

# Template for additional funding ask for Local Growth Fund (LGF) projects

## 1. Project title

**Project Flightpath Phase 2**

## 2. Federated Board

**Success Essex**

## 3. Project description

This historic site, formally known as Thornwood Camp, was built by the MOD at the start of WW2 and served as the training base for the nearby North Weald Airfield. After the war the site was handed back to the former landowner and established itself as an employment site utilising the array of MOD buildings. These remained mostly unchanged until the new owners, GT Commercial Holdings Limited, purchased the site in 2015 with the view to retaining, improving and intensifying this important employment site for future generations.

The second and final phase (the application project) of the scheme comprises a further 21 single and two storey industrial B1/B8 mixed use units in 4 blocks totalling 40,000 sq ft / 3636 sq m GIA coupled with estate infrastructure replacement and improvements including re surfacing roads, environmental remediation, security improvements, landscaping scheme and making the whole site (existing and new units) fibre communication ready bringing the site up to date and in line with the needs of modern businesses.

The project commenced in September 2019 with the demolition of old unserviable buildings and the construction of Blocks B and D along with site wide infrastructure improvements (which included new drainage, superfast broadband and upgraded electricity connections).

## 4. What was the value of the Benefit Cost Ratio included in the original Business Case approved by SELEP?

**3.26:1**

## 5. Summary of project benefits

**Flightpath Phase 2 has wide ranging and long lasting benefits for the local area.**

**The primary project benefit is to secure and cement the future of this important historic site as a commercial employment site forever more through delivering the final phase of construction and modernisation and accelerating to market the final 21 new high quality employment sites for SME granted in the planning permission of 2015. This primary object aligns clearly with SELEP SEP, local, regional and national planning policies.**

**Environmentally the scheme will remediate any potential brownfield ground contamination found, clean out and reinstate surface water ditches, provide an attractive landscaping scheme and incorporate an extremely large subterranean storm water attenuation tank to service the whole site thus helping protect the residential properties downstream of the development from potential**

**flooding even in the worst case 1 in 100 year event for which the tank has been designed.**

**Communal recycling stations for various types of waste will be built into the scheme to promote recycling.**

**Socially the scheme provides local business owners with high quality mixed use commercial spaces of varying sizes from which to base their operations close to home in order to improve the work life balance and promote local jobs for local people.**

**The site offers a unique location opposite Epping Forest and otherwise surrounded by open farmland with far reaching countryside views, yet within minutes of major motorway routes. The scheme promotes localism through business to business trade both onsite and from the local petrol station to the restaurants, coffee shops and other offerings of the vibrant Epping High Street popular as a convenient & popular meeting place for business owners.**

**Using the 2015 published GVA figures, West Essex recorded GVA per head of £24,878, this multiplied by the 144 FTE which will be created by phase 2 of the project delivers an economic boost to the district in excess of £3.5M per annum. Not forgetting that accelerating this scheme will also deliver an additional economic boost for the local area of £2.85M in the construction sector and offer certainty to local and regional contractors (all exclusively selected from the SELEP area) post Covid19 and Brexit.**

**The addition of 21 commercial spaces provides not only jobs but then further creates opportunities for the employed staff to develop their own skills and uplift their knowledge, this further cycles the growth of the businesses and development of total skills within the SELEP area. This fits with the objectives of the SELEP Strategic Plan to grow business within the area and create a base of skilled sustainable jobs. This also increases the productivity of worker with the provision of Fibre Communications.**

**There are further environmental benefits in the form of new build energy efficient buildings, LED lighting throughout to reduce energy consumption and landscaping improvements to benefit the user experience & local wildlife alike.**

**The provision of commercial space locally will mean local residents will be employed onsite, thus reducing transport needs, this means more residents will be able to take advantage of sustainable transport options, including walking and cycling.**

**The scheme represents a high value project for SELEP given the intervention rate with a adjusted BCR of 3.26.**

## **6. Existing LGF allocation**

**£1,421,500.00**

## **7. LGF spent to date**

**£1,421,500.00**

## **8. Additional LGF sought**

**£560,000.00**

## **9. Why is additional LGF investment required?**

Project Flightpath Phase 2 was designed to be funded by both SELEP and Commercial Bank Finance from Barclays Bank, along with a small amount from GT Commercial Holdings Limited (GTCH) and its sister company (GT Comms Ltd).

The agreement in principal came from Barclays Bank and was part of the SELEP agreement but it had not been drawn down as the time constraints insisted the SELEP funding was drawn down first. As Covid-19 rolled across the world we engaged with Barclays but found the funding profile no longer fitted their lending appetite and the underwriters would not agree with issuing the loan.

As part of our legal agreement with Essex County Council we cannot register any other charges over the site, which effectively prevents finance from any other commercial bank. We have however engaged with several commercial lenders but the response is the same as that of Barclays and there is no route to finance a project of this nature and the sole reason is the economic uncertainty following Covid-19 crisis and to a lesser extent Brexit.

As such we find ourselves currently facing not being able to finish the Blocks C & E and road infrastructure onsite within the previously agreed timeframe. Having costed the remaining elements and our own cashflow we are able to fund the final build parts of Blocks B & D with an intercompany loan from GT Comms Ltd.

Therefore we are now planning on putting on hold all works associated with Blocks C & E, the roadways and hard landscaping until we can find or build up further funds to complete the project.

We have a projected shortfall of around £560,000.00 as we have been able to fund the project to date with intercompany loans from GT Comms Ltd but this is not a situation that is sustainable as GT Comms requires significant cashflow to service its own commercial commitments in the current climate.

This has been further compounded by the closure of the site in March, April and May 2020 during lockdown and the subsequent material delays as it pushes our completion time back (slightly increasing labour charges as things are not as efficient) but crucially delaying new tenants providing rental income to the site.

It should also be made clear that our costs have not significantly risen (we accounted for inflation) but the route to finance the process has been removed entirely outside of our control.

It is incredibly hard for us as GTCH to have to present this back to Success Essex and SELEP as the world has changed as to date this project has run on time and within budget. The removal of access to funds, which is due entirely to the changes in the lending market as a result of Covid-19, has placed Project Flightpath Phase 2 into a position which was unforeseen just 6 months ago.

This situation does not change the high level of value for money which the project represents and some modelling shows that the BCR rate varies from the original 3.26:1 to 3.16:1 if an additional 20% (£560,000.00) is funded by SELEP.

The project remains a strong tool in economic recovery, there is a huge lack of commercial space within the district, compounded by increased stockholding in preparation for Brexit and Covid19 supply chain changes. This is coupled with a strong grass roots business revival, they will only grow if there is suitable space for business to start from and grow into, this is more relevant now than ever before.

Although it is very painful for us to ask for increased funding we continue believe we have a strong project and a legitimate reason for requesting additional funds to help us and our business community recover and grow as it needs to.

With the additional funding all of the project benefits can be realised in a slightly amended timetable and as highlighted above the importance of high quality small start up and business grow on space cannot be overestimated during these times.

We have seen strong demand for the units in Blocks B and D which we aim to have finished and occupied in the spring of 2020 with deposits or expressions of interest taken on a number of units. This highlights the positive impact that the size and quality of units have on driving the local (and in turn the wider regional) economy forward. These have overwhelmingly been from small businesses who are thriving in the current climate but need space to capitalise on the changed economy.

If we are unable to finish the additional blocks within the short to medium term there is a gap (an exacerbation of the current lack of small start up and grow on business units) within the local and wider area. In not having these businesses which would otherwise grow are stifled and either leave the area, do not fulfil their potential and risk failure because they do not have the space to develop. All of these scenarios are negative for the local economy and economic development and do not aid economic recovery in challenging times.

Additionally the units deliver growth which benefits the wider economy as they deliver tax revenues, upskill local workers and promotes localism, all of which provide economic and social benefits.

## **10. Can the project proceed without the additional LGF allocation?**

The project will not proceed in the short or medium term without additional funding to plug the gap. The project as a whole will suffer a long and lengthy delay with Blocks C & E not being completed until at least 2023 when it is hoped the site will have generated enough income to repay some of the intercompany loans and have some funds to invest into full project completion.

The reality of the current situation is that we will cease all activity on the site with the completion of Blocks B & D and their car park areas. This is likely in late January / early February 2021 with a view to having the buildings ready for tenants in April 2021 once building

control have signed them off.

This will leave the site in an unfinished state and those contractors from within the SELEP area would be asked to leave site until such time as we have sufficient funds. This is potentially detrimental to the visual look and feel of the site, our original plan was to make the site look good to assist in the wellbeing of tenants.

## **11. What are the main project risks impacting the ability of the project to proceed?**

The main project risk we face is our ability to fund the final Blocks (C & E) on the site without commercially finance available. Without a suitable funding route our there will not be sufficient funds for the remaining works as we have some costly elements to pay for first and as such no further works will take place. This is because from a build perspective we cannot start and leave blocks in an unfinished manner, it would be unsafe but also we risk structural damage and increased cost at a later date.

We have completed a long task of speaking to all suppliers and site contractors and if we were able to secure additional LGF funding in March 2021 we could complete the remaining Blocks and roadways by the end of September 2021 and we have sufficient (if matched by SELEP) funds to complete this via a mixture of intercompany loans and income from rental across the site.

## **12. Have the project benefits changed since the original Business Case was approved by the Accountability Board?**

If yes, please state the nature of these changes and the likely impact on the value for money case.

No. The project benefits remain exactly the same.

The costs have not changed and as such the same benefits still apply. In reality there is likely to be an increased demand from such commercial space as people want to relocate away from highly urban areas, seek a changed way of life, are forced to look for alternate employment and choose to start their own business.

There is also signs that as consumers shopping habits change there are a number of smaller online retailers who are growing as shoppers increasingly buy online and Project Flightpath delivers the sort of space and security they require.

## **13. How can the project support the economic recovery?**

Project Flightpath Phase 2 was designed to support employment within the Epping Forest District and wider local area. It was designed as a response to lack of quality commercial space with good internet connections at a commercial market rent. These factors absolutely still apply, they have if anything become more needed as those small businesses continue to evolve

and grow. For context GTCH has seen no tenants leave the site since March and all tenants continue to trade. A number have committed to move into the new units as they become available and we continue to have strong list of companies and individuals wanting to relocate to come onto the site.

Additionally by providing a high quality unit, with superfast broadband, good security and a strong network of other like sized and minded businesses mean that those businesses who have adapted and continue to adapt to the changed world will thrive on the site.

**14. If additional funding is awarded to the project, are there any remaining barriers to project delivery (for example: outstanding planning approvals, other Governance requirements, other funding sources awaiting confirmation)?**

No. The project is in progress, it is ready to be completed, the only barrier is the lack of suitable finance which was withdrawn as a result of the Covid-19 crisis.

### Original funding breakdown (as per the original Business Case) (£m)

Funding source	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024 onwards	Total
<b>SELEP Funding</b>					£1.4215m						£1.4215m
<b>Commercial Bank Finance / Private Funding</b>					£0.01475m	£1.274m					£1.4215m
<b>Total</b>					£1.569m	£1.274m					£2.843m

### Revised funding breakdown (£m)

Funding source	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024 onwards	Total
<b>SELEP Funding</b>					£0.781944m	£1.189557m					£1.971501m
<b>Private Funding (intercompany loans)</b>					£0.01475m	£0.723999m					£0.871499m
<b>Total</b>					£0.929444m	£1.913556m					£2.843m

## Sign off of additional funding ask – required from lead County/Unitary Authority

Dear Colleague,

In submitting this project application for additional LGF, I confirm on behalf of *[Insert name of County or Unitary Authority]* that:

- The information presented in this application is accurate.
- The application states all substantial project risks known at the time of 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 in the signed LGF Service Level Agreement with the SELEP Accountable Body and SELEP Ltd.

I note that the information presented in this application will be presented in the public domain as part of the Strategic Board's prioritisation of projects. Any information presented in this application which is considered commercially sensitive and confidential, has been highlighted as such within this application.

Yours Faithfully,

### **S151 Officer**

Name	Stephanie Mitchener
Signature	(Approval by attached email)
Date	13 <sup>th</sup> November 2020

### **Senior Responsible Officer**

Name	Mark Doran
Signature	(Approval by attached email)
Date	17 <sup>th</sup> November 2020