scheduled Ancient Monument. Chatham Historic Dockyard Trust is an dependent charitable trust and registered charity (No. 292101) with a history of mixed funding projects – the returns from which are reinvested in its charitable purposes of Education and Preservation. The Trust has received funding from the Heritage Lottery Fund to offset the “Conservation Deficit” of this project. This relates to the costs involved in developing this type of building due to the heritage and conservation problems. The project is perceived as having a heritage conservation deficit of c.£5.2 – 6m, meaning it is unviable for commercial development.

Therefore, the Trust is not receiving a significant economic advantage through grant funding to develop this project as the majority of costs are related to heritage issues. Advice has been sought by property advisors Savills to calculate the figure outlined above and to review local competition. The full report is available upon request.

To comply with HLF Terms and Conditions, all works to the building will be subject to the usual public procurement procedures. A framework approach will be taken on certain elements of the project including Project Management.

## 10. Monitoring and evaluation

### Monitoring and Evaluation:

*[Please provide evidence how you will monitor and evaluate the effectiveness of the GPF funding. If GPF funding is sought to unlock a stage of development a monitoring and evaluation schedule should be in place to understand whether the GPF funding has addressed the need and generated the expected benefits<sup>4</sup>; max. 1 page.]*

Project Monitoring

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<sup>4</sup> For more details, please see the [HM Treasury The Green Book](#) and the [SELEP Assurance Framework 2017](#), Section 5.8

Throughout the delivery phase of the Fitted Rigging House project, the Trust will be monitoring the performance of the consultant team. They will be asked to address how their work is helping to deliver the project aims in their key stage reports and in their monthly reports. We will also test design proposals with stakeholder organisations (including the proposed anchor tenants – Dovetail Games & Ward Security and volunteers) during the delivery phase. This will give us a user perspective, external to our own organisation, as to how well we are meeting our aims.

#### Monitoring of the critical path

The Trust will work with Artelia (Project Management Consultancy) to develop a critical path for the project and an example of how this looks at RIBA Stage 3 is included in this document. Artelia will be responsible for monitoring this critical path and will report to the Trust with any concerns or slippage so corrective action can take place if necessary.

#### KPI's to measure

Throughout the project, we will measure the impact of the development of the project using a number of KPI's including:

- Sq. Ft Let within the Building
- Jobs Created
- Compliance with statutory constraints
- Security of Scheduled Ancient Monument Structures and Listed Buildings etc.
- Subsequent Income Generated
- Engagement with:
  - Volunteers
  - Others
- Quality of design and delivery of works against specification
- Increased economic impact over and above the existing £16m per annum

#### Project Evaluation

We know that as of 2012, The Historic Dockyard Chatham supports more than 500 jobs and brings in around £16m into the local economy, according to a commissioned benchmark report on its economic impact to Kent and Medway – undertaken by DC Research. This report would be used as a basepoint for evaluation on the economic impact of this project when a similar report will be undertaken upon completion of the Fitted Rigging House project to measure the direct economic impact the project has had to the local economy. The findings of this research will be shared with others to form a case study on the impact of strategic investments in heritage sites and the following economic development effects in the surrounding area.

#### 11. Declaration (To be completed by applicant)

<p><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></p>	<p>No</p>
<p><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></p>	<p>No</p>

<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>	No
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*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.*

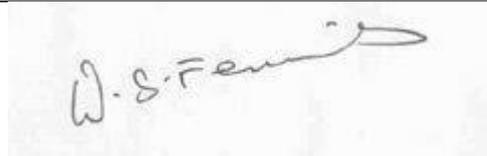
I am content for information supplied here to be stored electronically, shared with the South East Local Enterprise Partnerships Independent Technical Evaluator, Steer Davies Gleave, and other public sector bodies who may be involved in considering the business case.

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>	William Ferris OBE, DL
<i>Designation</i>	Chief Executive

*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
Asbestos – Asbestos found on strip out of services.	Delay in programme and additional costs	CHDT	CHDT	3	4	12	Carry out R&D survey ensuring all areas to be included are assessed	4
Health & Safety – Forming new foundations	Health and Safety risks associated with evacuations; unknown from buried services; fall from height; collapse of pit.	Contractor	CHDT	1	3	3	Ensure contractors supply method statements and suitable measures and precautions are in place and the suitable training carried out.	3
Repair Costs – Condition of Historic Fabric	Wider degradation than anticipated. Delay to programme, increased costs if cannot be postponed.	CHDT	Quantity Surveyor	3	3	9	BMA and TMP have carried out investigative surveys and priority works have been brought into the scope of works. Contingency to be allowed for.	1

Repair Costs – Timber Repairs	Number and extent greater than anticipated. Budget insufficient.	CHDT	TMP	1	3	3	TMP to carry out survey of beam ends etc. to prepare schedule of repairs. Increase cost certainty. Survey was last carried out 2006.	1
Archaeology – Below Ground Archaeology	Discovery of archaeology in excavated areas. Delay to programme, potential design changes, additional costs.	CHDT	TMP	1	3	3	Programme to allow some contingency for the discovery of archaeology and the delays associated.	3
Tender Costs – Construction Market	High tender return price/ limited interest in tendering. Project becomes unaffordable.	CHDT	Project Manager	4	4	16	Tender programme – PQQ at right time – early interest secured.	9
Heritage Lottery Fund – Round 2 Application	HLF do not support Delivery Phase of the project.	CHDT	CHDT	1	5	5	Ensure HLF regularly updated via progress reports and with regular dialogue so no surprises.	5
Rental Space Features – Ventilation and Cooling	Tenant requirements are not met. No further uptake on rental space	CHDT	CHDT	1	3	3	Design level to be informed by tenant requirements and as much allowance as possible made in M&E design for later adaptations to be made (potentially by tenants)	1

Cost – Inflation	Currency and market uncertainties	CHDT	Quantity Surveyor	3	3	9	Testing of inflation rates. Contingency allowance specifically to allow for inflation.	3
Cost – Maintenance Costs	Running costs are excessive which impacts on income generating capability.	CHDT	Design Team	1	3	3	Ensure design team are specifying easily maintainable, efficient technology and materials.	3

\* *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**

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

Dear Colleague

In submitting this project Business Case, I confirm on behalf of Medway 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,

SRO (Director Level) .....



S151 Officer

**Phil Watts**