# South East Local Enterprise Partnership: Growing Places Fund

## Introduction and background – Growing Places Fund Round 3

The Growing Places Fund (GPF) was established by the Ministry for Housing, Communities and Local Government (MHCLG) (formerly the Department for Communities and Local Government - DCLG) and the Department for Transport (DfT) in 2011 to unlock economic growth, create jobs, build houses and help 'kick start' development at stalled sites. GPF operates as a recyclable loans scheme. In the case of the South East Local Enterprise Partnership (SELEP) a total of £49.2m GPF was made available, of which £54.5m GPF has already been allocated through Rounds 1 and 2. Repayments are now being made on these original loan investments, creating the opportunity for reinvestment of GPF through Round 3. Through GPF Round 3, SELEP seeks to invest up to £20.724m (amount of GPF available over the next two years to 2021/22), in projects which require capital loan investment.

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

- *Stage 1 – Expression of Interest and Federated Area sifting and prioritisation of projects by Strategic Fit*
- *Stage 2 – Project prioritisation by SELEP Investment Panel*
- *Stage 3 – SELEP Accountability Board funding decision*

In Stage 2, schemes prioritised by the Federated Areas (during Stage 1 of the process) will be required to develop and submit a Strategic Outline Business Case which provides the strategic, economic, financial and deliverability evidence in support of the proposal. Applicants are invited to complete all sections of this document which will inform the prioritisation process undertaken by the SELEP Investment Panel.

## Loan agreements

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

Primary Loan Agreements will be entered into between Essex County Council (as Accountable Body for SELEP), the 'Lender' and the relevant Upper Tier 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 |
| • Interest rate – Interest will be charged at a fixed rate of 2% below the Public Works Loan Board rate or zero (whichever is higher) at the point of the loan agreement being entered in | • Missed repayment fine – A late repayment fine will be incurred if the project fails to make loan repayments as per the schedule agreed within the Loan Agreement. The fine will be equivalent to the charging of interest at market rate from the point of default on the loan repayment |
| • Clawback conditions | • Monitoring requirements |

Where appropriate Primary Loan Agreements will be conditional upon a subsidiary agreement being entered into between the Borrower and a third party.

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

## Growing Places Fund Business Case Template

*Please enter your answers in the white space beneath the question (and/or complete the table). All questions **must** be answered.*

### 1. Scheme Summary

Scheme Promoter:

White Rock Neighbourhood Ventures Ltd

Project Name:

Observer Building, Hastings (Phase 1)

Federated Board:
*[Kent and Medway Economic Partnership, Opportunity South Essex, Success Essex, Team East Sussex]*

Team East Sussex

Lead County Council/Unitary Authority:
*[East Sussex County Council, Essex County Council, Kent County Council, Medway Council, Southend on Sea Borough Council, Thurrock Council]*

East Sussex County Council

Development Location:
*[Specify location, including postal address and postcode]*

The Observer Building, 53 Cambridge Road, Hastings TN34 1DT

## Project Description:

*[Please provide a brief description of the overall proposed scheme, referring to any other SELEP funding which has been previously allocated to the project; maximum 1 page]*

The project will support Phase 1 of the full redevelopment of the 4,000 sqm. Observer Building (OB), which has been empty and increasingly derelict for 35 years, into a highly productive mixed-use building, creating new homes, jobs, enterprise space and support. The transformative impact of this change can only really be appreciated on site but can be seen in the proposal drawings at Appendix A.

After a long and depressing cycle of speculative purchases and no progress, in Feb 2019 the building was purchased freehold by White Rock Neighbourhood Ventures (WRNV), a locally-rooted social enterprise developer who immediately began a 7-month programme of repairs to the concrete defects throughout the building (with grant and loan support from ESCC).

The OB sits within a context of challenging buildings and spaces in the immediate area, many of which became derelict in the mid 1980s, causing a long-term drag on the whole neighbourhood. As part of a local 'ecosystem' of inter-connected organisations, WRNV's mission is to bring these previously-derelict spaces into productive uses that directly benefit local people and grow the local economy for the common good.

WRNV plans a mixed use scheme drawing on the experience and successful track record of the adjacent Rock House, a 9-storey office block WRNV purchased in 2014 and repurposed as capped-rent homes, workspaces and catering retail. Design development has been a fully integrated process between the core WRNV team, the 'ecosystem' organisations and their tenants, the professional team led by IF_DO architects, and the wider community which has been involved in many ways over a period of nearly 14 years (see Appendix J).

The OB will include leisure and retail uses on the lower three floors, a wide range of workspaces including studios, offices and open space, 16 capped-rent flats and a public roof terrace and bar with fantastic sea, castle and town views. The scale, ambition and connectivity of this community-led local redevelopment, alongside the £2M Trinity Triangle Heritage Action Zone (2020-24), will transform the fortunes of the immediate area and the wider Hastings town centre. The explicit social impact aims are: *life-changing opportunities* and *place-shaping opportunities*, especially for those who usually miss out on either.

Having achieved acquisition, early safeguarding works and submitted a full planning application, the project is now entering the 'phased organic development' approach that was so successful at Rock House. This was due to start in May 20 with a c£1M package of works with grant funding. Covid-19 delayed that and design revisions have made it sensible to increase Phase 1 works to a total of £1.8M (excluding project management and professional fees). This will enable full renovation of the Alley Level and Ground Floor, along with universal access (lift and entrance ramp), essential safe-guarding works to the roof and external facades, installation of the new electricity substation and Air Source Heat Pumps, and key internal structural works that would otherwise be disruptive to tenants in future. These works will enable anchor tenants in the huge Alley Hall and Vaults, revitalise both street level entrances, and create flexible workspace and space for enterprise support, which is key to the strategy. Phase 1 funding will also refinance the most expensive purchase loans and meet costs of professional fees and project management. Phase 2 works, to be supported by either grant through Get Building Fund (currently in process) or a future GPF loan (approved to the pipeline 12/6/20), will complete the workspace at Mezzanine and First Floor levels, undertake full repairs to the roof and exterior, prepare for the residential shell and refinance the remaining loans. Phase 3 works (seeking funding elsewhere. If we are successful with the Getting Building Fund we would anticipate putting a future GPF loan to Phase 3.) will complete the residential shell and fit-out.

## 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.]*

| **Project development stages** | | | **GPF funding required (yes or no)** |
|---|---|---|---|
| **Stage** | **Partners** | **Status** | |
| Acquisition | WRNV, Ecology Building Society, Sean Lask, Big Issue Invest | Achieved | No |
| Safeguarding the building | WRNV, Hastings Buildings Services, Structural Renovations | Achieved | No |
| Phase 1<br>Renovation (including refinancing)<br>• Safeguarding the future – essential roof repairs<br>• Completion of works to Alley Level and Ground Floor retail and leisure development, creating a total of 1,322 m$^2$ of commercial space.<br>• Structural works to Mezzanine, new stairway from Ground Floor to Mezzanine<br>• Creation of new substation and installation of Air Source Heat Pumps | WRNV,<br>IF_DO | Pending | Yes (Phase 1) |
| Phase 2<br>• Safeguarding the future – roof and external repairs<br>• Completion of works to Mezzanine and First Floor, creating a total of 1,039 m$^2$ of commercial space<br>• Initial demolitions to prepare for residential shell | WRNV,<br>IF_DO | Pending | No<br>(GBF) |
| Phase 3<br>Residential shell completion, internal walls and fit out | WRNV, IF_DO, HoH | Pending | Yes (Phase 2) |
| Steady state/ongoing enhancement (including Roof Garden & Town Room) | WRNV, IF_DO | Pending | No |

## GPF Required:

£1,750,000 (Phase 1)

# 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, the SELEP Economic Strategy Statement priorities and the SELEP Skills Strategy 2018-2023; maximum 1 page]*

The project fits well with the 'Smarter, Faster, Together' objectives. It is not just growing jobs and businesses; it seeks to establish an environment in which more value is created per working hour – through effortless encounters that promote collaboration; informal training, mentoring and support; and shared facilities that reduce business costs freeing up investment for workforce skills development.

**P1 Creating Ideas & Enterprise:** The Hastings Commons is a new idea in itself and a laboratory for community economic innovation. WRNV is a 'leading edge' social developer. Both are attracting interest from funders, policy makers and communities around the country. The Economic Strategy seeks an "integrated approach, linking existing and new facilities and creating the conditions for businesses to make new connections and share ideas". The OB will support creativity and enable businesses with growth potential to expand by providing flexible space, coaching and leadership development, and support to access finance. All tenants will have access to the Rock House superfast full-fibre connection. Technology Box and Melody VR as long-term tenants both spur and support tech innovation for others who could otherwise be left behind.

During the Covid-19 lockdown the Observer project and its associated organisations supported the rapid development of Isolation Station Hastings (ISH), a live online TV channel live-streaming all kinds of content direct from and to people in their own homes. This experience has generated all kinds of collaborations, built widespread digital confidence and brought together a highly-skilled and energetic team. They are now focusing on 'blending' the digital back into the physical world – a topical example aired on 4$^{th}$ July celebrating the independent businesses of Hastings.

**P2 Developing tomorrow's workforce:** A quarter of Hastings working-age residents have no qualifications at all and only a quarter have Level 4+. Local workforce development is essential to build the higher skills that can drive productivity. Through our partner charity, Leisure & Learning (Hastings), we focus on three kinds of training: working with colleges to offer formal training in practical skills (construction, heritage renovation, scaffolding, public realm management etc); informal learning that builds confidence, wellbeing and opportunity networks; and mentoring and connectivity for entrepreneurs and enterprise growth.

**P3 Accelerating infrastructure:** The project will build a significant scale of homes and workspace infrastructure in a form that creates huge uplifts in land values that are reinvested into local regeneration rather than extracted from the town. After decades in which Hastings was an affordable place to live and work, prices have been rising steeply since 2015, so our capped rent offer is important to protect some affordability and therefore diversity. This reflects the Strategy's recommendation for a "more diverse housing offer and increased opportunities for SME developers with a stronger stake in the local economy". By investing in Phase 1 works the project not only creates over 1,000 sq.m of commercial space, it also puts in place the essential infrastructure (access, safety, substation, air source heat pumps) and gets the necessary but noisy structural works out of the way to smooth the way to realise the benefits of the full restoration.

**Priority 4 Creating Places:** The Strategy suggests investing in "assets that deliver long term quality of place and distinctiveness, more diverse and creative employment and population base". The OB and its sister-assets clustered around the unique urban commons of the Alley, are exactly the kind of distinctive assets that can achieve this. It notes a much greater demand for easily accessible, flexible work and meeting space and a desire to support the growth of social enterprises. Both aims are addressed through this project.

The project fits ESCC priorities: Making Best Use of Resources (bringing a derelict/unproductive building that once boasted 500 jobs back into use); Driving Economic Growth (creating new employment, training and enterprise opportunities in a thriving growth sector of creative workspace); Helping People Help Themselves (as a beacon of 'bottom up development' encouraging the widest possible involvement from local people, including those who usually miss out); Keeping Vulnerable People Safe (commitment to 'ultra-inclusion' helps to bring potentially vulnerable people into the heart of neighbourhood place-shaping).

The OB is an important element within HBC's focus on the town centre. It featured in the Future High Streets application, is a core project within the successful High Street Heritage Action Zone and has been accepted by the Town Deal Board as a key component of the emerging strategic approach to town centre regeneration.

The OB team is engaged with wider economic recovery planning at both county and district level and the project aims to contribute wherever possible to meet the challenges ahead.

## 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; maximum 0.5 pages]*

The OB has suffered from a series of specific market failures over a prolonged period:

1. The deindustrialisation of print. The OB is the legacy of an old business empire at the height of its confidence. Built in 1924 to expand production from the old Print Works, it was itself expanded in the 1950s and then the 9-storey Rock House added in 1969, with plans to build more of these blocks. In the 1970s the buildings bustled with 500 jobs but by 1985 technological change turned the old print industry to dust and the whole complex was abandoned.
2. Profiting from doing nothing. The OB had 13 owners after 1985 and nearly as many planning permissions. All bar one made money on it but none undertook any repairs or redevelopment.
3. The university withdrawal. The most recent developer sought to create student accommodation, an aspiration spiked by the failure of the University of Brighton to sustain a student market in Hastings. This brought the successful meanwhile use to an end and ushered an unimaginative, undeliverable but profitable permission granted Dec 2017.

There is no market solution to this building – it needs public funding support to deal with the 'abnormals', patient capital to undertake the renovation and a mix of homes, workspace and leisure use that is both community rooted and commercially focused.

We are ready to go and keen to move fast. The building and indeed the local area has been locked in dereliction for nearly four decades. Over the past five years we have invested over £1.3M and 1000s of hours successfully bringing Rock House to life. We have brought critical local assets into custodian freehold and need to get on with renovating them and bringing them into use. Given its massive scale, the OB is the key to the whole area and a potential beacon for many others within the SELEP region.

As we emerge from lockdown our towns need a display of confident investment in new models that achieve economic, social, environmental and cultural benefit. Very few people want to 'bounce back' to the previous normal. Patterns of work are going to change – people don't want to be commuting to offices, but neither do they want to be stuck at home all the time. The OB/Rock House offer combines the best of both worlds.

## 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; maximum 0.5 pages]*

Non-intervention has been the experience of the OB for more than three decades. As an immensely strong building it has survived surprisingly well. Early safeguarding has halted the internal rot but the building cannot be made watertight without scaffolding and pieces of the façade are already beginning to fall off. Every year that passes risks exponential rises in the cost of rescue.

Having taken the risk on acquisition, we will do everything we can to progress renovation, but without GPF this would be much slower, higher risk, and far less likely to provide the jobs, skills, affordable housing, strategic connectivity and community benefits. It could even result, especially given the time and energy invested in the process to date and in the absence of alternative finance, in the failure of the OB Project, the return of the building to a market that is unlikely to respond productively, and potentially serious impacts on the viability of Rock House.

## 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. If the project was previously submitted for consideration under Local Growth Fund round 3b, please indicate why GPF loan funding is now considered suitable for this project; maximum 1 page]*

The WRNV team includes very high quality fundraising skills, experience and track record. Jess Steele OBE has over 20 years' experience of attracting and managing grant, loan and equity funding of all scales from multi-million programmes to small grants of a few thousand pounds. Her company, Jericho Road Solutions, provides coaching and support in fundraising and ownership to community groups across the country as well as taking those lessons to government, funders, corporates and academics to influence policy and programme design. Bob Thust is a former Deloitte accountant. His company, Practical Governance, provides strategic grants management including financial modelling. Our financial model was initially developed by specialists at Financial Modelling Associates and they continue to provide support as necessary.

A successful OB project that creates all the benefits listed in this application was always going to be risky and complex (otherwise the market would have achieved it). The biggest risk was/is putting together the finance. In principle, now we have taken ownership and repaired the internal structure, the project is very 'fundable' – with benefits that reflect not just GPF but other priorities for other funders. However, in the real world there are significant barriers to accessing funds:

- Timing and availability of grant programmes/social investment
- Precise and sometimes onerous match-funding requirements (that often contradict each other)
- Amount of time and effort it takes (multi-staged processes, highly detailed projections)
- Risk of rejection at one of multiple points
- Risk of mission drift and credibility fail if funds do not suit the project purpose.

We have successfully funded the purchase, initial pre-development and critically important early works.

| | | |
|---|---|---|
| **PURCHASE** | BII longer term loan | 150k |
| | Bridging debt - Sean Lask | 200k |
| | EBS mortgage | 1.2M |
| | HBC grant | 5k |
| **PRE-DEVELOPMENT** | Reach fund | 20k |
| | Stalled Sites Fund (feasibility) | 45k |
| | Community Housing Fund | 112k |
| **EARLY WORKS** | Crowdfunder | 10k |
| | Coop foundation loan | 50k |
| | Coop foundation grant | 40k |
| | Stalled Sites Fund (grant) | £100k |
| | Stalled Sites Fund (loan) | £100k |
| | AHF (loan) | £350k |

Approvals have been secured for CHART and HAZ grants (see Appendix H Abbreviations) adding a further £811k which is available to support the Phase 1 works. With this we have exhausted the range of finance options open to us. Our experience of seeking loans for the purchase showed the critical importance of the anchor tenancies, but it is very difficult to secure these (at good rates) without the finance to create suitable shell and core. The Phase 1 loan of £1.75M from GPF is of a scale, timing and flexibility to achieve the works needed so that initial tenants can be accommodated. Phase 2 would produce the remainder of the workspace and allow the business to become viable.

We applied for grant through Local Growth Fund and for the Getting Building Fund. Grant reduces costs and risks, but GPF is considered suitable as part of the funding package because the project is creating significant long-term value (Land Value Uplift) and therefore will be able to refinance with a long-term lender by March 2026.

# 3. Infrastructure requirements

## Infrastructure Requirements:

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

GPF funding for Phase 1 will support the following works:

<u>WORKSPACE, RETAIL & LEISURE DEVELOPMENT</u>

The development of the Alley Level (694 sqm) and Ground Floor (533 sqm) retail and leisure, plus support for the Mezzanine floor (94 sqm) creating a total of 1,322 m$^2$ of commercial space.

Alley Level – two anchor tenants are proposed: in the Alley Hall a fitness centre anchored by a local membership-based gym and in the Vaults a brewery/taproom that will attract other food & beverage concessions, including using the Kiosk for market-testing and incubation.

Ground Floor – creation of new entrance with business incubators and café-restaurant, conversion of main hall and southern box to leisure use with space for enterprise development.

<u>SAFEGUARDING THE FUTURE (and reducing public risk)</u>

Removing the existing failed roof and creating a weatherproof roof at Level 4.

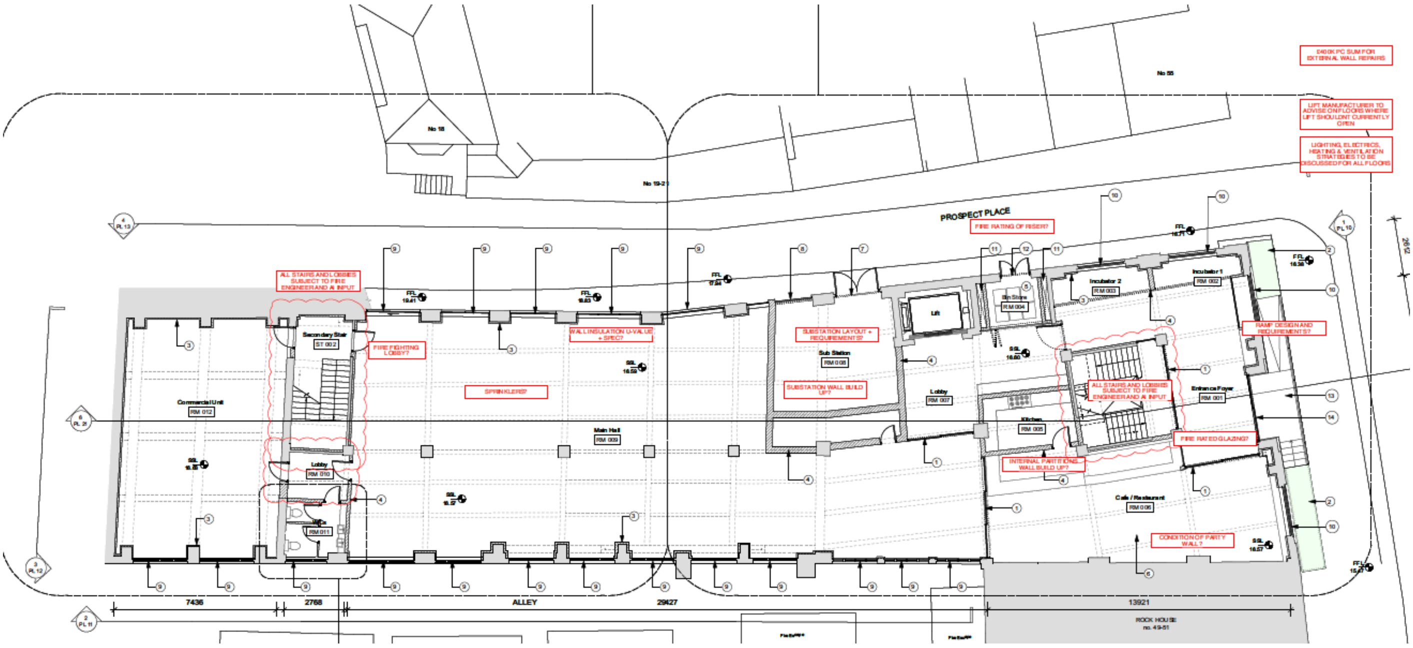
Basic exterior repairs to avoid further loss of faience tiles and reduce danger of falling debris

Creating universal access at Alley Level and Ground Floor, with full internal lift provision

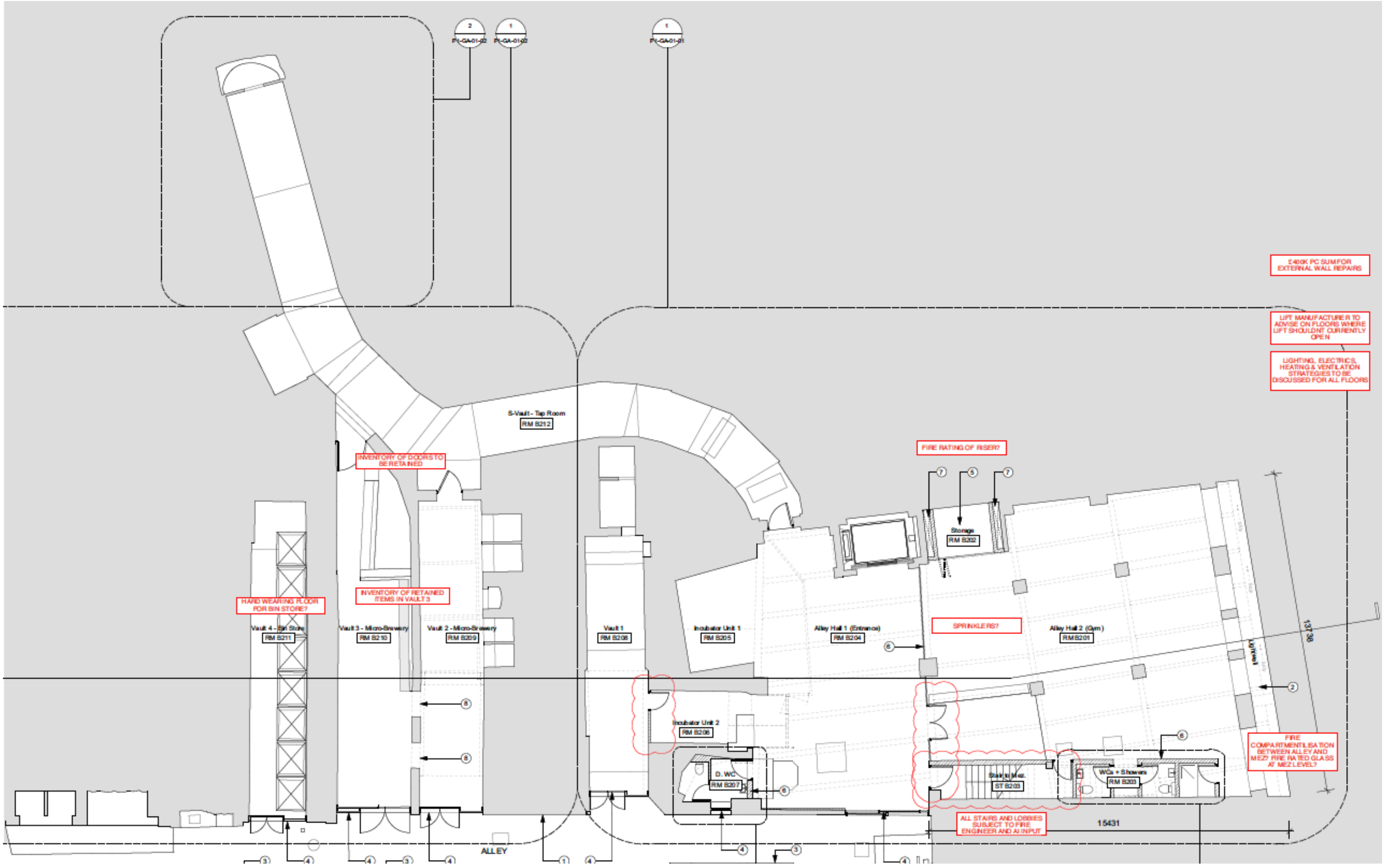
Installation of new electricity sub-station

Installation of air source heat pump plant

Structural work to the Mezzanine which would otherwise be unacceptably disruptive to future tenants, including opening up a new stairwell between Ground Floor and Mezzanine.




***GROUND FLOOR – PHASE 1 WORKS***




***ALLEY LEVEL – PHASE 1 WORKS***

## 4. Cost and funding

### Funding breakdown:

*[Please specify the total project funding requirement and provide a breakdown by funding source, as per the table below (add additional rows as necessary). Please specify the capital funding sought through the GPF. Also comment on the status and risk of all funding contributions to the project, e.g. received, committed, identified but not secured, unsecure. Costs associated with monitoring & evaluation represent revenue spend and a suitable local funding source must be identified to cover these costs]*

| Funding source | Funding security | Funding profile | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 20/21 £0 | 21/22 £0 | 22/23 £0 | 23/24 £0 | 24/25 £0 | 25/26 £0 | Total |
| Capital Funding sources | | | | | | | | |
| SELEP – GPF | | 1,750,000 | | | | | | **1,750,000** |
| Get Building Fund (or alternatives) | In process | 914,211 | 799,024 | | | | | **1,713,235** |
| Community Housing Fund | Confirmed | 112,450 | | | | | | **112,450** |
| CHART/HAZ | Confirmed | 559,626 | 251,920 | | | | | **811,546** |
| | | | | | | | | |
| Revenue Funding sources | | | | | | | | |
| Power to change | Confirmed | 95,000 | | | | | | **95,000** |
| Other grant revenue funding or reserves from other parts of the business | Likely | | 200,000 | | | | | **200,000** |
| WRNV reserves | Confirmed | 209,121 | | | | | | **209,121** |
| Earned income (rents and service charges) | Based on valuations and market demand | 5,680 | 54,255 | 247,999 | 282,912 | 302,718 | 316,043 | **1,209,607** |
| **Total funding requirement** | | **3,646,088** | **1,305,199** | **247,999** | **282,912** | **302,718** | **316,043** | **6,100,959** |

*The capital costs are based on a full cost plan prepared by Measur, our quantity surveyors.*

### GPF flexibility

*[Please comment on the level of flexibility to reduce the total amount of GPF sought and/or flexibility to amend the GPF spend profile; maximum 0.5 pages]*

We initially sought investment input of £3.36M but were awarded Phase 1 of £1.75M with Phase 2 (£1.617M) allocated to the pipeline. This revised business case details the costs and benefits specific to the GPF-funded element of Phase 1 but this should be seen in the context of the wider project to develop the whole building.

Given the community and economic benefits in an area of acute need, and the commitment to community ownership in perpetuity, we have sought support from the Getting Building Fund in the form of public grant. By adding this to the Phase 1 tender, we achieve more at this stage rather than being seen as a completely separate contract. If Getting Building Fund is successful we would still seek Phase 2 of GPF for £1.1617m to contribute towards the development of the residential element (the costs and benefits for this phase are not included in the overall cost profiles provided at this time).

We have a sophisticated and robust financial model where assumptions can be adjusted to model a range of scenarios and sensitivities.

## Cost breakdown:

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

*NOTE: the first table represents TOTAL capital and revenue costs across the Observer Building project. The second table is GPF specific costs – capital only.*

| **TABLE 1 of 2** | FULL Observer Spend Profile (GPF plus other capital and revenue) | | | | | | |
|---|---|---|---|---|---|---|---|
| Cost type | 20/21 £0 | 21/22 £0 | 22/23 £0 | 23/24 £0 | 24/25 £0 | 25/26 £0 | Total |
| *Phase 1a works (GPF, CHART, HAZ)* | | | | | | | |
| Alley Hall prep for full let | 123,133 | 73,880 | | | | | 197,013 |
| Vaults prep for full let | 111,746 | 67,048 | | | | | 178,794 |
| Ground prep for full let incl. univeral access | 415,618 | 249,370 | | | | | 664,988 |
| Mezzanine (structural) | 172,336 | 103,402 | | | | | 275,738 |
| Substation | 78,125 | 46,875 | | | | | 125,000 |
| Air source heat pumps | 125,000 | 75,000 | | | | | 200,000 |
| Roof and external works - essential | 112,900 | 67,740 | | | | | 180,640 |
| | | | | | | | |
| *Phase 1b works (GBF funded)* | | | | | | | |
| Mezzanine final works for full let | | 129,663 | | | | | 129,663 |
| First prep for full let | | 492,513 | | | | | 492,513 |
| Roof and external works long-term | | 567,560 | | | | | 567,560 |
| Residential shell | | 110,250 | | | | | 110,250 |
| | | | | | | | |
| Project Management | 31,596 | 32,196 | | | | | 63,792 |
| | | | | | | | |
| Professional fees | 206,696 | 244,349 | | | | | 451,045 |
| | | | | | | | |
| Quantified Risk Assessment (QRA) | Note: all capital works figures quoted include 10% QRA | | | | | | |
| | | | | | | | |
| Refinancing costs | 350,000 | 400,000 | | | | | 750,000 |
| **Total Capital spend** | **1,727,150** | **2,659,846** | **0** | **0** | **0** | **0** | **4,386,996** |
| | | | | | | | |
| | | | | | | | |
| Monitoring and Evaluation* (not sought from GPF) | 24,000 | 24,480 | 8,160 | 8,323 | 8,490 | 8,659 | 82,112 |
| GPF finance costs on repayment | | | | | | 86,625 | 86,625 |
| Other debt refinancing | | 0 | | | | | 0 |
| Finance costs (not including GPF interest repayment) | 54,562 | 108,538 | 76,038 | 88,418 | 81,830 | 117,969 | 527,354 |
| Other operational revenue spend* (not sought from GPF) | 168,306 | 163,426 | 168,403 | 171,635 | 174,998 | 178,498 | 1,025,266 |
| **Total revenue spend** | **246,868** | **296,444** | **252,601** | **268,376** | **265,318** | **391,751** | **1,721,357** |
| | | | | | | | |
| **Total cost** | **1,974,018** | **2,956,290** | **252,601** | **268,376** | **265,318** | **391,751** | **6,108,353** |
| Inflation (%) applied throughout | 2% | 2% | 2% | 2% | 2% | 2% | |

| TABLE 2 of 2 | GPF only Observer Spend Profile (GPF capital) | | | | | | |
|---|---|---|---|---|---|---|---|
| Cost type | 20/21<br>£0 | 21/22<br>£0 | 22/23<br>£0 | 23/24<br>£0 | 24/25<br>£0 | 25/26<br>£0 | Total |
| | | | | | | | |
| Alley Hall prep for full let | 68,330 | 40,998 | 0 | 0 | 0 | 0 | 109,328 |
| Vaults prep for full let | 62,011 | 37,207 | 0 | 0 | 0 | 0 | 99,218 |
| Ground prep for full let incl. univeral access | 230,638 | 138,382 | 0 | 0 | 0 | 0 | 369,020 |
| Mezzanine (structural) | 95,634 | 57,381 | 0 | 0 | 0 | 0 | 153,014 |
| Substation | 43,354 | 26,012 | 0 | 0 | 0 | 0 | 69,366 |
| Air source heat pumps | 69,366 | 41,620 | 0 | 0 | 0 | 0 | 110,985 |
| Roof and external works - essential | 62,651 | 37,591 | 0 | 0 | 0 | 0 | 100,242 |
| | | | | | | | |
| Project Management | 30,000 | 30,600 | | | | | 60,600 |
| | | | | | | | |
| Professional fees | 204,994 | 123,233 | | | | | 328,227 |
| | | | | | | | |
| Quantified Risk Assessment (QRA) | Note: all capital works figures quoted include 10% QRA | | | | | | |
| | | | | | | | |
| Refinancing costs | 350,000 | | | | | | 350,000 |
| | | | | | | | |
| **Total cost (all capital spend)** | **1,216,977** | **533,023** | **0** | **0** | **0** | **0** | **1,750,000** |
| Inflation (%) | 2% | 2% | 2% | 2% | 2% | 2% | |

Inflation - given high levels of uncertainty, we have chosen a conservative figure based on previous experience and confirmed as sensible by our Business Plan review expert (Acuity Professional). The rapid pace of the GPF delivery means that inflation is unlikely to be a major factor.

Contingency and QRA – A full QRA at this stage is not appropriate, but we have added 10% contingency to all capital costs on advice of Measur, our Quantity Surveyors. This splits into a design contingency (as the design develops and tenants come in and ask us to tweak the design) and a construction contingency (as we open up the building there could be unforeseen issues, that would lead to a variation in the contract). While design changes are likely, our familiarity with the building makes unforeseen construction challenges less likely.

# 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 an 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; maximum 0.5 pages]*

A full set of RIBA Stage 3 documentation was submitted for pre-planning advice to Hastings Borough Council in December 2019. Initial advice was supportive and a pre-planning forum held on 26 Feb 2020 attracted many local supporters. The planning application and all associated reports (see Appendix G for a list of these) were submitted on 1st May 2020 for planning and conservation area consent. There have been more than 50 positive comments on the planning portal and it is expected that the application will be determined by 4th September under delegated authority.

Pre-planning advice, provided formally after the pre-planning forum held on 26/2/20, was supportive. There are currently 52 positive comments on the planning portal. We have discussed in detail with all statutory consultees and no issues are foreseen. We have been informed that the decision is likely to be taken under delegated authority and it is expected in early September.

## Procurement:

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

The proposed procurement route for the main contractor is a two-stage procurement with a full tender process to establish competition against set parameters outlined in the tender document preliminaries, followed by pricing of individual packages negotiated with our QS, Measr. This allows for maximum flexibility and value for money and enables specialist work to be separately tendered and contracted where appropriate.

The project by its nature achieves social value through supporting SMEs and local supply chains. In addition, WRNV's procurement policy (Appendix F) gives 25% weighting to demonstration of how services contribute to social and economic impact in Hastings. The tender specification will include local labour and local sub-contractor clauses and these will be part of the tender evaluation.

## 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; maximum 0.5 pages]*

WRNV owns the freehold title of the Observer Building (see Appendix C)

## Equality:

*[Please state whether an Equality Impact Assessment has been completed for the overall project and state the main outcomes of this assessment. Please include the Equality Impact Assessment as an Appendix to this document. 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 during the project's development; maximum 0.5 pages]*

An Initial Equalities Impact Review has been undertaken by the team (Appendix B). This links to our Social Impact Capture Policy (Appendix B1). This shows that the OB project has a significant positive impact in terms of advancing equality of opportunity and fostering cohesion, and that it will be particularly relevant for three of the protected characteristics (disability, age, sex).

Above and beyond WRNV's Equalities & Diversity policy, there are specific actions where a building project like the OB can make tangible improvements, including a commitment to universal access, welcoming and planning for diversity.

The initial review will be developed further as a collaborative process with our tenants, users and wider community as part of ongoing project development.

## Project milestones:

*[Please complete the table below to show the key project milestones. This should include the expected project completion date]*

| **Project milestone** | **Description** | **Indicative date** |
|---|---|---|
| Purchase | Freehold title | Completed Feb 19 |
| Concrete repairs & Enabling Works | Structural Renovations (£275k)<br>Hastings Buildings Services (£55k ) | Completed Sept 19 |
| Professional team | Full professional team in place | Completed Jan 20 |
| Pre-tender contractor interviews | | July 20 |
| Planning permission | | Sept 20 |
| Invitation to tender | | Sept 20 |
| Contractor appointed | | Oct 20 |
| Phase 1 works | Complete Alley Hall and Vaults. Complete Ground Floor. Structural works to mezzanine. Install lift and entrance ramp, substation and air source heat pumps. Undertake essential roof and external works. | Nov 20 – May 21 |
| GPF Phase 1 project completion | | June 21 |
| Phase 2 works* | Complete Mezzanine. Complete 1st Floor. Demolitions and staircases to prep for resi-shell. Full roof and external works. | June 21 – Mar 22 |
| Phase 3 works | Completion of resi shell, internal walls and fit-out | Mar 22 – Dec 21 |
| GPF project completion | Allows for slippage | Mar 22 |

* If funding allows, we hope to include some or all of Phase 2 works within the initial contract.

# 6. Expected benefits

## Overall Project Impacts:

*Please specify the expected impacts of the overall project in terms of 'direct' outcomes (jobs, homes and other outcomes arising from the project) and 'indirect' outcomes. Outcomes should be presented in 'gross' terms and 'net' terms after making adjustments for additionality factors[1] (e.g. deadweight, displacement, leakage, substitution), as per the table below. Particular focus should be given to the assessment of deadweight. For example, deadweight will rarely be 'zero' as GPF allocation typically accelerates delivery or enables higher volumes of development/outcomes, rather than enabling development/outcomes in their entirety. The table should demonstrate the direct impact of the project in terms of creating new jobs and/or homes through enabling specific named developments (which have been identified as part of local development policies, plans or investment strategies)*

The project will support the first phase of the planned regeneration of the 4,000 sqm GEA Observer Building (OB) in Hastings. The full renovation opportunity extends to 2,202 sqm GIA of new commercial space on the lower floors, plus 420 sqm at roof level, 16 capped-rent flats on the upper floors and plans to add further function rooms in rooftop extensions.

This locally-led regeneration will provide affordable accommodation to businesses and residents, targeted at some of the hardest to reach economically deprived communities in Hastings. It will extend and complement the offer of the recently completed Rock House building by bringing a further derelict detractor building back into functional use, whilst helping to catalyse the wider revitalisation of Hastings Town Centre.

The OB has been derelict for 35 years and despite 13 owners in that period there have been no renovations, demonstrating the scale of the financial viability challenges and that there is no market-led solution for the building.

This economic appraisal considers the economic return potential that could be achieved through the works described in the table as Phase 1a, comprising 1,561 sqm GIA of new commercial space, delivered through a mix of sought GPF loan funding and confirmed Community Housing Fund and CHART/HAZ grant co-funding.

The Value for Money assessment considers all these net public costs against all expected impacts from these investments.

The direct impacts assessed comprise (a) new temporary construction employment opportunities supported through the Phase 1 OB renovations and (b) associated construction GVA impacts and (c) commercial LVU achieved, the principles for which are established through HMT Green Book and the MHCLG Appraisal Guide. The resultant commercial space will also support (d) new Full Time Equivalent (FTE) jobs and (e) longer term cumulative GVA impacts in the SELEP economy. In enabling new job opportunities locally targeted at some of the most hard-to-reach groups, the project also has potential to help redress imbalances in local labour market performance, with (f) Labour Supply Impacts (LSI) established through the HMT Green Book and WebTAG.

Whilst the delivery of the full Phase 1 OB works (including the GBF grant) will significantly improve the viability of follow-on development comprising a 1,000 sqm housing or commercial opportunity, this has not been appraised at this stage, owing to the early stage plans for any future projects.

The project also has potential to bring catalytic effects on surrounding development, principally the Alley, Harper's Caves, Rose Cottage and 12 Claremont. For prudence, no attempt has been made at this stage to monetise indirect catalytic impacts.

A supporting GENECON economic impact model considers a 'With GPF' scenario assessed against a counterfactual 'No GPF' scenario in order to estimate the overall additionality of the GPF loan and the co-funding. The model itself first assesses gross impacts and prudent adjustments for leakage and displacement / substitution have then been made to arrive at estimates for net impacts to the SELEP area.

For completeness all the above gross and net economic impacts have been assessed, but to adhere to SELEP Appraisal Framework only net LVU and LSI impacts are carried forward into VfM/BCR tests. Some GVA impacts are included within LSI impact results although with GVA excluded from the VfM tests, this is inconsequential. The table shows gross and net (to SELEP) impacts that are dependent on the GPF loan (after deadweight deductions) in totality and by date.

| Phase 1 Dependent Outcomes | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 onwards | Total |
|---|---|---|---|---|---|---|---|---|
| Direct outcomes (gross, after 'deadweight' deductions) | Commercial floorspace | | | 1,322 | | | | 1,322 sqm GIA |
| | Gross construction job years | 12 | 1 | | | | | 13 job years |
| | Construction GVA (undiscounted) | £1.08m | £0.07m | | | | | £1.15m |
| | Gross Operational FTE Jobs | | | | 27 | 27 | | 54 FTEs |
| | Gross Operational GVA (10-year impacts, undiscounted) | | | | £0.79m | £1.57m | £13.38m | £15.75m GVA |
| | Gross Commercial LVU (undiscounted) | | | £1.41m | | | | £1.41m LVU |
| Direct outcomes (net less deadweight) | Net construction job years | 8 | <1 | | | | | 9 job years |
| | Net construction GVA (undiscounted) | £0.73m | £0.04m | | | | | £0.78m GVA |
| | Net Operational FTE Jobs | | | | 18 | 18 | | 36 net FTEs |
| | Net Operational GVA (10-year impacts, undiscounted) | | | | £0.53m | £1.06m | £9.03m | £10.63m net GVA |
| | Net Commercial LVU (undiscounted) | | | £1.06m | | | | £1.06m net LVU |
| | Gross / Net Workforce re/entrants | | | | 9 | 9 | | 18 Entrants |
| | Welfare-related LSI GDP (10-year impacts, undiscounted) | | | | £0.20m | £0.40m | £3.37m | £3.97m net GDP |

## Calculation of Project Impacts:

*[Please provide the basis for the calculation of the project impacts stated above, making reference to specific named developments (which have been identified as part of local development policies, plans or investment strategies) which are enabled by the project. In addition, specify if the realisation of benefits is contingent on further investment not yet secured; maximum 1 page]*

The following five gross and net benefit streams have been monetised to estimate the economic impacts associated with Phase 1 works. The realisation of these gross 'direct' benefits is contingent on £1.75m GPF loan investment plus £0.9m of secured co-funding in the Phase 1 works to enable 1,322 sqm of GIA commercial space within the OB.

Gross & Net Construction Employment Effects (Direct): ONS benchmark £186,574 turnover per construction job year in the South East and £2.4m estimate of base construction costs has been used to estimate gross construction job years enabled and accelerated through the project, estimated at 13 gross construction jobs. Prudent deductions for leakage (-10%) and displacement (-25%) result in estimate of 9 net construction job years, equivalent to 1 FTE job based on industry convention of '10 job years per FTE'.

Gross & Net Operational FTE jobs (Direct) – A HCA Employment Densities Guide (EDG) ready reckoner of 17.5 sqm NIA per job has been used, reflecting expectation that Phase 1 OB will be developed to provide reasonably typical high street retail and leisure activities. A prudent 10% deduction has been made to gross FTE jobs estimates to reflect small periods of underoccupancy among the Phase 1 commercial space.

On this basis it is estimated that a total of 54 gross operational FTE jobs could be supported in Phase 1 OB development when at capacity. Prudent deductions for leakage (-10%) and displacement (-25%) at the SELEP level in both scenarios have then been made to arrive at an estimate of 36 net GPF enabled FTE jobs.

Cumulative GVA impacts Construction and Operational (Direct) – A sector-based ONS GVA per job benchmark for construction (£89,100 per FTE) has been applied to the construction job year projection and reflecting the range of job opportunities that could be supported when operational, a GVA per job benchmark for retail (£29,200 per FTE) jobs in East Sussex has been applied to estimate the cumulative GVA returns to the SELEP economy. For operational FTE jobs it is considered the new jobs would be present for 10 years. In practice it is likely that the new commercial space will support employment well beyond the first 10 years.

On this basis, it is estimated £0.8m of net construction and £10.6m of net operational GVA could be generated within the SELEP economy by 2033/34 through the delivery of the Phase 1 works, totalling £11.4m in net GVA, or £8.9m at NPV.

Gross & Net LVU (Direct) – Based on the sale price last year, the current value of the 0.7ha OB site and building is estimated at £1.15m and Savills, of which around 28% can be attributed to Phase 1 works (£0.32m). Valuation of the project has estimated that the OB could attract a residual Gross Development Value (GDV) of around £6.3m in totality, of which 28% (£1.7m) can also be attributed to Phase 1 development. As such, gross LVU is estimated at £1.41m. A prudent (25%) deduction for displacement has then been made to provide an initial estimate net LVU for the Phase 1 development at £1.06m, or £0.99m of net LVU at NPV.

Labour Supply Impacts (Direct) – Through the planned approach, the project will support some of the most economically deprived hard-to-reach communities in Hastings. In enabling an increase in jobs densities, the project has significant potential to support greater take-up of job opportunities locally, encouraging improved labour supply. At 72% (ONS, YE to June 2019), Hastings is known to have a significantly lower Employment Rate than the wider SELEP average (78%) and in real terms redressing the 5.2pp deficit would require around 3,100 residents re-/engaging in employment. Given the shortfall in jobs locally and that the OB will be targeting business / jobs growth and workforce re-engagement among hard-to-reach groups, it is reasonable to assume that around a third (33%) of future gross FTE jobs in the Phase 1 OB development would be filled by those re/engaging in the labour force.

An ONS GDP per FTE job estimates for East Sussex for retail development (£33,580 per FTE) have been applied to both scenarios to determine the overall GDP generated by workforce re/entrants encouraged back into employment over the first 10 years and, in line with WebTAG Principles, 40% of GDP can be claimed in welfare-related impacts, estimated at £4.0m through Phase 1 works, or £3.0m of net LSI impacts at NPV. These GDP impacts are a mix of additional tax revenues and negated welfare payments.

More widely, the regeneration of the OB will also enable the delivery of a package of training and start-up support to at least 60 entrepreneurs and start-up businesses, significantly helping to foster and grow emerging businesses locally, thereby helping to improve start-up and survival rates. For prudence no attempt has been made to monetise any wider impacts that could be achieved though the GPFs role in complementing and strengthening business support infrastructure in Hastings.

## The Role of GPF in Benefit Realisation:

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

The OB has sat derelict for 35 years and as efforts by 13 previous private owners have shown, it is clear that the abnormal costs required to repurpose the OB in a reasonably weak market area has meant that from a private developer perspective any alternative redevelopment plans would be financially unviable. The Viability Assessment submitted with the planning application showed that a market scheme would be likely to lose £3.5M.

As a community-led social enterprise created to deliver strategic regeneration in Hastings, WRNV is in a relatively unique position whereby it would accept lower investment returns in exchange for economic outcomes and this is largely the reason why WRMV have taken on the risk of acquiring and regenerating the challenging but strategically important building for the benefit of local communities.

WRNV does not, however, have available funds to deliver capital projects from its own resources and it instead relies on funding from a mix of public sources and some philanthropic donations.

Without such investment, the project simply would not go ahead. Since acquiring the OB last year, WRNV has successfully secured investment from CHART and HAZ to contribute to Phase 1 renovation works and the full investment is needed to deliver the Phase 1 package.

In the absence of the GPF funding, and without any alternative known funding mechanisms, is it highly likely the Phase 1 works would simply not progress. This will not only compromise Phase 1 works, but future OB Phase 2 plans and the Phase 3 opportunity will also stall indefinitely. For projects like this, where there are very limited alternative funding options, without the GPF loan, WRNV would in all likelihood be forced into disposing the building, if it could find a buyer. This would represent a significant lost opportunity for delivering targeted transformative regeneration to tackle economic deprivation locally.

The Hastings Commons could be viewed as a mini Enterprise Zone – focusing on the long term growth of key sites with strategic economic potential, shifting to a higher-value economy and better jobs for local people while providing bespoke training to a workforce where the employers themselves are too small to offer it.

## Value for Money (VfM) assessment:

*[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 scheme promoter should include this and provide 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 p28 or DfT Value for Money Framework) 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.*

*Please note the following:*

- *for projects requesting funding of £2m or more, a quantified Value for Money assessment is required in accordance with the SELEP Assurance Framework;*
- *the VfM should be based on the overall assessment of both monetised and non-monetised impacts]*

The VfM assessment follows the approach forwarded within the SELEP Assurance Framework and the approach to monetisation of impact streams for inclusion in BCR test is also consistent with MHCLG Appraisal Guide and DfT's WebTAG methodologies. Monetisation of two impact streams (net LVU and LSI) are carried forward into the BCR calculation for the Phase 1 OB works.

Based on £1.0m of net LVU at NPV and £3.0m of net LSI at NPV, the combined present value of the net LVU and LSI impacts enabled through the GPF loan is estimated at £4.0m (NPV).

Whilst the overall gross cost of the GPF loan will be £1.75m, repayment by 2025/26 will mean that the only cost to SELEP would be in foregone interest that it could otherwise accrue through retention. The SELEP GPF Round 3 Calculator has therefore been used to estimate the opportunity cost to SELEP arising from the loan, estimated at £525,000 or £482,570 at NPV.

When the NPV of the GPF interest cost is assessed against the combined NPV of the LVU and LSI results the overall BCR position would be 8.3 : 1, inferring excellent Value for Money returns to SELEP.

The overall cost of the Phase 1 OB works is however estimated at £2.67m, and an additional £924,000 of committed CHART / HAZ and investment from WRNV reserves will meet the outstanding costs. Against a GPF interest cost of £487,570 (NPV) and £915,480 (NPV) of commitment co-funding costs, the overall Phase 1 OB BCR position would be 2.9 : 1, which still represents very good Value for Money to the public purse.

This is notwithstanding the wider potential of the Phase 1 works to enable 37 net SELEP FTE jobs, deliver around £11m in net additional cumulative GVA impacts within the SELEP economy (£9m in GVA at NPV) and enable support provision to at least 60 entrepreneurs and start-up businesses locally.

It is important to be clear that the OB project is not a traditional LEP scheme. While WRNV is an experienced specialist developer, its commitment to immediate and sustained community benefit and long-term community ownership creates a different underpinning ethos to the whole project. We are creating very significant land value uplift but using this to reinvest in keeping the space affordable in perpetuity, providing *life-changing opportunities* and *place-shaping opportunities* to people who usually miss out, and focusing on improving productivity across the micro-enterprise sector by making every hour and every square metre and every encounter more valuable.

# 7. Contribution to the Establishment of a Revolving Fund

## GPF Repayment Mechanism:

*[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 Appendix to this document; maximum 0.5 pages]*

The GPF loan will be repaid through refinancing the OB in 2025/26 when it has reached steady state. This will comprise a combination of long-term mortgage debt and equity raised through a community share issue.

The GDV of the building at that point is estimated at a minimum of £6.3M supporting these refinancing figures. We expect to repay a lump sum including £86,625 of interest at that point.

## GPF Repayment Schedule:

*[Please outline the proposed timetable for GPF repayment, committing to repaying the loan before 31st March 2026. The repayment schedule should match that in the Financial Viability section]*

| | 2020/21 £ | 2021/22 £ | 2022/23 £ | 2023/24 £ | 2024/25 £ | 2025/26 £ | Total £ |
|---|---|---|---|---|---|---|---|
| GPF Repayment (Capital) | 0 | 0 | 0 | 0 | 0 | 1.750m | 1.750m |

## GPF Repayment Risk:

*[Provide details of any risks which may impact on the repayment of the GPF funding and how these risks can be mitigated.]*

Risk to refinance. Mitigation – significant value in the building and potential for further grant investment beyond what is shown. Even without that we can achieve refinance through a £750k mortgage at 4% (we have a track record of securing mortgages at this rate). We are confident we can raise a further £1m in a community share offer / neighbourhood bond at 2.5% interest based on similar community share offers / neighbourhood bonds elsewhere in the country and previously conducted by Heart of Hastings CLT.

## Financial Viability:

*[Please provide an initial statement highlighting the underlying assumptions and expected viability of the GPF investment; maximum 0.5 pages. Following this, please include a cashflow that shows both the Drawdown and Repayment schedules for the GPF funding. 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]*

### Cash flow:

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 improving thereafter |
|---|---|---|---|---|---|---|---|
| **Incoming** | | | | | | | |
| SELEP – GPF | 1,750,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| Get Building Fund (or alternatives) | 914,211 | 799,024 | 0 | 0 | 0 | 0 | |
| Community Housing Fund | 112,450 | 0 | 0 | 0 | 0 | 0 | 0 |
| Power to change | 95,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| CHART/HAZ | 559,626 | 251,920 | 0 | 0 | 0 | 0 | 0 |
| Other grant revenue funding or reserves from other parts of the business | 0 | 200,000 | 0 | 0 | 0 | 0 | 1 |
| WRNV reserves | 209,121 | | 0 | 0 | 0 | 0 | 0 |
| Earned income (rents and service charges) | 5,680 | 54,255 | 247,999 | 282,912 | 302,718 | 316,043 | 363,001 |
| Refinancing based on value uplift of the building (4% mortgage) | | 0 | 0 | 0 | 0 | 750,000 | 0 |
| Refinancing based on community share offer (2.5%) | | | | | | 1,000,000 | |
| | | | | | | | |
| **Outgoing** | | | | | | | |
| Growing Places Fund repayment | 0 | 0 | 0 | 0 | 0 | 1,750,000 | |
| Interest in Growing Fund loan in repayment | 0 | 0 | 0 | 0 | 0 | 86,625 | |
| Phase 1. | 1,138,858 | 683,315 | 0 | 0 | 0 | 0 | |
| Phase 2 | 0 | 1,299,986 | 0 | 0 | 0 | 0 | |
| Project management | 31,596 | 32,196 | 0 | 0 | 0 | 0 | |
| Prof fees | 206,696 | 244,349 | 0 | 0 | 0 | 0 | |
| QRA | Note: all capital works figures quoted include 10% QRA | | | | | | |
| Refinancing costs | 350,000 | 400,000 | 0 | 0 | 0 | 0 | |
| Monitoring and Evaluation* (not sought from GPF) | 24,000 | 24,480 | 8,160 | 8,323 | 8,490 | 8,659 | |
| Finance costs | 54,562 | 108,538 | 76,038 | 88,418 | 81,830 | 117,969 | 160,038 |
| Other operational revenue spend* (not sought from GPF) | 168,306 | 163,426 | 168,403 | 171,635 | 174,998 | 178,498 | 190,901 |
| VAT cash-flow adjustments | 88,857 | (49,001) | (50,933) | (1,410) | (218) | (336) | (88) |
| | | | | | | | |
| **Net cash movement** | **1,583,213** | **(1,602,090)** | **46,331** | **15,946** | **37,618** | **(75,372)** | **12,151** |
| **Cumulative total** | **1,583,213** | **(18,877)** | **27,454** | **43,400** | **81,019** | **5,647** | **17,798** |

Capital costs have been collated based on the costings from Measur, our Quantity Surveyors.

Revenue income and costs have been collated using a sophisticated financial model created with advice from:

- Financial Modelling Associates Ltd, financial modelling and audit specialists
- Dyer & Hobbis, chartered surveyors who have carried out building valuations and reviewed our detailed rental income forecasts, confirming them as reasonable and prudent as part of that process
- Acuity Professional, chartered accountants and business planning specialists who conducted a full business plan review based on our financial modelling and confirmed the business plan was based on reasonable and prudent assumptions.

Any cash-flow deficits, as shown in 2021/22 can be managed through the income and reserves from WRNV Ltd who also run other projects and buildings adjacent to the Observer Building. Profit from these buildings is .c £65k - £75k per annum.

# 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 D. This should include a description of any scheme dependencies, risks and delivery constraints which may impact on the delivery of the project or the benefits achieved through GPF investment in the project. The Risk Register should detail all identified project risks. 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 funding and risks to the repayment of the GPF; maximum 0.5 pages]*

See risk register at Appendix D. This is an extract of a much larger dynamic risk register kept by the project management team.

The most significant project risk is not securing GPF funding. As described in Section 2, this would cause a major slow-down and reduction in benefits and raise risks across the WRNV business. Given the scale and critical status of the OB, it would also impact on the wider Hastings Commons (including Rock House, 12 Claremont, Rose Cottage, and the Alley).

Having achieved acquisition, we will do everything we can to progress renovation, but without GPF this would be much slower, higher risk, and far less likely to provide the jobs, skills, affordable housing, strategic connectivity and community benefits. It could even result, in the absence of alternative finance, in the failure of the OB Project, the return of the building to a market that is unlikely to respond productively, and potentially serious impacts on the viability of Rock House.

The risk to repayment of GPF is minimal since the investment will enable works that create significant Land Value Uplift from the current position, almost regardless of market movements. To draw a comparison, WRNV took vacant possession of Rock House in October 2014; in March 2018 we were celebrating going ‘into the black’. For the OB, this ‘steady state’ is expected to be reached in 2023 and by March 2026 the gross value will be c.£6.3m.

Key risks to manage in the coming year include:

- Construction and pre-construction safety
- Public perception of the project
- Tenant expectations
- Team overload

Local demand for commercial space is changing with the impacts of Covid-19. This is an uncertain time but we are confident that our diverse offer and proven expertise in creating Covid-secure workspace will take advantage of the opportunities that those changes offer. With occupation of the main workspaces not anticipated until April 2022, we can expect more certainty to emerge for our pipeline of tenants before then.

# 9. State aid

## State Aid:

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

See State Aid letter at Appendix I.

# 10. Monitoring and evaluation

## Monitoring and Evaluation:

*[Please provide evidence of how you will monitor and evaluate the effectiveness of the GPF funding. This should include completion of the Monitoring and Evaluation Plan as shown in Appendix E. 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. The Monitoring and Evaluation Plan should include all outcomes stated in section 6 and should set out how the delivery of these outcomes will be measured. Updates on benefits realisation will be sought quarterly both during project delivery and post project completion.*

*Note: costs associated with monitoring and evaluation represent revenue spend, and cannot therefore be funded through the GPF allocation; maximum 1 page]*

WRNV proposes continued monitoring of the following metrics to evaluate the impact of the OB Project:

- Sq. m of space brought into use – GPF primary indicator
- Jobs created – GPF secondary indicator
- Enterprises supported
- Number of tenancies and user agreements
- Housing units enabled
- Training programme take up rates
- Rental and hire income
- Online engagement (Facebook likes, Twitter followers, unique website visitors)

Financial forecasts have been produced to 2029, providing expectations of income from rents, hires, events, other activities against which to assess the impact of receiving the GPF funding.
Monitoring will be undertaken by the project team at WRNV with support from Practical Governance.

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

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?

No

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?

No

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?

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, 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 supporting appendices to the Business Case 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 G.

Where scheme promoters consider information to fall within the categories for exemption (stated in Appendix G) 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.

I confirm that the risk analysis included in this Business Case identifies all known project risks and I agree to follow public procurement regulations to the extent applicable during the delivery of the project. I declare that the GPF investment does not contravene State Aid regulations.

All spend of Growing Places Fund funding will be compliant with the Loan Agreement.

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

*Signature of applicant*

*Print full name*
*JESSICA MACDONALD STEELE*

*Designation*
*DIRECTOR, WHITE ROCK NEIGHBOURHOOD VENTURES*

SOUTH EAST
LOCAL ENTERPRISE
PARTNERSHIP

# Appendices

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